CHAPTER– I
INTRODUCTION

1.1. General Background

Dividend Policy involves the decision to pay out earning versus retaining them for reinvestment in the firm. Any change in dividend policy has both favorable and unfavorable effects on the firm's stock price. Higher the dividends means higher the immediate cash flows to investors, which is good, but lower future growth, which is bad. The dividend policy should be optimal which balances the opposing forces and maximizes stock price.

In other words, company's total net income (especially, earning available to equity shareholders) can be divided into two parts: earning to be distributed to the equity shareholders and earning to be kept in the organization. Earnings that are distributed to the shareholders are known as retained earnings. Dividend policy determines the division of earnings between payments to stockholders and reinvestment in the firm. Therefore, the decision regarding how much profit to distribute to the shareholders and how much to keep in the organization is the dividend policy.

Dividend policy is concerned with deciding the part of profit to be distributed to the shareholders. Such a policy depends on various factors, which include the number investment opportunities available, availability of cash, repayment of debt, control, restrictive covenants, bond indentures, taxes, legal rules, cost of selling new stocks, nature of investors etc.

Management should try to maintain regular dividend. For regular dividend, the firm will have sufficient earnings. Management will set a lower regular dividend rate than firms with the same average earnings but less volatility. Management may also declared extra dividends in years when earnings are high and funds are available. Firms usually pay dividends on a quarterly basis in accordance with the declaration date, holder-of-record date, ex-dividend date and payment date.

"Dividend policy has the effect of dividing itS net earning into two parts i.e. retained earnings & dividends. The retained earnings provide funds to finance the firm's long term growth. Dividend policy of the firm thus has its effect on both the long term financing & the wealth of shareholders." *(Pandey; 1998: 770).* "A dividend policy that allows stockholders to get their share of the profits by always paying out a fixed percentage of earnings tend to be preferred by over one that regularly pays stable or increasing dividend.*"(Gitman; 1988: 602.)*

If instead of paying dividend, the firm retains the funds to exploit other growth opportunities because " The distribution of cash dividends causes the reduction in internal funds available to finance profitable investment opportunities consequently either costly sources of financing. Dividend payout out of course reduces the total amount of internal financing. "By a dividend policy we mean some kind of consistent approaches to the distribution versus retention decision, rather than making the decision on the purely adhoc basis from period to period*".(Huntperson; 1972: 405)*.

consequently it must be considered in relation to the overall financing decision. Net earnings may not conform & may not be an appropriate measure of the ability of the firm to pay dividends. So what & how it is desirable to pay dividend is always a controversial topic because shareholders expect higher dividend but corporation ensure towards setting aside funds for maximizing the shareholder wealth. So Modigliani & Miller claimed that corporate dividend practice was a more detail in the context of their analysis, the air has been filled with the debate as the importance of dividend.*" (Modigliani & Miller; 1968: 226)*

In a capital market all firms operate in order to generate earnings. Shareholders supply equity capital, hoping to share in these earnings either directly or indirectly. When a company pays out a portion of its earning to shareholder in the form of a dividend, the shareholder benefit directly. It is believed by same that in order to maximize wealth under uncertainly, the firm must pay enough dividends to satisfy investors. In this case the shareholder expects to benefit indirectly through future increase in the price of their stock. As the division of companies profits between dividends & retention is considered

as dividend policy, all aspects & questions related to payment of dividend are contained in dividend policy. The long run objectives can be achieved by maintaining adequate funds for investment. Financing growth can be considered as a secondary objective of dividend policy. Therefore, the firm should forecast the future need for funds & determine the amount of retained earnings available after payment of dividends.

"The concept of the banking has been developed from the ancient history with the effort of ancient Goldsmiths who developed the practice of storing peoples gold & valuables, under such arrangement the depositors would leave their gold & valuables for safe keeping & serving & given a receipt by the Goldsmith, whenever, the receipt was presented, the depositors would get back their gold & valuables paying a small amount as fee for keeping & serving." *(Samuelson; 1994:208)*

First of all, the Bank of Venice was established in Venice, Italy in 1157 A.D., which was the first ancient bank. Then after bank of Barcelona and Bank of Genoa were established in 1401 and 1407 respectively. Banking slowly started to spread in the rest of the Europe. In England, the banking began with the English gold smiths only after 1640. After the establishment of this bank, the idea of commercial banks rapidly spread all over the world.

The capital market of Nepal is still small, emerging & disorganized. Mainly the capital market plays a vital role in the economic sector. There could not generate profit by Nepalese company that are both established & operated on public sector or private sector. The government is unable to receive dividends from the public enterprises as documented in past several years' budget speeches & economic surveys published ministry of finance.

In Nepal History, Nepal bank Ltd. is the first commercial bank which was established in 1937 A.D. (1994 B.S.) in Nepal which is 128 years after the establishment of first bank in India. Then after;

    i)   Nepal Rastra Bank as the central Bank of Nepal established in 1950 A.D. (2012 B.S.) under act of NRB act 2012.

ii)   Rastriya Banijya Bank as the second commercial Bank of Nepal established in 1965 A. D. (2022 B.S.) Under act of Rastriya Banijya Bank Act 2021 B.S.

iii) After 1985 A.D. (2042 B.S.) Nepal allowed to established joint venture bank in Nepal.

To regulate the banking activities & monetary policy of the nation a central Bank which is called ' Nepal Rastra Bank ' was established. The first commercial Bank fully owned by government named as " Rastriya Banijaya Bank ", was established in 1966 . The commercial Bank has it's own role & contribution in the economic development. It has a source of economic development. It maintains economic confidence of various segments & extends credit to people.

In global perspective, Joint venture Banks are the modes of trading through partnership among nations & also a form of negotiation between various groups of industries & traders to achieve mutual exchange of goods & services of sharing competitive advantages. "A Joint venture is the joining of forces between two or more enterprises for the purpose of carrying out a specific operation. i.e. Industries or commercial investment & production or Trade" *(Gupta; 1984: 15).* Nepal reform efforts in the financial sector begun in 1980's. When Nepal Rastra Bank cashed entry restrictions with an amendment to the commercial bank Act 1974. As a result three banks namely Nepal Arab Bank Ltd. Nepal Indosuez Bank Ltd. & Nepal Grindlays Bank Ltd. Came into operation prior to 1990's. However it was only in 1992, after Nepal Rastra Bank adopted a liberal attitude in permitting commercial banks to open, the financial liberalization really took place, six new bank all in Joint venture of foreign banks have come into operation making the total number of the commercial banks to eleven. In addition, letter of intent has been given to three more commercial banks to operate a regional basis.

Since mid 1980s adopted the liberalization policy, Many Joint venture banks have been established in Nepal with up a maximum of 50% equity participation. Nepal Arab Bank Ltd. (NABL), Nepal Indo- Suez Bank Ltd. (NISBL) & Nepal Grindlays Bank

Ltd.(NGBL) are established in 1984, 1986 & 1987 respectively latter the following Joint venture Banks are established respectively .

1. **Nepal Arab Bank Ltd:** Established on 1984 (2041 B.S.) in joint venture with Everest bank of Emirates bank of International Limited of UAE under act of Banijya Bank act 2031. Now it is (NABIL)

2. **Nepal Indo-suez Bank Ltd**: Established on 1986 (2042 B.S.) in joint venture with Banqua Indosuez of France. Now it is NIBL (Investment Bank)

3. **Nepal Grindlays Bank Ltd (SCBIL):** Established on 1987 (2043 B.S.) in joint venture with Grindlays Bank of London.

4. **Himalayan Bank Ltd:** Established on 1993 (2044 B.S.) in joint venture with Habib Bank of Pakistan.

5. **Nepal SBI Bank Limited:** Established on 2050 B.S. in joint venture with State Bank of India.

6. **Nepal Bangladesh Bank Ltd:** Established on 1994 A.D. (2051 B.S.) in joint venture with International Finance Investment and Commercial Bank.

7. **Everest Bank Ltd:** Established on 1994 A.D. (2051 B.S.) in joint venture with Panjab National Bank of India.

8. **Bank of Kathmandu Ltd:** Established on 1995 A.D. (2053 B.S.) in joint venture with Sian Commercial Bank of Thailand.

9. **Nepal Industrial & Commercial Bank Ltd:** Established on 2054 B.S.

After the establishment of Joint venture Banks in Nepal, it has brought new hopes for productive mobilization of funds according to their new trends of dividend distribution among foreign joint venture bank, Nepal Arab Bank Ltd. Has been able to pay a token dividend of Rs. 5 per share. While other two (NISBL & NGBL) have been signal to pay dividend in the future but the appreciation in the market value of the share of these Joint venture banks have without any doubt , provided adequate sense of protection to shareholder's *"(Shrestha; 1992: 3)*

1.2. Statement of the problem:

Since mid 1980s when Nepal adopted the liberalization policy. Many Joint venture banks have been established in Nepal. Many investors are curious to invest in these financial institutions to get dividend & maximize wealth. A study on stock market behaviors in Nepal indicated that stocks paying higher dividends have higher liquidity, lower leaver age, higher earning, higher turnover & higher interest coverage. Another study as dividends & stock prices has revealed that the relationship between dividend per share affects the share prices variedly in different sectors. However, pertinent question arises as to what extent these findings are still relevant in the recent day context although many changes have taken place. To date some studies have been conducted in Nepal regarding dividend policy but no study has compare the dividend practices of Nepalese joint venture banks. So to examine the dividend practices of joint venture banks from different angles this study has been conducted .

In Nepal Joint venture banks have no satisfactory results about dividend decision. It is partly due to the various government rules & regulations acting & reacting in the financing operation. There is no limit to the identification of the problem about dividend practices that are visible in Nepalese JVBS .

Following are the major problems that have been identified for the purpose of this study.
1. Do the joint venture Banks have uniformity in dividend practices activities ?
2. Do the dividend practice affects the market price of the share differently in JVBS ?
3. What is the relationship of dividend with Earning per share, Market price of share, Book value of share, Net profit & Net worth of JVBS?

1.3. Objective of the Study:

To general objective of their study is to identify the situation of Dividend practices of Nepalese joint venture banks. The specific objective of the study are as follows :
1) To explore the dividend practices adopted by the JVBS.
2) To examine the relationship of dividend with various important variables i.e. earnings per share, net profit, net worth & market price of share (MPS)

3) To analyze the financial strengths and weaknesses of the joint venture banks and offer recommendation for the improvement in performance.

1.4. Significance of the Study:

Every study is important to certain groups. This study no doubt will have importance to various groups but in particular is directed to a certain group of people/organizations, which are:

1. Importance to shareholders to have a comparative study on dividend practice of two leading banks of Nepal.
2. Importance to management bodies of the bank for evaluation of their dividend payment.
3. Importance to further researchers and interested groups
4. Interested outside parties such as investors, customers (depositors as well as loan customers), and competitors, personnel of the banks, dealers and market makers.
5. Are share prices affected by dividend per share in the sample banks?

1.5. Limitation of the Study:

In the context of Nepal, data problem is major problem for study. Every works have restriction & limitation without limitation work is not done sweet & taste. This study has been made by using certain methodology & based an available data which is related with the study. This study is simply a partial requirement of MBS Programme. So this study is limited by the following factors.

a) The result is derived mostly from the analysis & interpretation of secondary data, the result depends upon secondary data.
b) The study period covers only five years i.e. 2005/06 to 2009/10.
c) The sample taken for the study may not represent the whole population.
d) The data are considering only cash dividend & exclude the bonus dividend (stock).
e) There are many factors that affect dividend decision & valuation of the firm. However only those factors related with dividend will be considered in this study.
f) Surrounding environment is also the limitation for the study.

1.6. Organization of the Study:

This study has been organized in five chapters; Introduction, Review of the Literature, Research Methodology, Presentation and Analysis and Summary, Conclusion and Recommendation. A brief detail of each chapter has been defined below:

Chapter – I   Introduction

It contains the introductory part of the study. As already mentioned this chapter describe me major issues to be investigated along with the objectives & scope of the study.

Chapter – II   Review of literature

It is directed towards the review of literature of related studies, it contain conceptual frame work, major studies in general & review of major studies in Nepal.

Chapter – III   Research Methodology

It describes the research methodology employed in the study. This chapter deals with the matter & sources of data, population & sample, statistical tools & financial tools.

Chapter – IV   Presentation and Analysis of Data

It deals with presentation & analysis of relevant data & information through definite courses of research methodology.

Chapter – V Summary, Conclusion and Recommendations

The last Chapter is concerned with the summary of the study. Various conclusions, suggestions and recommendations for improving the future performance have been drawn from the study. Finally an extensive bibliography and appendices are presented at the end of the Chapter**.**

CHAPTER– II
REVIEW OF LITERATURE

2.1.   Conceptual Framework:

Company's total net income (especially, earning available to equity shareholders) can be divided into two parts: earning to be distributed to the equity shareholders and earning to be kept in the organization. Earnings that are distributed to the shareholders are known as dividend and earnings that kept in the organization are known as retained earnings. Dividend policy determines the division of earnings between payments to stockholders and reinvestment in the firm. Therefore, the decision regarding how much profit to distribute to the shareholders and how much to keep in the organization is the dividend policy. Thus, dividend policy of a company is the division of its net earning between shareholders as dividend & retention for its investment therefore, a firm's dividend policy has the effect of dividing it's net earning into two parts i.e. retained earnings & dividends. All aspects & questions related to payment of dividend are constrained in dividend policy.

Dividend Policy involves the decision to pay out earning versus retaining them for reinvestment in the firm. Any change in dividend policy has both favorable and unfavorable effects on the firm's stock price. Higher the dividends means higher the immediate cash flows to investors, which is good, but lower future growth, which is bad. The dividend policy should be optimal which balances the opposing forces and maximizes stock price. It means there is reciprocal relationship between retained earnings & cash dividends. The increase of one may cause decrease of another. Dividend decision is the major decision of managerial finance. It is an important because dividend policy is to determine the amount of earnings to be distributed to shareholders & the amount to be retained in the firm the decision depends upon the objective of the management for wealth maximizations. The firm will use me net profit for paying dividends to the shareholders. If the payment will lead to maximization of wealth of owners. It not it is better to retain then to finance investment programs. The relationship between dividend & value of the firm should therefore, be the criterion for decision- making.

Shareholder expects two types of return from the purchase of stock, i.e. capital gain & dividend. "Since dividends would be more attractive to shareholders, one might think that there would be a tendency for corporations to increase distributions. But one might well equally presume that gross dividends would be reduced somewhat with an increase in net after tax dividends still available to stock holders, & an increase in retained earnings for the corporation" *(Smith; 1977: 99)* It is, therefore, a wise policy to maintain a balance between shareholder's interest with mat of corporate growth from internally generated fund the finds that could not be used up due to lack of investment opportunities should be better paid as dividends since shareholders have investment opportunities to employ elsewhere. Financial Management is therefore concerned with the activities of corporation that affect the well – being of shareholders. That well – being can be partially measured by the dividends received, but a more accurate measure is the market value of stock" *(Dean; 1977: 1)* Shareholders usually think that the dividend yield is less risky than capital gain.

Dividend policy is of great importance because it affects the financial structure, the flow of funds, corporate liquidity & investor's attitudes. Thus, it is one of the central decision are a seeking to maximize the value of firm's common stock. Due to its rapidly increasing importance & aspects many thoughts & provoking ideas in this area to be reviewed. This chapter highlights upon the literature that were concerned in this connection. Similarly, what other have said, done or written etc. about the dividend policy are also reviewed which has provide useful input in this study. Therefore, in this chapter conceptual framework given by different authors in this area, review from books, thesis, Journals, procedure of dividend payment , factors affecting dividend policy & rules regarding dividend policies are presented .

2.1.1. Forms of Dividend:

"In addition to the declaration of cash dividends, the firm has other options for distributing profits to shareholders" *(Hampton; 1998: 515)* other option may be the payment of the bonus shares or stock dividend. In this section, stock split is also discussed. "The stock split is not a form of dividend; but it's effects are similar to the effects of the bonus shares " *(Pandey; 1998: 15)*

(i) Cash Dividend:

Cash dividend is the dividend, which is distributed to the shareholders in cash out of the earnings of the company. Cash is a major form of dividend most of companies pay dividend in cash. When cash dividend is distributed both total assets and net worth of the company decrease as cash and earnings decrease. Therefore, a company should have enough cash in its bank, account when cash dividends are declared. If the company has not sufficient cash then the company should made arrangement to borrow funds. When the company follows a stable dividend policy, it should prepare a cash budget for coming period to indicate the necessary funds, which would be needed to meet the regular dividend payment of the company. The cash account & the reserve account of a company will be reduced when the dividend is paid. Thus, both the total assets & the net worth of the company are reduced when the cash dividend is distributed. The market price of the share drops in most cases by me amount of me cash dividend is distributed.

(ii) Stock dividend (Bonus shares) & Share split :

"A stock dividend is simply the payment of additional shares of common stock to shareholders"*(Horne; 1996: 506).* It occurs when the board of directors authorizes a distribution of common stock to existing shareholders. This has the effect of increasing the number of outstanding shares of the firm's stock. The bonus shares do not affect the wealth of the shareholders. Firms pay stock dividend as a replacement for a supplement to cash dividend. Under stock dividend, stockholders receive additional shares of the company in lieu of cash dividends. Stock dividend requires and accounting entry transfer from the retained earnings account to the common stock and paid in capital accounts.

Rupees transferred from retained earnings – Number of shares outstanding x Percentage of stock dividend x Market price of the stock. There is no cash involved in a stock dividend. Net worth remains unchanged, and the number of shares is increased. In practice, however it carries advantage both to share holders and the company. For shareholders, one of the advantages for receiving the bonus shares is the beneficial treatment of such dividends with regard to income tax. Normally, it is also indication of higher future profit. The declaration of bonus issue may have a favorable psychological effect on shareholders. The bonus share is also advantageous to the company because it

conserves the cash & only means to pay dividend under financial difficulty & contractual restrictions.

A stock split is eventually me same, when a stock splits; shareholders are given a large number of shares for the old shares they already own. In either case, each shareholder retains the same percentage of all outstanding stock that he or she had before the stock dividends or splits. Hence, the stock split is a kind of stock dividend where company breaks shares through splitting the par value of the share. Split takes place in two ways: (1) Straight split and   (2) Reverse split.

(1)Straight split:- In the straight split company increases number of shares through a proportional reduction in the par value of stock. Straight split takes place to bring to market price in reasonable range and to increase the total dividend without increasing dividend per share.

(2) Reverse split:- In the reverse stock split, company reduces number of shares outstanding through merging the par value of the stocks. This takes place to bring low priced shares up at desirable trading levels.

(iii) Bond dividend:

Bond dividend is distributed to it's shareholders in form of bond. Bond dividend assists to post [pone the payment of cash. Bond dividend assists to postpone the payment of cash. In other words, the company declares divided in the form of it's own bond with a view to avoid cash outflows.

(iv) Scrip dividend:

When earning of the company justify dividends but the company's cash position is temporarily weak does not permit cash dividend, it may declare dividend in the form of scrip. In this method of dividend, company issue & distributed to shareholders transferable promissory notes which may be interest bearing or not. Scrip dividend are justified only when the company has really earned profit & has only to wait for the conversion of others currents assets into cash in the course of operation.

(v) Property dividend:

This involves a payment of assets / property is any form other than cash. This form of dividend may be following when there are assets that are no longer necessary in operation of the business or in extra ordinary circumstances. Company's own product & securities of subsidiaries are the examples that have been paid as property dividend.

Besides the above form of dividend, there are some additional forms of dividend as well according to "Corporate Financial Management" by Kiran Thapa. They are as Follows:

a) Interim Dividend :

Generally dividend is declared in the last of the financial year. This is called regular dividend. Many times directors can declare the dividend before the end of the financial year. This is called interim dividend.

b) Composite Dividend :

If the dividend is paid partly in the form of cash and partly in the form of property, then the dividend said to be composite dividend.

c) Optional Dividend :

Instead of giving composite dividend company can give option to its shareholders to take the dividend in cash or in property.

d) Special Dividend :

When directors of the company do not want to change the dividend separately when the companies have good cash and reserves. This dividend is given with the regular dividend but separately.

2.1.2. Corporate Share Repurchase :

Corporate share repurchase is taken as an alternative to paying dividends. If a firm has some surplus cash (or it can borrow), it may choose to buy back some of its own stock . It is essential to see why share repurchase may be viewed as an alternative to paying dividends. By repurchasing a stock, a company is reducing the number of shares outstanding. If the price–earning (P/E) ratio does not change after the repurchase , the stock price must rise . "If a firm has excess cash & insufficient profitable investment

opportunities to justify the use of these funds, it is in the shareholders interest to distribute the funds. The distribution can be accomplished either by the repurchase of stock or by paying the funds out in increased dividends" *(Horne; 1997: 331)*

Van Horne quoted that the equilibrium share repurchase price P^*, a company should offer is :

$$P^* = \frac{S \times Pc}{S - N}$$

Where ,

S   = Number of shares outstanding prior to the distribution.

Pc   = Current market price per share prior to the distribution

N   = Number of shares to be repurchased.

2.1.3. Types of dividend Policies :

Generally, the types of policies being followed in the real world. The assumption is that policy makers take into account the factors that affect the value of the firm in whatever policies they make. But it is very difficult to say which policy, among all those being adopted by firms, is correct & optimal? We can simply group them into the following four general categories.

I.   Stable Rupees Amount Policy :

The stable rupees amount policy is based on the payment of a fixed rupee dividend in each period. This policy does not imply that the dividend per share of dividend rate will never be increased. When the company reaches new level of earnings and expects to maintain it the annual dividend per share may be increased. The Policy rupees amount implies a steady change in dividend amount which increases at a certain constant growth rate to compensate for inflationary effect (or remains constant or decrease at a stable decreasing rate depending on

the trend of earning) irrespective of short term fluctuations in earnings. Since steady rise in dividends reflects low risk, this policy is believed to be the one that affects stock price favorably. The following figure represents the dividend pattern for the given earning trend under this policy.

Figure: 2.1.

Stable Amount dividend Policy
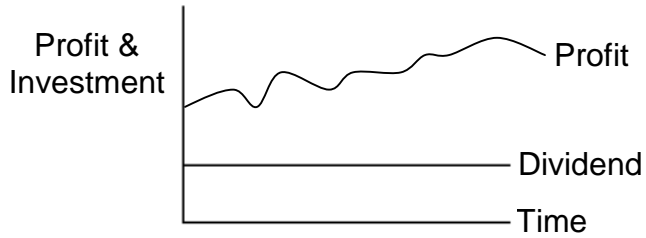
II. Constant payout ratio :

The policy to distribute a certain percentage of profit every period is called constant payout ratio. It means that when fixed percentage of earnings is paid as dividend in every period, the policy is called constant payout ratio. The payout ratio is the ratio of dividend to profit. There are many companies which use a constant percentage of profit for dividend distribution. When a company uses a constant payout ratio, amount of dividend fluctuates a earning do. In other words, the amount of dividend increases or decreases proportionately with earnings. The pattern of dividend for given pattern of earnings looks like the following figure.

