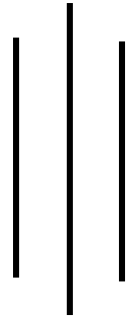


**A COMPARATIVE STUDY OF DIVIDEND POLICY OF
COMMERCIAL BANKS IN NEPAL**



Thesis

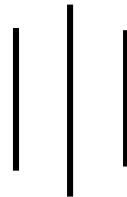
Submitted By:

Sabita k.c.

Hari Khetan Multiple Campus, Birgunj

T.U. Reg. No. 7-2-481-35-2004

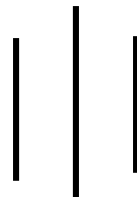
Campus Roll No. 96/064



Thesis

Submitted to

The Office of the Dean
Faculty of Management
Tribhuvan University



In the partial fulfillment of the requirement for the
Degree of Master's of Business Studies
(MBS)

Birgunj, Parsa (Nepal)

April, 2011

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Sabita K.C.

Entitled

**“A Comparative Study of Dividend Policy of Commercial
Banks in Nepal”**

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

.....

Hira Lal Yadav
(Thesis Supervisor)

.....

Shambhu Prasad. Chaurasiya
(Head, Research Committee)

.....

Dr. Bhagwan Prasad Yadav
(Campus Chief)

Hari Khetan Multiple Campus, Birgunj

VIVA- VOCE SHEET

We have conducted the viva-voce examination of the thesis presented

By

Sabita K.C.

Entitled

**“A Comparative Study of Dividend Policy of Commercial Banks in
Nepal”**

and found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of master’s of Business Studies (MBS)

Viva-voce Committee

Head Research Committee: _____

Member (Thesis Supervisor): _____

Member (External Expert): _____

Date:.....

DECLARATION

*I hereby declare that the work reported in this thesis entitled “ A Comparative Study of Dividend Policy of Commercial Banks in Nepal” submitted to Hari Khetan Multiple Campus, Birgunj Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the Master's Degree in Business Studies (MBS.) under the supervision and guidance of Mr. **Hira Lal Yadav**, Lecturer, Hari Khetan Multiple Campus, Birgunj, Parsa.*

.....

SABITA K.C.
Researcher
T.U. Reg. No. 7-2-481-35-2004
Campus Roll No.96/064
Hari Khetan Multiple Campus, Birgunj

Acknowledgement

This thesis on “**A Comparative study of dividend policy of commercial banks in Nepal**” has been prepared for the partial fulfillment of the requirement of the degree of Master of Business Studies (MBS). While conducting the above research work, Mr. Hira Lal Yadav Lecturer, Hari Khetan Multiple Campus, Birgunj has rendered continuous support, sincere suggestion and intelligent advice through out the study not only as a supervisor but as a teacher in real sense. I am highly indebted to him on account.

I also acknowledge my indebtedness to the authorities whose works have helped me in many ways. I also extend my sincere thanks to the senior student of MBS. for their suggestion and sincere guidance in preparing this thesis.

I am also thankful to the bank officials for the supply of necessary information for carrying out research work.

I would like to extend my heartiest thanks to my friends Mr. Ishwor Shrestha and Mr. Suraj K.C. for regular and uninterrupted encouragement and intelligent suggestions in preparing this thesis.

Last but not least, I would like to express my sense of reference to Mr. Hira Lal Yadav and Mr. Shambhu Pd. Chaurasiya who has facilitated me in several ways, rejuvenated time and again and kindled the aspiration for education.

SABITA K.C.

T.U. Reg. No. 7-2-481-35-2004

Campus Roll No.96/064

Hari Khetan Multiple Campus, Birgunj

Table of Contents

S.N.	
PageNo.	
Recommendation	
Viva-voce sheet	
Declaration	III
Acknowledgement	IV
Table of Contents	V
List of Tables	IX
List of Figures	IX
List of Abbreviation	X

CHAPTER – I

INTRODUCTION	1- 15
1.1 Background of Study	1
1.2 Profiles of Selected Companies:	4
1.2.1 Himalayan Bank Limited (HBL):	5
1.2.2 Bank of Kathmandu Limited (BOKL):	5
1.2.3 Standard Chartered Bank Nepal Limited (SCBNL):	6
1.2.4 NABIL Bank Limited:	7
1.3 Statement of the Problem:	8
1.4 Objectives of the Study:	10
1.5 Limitation of the Study:	10
1.6 Significance of the Study:	11
1.7 Focus of the Study:	13
1.8 Organization of the Study:	14

