

**DIVIDEND POLICY OF SELECED LISTED
COMMERCIAL BANK**

A THESIS

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RECOMMENDATION

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I hereby declare that the work reported in this thesis entitled " **DIVIDEND POLICY OF SELECTED LISTED COMMERCIAL BANKS**" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Master's Degree of Business Studies (M.B.S.) under the supervision of **Shree Bhadra Neupane** and **Indra Sharma** of Shanker Dev Campus.

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ABBREVIATIONS

%	:	Percent
σ^2	:	Variation
ACP	:	Average Collection Period
AM	:	Arithmetic Mean
AR	:	Account Receivables
B.S	:	Bikram Sambat
BEP	:	Break Even Point
BNL	:	Bottlers Nepal Limited
C.V.	:	Coefficient of Variation
CA	:	Charter Account
CA	:	Current Assets
CAPM	:	Capital Assets Pricing Model
CCC	:	Cash Conversion Cycle
CDM	:	Central Department of Management
CL	:	Current Liabilities
CVP	:	Cost Volume Profit Analysis
DTC	:	Depository Transfer Cheques
EDTC	:	Electronic Depository Transfer Cheques
EOQ	:	Economic Order Quantity
FC	:	Fixed Cost
F/Y	:	Fiscal Year
g.	:	Gram
ICP	:	Inventory Conversion Period
Kcal.	:	Calcium
Ltd.	:	Limited
MBA	:	Master of Business Administration
MBS	:	Master of Business Studies

ml.	:	Milliliter
No.	:	Number
P.E.	:	Probable Error
PDP	:	Payable Conversion Period
PEs	:	Public Enterprises
r	:	Correlation Coefficient
RCP	:	Receivable Conversion Period
Reg.	:	Registration
S.D. (σ)	:	Standard Deviation
T.U.	:	Tribhuvan University
TA	:	Total Assets
VC	:	Variable Cost

CHAPTER-I

INTRODUCTION

1.0 Introduction

Financial institutions, especially the banks are the lifeblood of economy. Without these the operation of an economy cannot be succeeded. Generally banks play vital role in capital formation and proper utilization of collected fund, providing service in domestic and internal trade. The commercial banks consequently have a specific role to play in the long process of economic growth. A well functioning banking system is an essential element in economic growth. A good banking system is supposed to mobilize saving from households and business in low cost of financing activities and channel funds to the most productive investment opportunities.

In the economic development of the country the banks are playing vital role, so if there is insufficiencies of banking and financial facilities, the growth of the economic development become slow. The main objectives of the commercial are to earn profit by proper mobilization of resources. It is fairly safe to say that banks are not the outcome of the economic development but are the courses for it. Specially, commercial banks provide different facilities to the people engaged in trade, commerce and industry. That is why; they are being the means to uplift the society. Commercial banks functions are different way such as accepting deposit, providing interest. In the formulation of capital performing agency functions which make business easier and they also play an important role in credit creation when economy is in boom commercial banks increase interest rate which reduce the profitability of inflation and incase of depression they reduce interest rate. So that, people interested in financial sector.

There are several joint venture banks operating in Nepal that aim at contributing to trade, commercial and industrial sector in the country. The commercial banks including joint venture banks are altogether 32 in number Which are; Nabil Bank Limited, Nepal Standard Chartered Bank Limited, Nepal SBI bank Limited, Nepal Bangladesh Bank Limited, Everest Bank Limited, NIC Bank Limited, Machhapurchchre Bank Limited, Bank of Kathmandu Limited, Himilayan Bank

Limited, Laxmi Bank Limited, Nepal Investment Bank Limited, Kumari Bank Limited, Nepal Credit and Commerce Bank Limited, Agricultural Development Bank, Rastriya Banijaya Bank, Lumbini Bank Limited, Siddhartha Bank Limited, Global Bank Limited, Bank of Asia Nepal Limited, NIC Bank Limited, NCC Bank Limited, DCBL Bank Limited, Kist Bank Limited, Prime Bank Limited, Sunrise Bank Limited, NMB Bank Limited, Century Bank Limited, Trust and Commerce Bank Limited, Civil Bank Limited, Janata Bank Limited, Mega Bank Limited. and Sanima Bank Limited.

The commercial banking industry has remarkable developed in a short span of one decade. The development has certainly helped to mobilize the unused internal resources and external funds for economic development of the nation. The modern banking philosophy like credit card facilities, Tele banking, 24 hours banking service, and now even e-banking concept are actually remarkable banking facilities of joint venture banks.

The history of modern banking in Nepal began in 1937 A.D when Nepal Bank Ltd. was established as a first bank in non-governmental sector. After 16 years of establishment, it becomes public limited company, in 1953 AD. It performed as central bank until Nepal Rastra Bank was established in 1956 AD. Before 1980, only government sector banks i.e. Nepal Bank Limited and Rastriya Banijya Bank operated as commercial banks. When government sector adopted policy of the globalization and liberalization several financial institutions were established to mobilize scattered funds in the economy. In other wards His Majesty's Government of Nepal permitted to establish private commercial banks with foreign investment in this sector. Since then, private commercial banks and joint venture banks are established. The first joint venture bank, NABIL, was established in Nepal in 1984 AD.

1.1 Introduction of Study Area

Dividend is the portion of net earning or profit, which is distributed to shareholders by a company. After successfully completing the business activities of a company, if the financial statement of it shows the net profit, the Board of Director decided to declare dividend to shareholders. The payment of corporate dividend is at the discretion of the Board of Directors. Most corporations pay dividend quarterly. Dividends may be paid

in cash, stock or merchandise. Cash dividends are most common and merchandise dividends are least common. Shareholders are not promised a dividend, but he or she grows to expect certain payment on the historical dividend pattern of firm. Before dividends are paid to common stockholders the claims of all creditors, the government and preferred stockholders must be satisfied. Dividend policy is a major decision of the firm. A firm's dividend policy has the effect of dividing its net earnings in to two parts: the retained earnings and dividends.

The retained earning means to provide funds to the firm for long term growth from its net earning. Retained earning are most significant internal sources of financing the growth of the firm. On the other hand, dividends are desirable from shareholders point of view as it tends to increase their current wealth. Dividends constitute the use of the firm's funds. Thus, the two objectives of dividend policy – distribution of dividend and retained of earning for growth, through desirable, are in conflict. There is reciprocal relationship between retained earnings and cash dividends. A higher dividend rate means less retained earning lesser dividend rate means high retained earning. If retained earning is less the growth will be slower and lower market price per share. So, the financial manager must vary carefully decide the allocation of earning between dividends and retained earnings, as this decision effects the value of the firms and as a result, the value of the firms cost of capital.

In setting its dividend policy a firm must consider many factor in addition to taxes, friction cost and information effects. It must consider interdependencies among investment, financing and dividend policies earning prospects liquidity requirement, makeup of the shareholders group and legal and regulatory restrictions. Dividend policy may affect such areas as the financial management, the flow of the funds, corporate liquidity, stocks price and investors attitude.

In context of Nepal, most of the public enterprises are operating in loss. In situation it is not possible to distribute the dividend. Such enterprises mainly focus on minimizing their loss. There are few companies who pay dividend. But after the establishment of joint venture companies, there is a trend of distributing dividends.

Dividend distributing trend has not only attracted the investors but has also made the management conscious about the policy regarding the payment of dividend.

General introduction of sample commercial banks is given below.

Nepal Arab Bank Ltd. (NABIL)

Nepal Arab bank Ltd.(NABIL) commenced its operation on 12 July 1984 as the first joint venture bank in Nepal and listed in NEPSE in the year 1986 AD(08/09/042 BS). Dubai Bank Limited, Dubai (later acquired by Emirates Bank International Ltd, Dubai) was the first joint venture partner of NABIL. Currently N.B. (International) limited, Ireland is the foreign partner of NABIL.

Nabil Bank is the pioneer for introducing many innovative products and marketing concept in banking sector of Nepal with more than 15 branches and 2 counters in all major cities. It is the only one bank having its presence at Tribhuvan international airport, which is only on international airport of Nepal. In addition, the number of outlets in the country is the joint venture and private banks operating in country.

Success of Nabil bank is a milestone in the banking history of Nepal as it proved the way for the establishment of many commercial banks and financial institutions. Initially Dubai bank ltd (DBL) invested 50 percent equity share on Nabil. Later on, the shares owned by DBL were transferred to Emirates banks international ltd (EBIL) Dubai.

Standard Chartered Bank Nepal Ltd. (SCBNL)

Standard Chartered Bank Nepal Limited has been started its operation in Nepal since 1987. It is a joint venture operation, registered in Nepal with 50 percent of the share held by Standard Chartered Grind lays Bank, 33 percent By Nepal Bank Limited and 17 percent by the Nepalese public.

Standard Chartered is the world's leading emerging market's bank with more than 500 offices over 50 countries in primarily in Asia, the subcontinent, the Middle East Africa and Latin America. Standard Chartered Bank has a firm commitment to the emerging markets, where potential for future growth has been visualized.

Standard chartered plays a crucial role for supporting those communities in which its customers and staff live. The focus of the standard chartered group is on projects that which this Standard Chartered Bank Nepal Ltd. has taken initiatives in sponsoring education for children and restoration of heritage cities in the country. With 12 points of representation (10 branches) and ATMs across the kingdom, the bank is in position to service our customer through a large domestic network. In addition to it, the global network of Standard Chartered Bank gives the bank the unique opportunity to provide truly international banking in Nepal.

Standard Chartered Bank Nepal Limited (SCBNL) focuses mainly on two aspects: the 1st one is cooperating to a wide range of customers from individuals to multinationals and next one is large public sector companies as well as emphasis on aid agencies, airlines, hotels and government corporations. The bank has been the pioneer in introducing customer focused products and services in the country.

Himalayan Bank Ltd. (HBL)

Himalayan Bank Ltd. was established in 1992 as joint ventures bank under the company act 1964. Since its establishment it has proved it as a successful bank in Nepal. Joint venture partner of HBL is Habib Bank Ltd. of Pakistan. HBL is the first joint venture bank managed by Nepalese chief executive. There operation of the bank started from February 1993 as mentioned in the NEPSE annual report. Main objectives of this bank are to provide modern banking facilities like tale banking to the business industries and other professionals and to provide loan on agriculture, commerce and industrial sector. The bank's authorized capital issued capital and paid up capital are Rs. 200 millions, 1013.51 million and 1013.51 million respectively. Par value per share is Ra. 100 and listing date of HBL's stock on NEPSE is Ashad 21, 2050 B. S. (1993 A.D.)

Everest Bank Ltd. (EBL)

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer-friendly services through its Branch Network. All the branches of the bank are connected through Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from

anybranches. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U K.

Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services. EBL is a joint-venture with Punjab National Bank (PNB) one of the largest commercial bank in India having more than 200 foreign correspondent around the globe. PNB has a century old tradition of successful banking and is well laid down modern banking systems and procedures. PNB is providing the top management services to EBL under and technical services agreement signed between the two institutions. Thus, EBL has the advantage of the banking expertise and financial strength of its partner.

Panjab Bank Ltd. India holds 20 percent equity on the bank share capital. Nepali promoter holds 50 percent and public holds 30 percent. There are more than 25 branches of EBL in operation in the Nepal and numbers of employees are more than 200. Authorized capital, issued capital and paid up capital are 1000 millions, Rs.831.40 millions and 729.80 million respectively. Par value per share is Rs. 100.

Nepal Bangladesh Bank Limited (NBBL)

Nepal Bangladesh Bank Ltd was established in the year 1994 with IFIC Bank Ltd of Bangladesh with the goal to become “The Bank for Everyone”. Over the years bank has been successful to increase the paid up capital to Rs 2 Billion. Its Head Office is situated at New Baneswor, Bijuli Bazar, Kathmandu.

The prime objective of this bank is to render hospitality to the valued customer. With a network of 19 branches and a corporate office, bank has been providing the extensive services to the valued customer. To facilitate the valued customer bank had successfully install 16 ATMs and holiday banking for their convenience.

The bank has earned the glory of making available the services for almost all the top business houses. Top exporter and importers of the country have established banking relationship with the bank with a substantial volume of foreign business which has

enhanced the bank's popularity in the international trade front. With the continuous support of our valued customers the bank has made all round progress in every sphere of its operation. This is the first bank to launch the special deposit product for women introducing "Grihini Bachat Khata". They ensure their valued customer to deliver the innovative products and services as per requirement which will be highly beneficial to create the value.

1.2 Statement of Problems

Dividend is the most inspiring factor for the investment on share of the company and similar to commercial banks. But Nepalese commercial bank has not satisfactory result resulting dividend decision. The dividend behavior and the market price of the commercial banks are also affected by government rules and regulations. There is no limit to the identification of the problem about dividend behavior and impact in market price. That is visible in commercial banks in Nepal.

Capital market is an important part corporate development of a country even if capital market is in the early stage of development in Nepal. Nepalese investors have heavily made investment on newly established companies, especially in the financial sector this trend will remain to continue until the investors are satisfied by the decision made by the management of these companies. Dividend is the most inspiring aspect of the investment in the share of various companies for an investor. Even if dividend affects the firms' value, unless management knows exactly how they affect the value, there is not much they can do to increase the shareholders wealth. So it is necessary for the management to understand how the dividend policy effects the market valuation of the firm or market price of stock.

Theoretically, the share price should fall down after the book closure by an amount to the amount of cash dividend, in case the company is going to distribute cash dividend. For example, if the share price of ABC Company on one day before the book closure was Rs. 1000 and the company had declared Rs.70 per share as cash dividend, which was to be formalized in the coming AGM. The price per share in the first transaction after the book closure should be around Rs. 930. In this study, all the related prices (market price, theoretical Price and after dividend price) of the sample companies are included in the fourth chapter of the research.

The major problems that have been identified for the purpose of this study are:

1. What is the relationship of dividend with earning per share, market price per share, net profit and net worth of different commercial banks?
2. What are the factors that affect the dividend and valuation of the firm?
3. Are all Nepalese commercial banks having uniform policy in the dividend distribution?

1.3 Objectives of the Study

The major objectives of the study are:

1. To take depth knowledge of the dividend policy of Nepalese commercial banks.
2. To analysis the relationship of dividend with earning per share, market price of the share, growth rate and net profit and
3. To evaluate banks before dividend price, dividend per share, theoretical price and market price fo the year 2009/10.

1.4 Importance of the Study

Every people are attracted to invest in share capital for propose of getting more return as will as to maximize their wealth. So the dividend policy has become an effective way to attract new investors.

This study will be helpful to understand the dividend payment policy of the commercial bank in Nepal. It will be helpful to related persons like policy maker, shareholders and management. It will be important for the government in making policy, controlling, monitoring and supervising the commercial bank in Nepal. This study will be help to the further researchers.

1.5 Limitations to the Study

This mini-research, conducted within a limited time constraint, is simply carried out for the partial fulfillment of the requirement of MBS. Every study has to be carried out under the domain of certain areas to make it meaningful. This study has also laid some hypothetical boundaries that are as below:

1. This study covers only dividend policy of joint venture banks and its impact on market price of share.

2. Secondary data as well as primary data will be used for this study.
3. The study covers five fiscal years data between 2005/06 to 2009/10
4. Only five joint venture banks are taken for the study. These banks may not represent all the commercial banks in the economy.

1.6 Organization of the Study

This study has been organized into six chapters, each devoted to some aspect of the study of dividend policy followed by joint venture banks in Nepal. The contents of each of this chapter are as follows:

Chapter I: Introduction

This chapter Includes the introductory part of the study as already mentioned this chapter describes the general background if the study, statement of the problem, objectives of the study, need and important of the study, research methodology, limitation of the study and organization of the study.

Chapter II: Literature Review

This chapter deals with conceptual framework on dividend policy and also includes major studies with dividend decision, type of dividend and factor affecting dividend policy.

Chapter III: Research Methodology

It describes the research methodology in the study. This deals with the matter and sources of data, population and sample, the model of analysis, meaning and definition of statistical tools.

Chapter IV: Presentation and Analysis of Secondary Data

This chapter deals with presentation and analysis of data and information through a definite course of research methodology.

Chapter V: Finding, Conclusion and Recommendations

This chapter states summary and conclusions and major finding of the study. The bibliography, annexes are incorporated at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

2.0 Review of Literature

This chapter highlights upon the literature that, are concerned to this subject. Similarly, what other have said, done or written etc about the dividend policy that provides the useful inputs for the study is reviewed.

2.1 Conceptual Framework

2.1.1 Conceptual Review

"Dividend policy determines the decision of earnings between payments to shareholders and reinvestment in the firm. Retained earnings are one of the most significant sources of funds for financing corporation growth, but dividend constitutes the cash flow that accrues to shareholder"(weston and copland; 9th ed: 657)

Dividend policy decision is one of the major decisions of financial management which affect financial structure, the flow of funds, corporate liquidity and investor's attitudes. The dividend policy adopted by the firm should be such that it strikes a proper balance between the financing decision and wealth maximization decision. There is reciprocal relationship between the retained earnings and cash dividend. If retained earnings is kept more by the company less will be dividend and vice-versa. It is in the sense that the firm has to choose between distribution profits of shareholders and plowing them back in to the business. The decision depends upon the objectives of the management for wealth maximization. The firm will use the net profit for paying dividends to the shareholders.

"What and how much it is desirable to pay as dividend is always a matter of disputed, because shareholder expects higher dividend from corporation wants to re-invest its profit for maximizing the overall shareholder's wealth. "Financial management is therefore concerned with the activities of corporation that affect the well-being of shareholders. That will being can be particularly measured by the dividend received, but a more accurate measure is market value of stock."(Dean;1973:1)

"The company should adopt that dividend policy which should be minimizing the market price of share. "The objective of dividend policy should be to maximize a shareholder's return so that value of the investment is maximized."(Easter;1984:650)

Dividend policy of a firm has a long term impact on financial structure, the flow of

funds, corporate liquidity, net profit, share price and earning per share. The more the company distribute cash dividend the lesser will be earning available for reinvestment, weather dividend will increase value or not may depend on the profitable investment opportunities available to the firm.

"Higher dividends can directly benefit shareholders because they reduce the free resources, with managers can use sub-optimally. Some economists believe that management decides to pay dividend in order to pay dividend in order to reduce agency costs."(*Pandey; 7th ed.: 672*)

Thus the dividend is the tools of the control and major decision area related to the policies seeking to maximize the value of the firm's common stock as well as the wealth of the shareholders.

2.1.2 Theories of Dividend

2.1.2.1 Residual Theory of Dividend

Under this theory earning will be distributed to shareholders in the form of cash dividend, only the firm has retained earning left over after financing all acceptable investment opportunities. In other words, the shareholders get dividend only when there exist balance of earning after paying fixed obligation and financing all acceptable investment opportunity. If the balance of earning doesn't exit after paying fixed obligation and financing all acceptable investment opportunity, there will be no dividend to shareholders. It assumes that the internally generated funds (retained earning) are comparatively cheaper than the funds obtained from external sources due to flotation cost.

This dividend policy is influence by (1) the company's investment opportunity and (2) the availability or internally generated capital. Where the dividend is paid, only after all acceptable investment have been financed. According to this concept, dividend policy is passive in nature. The treatment of dividend policy as a passive residual determinant solely by the availability of acceptable investment proposals implies that dividends are irrelevant, the investor in indifferent between dividends and retention by the firms.

2.1.2.2 Stability of Dividend

Stability or regularity of dividend is considered as a desirable policy by the management of companies. Most of shareholders also prefer stable dividends because

all other things being same, stable dividends have a positive impact on the market price of share.