Figure: 2.2.

Constant payout ratio
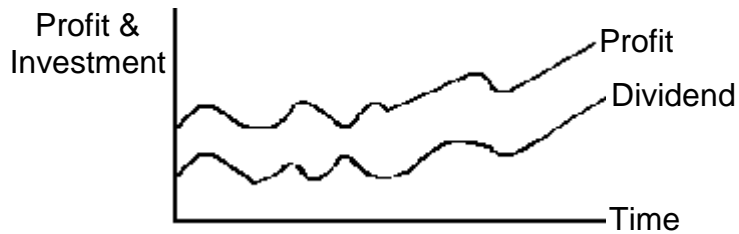
III. Low regular plus extras :

The policy of paying a low regular dividend plus extras is a compromise between a stable dividend and a constant payout rate. This type of policy is mostly followed by those companies whose stockholders prefer at least a certain amount of regular dividend plus extra dividend based on company performance. Management fixes a minimum regular dividend to be paid in any case unless a long run trend of losses is expected. The amount of extra dividend depends on the level of earnings. Thus, a total dividend each

stockholder receives is based on a fixed amount plus a certain percentage of profit. The following figure represents the dividend pattern under this policy.

Figure: 2.3.

Low Regular Plus Extra Dividend Policy
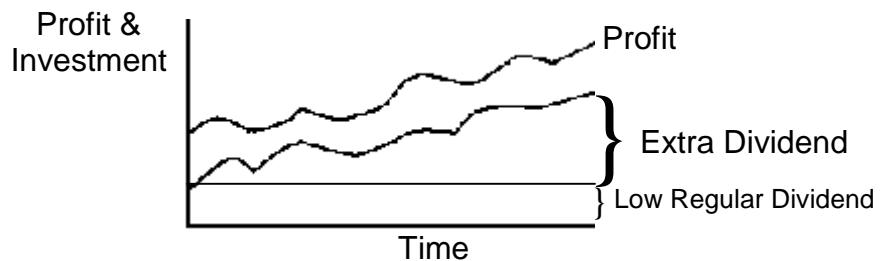
IV.   Residual Dividend Policy:

There are many factors, as noted before, which influence dividend policy. However, among all, earnings & investment opportunities are considered as determining factors in the residual dividend policy. The residual policy is the outcome of the belief that investors are better off in reinvesting company profits & they prefer so. Under this policy dividends are paid out form the leftover earnings. If the expected return on the reinvestment is higher than what individual investors can realize on their own, it is to the shareholder's advantage to first invest profits in those projects that promise higher profit & then distribute only the leftovers as dividends.

The residual dividend policy states that profits should be used first is all profitable investment plans which reflect equal or higher rate of return than investor's opportunity rate of return. And it there is any profit left that could not be utilized, it should be distributed as dividends. The principle on which the theory is based is clear, that is, to maximize benefits to shareholders by first undertaking investment plans & distributing dividends if there is any leftover. The following figure shows that amount of earnings available for dividend after scheduled investments.

<p align="center">**Figure: 2.4.**</p>

<p align="center">**Residual Dividend Policy**</p>
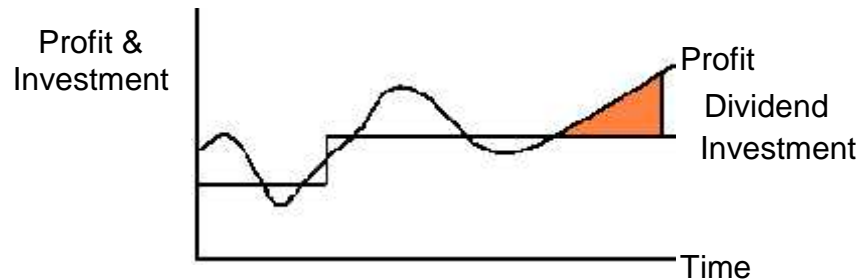
The Residual policy says that dividend decisions should be such that :

      (i)   Profits is reinvested to be optimum investment level that reflects maximum returns,

    (ii)   Reinvestment of profits help maintain optimal capital structure, &

   (iii)   Dividend is to be paid only if earnings are more than enough for investment plans.

Thus, the residual policy, in consistence with the basic objective of value maximization, places more importance to overall value maximization man present dividend to shareholders.

2.1.4. Legal provisions Regarding Dividend Practice:

Legal provisions and procedures are imposed to make corporate firms follow international accounting standard in maintaining accounts and distributing profits. Government Policy, Company Act, Central Bank's rules & regulations, circulars issued from time to time and contractual restrictions govern not only the amount of dividend that can be legally distributed but also on the procedural aspects of declaring dividend and dividend practices of corporate firms. These policies rules and regulations are subject to change to suit the state of condition in the corporate sector and country's economy.

Certain legal restrictions has been imposed on the declaration of dividend, issue of bonus shares and repurchase of shares. Declaration of dividends is prohibited unless corporate firm is incorporated under Company Act or statute transfer necessary amount from net profit to reserves account as required by statutory provisions.

Commercial Act 1972 (2031) section 18 (4th Amendment 2046) has prohibited the distribution of dividend unless the following conditions are met:

- ➢ Before writing off preliminary expenses.
- ➢ Before making provisions for previous years' losses.
- ➢ Before maintaining adequate (a) capital fund, (b) provision for loan loss and (c) reserve fund, 20% of the net profit should be appropriated till reserve fund reaches double of paid up capital.

Nepal Company Act, 2006 (2062 B.S.) has made certain provisions on dividend payments. Legal rules and provisions, which seem to affect dividend practice, are mentioned below:

Section 179, subsection 1 allows distribution of bonus shares to shareholders from the distributable profits upon approval of special agenda in shareholder's annual general meeting. Subsection 2 requires information to the concerned authority before issuing bonus shares.

Section 182 of the act has defined distribution of the bonus shares within 45 days from the date of the decision made in annual general meeting except the following issues.

- a) In case any law forbids the distribution of dividends.
- b) In case any right to dividend is disputed.
- c) In case dividends can't be distributed within the time limit mentioned above owing to circumstances beyond anyone's control and without any fault on the part of the company.

Section 182, subsection 3 states that payment of a certain interest incase of non-payment of the dividend within the specified time period.

Section 182, subsection 4 states that dividend will be paid to the registered shareholders in the book of the company at the time of decision of the dividend or rights holder as per the law.

Section 182, subsection 5 states that dividend can be paid to shareholders after deducting depreciation, payments/provisions as per the law and all the loss of previous years. Dividend can be distributed without reserves or provisions as per the existing law.

Section 182, subsection 7 allows Board of Directors to distribute interim dividend to its shareholders from the profit of earlier financial year in the following cases.

(a) Allows payment of interim dividend in case of provision in the memorandum of the company.

(b) The audited balance sheet approved by the Board of Directors for distribution of dividend of the specified year, dividend can be made to shareholders.

Section 182, subsection 9 allows to transfer the uncollected dividend within 5 years from the date of the decision at the Annual General Meeting to the account of Investors Samrachhan Reserves.

2.2. Factors Affecting Dividend Policy:

"Formulating a policy regarding determination of amount of dividends to be paid out to the stockholders requires careful consideration of a myriad of factors that come to bear upon dividend policy. It should be noted that although the factors may affect the payment of dividends, there is no necessary relationship between these factors and actual dividend policy." *(Weston & Copeland; 1992: 628)*

The factors affecting the extent to pay out dividends instead of retaining earnings are briefly outlined below:

2.2.1 Legal Rules

The legal rules provide the framework within which dividend policy can be formulated. Legal rules emphasize three rules. *(Weston & Copeland; 1992: 629)*

a) **The net profit rule:** The net profit rule provides the payment of dividend from past and present earnings only.

b) **The capital impairment rule:** This rule prohibits the payment of liquidating dividend (i.e. payment of dividend out of capital). Liquidating dividend would mean distributing dividend from investment rather than earnings.

c) **The insolvency rule:** This rule prohibits the payment of dividend while the firm is insolvent condition where liabilities are greater than assets.

2.2.2 Investment Opportunities and Stockholders' Preferences

Appropriate Dividend policy of a firm is one that is designed in the light of company's investment opportunities and stockholders' preferences. If the company has host of profitable investment opportunity in hand and the stockholders have preference for long-term gains, the management has no alternative but to retain entirely or sizeable portion of its earnings to finance the investment projects. However, the management will be in dilemma if the company has a number of potential investment proposals requiring plenty of funds and at the same time its stockholders have strong preference for dividend income. In such a situation the finance manager must balance the net preference of stockholders against the different cost of retained earnings and net stock financing before deciding about the size of dividends to be distributed.

2.2.3 Growth Rate (Rate of Asset Expansion)

A rapidly growing concern will have regular needs of long-term funds to seize upon favorable opportunities and for that purpose it may find it expedient to finance a greater part of its expansion. Such a decision will mean that dividend must be kept at a minimum. But a company, which does not need additional funds for expansion or for replacement of assets, may distribute a high portion of its earnings.

2.2.4 Liquidity Position

Even If a firm has a record of earnings, it may not be able to pay cash dividends because of its liquidity position, Indeed, a growing firm, even a very profitable one, typically has a pressing need for funds. In such a situation the firm may elect not pay cash dividends.

2.2.5 Debt Repayment & Restriction on Debt Contract

The dividend policy of corporate firms using debt is also affected by decision to repay debt on or before maturity which generally requires more retention of earnings, lowering the dividend rate. In case a company is indebted with long-term debt, the provisions of debt agreements greatly influence dividend payments. There may be an agreement with lenders which may either prevent the payment of dividends entirely or limit the amount of dividends to be paid or disallow payment of dividend until certain conditions are fulfilled.

2.2.6 Stability of Earnings

Dividend policy followed by corporate firm to a greater extent depends on rate of earnings and its stability in several years. Corporate firm with high and stable earnings are expected to gradually increase the percentage of earnings for dividend payment. Similarly, a firm that has relatively low and fluctuating earnings is less likely to pay out a higher percentage of dividends.

2.2.7 Control

Control is also an important factor that influences the pattern of income distribution. The issue of additional common stocks for procuring funds dilutes control of the dominant group in that company while raising debt increases risk. In view of this, the present owners' desire to maintain control dictates the policy of withholding dividend payments to build up funds for growth and other purposes

2.2.8 Access to Capital Market

A large well established corporate firm with a record of profitability and stability of earnings has easy access to capital markets and other forms of financing. Such firms are more likely to have higher percentage of dividend payout. On the contrary, a small, new or venturesome firm, however, is riskier for potential investors. Its ability to raise equity or debt funds from capital markets is restricted, and hence, it must retain more earnings to finance its operations.

2.2.9 Ownership Structure

In a closely held company with a few but wealthy stockholders, the management will always retain larger share of profits so as to reduce tax liability of stockholders. But if a firm comprises a few wealthy stockholders and others in middle income group, it is difficult to take a definite stand because of conflicting interests of the owners. The former may prefer low dividend payout rate whereas the latter is very likely to favor relatively high dividend payout rate. The dividend policy in such a company may be a compromise between a low and a high payment – an intermediate payout ratio. However, the stockholders of a large, widely held corporation might prefer a high dividend payout.

2.3.   Review of Major International Studies:

This section is devoted to the review of the major studies in related field concerning dividend, dividends effect on market price of share, behavioral aspect of dividend policy & dividends effect upon the value of enterprises.

Developed theory for irrelevance of dividends which are most comprehensive and logical. According to them dividend policy does not affect value of a firm and is, therefore, of no relevance. They are of the view that sum of the discounted value per share after dividend payments is equal to the market value per share before dividend is paid. It is the earning potentiality and investment policy of the firm than its pattern of distribution of earnings that affects the value of the firm. M-M approach is based on some assumptions like existence of perfect capital market where all investors are rational. Information is available to all at no cost; there are no transaction costs and floatation costs. There are no such investors as could alone influence market value of shares. There does not exist taxes. Firm's investment policy is well planned and is fixed for all the time to come. There is no uncertainty as to future investments and profits of the firm. (Modigliani & Miller's, 1961:120).

The crux of the M-M argument is that shareholders do not necessarily depend on dividends for obtaining cash. They can get cash by devising "home made dividend" from arbitrage process without any dilution in their wealth. According to M-M, the effect of dividend payments on shareholder wealth is offset exactly by other means of financing.

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M-M suggests that the sum of the discounted value per share after financing and dividends paid is equal to the market value per share before the payment of dividends. The stock's decline in market price because of external financing offsets exactly by the payment of the dividend. Thus, a stockholder is said to be indifferent between dividends and the retained earnings and subsequent capital gains.

MM view that the market price of a share at the beginning of a period is defined as equal to the present value of the dividend paid at the end of the period plus the market price at the end of the period. Thus,

$$Po = \frac{1}{1+k}(D_1 + P_1) \qquad (1)$$

Where,

P_1 = Market price of a share at the end of the year

D_1 = Dividend paid at the end of the year

Po = Price of a share at the beginning of the year

K = Cost of capital

The value of the firm (V) if no new financing exits can be written as:

$$V = nPo = \frac{n(D_1 + P_1)}{1+k} \qquad (2)$$

Where,

n = number of outstanding shares

If the firm sells 'm' number of new share at time 1 at a price of P_1, the value of the firm at time 0 will be,

$$nPo = \frac{nD_1 + (n+m)P_1 - mP_1}{1+k} \qquad (3)$$

Thus, the total value of the firm as per equation (3) is equal to the capitalized value of dividends to be received during the period plus the value of the number of shares outstanding at the end of the period less the value of the newly issued shares. A firm can finance its investment program either by ploughing back its earnings or by issue of new

shares or both. Thus, total amount of new shares that the firm will issue to finance its investment will be:

$$mP_1 = I - (X - nD_1) \qquad (4)$$

Where,

mP1 = Total amount of funds raised by issue of new shares to finance investment projects.

$$I = \text{Total new investment during period 1}$$

$$X = \text{Net Profit}$$

If equation (4) is substituted in equation (3), we find the following equation:

$$nPo = \frac{(n+m) P1 - I + X}{1 + k} \qquad (5)$$

Thus, the value of firm is unaffected by dividend policy. Because it is possible to restate the value of the firm in equation (5) without dividends, D which shows that dividends have no effect on value of the firm when external financing is used MM conclude that the current value of firm is independent of its current dividend decisions. What is gained by stockholders in increased dividends is offset exactly by the decline in the terminal value of their stock.

Another popular model analyzing the relationship between dividend policy and valuation of firm is developed by Gordon (1962). According to this model, "A corporation's share price dependent of the dividend rate. The Gordon's model is based on the some unrealistic assumptions. It assumes the firm to be an all equity firm and absence of leverage in its capitalization. There is no outside financing and corporate growth is expected to derive from retained earnings. The internal rate of return, (r) of the firm remains constant (Gordon's, 1962:250).

The capitalization rate, k for the firm remains constant regardless of change in risk complexion of the firm. The firm derives its earnings in perpetuity. There does not exit corporate taxes. Retention ratio, b, once decided will remain unchanged under all the circumstances.

Based on the assumptions, Gordon developed following model to determine market value of share:

$$P_o = \frac{EPS(1-b)}{K-br} \qquad\qquad (7)$$

Where,

Po	= Price of Share
EPS_t	= Expected earnings per share at time t
b	= Retention ration
(1-b)	= Percentage of earnings distributed as dividend
$EPS_t(1-b)$	= Expected dividend per share at time t
Br	= Growth rate (i.e. rate of return on investment of an all equity firm)
K	= Cost of Capital

Equation (7) shows relationship between expected earnings (EPS_t), dividend policy (b), internal rate of return (r), and cost of capital (k) in determination of value of the share. It shows that value of share is equal to the current dividend by the amount by which the rate of return that the investors require exceeds the expected growth in the dividend.

The market value of share (Po), increases with the increase in retention ratio (b) for firms with growth opportunities (i.e. r>k). The market value of the share increases with the payout ratio (1-b) for declining firms with r<k. The market value of the share is not affected by dividend policy for normal firms whose r=k.

Gordon in his study concluded that dividend policy of a firm affects its value. Investors are not indifferent between current dividends and retention of earnings. Investors value the present dividend more than future capital gain. As such an increase in dividend payout ratio leads to increase in the stock prices. However, Gordon's model though theoretically sound is too bounded by the unrealistic assumptions, which has decreased its practical value in real financial world.

One of the earlier theoretical models, clearly indicates that the choice of appropriate dividend policy almost always affects the value of firm. He has studied the significance

of the relationship between the firm's internal rate of return, r (i.e. actual capitalization rate) and its cost of capital, k (i.e. normal capitalization rate) in determining such dividend policy as will maximize the wealth of the stockholders.

Walter's model is based on the some assumptions like the firm finances its entire investments by means of retained earnings. New equity stock or debentures is not issued to raise funds. Internal rate of return (r) and cost of capital (k) of the firm remain constant. The firm's earnings are either distributed as dividends or reinvested internally. Beginning earnings and dividends of the firm never change. The firm has a very long or infinite life (Walter's, 1966:128).

The formula used by Walter to determine the market price per share is:

$$P = \frac{D + (r/k)(E-D)}{k} \quad\quad (6)$$

Where,

P = Market price per share

D = Dividend per share

E = Earnings per share

r = Internal rate of return (Actual capitalization rate)

k = Cost of capital (Normal capitalization rate)

Walter's model seeks to measure the effect of dividends on common stock by comparing actual and normal capitalization rate. Walter considered firm as growth firm if r/k is greater than 1. Such firms must reinvest retained earnings to finance investments. Larger the firms retain, higher the value of the firm. Optimum dividend payout ratio for such a firm will be zero. Normal firms comprise those firms whose r/k = 1. For such firm dividend policy will have no effect on the market value per share. Firms whose r/k is less than 1 are regarded as declining firms. In such firm, market value of the firm will tend to be maximum when it does not retain earnings at all (i.e. pays out all earnings as dividends).

Van Horne & Mc. Donald conducted a more comprehensive study on dividend policy & new equity financing. The purpose of this study was to investigate the combined effect of dividend policy & new equity financing decision on the market value of the firm's common stocks. They explored some basic aspects of conceptual frame work, & empirical tests were performed during year end 1968, for two industries using a well known valuation model. The required data were collected from 86 electric utility firms included on the COMPUSTAT utility data tape & 39 firms in the electronics & electronic component industries as listed on the COMPUSTAT industrial data tape They tested two regression models for the utilities industries first model was: (Van Horne & Mc Donald's 1971:127).

P_o/E_o = $a_0 + a_1 (g) + a_2 (^{D0}/_{Eo}) + a_3 (Lev) + U$

Where,

P_o/E_o = closing market price in 1968 dividend by average EPS 1967 & 1968.

g = Expected growth rate, measured by the compound annual rate of growth in assets per share for 1960 through 1968.

Lev = Financial risk, measured by interest charges dividend by the difference of operating revenues & operating expenses.

U = Error term.

$^{Do}/_{Eo}$ = Dividend payout, measured by cash dividend in 1968 dividend by earning in 1968.

The Second Model was :

$^{Po}/_{Eo}$ = $a_o + a_1(g) + a_2(^{Do}/_{Eo}) + a_3(Lev) + a_4(F_a) + a_5(F_b) + a_6(F_c) + a_7(F_d) + U$

Where,

F_a, F_b, F_c & F_d are dummy variables corresponding to new issue ratio (NIR) group A & B .

It is noted that they had grouped the firms in five categories, A, B , C , D & E by NIR

For each firm the value of dummy variables representing it's NIR group is one & the value of remaining dummy variables are zero.

Again, they tested the following regression equation for electronics electronic components industry.

$$P_o /E_o = a_o + a_1 (g) + a_2 (^{Do}/_{Eo}) + a_3 (Lev) + a_4 (OR) + U$$

Where,

Lev   = Financial risk, measured by long–term debt plus preferred

           stock dividend by net worth as of the end of 1968.

OR   = Operating risk, measured by the standard error for the

           regression of operating per share on time of 1960

           through 1968 & rest are as in first model above.

By using these models or methodology, they compared the result obtained for the firms, which both pay dividends & engage in new equity financing with other firms in an industry. They concluded that for electric utility firms 1968. Share value was not adversely affected by new equity financing in the presence of cash dividends, except for those in the highest new issue group & it made new equity a more costly form of financing than the retention of earning. They also indicated that the payment of dividends through excessive equity financing reduced share prices for electronics, electronic components industries, a significant relationship between new equity financing & value was not demonstrated.

2.4 Review of Related Studies

Review of Journals and Articles

Pradhan (2000) in the article entitled *"Stock Market Behavior in a Small Capital Market."* A case of Nepal was based on the data collected for 17 enterprises from 1993 through 1999. In order to make this study more comprehensive some articles, researches and studies related to Impact of dividend on equity share pricing are reviewed hereunder.

The objectives of this study were to assess the stock market behavior in Nepal and to examine the relationship of market equity, to compare the Market value to book value, to

analysis the price earnings, and dividends with liquidity, profitability, leverage, assets, turnover, and interest coverage.

The major findings of his study were higher the earnings on stocks, larger the ratio of dividends per share to market price per share. Dividend per share and market per share are positively correlated, Positive relationship between the ratio of dividend per share to market price per share and interest coverage, Positive relationship between dividend payout and liquidity, Negative relationship between dividend payout and leverage ratio, Positive relationship between dividend payout and profitability, Positive relationship between dividend payout and turnover ratios, Positive relationship between dividend payout and interest coverage. Liquidity and leverage ratios are more variable for the stock paying lower dividends. Earnings assets turnover and interest coverage are more variable for the stock paying higher dividends

Chawala and Srinivasan (2003) in the article entitled *"Impact of Dividend and Retention on Share Price."* They took 18 Chemicals and 13 sugar companies and estimated cross section relationship from the year 1996 and 2002.

The objectives of this study were to set a model to explain share prices, dividend and retained earnings relationship to test the dividend and retained earnings hypothesis, to examine the structural changes in estimated relations over time and to achieve above mentioned objectives.

They used simultaneous equation model as developed by friends and Puckett in 1964, $P_t = \{f(d_t, R_t, P/E(t-1)\}$, $D_t = \{f(E_t, D(t-1), P/E(t-1)\}$ and Identity, $E_t = \{D_t + R_t\}$. Where, P=Market price Per Share, D= Dividend per Share, R= Retained Earnings Per Share, E=Earnings Per Share (D+R), (P/E) = Deviation from the sample, average of price earning ratio (Price earning multiple and t= Subscript for time.

They used two stages least square technique for estimation and from the result they found that the estimated coefficient had the correct sign and the coefficient of determination of\ all the equation were very high in case of chemical industry. Thus it implies that the stock

price and dividend supply variation can be explained by their independent variables. But in case of sugar industry, they found that the sign for the retained earnings is negative.

Finally, they concluded that the dividend hypothesis holds well in the chemical industry and both dividend and retained earnings significantly explain the variations in share price in that chemical industry.