CHAPTER-II

	REVIEW OF LITERATURE	16-58
2.1	Background:	16
2.2	Conceptual Frameworks:	16
	2.2.1 Forms of Dividend:	19
	2.2.2 Dividend payment Procedure:	21
	2.2.3 Theories of Dividend Policy:	
	23	
	2.2.3.1 Residual Theory of Dividend:	23
	2.2.3.2 Stability of Dividend:	24
	2.2.3.3 Factors Affecting Dividend Policy:	27
2.3	Review of Major Studies:	31
	2.3.1 Walter's Study:	31
	2.3.2 Gordon's Model:	34
	2.3.3 Modigliani and Miller Study:	36
	2.3.4 Van Horne and Mc Donald's Study:	39
	2.3.5 Friend and Puckett's Study:	40
	2.3.6 Chawala and shrinivasan, s study:	43
	2.3.7 H.K. Baker, G.E. Farrelly and Richard B. Edelman's Study:	44
2.4	Some legal provisions relating to dividend in Nepal	45
	2.4.1 Bank and financial Institutions Act 2063:	45
	2.4.2 Company Act 2063:	46
2.5.	Review of Journal and Articles:	47
2.6	Review of Previous Thesis:	52
2.7	Review of Websites:	57

CHAPTER- III

RESEARCH METHODOLOGY	59-68
3.1 Introductions:	59
3.2. Research Design:	59
3.3 Population and Sample:	60
3.4. Nature and Sources of Data	60
3.5 Tools and Techniques:	61
3.5.1 Test of Hypothesis:	62
3.5.2 Financial Tools:	63
3.5.3 Statistical Tools:	64

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS	69-104
4.1 Introduction:	69
4.2 Analysis of Dividend Payment Practices of the Selected Banks:	70
4.2.1 Analysis of Dividend per Share:	70
4.2.2. Analysis Earning Per Share:	72
4.2.3 Analysis of MPS:	74
4.2.4 Analysis of Dividend Payout Ratio:	76
4.3 Impact of Dividend on Market Price of Share:	79
4.3.1 Analysis of simple Regression and Correlation between Dividend per Share and Market Price Share.	79
4.3.2 Analysis of Simple Regression and Correlation between Dividend Payout Ration and Valuation of Share:	82
4.3.3 Analysis of simple Regression and Correction between	

EPS and DPS:	86
4.4. Multiple Regression Analysis:	89
4.4.1 Regression of MPS on DPS and EPS:	89
4.4.2 Regression of MPS on DPS and DPR:	92
4.5 Testing of Hypothesis:	95
4.6 Major finding:	102

CHAPTER - V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	105-110
5.1 Introduction:	105
5.2 Summary:	105
5.3 Conclusions:	107
5.4 Recommendations:	108
Bibliography	111-114
Appendix	

List of Table

S.No.

	Page No
1 Analysis of Dividend per Share:	70
2. Analysis Earning Per Share:	72
3 Analyses of MPS:	74
4. Analysis of Dividend Payout Ratio:	76
5. Regression and Correlation Analysis of MPS & DPS	79
6. Regression result of market price per share on Dividend Payout Ratio	83
7. Simple Regression and Correlation Analysis between DPS & EPS	86
8. Regression of MPS on DPS and EPS	89
9 Regressions of MPS on DPS and DPR:	92

List of Figure

S.No.

Page No

1. Payment Date	22
2. Declining Firm	33
3. Analysis of Dividend per Share:	70
4. Analysis Earning Per Share:	72
5. Analysis of MPS:	74
6. Analysis of Dividend Payout Ratio:	76

List of Abbreviations

NEPSE	-	Nepal Stock Exchange
SEBO/N	-	Security Board of Nepal
GON	-	Government of Nepal
SCBNL Limited	-	Standard Chartered Bank Nepal
BOKL	-	Bank of Kathmandu Limited
HBL	-	Himalayan Bank Limited
NABIL	-	Nepal Arab Bank Limited
DPS	-	Dividend Per Share
MPS	-	Market Price Per Share
EPS	-	Earning Price per Share
DPR	-	Dividend Payout Ratio
JVBs	-	Joint Venture Banks
Rs	-	Rupees
D/P Ratio	-	Dividend Payout Ratio
Ltd.	-	Limited
C.V.	-	Coefficient of Variation
CDM	-	Central Department of Management
S.D.	-	Standard Deviation
Fig.	-	Figure
SEE	-	Standard Error of Estimate