The term dividend stability refers to the consistency or lack of variability in the stream of dividends. In more precise terms, it means that a certain minimum amount of dividend is paid out regularly. The stability of dividends can take any of the following three forms.

a. Constant Dividend Per Share:

Constant dividend policy is based on the payment of fixed amount per share as dividend in each year / period. A number of companies follow the policy of paying fixed amount of share as dividend every year without considering the fluctuation in the earning of the company. The policy doesn't imply that the dividend per share or dividend rate will never be increased. When the company reaches new level of earning and expect to maintain it, the annual dividend per share may be increased. Investors who have dividends as the only source of their income prefer the constant dividend policy.

b. Constant Payment Ratio:

Constant payment means paying a fixed percentage of net earnings as dividend payment every year. Under this policy, the dividend fluctuates in direct proportion to the volatility of earnings. It reflects company's ability to pay dividends. If the company generates profits, dividends shall be paid otherwise not. At any given pay out ratio, the amount of dividends and addition to retained earnings increasing with earning and decrease with decreasing earnings. So it guards against over payments as well as underpayments of dividends. Earn and avoided when it incurs losses. However shareholders argue that this policy poses uncertainty and irregularity in regards to expected dividends. There is much irregularity in payment of dividends in Nepal.

c. Low Regular Dividend plus Extras

Under this policy a sum of amount is paid regularly as dividend. In the boom period, extra dividend is paid over and above the regular dividend payment and the normal condition retains, the firm cuts extra dividend per share and pay regular dividends only. For companies with fluctuating earnings, this method of payment dividends is desirable. Shareholders also favor this policy because they are benefited in prosperity and continual depression. In other words certain shareholders like this policy because

of the certain cash flow in the form of regular dividends and option of earning extra dividends occasionally. So, this policy is compromise between first two.

2.1.3 Forms of Dividend

Through the most popular forms of dividend is cash dividend. Firms need to follow various types of dividend in view of the forms objectives and policies which they implement in Nepalese context, the type of dividend that corporations follow in partly a matter of various circumstances and other financial constraints that bound corporate plan and policies. Based on the financial suitability of corporations, dividend may be distributed in various forms like cash dividend, property dividend, scrip dividend and stock dividend and bond dividend. In our country, only cash and stock dividend are declared and paid.

a. Cash Dividend

It is a kind of dividend, which is distributed to the shareholders in the form of cash out of the earning of the company. If dividend is paid, it will be reduce the balance of the cash and reserve account. The market price of the share drops in most cases by the amount of the cash dividend distribution. The firm has to maintain adequate level of liquidity position for distribution of the cash dividend otherwise the company should borrow the needed fund externally.

Cash is a major form of the dividend. Most of company pay dividend in cash. A company should have enough cash in its bank account, when cash dividends are declared. To pay cash as a dividend, the company should have enough cash. If the company has not sufficient cash then the company should made arrangement to borrow funds. When the company follows the 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 and the reserve account of the company will be reduced when the cash dividend is paid. Thus, both the total assets and the total worth of the company are reduced when the cash dividend is paid. The market price of the share drops in most cases by the amount of the cash dividend is distributed.

b. Stock Dividend (Bond Shares) and Shares Split

Another expect of the dividend policy is stock dividend and stock split. A stock dividend is paid in additional shares of stock instead of in cash and simply involves bookkeeping transfer from retain earning to the capital stock account. In the stock

split there is no change in capital account instead a larger no. of shares of common stock is issued. In a two – for – one split, stock holder received two share for each one previously held. The book value per share is cut in half, and the par, or stated, value of share of stock is similarly changed. Some of the joint venture companies of Nepal have adopted the policy of paying cash along with stock dividend.

"One of the common forms of the stock dividend referred as bonus share, are the subscription receipt (script) provided to the shares holders as additional shares. Bonus share has the attribute buoyancy so that it is more preferred by the stock holders."(*Brantd; 1972: 448-449*)

The effect of the stock dividend or a stock split can be summarized as follows:

- There is no change in the firm assets and liabilities or on share holders' equity (assets less liabilities).
- There is fall in per share earnings, book value and market price and offsetting rise in the no. of shares held by each share holders.

c. Property Dividend

This involves payment of assets / property in any form other than cash. This form dividend may be following when there are assets that are no longer necessary and operation of business or in extra ordinary circumstances. Companies on product and securities of subsidiaries are the example that have been paid as property dividend.

d. Bond Dividend

Bond dividend by its name is a dividend that is distributed to share holders in form of the bond. Bond dividend helps to postpone the payment of cash. In other words, company declared dividend in the form of its own bond with a view to avoid cash out follows.

e. Scrip Dividend

A dividend paid in the form of promissory notes is called scrip dividend. "Scrip dividends are those paid in company's promises to pay instead of cash."(*Encyclopedia; 1997:322*) It is paid when earnings of the company justify dividends but the company's cash position is temporarily weak and doesn't permit cash dividend. It may declare dividend in form of scrip. Scrip dividends may bear a definite maturity date or the disbursement date may be left to the directors. Such dividends may be interest bearing or non interest bearing.

2.1.4 Factors Effecting in Dividend Policy

The factor effecting dividend decision is one of the main focuses of this study. Mostly government owned public limited companies are in loss. There's no question of paying dividend rather they are attempting to minimize losses. However in case of joint venture companies, insurance companies and other private owned enterprises, management has somewhat understood the importance of the dividend. Through all of them are not distributing dividend. Therefore it is desirable to study the factors recognized as active variable in determination of dividend in Nepalese companies.

a) Legal Requirements

Legal rules constrain dividend payment on certain conditions as follows:

- a) Capital impairment rule states that dividend should not be paid out of paid-up capital, which causes adverse effect on security of creditors and preference shareholders.
- b) The firm should not pay cash dividend greater than the current net profit plus accumulated balance of retained earning. Accumulated loss should be recouped out of current earnings. This rule is violated by some of Nepalese companies due to management intention and government intervention.
- c) Insolvent firms i.e. liquidities exceeding assets or unable to pay bills are prohibited for paying cash dividend to protect creditors of the firm.
- d) If the firm has retained earning to provide opportunity to shareholders for capital gain and thereby evade tax liability of income, under such condition the firm may be forced to pay dividends.

b) Liquidity Position:

Liquidity position or the availability of cash factors are to be considered in making the dividend decisions. A firm may have sufficient retained earnings, but if they are invested in physical assets cash may not available to make dividend payments. Even a company that is growing and profitable may not be liquid, for its funds may go into investment opportunities, fixed assets and permanent current assets. Thus, even if a firm has a record of earning, it may not be able to pay cash dividends because of its liquidity position.

c) Need to Repay Debt

When a firm has issued debt to finance expansion or to substitute for other form of financing, it is faced with two alternatives. It can refund the debt at maturity by

replacing it with another form of security or it can make provision of paying off debt. If the decision is to retire the debt, this will generally require the retention of earnings.

d) High Rate of Profit

At this level it is desirable to retain earnings rather than to pay those out of the investor will earn less by outside investment.

e) Control Consideration

Dividend policy may also be affected by the share holders or the management's control objective. That is to say, sometimes management employs dividend policy as an effective instrument to maintain its position of command and control.

The dividend pays out influences additional external control financing. If the owners rely on external financing in order to maintain control, the amount of the dividend will be reduced.

f) Tax Policy

The dividend policy of the firm may be dictated by the income tax status of the shareholders. The tax policy of government, high or low tax payment effects dividend policy differently. Corporations owned largely by taxpayers in high income tax bracket tend toward lower dividend pay outs because the tax rate applied to dividends. Corporations owned by small investors tend towards higher dividend payments. Sometimes there may be a conflict between shareholders in high income tax brackets and shareholders in low tax brackets. The dividend policy may be a compromise on intermediate payment ratio. If one group dominates the members of the other groups are likely to sell their share, overtime. Therefore a firm's dividend policy dictates the type of shareholders it has and vice-versa. These types of activity are called the clientele effect.

g) Access to Capital Market

A company which is not sufficiently liquid can pay dividends if it is able to raise debt or equity in the capital markets. A firm which well established and has a record of profitability will not find much difficulty in raising funds in the capital markets. The greater ability of the firm to raise funds in the capital markets, the greater will be its ability to pay dividends even if it is not liquid.

h) Restrictions in Loan Agreements

Lender may generally put restrictions on dividend payments to protect their interests when the firm is experiencing liquidity or profitability difficulties. As such a firm

agrees as part of a contract with a lender to restrict dividend payment. When restrictions are put, the company is forced to retain earnings and have a low payment.

i) Investment Opportunities

Investment opportunity is also a major effective factor for the dividend policy. If a company have good opportunity for investment it is better to reinvest the earnings. If there are no good investment opportunities in that case it is better to paying dividend. In other words, when the investment opportunity rises infrequently it should follow a policy of paying dividends and raise external funds when the investment opportunities occur.

j) Inflation

Inflation also play decisive role in dividend decision. If price raise, the company may have to retain high percentage of earning because of inadequate funds generated from depreciation to replace equipments.

k) Stability of Earning

A firm that has relatively stable earning is often able to predict approximately what its future earnings will be. This stable earning of the firm enables to pay dividend regularly.

l) Others

- Past dividends.
- Rate of assets expansion.
- The lack of other sources of financing.

2.2 Review of Relevant NRB Guidelines

NRB is the apex institution in the money and capital market of Nepal. Being the nation's central bank, it directs, supervises and controls the functions of the commercial banks and other financial institutions. NRB has issued various directives and circulars in orders to develop a healthy, competitive, and secured banking and economic system to ensure national development. The following are some of the relevant directives that the NRB has circulated to the commercial bank.

2.2.1 Legal Requirements:

The legal rules provide that the dividends must be paid from earnings either from the current year's earnings or from past years' earnings as reflected in the balance sheet account 'retained earnings'. State laws emphasize three rules:

a) Capital Impairment Rules

The firm cannot pay dividend out of its paid up capital. If it does so there would be reduction in the capital that would affect the creditors of a corporation.

b) Insolvency Rule

This rule states that cash dividend should be prohibited, if the company is insolvent. Insolvency in the legal services defined as the situation when the recorded value of liabilities exceeds the recorded value of assets. Similarly in the technical sense, it is the firm's inability to pay its current debtors.

c) Net Profit Rule

This rule provides that dividend can be paid from past and present earnings.

2.2.2 Liquidity Position

The cash or liquidity position of the firm influences its ability to pay dividends. A firm may have sufficient retained earnings, but if they are invested in fixed assets, cash may not be available to make dividend payment. Thus, the company must have adequate cash available as well as retained earnings to pay dividends.

2.2.3 Access To The Capital Markets

A large, well-established firm with a record of profitability and stability of earnings has easy access to capital markets and other forms of external financing. 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 it must retain more earnings to finance its operations. A well-established firm is thus likely to have a higher dividend payout ratio than a new or small firm.

2.2.4 Need to Repay Debt

Firms may have the policy to retire its past debts by means of retained earnings. If such alternative are being adopted then such firm will retain more and pay less dividend.

2.2.5 Restrictions in Debt Contracts

Debt contracts, particularly when long-term debt is involved, frequently restrict a firm's ability to pay cash dividends. Such restrictions, which are designed to protect the position of the lender, usually state that (I) future dividends can be paid only out

of earnings generated after the signing of the loan agreement (i.e. they cannot paid out of past retained earnings) and (ii) that dividends cannot be paid when net working capital is below a specified amount. Similarly, preferred stock agreements generally state that no cash dividends can be paid on the common stock until all accrued preferred dividends have been paid.

2.2.6 Growth Rate of Firm

A rapidly growing concern will have constant needs of long-term funds to seize Favorable opportunities for which it has to retain more and pays less dividend.

2.2.7 Control

Another important variable is the effect of alternative sources of financing on the control situation of the firm. As a matter of policy, some corporations expand only to the extent of their internal earnings. This policy is defended on the ground that raising funds by selling additional common stock dilutes the control of the dominant group in that company. At the same time, selling debt increases the risks of fluctuating earnings to the present owners of the company. Reliance on internal financing in order to maintain control reduces the dividend payout.

2.2.8 Stability of Earnings

A firm that has relatively stable earnings is often able to predict approximately what its earnings will be. Such a firm is therefore more likely to pay out a higher percentage of its earnings than a firm with fluctuating earnings. The unstable firm is not certain that in subsequent years earning will be realized, so it is likely to retain a high proportion of current earnings. A lower dividend will be easier to maintain if earning fall off in the future.

2.2.9 Tax Position of Shareholders

The tax position of a corporation's owners greatly influences the desire for dividends. For e.g. a corporation owned by largely taxpayers in high income tax brackets tend toward lower dividend payout where as corporations owned by small investors tend toward higher dividend payout.

2.2.10 Legal Provision Regarding Dividend Practice in Nepal

Company Ordinance, 2005 makes some legal provision for dividend payment in Nepal. These provisions may be seemed as under:

Dividends and subsections of this section are as follows

Section 46: Shareholder and Debenture-holder Register Book

Subsection (1)

Every company should establish shareholder and debenture-holder register book as Prescribed by law at company registrar office.

Subsection (2)

1. Following description should be clearly mentioned in the shareholders' register book:

- a) Shareholder's full name and address.
- b) No. of shares holding by shareholder.
- c) Total amount paid by shareholder and remaining balance if any.
- d) Registered date of shareholder's certificate.
- e) Cancellation date of shareholder's certificate.
- f) Ownership right on share after the death of the registered shareholder.

Section 182: Dividend

Subsection (1)

Except in the following circumstances, dividend shall be distributed among the Shareholders within 45 days from the date of decision to distribute them,

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

Subsection (2)

Government owned companies either fully or partly can't issue dividend without permission of government and also necessary direction in the matter of dividend.

Subsection (3)

In case dividends are not distributed with the time limit mentioned in subsection (1), adding interest at prescribed rate.

Subsection (4)

Only the person whose name stands registered in the register of existing share holders at the time of declaring the dividend shall be entitled to it.

Subsection (5)

The Company can't issue any form/amount as dividend expected separate reserve amount for the distribution of dividend.

Subsection (6)

The Company should deduct the operating cost, depreciation amount, payable, adjustment for previous year's losses by-law before distributing dividend from profit.

Subsection (7)

Under this section company can distribute interim dividend if it is provisioned in rules and if the dividend is verified by audit report and attested by the BOD.

Subsection (8)

Except the amount declared from AGM, the company cannot distribute dividend from fund affecting the company's reserve.

Subsection (9)

If the shareholder does not come to take the dividend within the five F/Y from the declaration date, the amount would be safe guarded according to section 186 of company act.

Subsection (10)

If any shareholder comes to take the dividend amount according to section 183 within 1 month of before the expiry date, the notice should be published publicly in national daily.

Subsection (11)

After the dividend declared form AGM, the company should establish separate book of account within 45 days and distribute to the shareholders and the amount should not be used for other purpose by the company.

2.3 Review of Journals and Articles

Pradhan (2001) has published an article on "*Stock Market Behavior in A Small Capital Market*", where he raised its pertinent to put forth here because he has analyzed various ratios related to dividend and market price of the shares. The study was based on pooled- cross sectional data of 17 enterprises. The objectives of this study were as to assess the stock market behavior in Nepal and to examine the relationship of market equity, market value to book value, price earning and dividend with liquidity, profitability, leverage, assets, turnover and interest coverage.

The major findings of this study were as stocks with larger market value than book value of equity have larger price earning ratio and lower dividend. Price earning ratios are more variable for stock with larger market value to book value ratio and dividend

ratios are more variable for stock with smaller market value of book value. Larger stock have larger price equity ratio, larger ratio of market value to book value of equity and smaller dividends. However price earning ratio and dividend ratio are more variable for smaller stocks whereas market value to book value of equity is more variable for smaller stock whereas market value to book value of equity is more variable for larger stock. Stocks with larger ratio of dividend per share to market price per share have higher liquidity. Liquidity position of stocks paying lower dividends is also more inconsistent as compared to stocks paying higher dividend. Smaller dividends, lower profitability, lower assets turnover and lower interest coverage for larger stocks may be attributed to the fact that most of larger stocks are at their initial stage of operation. Stock with larger price earning ratios, larger market value to book value of equity and smaller dividends ratios. But there ratios of market value to book value of equity and dividends are more variable for smaller stocks than for larger stocks. Stocks with larger price earning ratios have lower liquidity, higher leverages, lower profitability, lower assets turnover and lower interest coverage. However, liquidity, leverage, earnings, turnover and interest coverage are all more variable for stock with smaller price earnings ratio and Stock with larger market value to book value ratios have lower liquidity, higher leverage, lower earnings, lower turnover and lower interest coverage: however, liquidity are more variable for stocks with the larger market value to book value ratios. While earnings assets turnover and interest coverage are more variable for stock with smaller market value to book value ratios.

So, in conclusion, it indicates positive relationship of dividend per share to market price per share with liquidity, profitability, assets turnover and interest coverage; and negative relationship with leverage.

Manandhar (2002) has published an article on "*Nepalese Corporate and its Dividend Payment*", where he raised the problem of the study is to test whether Nepalese corporate firms consider the lagged earning and dividend paid to pay the dividend in current year.

For the test, 17 samples Nepalese corporate firm has been taken and different hypothesis have been tested. The conclusions drawn by the study is; there is significant relationship between change in dividend policy in terms of DPS and change in lagged earnings. In overall there is positive relationship between change in lagged consecutive earnings and dividend per share. There is relationship between

distributed lag profit and dividend. When change in lagged consecutive earning is greater than zero is 65% of the cases change in dividend per share. Overall increase in EPS (t) has resulted to the increase in the dividend payout by 66.6% of the cases while decreases in EPS has resulted decrease in dividend payments. Nepalese corporate firms have followed the practice of maintaining constant dividend payment per share. Corporate firm do not take in to account that one-year and two-year lagged earnings.

In overall Nepalese corporate firm are reluctant to decrease dividend either keeping dividend payment constant or higher to take the advantages of information constants and signaling effect of dividend relating to the firms, continued progress and performance, sound financial strength, favorable investment, lower risk ability to maintain dividend rate and finally to increase the market price of stocks in the stock market.

Brandon Julio (2010) has published an article on “*Reappearing Dividends*” where he has raised the idea of dividend reappearing concepts on the base of US, During the last two decades of the 20th century, the propensity of U.S. companies to pay cash dividends declined significantly. The trend away from dividends accelerated during the late 1990s, leading some economists to conclude that dividend policy was shifting in a very fundamental way. But there was a sharp reversal in this trend starting in 2000.

This article investigates five possible explanations why dividends are reappearing. Given the explosion of new companies during the 1990s, the authors find that part of this rebound can be explained by the “maturity hypothesis”– by the need for such companies to pay out their excess “free cash flow” to reassure investors that it will not be wasted on value-destroying investments. The authors also report evidence that some companies have chosen to use dividends in part to restore investor confidence about the “quality” of corporate earnings in the wake of concerns over corporate governance. Third, the authors' findings suggest that U.S. companies have responded to the recent dividend tax cut, as one might expect, although the rebound in dividends started well before tax reform became a widely discussed possibility. Finally, the study finds little support for behavioralist explanations in which managers “cater” to irrational investor preferences for dividends. Although the authors hesitate to read too

much into the recent rebound, their evidence is consistent with the idea that corporate payout policy has shifted back in favour of conventional cash dividends.

2.4 Review of Thesis

Kandel (2002), entitles "*A Study of Corporate Performance, Stock Behavior and Impact in Dividend*". He applied standard deviation, coefficient of correlation, regression equation and finding of Markowitz with time frame of data from 1995 to 2000 of selected listed Companies to find out the share price behavior. His findings were on the basis of Standard Deviation (a) Observed price is more consistent than the expected prices (b) price is more stable and less variable than that of with expected price (c) Equity investment has lower risk in 1995-1997. However, in 2000 the equity investment has average risk and others found the same. The finding from the coefficient of correlation throughout the review period were (a) The value of coefficient of correlation is considered significance, (b) price of share of depends more on DPS (c) The coefficient of determinates of both EPS and DPS have decreasing trends, this is the sign of risk associated with equity investment was increasing. Similarly, the finding from regression equation were, in the time price was affected more by variable dividend per share compared to earning per share is very weak and the effect of which is negligible in compared to dividend per share, in review period 1997/1998 dividend per share was still stronger than earning per share, during the review period in 1999/2000 dividend per share was stronger than earning per share.