Ojha (2000) in the article entitled *"Financial Performance and Common Stock Pricing."* His objectives of this study were to study and examine the difference of financial performance and stock prices, to examine the relationship of dividends and stock price and to explore the signaling effects in stock price and his major findings of his study were Nepalese stock market is in infancy stage. In general it is very new and just started to develop. Dominance of banking sector is prevalent in the market due to other industries including finance companies, insurance and manufacturing is not encouraging. Corporate firm with long history have relatively stable profitability parameters that the firm established after the economic liberalization of 1999. Older firms have been issuing bonus share more times than the new one. Dividend per share is relatively more stable than the dividend payout ratio. That's why payout ratio and dividend yields have been highly fluctuating. Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market. There is significant positive correlation between the dividends paid and stock prices of banking and manufacturing industries. All other have not a perfect correlation between the net worth per share and common stock price.

Timilsina (2006) in the article entitled *"Capital Market Development and Stock Price Behaviors in Nepal."* He published an article with a heading Capital Market. Major Findings of the Study are the coefficient of correlation between earning per share (EPS) and observed market value of share and also between the dividend per share (DPS) and observed market value of share were computed. Also regressions were run to see the influence of the explanatory variables, EPS and DPS on equity prices. A positive correlation was found to exist between EPS and the market price of the share. The coefficient of correlation between dividend per share and the market price was also

computed taking DPS as independent variable and market price as dependent variable. A high degree of positive relationship (r= 0.83) was observed between the two variables. Timilsina concluded that the market price of shares depends on EPS as well as on DPS, but DPS is more prices sensitive and it will have direct and immediate response in the market.

Poudel (2009) in the article entitled *"Investing in Shares of Commercial Banks in Nepal; An assessment of Return and Risks Elements".* The following is the main part of the study.

The DDM Model This model states that the value of the share now is the sum of stream of future discounted dividends, plus the value of the share as and when sold in some future year. Therefore, the value of a share today is a function of the cash inflows expected by the investors and the risk associated with the cash inflows.

$$V0 = V_0 \frac{v_1}{1(+K)^1} + \frac{v_2}{(1+J)^2} + \frac{v_3}{(1+K)^3} + \frac{v_t}{(1+K)^n}$$

$$V_0 \sum \frac{D_1}{(1+K)^t}$$

Where,

V0 = Intrinsic or the theoretical value of stock today

Dt = dividend expected in nth year

K = firm's cost of equity capital

The equation stated above assumes that dividend will grow at a given rate and the amount of dividend will be different in different years. A zero growth stock is a stock from which the investor expects a constant amount of dividend each year and where the dividend is not expected to grow. In such case the price of the stock now, V0 is calculated by dividing the amount of dividend by the cost of equity.

V0 = D/K

2.5 Review of Thesis

Timilsina (2003) had conducted a study on "*Dividend and Stock Prices: An Empirical Study"* by sample testing the data of 16 Enterprises using data from 1997 to 2002. The study was conducted to test the relationship between dividends per share and stock prices,

to determine the impact of dividend policy on stock prices and to identify where it is possible to increase the market value of the stock by changing dividend policy or payout ratio. To explain price behavior, the study used simultaneously equation model as developed.

The Main objectives of the study are:
- To provide conceptual framework of dividend models.
- To analyze the financial variables affecting the stock value and interpret the dividend paying implication under dividend valuation model and
- To provide suggestions, this will give vision for determination and espousal of dividend policy.

The Major findings of his study are as follows:
- The relationship between dividend per share and stock prices is positive in the sample companies.
- Dividend per share affects the share prices variedly in different sectors
- Changing the dividend policy or dividend per share might help to increase the market price of share.
- The relationship between stock prices and retained earnings per share is not prominent.
- The relationship between stock prices and lagged earnings price ratio is negative.

Adhikari (2004) carried out a research on *"Corporate Dividend Practices in Nepal"* using primary as well as secondary data.

The Main objectives of the study are:
- To analyses the properties of portfolios formed on dividend.
- To examine the relationship between dividend and stock prices and to survey the opinions of financial executives on corporate dividend practices.

The Major findings of his study are as follows:
- Financial position of high dividend paying companies is comparatively better than that of low dividend paying companies.

- Market price of stock of both finance and non finance and non finance sectors are affected by dividends.
- There is a positive relationship between dividend and stock price
- There is a negative relationship between dividend payout and earnings before tax to net worth.
- Stocks with larger ratio of DPS to book value per share have higher profitability.
- These profitability ratios of stocks paying larger dividends are also more variable as compared to stocks paying smaller dividends.
- Companies paying higher are reluctant to employ higher degree of leverage in their capital structures
- The stocks with larger ratio of dividend per share to book value per share have also higher turnover ratio and higher interest coverage.

Gautam (2004) carried out a research on *"Dividend Policy in Commercial Banks"* which focuses on the objectives to identify the type of dividend policy that is being adopted and to find out whether the policy.

The Main objectives of the study are:
- To examine the impact of dividend on share price.
- To identify the relationship between DPS and other financial indicators.
- To know if there is any uniformity among DPS, EPS and DPR sampled commercial Banks.

The Major findings of the study are as follows:
- There is the largest fluctuation in EPS and DPS,
- The relationship between DPS and EPS is positive; however it is not significant. There may be various other factors beside EPS to affects MPS and the growth rate of dividend is inconsistent.
- It concluded that no sampled commercial banks have followed distinctly defined dividend policy.

Sharma (2005) conducted a research on *"Dividend Policy with Respect to Insurance Companies in Nepal"*

The Main objectives of the study are:
- To identify the existing practice of dividend policy in insurance companies.
- To find out the impact of dividend per share of the market price of the stock.
- To examine whether there is significant different or not among DPS, EPS and DPR on the selected companies and to know if there is any relationship between market value per share (MVPS) on dividend policy and other financial indicator such as DPS, EPS, DPE, PE Ratio, Liquidity ratio

The Major findings of the study are as follows:
- Pointed out as the average DPS and EPS of NLGICO and NICO is satisfactory compared to ICO and UICO.
- Since, later insurance companies are new in dividend distribution.
- The analysis of coefficient of variation indicates largest fluctuation in PICO and UNICO, and the dividend yield analysis fluctuating in all sample insurance companies.

Budhathoki (2006) carried on a research on *"The Study of Dividend Policy of the Commercial Banks in Nepal"*.

The Main objectives of the study are:
- To highlight the dividend practices of Commercial Banks,
- To compare the dividend policy followed by different commercial banks chosen,
- To provide the sample banks with some fruitful suggestion that can be implemented easily and possible guideline to overcome various issues and gaps based on the findings of the analysis.

The Major findings of the study are as follows:
- The average earning per share (EPS) of the banks under study shows a positive result. But the coefficient of variation indicates that there is no consistency of EPS.

- The average dividend per share (DPS) shows that there is no regularity in dividend payment.
- The analysis of DPR shows that the Dividend Payout Ratio (DPR) of the banks is not stable.
- The average market price shows that there is quite high level of fluctuation.

Shah (2010) carried out a research on *"Cash Dividend Practice and its Impact on Share Price in Nepal"*. It covered 5years period (2004-2009) including commercial banks, manufacturing companies, development banks, insurance companies, and financial institutions and hotels sectors.

The Main objectives of the study are:
- Its basic objectives were to evaluate the trend of cash dividend forecasting and payment by the Nepalese financial institution and to see and examine the impact of cash dividend on market price per share.
- To achieve these objectives, the information are interpreted and analyzed by using regression model and hypothesis test.

The Major findings of the study are as follows:
- Commercial banks of Nepal are seen the regular dividend paying financial institution.
- In average 90% companies pay less than 50% cash dividend. The company having good earning only have been paying regular cash dividend.
- The lack of financial knowledge and the market ineffiency has affected the market price of the share in all the firms. But it is theoretically argued.

2.6 Research Gap

The above studies subject's matters are carried out by different researchers. Since, the weakness and drawbacks are also mentioned there with. The study has covered five commercial banks. Latest five years have been analyzed with due consideration of EPS, DPS, DPR, YEILD RATIO & MVPS. Taking in mind for more elaborate and extensive analysis, company wise analysis has also been made. All the above studies are conducted

with the research title "Comparative study of Dividend practice of Nepalese Joint venture banks of Himalayan Bank Ltd., Everest Bank Ltd., Nepal Arab Bank Ltd., Nepal SBI Banks Ltd. and Nepal Indosuez Ltd. As to research gap is concerned, there are many changes taken place in the Cash Management of manufacturing Companies process as compared to the last few years. The most of the studies has been considered many more objectives which made their study more complicated but in this research report only three objectives are taken into study. Primary and secondary data are considered in this research. Both financial as well as statistical tools like EPS, DPS, DPR, and YEILD RATIO & MVPS mean, and standard deviation, coefficient of variance, correlation and probable error are used in this research. Almost all the ratios have been applied to cover the analytical part and fulfill the objective of this study. It involves more recent data of commercial banks for five years (2005/06 to 2009/10).

CHAPTER – III
RESEARCH METHODOLOGY

3.1 Introduction:

Research methodology is a way to systematically solve the research problem" *(Kothari; 1990:10).* In other word, research methodology, describes the methods & process applied in the entire aspect of the study. The basic objective of the study is to compare the dividend policy & practices of Nepalese Joint venture banks & the factors that affect it. It also tries to find out the relationship between dividend & earning per share, net profits after taxes market price of shaves & net worth of joint venture banks. As the number of whole population of Joint venture banks are very large, a sample of institutions of Joint venture banks are taken as sample for data analysis purposes : A detail of population & sample taken from it is given in another subtopic of this section. Basically secondary data will be used for analysis.

3.2 Research Design:

Generally, "Research design is the plan, structure & strategy of investigation conceived so as to obtain answers to research questions & to control actual variance"*(Kerlinger; 1986: 30).* Research design helps the research to control the experimental extraneous & error variance of the particular research problems under the study topic. It is invented to enable the researcher to answer research questions as variedly, objectively, accurately & economically as possible. It set up the frame work to test the relation among variables.

These are so many questions in our statement of problems to be answered & to answer these questions & to fulfill the objectives of the study topic, will research study is designed under descriptive & quantitative methods. The present research specially deals with secondary data.

"A research design is the arrangement of condition for collection & analysis of the data in a manner that aims to combine relevance to the research purpose with economy in procedure*" (Cothori; 1989: 32)* for the analytical purpose, the annual reports of relative JVB's & financial statement of JVB's were collected from the year.

3.3 Population & Sample:

Since mid 1980s when Government of Nepal adopted economic liberalization policy in Nepal, many Joint venture banks are established within a short span of time. As a result now a day's many joint venture banks are operating in the country.

There are many JVB's whose shares are treated actively in the stock market, it is not possible to study all of them regarding the study topic. Therefore sampling technique will be used for selecting sample from population. A list showing the listed commercial banks in Nepal stock exchanged Ltd.

Short profile of selected Nepalese Joint venture Banks:

1. **Himalayan Bank Ltd.**

Himalayan Ltd. was incorporated in 1992 under the company Act. 1964 by a few distinguished business personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial Banks of Pakistan. Banking operation was commenced from January 1993. This is the first JVB's with maximum share holding by the Nepalese private sector which is managed by Chief Executive. It has an authorized capital of Rs. 1000 Million, Issued capital of Rs. 772.2 Million and also paid up capital of Rs. 772.2 Million according to its annual report of fiscal year 2008-2009. Its owner ship is composed of founder share holder 51% Habib Bank of Pakistan 20% Karmachari Sanchya Kosh 14% & public 15%.

The head office of Himalayan Bank is situated at Tridevi Marga, Thamel, Kathmandu. The Bank has a total network of 34 branches across the Country and a counter in the premises of the Royal palace. There are 14 branches in Kathmandu Valley at the following locations: Thamel, Maharajgunj, New Road, Bhaktapur, Patan, Teku, Chabahil, Swoyambhu, New Baneshwor, Dillibazar, Kalanki, Sorhakhutte, Satdobato and Card center in Pulchowk. In addition, the bank also has other branches outside Kathmandu Valley. The Bank is aggressively opening new branches at different parts of the kingdom to serve its customers better.

The Bank offers industrial and merchant banking services in addition to commercial banking services. The vision of the bank is to become a leading Bank of the country by providing premium products and services and then ensuring attractive and substantial return for the stakeholders. The main objective of the Bank is to become the bank of first choice providing modern banking facility.

2. Everest Bank Ltd

Everest Bank Ltd. (EBL) started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer friendly services through a network of 44 branches. The bank's joint venture partner is Punjab National Bank (PNB) holding 20% equity in the bank is the largest nationalized bank in India having 112 years of banking history. PNB is a technology driven bank serving over 35 billion customers through a network of over 4500 branches spread all over the country with a total business of around INR 2178.74 billion. It is one the Largest Network among private sector banks spread across Nepal and all connected with ABBS having strong Joint Venture Partner providing Technical support, representative office in India to facilitate remittance from India. The bank has recognized the value of offerings a complete range of services extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan Against Share, Loan Against Life Insurance Policy and Loan for professionals.

EBL was one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal. Regarding equity participation, the local Nepalese Promoters hold 50% stake in the Banks equity, while 20% of equity is contributed by joint venture partner PNB whereas remaining 30% is held by the public. It has an authorized capital of Rs. 600 million, issued capital of Rs.529.8 Million and paid up capital of Rs. 518 Million as on 16th July 2009.

The bank's corporate vision to evolve and position the bank as a progressive, cost effective & customer friendly institution providing comprehensive financial and related services; Integrating frontiers of technology & servicing various segments of society;

Committed to excellence in serving the public & also excelling in corporate values. The corporate mission is to provide excellent professional services and improve its position as a leader in the field of financial related services; build & maintain a team motivated & committed workforce with high work ethos; use latest technology aided at customer satisfaction & act as an effective catalyst for socio-economic developments. Everest Bank's listing date is 1996. The head office is situated in New Baneshwor, Kathmandu.

3. Nepal Arab Bank Ltd. (NABIL Bank Ltd.)

Nepal Arab Bank Ltd. is the first JVB's which is established in 1984 under the company Act 1964. Dubai Bank Ltd. was the initial foreign Joint venture partner with 50% equity investment. The shares owned by Dubai Bank Ltd. was transferred to Emirates Bank International Ltd. Dubai by virtue of its annexation with the later an Emirate Bank International. Dubai sold its entire 50% equity holding to National Bank Ltd. of Bangladesh. National Bank Ltd. of Bangladesh is managed the Bank is accordance with the technical service agreement signed between it's the Bank a June 1995. Later on the name of this Bank is Changed as NABIL Bank Ltd. The equity participation is 70% from promoters and 30% from general public. It has an authorized capital of Rs. 500 Millions, issued capital of Rs. 491.6544 Millions & paid up capital of Rs. 491.6544 Million. The head office is situated in Kamaladi, Kathmandu and this bank's listing date in Nepal Stock Exchange Ltd. is 1985.

4. Nepal SBI Bank Ltd.

Nepal SBI Bank Ltd. is the JVB's which is established in 1993 under the Company Act 1964. This is the Joint venture of state Bank of India & Nepalese Promoters. The Bank is managed by the State Bank of India under the Joint venture & technical services agreement between its Nepalese promoters Viz Employee provident fund & Agriculture Development Bank, Nepal. The State Bank of India is holding it's 50% equity. The bank is running commercial banking business in Nepal. The main objective of the Bank is to carryout modern Banking business under the commercial Bank Act 1974. The Bank Provides loans to Agriculture, commercial & Industrial sector. It has an authorized capital of Rs. 1000 Million, issued capital of Rs. 650 Million & paid up Capital of Rs. 640.2361

Million. The head office of the bank is in Hattisar, Kathmandu and the date of listing is 1995.

5. Nepal Indosuez Bank Ltd. (Nepal Investment Bank Ltd.)

Nepal Investment Bank Ltd. (NIBL), previously Nepa Indosuez Bank Ltd., was established in 1986 as a 2nd JVB's under the company Act 1964 between Nepalese and French partners. This is managed by Banque Indosuez. , Paris is accordance with Joint Venture and technical services agreement signed between it's and Nepalese promoters. The equity participation is 80% from promoters which include "A" class organization holding 15%, Insurance company holding 15% and banque Indosuez holding 50% of the capital. And the left 20% equity participation is from general public. Bank Indosuez, the French partner was Credit Agricole Indosuez, a subsidiary one of the largest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2005 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The paid up capital is Rs. 59,05,86,000 authorized capital is 1000 million and issued capital is Rs. 59,05,86,000 as on 2063 Ashadh. The head office of the bank is in Durbar Marg, Kathmandu and it has sixteen branch offices. The bank date of listing is 1986 the main objective of the Bank is to provide loan and advances to the agriculture, commercial and Industrial to provide modern banking services to the people.

3.3.1 Sources of Data

Mainly the study is conducted on the basis of secondary data. The data relating to the dividend policy are obtained from annual reports of concerned joint venture Banks. The supplementary data & information's are obtained from Nepal Rastra Bank's reports. Other data have been collected from the secondary sources from the publications of Nepal Stock Exchange Ltd. (NEPSE). The information sources have been also concerned with no. of Institutions and off course different websites. The sample period commenced from F/y 2005/2006 to F/y 2009/2010.

3.4 Method of Analysis

The analysis of the Joint venture banks data will be done according to pattern of data available. Various financial & statistical tools have been applied to analyze the various regarding the study topic. The analysis has been done by using various financial & statistical tools. The various calculated results have been obtain through financial & statistical tools are tabulated under different headings by using various financial & statistical tools, the relationship between different variables dividend will be drawn out . Thereafter, the results will be compared with each other to interpret.

3.5 Tools Defined About Certain financial Indicator

a)   Earnings per share (EPS) :

EPS calculation will be helpful to know whether the banks earning power on per share basis have changed over the period or not. EPS is calculated by dividing the net profit after taxes by the total number of the common shares outstanding.

$$EPS = \frac{\text{Net Profit After Taxes}}{\text{No of Common Share outstanding}}$$

b)   Dividend per share (DPS):

DPS indicates the part of earning distributed to the shareholders on per share basis. It is calculated by dividing the total dividend to equity shareholders by the total no. of equity shares.

$$DPS = \frac{\text{Total dividend to ordinary shareholders}}{\text{No of ordinary share holders}}$$

c)   Price – earnings ratio (PER):

This ratio reflects the market value per share for each rupee of currently reported earnings per share. It is calculated by dividing the market value per share (MVPS) by earning per share (EPS).

$$P/E \text{ ratio} = \frac{\text{Market Value Per Share (MVPS)}}{\text{Earning Per Share (EPS)}}$$

d)   Dividend payout ratio (DPR):

This ratio reflects what percentage of the profit is distributed as dividend & what percentage is retained as reserve & surplus for the growth of the bank. It is calculated by dividing the DPS by the EPS.

$$\text{Dividend payout ratio} \ = \frac{\text{DPS}}{\text{EPS}}$$

e)   Market value per share to Book value per share ratio (MVPS / BVPS) :

This ratio shows the relation between Market value per share & book value per share. It is calculated by dividing the market value per share by the book value per share.

$$\text{MVPS / BVPS} \ = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$$

f) Dividend Yield ratio (DYR) :

Market value per share is highly influenced by the dividend yield ratio because a change in DPS can bring effective change in the MPS. It is calculated by dividing the dividend per share by Market value per share.

$$\text{DYR} \ = \frac{\text{Dividend Per Share}}{\text{Market Value Per Share}}$$

g) Return on Net worth (RONW) :

It refers to the owners claim is the assets of banks. This can be found by subtracting total liabilities from total assets & also this is the indicator of banks good financial performance that means it indicates how well these institutions have used the resources of the investors. It is calculated by dividing net profit after taxes by net worth.

$$\text{RONW} \ = \frac{\text{Net Profit After Taxes}}{\text{Net Worth}}$$

3.6 Statistical Tools:

Regression analysis is a statistical device with the help of which we are in a position to determine the value of unknown variables from two or more known variables, simple regression analysis has been used in this study to determine whether the variable of EPS is related to dividend decision of the company or not for this question following regression equation model has been applied.

The regression equation of y on x be

$Y = a + bx_1$

Where,

Y = Dividend per share

a = Intercept.

x_1 = Earnings per share

This model has been applied to examine the relationship between the EPS & DPS of the banks in the current five fiscal year from 2004/2005 to 2008/2009. Similarly the following regression model has been applied to determine whether the variables of net profit after taxes, average market value per share,& net worth of the company is related to dividend per share of the financial institution.

$Y = a + bx_2$

Where,

Y = Dividend per share

x_2 = Net profit after tax

a = Intercept

The regression equation of y or x_3 be

$Y = a + bx_3$

Where,

Y = Net worth of the company

x_3 = Dividend per share

a = Intercept.

The above mentioned `a` & `b` variables will be calculated with the help of following two normal equations.

$$\Sigma y = n\,a + b\,\Sigma x$$
$$\Sigma x\,y = a\,\Sigma x + b\,\Sigma x\,2$$

Where,

'a ' & ' b ' are unknown.

n = number of observation is the sample.

a) Standard Deviation (u):

The measurement of the scatterness of the data from mass of figures in a series about an average in known as dispersion. The standard deviation measurer the absolute dispersion. The greater the amount of dispersion greater the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series & vice – versa. In this study, Standard deviation is calculated for dividend per share, earning per share, net profit after tax, market price per share & net worth.

b) Coefficient of (Multiple) Determination (R^2)

Coefficient of determination is measure of the degree of linear association or correlation between two variables. One of which happen to be independent & other being dependent variable. It measures the percentage total variation in dependent variable explained by independent variables. The coefficient of determination, Value can have ranging from zero to one. If the regression line is a perfect, estimator, R^2 will be equal to +1. Thus the value of R^2 is zero, when there is no correlation. In the study coefficient of determination is calculated to know the degree of correlation of dividend per share with earning per share, net profit, Market price per share & net work.

c) Coefficient of correlation (r_{xy})

The coefficient of correlation measures the degree of relation between, two set of figures. In this study simple coefficient of correlation is used to determine the relationship of different factors with dividend & other variables. The data related to dividend over different year are tabulated & their relationship with each other is drawn out. In this study

the coefficient of correlation is calculated to know the relationship of dividend per share with earning per share, net profit, market price per share & net worth.

Karl pearsion's coefficient of correlation.

$$\gamma_{xy} = \frac{\sum dxdy}{\sqrt{\sum dx^2} \sqrt{\sum dy^2}}$$

d) T – statistics

If sample size is less than 30, t – test is used. So, to test the validity of our assumption this test is used. For applying t – test in the context of small sample, the't ' value is calculated first & compared with the table value of ' t ' at a certain level of significance for given degree of freedom. If the calculated value of't ' exceeds the table value (say 0. 05) . The difference is significant at 5% level but if ' t ' value is less than the concerning table value of the ' t ' difference is not treated as significant .

e) Graphic presentation:

"Graphic presentation is a powerful & effective way for highlighting variables. A very common way of presenting data for two variables which have a relationship is in a figure or chart. Not all data can be presented in figures. It works best when the data is continuous. This is a characteristic of parametric data "(*Wolf & Pant; 1999: 131)*

f) Standard Error of Estimate (SEE) :

Standard error of estimate is a measure of the reliability of the estimating equation & it also measures the dispersion about an average line. The smaller the value of SEE, the closer will be the dots to the estimates based on the equation for this line. If SEE is zero, then there is no variation about the line.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

Dividend policy is a major decision of the firm due to its decision of dividing net earnings into two parts the retained earnings & dividends & its impact upon value of the firm. The study contains different objectives which have already mentioned in the introduction chapters. In order to achieve these objective, several tools & techniques have been used which is clearly described in the Research methodology chapter. Now, in this chapter, the effort has been made to analyze the comparative dividend decision of JVB's in Nepal & the attitude of management towards the optimum dividend decision. This analysis is highly supported by the practices of dividend distribution by JVB's. Presentation & Interpretation of financial statement are done here to determine the meaning of financial data. Some graphs & diagrams are also used to highlight the company's DPS, EPS & NPAT trend over the five year period.