It concluded that DPS plays vital role on price formation. Though the effect of EPS has been increased but still DPS ruled over prices. Hence the sensitivity of DPS is high instant response in the market. On the basis of expected return on a portfolio and the portfolio variance (Covariance between govt. bond between share, govt. between NPB bond, shares and NRB) of sample Companies (commercial banks) has been calculated individually by using Markowitz model than he found (a) Portfolio variance is very minimal, (b) The co-response among the securities is not sensitive, (c) Changing in interest is in favor of investors, as the interest rate goes up, the price of existing fixed income securities falls, and vice versa, they affect the price of equity

either. But the effect is too weak in the case of Nepalese as Markowitz model. It is evident that the Securities of Nepal was in nascent stage.

Bhattraï (2004) in his thesis paper, “*Dividend Decision and its Impact of Stock Valuation,*” has following objectives:

1. To examine the impact of dividend on share price.
2. To analysis the dividend paid system adopted by the corporate.
3. To compare the dividend decision among the banks.

His major study results are as below:

1. There is positive relationship between cash flow and current profit and dividend percentage shares. The degree of relationship in almost perfect. Noteworthy point in Nepalese companies is cash balance and is maintained only when there is profit to pay dividend through where there if both balance of cash and enough net profit only when the dividend is declared.
2. In aggregate, there is not stable dividend paid by the companies over years, some companies have steadily increased dividend, it can be inferred that they adopted low regular plus extra dividend. Stable dividend influence considerable impact on valuation of realized by Nepalese company management.
3. There was negative relationship between market price and stockholders have foregone opportunity and income in hope of getting higher return, but the companies have not been able to return even equal to risk free rate of return.
4. There are also no criteria to adopt payment ratio and it is observed that there is negative relationship between the payment ratio and valuation of shares.
5. Inflation rates in recent years are decreasing and the market prices of share are increasing. Nevertheless the companies are not able to give required rate of return to the investors.
6. There was positive relationship observed on foreign investment and payment of dividend i.e. the companies invested by foreign investors are paying regular dividends than companies dominantly invested by Nepalese. There was negative relationship observed between the companies paying dividend and percentage of public shareholder and percentage of share hold by HMG/N.

Timilsina (2007) in his study "*Dividends and Stock Price: An Empirical Study*" has following objectives:

1. To use multiple regression model of three independent variables.
2. To highlight the relation between stock and other independent variables setting separate simple liner regression equations.
3. To identify the stock valuation method used in manufacturing and trading sector and banking and insurance sector.

The major findings of the study were as follows:

1. The relationship between dividend per share and stock price is negative.
2. Dividend per share affects the stock price variedly in different sectors.
3. Changing the dividend policy or dividend per share might help to increase the market of share.
4. The relationship between stock price and retained earning per share is not prominent.

Gautam (2008) in his study "*On Comparative Study on Dividend Policy of Standard Chartard Bank Ltd., Nepal Investment Bank Ltd. and NABIL*" The main objectives of his study are:

4. To identify the type of dividend followed by the banks.
5. To examine the impact of dividend on share price.
6. To identify the relationship between DPS and other financial indicators.
7. To know the uniformity among DPS, EPS, and DPR of the sample companies.

Following are the conclusion of his study:

1. No clearly defined dividend policy is found followed by the sample companies.
2. The market price of the share doesn't seem to be more or less dependent on EPS or DPS.
3. No significant relationship between DPS and other financial indicators.
4. No uniformity in EPS but prominent difference in DPS and DPR.

Gajurel (2008), his study on "*A Study of Dividend Practice in Nepal*" concluded that political instability and other laws related issues are the prominent factors for the underdevelopment of security in Nepal. She further concluded that the stockbrokers and Dividend are not being much active to create investment environment in Dividend. Most of the investors are influenced through media only. Information

deficiency in the capital may be one of the reasons for determination of share price by excessive speculation. The available information is of low quality and people have very little knowledge of the trading procedure and price formation mechanism. Lack of effective laws and effective implication of the existing laws are the contributing factors for the less development of the capital . She also argued that some of the major problems experienced by Dividend are the poor regulatory controls and supervision by NRB.

Adhikari (2010) in his study "*On Corporate Dividend Practice in Nepal*" has the followings objectives:

1. To identify the dividend paid system
2. To examine the condition of corporate dividend declaration policy.
3. To analysis the Market Share in relationship with dividend.

His major study results are:

1. Other things remaining the same, financial position of high dividend paying companies are comparatively better than of two dividends paying companies.
2. Market price of share is affected by dividend.
3. Financial executives of Nepal reject dividend as a residual decision in Nepalese companies.

Research Gap

There have been many national and international studies in the field of dividend policy to date. Not all concepts and practices of foreign authors' model about dividend practices are use in our Nepalese dividend policy. Those studies have tried to find out the relationship between dividend policy and market price of the stock. However, as the Nepalese capital market is in the early stage of development, the conclusion made by the international studies may not be relevant in the Nepalese context. So it is recommended to devote some efforts and think foreign model dividend practices in Nepalese dividend Policy.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology describes that methods and process applied in the entire aspect of study. Research methodology is a way to systematically solve the research problem. In other words research methodology is the methods, steps and analysis, and it is the way of presenting collected data with meaningful analysis.

This study is based on secondary data only. These data are used to analysis the dividend policy of commercial banks in Nepal. And it's to find out the factor that affects dividend policy. The basic objective of such analysis is to find out the relationship between dividend with market price of share, net profit, earning per share and net worth of the commercial bank in Nepal.

3.2 Research Design

Research design is the plan, structure and strategy of investigation concerned so as to obtain answers to research questions and to control variances. The research design of this study basically follows the impact of dividend policy on the market price. In other words, this research is designed so as to find out the effect on the market price of share (common stock) of the company when dividend is paid to the shareholders and also how the market price responds when dividend is not paid to the shareholders. Various analytical and descriptive approaches are used to determine the impact of dividend policy followed by an organization and its market price.

3.3 Sources of Data

Both the secondary data as well as primary data will be taken in this study. The primary data are collected from direct interview and informal discussion and secondary data are collected from the available sources like Nepal Stock Exchange, Finance Ministry, Security Board, T.U. Library, Nepal Rastra Bank, Previous Thesis and News-Papers and Magazine etc.

3.4 Population and Sample

There are various commercial banks (Government owned, Private and Joint venture) operating in Nepal. 31 commercial banks have got permission to work. They which are as follows:

It is not possible to study all banks because we have lack of time period. So, we should study only five joint venture commercial banks (SCBNL, HBL, NABIL, NBBL & EBL) among listed are taken as sample for this study.

3.5 Data Processing Technique

Collected data, relevant facts and figures are systematically tabulated under the different heads for the purpose of analysis. So far as computation is concerned; it has been done with the help of scientific calculator and computer.

3.6 Data Analysis Tools

There are two types of analytical tools used for this study. A brief explanation of financial as well as statistical tools is as follows:

3.6.1 Financial Tools

3.6.1.1 Earning Per Share (EPS)

Earnings per share is one of the factors that affect the dividend policy and stock price of firm. If earning per share is greater than the dividend will be larger and the market price also will be raised. So, it is assumed as an independent variable to determine the dividend and market price of stock. it is calculated by dividing the earning available after tax to the common stockholders by the total no of common shares outstanding.

$$\text{EPS} = \frac{\text{Net profit before tax}}{\text{No. of common share outstanding}}$$

3.6.1.2 Dividend per Share (DPS):

Dividend per share also affects the market price of stock, but it does not affect the earning per share. So, it is assumed as an independent variable to determine the market price of stock and also assumed as dependent to the EPS. If the EPS is greater, the dividend per share will automatically be greater. It is calculated by dividing the total amount declared as dividend for equity shareholders by the total number of share outstanding.

$$\text{DPS} = \frac{\text{Net Profit after Interest, Taxes and Preference} - \text{dividend paid to shareholders}}{\text{No. of Ordinary Shares Outstanding}}$$

3.6.1.3 Dividend Pay out Ratio (DPR):

It reflects the percentage of profit that distributed as dividend. The remaining portion of profit is retained as reserve as surplus for the growth of the banks. It is calculated by dividing DPS by EPS.

$$\text{EPS} = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$$

3.6.1.4 Market Price per Share (MPS):

Market price per share is that value of stock, which can be obtained by a firm from the market. Market value of share is one of the variables which are affected by the dividend per share and earnings per share of the firm. If the earning per share and dividend per share is high, the market value of share will also be high. Market value of share may be lower and higher than the book value. If the firm is growing concern and its earning power is greater than the cost of capital, the market value of share will e higher than the book value. If firms earning capacity is lower than the cost of capital the market price of share will also be lower. The capital market determines MPS.

3.6.1.5 Price Earnings Ratio:

Price earnings ratio is also called the earning multiplier. This ratio reflects the market value per share for each rupee of currently reported earnings per share. In other words, E/P ratio is the ratio between market price per share and earnings per share. This ratio is computed by dividing earning per share to market price per share.

$$\text{P/E Ratio} = \frac{\text{Market Price per Share}}{\text{Earning per Share}}$$

3.6.1.6 Dividend Percentage (DP) per share:

Dividend percentage is the ratio of dividend per share to paid-up price per ordinary share. It can be calculated as:

$$\text{DP} = \frac{\text{Dividend per Share}}{\text{Paid-Up Price per Share}}$$

3.6.1.7 Dividend Yield (DY):

This ratio shows the relationship between dividend per share and market value per share. It is calculated by dividing dividend per share by market value per share.

$$DY = \frac{\text{Dividend per Share}}{\text{Market Value per Share}}$$

3.6.1.8 Earning Yield (EY):

This ratio shows the relationship between earning per share and market value per share. It is calculated by dividing earning per share by market value per share.

$$EY = \frac{\text{Earning per Share}}{\text{Market Value per Share}}$$

3.6.1.9 Net-Worth per share (NWPS):

It is a rupee value per share. It is calculated by dividing book value of net worth by total no. of share outstanding.

$$NWPS = \frac{\text{Net worth}}{\text{No. of share outstanding}}$$

3.6.1.10 Market value per share (MPS) to Book value per share (BVPS):

This ratio measures the Market situation per share in the competitive open market with respect to book value per share of joint venture banks. This ratio indicates the price that the market is paying for the share that is reported from the net worth of the banks. This ratio can be derived by dividing market price per share by book value per share.

$$\text{MPS to BVPS Ratio} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

3.6.2 Statistical Tools:

There are financial tools as well as statistical tools are necessary for this study. The result of analysis has been properly tabulated, compared, analyzed and interpreted. In this study, the following statistical tools are used to analyze the relationship between dividend and other variables.

3.6.2.1 Arithmetic Mean:

An average value is a single value within the range of data that is used to represent all of the values in the series since an average is somewhere within the range of the data, it is also called a measure of central value.

$$\text{Arithmetic Mean } \bar{X} = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N}$$
$$\bar{X} = \frac{\sum X}{N}$$

Where,

$\sum X$ = Sum of the size of the items.

N = Number of items.

3.6.2.2 Standard Deviation:

The standard deviation concept was introduced by Karl Pearson in 1894. It is by far the most important and widely used measure of studying dispersion. Standard deviation is the positive square root of the arithmetic average of the square of all the deviations measured from the arithmetic average of the series. The standard deviation measures the absolute dispersion of a distribution. The greater the amount of dispersion the greater standard deviation, i.e. Greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. Standard deviation is denoted by a Greek letter 'σ' (sigma) and is calculated as follows.

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{N}}$$

Where,

N = No. of items in the series.

\bar{X} = Mean

X = Variable

3.6.2.3 Coefficient of Variation (CV):

The corresponding relative measure is known as the coefficient of variation. This measure developed by Karl Pearson is the most commonly used measure of relative variation. It is used in such problems where we want to compare the variability of two or more than two series. That series for which the coefficient of variation is greater is said to be more variable or conversely less consistent, less uniform, less

stable or less homogeneous. On the other hand, the series for which coefficient of variation is less is said to be less variable or more consistent, more uniform more stable of more homogeneous. In symbol;

$$C.V. = \frac{SD \times 100}{\bar{X}}$$

3.6.2.4 Coefficient of correlation (r):

If two or more quantities vary in sympathy so that movements in tend to be accompanied by corresponding movements in the others then they are said to be correlated. The coefficient of correlation measures the direction of relationship between two sets of figure. It is the square root of the coefficient of determination. Correlation can either be negative or positive of variables are changing in the same direction the correlation is said to be positive but when the variables is the two variables take place in positive direction the correlation is said to be negative. The correlation coefficient can be calculated as follows;

$$(r) = \sqrt{\frac{Cov(X, Y)}{\sigma_x \sigma_y}}$$

$$\text{Or, } (r) = \sqrt{\frac{\sum (X - \bar{X})(Y - \bar{Y})}{(N - 1)\sigma_x \sigma_y}}$$

$$\text{Or, } (r) = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

σ_x , σ_y are the standard deviation of the distributions of X and Y values respectively.

$Cov(X, Y)$ = Covariance of X and y values.

$$\frac{\sum (X - \bar{X})(Y - \bar{Y})}{(N - 1)}$$

In this study, the coefficient of correlation is calculated to know the relationship as follows:

- a) Market price per share and dividend per share.
- b) Market price per share and dividend payout ratio.
- c) Market price per share and dividend percentage.
- d) Market price per share and earnings per share.

3.6.2.5 Probable Error [PE(r)]:

Probable error of correlation coefficient, usually denoted by PE(r) is an old measure of testing the reliability of an observed value of correlation coefficient in so far as it depends upon the conditions of random sampling. The probable error of the coefficient of correlation is obtained as follows;

$$PE(r) = 0.6745 \frac{1 - r^2}{\sqrt{N}}$$

Where,

r = Correlation coefficient between x and y.

N = the number of piers of observations.

- I. If the value of r is less than the probable error [i.e. $r < PE(r)$]; there is no significant relation between X and Y.
- II. If the value of r is greater than 6 times of the probable error. [i.e. $r > 6PE(r)$]; there is most significant relation between X and Y.
- III. If $PE(r) < r < 6PE(r)$; there is moderate relation between X and Y.
- IV. In this study; probable error has been calculated to determine the reliability of the value of coefficient of DPS & MPS, DPS & EPS, DPS & NWPS and EPS & MPS.

3.6.2.6 Coefficient of Determination:

One of very convenient and useful way of interpreting the value of coefficient of correlation between two variables is to use square of coefficient of correlation, which is called coefficient of determination. The coefficient of determination thus equals R^2 . If the value of $r = 0.90$ R^2 will be 0.81 and this word mean that 81 percent of the variation in the dependent variable has been explained by the independent variable. In other words, R^2 measures the percentage total variations of dependent variable explain by independent variables. The R^2 is always positive number. It can have a value ranging from zero to one.

$$\text{Coefficient of Determination } (r^2) = \frac{\text{Explained Variance}}{\text{Total Variance}}$$

$$\text{Coefficient of Determination } (r^2) = \frac{1 - \text{Unexplained Variable}}{\text{Total Variance}}$$

3.6.2.7 Regression Analysis:

Correlation analysis shows the direction of movement but it does not tell the relative movement in the variables under study. Regression analysis helps to the relative movement in variables. Simple regression analysis of following variables are calculated and interpreted in this study.

a) Market price per share on dividend per share:

$$Y = a + bX$$

Where,

Y = Market price per share

a = Regression constant

b = Regression coefficient

X = Dividend per share

This model has been constructed to examine the relationship between MPS (dependent variable) and DPS (independent variable).

b) Dividend per share on Earning per share:

$$Y = a + bX$$

Where,

Y = Dividend per share

a = Regression constant

b = Regression coefficient

X = Earnings per share

The relationship between dividend per share (dependent variable) and Earning per share (independent Variable) can be explained through this model.

C) Market price per share on Earning per share:

$$Y = a + bX$$

Where,

Y = Market price per share

A = regression constant

B = Regression coefficient

X = Earnings per share

This model has been constructed to examine the relationship between MPS (dependent variable) and EPS (earning per share).

3.6.2.8 Test of Hypothesis

Two way ANOVA

In two way classification, the statistical data are classified on the basis of two factors i.e. the effects of two factors are simultaneously taken in to consideration in two way ANOVA.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

Presentation and analysis data is the major part of this research study. Using the various financial variables and statistical tools discussed in research methodology; we analyze the data achieve our objectives of the study.

4.1 Presentation of Financial Indicators

4.1.1 Earning Per Share (EPS)

Generally, the performance and achievements of business organization are measured in terms of their capacity to generate earnings. Earnings per share refers the rupee amount earned per share of common stock outstanding. It measures the profitability of the share holder's investment. The earnings per share shows the profitability of the banks on a per share basis. The higher earning indicates the better achievements of the profitability of the banks by mobilizing their funds and vice versa. The earnings per share of the concerned banks under study are tabulated as follows;

Table No. 4.1.1
Earnings Per Share of Concerned Banks

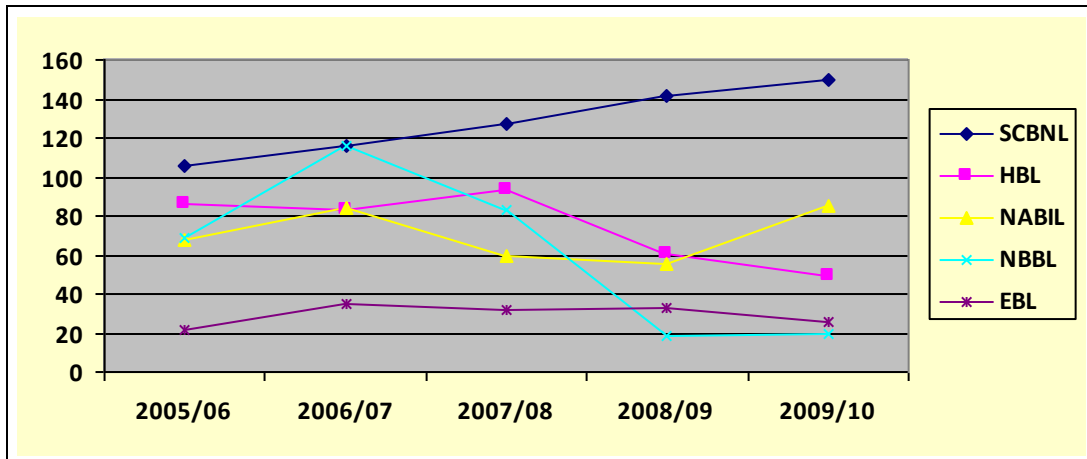
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	105.86	86.07	67.84	68.94	21.3
2006/07	115.62	83.08	83.79	116.28	34.84
2007/08	126.88	93.57	59.26	82.81	31.56
2008/09	141.13	60.26	55.25	18.27	32.91
2009/10	149.30	49.45	84.66	19.86	25.89
Mean	127.76	74.49	70.16	61.23	29.3
Std. Dev.	14.48	18.72	13.62	42.17	5.58
C.V.	11.33	25.13	19.42	68.87	19.04

Source: Appendix-I

The earnings per share of the banks under study is presented in graphical form as below:

Figure No. 4.1.1

Earning Per Share of Concerned Banks



The earnings per share of Standard Chartered Bank Nepal Ltd. (SCBNL) range between Rs. 149.30 to Rs. 105.6 during the period of study. During the period, the average EPS is Rs. 127.76 and the standard deviation of EPS during the period of study is 14.48. The C.V. of 11.33 indicates that there is a little fluctuation of 11.33% in the EPS of SCBNL, during the period of study. During the period of study, Himalayan Bank Ltd. (HBL) has an average EPS of Rs. 74.49 and its standard deviation is 18.72. The EPS range between Rs. 93.57 to Rs. 49.45. The coefficient of variation of 25.13 indicates that there is a fluctuation of 25.13% in the EPS of Himalayan Bank Ltd., during the period of study.