4.1. Analysis of Financial Tools (Indicators) :

4.1.1. Earnings per share (EPS):

Normally, the success & failure of any business organization are measured in terms of its capacity to generate earning. The earning of any business organization also helps to evaluate performance. Higher earning shows higher strength while lower earning shows weaker strength of business organizations because the earning of any organization helps for it's growth, expansion & diversification. EPS is calculated by dividing the net profit after tax (NPAT) by the total number of common shares outstanding. EPS is the measurement of good or had performance of business organizations. Higher EPS shows good or lower EPS shows bad performance of business organization. As a result, EPS, the achievement of the institutions are measured with the help of its capacity to generate higher earnings per share. So, EPS is the most important financial tools of the institutions.

Table: 4.1

Paid Up Value, Earning After Tax & Earning per Share of JVB's.

Year	Paid up value per share	HBL		EBL		NABL		NSBIBL		NIBL	
		EAT	EPS	EAT	EPS	EAT	EPS	EAT	EPS	EAT	EPS
2005/06	100	235.01	60.26	85.34	32.91	271.64	55.25	40.83	9.61	57.10	33.59
2006/07	100	212.14	49.45	94.19	29.90	416.23	84.66	48.77	11.47	116.82	39.56
2007/08	100	263.03	49.05	143.58	45.58	455.32	92.61	60.87	14.26	152.67	51.70
2008/09	100	308.3	47.91	170.79	54.22	518.65	105.49	57.39	13.29	232.16	39.50
2009/010	100	457.45	59.24	237.31	62.78	635.27	129.21	116.97	18.27	350.51	59.35
Average	100	295.19	53.18	146.24	45.08	459.42	93.44	64.97	13.38	181.85	44.74

Source: http: www.nepalstock.com

*All the amounts of Earning after taxes (EAT) are in millions.

HBL   – Himalayan Bank Ltd.

EBL   – Everest Bank Ltd.

NABL   – Nepal Arab Bank Ltd. (NABIL Bank Ltd.)

NSBIBL   – Nepal SBI Bank Ltd.

NIBL   – Nepal Investment Bank Ltd. (Nepal Indo-suez Bank Ltd.)

Himalayan Bank Ltd:

The EAT of HBL was Rs. 235.01 million in the fiscal year 2005/06 and the EPS of HBL was Rs. 60.26 in the same fiscal year. The EAT decreased by Rs. 22.87 in F/y 2006/07 than 2005/06 and the EPS of HBL decreased by Rs. 10.81 in 2006/07 than F/y 2005/06. The EAT was 263.03 and EPS was 49.05 in F/y 2007/08 where EAT is higher than previous fiscal year by 50.89 and EPS is lower by Rs. 0.4 than previous F/y 2006/07. Similarly, the EAT was 308.3 and EPS was 47.91 in F/y 2008/09 while EAT increased by 45.27 and EPS decreased by 1.14 than in F/y 2007/08. In F/y 2009/010, the EAT is 457.45 which is higher by 149.15 and the EPS is 59.24 which is higher by Rs. 1133.

In conclusion, EPS of HBL decreased continuously from F/y 2005/06 to F/y 2008/09 and increased in the F/y 2009/010. Similarly, the EAT decreased in F/y 2006/07 but it

increased continuously to F/y 2009/010. The average of Eat and EPS of the bank is Rs. 295.19 million and Rs. 53.18 respectively in the study year from 2005/06 to 2009/010.

Everest Bank Ltd.:

The total EAT and EPS of EBL were Rs. 85.34 million and Rs.32.91 in the fiscal year 2005/06. The above table shows that in the fiscal year 2006/07; EAT increased to Rs. 94.19 million whereas EPS decreased to Rs. 29.90 as compare to the previous F/y 2005/06. But in the F/y 2007/08, both the EAT and EPS was increased by Rs.49.39 million and Rs. 15.68 as compare to Rs. 170.79 million and Rs.54.22 in the F/y 2008/09 which is higher by Rs. 27.21 million and Rs. 8.64 respectively as compare to the previous fiscal year 2007/08. In the F/y 2009/010, the bank again succeeded to obtain EAT to Rs. 237.31 million when its EPS is 62.78 which is higher than Rs.66.52 million EAT and Rs.8.56 EPS of the F/y 2008/09.

In conclusion, the EAT of EBL continuously increased in five fiscal years, i.e. from F/y 2005/06 to 2009/010. And the EPS decreased in F/y 2006/07 but it also continuously increased in the rest fiscal years, i.e. from F/y 2007/08 to 2009/010. the average EAT of the bank is Rs. 146.24 million and the average EPS of the bank is Rs. 45.08 in the study year from 2005/06 to 2009/010.

Nepal Arab Bank Ltd:

The total earning after tax of NABL is Rs. 271.64 million in the fiscal year 2005/06 and the EPS of the bank is Rs. 55.25. The EAT and EPS of the bank is Rs.416.23 million and Rs. 84.66 in F/y 2006/07 which is higher by Rs. 144.59 million and Rs. 29.41 as compare to the F/y 2005/06 respectively. The EAT and EPS is Rs. 455.32 million and Rs. 92.61 in F/y 2007/08 which is greater than that of F/y 2006/07 by Rs.39.09 million and Rs. 7.95 respectively. The EAT and EPS in F/y 2008/09 increased by Rs. 63.33 million and Rs. 12.88 respectively than the previous F/y 2007/08. Similarly, the EAT and EPS is Rs. 635.27 million and Rs. 129.21 in F/y 2009/010 which is higher by Rs. 116.62 million and Rs. 23.72 respectively than that of the F/y 2008/09.

In conclusion, the EAT & EPS of the bank increased continuously year after in the whole study period from the F/y 2005/06 to 2009/010. It is a good sign for the bank. The average of EAT and EPS is Rs. 459.42 million and Rs. 93.44 during the study period.

Nepal SBI Bank Ltd. (NSBIBL): enemies

The total earnings after taxes of NSBIBL is Rs. 40.83 million and EPS of the bank was Rs. 9.61 in the fiscal year 2005/06. The EAT and EPS increased in the F/y 2006/07 by Rs.94 million and Rs.1.86 respectively than that of the F/y 2005/06. The EAT and EPS both increased to Rs. 60.87 million and Rs. 14.26 in F/y 2007/08 respectively which is higher by Rs. 12.1 million and Rs. 2.79 than that of the F/y 2006/08. Similarly, both the EAT and EPS decreased in F/y 2008/09 to Rs. 57.39 million and Rs. 13.29 which is lower by Rs. 3.48 million and Rs. 0.97 respectively than that of the F/y 2007/08. But in the Fy 2009/010, EAT and EPS increased by Rs. 59.58 million and Rs.498 respectively than of the previous F/y 2008/07. It means that the EAT & EPS of the bank is Rs. 116.97 million and Rs. 18.27 respectively in the F/y 2009/010.

Nepal Investment Bank Ltd.(Nepal –Suez Bank Ltd.)(NIBL):

The total earnings after tax of NIBL Rs.57.10 million and earnings per share is Rs. 33.59 in the fiscal year 2005/06. The EAT and EPS both increased to Rs. 116.82 million and Rs. 39.56 which is higher by Rs. 59.72 million and Rs. 5.97 respectively than that of the previous F/y 2005/06. The EAT and EPS again increased to Rs. 152.67 million and Rs. 51.70 in F/y 2007/08 respectively which is higher than that in previous F/y 2006/07 by Rs. 35.85 million and Rs. 12.14 respectively. The EAT increased to Rs. 232.16 million but EPS decreased to Rs. 39.50 in F/y 2008/09 which has difference of Rs. 79.49 million and Rs. 12.2 respectively than that of the previous F/y 2007/08. In F/y 2009/010, the bank could increase EAT to Rs. 350.51 million and EPS to Rs. 59.35 which is higher by Rs. 118.35 million and Rs. 19.85 respectively than that of the previous F/y2008/09.

In conclusion, the EAT of the bank, seems in the increasing trends in the whole study period i.e. from F/y 2005/06 to F/y 2009/010. But the EAT increased from 2005/06 to F/y 2007/08. It decreased in F/y 2008/09 but increased in F/y 2009/010. Thus the EPS of the

bank seems in the fluctuating trend. The average of EAT and EPS of the bank is Rs. 181.85 million and Rs. 44.74 respectively in the study period.

When we see comparatively study among Joint Venture Banks, NABL has the highest average EAT of Rs. 459.42 million and EPS of Rs. 93.44, there after HBL of Rs. 295.19 million and Rs. 53.18 NIBL of Rs. 181.85 and Rs. 44.74, EBL of Rs. 146.24 million and Rs. 45.08 finally NSBIBL of Rs. 64.97 million and Rs. 13.38 respectively. To equity shareholder by the total number of shares outstanding.

4.1.2. Dividend Per Share (DPS)

DPS indicates the portion of earning distributed to the stockholders on per share basis. It is calculated by dividing the total dividend. For analysis purpose, the data of DPS for the period of five years are taken.

Following different table shows the DPS & DPS on growth rate of Joint venture banks i.e. HBL, EBL, NABL, and NSBIBL & NIBL.

Himalayan Bank Ltd. (HBL):

Table: 4.2

Dividend per share of HBL

Year	Dividend per share	Dividend per share based on growth rate	Difference
2005/06	25	$D_0 = 25$	-
2006/07	1.32	$D_1 = D_0(1+g) = 25(1+0.047) = 26.175$	(26.23)
2007/08	0	$D_2 = D_1(1+g) = 26.175(1+0.047) = 27.4052$	(2.83)
2008/09	11.58	$D_3 = D_2(1+g) = 27.4052(1+0.047) = 28.693$	(9.11)
2009/010	30	$D_4 = D_3(1+g) = 28.693(1+0.047) = 30$	(0.37)
Average Mean			13.5

Average DPS = Rs. 13.58

HBL has declared Rs. 25 as DPS in the fiscal year 2005/06. In the F/y year 2006/07, the bank has declared Rs. 1.32 as DPS which is lower than that of the previous year by Rs. 23.68. After that, the bank declared DPS of Rs. 11.58 in the F/y 2008/09 and Rs. 30 in

F/y 2009/010 which is higher by Rs. 18.42 than that of the F/y 2008/09. The average of DPS for the study period was Rs. 13.58.

If the growth rate of dividend is analyzed, there a difference would be found between actual DPS based on growth rate, so first growth rate should be found out.

Thus,

Dividend in the base year 2005/06 (Do) = Rs. 25

Dividend in the final year 2009/010 (D_1) = Rs. 30

No. of years (n) = 5 years

$$D_1 = D_0 (1 + g)^{n-1}$$

Or,　　$30 = 25 (1 + g)^{5-1}$

Or,　　$^{30}/_{25} = (1 + g)^{5-1}$

Or,　　$(1.2)^{x\, ¼} = (1 + g)^{4\, x\, ¼}$

Or,　　$(1.2)^{0.25} = 1 + g$

Or,　　$1.047 = 1 + g$

Or,　　$g = 1.047 - 1$

Or,　　$g = 0.047$

Therefore, growth rate = 4.7% (Positive Growth)

In conclusion, the growth rate of DPS of HBL is 4.7% (Positive growth). The data given in the table shows that the bank does not pay stable dividend because there is negative difference between the DPS actually paid & DPS based on growth rate.

Everest Bank Ltd. (EBL):

Table: 4.3.

Dividend per share of EBL

Year	Dividend per share	Dividend per share based on growth rate	Difference
2005/06	0	0	0
2006/07	20	$D_0 = 20$	0
2007/08	20	$D_1 = D_0(1+g) = 20(1+0.076) = 21.52$	(1.52)
2008/09	0	$D_2 = D_1(1+g) = 21.52(1+0.076) = 23.16$	(23.16)
2009/010	25	$D_3 = D_2(1+g) = 23.16(1+0.076) = 24.92$	0.08

Average dividend per share   =   Rs. 13

The above data of EBL, regarding DPS shows that, DPS declared of Rs. 20 in the F/y 2006/07 and F/y 2007/08. Then the bank could declare the DPS of Rs. 25 in the F/y 2008/09. The average of DPS for the study period is Rs.13.

If we analyze the growth rate of dividend, there is difference between actual DPS & DPS based on growth rate should be found out.

Since, the DPS of fiscal year 2005/06 is zero; the F/y 2006/07 has been taken as base year for calculation purpose.

Thus,

Dividend in the base year 2005/06 (Do)   = Rs. 20

Dividend in the final year 2009/010 (D_1)   = Rs. 25

No. of years (n) = 4 year.

$$D_1 = D_0 (1 + g)^{n-1}$$

Or, $25 = 20 (1 + g)^{4-1}$

Or, $\frac{25}{20} = (1 + g)^3$

Or, $(1.25)^{x\,1/3} = (1 + g)^{3\,x\,1/3}$

Or, $(1.25)^{0.33} = 1 + g$

Or, $1.076 = 1 + g$

Or, $g = 1.076 - 1$

Or, $g = 0.076$

Therefore, growth rate = 7.6% (Positive Growth)

In conclusion, the growth rate of DPS of EBL is 7.6% (Positive growth).The data given in the table shows that the bank does not pay stable dividend because there is negative and also positive difference between the DPS actually paid and DPS based on growth rate.

Nepal Arab Bank Ltd. (NABIL Bank Ltd.):

Table: 4.4.

Dividend per share of NABL

Year	Dividend per share	Dividend per share based on growth rate	Difference
2005/06	30	$D_0 = 30$	0
2006/07	50	$D_1 = D_0(1+g) = 30(1+0.297)$ $= 38.91$	11.09
2007/08	65	$D_2 = D_1(1+g) = 38.91(1+0.297) = 50.47$	14.53
2008/09	70	$D_3 = D_2(1+g) = 50.47(1+0.297) = 65.46$	4.54
2009/010	85	$D_4 = D_3(1+g) = 65.46(1+0.297) = 84.90$	0.1

Average dividend per share (DPS)   =   Rs. 60

From the above table, it's come to know that there is increasing trend of DPS from year 2005/06 to 2009/010. The bank has declared Rs. 30 as DPS in the F/y 2005/06. The company increased its' DPS to Rs. 50 in the following F/y 2005/06 which is higher than that of the F/y 2005/06 by Rs. 20. The bank is not following the stable dividend payout policy. Because, In the F/y 2007/08, there is increased of Rs. 15 more than that of the previous year 2005/06 and in the F/y 2007/08, there is increased of Rs. 5 more than that of the previous F/y 2007/08. The bank could increase its DPS in the F/y 2006/07 by Rs. 15 more as compare to the previous F/y 2008/09.

Firstly, the growth rate should be found out and interpret the data.

Thus,

Dividend in the base year 2005/06 (Do) = Rs. 30

Dividend in the final year 2009/010 (D_1) = Rs. 85

No. of Years (n) = 5 years.

$D_1 = D_0 (1 + g)^{n-1}$

Or, $85 = 30 (1 + g)^{5-1}$

Or, $^{85}/_{30} = (1 + g)^{5-1}$

Or, $(2.83)^{x\,¼} = (1 + g)^{4\,x\,¼}$

Or, $(2.83)^{0.25} = 1 + g$

Or, $1.297 = 1 + g$

Or, $g = 1.297 - 1$

Or, $g = 0.297$

Therefore, growth rate = 29.7% (Positive Growth)

In conclusion, the growth rate of DPS of NABL is 20.7% which is positive. The above table shows the amount of dividend based on growth rate. The data given in the table shows that the bank has paid out dividend in constant ratio. There is increasing of dividend per share in every year as its profit increases by. The average DPS for the study period is Rs. 60.

Nepal SBI Bank Ltd. (NSBIBL):

Table: 4.5.

Dividend per share of NSBIBL

Year	Dividend per share	Dividend per share based on growth rate	Difference
2005/06	0	0	0
2006/07	8	$D_0 = 8$	0
2007/08	0	$D_1 = D_0(1+g) = 8(1-0.144) = 6.848$	(6.848)
2008/09	0	$D_2 = D_1(1+g) = 6.848(1-0.144) = 5.8618$	(5.8618)
2009/010	5	$D_3 = D_2(1+g) = 5.8618(1-0.144) = 5$	0

Average dividend per share (DPS)　　=　　Rs. 2.6

NSBIBL has declared DPS in the fiscal year 2007/08 and F/y 2009/010 among the five fiscal years i.e; from F/y 2005/06 to 2009/010. The bank declared it's DPS of Rs. 8 in F/y 2006/07 and Rs. 5 in F/y 2009/010. The average DPS for the above five years is Rs. 2.6. If we analyze the growth rate of dividend, there is difference between actual DPS and DPS based on growth rate should be found out.

Since, the DPS of Year 2005/06 and 2005/06 is zero each, the F/y 2006/07 takes as final year for calculation purpose.

Since, the DPS of Fiscal year 2005/06 is zero; the F/y 2005/06 has been taken as base year for calculation purpose.

Thus,

Dividend in the base year 2005/06 (Do) = Rs. 8

Dividend in the final year 2009/010 (D_1) = Rs. 5

No. of years (n) = 4 year.

$$D_1 = D_0 (1 + g)^{n-1}$$

Or, $5 = 8 (1 + g)^{4-1}$

Or, $\frac{5}{8} = (1 + g)^3$

Or, $(0.625)^{x\,1/3} = (1 + g)^{3 \times 1/3}$

Or, $(0.625)^{0.33} = 1 + g$

Or, $0.856 = 1 + g$

Or, $g = 0.856 - 1$

Or, $g = 0.144$

Therefore, growth rate = 14.4% (Negative Growth)

In conclusion, the growth rate of DPS of NSBIBL is 14.4% (Negative Growth). The data given in the table shows that the bank does not follow the stable as well as constant dividend payout.

Nepal Investment Bank Ltd. (NIBL):

<div align="center">

Table: 4.6.

Dividend per share of NIBL

</div>

Year	Dividend per share	Dividend per share based on growth rate	Difference
2005/06	0	0	0
2006/07	20	$D_0 = 20$	0
2007/08	15	$D_1 = D_0(1+g) = 20(1+0) = 20$	(5)
2008/09	12.5	$D_2 = D_1(1+g) = 20(1+0) = 20$	(7.5)
2009/010	20	$D_3 = D_2(1+g) = 20(1+0) = 20$	0

Average dividend per share (DPS)   =   Rs. 13.5

From the above table, it is come to know that there is the decreasing trend of DPS from the fiscal year 2006/07 to 2008/09 and increased in the F/y 2009/010. But the company is not following the stable dividend payout. In the fiscal year 2005/010, the bank could not pay dividend. But the bank has declared Rs. 20 as DPS for the F/y 2006/07. It decreased by Rs. 5 and Rs. 2.5 in the following F/y i.e.; 2007/08 and 2008/09 respectively. In other words, the bank declared its DPS Rs. 15 in the F/y 2009/08 and Rs. 12.50 in the F/y 2008/09. Finally it could declare DPS of Rs. 20 in F/y 2009/010.

If we analyze the growth rate of dividend, there is difference between actual DPS and DPS based on growth rate should be found out. So, the growth rate should be found out and interpret the data.

Since, the DPS of fiscal year 2004/05 is zero; the F/y 2005/06 has been taken as base year for calculation purpose.

Thus,

Dividend in the base year 2005/06 (Do) = Rs. 20

Dividend in the final year 2009/010 (D_1) = Rs. 20

No. of years (n) = 4 year.

$$D_1 = D_0 (1 + g)^{n-1}$$

Or, $20 = 20 \, (\, 1 + g \,)^{\, 4 - 1}$

Or, $^{20}/_{20} = (1 + g \,)^{\, 3}$

Or, $(1)^{\, x \, 1/3} = (\, 1 + g \,)^{\, 3 \, x \, 1/3}$

Or, $(1)^{\, 0.33} = 1 + g$

Or, $1 = 1 + g$

Or, $g = 1 - 1$

Or, $g = 0$

Therefore, growth rate = 0% (No Growth)

In conclusion, the growth rate of DPS of NIBL is 0%, No Growth rate. The above given in the table shows that the bank does not pay stable dividend. It is found to be fluctuating from year to year. The average DPS of Bank is Rs. 13.5 for the study period.

Figure: 4.1

Dividend per share in rupees using line graph of joint venture banks
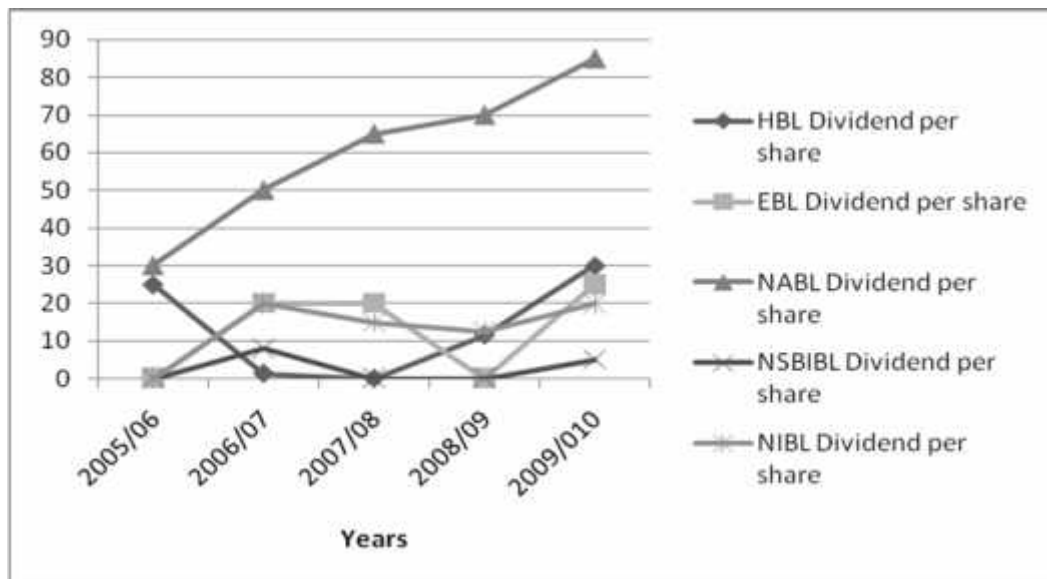
According to the graph, DPS all sample of joint venture banks are fluctuating trends. Some of in increasing trends while some of in decreasing trends. The trend of DPS Payments of NABL is upper than other four JVB's. The trend regarding DPS payment of NSBIBL is lower than other four JVB's. HBL was unable to pay dividend in F/y 2006/07. EBL was unable to pay its dividend in F/y 2005/06 and F/y 2008/09. Similarly, NSBIBL

was unable to pay its dividend except in F/y 2005/06 and F/y 2009/010. And NIBL was and unable to pay its dividend in F/y 2005/06 only. Thus, NABL's dividend position is best of all according to the above graph.

4.1.3. Dividend payout Ratio (DPR):

This ratio shows the amount of dividend as a percentage of earning available for equity shares. The dividend payout ratio obviously depends on earning. So, greater the earnings, more the ability of financial institutions to payout as dividend as a percentage of earnings available for common share after meeting all charges of the company. Dividend payout ratio is calculated by dividing dividend per share by earning per shares.

Table: 4.7.

Dividend Payout Ratio of JVBs

Year	Joint Venture Banks				
	HBL (%)	EBL (%)	NABIL (%)	NSBIBL (%)	NIBL (%)
2005/06	41	0	54	0	0
2006/07	3	67	59	70	51
2007/08	0	44	70	0	29
2008/09	24	0	66	0	32
2009/010	51	40	66	27	34
Average	23.8	30.2	63	19.4	29.2

Source: Appendix-1

Figure: 4.2

Dividend Payout Ratio of JVBs
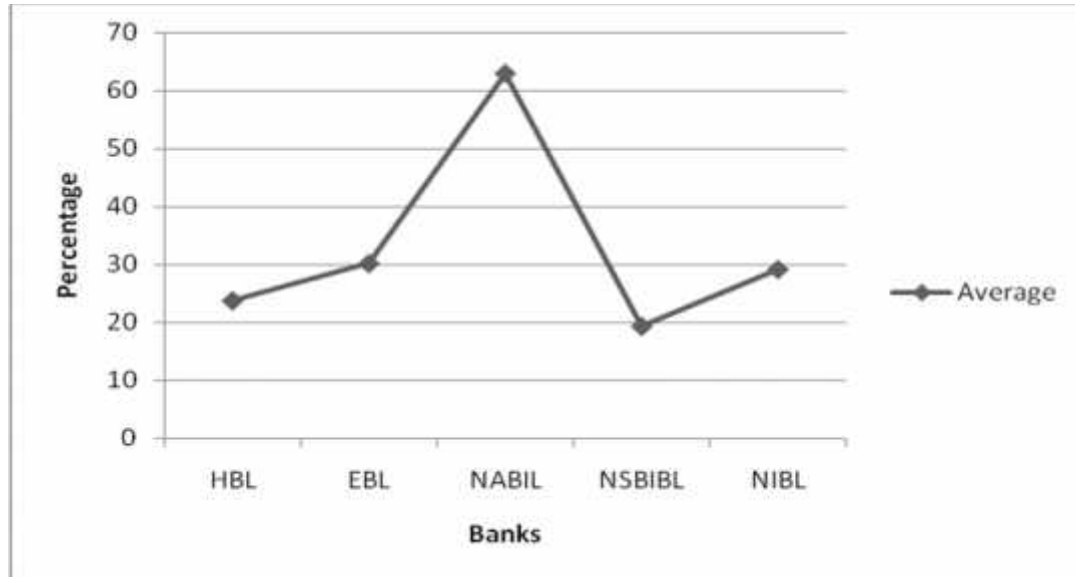
Analyzing the above table, NABL (63%) has highest average dividend payout ratio of the rest joint venture banks given in the table. The highest DPR of ways NSBIBL is 70% in the Year 2006/07 same ways NABL is in year 2007/08 is 70%, EBL is 67% in the year 2006/07, NIBL is 51% in the F/y 2006/07 and also HBL is 51% in the F/y 2009/010. NSBIBL has the least average DPR of 19.4%. The above table shows fluctuating trend of DPR in year to year. HBL could not able to maintain its DPR in fiscal year 2006/07 same ways, EBL also could not able to maintain its average DPR in F/y 2005/06 and 2008/09. NABL was able to maintain its average DPR in every fiscal year. NSBIBL was able to maintain its average DPR in F/y 2006/07 and 2009/010 among the five Fiscal Years. Likewise NIBL was able to maintain its average DPR in all Fiscal Year except F/y 2005/06.

4.1.4. Price Earnings ratio (PER):

Price earnings ratio reflects the price, which is currently paid by the market for each rupee of currently reported earnings per share. Price – earnings ratio helps to Judge the investors' expectations about the performance of finance companies. P – E ratio could be calculated by dividing the market value per share by earning per share. Higher the price – earnings ratio, it is better for owners.

Table: 4. 8.

Price Earnings Ratio of JVB's

Year	Joint Venture Banks				
	HBL	EBL	NABL	NSBIBL	NIBL
2005/06	16.59	12.31	12.67	41.72	22.62
2006/07	16.91	14.88	8.74	22.24	20.10
2007/08	17.12	14.93	10.80	21.54	18.18
2008/09	19.20	16.04	14.27	25.21	20.25
2009/010	18.57	21.97	17.34	33.49	21.23
Average	17.68	16.03	12.76	28.84	20.48

Source: Appendix-1

Figure: 4.3

Price Earnings Ratio of JVB's
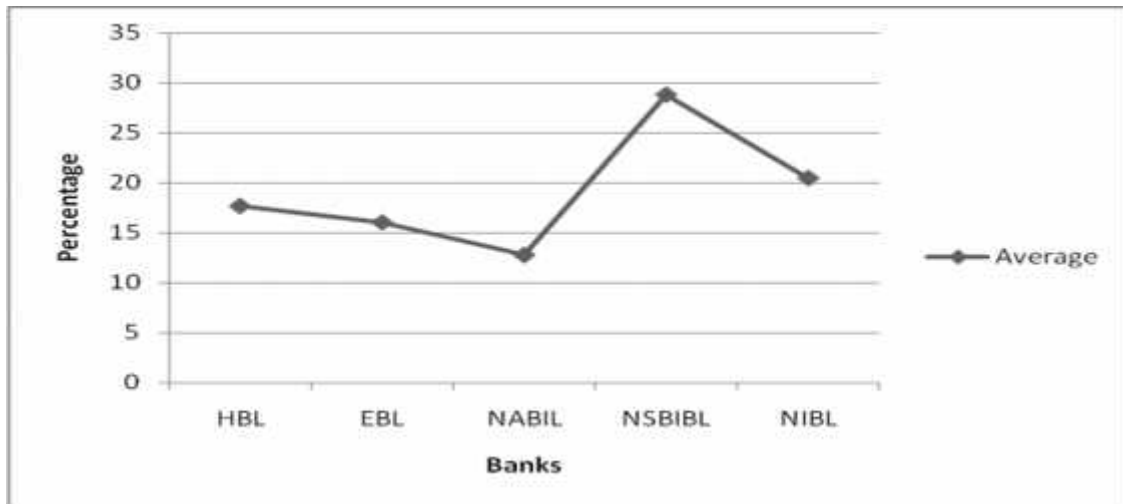
Above table shows that P – E ratio of HBL is increasing trend up to F/y 2008/09 but decreased in F/y 2009/010. The average P – E ratio HBL is 17.68. The bank could maintain its average P – E ratio in F/y 2008/09 and 2009/010. The P – E ratio of EBL is in increasing trend and its average P – E ratio is 16.03. In this condition, the bank could maintain its average P – E ratio in all fiscal years except F/y 2005/06. The P – E ratio of NABL is somewhat fluctuating trend. It decreased in F/y 2006/07 after that increasing up to F/y 2009/010. The average P – E ratio in the F/y 2005/06, 2006/07 and 2007/08. The

average P – E ratio of the bank is 12.76. The bank could not maintain its average P – E ratio in the F/y 2005/06, 2006/07 and 2007/08. The P – E ratio of NSBIBL is in fluctuating trend, it decreased up to F/y 2007/08 then increased in the rest fiscal years. The average P – E ratio of the bank is 28.84. The bank could not maintain its average P – E ratio from F/y 2006/07 to 2008/09. The average P – E ratio of the bank is 20.48.

In conclusion, the average P – E ratio of NSBIBL is highest than all sample joint venture banks i.e. 28.84 times. Thereafter, NIBL is 20.48 times, HBL is 17.68 times. EBL is 16.03 times & NABL is 12.76. Analysis of P – E ratio helps to Judge the investor's interest about the JVB's & its performance. Above analysis concludes that higher the P – E ratio, the better it is for the owners.

4.1.5. Market value per share to Book value per share Ratio (MVPS/BVPS):

This ratio indicates the price that the market is paying for the share that is reported from the net worth of the banks. In other words, it is the price the outsider is paying for each rupee reported by the balance sheet of the company. Market value per share to book value per share ultimately evaluates the net present value of shares in the market.

Table: 4.9.

Market Value per Share to Book Value per Share ratio of JVB's

Year	Joint Venture Banks				
	HBL	EBL	NABIL	NSBIBL	NIBL
2005/06	4.55	2.37	3	3.04	2.47
2006/07	3.37	2.96	2.77	1.9	3.68
2007/08	3.4	3.96	3.32	2.09	3.81
2008/09	3.84	3.96	4.47	2.1	3.98
2009/010	4.81	6.34	5.88	4.03	5.26
Average	3.99	3.92	3.89	2.63	3.84

Source: Appendix-1

Figure: 4.4

Market Value per Share to Book Value per Share ratio of JVB's
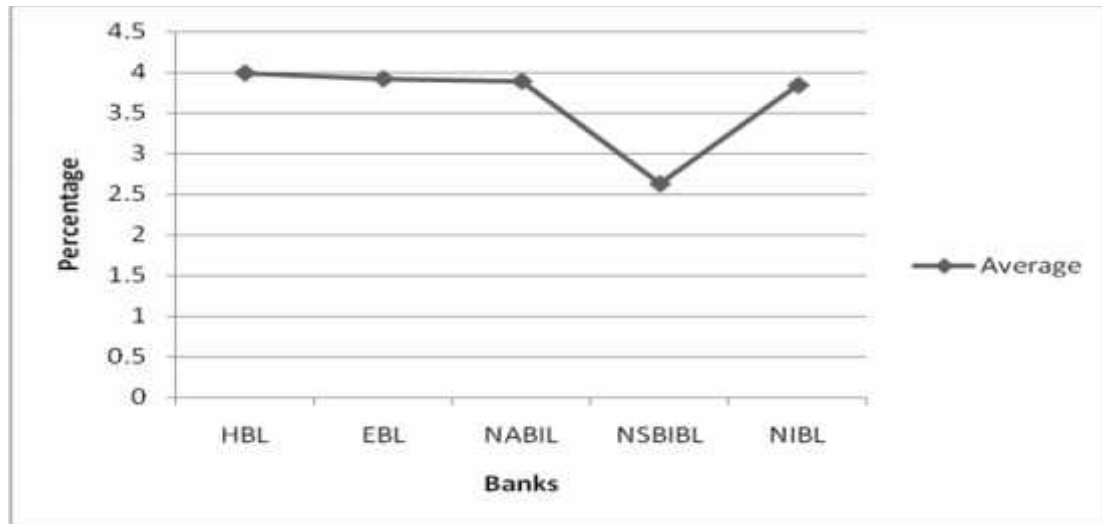
Market value per share to Book value per share ratio of JVB's, i.3. HBL, EBL & NABL and NSIBL arein fluctuating trend during the five fiscal years. Market value per share to Book value per share ratio of HBL is decreased in F/y 2006/07 after then increased. Market value per share to Book value per share ratio of EBL in increasing to F/y 2008/09 and decreased in F/y 2009/010. Regarding NABL and NISBIBL, it is decreased and increased as HBL. Similarly, Market value per share to Book value per share ratio of NIBL increased year after year. The average market value per share to book with 3.92, NABL stands third with 3.89, NIBL stands forth with 3.84 and NSBIBL stand lowest with 2.63.

In conclusion, HBL has the highest average ratio of market value per share to book value per share. So, shareholders of HBL get the higher capital gain than other company's shareholders. NSBIBL has the lowest average ratio so the shareholders of this company get the lowest capital gain than other company's shareholders.

By the help of this analysis, this average concludes that in terms of market value per share to book value per share ratio, HBL's performance is better than other sample JVB's.

4.1.6. Dividend Yield ratio (DYR) :

This ratio highly influences the market value per share because small changes in the dividend per share can bring effective change in market value of the share. Therefore, before allocation of dividend to stockholders, the impact of market scenario & price fluctuation has to be analyzed & evaluated for the long run survival of the institutions.

Table: 4.10.

Dividend Yield Ratio of JVB's

	Joint Venture Banks				
Year	HBL %	EBL %	NABL%	NSBIBL%	NIBL%
2005/06	3	0	4	0	0
2006/07	0	4	7	3	3
2007/08	0	3	7	0	2
2008/09	1	0	5	0	2
2009/010	3	2	4	0	2
Average	1.4	1.8	5.4	0.6	1.8

Source: Appendix-1

Figure: 4.5

Dividend Yield Ratio of JVB's
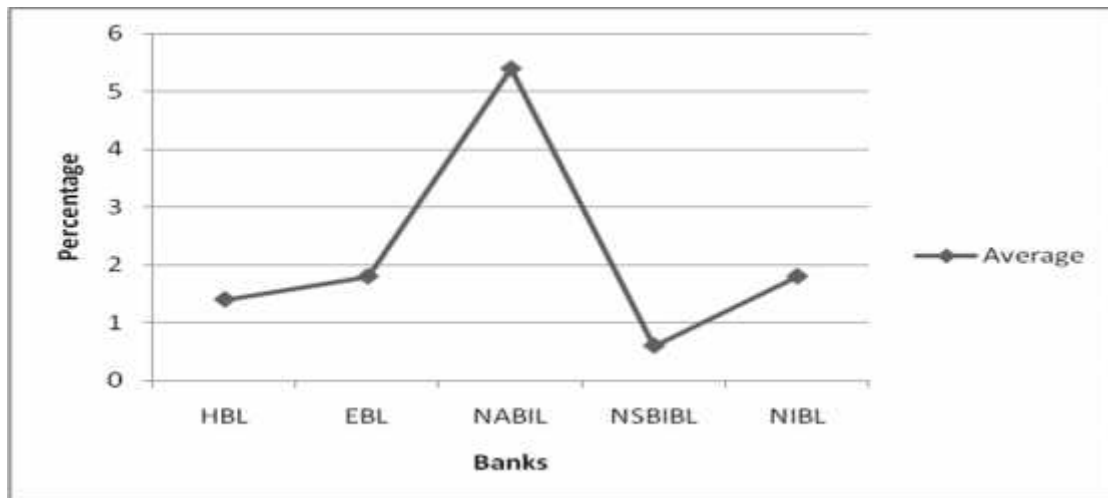
Above analysis shows that NABL has the highest average dividend yield ratio of 5.4% where as EBL and has 1.8%, HBL has 1.4% and NSBIBL has 0.6%. HBL is unable to maintain average DYR from F/y 2006/07 to 2008/09. EBL is unable to maintain its average DYR in F/y 2005/06 and 2008/09, NABL is unable to maintain its average DYR in F/y 2005/06, 2008/09 and 2009/010. Similarly, NSBIBL is able to maintain average DYR in F/y 2004/05, 2006/07 2008/09 and 2009/010. Finally, NIBL is unable to maintain average DYR only in F/y 2005/06.

In conclusion, NABL is more efficient than all sample Joint venture banks for distribution of dividend on the basis of market price of share. Change in dividend per share of the bank can bring effective change in the market price of the share. Thus, before the distribution of dividend to the shareholders, the impact on financial market & price fluctuation should be analyzed & evaluated for the long run survival of the bank.

4.1.7. Return on Net worth (RONW):

It refers to the owners claim in the asset of financial institutions. This can be found & also this is the indicator of company's good financial performance. This ratio indicates how well the financial institution has used the resources of the owners.

Table: 4.11.

Return on Net Worth of JVB's

	Joint Venture Banks				
Year	HBL %	EBL %	NABL%	NSBIBL%	NIBL%
2005/06	27.39	19.27	23.71	7.29	10.91
2006/07	19.95	19.92	31.71	8.56	18.29
2007/08	19.86	26.57	30.77	9.71	20.94
2008/09	20	24.66	31.30	8.33	19.67
2009/010	25.90	28.84	33.91	12.04	24.76
Average	22.62	23.85	30.28	9.19	18.92

Source: Appendix-1

Figure: 4.6

Return on Net Worth of JVB's
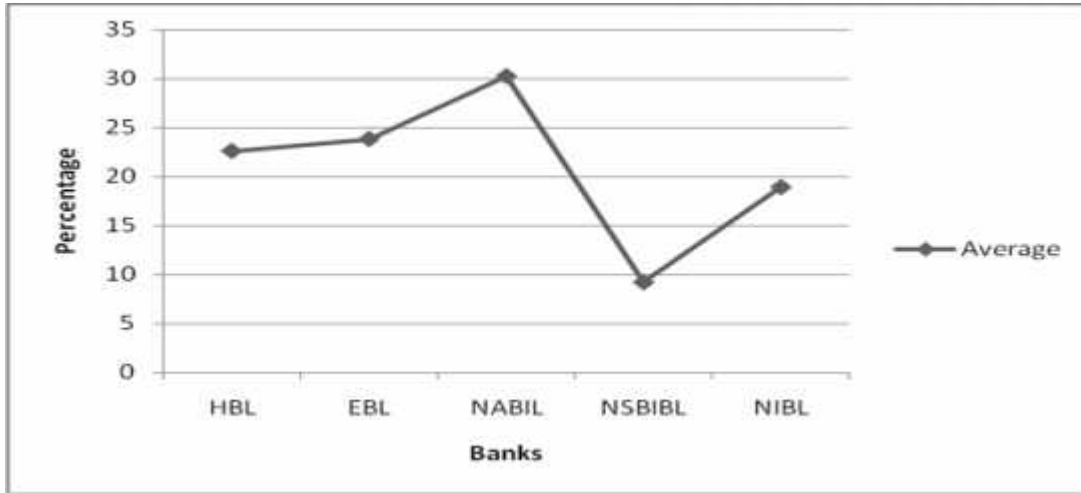
Above analysis shows that RONW of HBL was decreasing trend at the beginning and then increasing trend. RONW of HBL is 27.39%, 19.95%, 19.86%, 20% and 25.90% in the F/y 2005/06, 2006/07, 2007/08, 2008/09 and 2009/010 respectively. The data regarding RONW of EBL is also fluctuating in the five Fiscal Years. Its RONW is 19.27% in F/y 2008/09 and 28.84% in F/y 2009/010. The RONW of NABL is also fluctuating in the study period. Its RONW is 23.71% in F/y 2005/06, 31.71% in F/y 2006/07, 30.77% in F/y 2007/08, 31.30% in F/y 2008/09 and 33.91% in F/y 2009/010. The RONW of NSBIBL is also in fluctuating trend likewise EBL, means it increases and decreases in the above five fiscal years. The RONW is 7.29% in F/y 2005/06, 8.56% in F/y 2006/07, 9.71% in F/y 2007/08, 8.33% in F/y 2008/09 and 12.04% in the 2009/010. Similarly, The RONW of NIBL increases up to F/y 2007/08 but decreases in the F/y 2008/09 and again increased in F/y 2009/010. The RONW is 10.91% in F/y 2005/06, 18.29% in F/y 2006/07, 20.94% in F/y 2007/08, 19.67% in F/y 2005/06 and 24.76% in F/y 2009/010. Thus, the increasing and decreasing trend of RONW of NIBL is also same as of the NSBIBL.

The average RONW of HBL is 22.62% , EBL is 23.85% , NABL is 30.28% NSBIBL is 9.19% and NIBL is 18.92%. According to the above table, the highest average of RONW is of NABL and the lowest one is of NSBIBL.

4.2. Analysis of Financial Tools:

In a multiple bar diagram two or more than two sets of interrelated data are presented. So, DPS & EPS are presented in these diagrams. Multiple bar diagrams of sample JVBS are presented below:

a) HBL:

Figure: 4.6.1.

Multiple bar diagram showing EPS & DPS of HBL
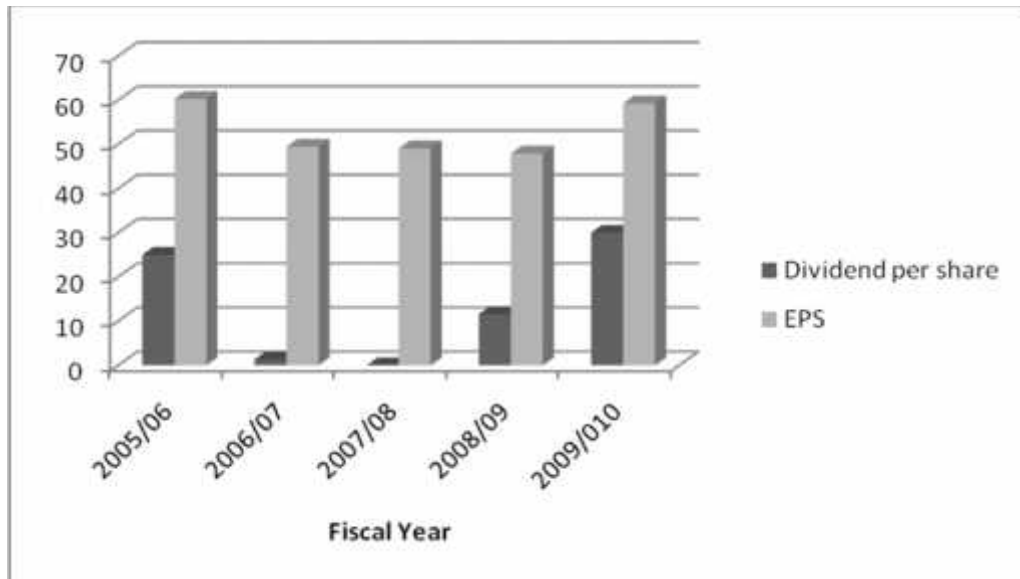
b) EBL:

Figure: 4.6.2.