NABIL Bank Ltd. has Rs. 70.16 average EPS, during the period of study. Its EPS range between Rs.84.66 to Rs. 55.25, the standard deviation of EPS is 13.62 whereas the coefficient of variation is 19.42 which show the fluctuation of 19.42% in EPS of NABIL Bank Ltd. The average EPS of Nepal Bangladesh Bank Ltd. (NBBL), during the period of study is Rs. 61.23. It stayed within the range of Rs. 116.28 to Rs. 18.27. The standard deviation of EPS is 42.17. The coefficient of variation shows the fluctuation of 68.87% in EPS of NBBL.

During the period of study, Everest Bank Ltd. (EBL) has an average EPS of Rs. 29.3 with a standard deviation of 5.58. The EPS range between Rs. 34.84 to Rs. 21.3. The coefficient of variation shows the fluctuation of 19.04% in EPS of EBL. From the above data and calculations, it can be seen that the average EPS of SCBNL is highest and that of EBL is the lowest. The value of EPS range of the banks under study is

between Rs. 165.40 of SCBNL and Rs. 18.27 of NBBL during the period. Similarly, the standard deviation of NBBL is the highest and EBL is the lowest, the coefficient of variation of these banks shows the fluctuation in EPS. If compared the SCBNL has the most consistent EPS among all sample banks.

4.1.2 Dividend Per Share (DPS):

Dividend per share is the rupee earning distribution per share to common stockholder. Dividend per share shows the portion of earning distributed to the shareholder on per share basis. Generally, the higher DPS creates positive attitude among the shareholders towards the bank, which accordingly helps to increase the market value of shares. It also works as the indicator of better performance of the bank management. The dividends per share of the banks under study are stated in the table below:

Table No. 4.1.2
Dividend Per Share of Concerned Banks

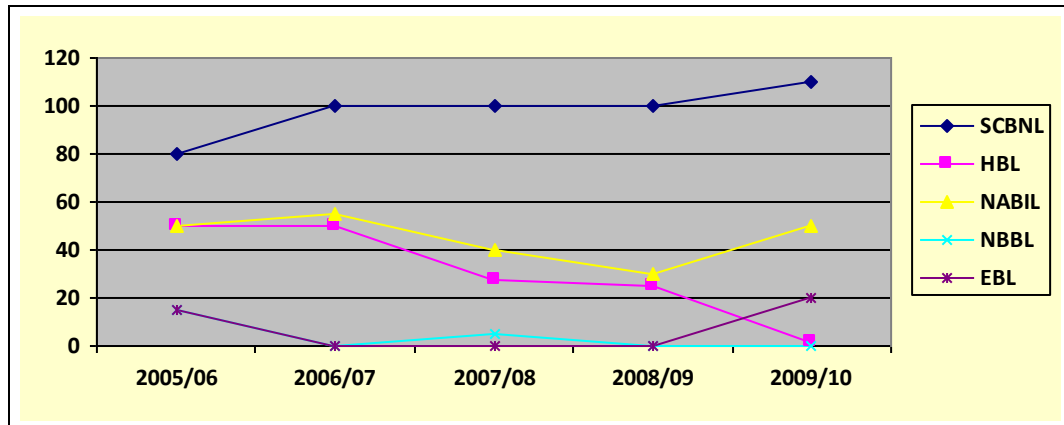
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	80	50	50	15	15
2006/07	100	50	55	0.00	0.00
2007/08	100	27.50	40	5	0.00
2008/09	100	25	30	0.00	0.00
2009/10	110	1.32	50	0.00	20
Mean	98	30.76	45	4	7
Std. Dev.	10.95	20.32	10	6.52	9.75
C.V.	11.18	66.04	22.22	162.98	139.29

Source: Appendix-I

The dividends per share of bank under study during the period are presented in the graphical form as follows:

Graph No. 4.1.2

Dividend per Share of Concerned banks:



The highest and lowest DPS of standard Chartered Bank Nepal Ltd. (SCBNL) are Rs. 110 and Rs. 80 respectively, during the period of study. The average DPS of SCBNL is Rs. 98 with the standard deviation of 10.95. The coefficient of variation is 11.18%, which indicates that there is a little fluctuation in the DPS of SCBNL during the period of study.

In the case of Himalayan Bank Ltd. (HBL), the average DPS of Rs. 30.76, the highest DPS is Rs. 50 and the lowest DPS is Rs. 1.32. The standard deviation is 20.32 and coefficient of variation is 66.04%. The C.V. indicates the DPS of HBL is quite fluctuating during the period of study. NABIL Bank has paid highest DPS Rs. 55 and lowest DPS is Rs. 30 during the period of study. The average DPS of NABIL Bank has Rs. 45. The standard deviation and coefficient of variation of the bank is 10 and 22.22 respectively, during the period of study. The C.V. 22.22% is indicates that there is moderate fluctuation in the DPS of NABIL Bank during the period of study.

Nepal Bangladesh Bank Ltd. (NBBL) paid the highest DPS is Rs. 15 and no dividend paid in the year 2006/07, 2008/09 and 2009/10. This bank was paid the dividend only two years, during the five years period of study. An average DPS of Rs. 4 has been noted during the period of study. The standard deviation of the DPS is 6.52 and coefficient of variation of 162.98% indicates the highest fluctuation in DPS of NBBL.

The average DPS of Everest Bank Ltd. (EBL) is Rs. 7 with standard deviation of 9.75. The highest DPS is Rs. 20 and no dividend is paid in the year 2006/07, 2007/08 and 2008/09. This bank also paid dividend only two year during the study period of five years. The coefficient of variation 139.29% indicates the highest fluctuation of DPS in EBL.

From the above analysis SCBNL has the highest average DPS and NBBL has lowest. The standard deviation of HBL has highest and NBBL has lowest. Similarly, the C.V. indicates that among the banks under study during the period SCBNL has the highest consistency in paying dividend whereas the DPS of NBBL is most highly fluctuating.

4.1.3. Dividend Percent (DP)

Dividend percentage (DP) is the ratio of DPS to the paid of price (face value) per share. It is measured in percentage. The dividend percent during the period of study are presented in the following table.

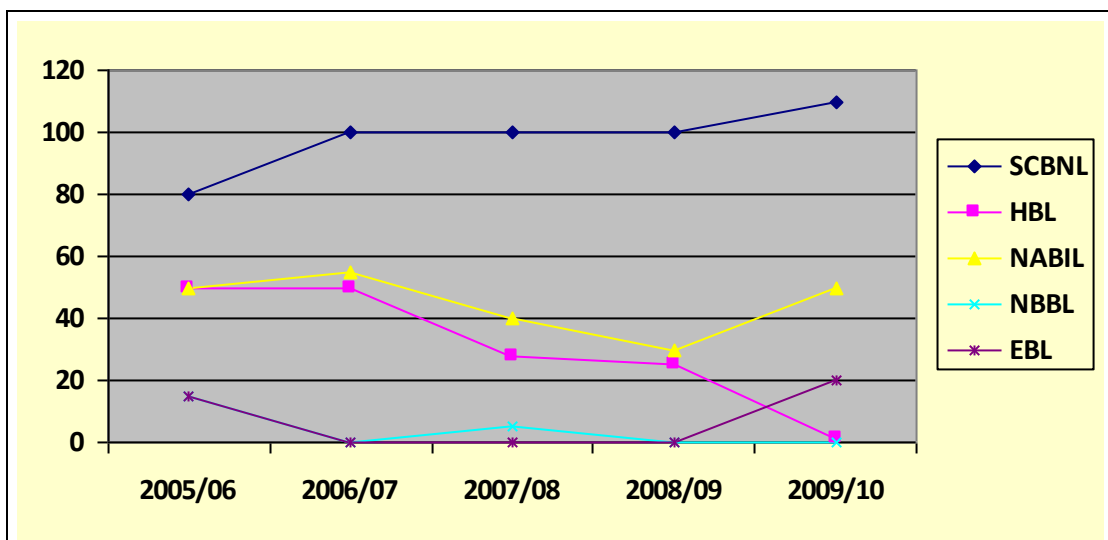
Table No. 4.1.3
Dividend Percent of Concerned Banks (of FV)

Years	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	80	50	50	15	15
2006/07	100	50	55	0.00	0.00
2007/08	100	27.50	40	5	0.00
2008/09	100	25	30	0.00	0.00
2009/10	110	1.32	50	0.00	20
Mean	98	30.76	45	4	7
Std. Dev.	10.95	20.32	10	6.52	9.75
C.V.	11.18	66.04	22.22	162.98	139.29

Source: Appendix-II

The dividends per share of the banks under study during the periods are presented in the graphical form as follows:

Graph No. 4.1.3 Dividend Percent of Concerned Banks:



All the banks under study have same paid up price of Rs. 100 per share but the DPS is different. From the above data SCBNL pays the highest percent dividend on the face value of share and NBBL is the lowest. The C.V. indicates that among the banks under study during the period, SCBNL has the highest consistency in dividend percent whereas the dividend percent of NBBL is highly fluctuating.

4.1.4. Dividend Payout Ratio (DPR):

The proportion of earning paid in the form of dividend is called dividend payout ratio (DPR). This ratio shows that what percentage of profit is distributed as dividend and it is measured in percentage. The dividend payout ratio of the banks depends upon the earnings made by the bank. The DPR of the banks under study are stated in the table as follows.

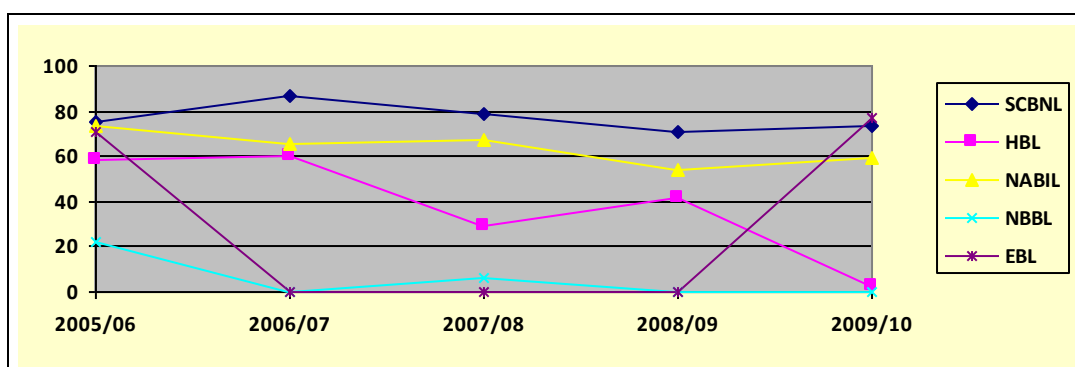
Table No. 4.1.4
Dividend Payout Ratio of Concerned Banks:

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	75.57	58.09	73.70	21.76	70.42
2006/07	86.49	60.18	65.64	0.00	0.00
2007/08	78.81	29.39	67.49	6.04	0.00
2008/09	70.86	41.49	54.29	0.00	0.00
2009/10	73.68	2.67	59.06	0.00	77.25
Mean	77.08	38.36	64.05	5.56	29.53
S.D.	6	23.61	7.54	9.46	40.51
C.V.	7.79	61.54	11.78	169.53	137.20

Source: Appendix-II

The dividend payout ratios of the banks under study during the period are presented in the graphical form as follows.

Graph No. 4.1.4
Dividend Payout Ratio of Concerned Banks:



The above table 4.1.4 shows the dividend payout ratios of five banks respectively. The above table shows the percentage of dividend paid out of the total earnings made by each banks for each year during the period of study. It can be observed that in the year 2006/07, the DPR of SCBNL and HBL have increase than previous year. The DPR of NABIL has decreased than previous year but the NBBL and EBL has not paid dividend in this year. In the year 2007/08 the DPR of SCBNL, NABIL and NBBL has increased but the DPR of HBL has decreased and EBL has not paid the dividend. In the same way in the year 2008/09 the DPR of HBL has increased and SCBNL & NABIL has decreased than previous year but NBBL & EBL has zero percent of DPR.

Similarly, in the year 2009/10 the DPR of SCBNL & NABIL has increased and DPS of HBL is fall downed in high different but DPR of EBL is increased at highly different than previous year. The averages DPR of SCBNL, HBL, NABIL, NBBL and EBL are 77.08, 38.36, 64.05, 5.56 & 29.53 percent respectively. Similarly, the standard deviation of SCBNL is lowest than other banks and Coefficient of variation of DPR of SCBNL is lowest among all.

Therefore it can be shown the SCBNL is comparatively able to maintain stable dividend payout ratio (DPR). Whereas DPR of NBBL ranges from zero to 21.76 % which is highest fluctuation as indicated by C.V. of 169.53%. The C.V. of DPR of EBL ranges from zero to 77.25%, which is also highest fluctuation as indicated by C.V. of 137.20%.

4.1.5. Market Price per Share (MPS):

The MPS of a share is current market price at which can be sold. MPS of share should depend upon the firms return. If the firms return is increased the MPS also increased and vice versa. So we can say that the MPS of firms shows its position. In other words the MPS is the price of share on which share are traded in the secondary market. The average market price of share of banks under study is presented in the table as follows.

Table No. 4.1.5

Market Price per Share of Concerned Banks:

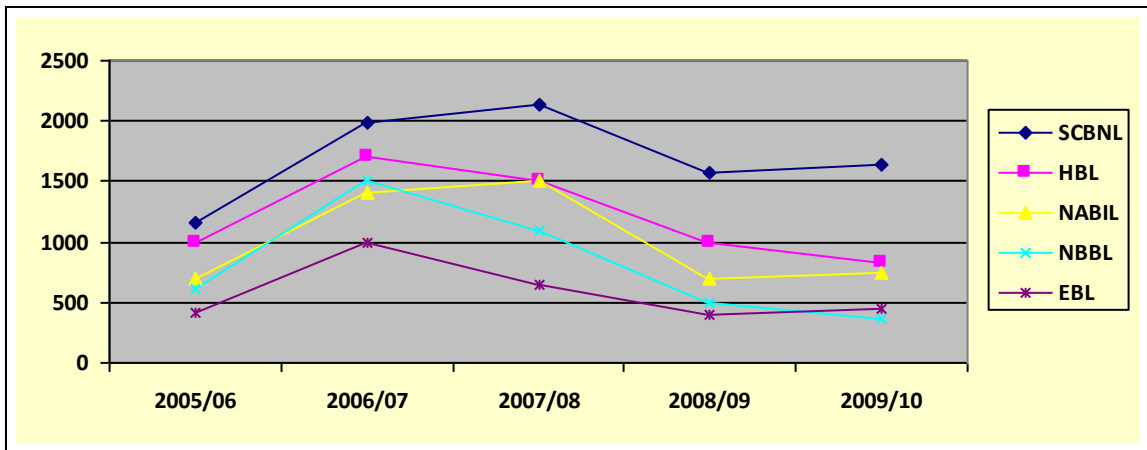
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	1162	1000	700	616	407
2006/07	1985	1700	1400	1502	995
2007/08	2144	1500	1500	1100	650
2008/09	1575	1000	700	490	405
2009/10	1640	836	740	360	445
Mean	1701.2	1207.2	1008	813.6	580.4
Std. Dev.	383.09	371.56	405.36	475.77	252.93
C.V.	22.52	30.78	40.21	58.48	43.58

Source: Appendix-II

The MPS of banks under study during the period are presented in the following graph.

Graph No. 4.1.5

Market Price per Share of Concerned Banks:



During the period of study, Standard Chartered Bank Nepal Ltd. (SCBNL) has an average MPS of Rs1701.2 with standard deviation of 383.09. The coefficient of variation shows the fluctuation of 22.52% in MPS of SCBNL.

In the case of Himalayan Bank Ltd. (HBL) the highest MPS is in the year of 2006/07 and lowest MPS is in the year of 2009/10. The average of MPS of HBL during the period of study is Rs. 1207.2 with a standard deviation of 372.56 and a coefficient of variation is 30.78%. Similarly, the average MPS of NABIL Bank Ltd during the period of study is Rs. 1008. It stated within the range of Rs. 1500 to Rs. 700. The standard deviation of closing MPS is 405.36 whereas the coefficient of variation is 40.21%. The C.V. indicates the moderate fluctuation in the MPS of the bank.

In the above table 4.1.5 it can be shows the NBBL has an average MPS is Rs. 813.6. It stated within the range of Rs. 1502 to Rs. 360. The standard deviation of MPS is 475.77 and C.V. of 58.48 indicates that there is a fluctuation of 58.48% in the MPS of NBBL during the period of study, which is quite high than other banks.

Likewise, Everest Bank Ltd. (EBL) has an average MPS of Rs. 580.4. It stated within the range of Rs. 995 to Rs. 405. The standard deviation of MPS is 252.93. The coefficient of variation is 43.58 which show the fluctuation of 43.58% in MPS of EBL.

From the above data and calculations, it can be seen that the average MPS of SCBNL is highest and EBL is the lowest. The standard deviation of NBBL is the highest and that of EBL is lowest. The coefficient of variation of these banks shows that there is moderate level of fluctuation in the MPS.

Also the MPS of the banks NBBL and EBL reached the highest point in FY 2006/07 during the period of study. In the FY 2009/10 the MPS of the SCBNL is highest and HBL is lowest in the period of study.

4.1.6. Price Earnings Ratio (P/E Ratio):

The ratio between Market Price per Share and Earning per Share is called Price Earnings Ratio. It is also called Earning Multiplier. The price .earnings ratio is widely used by the security analysis to evaluate the firm's performance as expected by investors. It indicates investor's judgment or expectations about the firm's performance. Management is also interested in this market appraisal of the firm's performance and will like to find the causes if the E/P Ratio declines. The price earnings ratio of the banks under study are presented in table as follows:

Table No. 4.1.6

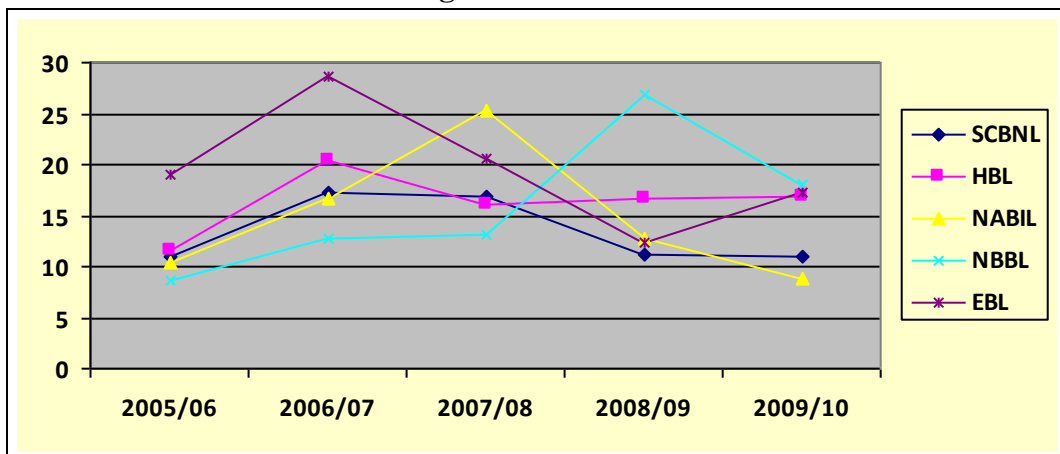
Price Earnings Ratio of concerned banks.

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	10.98	11.62	10.32	8.66	19.11
2006/07	17.17	20.46	16.71	12.68	28.56
2007/08	16.90	16.03	25.31	13.18	20.60
2008/09	11.16	16.59	12.67	26.82	12.31
2009/10	10.98	16.90	8.74	18.13	17.19
Mean	13.44	16.32	14.75	15.90	19.55
Std. Dev.	3.28	3.15	6.62	48.6	5.93
C.V.	24.45	19.31	44.90	3.06	4.89

Source: Appenix-III

The Price Earning Ratios of banks under study are also presented in graphical form as below.

Graph No. 4.1.6
Price Earnings Ratios of Concerned Banks.



SCBNL has an average E/P Ratio of 13.44, ranging between 17.17 and 10.98, during the period of study. The standard deviation is 3.28 and coefficient of variation of 24.45% indicates the fluctuating nature of P/E ratio in SCBNL.

The average P/E Ratio of HBL, during the period of study is 16.32. It is ranged between 20.46 and 11.62. The standard of P/E Ratio is 3.15 whereas the coefficient of variation of 19.31% indicates the fluctuating nature of P/E Ratio in EBL.

Similarly, NABIL Bank Ltd. has an average P/E Ratio of 14.75. The range of P/E Ratio is between 25.31 and 8.74. The standard deviation is 6.62 and its coefficient of

variation is 44.90. The C.V. indicates the P/E Ratio of NABIL Bank Ltd. is quite fluctuating.

In the case of Nepal Bangladesh Bank Ltd. (NBBL) the average P/E Ratio is 15.90. The standard deviation of P/E Ratio of this bank is 48.6. The P/E Ratio of this bank is within range of 26.82 to 8.66. The coefficient of variation is 3.06. Everest Bank Ltd. (EBL) has an average P/E Ratio of 19.55. The P/E Ratio of this bank is ranged between 28.56 and 12.81. The standard deviation of P/E Ratio is 5.93 and its coefficient of variation is 4.98, which is indicating that there is a little fluctuation of P/E Ratio of EBL during the period of study.

By the above data analysis, we fund that the average P/E ratio of the EBL has highest and the SCBNL has the lowest. The standard deviation of NBBL has the highest and it is the lowest of HBL. Similarly, the coefficient of variance of these banks shows that there is an under-moderate fluctuation in P/E Ratio of all banks under study.

4.1.7. Earning Yield (EY):

The earning yield evaluates the shareholders return in relation to the market value of the share. Earning yield is percentage of earnings per share to the market price per share in the secondary market. It gives an idea of how much an investor might get for his money. The share with higher earnings yield is worth buying. Earning Yield of the banks under study is presented in the table below.

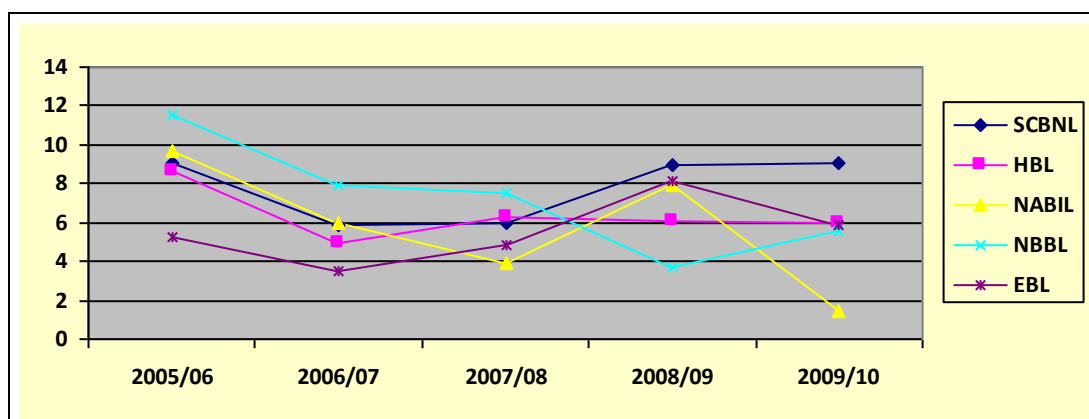
**Table No. 4.1.7
Earning Yield of Concerned Banks**

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	9.11	8.61	9.69	11.54	5.23
2006/07	5.82	4.89	5.98	7.89	3.50
2007/08	5.92	6.24	3.95	7.53	4.86
2008/09	8.96	6.03	7.89	3.73	8.13
2009/10	9.10	5.92	1.44	5.52	5.82
Mean	7.78	6.34	5.79	7.24	5.51
Std. Dev.	1.75	1.35	3.24	2.93	2.87
C.V.	22.45	21.34	55.94	40.43	52.27

Source: Appendix-III

The earning yield of banks under study is also presented in graphical form as follows:

Graph No. 4.1.7



Earning Yield of Concerned Banks

The average Earning Yield of Standard Chartered Bank Nepal Ltd. (SCBNL) has 7.87% with the standard deviation of 1075. The highest and lowest Earning Yield is 9.11% and 5.82% respectively. The coefficient of variation is 22.45%, during the period of study.

Himalayan Bank Ltd. (HBL) has an average EY of 6.34%. The EY ranges from 8.61% to 4.89%. The standard deviation is 1.35 and coefficient of variation is 21.34%. The C.V. indicates the EY of HBL is fluctuating situation during the period of study.

The average EY of NABIL Bank Ltd., during the period of study is 5.79%. It is within the range of 9.69% to 1.44%. The standard deviation of EY is 3.24 whereas the coefficient of variation of 55.94%. The C.V. of 55.94% indicates the moderate fluctuation in the EY of NABIL Bank Ltd.

For the Nepal Bangladesh Bank Ltd. has an average EY of 7.24%, ranging between 11.54% and 3.73%, during the period of study. The standard deviation is 2.93 and the coefficient of variation is 40.43%, which is indicate the moderate fluctuation in the period of study.

The Everest Bank Ltd. has an average EY is 5.51%. The range of EY of EBL is between 8.13% and 3.50%. The standard deviation of the EY is 2.87 and coefficient of variation of 52.7% is indicates the moderate level of fluctuation in the EY of EBL during the period of study.

From the above data analysis, we can show that the SCBNL has highest EY highest EY and it is lowest of EBL. Similarly, the standard deviation of NABIL bank has highest than other banks under study and it is lowest of Himalayan bank Limited. In

the same way the C.V. also same condition of both banks i.e. NABIL, NBBL and EBL has above moderate level and SCBNL and HBL has under moderate level of fluctuation in earning yield (EY).

4.1.8 Dividend Yield (DY):

Dividend yield is the percentage of DPS on MPS. It measures the dividend in relation to market value of share. This ratio highly influences the market price per share because a small change in dividend per share can bring effective change in market value of the share. The dividend yield of the banks under study is presented in the table as below.

Table No. 4.1.8
Dividend Yield of Concerned Banks

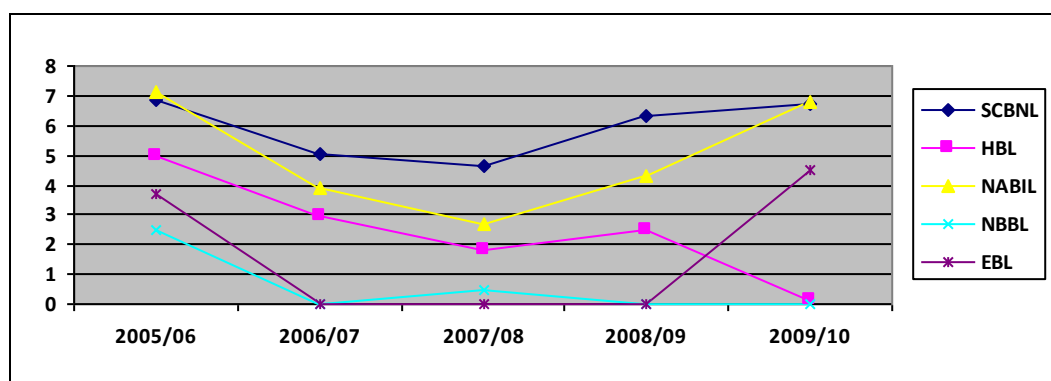
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	6.88	5	7.14	2.51	3.69
2006/07	5.04	2.94	3.93	0.00	0.00
2007/08	4.66	1.83	2.67	0.45	0.00
2008/09	6.35	2.5	4.29	0.00	0.00
2009/10	6.71	0.16	6.76	0.00	4.50
Mean	5.93	2.49	4.96	0.59	1.64
Std. Dev.	1.01	1.76	1.92	1.09	2.26
C.V.	17.07	70.74	38.73	184.10	137.8

Source: Appendix-IV

The dividend yield of the banks under study also presented in graphical form as follows.

Graph No. 4.1.6

Price Earnings Ratios of Concerned Banks.



The dividend yield of standard chartered Nepal Bank Ltd. (SCBNL) range between 6.71% to 4.66% during the period of study .The average dividend yield of SCBNL is 5.93% and the standard deviation of DY under the period of study is 1.01%. The C.V. of 17.07% indicates that the fluctuation of DY of SCBNL is the lowest.

During the period of study, Himalayan Bank Ltd. has average DY of 2.49% with standard deviation of 1.76%. The DY ranges from 5% to 0.16%. The coefficient of variation of 70.74% indicates that there is quite fluctuation during the period of study.

The DY of NABIL Bank Ltd. has ranges from 7.14% to 2.67% during the period of study. An average DY of NABIL is 4.69.The standard deviation of the DY is 1.92. The C.V. of 38.75 indicates the fluctuation of 38.73% in the DY of NABIL during the period of study.

Similarly, the average DY of NBBL, during the period of study is 0.59%. It stayed with the range of 2.51% to 0.00%. The standard deviation of DY is 1.09 where as the coefficient of variation is 184.10%. The CV indicates the highest fluctuation in the DY of the Bank.

The Everest Bank Limited has average Dividend Yield (DY) is 1.64. The range of dividend of EBL is between 0.00% and 4.50%. The dividend yields of middle three years (FY 2006/07, 2007/08 and 2008/09) are nil because the dividend was not paid in those three years period. The standard deviation of DY of EBL is 2.26 and coefficient of variation of the Everest bank Ltd. during the period of study is 137.8%.

From the above table and figure shows the average of dividend yield (DY) of banks under study range between 5.93% (SCBNL) and 0.59% (NBBL). The HBL, NABIL and EBL has the average DY of 2.49%, 4.96% and 1.64% receptively.

Similarly, the coefficient of variation shows the highest consistency in the DY of SCBNL (17.07) where as the DY of NBBL has highest fluctuation (184.01%) among the banks. The CV of HBL, NABIL, and EBL are 70.74%, 38.73% and 137.80% respectively.

4.1.9 Net Worth per Share (NWPS):

The Net Worth per share is the value per share of total net worth in book value. It is calculated dividing total net worth by total no. of share outstanding which is stated in the table as follows.

Table 4.1.9
Net worth per Share (NWPS) of Concerned Banks.

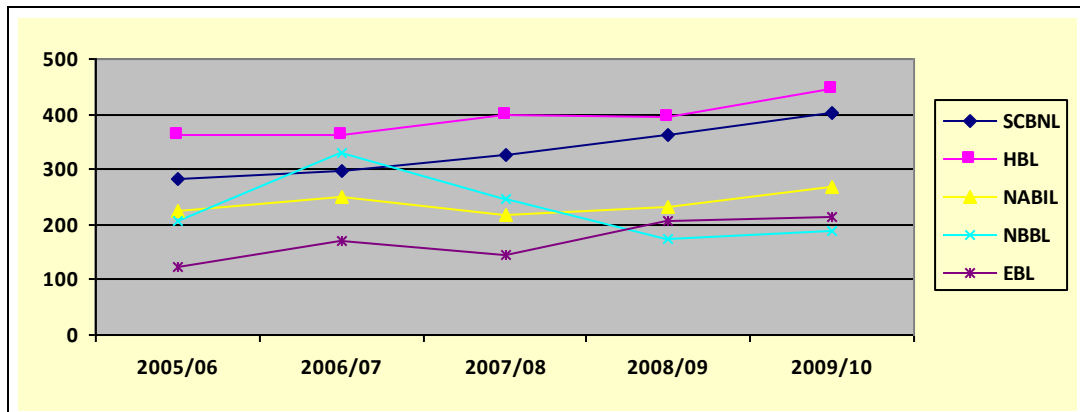
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	282.26	362.03	224	207	122.61
2006/07	298.88	362.70	251	330	171.24
2007/08	327.50	399.42	216	248	144.62
2008/09	363.86	393.34	233	174	207.66
2009/10	403.15	444.26	267	190	214.89
Mean	335.13	392.35	258.2	229.8	172.2
Std. Dev.	49.04	33.70	30.47	62.43	39.69
C.V.	14.63	8.59	11.80	27.17	23.05

Source: Appendix-IV

The Net worth per share of the banks under study is also presented in the following figure.

Figure No. 4.1.9

Net Worth per Share



The Net worth per share of Standard Chartered Bank Nepal Ltd ranges between Rs. 403.15 and Rs. 282.26 during the period of study. The average NWPS of SCBNL has Rs. 335.13 and the standard deviation of NWPS under the period of study is 49.04. The coefficient of variation 14.63% shows the lower fluctuation of NWPS of SCBNL. During the period of study, Himalayan Bank Limited (HBL) has average NWPS is 392.35. It is stayed with the range of Rs. 444.26 to 362.03. The standard deviation of NWPS of HBL is 33.70 and coefficient of variation of 8.59% indicates the lowest fluctuation of NWPS of HBL during the period of study.

The NABIL bank ltd. has average NWPS is Rs. 258.2 and its range between Rs. 267 and Rs. 216. The standard deviation of NWPS of NABIL is 30.47. The coefficient of variation of 11.80 shows that is pure consistency of NWPS of NABIL bank Ltd.

Similarly the NWPS of NBBL is range between Rs. 330 to 174. The average NWPS of NBBL is Rs. 229.8. The standard deviation of NWPS is 62.43 and coefficient of variation of NWPS of NBB is 27.17, which indicates that there is no highest fluctuation in NWPS of NBBL during the period of study. In other words the NWPS of NBBL is consistency in the studying period.

In the same way, the average NWPS of EBL is Rs. 172.2. The range of NWPS of EBL has Rs. 214.89 to Rs. 22.6. The standard deviation of NWPS of EBL is 39.69% and its CV 23.05% indicates the fluctuation of NWPS of EBL is under moderate level, during the period of study.

The above data analysis and chart shows the average Net worth per share (NWPS) of the bank under study range between Rs.392.35 (HBL) and Rs 172.2 (EBL). SCBNL,

NABIL and NBBL have the average NWPS of Rs. 335.13, Rs. 258.2 and Rs. 229.8 respectively. Similarly, the CV shows the highest consistency in NWPS of HBL (8.59%) whereas the NWPS of NBBL has the highest fluctuating tendency (27.17%) among the banks. The CV of NWPS of SCBNL, NABIL and EBL are 14.63%, 11.80% and 23.05% respectively, which shows a moderate level of fluctuation.

4.1.10. Market per Share (MPS) to Book Value per Share (BVPS):

This is important to compare share price of different stocks on the basis of book value per share. It shows the market share price of a stock as a percentage of book value per share and the effect of later on the former. The higher ratios present to conclude that the better performance of joint venture banks in terms of market price per share to book value per share. The MPS to BVPS ratio of the banks under study are presented in the table as follows:

Table No. 4.1.10

Market Price Per Share (MPS) to Book Value Per Share (BVPS)

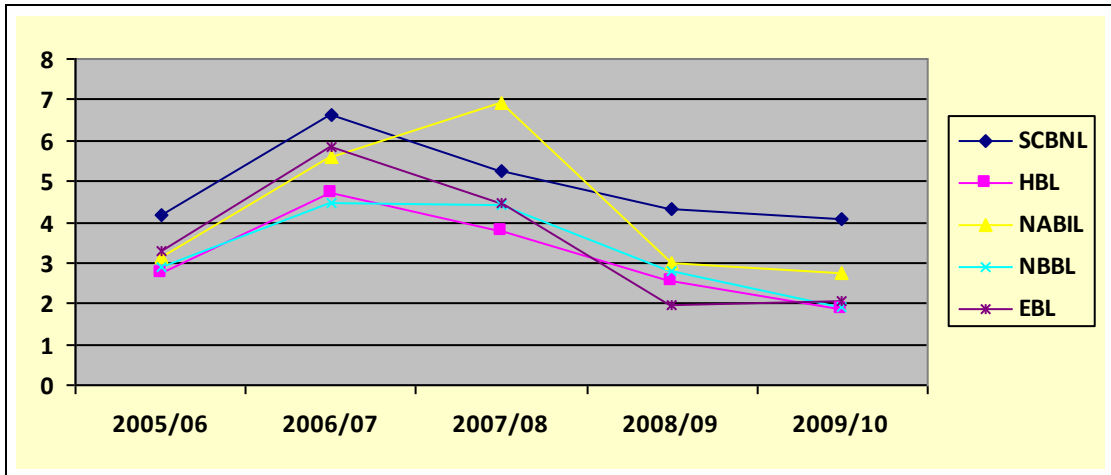
Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	4.17	2.76	3.13	2.89	3.31
2006/07	6.64	4.69	5.59	4.46	5.82
2007/08	5.25	3.76	6.94	4.40	4.48
2008/09	4.329	2.54	3.00	2.82	1.95
2009/10	4.07	1.88	2.77	1.89	2.07
Mean	4.89	3.126	4.286	3.29	3.53
Std. Dav.	0.969	0.988	1.675	0.994	1.472
CV	0.198	0.316	0.391	0.302	0.417

Source: Appendix-V

The market price per share to book value per share of banks under study is also presented in graphical form as follows.

Figure 4.1.10

Market Price Per Share (MPS) to Book Value Per Share (MVPS)



The average ratio of MPS to BVPS of Standard Chartered Bank Nepal Ltd. (SCNBL) is 4.89. The standard deviation of the ratio is 0.969. The coefficient of variation is 0.198. The value indicates that there are only about 19.8% fluctuations in the ratio of MPS to BVPS of the bank over the study period.

An average MPS to BVPS ratio of HBL and NABIL has 3.126 and 4.286 respectively. The standard deviations of the ratio of HBL and NABIL are 0.988 and 1.675 and coefficient of variation of 0.316 and 0.39 respectively. The CVs are indicating there are only 31.6% and 39% fluctuation in the ratio of MPS to BVPS of these banks respectively.

In case of NBBL and EBL the average MPS to BVPS ratio use 3.29 and 3.59 respectively. The standard deviations of the ratio are 0.994 and 1.472 with its C.V. of 0.302 and 0.417 respectively. The values of C.V. indicate the 30.2% and 41.7% fluctuation in the ratio of BVPS of NBB and EBL respectively for the year of study.

The above calculation shows the average ratio of MPS to BVPS of SCBNL has highest among the banks under study while this ratio is lowest for HBL. Further the C.V. of the ratio of MPS to BVPS shows consistency of SCBNL and wide fluctuation of EBL.