Multiple bar diagram showing EPS & DPS of EBL
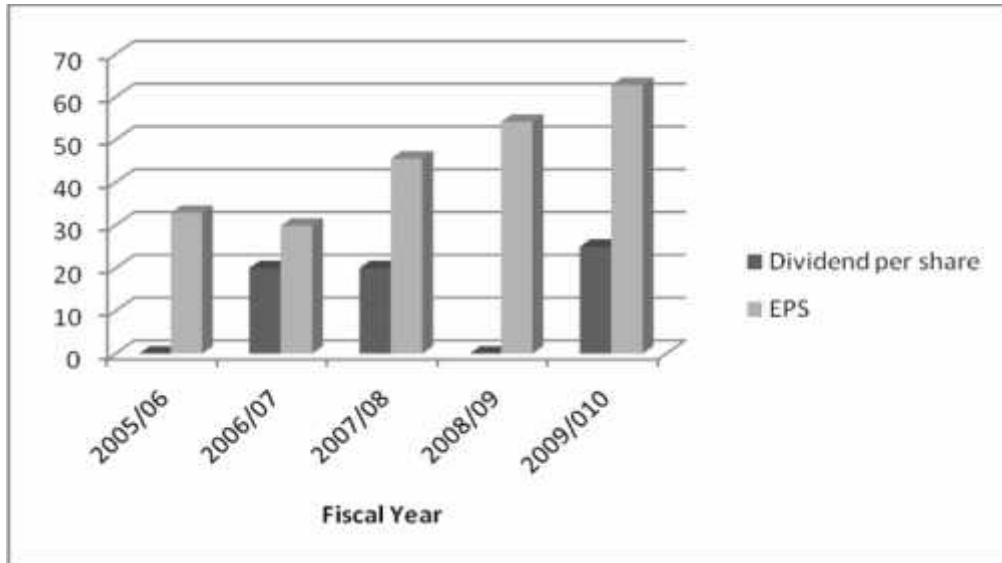
c) NABL:

Figure: 4.6.3

Multiple bar diagram showing EPS & DPS of NABL
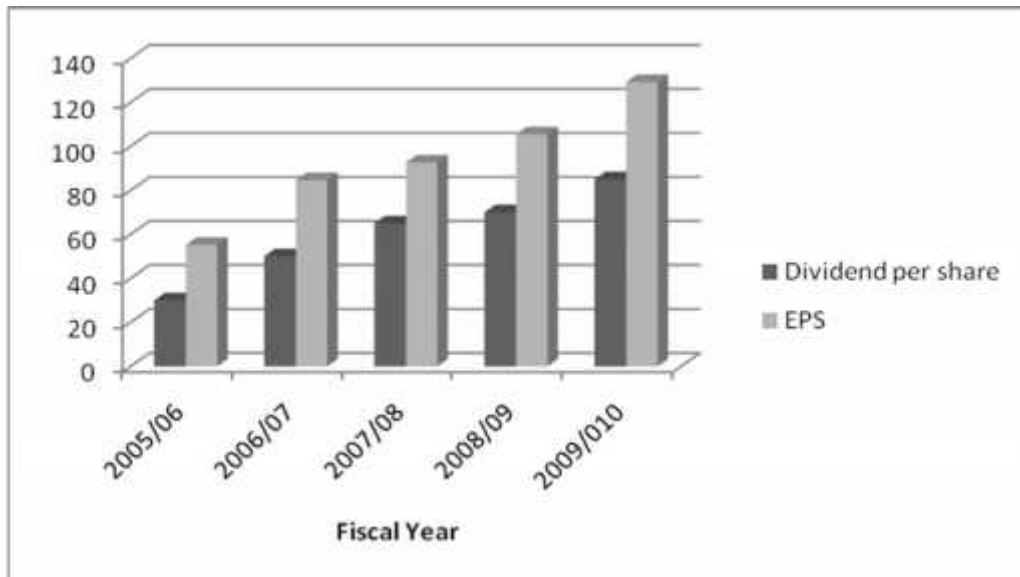
a) NSBIBL :

Figure: 4.6.4

Multiple bar diagram showing EPS & DPS of NSBIBL
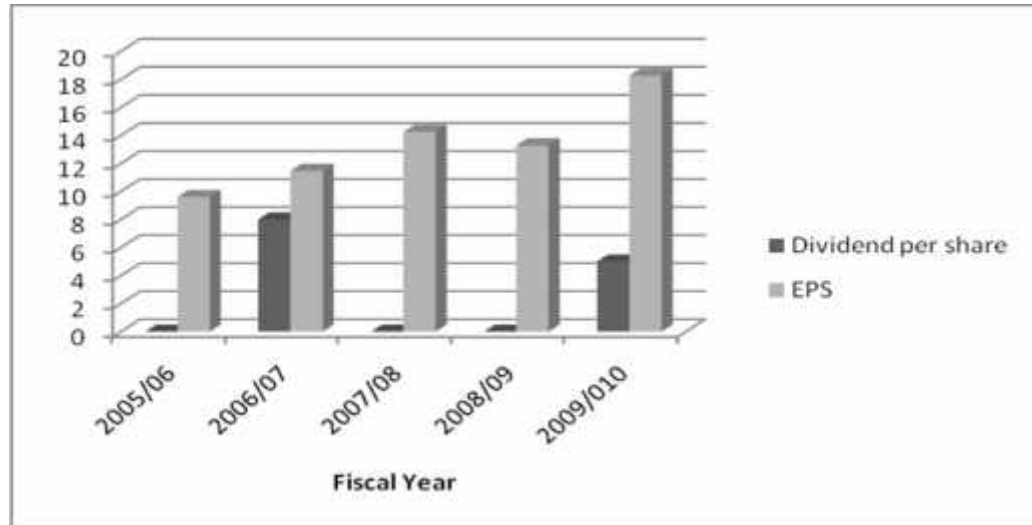
b) NIBL :

Figure: 4.6.5

Multiple bar diagram showing EPS & DPS of NIBL
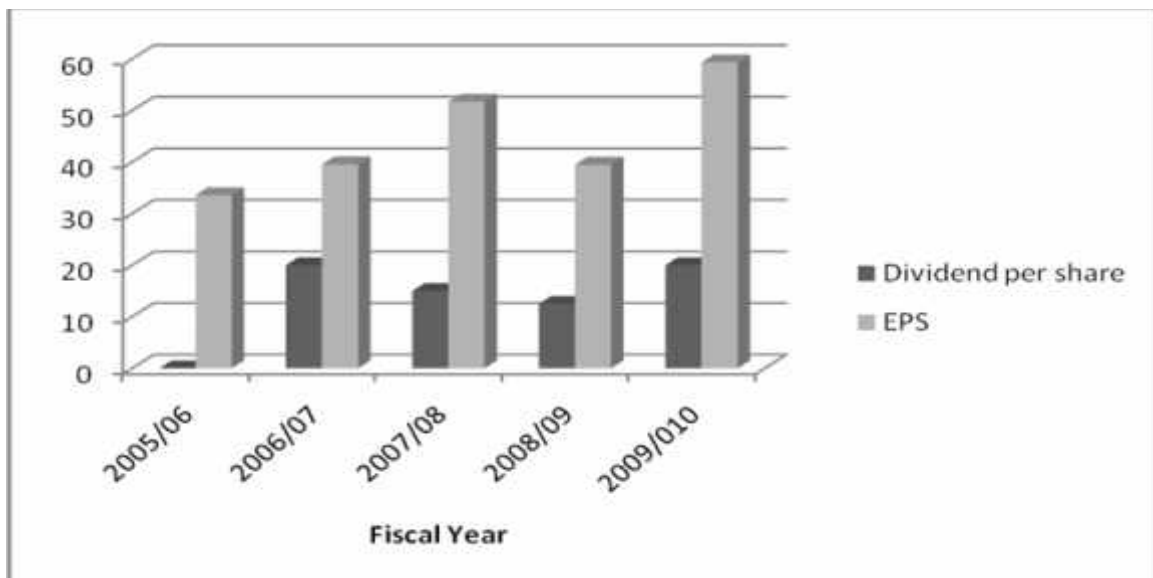
Looking the above multiple bar diagrams, among the sample of JVB's, NABL is distributing large amount of it's earning as dividend. It's average dividend payout for the study period is 63% , EBL is paying 30.2% of earning as dividend, NIBL is paying 29.2% of earning as dividend , HBL is paying 23.8% of earning as dividend where as NSBIBL is paying 19.4% of earning as dividend for the study period . The EPS of all these sample of JVB's are in fluctuating trend, likewise DPS is also in fluctuating trend.

In conclusion, according to the common stock holder point of view, the combination between DPS & EPS is good in NABL because it paid highest percent of earnings as dividend & according to the management point of view, NSBIBL has the highest investment opportunity because it distribute low percent of earnings as dividends & utilize their high percent of earnings in the profitable financial sectors.

4.3. Analysis of Statistical Tools:

Financial tools are not sufficient to describe the relationship among the various interrelated variable. So statistical tools are utilized to make the analysis more research oriented. For this purpose same financial data are used to determine how one variable is related to another variable. So, it is better to determine the degree of correlation between dividend per share & earning per share, dividend per share & profit after tax, dividend per share & net worth, dividend per share & average market price of the share. Similarly, means & standard deviation of all the variable, (t) values, coefficient of determination (R^2) & probable errors are to determined for the purpose of analysis.

Table: 4.12

Relationship between DPS with EPS of all the sample JVB's

Result	Joint Venture Banks				
	HBL	EBL	NABL	NSBIBL	NIBL
Mean $\overline{x}$	53.18	45.08	93.44	13.38	44.74
δ x	5.40	12.45	24.33	2.92	9.39
c. v.	10.15%	27.62%	26.04%	21.82%	20.99%
Mean $\overline{y}$	13.58	13	60	2.6	13.50
δ y	12.16	10.77	18.71	3.32	7.35
c.v.	89.54%	82.85%	31.18%	127.69%	54.44%
a	−93.32	4.44	−11.02	−0.34	−9.76
b	2.01	0.19	0.76	0.22	0.52
γ_{xy}	0.89	0.22	0.99	0.19	0.66
R^2	0.8	0.05	0.97	0.04	0.44
S.E	0.45	0.38	0.06	0.50	0.26
/ t /	4.47	0.5	12.67	0.44	2
P.Er	γ_{xy} > P.Er.	γ_{xy} < P.Er.	γ_{xy} > P.Er.	γ_{xy} > P.Er.	γ_{xy} > P.Er.
N	5	5	5	5	5

Source: Appendix 2

Where ,

        x   =   EPS

        y   =   DPS

        γ_{xy} =   Simple correlation

        y   =   a + bx is the regression equation

Thus, DPS   =   a + b EPS

        N   =   Sample size

The result on simple correlation & regression equation of sample JVB's are described in following paragraphs.

The coefficient of correlation between DPS & EPS of all the sample of JVB's have the positive relationship indicates that the payment of dividend upon the EPS of the respective JVB's. NABL has the high degree of correlation i.e. 0.99 but HBL, NIBL, EBL and NSBIBL have low degree of correlation i.e. 0.89,0.66, 0.22 and 0.19 respectively. Since, the value of correlation (γ_{xy}) is greater than probable error i.e. γ_{xy} > P.Er , the value of γ_{xy} > P.Er., the value of γ_{xy} is significant but the value of correlation (γ_{xy}) is less than probable error i.e. γ_{xy} < P.Er., the value of γ_{xy} is not significant. In other word correlation between DPS with EPS is significant of NABL, HBL & NIBL from the given sample of JVB's. because γ_{xy} > P.Er. but the correlation between DPS with EPS is not significant of EBL & NSBIBL because γ_{xy} < P.Er. The regression of DPS on EPS i.e. coefficient (b) is positive in HBL, EBL, NABL, NSBIBL & NIBL. The analysis of coefficient (b) indicates that one rupee increases in EPS leads to the average about 2.01 increase in DPS of HBL, 0.19 EBL, 0.76 of NABL, 0.22 of NSBIL & 0.52 of NIBL respectively holding other variable constant. Above the analysis proves that HBL, can pay more dividend it one rupee of EPS is increased in all sample of JVB's. The value of R^2 of HBL indicates that 0.8 dividend variation is explained by earning variable . Similarly EBL has 0.05, NABL has 0.97, NSBIBL has 0.04 & NIBL has 0.44 dividend variation is explained by earning variable. The value of R^2 of all the sample of JVB's are statistically significant at 5% level of significance, Since the computed value of "t" (4047 of HBL, 12.67 of NABL, and 2 of NIBL are greater than the tabulated value of 't' (1.86) but EBL NSBIBL is not statistically significant at 5% level of significance, since the calculated value of ' t ' (0.5 of EBL and 0.44 of NSBIBL) is less than the tabulated value of ' t ' (1.86). The analysis of CV regarding EPS indicates that HBL is more consistent than NBBL , NABL, NSBIBL & NIBL are less consistent. The analysis of CV regarding EPS indicates that HBL is more consistent than EBL, NABL, NSBIBL & NIBL less consistent. The analysis of CV regarding DPS indicates that NABL is more consistent than other four JVB's, while HBL, EBL, NSBIBL and NIBL are less consistent with respect of NABL.

Table: 4.13

Relationship between DPS with NPAT all the sample of JVB's

Result	Joint Venture Banks				
	HBL	EBL	NABL	NSBIBL	NIBL
Mean $\bar{x}$	295.19	146.24	455.60	64.96	181.82
δx	87.24	55.36	125.98	26.93	101.61
c. v.	29.55%	37.86%	27.65%	41.46%	55.88%
Mean $\bar{y}$	13.58	13	60	2.6	13.50
δy	12.16	10.77	18.71	3.32	7.35
c.v.	89.54%	82.85%	31.18%	127.69%	54.44%
a	−12.99	1.3	−8.34	0.002	6.23
b	0.09	0.08	0.15	0.04	0.04
γ_{xy}	0.64	0.4	0.99	0.29	0.61
R^2	0.41	0.16	0.99	0.09	0.34
S.E	0.05	0.08	0.007	0.02	0.03
/ t /	1.8	1	21.43	2	1.33
P.Er	$\gamma_{xy} >$P.Er.	$\gamma_{xy} >$ P.Er.	$\gamma_{xy} >$ P.Er.	$\gamma_{xy} >$ P.Er.	$\gamma_{xy} >$ P.Er.
N	5	5	5	5	5

Source: Appendix 2

Where ,

x	=	Net profit after taxes (in Million)
y	=	DPS
γ_{xy}	=	Simple correlation
y	=	a + bx is the regression equation

Thus, DPS	=	a + b NPAT
N	=	Sample size

The coefficient of correlation between DPS & NPAT of all the sample of JVB's has the positive relationship. These all indicates that the payment of dividend decision depends upon the net profit after taxes of the respective institutions. Among the sampled NABL has the highest level positive correlation. Since the data the value of correlation (γ_{xy}) is

greater than the probable error in all JVB's. HBL, EBL, NABL, NSBIBL & NIBL i. e. γ_{xy} > P.Er, then the value of γ_{xy} is significant

The regression of DPS on NPAT i.e. coefficient (b) is in all the JVB's. According to analysis of regression equation of HBL, EBL , NABL , NSBIBL & NIBL , the coefficient (b) is (0.09), (0.08), (0.15), (0.04) & (0.04) respectively . The value of R^2 indicates that HBL , EBL, NABL , NSBIBL & NIBL have 41%, 16% , 99% , 9% & 34% of dividend variation is explained by net profit variable. The value of R^2 of NABL and NSBIBL are significant 5% level of significance. Because the computed value of ' t ' of NABL and NSBIBL i. e. 21.43 and 2 is greater than the tabulated of ' t ' at 5% level of significance i. e. 1.86. But the value of R^2 of HBL, EBL and NIBL are not significant at 5% level of significance because the calculated value of ' t ' i. e. 1.8, 1 and 1.33 respectively are less than tabulated value of 't' i.e. 1.86 at 5% level of significance.

By analyzing the coefficient of variation of NPAT of all the sampled JVB's, NPAT of NABL is more consistent with respect to other four JVB's. Similarly DPS of NABL is also more consistent with respect to other four JVB's.

Relationship between DPS with MVPS of all the sample of JVB's

Result	Joint Venture Banks				
	HBL	EBL	NABL	NSBIBL	NIBL
Mean $\bar{x}$	13.58	13	60	2.6	13.50
δ x	12.16	10.77	18.71	3.32	7.35
c. v.	89.54%	82.85%	31.18%	127.69%	54.44%
Mean $\bar{y}$	939.20	755.8	953	382	911
δ y	100.41	354.07	577.82	124.28	185.05
c.v.	10.69%	46.85%	46.71%	32.53%	20.31%
a	829.20	579.91	−396.80	375.68	725.64
b	8.10	13.53	27.23	2.43	13.73
γ_{xy}	0.98	0.41	0.88	0.06	0.54
R^2	0.96	0.17	0.96	0.004	0.3
S.E	0.74	13.39	2.76	16.71	9.42
/ t /	10.95	1.01	1.44	0.15	1.46
P.Er	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} >$ P.Er.	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.
N	5	5	5	5	5

Source: Appendix 2

Where ,

x = DPS

y = Market value per share (MVPS)

γ_{xy} = Simple correlation

y = $a + bx$ is the regression equation

Thus,

MVPS = $a + b$ DPS

N = Sample size

The coefficient of correlation between DPS & market value per share of all sample of JVB's is positive relationship. It indicates the value of stock price depends upon the dividend per share of HBL, EBL, NABL, NSBIBL and NIBL. HBL has the high degree of correlation but other four JVB's have lower degree of correlation where NSBIBL has the lowest degree of correlation. NSBIBL has $\gamma_{xy} <$ P.Er., therefore, the correlation

between market value per share or average stock price and dividend per share is not significant. But in case of rest JVB's i.e. HBL, EBL, NABL & NIBL, the value of correlation (γ_{xy}) is greater than P.Er. (Probable Error) i.e. γ_{xy} < P.Er., that's why, the value of γ_{xy} is significant.

As far regression analysis of market value per share and DPS is concerned, coefficient (b) is positive in the all sample JVB's. The coefficient (b) on HBL is 8.10, EBL is 13.53, NABL is 27.23, NSBIBL is 2.43 and NIBL is 13.73. The value of R^2 of HBL, EBL, NABL, and NSBIBL & NIBL is 96%, 17%, 96%, 0.4% & 30% respectively of stock variation is explained by dividend variable. The value of R^2 of the sampled JVB's are significant except EBL and NSBIBL at 5% level of significance, Because the calculated value of 't' of HBL (10.95), NABL (9.87), and NIBL (1.46) are greater than tabulated value (1.86) at 5% level of significance. But the calculated value of 't' of EBL (1.01) and NSBIBL (0.15) are less than the tabulated value at 5% level of significance. So, the R^2 of EBL and NSBIBL is not significant.

By analyzing the coefficient of variation of market value per share of these sample JVB's., the market value per share of HBL is more consistent while EBL is less consistent. In case of C.V. regarding DPS, NABL is more consistent while the NSBIBL is less consistent.

Table: 4.15

Relationship between DPS with Net worth of all the sample of JVB's

Result	Joint Venture Banks				
	HBL	EBL	NABL	NSBIBL	NIBL
Mean $\overline{x}$	13.58	13	60	2.6	13.50
δ x	12.16	10.77	18.71	3.32	7.35
c. v.	0.9%	82.85%	31.18%	127.69%	54.44%
Mean $\overline{y}$	1310.66	594.26	1493.65	683.52	897.33
δ y	324.72	143.18	254.87	151.28	341.61
c.v.	24.78%	24.09%	17.06%	22.13%	38.07%
a	1224.29	544.86	694.45	658.48	587.51
b	6.36	3.8	13.32	9.63	22.95
γ_{xy}	0.24	0.29	0.98	0.21	0.49
R^2	0.06	0.08	0.96	0.04	0.24
S.E	11.48	5.7	1.22	19.97	18.12
/ t /	0.55	0.67	10.92	0.48	1.27
P.Er	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.	$\gamma_{xy} <$ P.Er.
N	5	5	5	5	5

Source: Appendix 2

Where ,

x = DPS

y = Net worth

y = a + bx is the regression equation

Thus,

Net worth = a + b DPS

N = Sample size

The coefficient of correlation between DPS & Net worth of all sample of JVB's are positive relationship then it indicates that the value of net worth depends upon the

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Dividend per share of all sample of JVB's. The value of γ_{xy} is less than P.Er. except HBL and NSBIBL. So, the correlation between DPS and Net worth is not significant of the both bank while the correlation between DPS and Net worth of other three JVB's i.e. EBL, NABL and NIBL is significant because their γ_{xy} is greater than Per.

As for the regression analysis of net worth on DPS is concerned, the coefficient (b) of all sample of JVB's are Positive. The positive coefficient (b) of all sample of JVB's indicates that one rupee increase in DPS lead to increase the value of net worth i.e. 6.36. 3.8, 13,32, 9.63 and 22.95 increase in Net worth of the all sample of JVB's respectively. The value of R^2 of HBL, EBL NABL, NSBIBL and NIBL is 6%, 8%, 96%, 4% and 24% of Net worth variation is explained by dividend variable respectively. The value of R^2 of only NABL is significant because calculated value of / t / (10.92) is greater than the tabulated value of / t / i.e. 1.86 at 5% level of significance while the value of R^2 of the rest sample of JVB's are not significant because of less value i.e. 0.55 (HBL), 0.67 (EBL), 0.48 (NSBIBL) and 1.27 (NIBL) than the tabulated value.

By analyzing the coefficient of variation of net worth of all there sample JVB's. NABL is more consistent, while NIBL is less consistent. In case of C.V. regarding DPS, HBL is more consistent & NSBIBL is less consistent.

4.4. Major Findings

The main finding of the research work is summarized in numeric order:-

1) Among the sample JVBS, all the sample have the fluctuating of DPS, except NABL. NABL has increasing trend of DPS from F/y 2005/06 to F/y 2009/010.

2) In the sample of JVBS, HBL in on original share of Rs 100 is Rs. 60.26 which is in decreasing trend and reached down to Rs. 47.91 in the fiscal year 2008/09. But in increased to Rs. 59.24 in fiscal year 2009/010. EPS in one original share of Rs. 100 are Rs. 32.91 and Rs. 55.25 of EBL and NABL respectively in the fiscal year 2005/06 and it reached to Rs.78 of EBL and Rs.

129.21 of NABL respectively in the fiscal year 2009/010. Similarly, EPS in one original share of Rs. 100 are Rs. 9.61 and Rs. 33.59 of NSBIBL and NIBL respectively in the year 2005/2006. They reached up to Rs. 14.26 and Rs. 51.70 of NSBIBL and NIBL respectively in the year 2007/08 but decreased to Rs. 13.29 and Rs. 39.50 respectively in fiscal year 2005/06. Finally they increased to Rs. 18.27 and Rs. 59.35 respectively. The EPS of all JVB's are in fluctuating trend. And the EPS of NABL is best of all.

3) In the sample JVB's, HBL has decreasing trend of EAT from F/y 2005/06 to 2006/07 after then increasing trend up to F/y 2009/010. EBL has increasing trend from F/y 2005/06 to F/y 2009/010. The EAT of NABL increased continuously from F/y 2005/06 to F/y 2009/010. Similarly EAT of NSBIBL has fluctuating trend, it increased from 2005/06 to 2007/08 then it decreased in F/y 2005/06 and increased in F/y 2009/010. In case of NIBL it has increasing trend of EAT from F/y 2005/06 to 2009/010. Thus, the EPS of HBL and NSBIBL are in fluctuating trend, it is due to issue of additional shares. And the rest three banks are in increasing trend.

4) According to DPR of JVB's, the average DPR of NABL is paying higher percentage of earning as dividend than other, while average DPR of NSBIBL is paying lower percentage of dividend. The higher DPR of JVB's is better than the lower DPR.

5) On the basis of the sample, regression analysis of DPS and EPS is concerned, in context of sample of JVB's, the relation between DPS and EPS of all the sampled JVB's have positive correlation. Higher the EPS, higher will be the dividend and lower the EPS lower will be the dividend.