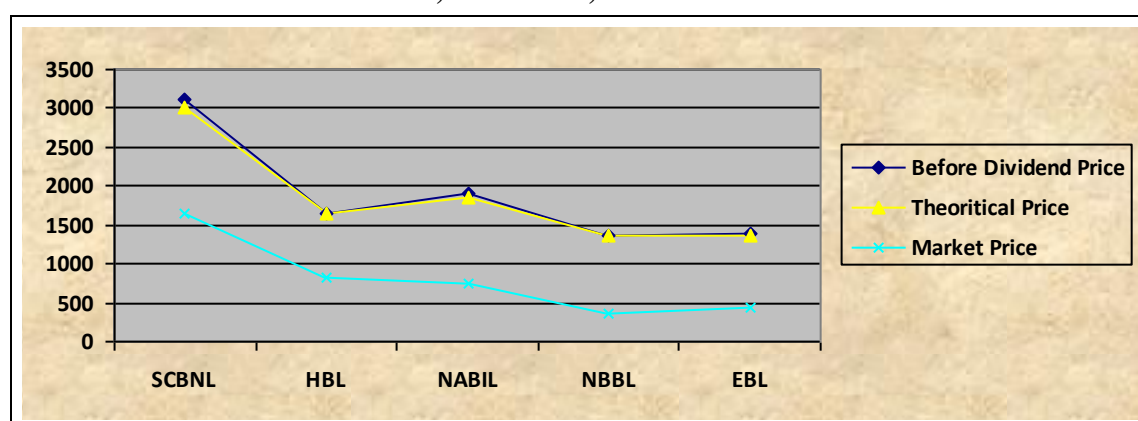
4.1.11 Before Dividend Price, Dividend Per Share, Theoretical Price and Market Price of Year 2009/10

Table no 4.1.11
Before Dividend Price, Per Share, Theoretical Price and Market Price

Banks	Before Dividend Price	Dividend Per Share	Theoretical Price	Market Price
SCBNL	3110	110	3000	1640
HBL	1652	1.32	1650.68	836
NABIL	1900	50	1850	740
NBBL	1352	0.00	1352	360
EBL	1380	20	1360	445

Source: Appendix-V

Figure no: 4.1.11
Before Dividend Price, Per Share, Theoretical Price and Market Price



In the above table and figure, before dividend price, dividend declared price, theoretical price and market price of the commercial banks are shown of year 2009/10. Many investors feel that when a stock dividend stock goes ex-dividend, its market price may decline somewhat less than the full amount of the stock dividend. If true, this certainly constitutes a small price benefit, even though temporary in nature. In contrast, The general view is that a cash-dividend stock declines on the ex dividend date by approximately the amount of the cash dividend. Here in the table all the commercial banks market price is reduced due to external factors and internal factors. In the year 2009/10, SCBL's market value is reduced and likewise others banks also. It is standard brokerage practice that all open buy and open stop orders to sell in hands

of specialists and odd-lot dealers are marked down by the amount of the dividend to the nearest one-eighth price point at the close of business on the day prior to the ex-dividend date, whether the dividends are cash or stock.

4.2 Company Wise Analysis:

In the earlier section, the different types of financial variables of the concerned banks have been presented. Keeping in mind the need for more elaborate and extensive analysis company wise analysis has been presented in this section.

4.2.1 Standard Chartered Bank Nepal Ltd. (SCBNL)

Table 4.2.1
Financial Situation of SCBNL

Variables	Min.	Mix.	Mean	Std. Dev.	C.V.
EPS	105.86	149.30	127.76	14.48	11.33
DPS	80	110	98	10.95	11.18
DP Ratio	70.81	86.49	77.08	6	7.79
MPS	1162	2144	1701.2	383.09	22.52
EP Ratio	10.98	17.17	13.44	3.28	24.45
EY	5.82	9.11	7.78	1.75	22.45
DY	4.66	6.88	5.93	1.01	17.07
NWPS	282.26	403.15	335.13	49.04	14.63

Source: Appendix-VI

SCBNL has average EPS of Rs. 127.76. Its standard deviation is 14.48 and coefficient of variation of 11.33 indicates the consistency in EPS of this bank. The range of EPS of this Bank is between Rs. 105.86 and 149.30. DPS of this bank is range between Rs. 80 and Rs. 110 and average DPS is Rs. 98. Its standard deviation is 10.95 and coefficient of variation of this bank is 11.18% which is very low fluctuation. The DP ratio of this bank is ranged between Rs. 70.8% and 86.49% and its average DP ratio is 77.08%. The standard deviation is 6 and C.V. of DP ratio is 7.79%. This also shows consistency of DP ratio. The MPS of this bank ranged between Rs. 1162 and 2144 and average MPS of Rs. 1701.2. The standard deviation and C.V. is 383.09 and 22.52% respectively. The price-earnings ratio is range between 10.98 and 17.17 and

its average PE ratio is 13.44. The standard deviation is 3.28 and coefficient of variation of 24.45% is indicating the under moderate fluctuation. Similarly the average Earning yield (EY) is 7.78% which is range between 5.82 % and 9.11%. The standard deviation of EY is 1.75 and CV is 22.45 % the dividend yield (DY) is ranged between 4.66% and 6.88% and average DY under the studying period is 5.93%. The standard deviation is 1.01 with its CV of 17.07% in the same way the net worth per share of SCBNL is range between Rs. 282.26 to 403.15 with average NWPS of RS. 335.13 and Standard deviation of NWPS is 49.04 with CV of 14.63%.

In the above table we show the consistency in the all financial indicators. The bank is paid dividend continues in the period of study. There is positive relationship between DPS and MPS.

4.2.2 Himalayan Bank Limited (HBL)

Table No. 4.2.2
Financial Situation of HBL

Variables	Min.	Mix.	Mean	Std. Dev.	C.V.
EPS	49.45	93.57	74.49	18.72	25.13
DPS	1.32	50	30.76	20.32	66.04
DP Ratio	2.67	60.18	38.36	23.61	61.54
MPS	836	1700	1207.2	371.56	30.78
PE Ratio	11.62	20.46	16.32	3.15	19.31
EY	4.89	8.61	6.34	1.35	21.34
DY	0.16	5	2.49	1.76	70.74
NWPS	362.03	444.26	392.35	33.70	8.59

Source: Appendix-VI

HBL has an average EPS is Rs. 74.49 and it is range between Rs. 49.45 and Rs. 93.57. The standard deviation of EPS is 18.73 and its CV shows under moderate fluctuation of EPS of HBL during the period of study. The DPS is range between Rs. 1.32 and Rs. 50 and the average of DPS is Rs. 30.76. The standard deviation of DPS is 20.32 with C.V. of 66.04%. The CV is indicating that there is over fluctuation in DPS. During the period of study, the average DP ratio is 38.36 with the standard deviation of 23.61 and the CV of DPR is 61.54% shows that there is also over fluctuation of DPR.

The MPS is range between Rs. 836 and Rs. 1700 and average of MPS is Rs. 1207.2. The standard deviation of MPS is 371.56 and CV 30.78. The CV indicates the moderate fluctuation in MPS of HBL. The P/E ratio is ranged between 11.62 and 20.46 and its average is 16.62. The standard deviation and coefficient of variation is 3.15 and 19.31 respectively.

Similarly, the average of earning yield (EY) is 6.34%, which range between 4.89% and 8.01%. The standard deviation is 1.35 with the CV of 21.34. This bank's dividend yield is ranged between 0.16% and 5% with the average of 2.49%. The standard deviation of DY is 1.76 and its coefficient of variation of 70.74% is indicating the high fluctuation of DY under the period of study. The NWPS of this bank is ranged between Rs. 362.03 and Rs. 444.26 and the average of NWPS is Rs. 392.35. The standard deviation and CV is 33.70 and 8.59% respectively of NWPS of HBL.

By the studying above table we can found that the bank is paying dividend continue but there is high fluctuation in paying of dividend. In this table we see the increase in DPS as well as increasing in MPS during the period of study.

4.2.3 NABIL Bank Ltd. (NABIL)

Table 4.2.3
Financial Situation of NABIL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	55.25	84.66	70.16	13.62	19.42
DPS	30	55	45	10	22.22
DP Ratio	54.29	73.70	64.05	7.54	11.78
MPS	700	1500	1008	405.36	40.21
PE Ratio	8.74	25.31	14.75	6.62	44.90
EY	1.44	9.69	5.79	3.24	55.94
DY	2.67	7.14	4.96	1.92	38.73
NWPS	216	267	258.2	30.47	11.80

Source: Appendix-VII

The average EPS of NABIL Bank has Rs. 70.16 and it is ranged between Rs. 55.25 and Rs. 84.66. The standard deviation of EPS is 13.62 and CV is 19.42. The CV indicates the little fluctuation of EPS. The DPS of NABIL is ranged between Rs. 30 and Rs. 55 with the average of Rs. 45 and its standard deviation is 10. The CV of

22.22% is say that it is under moderate fluctuation. The D/P ratio of this bank is ranged between 54.29 and 73.70 and its average DP ratio is 64.05. The standard deviation of DP ratio is 7.54 with the CV of 11.78. The CV shows the consistency in the DP ratio of the NABIL the average MPS of the NABIL is Rs. 1008 and it's ranged between Rs. 700 and Rs. 1500. The standard deviation of MPS is 405.36 and coefficient of variation is 40.21% which indicate the moderate fluctuation of MPS of the NABIL Bank. The average of PE ratio is 14.75 and the standard deviation and CV of PE ratio of NABIL bank is 6.62 and 44.90% respectively.

Similarly, the average of earning yield (EY) of NABIL is ranged between 1.44% and 4.69% and the average is 5.79%. The standard deviation is 3.24. The CV of EY 55.94% is shows that there is over moderate fluctuation of EY of NABIL bank. The dividend yield (DY) of NABIL ranged between 2.67% and 7.14% with the average of 4.96%. The standard deviation of DY of this bank 1.92 and its coefficient of variation of 38.73% is indicating the moderate level fluctuation. The average of Net Worth Per Share is Rs. 258.2 and it is ranged between Rs. 216 and Rs. 267. The standard deviation of NWPS is 30.47 and the CV of NWPS of 11.80% is indicating the consistency of NWPS of NABIL bank Ltd.

In the above table we can see that the relationship of dividend per share (DPS) and MPS is positive. Increasing DPS as well as increasing in MPS and vice versa. But the increasing ratio MPS is greater than the increasing ratio of DPS and same condition is seen in the NWPS.

4.2.4 Nepal Bangladesh Bank Ltd. (NBBL)

Table 4.2.4
Financial situation of NBBL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	18.27	116.28	61.23	42.17	68.87
DPS	0	15	4	6.52	162.98
DP Ratio	0	21.76	5.56	9.46	169.53
MPS	360	1502	813.6	475.77	58.48
PE Ratio	8.66	26.82	15.90	48.6	3.06
EY	3.73	11.54	7.24	2.93	40.43
DY	0	2.51	0.59	1.09	184.10
NWPS	174	330	229.8	62.43	27.17

Source: Appendix- VII

The Earning per share (EPS) of the NBBL is ranged between Rs 18.27 to Rs.116.28 and its average is Rs 61.23. The standard deviation of EPS is 42.17 and the C.V. of 68.87% is indicating the high fluctuation of MPS of this bank. The DPS of this bank is ranged between Rs 0.00 to Rs 15 but its average is Rs 4. The standard deviation of DPS is 52 and C.V. of 162.98% is shows the highly fluctuation in DPS of NBBL. Therefore it is seen in DP ratio and Dividend Yield also highly fluctuates.

The market price per share (MPS) is stayed within the range of Rs 360 and Rs. 1502. The average of MPS is RS. 813.6. And the standard deviation of MPS is 475.77 and the C.V. of 58.48% which is shows the over moderate fluctuation in MPS of NBBL during the period of study.

Similarly the PE ratio of NBBL is ranged between 8.66 and 26.82. The average of PE ratio is 15.90. The standard deviation of PE ratio is 48.6 and 3.06 respectively. The C.V. indicates there is very consistency of PE ratio. The average earning Yield (EY) is 7.24% and its C.V. of 40.43% is shows that the moderate fluctuation of EY. The average DY is .59% and standard is 1.09. The C.V of 184.10% is shows highest fluctuation in DY. The net worth per share (NWPS) is ranged between Rs. 174 and Rs. 330. The average of NWPS is Rs. 229.8 and the standard deviation of NWPS is Rs. 62.43 and C.V. of NWPS is 27.17%.

The NBBL is not paid the dividend at three year during the five years period of study, so we find that the banks DPS, DPR and DY very high fluctuate. But the fluctuation of MPS is not directly effected by the dividend payment. In he FY 2006/07 the NBBL did not paid dividend but there is highest market price per share in this year, during the period of study and in the minimum MPS during the period of study is seen in the FY 2009/10. In this period also the dividend is not paid.

4.2.5 Everest Bank LTD. (EBL)

Table No. 4.2.5
Financial Situation of EBL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	21.30	34.84	29.3	5.58	19.04
DPS	0	20	7	9.75	139.29
DP Ratio	0	77.25	29.53	40.51	137.20
MPS	405	995	580.4	252.93	43.58
PE Ratio	12.31	28.56	19.55	5.93	4.89
EY	3.50	8.13	5.51	2.87	52.17
DY	0	4.50	1.64	2.26	137.8
NWPS	122.61	214.89	172.2	39.69	23.05

Source: Appendix- VIII

Average EPS of EBL is Rs.29.3 over the study period and stayed within the range of Rs.21.3 and 34.84. The standard deviation of 5.58 and C.V. of 19.04% indicate that there is moderate fluctuation in EPS of EBL over the period. The DPS ranges between Rs.0.00 to Rs.20 and its average is Rs.7 over the period. The standard deviation of DPS is 9.75 and C.V. of DPS is 139.29%, which indicate that there is high fluctuation of DPS over the study period. Dividend has directly affected to DP ratio and DY. So the fluctuation in DP ratio and DY is also very high. The MPS ranged between Rs. 405(2008/09) and Rs.995 (2006/07) but the DPS is constant in both periods. The PE ratio ranges between 12.31 and 28.56 with average of 19.55 and S.D. of 5.93. The C.V. of PE ratio at 4.89% shows the consistency in PE ratio.

Similarly, the earning yield (EY) of EBL has moderate fluctuation which is indicating by CV of 52.17% and its DY is ranged between 3.50% and 8.13% with the average of 5.51% and its standard deviation of 2.87. The NWPS of EBL is stayed within the range of Rs. 122.61 to Rs. 214.89 with standard deviation of 39.69 and the CV of NWPS of EBL is 23.05%, which indicate that there is moderate fluctuation of NWPS of EBL.

The EBL is not paid the dividend at three year during the five years period of study, so we find that the bank DPS, DY and ratio are very fluctuation. But the fluctuation of MPS is not directly affected by the dividend payment.

4.3 Statistical Tools:

The statistical tools are used as follows

4.3.1. Correlation Analysis:

The correlation coefficient measures the relation between two or more variables. It also measures the extent to which one variable affects the other one. The correlation coefficient lies between +1 and -1. The +1 coefficient indicates that the variables are perfectly positively corrected and -1 coefficient indicates that the variables are perfectly negatively corrected. And if the correlation coefficient is 0, it means that the variables are not related to each other. The negative correlation indicates that increase in value of one variable leads to decrease in the value of the other and positive correlation indicate that increase in value of one variable leads to increase in the value of the other variable also. The numbers indicates that degree of correlation between the variables.

4.3.1.1 Correlation between DPS and MPS:

Table No. 4.3.1.1

Correlation between DPS and MPS of Concerned Banks

Banks	Coefficient of variation	Relationship	r ²	Probable error	Sig./Insig.
SCBNL	0.606	Positive	0.367	0.191	Not Significant/ Moderate
HBL	0.552	Positive	0.305	0.210	Not Significant/ Moderate
NABIL	0.197	Positive	0.039	0.290	Insignificant
NBBL	-0.123	Negative	0.015	0.297	Insignificant
EBL	-0.538	Negative	0.289	0.214	Not Significant/ Moderate

Source: Appendix-VIII

The above table 4.3.1.1 shows the relationship between DPS and MPS of five joint venture banks. The coefficient of correlation between DPS and MPS of SCBNL, HBL, NABL, NBBL and EBL are 0.606, 0.552, 0.197, -0.123 and -0.538 respectively. The correlation of SCBNL, HBL and NABIL shows positive relationship between DPS and MPS but of NBBL and EBL shows negative relationship between DPS and MPS. The above figure indicates the higher degree of negative correlation between DPS and MPS in case of EBL (-0.538) where as strongly higher degree of positive correlation in case of SCBNL (0.606). Thus this implies that MPS is not affected only by DPS but other factors

also determine the MPS of the joint venture banks. However, the DPS also plays the role to determine the MPS, we can't reject this matter.

The coefficient of determination (r^2) is a measure of the degree of linear association or correlation between two variables, one of which is the independent variables and the other is dependent variable. The coefficient of determination between DPS and MPS of the SCBNL is 0.367, which means that the independent variables (DPS) explain 36.7% of the variables in MPS. Thus, this shows that the variable of DPS has little effect on the variations of MPS in the case of SCBNL. In the same way, in case of HBL, the variation in DPS determines the 30.5% of the variation in MPS. Similarly in case of NABIL, the variation in DPS determines the 3.9% o the variation in MPS, which is considerably low. The coefficient of determination of NBBL has 0.015, which indicate that the variation in DPS determines the 1.5% of the variation in MPS in case of NBBL. Finally, the figure 0.289 indicates that the variation in DPS determines 28.9% variation in MPS in case of EBL.

The significance of the relationship between DPS and MPS is measured by calculating probable error of coefficient from the above table; we can conclude that the relationship between DPS and MPS of NABIL, NBBL and EBL is insignificant. Since the coefficient of correlation (r) is smaller than the probable error. In case of NABIL, NBBL and EBL the MPS depends heavily on other variables except the DPS. But the relationship between DPS and MPS of SCBNL and HBL is moderate significant (or neither significance nor insignificance). Since the coefficient of correlation though greater than PE, is still less than 6 PE.

4.3.1.2 Correlation between DPS and EPS:

Table No. 4.3.1.2

Correlation between DPS and EPS of Concerned Banks

Banks	Coefficient of correlation	Relationship	r^2	Probable error	Sig. /Insig.
SCBNL	0.837	Positive	0.701	0.090	Significant
HBL	0.753	Positive	0.567	0.131	Not Significant/
NABIL	0.872	Positive	0.760	0.072	Significant
NBBL	0.203	Positive	0.041	0.289	Insignificant
EBL	-0.865	Negative	0.748	0.076	Significant

Source: Appendix-VIII

In the above table we can see the relationship between EPS and DPS of five concerned joint venture banks. It can be observed that the coefficient of correlation (r) is highest and positive for NABIL, which indicates higher degree of correlation between EPS and DPS. The correlation coefficient of SCBNL, HBL and NBBL is 0.837, 0.753 and 0.203 respectively in positive degree but EBL has higher negative degree of correlation coefficient (-0.867).

The coefficient of determination (r^2) for SCBNL is 0.701, which means that the variation in EPS explains 70.1% variation in DPS, which is quite considerable. In case of HBL, EPS explains 56.7% variation in DPS, which is also considerable. The coefficient of determination of NBBL and EBL are 0.760 and 0.748 respectively, which indicates that the variation in EPS explain 76.0% and 74.8% variation in DPS respectively, which is also quite considerable. But the coefficient of determination being 0.041 in case of NBBL, which indicates that, EPS explains 4.1% variation in DPS which is not considerable.

As far as significance of relationship is concerned, it is hard to define that the relationship being significant or insignificant in case of HBL. Since the coefficient of correlation (r) though greater than PE, is still less than 6 PE. However, in case of NBBL, the relationship is said to be insignificant as coefficient of correlation (r) is less than probable error (PE). This implies that the EPS is not considerable enough in determining the DPS. But in case of SCBNL, EBL and NABIL, there is significant relationship between DPS and EPS as coefficient of correlation (r) is greater than 6PE. Thus, in case of NBBL we can say that the dividend is dependent heavily on other variables then the earning per share but in case of SCBNL and NABIL we can say that the earning per share is major factor in determining the dividend per share.

4.3.1.3. Correlation between DPS and NWPS:

Table 4.3.1.3

Correlation between DPS and NWPS of Concerned Banks

Banks	Coefficient of variation	Relationship	r ²	Probable error	Sig./Insig.
SCBNL	0.809	Positive	0.654	0.104	Significant
HBL	-0.990	Negative	0.980	0.006	Significant
NABIL	0.471	Positive	0.222	0.235	Moderate
NBBL	0.072	Positive	0.005	0.002	Significant
EBL	-0.157	Negative	0.025	0.294	Insignificant

Source: Appendix-VIII

The above table 4.3.1.3 shows the relationship between DPS and NWPS of five concerned banks. The coefficient of correlation between DPS and NWPS of SCBNL, NABIL and NBBL are 0.809, 0.471 and 0.072 which indicates positive relationship. The above figure indicate the lower degree of correlation between DPS and NWPS in case of NBBL, whereas the strong and higher degree of positive correlation shows in case of SCBNL. The correlation coefficient of NABIL is 0.471. But increase of HBL the correlation coefficient of DPS and NWPS is highly (or perfectly) negative. It is nearly -1 (-0.99), which indicate there is highly negative relation between DPS and NWPS of HBL and the coefficient of correlation of EBL also negative and it shows a little relation between DPS and NWPS.

The coefficient of determination (r²) between DPS and NWPS of SCBNL shows that the variation in DPS explains 65.4% variation in NWPS, which is considerable high. Similarly, the DPS of HBL explains 98.0% variation in NWPS, which is considerable high than others. The figure 0.222 indicates that the variation in DPS determine 22.2% variation in NWPS in case of NABIL. In the same way, the coefficient determination (r²) of NBBL and EBL is 0.005 and .025 respectively, which indicate that variation in DPS determine 0.5% and 2.5% variation in NWPS respectively, which are considerably low.

The significant of relationship between DPS and NWPS is measured by calculating probable error of correlation from the above table. We can conclude that the relationship between DPS and NWPS of SCBNL, HBL and NBBL is significant,

since the correlation coefficient (r) is greater than 6PE, which indicate that the dividend per share is major factor of determining the net worth per share. In the case of EBL, the relationship between DPS and NWPS is insignificant because the coefficient of correlation (r) is smaller than PE, which shows that the dividend distribution is not a major factor for determining NWPS or, NWPS is dependent heavily on other variables than the DPS. In the case of NABIL the relationship between DPS and NWPS is neither significant nor insignificant because the correlation coefficient (r) though greater than PE is still less than 6PE.

4.3.1.4 Correlation between EPS and MPS:

Table No. 4.3.1.4

Table Correlation between EPS and MPS of Concerned Banks

Banks	Coefficient of correlation	Relationship	r ²	Probable error	Sign./ Insign.
SCBNL	0.182	positive	0.033	0.292	Insignificant
HBL	0.707	positive	0.50	0.898	Insignificant
NABIL	0.063	positive	0.004	0.3004	Insignificant
BNNL	0.937	positive	0.878	0.037	Significant
EBL	0.650	positive	0.423	0.174	Insignificant / Moderate

Source: Appendix-VIII

The above table 4.3.1.4 shows the relationship between EPS and MPS of concerned banks. The correlation coefficient (r) of all banks (SCBNL, HBL, NABIL, NBBL and EBL) is positive. The correlation between EPS and MPS of NBBL is nearly perfect (0.937) whereas the lower degree of correlation between EPS and MPS in case of NABIL which indicate that there is a little relationship between EPS and MPS of NABIL Bank. The coefficient of correlations (r) between EPS and MPS of SCBNL, HBL and EBL are 0.182, 0.707 and 0.650 respectively. The positive correlation coefficient of all banks shows that if the EPS increases the MPS also increases and Vice-versa.

The coefficient of determination (r²) for SCBNL is 0.033, which means that the variation in EPS explains 3.3% variation in MPS which is not considerable. In case of HBL, the coefficient of determination is 0.50, which indicates that the variation in EPS explains 50% variation in MPS which is considerable to an extent. Similarly, in

case of NABIL the EPS explains 0.4% variation in MPS, which is not considerable. The coefficient of determination of NBBL is 0.878, which means that the variation in EPS explains 87.8% variation in MPS which is very considerable. Finally, the coefficient of determination being 0.423 in case of EBL indicates that EPS explains 42.3% variation in MPS, which is considerable.

In the above table, in case of SCBNL, HBL and NABIL, the relationship is said to be insignificant because the correlation (r) is less than the probable error (PE). Thus, we can say that the MPS is dependent heavily on other variable than the EPS. And, in case of NBBL, there is significant relationship between MPS and EPS as coefficient of correlation (r) is greater than 6PE which indicates that the EPS is major factor to determining the MPS. But it is hard to define the relationship being significant or insignificant in case of EBL, since coefficient of correlation (r) though greater than PE is still less than 6PE. So we can say that there is moderate relationship between EPS and MPS.

4.3.1.5 Correlation Coefficient between MPS and DPR (Dividend Payout):

Table No. 4.3.1.5

Correlation between MPS and DPR of Concerned Banks

Banks	Coefficient of correlation	Relationship	r²	Probable error	Significant / Insignificant
SCBNL	0.570	Positive	0.325	0.309	Insignificant/Moderate
HBL	0.474	Positive	0.225	0.346	Insignificant/Moderate
NABIL	0.301	Positive	0.091	0.406	Insignificant/none
NBBL	-0.143	Negative	0.020	0.438	Insignificant/none
EBL	-0.553	Negative	0.306	0.310	Moderate

Source: Appendix-VIII

The above table 4.3.1.5 depicts the relationship between MPS and DPR of five joint venture banks respectively. The above figure clearly shows positive correlation between MPS and EPS for SCBNL, HBL and NABIL but shows the negative correlation between MPS and DPR for NBBL and EBL. There is the higher degree of positive correlation (0.570) in case of SCBNL and higher degree of negative correlation (-0.553) in case of EBL and correlation of NABIL, NBBL and HBL has 0.301,-0.143 and 0.747 respectively.

The coefficient of determination (r²) for SCBNL HBL, NABIL, NBBL and EBL are 0.325, 0.225, 0.091, 0.020 and 0.306 respectively. The coefficient of determination

for SCBNL is 0.325, which means that the variation in DPR explains 32.5% variation in MPS, which is considerable. In case of NBBL, DPR explains 2% variation in MPS, which is not considerable. Similarly, the coefficients of determination are 0.225, 0.091 and 0.306 in case of HBL, NABIL and EBL respectively.

As far as significance of relationship is concerned, the relationship between MPS and DPR of NABIL and NBBL are insignificant because correlation is less than the probable error. This implies that, the MPS is dependent on other variable than the DPR. The coefficient of correlation is lower than 6PE in case of SCBNL and HBL; nothing can be concluded about the significance of relationship (or moderate relation) between MPS and DPR.

4.3.2 Regression Analysis:

The regression analysis is used to determine the statistical relationship between two or more variables and to make prediction of one variable on the basis of the others. The regression analysis can either be simple regression or multiple regressions. When we take only one independent to predict the value of the dependent variable through the appropriate regression time, then the analysis is known as simple regression analysis. But the analysis performed by the use of two or more independent variables is known as multiple regression analysis.

4.3.2.1 Simple Regression Analysis:

4.3.2.1. (a): Dependent variable dividend per share (DPS) or Y on independent variable earning per share (EPS) or X:

Regression equation,

$$Y = a + bX$$

Table No. 4.3.2.1 (a)

Simple Regression Analysis of DPS on EPS of Concerned Banks

Banks	Constant 'a'	Reg. Coeff. 'b'	Std, error	R ²	't' value calculated
SCBNL	32.298	0.514	0.194	0.701	2.646
HBL	-30.094	0.817	0.412	0.567	1.981
NABIL	0.085	0.640	0.207	0.760	3.084
NBBL	2.076	0.0315	0.087	0.041	.0360
EBL	51.306	-1.512	0.0506	0.748	-2.991

Source: Appendix-VIII

The above table 4.3.2.1(a) describes the output of simple analysis between dividend per share Y and earning per share X of the concerned banks.

The regression coefficient (b) of EBL is negative i.e. -1.512 which indicates that negative relation exists between DPS and EPS i.e. on a rupee increase in EPS leads to an average about Rs. 1.512 decrease in DPS of EBL holding other variable constant. The decrease in DPS due to increase in EPS sounds very awkward and ridiculous which means that the DPS of EBL does not depend on EPS but dividend per share has random walk. Similarly, the coefficient of determination (R^2) of EBL is 0.748, which indicates that 74.8% of DPS variation is explained by variation in EPS of EBL. The value of constant (a) is relatively high i.e. 51.31 of EBL, which means that DPS is affected by or depends on several other factors besides EPS.

In the case of SCBNL, HBL, NABIL and NBBL, the regression coefficient (b) is positive i.e. 0.514, 0.817, 0.640 and 0.0314 respectively. This implies that the one rupee increase in EPS leads to an average increase of Rs. 0.514 in DPS in case of SCBNL, an average of about Rs. 0.817 increase of HBL, an average of about Rs. 0.640 increase of NABIL and an average of about Rs. 0.0314 increase in DPS of NBBL.

The coefficient of determination (R^2) of SCBNL, HBL, NABIL and NBBL is 0.701, 0.567, 0.760 and 0.041 respectively, which means that 70.1%, 56.7%, 76.0% and 4.1% of DPS variation is explained by variation in EPS of SCBNL, HBL, NABIL and NBBL respectively.

The result would be insignificant when the calculated value of t is less or equal to the tabulated value of 't'. Otherwise it is significant. Here are tabulated value of t for two tailed test at 5% level of significance (where the degree of freedom is 4, i.e. $n-1=5-1$) is 2.776. The results of regression of all the banks are statistically significant, because the tabulated value t is greater than the calculated value.

4.3.2.1. (b) Dependent variable Market Price Per Share (MPS) Y on Independent Variable Dividend Per Share (DPS) X:

Regression Equation

$$Y = a + bX$$

Table No. 4.3.2.1 (b):

Simple Regression Analysis for MPS on DPS of Concerned Banks

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	-375.683	21.192	16.061	0.367	1.319
HBL	1127.931	0.140	0.160	0.305	0.874
NABIL	648	8	22.943	0.039	0.349
NBBL	849.647	-9.012	41.813	0.015	-0.216
EBL	678.20	-13.97	12.626	0.289	-1.107

Source: Appendix-VIII

The above figure in table 4.3.2.1(b) is the output of simple regression analysis between MPS and DPS of SCBNL, NABIL, NBBL, and EBL. As a regression equation of Y on X is concerned, the regression coefficient or the beta coefficient (b) is positive in case of SCBNL (21.192), HBL (0.140), NABIL (8) which indicates that one Rupee increase in dividend leads to Rs. 21.192 increase in MPS of SCBNL, one rupee increase in dividend leads to increase in MPS of HBL by Rs. 0.140 and one rupee increase in dividend leads to increase in MPS of NABIL by Rs. 8. But as far as NBBL and EBL are concerned, the relationship between MPS and DPS is negative as beta coefficient of -9.012 and -13.97. This implies that one rupee increase in DPS leads to decrease in MPS by 9.012 of NBBL and by Rs. 13.96 of EBL.

The coefficient of determination (R²) in case of NABIL and NBBL is 0.039 and 0.015 respectively, which is very small. Thus it implies that DPS explain only 3.9% variation in MPS of NABIL and 1.5% of NBBL. The value of constant (a) is relatively high 1127.931 of HBL, 648 of NABIL 849.647 NBBL 678.20 for EBL which means that the MPS is effected by depends on several other factors besides DPS. In case of SCBNL, HBL and EBL, R2 is 0.367, 0.305 and 0.289 respectively, which indicates that variation in DPS explain 36.7% variation on MPS of SCBNL 30.5% variation on MPS of HBL and 28.9% variation on MPS of EBL.

The tabulated value of 't' at 5% level of significant and at 5 degree of freedom is 2.776. The calculated value of 't' of SCBNL, HBL, NABIL, NBBL and EBL is 1.319, 0.874, 0.349, -0.216 and -1.107 respectively. The calculated 't' value is less than tabulated 't' value in case of all banks. So the regression relation between MPS and

DPS is insignificant. Since we can conclude that the value of MPS is not dependent in the value of DPS.

4.3.2.1. (c): dependent Variable Market Price Per Share (MPS) Y on Independent Variable Earning Per Share (EPS) X:

Regression Equation

$$Y = a + bX$$

Table No. 4.3.2.1. (c)

Simple Regression Analysis of MPS on EPS of Concerned Banks

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	1201.624	3.910	12.203	0.033	0.320
HBL	162.071	14.031	8.107	0.50	1.731
NABIL	875.622	1.887	17.143	0.004	0.110
NBBL	166.036	10.576	2.270	0.878	4.659
EBL	-282.561	29.487	19.888	0.423	1.583

Source: Appendix-IX

The above table 4.3.2.1 (c) depicts the output of simple regression analysis between Market Price per Share (MPS) on Earning Price per Share (EPS) of five joint venture banks i.e. SCBNL, HBL, NABIL, NBBL and EBL. As the above data helps us to imply that earning per share (EPS) of concerned banks has direct impact on their stock price (MPS) as the regression coefficient (b) of SCBNL, HBL, NABIL, NBBL and EBL is 3.910, 1.887, 10.576 and 29.487 respectively, which implies that one rupee increase in EPS leads to an average of Rs. 3.910, Rs. 14.031, Rs. 1.887, Rs. 10.576 and Rs. 29.487 increase in MPS respectively. The value of the constant (a) is relatively high (1201.634) of SCBNL, which indicates that MPS is effected by or depend on several other factors besides EPS.

Coefficient of determination (R²) of SCBNL, HBL, NABIL, NBBL and EBL are 0.033, 0.50, 0.004, 0.878 and 0.423 respectively. This means that 3.3% variation in MPS is explained by variation in EPS in case of SCBNL, 50% variation in MPS is explained by variation in EPS in case of HBL, 0.4% or very small variation in MPS is explained by variation in EPS in case of NABIL, 87.8% or larger variation in MPS is explained by variation in EPS in case of NBBL and 42.3% variation in MPS is explained by variation in EPS in case of EBL.

The tabulated value of 't' at 5% level of significant and at 5 degree of freedom is 2.776. The calculated value of 't' of SCBNL, HBL, NABIL, NBBL and EBL is 1.319, 0.874, 0.349, -0.216 and -1.107 respectively. The calculated 't' value is less than tabulated 't' value in case of NBBL the calculated value of 't' is greater than tabulated value. So relationship of MPS and EPS of NBBL is significant. It means the value of MPS is related in case of SCBNL, HBL, NABIL and EBL because the calculated 't' value of these banks are less than the tabulated 't' value. So the result of these banks is insignificant.

4.3.2.1 (D): Dependent variable Market Price Per Share (MPS) Y on independent variable Dividend Pay Out Ratio (DPR) X:

Regression Equation,

$$Y = a + bX$$

Table No. 4.3.2.1. (d)

Simple Regression Analysis of MPS on DPR of Concerned Banks

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	-1104.429	36.398	30.275	0.325	1.202
HBL	920.892	7.463	8.000	0.225	0.933
NABIL	-29.152	16.196	29.581	0.091	0.548
NBBL	853.803	-7.231	28.840	0.020	-0.251
EBL	682.384	-3.453	3.003	0.306	-1.150

Source: Appendix-IX

The table 4.3.2.1 (d) shows the regression analysis of MPS on DPR among the bank under study. The SCBNL, HBL and NABIL have positive regression relation between MPS and DPR of the bank whereas NBBL and EBL have negative relation between MPS and DPR. The regression relation between MPS on DPR of SCBNL, HBL and NABIL indicate that with an increase of Rs 1 in DPR, the MPS will increase by Rs. 36.398, Rs. 7.463 and Rs. 16.196 respectively, other variable remain constant. In contrast of NBBL and EBL there will be decrease in MPS of by Rs. 7.231 and Rs. 3.53 respectively with an increase in DPS by 1% assuming that the other variables are constant.

The standard error of estimate of SCBNL, HBL, NABIL, NBBL and EBL are 30.275, 8.00, 29.581, 28.840 and 3.003 respectively. These values indicate the probable error in the predicated value for the respectively banks.

The coefficient of determination (R^2) is lowest for NBBL (0.020) which indicates that 2% in MPS is explained by DPR i.e. variation in MPS of the bank is explained due to the change in value of DPR of the bank. The value of (R^2) of SCBNL, HBL, NABIL and EBL are 0.325%, 0.225%, 0.091% and 0.306% variation in MPS of these banks are explained due to change in DPR of respective banks.

The tabulated value of 't' at 5% level of significant and at 5 degree of freedom is 2.776. The calculated value of 't' of SCBNL, HBL, NABIL, NBBL and EBL is 1.202, 0.933, 0.548, -0.251 and -1.150 respectively. The calculated 't' value is less than tabulated 't' value in case of all banks. So the regression relation between MPS and DPR is insignificant. Since we can conclude that the value of MPS is not dependent in the value of DPR.

4.3.2.2 Multiple Regression Analysis

4.3.2.2. (a): Dependent Variable Market Price Of Share (MPS) or (X_1) on Independent Variable Earning Per Share (EPS) or (X_2) and Dividend Per Share (DPS) or (X_3):

Regression Equation,

$$X_1 = a_1 + b_1X_2 + b_2X_3$$

Table No. 4.3.2.2. (a)

Multiple Regression Analysis of MPS on EPS and DPS of Concerned Banks

Banks	Reg. Constant (a)	Reg. Coefficient (b ₁)	Regression Coefficient (b ₂)	S.E.		Multiple Correlation	R ²
				S ₁	S ₂		
SCBNL	-506.983	-23.296	52.902	14.697	23.910	0.848	0.720
HBL	187.147	13.350	0.883	15.070	13.885	0.708	0.501
NABIL	873.574	-13.521	24.068	41.069	55.955	0.297	0.088
NBBL	215.656	11.327	-23.904	1.110	7.181	0.990	0.981
EBL	-412.827	33.297	2.520	48.511	27.763	0.652	0.425

Source: Appendix-IX

The table 4.3.2.2.(a) presented above shows the relationship between MPS, EPS and DPS of concerned banks. The regression coefficient (b_1) is -23.296 for SCBNL, 13.35 for HBL, -13.52 for NABIL, 11.33 for NBBL and 33.3 for EBL. This implies that one rupee increase in EPS leads to Rs. 23.296 decrease in MPS in case of the SCBNL, if holding the DPS constant. On the other hands, the same amount of increase in EPS leads to increase in MPS of HBL by Rs. 13.35.

Similarly, the same amount of increase in EPS leads decrease in MPS by Rs. 13.52 in case of NABIL bank, when the DPS is constant. Again, in case of NBBL, the same amount of increase in EPS leads increase in MPS by Rs. 11.33, when the DPS is remain constant and finally, in same amount of increase in EPS, leads increase in MPS by Rs. 33.30 assuming that DPS held constant. From the above data we can say that EPS effects on MPS. Generally, increase in EPS the MPS also increase.

The regression coefficient (b_2) of SCBNL, HBL, NABIL, NBBL and EBL are 52.902, 0.883, 24.068, -23.904 and 2.520 respectively. It implies that one rupee increase in DPS leads to rupees 52.902 increase in case of SCBNL, Rs. 0.883 increase in case HBL, Rs. 24.068 increase of NABIL, Rs. 23.904 decrease in case of NBBL and Rs. 2.52 increase of EBL when the EPS is remain constant.

The multiple correlations of SCBNL, HBL, NABIL, NBBL and EBL are 0.848, 0.708, 0.297, 0.990 and 0.652 respectively. These all are imply positive correlation exists. The coefficient of multiple determinations of SCBNL, HBL, NABIL, NBBL and EBL are 0.720, 0.501, 0.088, 0.981 and 0.425 respectively. Since NABIL has the lowest R^2 and NBBL has the highest, it means that the MPS of NBBL are highly affected by joint effect of EPS and DPS and the MPS of NABIL is normally affected by joint effect of EPS and DPS. The R^2 indicates that 72.0%, 50.10%, 8.80%, 98.10% and 42.5% variation in MPS is due to the joint effect of change in MPS and DPS.