6) The relation between NPAT and DPS of all sampled of JVB's have positive correlated means that higher the NPAT, higher will be the dividend and lower the NAPT, lower will be the dividend.

7) Among the sample JVB's, the correlation between DPS and market value per share or average stock price is concerned, all JVB's HBL, EBL, NABL, NSBIBL and NIBL have positive correlation. The reason behind it is nowadays people are more conscious about the share market. The negative

correlation between DPS and average stock price would have been previously because in the early phase of establishment, there is a trend of buying shares without knowing the condition of financial market and also investors do not have adequate knowledge on how to evaluate value of shares before investing on it. But the time has come to change. People are taking interest in share trade.

8) According to the regression analysis of DPS on EPS, coefficient (b) is positive in all sample JVB's. Positive coefficient indicates that DPS is increased with EPS.

9) On the basis of dividend yield ratio (DYR) , among the sample JVBs, NABL is more efficient than HBL, EBL, NSBIBL and NIBL for distribution of dividend on the basis of market price of share.

10) By analysis coefficient of variation of sample JVB's, C.V. regarding EPS, HBL is more consistent and EBL is less consistent. The C.V. regarding market value per share, HBL is more consistent and EBL is less consistent. Likewise, C.V. regarding Net worth, NABL is more consistent whereas NIBL is less consistent.

11) According to market value per share to book value per share per ratio, among sample JVB's, HBL has higher average ratio of market value per share whereas NSBIBL has lowest average ratio of market value per share. So shareholders of HBL get the higher capital gain than other JVB's shareholder.

12) On the basis of price earnings ratio, among the sample JVB's, the average P.E. ratio of NSBIBL is higher than other JVB's. It concludes the higher the P.E. ratio; it is better for the owner.

13) According to the regression analysis of net worth on dividend per share is concerned, coefficient (b) is positive in the all sample JVB's. This positive coefficient indicates that these financial institutions might be able to increase in its net worth. If one rupee of dividend per share is increased.

14) There is the fluctuating trend of market value per share in HBL and NIBL. This happens due to the slackness in capital market, market price per share of all these JVB's reached peak at one time begun to drop considerable

considerably at present. Again they are quite able to improve their market value per share. In this context, EBL, NABL and NSBIBL has increasing trend of MVPS.

15) However, there is no stable dividend paid by these samples of JVB's over year. They are paying fluctuating dividend since 2004/05 to 2008/09. Similarly there are no criteria to adopt payout ratio. So it clearly exists there is no long-term vision context with dividend decision.

CHAPTER–V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Paying dividend to shareholder is an effective way to attract new investor to invest in shares. Due to division of earning of a company between dividend payout & retention of earning, its effect on the market price of share is a crucial question. Therefore a wise policy should be maintained between shareholders interest & corporate growth from internally generated funds. The funds could not be used in the case of lack of investment opportunities. In such a situation, dividend payment to share-holders should be taken as best because shareholder has investment opportunities to employ elsewhere. In the changed context of encouraging secondary market, it is time to study influences of other factors on dividend & implication of dividend on market price per share. The study has tried to over some such factors. However, it is not enough due to some limitations.

Dividend paying banks have been selected for the study. So that references can be made about implication of dividend. We can see the vague practices on distribution of dividend in Nepalese companies. Shareholders have a high expectation that market prices of shareholder will be significantly higher than net worth. The companies invested by foreigners (JVB's) are paying dividend more attractively than the companies promoted by the indigenous promoters of Nepal. However, JVB's are also not guided by an appropriate dividend policy. This will actually affect the market price, goodwill of all such banks in the long-run.

5.2 Conclusion

The theoretical statement of the study was not dividend decisions should depend upon earning per share & net profit after tax. Similarly, prices of stock & net worth should depend on dividend.

At the first stage, different financial indicators tools stage, different financial indicators tools of sample of the JVB's shows that average dividend per share of NABL is higher

than HBL, EBL, BSBIBL and NIBL which indicates NABL is paying higher dividend to its shareholders. On the basis of average dividend pay out ratio, NABL is paying higher portion of dividend of its earning as dividend than others. On the basis of average price earnings ratio NSBIBL is higher than other which means NSBIBL has better performances for enhanced the wealth of shareholders. Moreover, on the basis of market value per share to book value per ratio, HBL has highest average market value per share to book value per ratio. So its performance is better than all of the samples of JVB's because increasing trend of market value per share is higher on the basis of book value per share. Similarly, on the basis of dividend yield ratio, NABL is more efficient than other for distribution of dividend on the basis of market price per share.

At the second stage, for the purpose of statistical analysis of the sample JVB's. Simple correlation & bivarate regression analysis is used to interpret the result. According to regression analysis of DPS on EPS is concerned, coefficient (b) is positive in all the sample JVB's which indicates that dividend per share increases with higher earning per share in all. According to regression analysis of DPS & NPAT is concerned, coefficient (b) is positive in all JVB's. The positive coefficient indicates that DPS of related companies increases with higher NPAT. As for the regression analysis of market value per share (MVPS) on dividend per share is concerned, among the sample JVB's coefficient (b) is positive in HBL, EBL, NABL, NSBIBL & NIBL. The positive beta coefficient indicates that dividend per share increases market price per share whereas negative coefficient (b) indicates that DPS decreases market price per share. As for the regression analysis of net worth on DPS is concerned, coefficient (b) is positive in all JVBs. It indicates that the net worth increases DPS where as negative coefficient (b) indicates that net worth decreases DPS.

5.3 Recommendations

In the context of the financial institutions of Nepal, the theoretical framework of dividend policy & also empirical testing through the use of financial & statistical tools reveal the mixture of applicability in some instances. But even then on the whole observation, the study of this types proves useful to give few recommendation in

package form is important to make study of this type meaningful. Based on the findings, the recommendation for future guidelines are presented here.

- Dividend policy is a must for the enhancement of existing return to meet the expectation of shareholder as well as improvement of nation's economy. By the formulation of dividend policy, there is a clear way to follow the dividend distribution. Therefore, the Government of Nepal must impose a minimum dividend obligation policy through suitable pragmatic legislative measure to ensure protection in the form of dividend payment to the investor in general.

- Although people are aware of share trade, nowadays, there is still lack of consciousness in Nepalese regarding their rights & the Company Act. Therefore, there should be such kind of educating center about their right on dividend income & other specific rights. Everybody should have clear concept about Nepalese company Act which makes some legal provision for dividend payment.

- Payment of dividend is neither static nor constantly growing. It is highly fluctuating. Such way of paying dividend could not impress the market positively. So these financial institutions are advised to follow either static or constantly growing dividend payment policy. It would be better to fix the amount of dividend in the annual general meeting. This is an important not only point of view of adequate return to shareholder but also to generate stable & increasing market value per share long-run survival of financial institutions, efficient management & socially acceptable distribution of income. Ability to maintain linkage of the earning power for dynamic growth stability.

- Issue of stock dividend decreases market value per share & earning per share. But, issue of cash dividend increases market value per share & earning per share. So, due to this reason common shareholders should be given a choice whether they prefer stock dividend or cash dividend. Therefore, all the financial institutions are suggested to take care regarding the interest of shareholder's.

- Formulation of dividend policy will clearly guide the way to follow dividend distribution. The company should determine whether it is going to adopt stable

dividend policy, constant payout ratio or low regular plus extra dividend. What should be the long-run dividend payout policy or smooth residual dividend policy? It should be clearly explained by the dividend policy.

- Since, financial institutional are dealing with public money collected by way of depositing from different sectors, there should be active supervision & credit monitoring role of NRB . Progress reporting should be done continuously & financial institutions should make their performance transparent to public for further investment. Moreover, there should be also professional representation in the Credit Information Bureau instead of having only member of it.

- As financial institutions are assisting to promote the capital market & improve the economic condition of nation through collecting the scattered resources, & utilizing them into productive ways. The government should provide facilities to improve the efficiency of the financial institutions & reduce the interference in daily affairs. Similarly, the management should be careful about their duties & responsibilities for the operation of the financial institutions, towards the interest of the shareholders as well as the improvement of nation's economy.

- The managers should be able to fulfill their duties & responsibilities to protect shareholders interest also.

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Appendix -1

A. Major Financial indicators of Himalayan Bank Ltd.

Year	DPS	EPS	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)
2005/06	25	60.26	1000	220.02	235.02	858.08
2006/07	1.32	49.45	836	247.81	212.13	1063.10
2007/08	0	49.05	840	246.93	263.05	1324.16
2008/09	11.58	47.91	920	239.59	308.28	1541.76
2009/10	30	59.24	1100	228.72	457.46	1766.18

A.1. Calculation of Dividend Payout ratio, Price Earnings ratio & Dividend Yield Ratio of HBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	D/P ratio = (Cash DPS/EPS) *100% (%)	P/E ratio = MVPS/EPS	DYR = DPS / MVPS*100
2005/06	25	60.26	1000	41	16.59	3
2006/07	1.32	49.45	836	3	16.91	0
2007/08	0	49.05	840	0	17.12	0
2008/09	11.58	47.91	920	24	19.20	1
2009/10	30	59.24	1100	51	18.57	3
Average	**62.86**	**94.79**	**939.2**	**23.8**	**17.68**	**1.4**

A.2. Calculation of Market Value per Share to Book Value per Share ratio & Return on Net worth of HBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)	MVPS/ BVPS	RONW = NPAT /Net worth*100
2005/06	25.00	60.26	1000	220.02	235.02	858.08	4.55	27.39
2006/07	1.32	49.45	836	247.81	212.13	1063.1	3.37	19.95
2007/08	0	49.05	840	246.93	263.05	1324.16	3.40	19.86
2008/09	11.58	47.91	920	239.59	308.28	1541.76	3.84	20.00
2009/10	30.00	59.24	1100	228.72	457.46	1766.18	4.81	25.90
Average	**62.86**	**94.79**	**939.2**	**236.61**	**295.19**	**1310.66**	**3.99**	**22.62**

B. Major Financial indicators of Everest Bank Ltd. (EBL) .

Year	DPS	EPS	MVPS	B. Value per	NPAT	Net worth

				share	(in Millions)	(in Millions)
2005/06	0	32.91	405	170.76	85.34	442.8
2006/07	20	29.90	445	150.09	94.185	472.8
2007/08	20	45.58	680	171.52	143.58	540.3
2008/09	0	54.22	870	219.87	170.79	692.6
2009/10	25	62.78	1379	217.67	237.31	822.8

B.1. Calculation of Dividend Payout ratio, Price Earnings ratio & Dividend Yield ratio of EBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	D/P ratio = (Cash DPS/EPS) *100% (%)	P/E ratio = MVPS/EPS	DYR = DPS / MVPS*100
2005/06	0	32.91	405	0	12.31	0
2006/07	20	29.90	445	67	14.88	4
2007/08	20	45.58	680	44	14.93	3
2008/09	0	54.22	870	0	16.04	0
2009/10	25	62.78	1379	40	21.97	2
Average	**13**	**94.79**	**755.8**	**30.2**	**16.03**	**1.8**

B.2. Calculation of Market Value per Share to Book Value per Share ratio & Return on Net worth of EBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)	MVPS/ BVPS	RONW = NPAT /Net worth*100
2005/06	0	32.91	405	170.76	85.34	442.8	2.37	19.27
2006/07	20	29.9	445	150.09	94.185	472.8	2.96	19.92
2007/08	20	45.58	680	171.52	143.58	540.3	3.96	26.57
2008/09	0	54.22	870	219.87	170.79	692.6	3.96	24.66
2009/10	25	62.78	1379	217.67	237.31	822.8	6.34	28.84
Average	**13**	**45.07**	**755.8**	**185.98**	**146.24**	**594.26**	**3.92**	**23.85**

C. Major Financial indicators of Nepal Arab Bank Ltd. (NABIL)

Year	DPS	EPS	MVPS	B.Value per share	NPAT (in Million)	Net worth (in Million)

2005/06	30	55.25	700	233	252	1145.55
2006/07	50	84.66	740	267	416	1312.72
2007/08	65	92.61	1000	301	455	1479.88
2008/09	70	105.49	1505	337	520	1656.88
2009/10	85	129.21	2240	381	635	1873.20

C.1. Calculation of Dividend Payout ratio, Price Earning ratio & Dividend Yield ratio of NABIL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	D/P ratio = (Cash DPS/EPS) *100% (%)	P/E ratio = MVPS/EPS	DYR = DPS / MVPS*100
2005/06	30	55.25	700	54	12.67	4
2006/07	50	84.66	740	59	8.74	7
2007/08	65	92.61	1000	70	10.80	7
2008/09	70	105.5	1505	66	14.27	5
2009/10	85	129.2	2240	66	17.34	4
Average	**60**	**93.44**	**1237**	**63**	**12.76**	**5.4**

C.2. Calculation of Market Value per Share to Book Value per Share ratio & Return on Net worth of NABIL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)	MVPS/ BVPS	RONW = NPAT /Net worth*100
2005/06	30	55.25	700	233	252	1145.55	3.04	23.71
2006/07	50	84.66	740	267	416	1312.72	2.77	31.71
2007/08	65	92.61	1000	301	455	1479.88	3.32	30.77
2008/09	70	105.5	1505	337	520	1656.88	4.47	31.30
2009/10	85	129.2	2240	381	635	1873.2	5.88	33.91
Average	**60**	**93.44**	**1237**	**303.8**	**455.6**	**1493.66**	**3.89**	**30.28**

D. Major Financial indicators of Nepal SBI Bank Ltd.

Year	DPS	EPS	MVPS	B.Value per	NPAT	Net worth

				share	(in Million)	(in Million)
2005/06	0	9.61	401	131.88	40.85	560.35
2006/07	8	11.47	255	134.03	48.74	569.85
2007/08	0	14.26	307	146.80	60.85	626.64
2008/09	0	13.29	335	159.54	57.38	689.01
2009/10	0	18.27	612	151.78	117	971.73

D.1. Calculation of Dividend Payout ratio, Price Earning ratio & Dividend Yield ratio of Nepal SBI

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	D/P ratio = (Cash DPS/EPS) *100% (%)	P/E ratio = MVPS/EPS	DYR = DPS / MVPS*100
2005/06	0	9.61	401	0	41.72	0
2006/07	8	11.47	255	70	22.24	3
2007/08	0	14.26	307	0	21.54	0
2008/09	0	13.29	335	0	25.21	0
2009/10	0	18.27	612	0	33.49	0
Average	**0**	**13.38**	**382**	**13.95**	**28.84**	**0.6**

D.2. Calculation of Market Value Per Share to Book Value Per Share ratio & Return on Net worth of Nepal SBI

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)	MVPS/ BVPS	RONW = NPAT /Net worth*100
2005/06	0	9.61	401	131.88	40.85	560.35	3.04	7.29
2006/07	8	11.47	255	134.03	48.74	569.85	1.90	8.56
2007/08	0	14.26	307	146.8	60.85	626.64	2.09	9.71
2008/09	0	13.29	335	159.54	57.38	689.01	2.10	8.33
2009/10	0	18.27	612	151.78	117	971.73	4.03	12.04
Average	**0**	**13.38**	**382**	**144.80**	**64.96**	**683.52**	**2.63**	**9.19**

E. Major Financial indicators of Nepal Investment Bank Ltd. (NIBL)

Year	DPS	EPS	MVPS	B.Value per share	NPAT	Net worth

					(in Million)	(in Million)
2005/06	0	33.59	760	307.96	57.09	523.47
2006/07	20	39.56	795	216.24	116.8	638.54
2007/08	15	51.70	940	246.89	152.6	729.05
2008/09	12.5	39.50	800	200.80	232.10	1180.17
2009/10	20	59.35	1260	239.67	350.5	1415.44

E.1. Calculation of Dividend Payout ratio, Price Earning ratio & Dividend Yield ratio of NIBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	D/P ratio = (Cash DPS/EPS) *100% (%)	P/E ratio = MVPS/EPS	DYR = DPS / MVPS*100
2005/06	0	33.59	760	0	22.62	0.00
2006/07	20	39.56	795	51	20.10	3
2007/08	15	51.7	940	29	18.18	2
2008/09	12.5	39.5	800	32	20.25	2
2009/10	20	59.35	1260	34	21.23	2
Average	**13.5**	**44.74**	**911**	**29.2**	**20.48**	**1.8**

E.2. Calculation of Market Value Per Share to Book Value Per Share ratio & Return on Net worth of NIBL

Fiscal Year	Cash DPS (Rs.)	EPS (Rs.)	MVPS	Book Value per share	NPAT (in Million)	Net worth (in Million)	MVPS/ BVPS	RONW = NPAT /Net worth*100
2005/06	0	33.59	760	307.96	57.09	523.47	2.47	10.91
2006/07	20	39.56	795	216.24	116.8	638.54	3.68	18.29
2007/08	15	51.7	940	246.89	152.6	729.05	3.81	20.94
2008/09	12.5	39.5	800	200.8	232.1	1180.17	3.98	19.67
2009/10	20	59.35	1260	239.67	350.5	1415.44	5.26	24.76
Average	**13.5**	**44.74**	**911**	**242.31**	**181.82**	**897.334**	**3.84**	**18.92**

Appendix -2

A. Himalayan Bank Ltd.

A.1. Variables used for correlation & regression analysis

Relation between EPS & DPS :

Year(n)	X	Y	X^2	y^2	XY	u$x = x - \bar{x}$	u$y=y-\bar{y}$	ux^2	uy^2	uxuy
2005/06	60.26	25	3631.27	625	1506.5	7.08	11.42	50.13	130.42	80.85
2006/07	49.45	1.32	2445.30	1.74	65.27	-3.73	-12.26	13.91	150.31	45.73
2007/08	49.05	0	2405.90	0	0	-4.13	-13.58	17.06	184.42	56.09
2008/09	47.91	11.58	2295.37	134.1	554.80	-5.27	-2	27.77	4	10.54
2009/10	59.24	30	3509.38	900	1777.2	6.06	16.42	36.72	269.62	99.50
Total	Σx= 265.91	Σy = 67.9	Σx^2 = 14287.22	Σy^2 = 1660.84	Σxy = 3903.77			Σ δx^2= 145.59	Σδy = 738.77	Σδxδy = 292.71

Where,

x   = Earning per share

y   = Dividend per share

n   = Number of year

δx   = Deviation from actual mean of x – series.

δy   = Deviation from actual mean of y = series

γxy   = correlation coefficient between x & y.

Now, $\bar{x}$ = $\frac{\Sigma x}{n} = \frac{265.91}{5} = 53.18$

$$\bar{y} = \frac{\Sigma x}{n} = \frac{67.9}{5} = 13.58$$

For , correlation between x & y

$$\gamma\,xy \quad = \quad \frac{\Sigma dxdy}{\sqrt{\Sigma dx^2\,dy^2}} \quad = \quad \frac{292.71}{\sqrt{145.59 \cdot x\, 738.77}} \quad = \quad \frac{292.71}{327.96} \quad = \quad 0.89$$

Calculation probable error, We have ,

$$p.Er. \quad = \quad 0.6745 \;x\; \frac{1-r^2}{\sqrt{n}} \quad = \quad 0.6745 \;x\; \frac{1-(0.89)^2}{\sqrt{5}} \quad = 0.06$$

$$\therefore \;\; \gamma > p.Er.$$

Regression analysis between EPS & DPS

Let, The regression eq^n. of y on x be $y = a + bx$

Where, $\qquad \Sigma\,y = na + b\Sigma\,x$ ---------------------- (i)

$\qquad\qquad\qquad \Sigma\,xy = a\,\Sigma x + b\Sigma x^2$ ----------------- (ii)

Substitute the value in eq^n. (i) & (ii)

$\qquad 67.9 = 5\,a + 265.91\,b$ ---------------------- (iii)

$\qquad 390.377 = 265.91\,a + 14287.22\,b$ --------- (iv)

Multiply eq^n. (iii) by 265.91 & eq^n. (iv) by 5 & subtract

$\qquad 18055.29 \qquad = 1329.55\,a + 70708.13\,\overline{b}$

$\qquad 125010.5 \qquad = 1329.55\,a + 71436.1\,b$

$\underline{\quad - \qquad\qquad\quad\; \underline{\quad} \qquad\qquad \underline{\quad} \qquad\qquad\qquad\qquad}$

$\qquad -\,1463.56 \qquad = \qquad 0 \qquad -\,727.97\,b$

$$b \quad = \quad \frac{1463.56}{727.97} \quad = \quad 2.01$$

Now, Substitute the value of b in eq^n. (iii),

We get,

Or, 67.9 = 5a + 267.91 b

Or, 67.9 = 5a + 265.91 (2.01)

Or, 67.9 = 5a + 534.48

Or, 5a = – 466.58

Or, a = $\dfrac{- 466.58}{5}$

∴ a = – 93.32

The required eq^n. is $y = -93.32 + 2.01\ x$

Thus, DPS = – 93.32 + 2.01 EPS

Coefficient of determination (R^2) = ?

$$R^2 = \dfrac{a\Sigma y + b\Sigma xy - n\,\overline{y}^2}{\Sigma y^2 - n\,\overline{y}^2}$$

$$= - \dfrac{93.32\ (67.9) + 2.01\ (3903.77) - 5\ (13.58)^2}{1660.84 - 5\ (13.58)^2}$$

$$= - \dfrac{6336.43 + 7846.58 - 922.08}{1660.84 - 922.08} = \dfrac{588.07}{738.76} = 0.8$$

Standard deviation (δx) = $\sqrt{\dfrac{\Sigma (x-x)^2}{n}}$ or $\sqrt{\dfrac{\Sigma dx^2}{n}}$

$$= \sqrt{\dfrac{145.59}{5}} = 5.40$$

$$\delta y = \sqrt{\dfrac{\Sigma dy^2}{n}} = \sqrt{\dfrac{738.77}{5}} = 12.16$$

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Standard Error of regression coefficient (S. E.)

$$\frac{\delta y}{\delta x} \quad x \quad \sqrt{\frac{1-r^2}{n}}$$

$$\frac{12.16}{5.4} \quad x \quad \sqrt{\frac{1-(0.8)}{5}} \quad = \quad \frac{12.16}{5.4} \quad x\ 0.2 = 0.45$$

$$t - \text{value} / t / = \ \frac{b}{S.E} \ = \ \frac{2.01}{0.45} \ = 4.47$$

Coefficient of variance (C.V.) for $x = \dfrac{\delta x}{\overline{x}} \quad x \quad 100$

$$= \frac{5.4}{53.18} \quad x \quad 100$$

$$= 10.\,15\%$$

C.V. for $\overline{y} = \dfrac{\delta y}{\overline{y}} \ x \ 100 \qquad = \dfrac{12.16}{13.58} \ x \quad 100$

$$= \ 9.54\%$$

Results:

Σx	= 265.91	$\overline{x}$	= 53.18	γ_{xy}	= 0.89	
Σx^2	= 14287.22	δx	= 5.40	R^2	= 0.8	
Σy	= 67.9	C.V.	= 10.15%	SE	= 0.45	
Σy^2	= 1660.84	$\overline{y}$	= 13.58	/ t /	= 4.47	
Σxy	= 3903.77	δy	= 12.16	P.Er	$= \gamma_{xy} >$ P.Er.	
Σdx^2	= 145.59	C.V.	= 89.54%	n = 5		
Σdy^2	= 738.77	a	= - 93.32			
$\Sigma dxdy$ = 292.71		b	= 2.01			

Bivarate regression equation is y = a + bx

Thus, DPS = − 93.32 + 2.01EPS

A.2.   Variable used for correlation & regression analysis

Relation between NPAT & DPS

Year	x	y
2005/06	235.02	25
2006/07	212.13	1.32
2007/08	263.05	0
2008/09	308.28	11.58
2009/10	457.46	30
Total	Σx = 1475.94	Σy = 67.90

Where ,

    x   = Net profit after taxes (In million)

    y   = Dividend per share

Results:

Σx	= 1475.94	$\overline{x}$	= 295.19	γ_{xy}	= 0.64
Σx^2	= 473735.05	δx	= 87.24	R^2	= 0.41
Σy	= 67.90	C.V.	= 29.55%	SE	= 0.05
Σy^2	= 1660.84	$\overline{y}$	= 13.58	/ t /	= 1.8
Σxy	= 23449.19	δy	= 12.16	P.Er	$= \gamma_{xy} >$ P.Er.
Σdx^2	= 38055.27	C.V.	= 89.54%	n	= 5
Σdy^2	= 738.76	a	= − 12.99	P.Er.	= 0.18
Σdxdy	= 3405.93	b	= 0.09

Bivarate regression equation is y = a + bx

Thus, DPS = 12.99 + (- 0.09) NPAT

A.3.   Variable used for correlation & regression analysis

Relation between DPS & MVPS

Year	x	y
2005/06	25	1000
2006/07	1.32	836
2007/08	0	840
2008/09	11.58	920
2009/10	30	1100
Total	$\Sigma x = 67.90$	$\Sigma y = 4696$

Where ,

x = Dividend per share

y = Market value per shere

Results:

Σx	= 67.90	$\overline{x}$	= 13.58	γ_{xy}	= 0.98
Σx^2	= 1660.84	δx	= 12.16	R^2	= 0.96
Σy	= 4696	C.V.	= 89.54%	SE	= 0.74
Σy^2	= 4460896	$\overline{y}$	= 939.20	$/t/$	= 10.95
Σxy	= 69757.12	δy	= 100.41	P.Er	$= \gamma_{xy} < $ P.Er.
Σdx^2	= 738.76	C.V.	= 10.69%	n	= 5
Σdy^2	= 50412.80	a	= 829.20	P.Er.	= 0.01
$\Sigma dxdy$	= 5985.44	b	= 8.10		

Bivariate regression equation is $y = a + bx$

 Thus, Market value per share   = 829.20 + 810 DPS

A.4. Variable used for correlation & regression analysis

Relation between DPS & Net Worth

Year	x	y
2005/06	25	858.08
2006/07	1.32	1063.10
2007/08	0	1324.16
2008/09	11.58	1541.76
2009/10	30	1766.18
Total	$\Sigma x = 67.90$	$\Sigma y = 6553.28$

Where ,

x = Dividend per share

y = Net worth (In million)

Results:

Σx	= 67.90	$\overline{x}$	= 13.58	γ_{xy}	= 0.24
Σx^2	= 1660.84	δx	= 12.16	R^2	= 0.06
Σy	= 6553	C.V.	= 0.9%	SE	= 11.48
Σy^2	= 9116298.29	$\overline{y}$	= 1310.66	/ t /	= 0.55
Σxy	= 93694.27	δy	= 324.72	P.Er	= γ_{xy} < P.Er.
Σdx^2	= 738.76	C.V.	= 24.78 %	n	= 5
Σdy^2	= 527202.54	a	= 1224.29	P.Er.	= 0.28
$\Sigma dxdy$	= 4700.73	b	= 6.36		

Bivariate regression equation is y = a + bx

Thus, Net worth = 1224.29 + 6.36 DPS

B. Everest Bank Ltd. (EBL)

B.1.   Variable used for correlation & regression analysis
        Relation between EPS & DPS

Year	x	y
2005/06	32.91	0
2006/07	29.90	20
2007/08	45.58	20
2008/09	54.22	0
2009/10	62.78	25
Total	$\Sigma x = 225.39$	$\Sigma y = 65$

Where ,

x = Earning per share

y = Dividend per share

Results:

Σx	$= 225.39$	$\bar{x}$	$= 45.08$	γ_{xy}	$= 0.22$	
Σx^2	$= 10935.76$	δx	$= 12.45$	R^2	$= 0.05$	
Σy	$= 65$	C.V.	$= 27.62\ \%$	SE	$= 0.38$	
Σy^2	$= 1425$	$\bar{y}$	$= 13$	$/\,t\,/$	$= 0.5$	
Σxy	$= 3079.10$	δy	$= 10.77$	P.Er	$= \gamma_{xy} < $ P.Er.	
Σdx^2	$= 775.62$	C.V.	$= 82.85\ \%$	n	$= 5$	
Σdy^2	$= 580$	a	$= 4.44$	P.Er	$= 0.29$	
$\Sigma dxdy$	$= 149.03$	b	$= 0.19$			

Bivariate regression equation is $y = a + bx$

Thus, DPS $=$ 4.44 $+$ ($-$ 0.19) EPS

B.2. Variable used for correlation & regression analysis

   Relation between NPAT & DPS

Year	x	y
2005/06	85.34	0
2006/07	94.185	20
2007/08	143.58	20
2008/09	170.79	0
2009/10	237.31	25
Total	$\Sigma x = 731.21$	$\Sigma y = 65$

Where ,

   x   = Net Profit after Tax (in million)

   y   = Dividend per Share

Results:

Σx	= 731.21	$\overline{x}$	= 146.24	γ_{xy}	= 0.4
Σx^2	= 122254.21	δx	= 55.36	R^2	= 0.16
Σy	= 65	C.V.	= 37.86%	SE	= 0.08
Σy^2	= 1425	$\overline{y}$	= 13	/ t /	= 1
Σxy	= 10688.05	δy	= 10.77	P.Er	$= \gamma_{xy} > $ P.Er.
Σdx^2	= 15322.57	C.V.	= 82.85 %	n	= 5
Σdy^2	= 580	a	= 1.3	P.Er	= 0.25
$\Sigma dxdy$	= 1182.35	b	= 0.08		

Bivariate regression equation is $y = a + bx$

Thus, DPS = 1.3 + (- 0.08) NPAT

B.3.   Variable used for correlation & regression analysis

        Relation between DPS & MVPS

Year	x	y
2005/06	0	405
2006/07	20	445
2007/08	20	680
2008/09	0	870
2009/10	25	1379
Total	$\Sigma x = 65$	$\Sigma y = 3779$

        Where ,

                x   = Dividend per share

                y   = Average Stock Price

Results:

Σx = 65 $\overline{x}$ = 13 γ_{xy} = 0.41

Σx^2 = 1425 δx = 10.77 R^2 = 0.17

Σy = 3779   C.V.   = 82.85%   SE   = 13.39

Σy^2 = 3482991 $\overline{y}$ = 755.8   / t /   = 1.01

Σxy = 56975 δy = 354.07   P.Er $= \gamma_{xy} <$ P.Er.

Σdx^2 = 580   C.V.   = 46.85 %   n   = 5

Σdy^2 = 626822.80 a   = 579.91   P.Er   = 0.25

$\Sigma dxdy$ = 7848   b   = 13.53

Bivariate regression equation is y = a + bx

Thus,   Market value per share   = 579.91 + (13.53) DPS

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B.4.   Variable used for correlation & regression analysis

Relation between DPS & Net Worth

Year	x	y
2005/06	0	442.8
2006/07	20	472.8
2007/08	20	540.3
2008/09	0	692.6
2009/10	25	822.8
Total	$\Sigma x = 65$	$\Sigma y = 2971.30$

Where ,

x   = Dividend per share

y   = Net worth (In million)

Results:

Σx	= 65	$\overline{x}$	= 13		γ_{xy}	= 0.29		
Σx^2	= 1425	δx	= 10.77		R^2	= 0.08		
Σy	= 2971.30	C.V.	= 82.85%		SE	= 5.7		
Σy^2	= 1868230.37	$\overline{y}$	= 594.26		/ t /	= 0.67		
Σxy	= 40832	δy	= 143.18		P.Er	$= \gamma_{xy} <$ P.Er.		
Σdx^2	= 580	C.V.	= 24.09%		n	= 5		
Σdy^2	= 102505.63	a	= 544.86		P.Er	= 0.28		
$\Sigma dxdy$	= 2205.10	b	= 3.8					

Bivarate regression equation is $y = a + bx$

Thus, Net worth $= 544.86 + (3.8)$ DPS

C. Nepal Arab Bank Ltd. (NABIL)

C.1.   Variable used for correlation & regression analysis

Relation between EPS & DPS

Year	x	y
2005/06	55.25	30
2006/07	84.66	50
2007/08	92.61	65
2008/09	105.49	70
2009/10	129.21	85
Total	$\Sigma x = 467.22$	$\Sigma y = 300$

Where ,

x = Earning per share

y = Dividend per share

Results:

Σx	$= 467.22$	$\bar{x}$	$= 93.44$	γ_{xy}	$= 0.99$
Σx^2	$= 46619.85$	δx	$= 24.33$	R^2	$= 0.97$
Σy	$= 300$	C.V.	$= 26.04\%$	SE	$= 0.06$
Σy^2	$= 19750$	$\bar{y}$	$= 60$	$/ t /$	$= 12.67$
Σxy	$= 30277.30$	δy	$= 18.71$	P.Er	$= \gamma_{xy} >$ P.Er.
Σdx^2	$= 2960.95$	C.V.	$= 31.18\%$	n	$= 5$
Σdy^2	$= 1750$	a	$= -11.02$	P.Er	$= 0.006$
$\Sigma dxdy$	$= 2244.10$	b	$= 0.76$		

Bivarate regression equation is $y = a + bx$

Thus, DPS $= -11.02 + (0.76)$ EPS

C.2.   Variable used for correlation & regression analysis

Relation between NPAT & DPS

Year	x	y
2005/06	252	30
2006/07	416	50
2007/08	455	65
2008/09	520	70
2009/10	635	85
Total	$\Sigma x = 2278$	$\Sigma y = 300$

Where ,

x   = Net Profit after Tax (in million)

y   = Dividend per Share

Results:

Σx	= 2278	$\bar{x}$	= 455.60	γ_{xy}	= 0.99		
Σx^2	= 1117210	δx	= 125.98	R^2	= 0.99		
Σy	= 300	C.V.	= 27.65%	SE	= 0.007		
Σy^2	= 19750	$\bar{y}$	= 60	/ t /	= 21.43		
Σxy	= 148310	δy	= 18.71	P.Er	$= \gamma_{xy} >$ P.Er.		
Σdx^2	= 79353.20	C.V.	= 31.18 %	n	= 5		
Σdy^2	= 1750	a	= − 8.34	P.Er	= 0.006		
$\Sigma dxdy$	= 11630	b	= 0.15				

Bivarate regression equation is $y = a + bx$

Thus, DPS $= 8.34 + 0.15$ NPAT

C.3.   Variable used for correlation & regression analysis

Relation between DPS & MVPS

Year	x	y
2005/06	30	700
2006/07	50	740
2007/08	65	1000
2008/09	70	1505
2009/10	85	2240
Total	$\Sigma y = 300$	$\Sigma y = 6185$

Where ,

x   = Dividend per share

y   = Market value per share

Results:

Σx	$= 300$	$\overline{x}$	$= 60$	γ_{xy}	$= 0.88$
Σx^2	$= 19750$	δx	$= 18.71$	R^2	$= 0.96$
Σy	$= 6185$	C.V.	$= 31.18\%$	SE	$= 2.76$
Σy^2	$= 5425125$	$\overline{y}$	$= 953$	$/t/$	$= 1.44$
Σxy	$= 418750$	δy	$= 577.82$	P.Er	$= \gamma_{xy} > $ P.Er.
Σdx^2	$= 1750$	C.V.	$= 46.71\%$	n	$= 5$
Σdy^2	$= 1669380$	a	$= -\ 396.80$	P.Er.	$= 0.07$
$\Sigma dxdy$	$= 47650$	b	$= 27.23$

Bivarate regression equation is $y = a + bx$

Thus,   Market value per share $= 396.80 + 27.23$ DPS

C.4.   Variable used for correlation & regression analysis

Relation between DPS & Net Worth

Year	x	y
2005/06	30	1145.55
2006/07	50	1312.72
2007/08	65	1479.88
2008/09	70	1656.88
2009/10	85	1873.20
Total	$\Sigma y = 300$	$\Sigma y = 7468.23$

Where ,

x = Dividend per share

y = Net worth (In million)

Results:

Σx	= 300	$\bar{x}$	= 60	γ_{xy}	= 0.98
Σx^2	= 19750	δx	= 18.71	R^2	= 0.96
Σy	= 7468.23	C.V.	= 31.18%	SE	= 1.22
Σy^2	= 11479692.99	$\bar{y}$	= 1493.65	/ t /	= 10.92
Σxy	= 471398.30	δy	= 254.87	P.Er	= $\gamma_{xy} <$ P.Er.
Σdx^2	= 1750	C.V.	= 17.06%	n	= 5
Σdy^2	= 324801.12	a	= 694.45	P.Er	= 0.01
$\Sigma dxdy$	= 23304.5	b	= 13.32		

Bivarate regression equation is $y = a + bx$

Thus, Net worth = 694.45 + 13.32 DPS

D. Nepal SBI Bank Ltd.

D.1.   Variable used for correlation & regression analysis

Relation between EPS & DPS

Year	x	y
2005/06	9.61	0
2006/07	11.47	8
2007/08	14.26	0
2008/09	13.29	0
2009/10	18.27	5
Total	$\Sigma x = 66.90$	$\Sigma y = 13$

Where ,

x = Earning per share

y = Dividend per share

Results:

$\Sigma x = 66.90$ $\bar{x} = 13.38$ $\gamma_{xy} = 0.19$

$\Sigma x^2 = 937.67$ $\delta x = 2.92$ $R^2 = 0.04$

$\Sigma y = 13$ C.V. $= 21.82\%$ SE $= 0.5$

$\Sigma y^2 = 89$ $\bar{y} = 2.6$ $/ t / = 0.44$

$\Sigma xy = 183.11$ $\delta y = 3.32$ P.Er $= \gamma_{xy} >$ P.Er.

$\Sigma dx^2 = 42.55$ C.V. $= 127.69\%$ n $= 5$

$\Sigma dy^2 = 55.20$ a $= - 0.34$ P.Er $= 0.24$

$\Sigma dxdy = 9.17$ b $= 0.22$

Bivarate regression equation is $y = a + bx$

Thus, DPS $= - 0.34 + 0.22$ EPS

D.2.   Variable used for correlation & regression analysis

Relation between NPAT & DPS

Year	x	y
2005/06	40.85	0
2006/07	48.74	8
2007/08	60.85	0
2008/09	57.38	0
2009/10	117	5
Total	$\Sigma x = 324.82$	$\Sigma y = 13$

Where ,

x   = Net Profit after Tax (in million)

y   = Dividend per Share

Results:

Σx	$= 324.82$	$\overline{x}$	$= 64.96$	γ_{xy}	$= 0.29$	
Σx^2	$= 24728.49$	δx	$= 26.93$	R^2	$= 0.09$	
Σy	$= 13$	C.V.	$= 41.46\%$	SE	$= 0.02$	
Σy^2	$= 89$	$\overline{y}$	$= 2.6$	/ t /	$= 2$	
Σxy	$= 974.92$	δy	$= 3.32$	P.Er	$= \gamma_{xy} > $ P.Er.	
Σdx^2	$= 3626.89$	C.V.	$= 127.69\%$	n	$= 5$	
Σdy^2	$= 55.20$	a	$= 0.002$	P.Er	$= 0.28$	
$\Sigma dxdy$	$= 130.40$	b	$= 0.04$			

 Bivarate regression equation is $y = a + bx$

Thus, DPS $= 0.002 + 0.04$ NPAT

D.3. Variable used for correlation & regression analysis

Relation between DPS & MVPS

Year	x	y
2005/06	0	401
2006/07	8	255
2007/08	0	307
2008/09	0	335
2009/10	5	612
Total	$\Sigma y = 13$	$\Sigma y = 1910$

Where ,

x   = Dividend per share

y   = Average Stock Price

Results:

Σx	= 13	$\bar{x}$	= 2.6	γ_{xy}	= 0.06
Σx^2	= 89	δx	= 3.32	R^2	= 0.004
Σy	= 1910	C.V.	= 127.69%	SE	= 62.02
Σy^2	= 806844	$\bar{y}$	= 382	/ t /	= 0.15
Σxy	= 5100	δy	= 124.28	P.Er	= γ_{xy} < P.Er.
Σdx^2	= 55.20	C.V.	= 32.53%	n	= 5
Σdy^2	= 77224	a	= 375.68	P.Er	= 0.3
$\Sigma dxdy$	= 134	b	= 2.43		

Bivarate regression equation is $y = a + bx$

Thus,   Market value per share $= 375.68 + 2.43 \ DPS$

D.4.   Variable used for correlation & regression analysis

Relation between DPS & Net Worth

Year	x	y
2005/06	0	560.35
2006/07	8	569.85
2007/08	0	626.64
2008/09	0	689.01
2009/10	5	971.73
Total	$\Sigma y = 13$	$\Sigma y = 3417.58$

Where ,

x   = Dividend per share

y   = Net worth (In million)

Results:

Σx	= 13	$\bar{x}$	= 2.6	γ_{xy}	= 0.21
Σx^2	= 89	δx	= 3.32	R^2	= 0.04
Σy	= 3417.58	C.V.	= 127.69 %	SE	= 19.97
Σy^2	= 2450392.80	$\bar{y}$	= 683.52	/ t /	= 0.48
Σxy	= 9417.45	δy	= 151.28	P.Er	= $\gamma_{xy} <$ P.Er.
Σdx^2	= 55.20	C.V.	= 22.13 %	n	= 5
Σdy^2	= 114422.19	a	= 658.48	P.Er.	= 0.29
$\Sigma dxdy$	= 531.74	b	= 9.63		

Bivarate regression equation is $y = a + bx$

Thus,   Net worth $= 658.48 + 9.63$ DPS

E. Nepal Investment Bank Ltd. (NIBL)

E.1.   Variable used for correlation & regression analysis

Relation between EPS & DPS

Year	x	y
2005/06	44.69	0
2006/07	39.56	20
2007/08	51.70	15
2008/09	39.50	12.5
2009/10	59.35	20
Total	$\Sigma x = 223.70$	$\Sigma y = 67.50$

Where ,

x = Earnings per share

y = Dividend per share

Results:

Σx	= 223.70	$\overline{x}$	= 44.74	γ_{xy}	= 0.66
Σx^2	= 10448.84	δx	= 9.39	R^2	= 0.44
Σy	= 67.50	C.V.	= 20.99 %	SE	= 0.26
Σy^2	= 1181.25	$\overline{y}$	= 13.50	/ t /	= 2
Σxy	= 3247.45	δy	= 7.35	P.Er	$= \gamma_{xy} >$ P.Er.
Σdx^2	= 440.50	C.V.	= 54.44%	n	= 5
Σdy^2	= 270	a	= − 9.76	P.Er	= 0.17
$\Sigma dxdy$	= 227.51	b	= 0.52		

Bivarate regression equation is $y = a + bx$

Thus, DPS $= -9.76 + 0.52$ EPS

E.2.   Variable used for correlation & regression analysis

Relation between NPAT & DPS

Year	x	y
2005/06	57.09	0
2006/07	116.8	20
2007/08	152.6	15
2008/09	232.1	12.5
2009/10	350.5	20
Total	$\Sigma x = 909.09$	$\Sigma y = 67.50$

Where ,

x   = Net Profit after Tax (in million)

y   = Dividend per Share

Results:

Σx	$= 909.09$	$\overline{x}$	$= 181.82$	γ_{xy}	$= 0.61$
Σx^2	$= 216908.93$	δx	$= 101.61$	R^2	$= 0.34$
Σy	$= 67.50$	C.V.	$= 55.88\%$	SE	$= 0.03$
Σy^2	$= 1181.25$	$\overline{y}$	$= 13.50$	$/ t /$	$= 1.33$
Σxy	$= 14536.25$	δy	$= 7.35$	P.Er	$= \gamma_{xy} > P.Er.$
Σdx^2	$= 51620$	C.V.	$= 54.44\%$	n	$= 5$
Σdy^2	$= 270$	a	$= 6.23$	P.Er	$= 0.19$
$\Sigma dxdy$	$= 2263.54$	b	$= 0.04$		

Bivarate regression equation is $y = a + bx$

Thus, DPS $=$ 6.23 $+$ 0.04 NPAT

E.3. Variable used for correlation & regression analysis

Relation between DPS & MVPS

Year	x	y
2005/06	0	760
2006/07	20	795
2007/08	15	940
2008/09	12.5	800
2009/10	20	1260
Total	$\Sigma y = 67.5$	$\Sigma y = 4555$

Where ,

x = Dividend per share

y = Market value per share

Results:

Σx	= 67.50	$\overline{x}$	= 13.50	γ_{xy}	= 0.54
Σx^2	= 1181.25	δx	= 7.35	R^2	= 0.3
Σy	= 4555	C.V.	= 54.44%	SE	= 9.42
Σy^2	= 4320825	$\overline{y}$	= 911	/ t /	= 1.46
Σxy	= 65200	δy	= 185.05	P.Er	$= \gamma_{xy} <$ P.Er.
Σdx^2	= 270	C.V.	= 20.31%	n	= 5
Σdy^2	= 171220	a	= 725.64	P.Er	= 0.21
$\Sigma dxdy$	= 3707.50	b	= 13.73		

Bivarate regression equation is $y = a + bx$

Thus, Market value per share = 725.64 + 13.73 DPS

E.4.   Variable used for correlation & regression analysis

      Relation between DPS & Net Worth

Year	x	y
2005/06	0	523.47
2006/07	20	638.54
2007/08	15	729.05
2008/09	12.5	1180.17
2009/10	20	1415.44
Total	$\Sigma y = 67.5$	$\Sigma y = 4486.67$

Where ,

        x   = Dividend per share

        y   = Net worth (In millions)

Results:

Σx	= 67.5	$\overline{x}$	= 13.50	γ_{xy}	= 0.49
Σx^2	= 1181.25	δx	= 7.35	R^2	= 0.24
Σy	= 4486.67	C.V.	= 54.44%	SE	= 18.12
Σy^2	= 4609539.69	$\overline{y}$	= 897.33	/ t /	= 1.27
Σxy	= 66767.48	δy	= 341.61	P.Er	$= \gamma_{xy} <$ P.Er.
Σdx^2	= 270	C.V.	= 38.07%	n	= 5
Σdy^2	= 583498.16	a	= 587.51		
$\Sigma dxdy$	= 6197.43	b	= 22.95		

Bivarate regression equation is $y = a + bx$

Thus, Net worth = 587.51 + 22.95 DPS