Test of Hypothesis:

F- test:

The following test has been done under two way ANOVA analyses:

First ANOVA Test on Dividend Per Share (DPS) of 5 Banks over the 5 years

Years	Banks				
	SCBNL(A)	HBL (B)	NABIL (C)	NBBL (D)	EBL (E)
2005/06(1)	80	50	50	15	15
2006/07(2)	100	50	55	0	0
2007/08(3)	100	27.50	40	5	0
2008/09(4)	100	25	30	0	0
2009/10(5)	110	1.32	50	0	20

Null hypothesis:

$H_0: \mu_A = \mu_B = \mu_C = \mu_D = \mu_E$, There is no significant difference between DPS of SCBNL, HBL, NABIL, NBBL and EBL.

$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$, There is no significant difference between DPS of 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

Alternative hypothesis:

$H_1: \mu_A \neq \mu_B \neq \mu_C \neq \mu_D \neq \mu_E$, There is significant difference between DPS of SCBNL, HBL, NABIL, NBBL and EBL.

$H_1: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$, There is significant difference between DPS of 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

Test of statistic:

Under H_0 ,

$$F = \frac{MSC}{MSE} \quad \text{And, } F = \frac{MSR}{MSE}$$

Where,

MSC = Mean sum of squares of variations between different banks.

MSR = Mean sum of squares of variations between different years.

MSE = Mean sum of squares of variations due to error.

In order to find MSC, MSR and MSE we need to find SSC, SSR, SST and SSE.

The data are coded by subtracting 50 from each figure.

Calculation for MSC, MSR and MSE

Years	Banks					Row	X_1^2	X_2^2	X_3^2	X_4^2	X_5^2
	SCBNL	HBL	NABIL	NBBL	EBL	Total					
	X_1	X_2	X_3	X_4	X_5	Tr					
2005/06	30	0	0	-35	-35	-40	900	0	0	1225	1600
2006/07	50	0	5	-50	-50	-45	2500	0	25	2500	2500
2007/08	50	22.50	-10	-45	-50	-32.5	2500	506.25	100	2025	2500
2008/09	50	-25	-20	-50	-50	-95	2500	625	400	2500	2500
2009/10	60	-48.68	0	-50	-30	-68.68	3600	2369.74	0	2500	900
Column Total	240	-51.18	-25	-230	-215	281.18	12000	3501	525	10750	10000
Tc						8	$\sum X_1^2$	$\sum X_2^2$	$\sum X_3^2$	$\sum X_4^2$	$\sum X_5^2$

Source: Appendix- X

Now, T= Grand Total = 281.18

$$\sum Tc = \sum Tr = 281.18 \text{ and } n = 25$$

$$\text{Correlation factor (C.F.)} = \frac{T^2}{n} = \frac{(281.18)^2}{25} = 3162.50$$

R.S.S. = Row sum of squares

$$= \sum X_1 + \sum X_2 + \sum X_3^2 + \sum X_4^2 + \sum X_5^2$$

$$= 12000 + 3501 + 525 + 10750 + 10000 = 36776$$

$$\therefore \text{SST} = \text{R.S.S.} - \text{C.F.} = 36776 - 3162.50 = 33613.5$$

$$\text{SSC} = \frac{\sum T^2 c}{n_r} - \text{C.F.} = \frac{(240)^2}{5} + \frac{(-51.18)^2}{5} + \frac{(-25)^2}{5} + \frac{(-230)^2}{5} + \frac{(-215)^2}{5} - 3162.5$$

$$\text{SSR} = \frac{\sum T^2 r}{n_c} - \text{C.F.} = \frac{(-40)^2}{5} + \frac{(-45)^2}{5} + \frac{(-32.5)^2}{5} + \frac{(-95)^2}{5} + \frac{(-68.68)^2}{5} - 3162.5$$

$$= 28831.38$$

$$= 522.14$$

$$\therefore \text{SSE} = \text{SST} - \text{SSC} - \text{SSR} = 33613.5 - 28831.38 - 522.14 = 1619.62$$

Two-way ANOVA table

Sources of variation	Sum of square (S.S.)	d.f.	Mean sum of square (M.S.S.)	F-ratio
Between Banks	SSC= 28831.38	c-1= 5-1=4	$MSC = \frac{SSC}{c-1} = \frac{28831.38}{4}$ $= 7207.85$	$F_c(4,16)$ $= \frac{MSC}{MSE}$ $= \frac{7207.85}{101.23}$ $= 71.20$
Between Years	SSR= 522.14	r-1= 5-1=4	$MSR = \frac{SSR}{r-1} = \frac{522.14}{4}$ $= 130.54$	$F_r(4,16)$ $= \frac{MSR}{MSE}$ $= \frac{130.54}{101.23}$ $= 1.29$
Error	SSE= 1619.62	$(r-1)(c-1)$ $= (5-1)(5-1)$ $= 16$	$MSE = \frac{SSE}{(c-1)(r-1)}$ $= \frac{1619.62}{16} = 101.23$	
Total	SST=30973.14	n-1=25-1=24		

For Banks: Tabulated $F_{0.05}(4,16) = 3.01$

For Years: Tabulated $F_{0.05}(4,16) = 3.01$

Conclusion:

For Bank wise: Since calculated $F_c(4,16) >$ tabulated $F(4,16)$, it is significant and H_0 is rejected and hence H_1 is accepted, which means that there is significant difference between DPS of SCBNL, HBL, NABIL, NBBL and EBL.

For Year wise: Since calculated $F_r(4,16) >$ tabulated $F(4,16)$, it is not significant and H_0 is accepted and hence H_1 is rejected, which means that there is no significant difference between DPS of year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 of the concerned banks.

Second ANOVA test on Market Price per Share (MPS) of 5 banks over the 5 years

MPS of five banks over five years

years	Banks				
	SCBNL(A)	HBL(B)	NABIL(C)	NBBL(D)	EBL(E)
2005/06(1)	1162	1000	700	616	407
2006/07(2)	1985	1700	1400	1502	995
2007/08(3)	2144	1500	1500	1100	650
2008/09(4)	1575	1000	700	490	405
2009/10(5)	1640	836	740	360	445

Null hypothesis:

$H_0: \mu_A = \mu_B = \mu_C = \mu_D = \mu_E$, There is no significant difference between MPS of SCBNL, HBL, NABIL, NBBL and EBL.

$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$, There is no significant difference between MPS of 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

Alternative hypothesis:

$H_1: \mu_A \neq \mu_B \neq \mu_C \neq \mu_D \neq \mu_E$, There is significant difference between MPS of SCBNL, HBL, NABIL, NBBL and EBL.

$H_1: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$, There is significant difference between MPS of 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10.

Test of statistic:

Under H_0 ,

$$F = \frac{MSC}{MSE}$$

$$\text{And, } F = \frac{MSR}{MSE}$$

Where,

MSC = Mean sum of squares of variations between different banks.

MSR = Mean sum of squares of variations between different years.

MSE = Mean sum of squares of variations due to error.

In order to find MSC, MSR and MSE we need to find SSC, SSR, SST and SSE.

The data are coded by subtracting 50 from each figure and divide it by 100.

Calculation for MSC, MSR and MSE

Years	Banks					Row	X_1^2	X_2^2	X_3^2	X_4^2	X_5^2
	SHBNL X_1	HBL X_2	NABI L X_3	NBB L X_4	EBL X_5	Total Tr					
2005/06	3.62	2	-1	-1.84	-3.93	-1.15	13.10	4	1	3.39	15.44
2006/07	11.85	9	6	7.02	1.95	35.82	140.42	81	36	49.28	3.80
2007/08	13.44	7	7	3	-1.5	28.94	180.63	49	49	9	2.25
2008/09	7.75	2	-1	-3.1	-3.95	1.7	60.1	4	1	9.61	15.60
2009/10	8.40	0.36	-0.6	-4.4	-3.55	0.21	70.56	0.13	0.36	19.36	12.60
Column Total Tc	45.06	20.36	10.4	0.68	-10.98	65.52	464.81 $\sum X_1^2$	138.13 $\sum X_2^2$	87.36 $\sum X_3^2$	90.64 $\sum X_4^2$	49.69 $\sum X_5^2$

Now, $T = \text{Grand Total} = 65.52$

$$\sum T_c = \sum T_r = 65.52 \text{ and } n = 25$$

$$\text{Correlation factor (C.F.)} = \frac{T^2}{n} = \frac{(65.52)^2}{25} = 171.71$$

R.S.S. = Row sum of squares

$$\begin{aligned} &= \sum X_1 + \sum X_2 + \sum X_3^2 + \sum X_4^2 + \sum X_5^2 \\ &= 464.81 + 138.13 + 87.36 + 90.64 + 49.69 = 830.63 \end{aligned}$$

$$\therefore \text{SST} = \text{R.S.S.} - \text{C.F.} = 830.63 - 171.17 = 658.92$$

$$\text{SSC} = \sum \frac{T_c^2}{n_r} - \text{C.F.} = \frac{(45.06)^2}{5} + \frac{(20.36)^2}{5} + \frac{(10.4)^2}{5} + \frac{(0.68)^2}{5} + \frac{(-10.98)^2}{5} - 171.17$$

$$=363.1$$

$$SSR = \frac{\sum T_r^2}{n_c} - C.F. = \frac{(-1.15)^2}{5} + \frac{(35.82)^2}{5} + \frac{(28.94)^2}{5} + \frac{(1.7)^2}{5} + \frac{(0.21)^2}{5} - 171.17$$

$$= 253.26$$

$$\therefore SSE = SST - SSC - SSR = 658.92 - 363.1 - 253.26 = 42.56$$

Two-way ANOVA table

Sources of variation	Sum of square (S.S.)	d.f.	Mean sum of square (M.S.S.)	F-ratio
Between Banks	SSC= 363.1	c-1= 5-1=4	$MSC = \frac{SSC}{c-1} = \frac{363.1}{4} = 90.78$	$F_c(4,16) = \frac{MSC}{MSE} = \frac{90.78}{2.66} = 34.13$
Between Years	SSR= 253.26	r-1= 5-1=4	$MSR = \frac{SSR}{r-1} = \frac{253.26}{4} = 63.34$	$F_r(4,16) = \frac{MSR}{MSE} = \frac{63.34}{2.66} = 23.81$
Error	SSE= 42.56	$(r-1)(c-1) = (5-1)(5-1) = 16$	$MSE = \frac{SSE}{(c-1)(r-1)} = \frac{42.56}{16} = 2.66$	
Total	SST=658.92	n-1=25-1=24		

For Banks: Tabulated $F_{0.05}(4,16) = 3.01$

For Years: Tabulated $F_{0.05}(4,16) = 3.01$

Conclusion:

For Bank Wise: Since calculated $F_c(4,16) >$ tabulated $F(4,16)$, it is significant and H_0 is rejected and hence H_1 is accepted, which means that there is significant difference between MPS of SCBNL, HBL, NABIL, NBBL and EBL or, MPS of different five concerned banks is not same.

For Year Wise: Since calculated $F_r(4,16) >$ tabulated $F(4,16)$, it is significant and H_0 is rejected and hence H_1 is accepted, which means that there is significant difference between MPS of year 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10 or, the MPS is not same in the five years study period.

4.4 Primary Data Analysis

Questionnaire and informal interviews were taken from the officials of Nepal Stock Exchange, Concern Bank's managers, and some employees and regular investors to determine the quality volume and volume of transaction, identify the reasons of importance for dividend decisions. They give first and same important in financing and investment decision and second is dividend decision. The Majorities of banks follow the earning based dividend policy but some banks follows residual dividend policy and some fixed plus extra dividend policy. With respect to the statements that Nepalese Shareholder are indifferent either the company pays dividend or not, most of the respondents (45%+10%) are agree found to support dividend payment policy.

The majority of the respondents agree that the dividend is taken as a residual decision as well as Majority of the banks distributed the cash dividend but some of them distribute stock dividend as well. I have found that favorable information about the stock will generally make positive impacts on stock price as well as Only the dividend is not main effective factor the market price of share, another factor also affects the market price of share. Majority respondents feel that not only dividend decision but also other factors affect the market price of share. There are also the majority of respondents (75%) do not believe that the companies adopt consistent dividend policy and minority of respondents (25%) has consistency dividend policy.

The fluctuations in price and volume of transactions of share basically based on the dividend declared price and its market impact. They had mixed feelings on the development growth of stock market in Nepal. They expressed happiness over the growth of secondary market of stock due to the dividend declaration.

4.5 Major Findings of the Study from Secondary Data:

By using the major statistical tools i.e. correlation and regression, we find the following finding as below:

1. The MPS of SCBNL, HBL and NABIL has positive correlation with their respective DPSs. But MPS of NBBL and HBL are negatively correlated with DPS. The correlation of SCBNL, EBL and HBL has moderate significant and it is insignificant of NABIL and NBBL. The regression analysis of MPS on DPS shows that the regression coefficient (b) is positive of SCBNL, NABIL and HBL and it is negative of EBL and NBBL.
2. The correlation between dividend per share (DPS) and Earning per Share (EPS) of SCBNL, HBL and NBBL has positive. It is negative in case of EBL. The correlation of SCBNL, EBL and NABIL has significant and it is insignificant in case of NBBL and HBL. The regression analysis of DPS on EPS shows the regression coefficient (b) is positive of SCBNL, NABIL, HBL and NBBL and it is negative of EBL.
3. The analysis of correlation between EPS and MPS help us to conclude that the all banks have positive relationship. The relationship is insignificant for SCBNL, HBL and NABIL and it is significant in case of NBBL and EBL has insignificant or moderate significant.
4. The regression coefficients (b) of the regression analysis between MPS on EPS of all banks under study are positive.
5. The correlation coefficient of SCBNL, NABIL and NBBL has positively relationship between DPS and NWPS. But its relationship is negative in case of HBL and EBL. This relationship is significant for SCBNL, HBL and NBBL and it is insignificant in case of EBL. This relation is moderate insignificant in case of NABIL.
6. The correlation coefficient between MPS and DPR has positive for SCBNL, HBL and NABIL. But it is negatively related in case of NBBL and EBL. This relation is insignificant for NABIL, NBBL and EBL. In case of SCBNL and HBL it is difficult to say the correlation is significant or not. So we can say that there is moderate significant or insignificant relation between MPS and DPR and EBL has moderate relationship. The regression analysis of MPS on

DPR shows that the regression coefficient (b) is positive for SCBNL, HBL and NABIL and it is negative for NBBL and EBL.

7. The multiple regression analysis of MPS on EPS and DPS shows the HBL and EBL have positive regression coefficient (b) of both EPS and DPS. The regression coefficient (b) for SCBNL and NABIL has negative relation between MPS and EPS and positive of MPS and DPS. In case NBBL the regression coefficient (b) is positive of MPS on EPS and negative of MPS on DPS.
8. Test of hypothesis 2 helps us to conclude that dividend per share of different five banks (i.e. SCBNL, HBL, NABIL, NBBL and EBL) are statistical different at 5% level of significant while MPS of these concerned Five banks also are significant differ at 5% level of significant and this test shows the DPS of different years are not significant different at 5% level of significant whereas MPS of different years are significant different at 5% level of significant.

4.6 Major Finding of Study from Primary Data

The major result of data analysis i.e. a survey on impact of dividend policy on market price of share is summarized as under.

1. All the banks are gives a few important for dividend decisions. They give first and same important in financing and investment decision and second is dividend decision.
2. Majority of banks highly concerned with dividend aspect and some banks moderately concerned but non-of the banks are less concerned with dividend aspect.
3. Majorities of banks follow the earning based dividend policy but some banks follows residual dividend policy and some fixed plus extra dividend policy too.
4. Majority of the banks distributed the cash dividend but some of them distribute stock dividend as well.
5. The majority of the respondents agree that the dividend is taken as a residual decision.
6. 45% of the respondents agree that current earning is important factor while forming dividend policy while 30% respondents thinks liquidity and 15% respondents considers net worth as important factors.

7. All of the respondents take into account the share holder expected return while taking dividend decision.
8. Majority of respondents (75%) do not believe that the companies adopt consistent dividend policy and minority of respondents (25%) has consistency dividend policy.
9. With respect to effective dividend policy the majority of respondents (65%) feel that the dividend should be paying higher than present dividend distribution level of dividend
10. With respect to the statements that Nepalese Shareholder are indifferent either the company pays dividend or not, most of the respondents (45%+10%) are agree found to support this thesis.
11. We can say that company's announcement of earning and dividend will help to change the market price of share because 50% Of respondents are agreed with this view.
12. Only the dividend is not main effective factor the market price of share, another factor also affects the market price of share. Majority respondents feel that not only dividend decision but also other factors affect the market price of share.
13. a) Favorable information about the stock will generally make positive impacts on stock price.
b) Dividend payment directly affects the market price.
c) The Nepalese companies generally do not pay dividend if they have profitable investment opportunity.
d) Shareholders prefer the stock dividend then cash dividend because of lower tax burden.

(Sample of Questionnaire in Appendix)

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Dividend policy decision is one of the three decisions of financial management. The dividend policy decision affects on the operation and prosperity of the organization because it has the power to influence other two decision of the organization i.e. Capital structure decision and Investment decision. An investor expects two types of return namely capital or ordinary share. So, payment of dividend to shareholders in an effective way to attract new investors and maintain present investors. It is important to have clearly defined and effectively managed dividend policy so as to fulfill the shareholders' expectations and corporate growth.

Paying dividend can be taken as an important tool to attract new investors. Besides this dividend paying ability reflects the financial position of the organization in the market. Due to the division of earnings between dividend payout and retention ratio the market price of the share also is affected, which is also crucial for the organization. So, the funds that could not be used due to the lack of investment opportunities would be better as dividend, since shareholders have investment opportunities elsewhere.

Shareholders have high expectation that market price of share will be significantly higher than net worth. The companies invested by foreigners are paying higher dividend than the companies promoted by the indigenous promoters of Nepal. However, Joint Venture Banks (JVBs) are also not guided by an appropriate dividend policy. This has actually affected the market price, goodwill of all such banks in the long run.

Dividend paying banks have been analyzed to show the implication of dividend policy they have adopted in their market price per share. Even if market price is governed by various factors, this study is made to analyze one of the important factor i.e. dividend. The study covers five Joint venture Banks (SCBNL, HBL, NABIL, NBBL and EBL) and only for the last five fiscal years from 2005/06 to 2009/10. The available secondary data have been analyzed using various financial and statistical tools and the primary data has been analyzed using by collection various answer of the

question. So, the reliability of the conclusions of this study is determined on the accuracy of secondary and primary data. The study can be summarized as follows.

1. The average earning per share (EPS) of the banks under study shows a positive result. But the coefficient of variation indicates that EPS of the banks are not stable. The CV range between 68.87% and 11.33%, among the banks under study. SCBNL has the highest average EPS with lowest fluctuation and NBBL has the highest degree of fluctuation. The EBL has lowest average EPS, which is not so fluctuated.
2. The average dividend per share (DPS) of the banks under study shows a positive result except NBBL and EBL. But the coefficient of variation inculcates that DPS of the banks are not stable. The C.V. ranges between 162.98% and 11.18%. Among the banks under study, SCBNL has the highest average DPS with lowest fluctuation. The NBBL has average DPS is Rs. 4 and its fluctuation is 162.98% which is greater fluctuation. Similarly, EBL has also lower average DPS (Rs. 7) with higher fluctuation (139.39%). These two banks (NBBL and EBL) are not distributing the dividend in three years with in the 5 years study period.
3. The average dividend percentage (DP) of the concerned banks shows the highest average DP of SCBNL with lowest fluctuation and the NBBL has lowest average DP with highest fluctuation. The ranges a between C.V. of DP is 162.98 % (SCBNL) and 11.18 % (NBBL).
4. By analysis, the data of the concerned banks for divided pay out ratio (DPR), we find that the average DPR are positive except NBBL and EBL. But the coefficient of variation of concerned banks are not stable the C.V ranges between 169.53% and 7.79%. In the study of all five concerned banks we show that the SCBNL has highest average DPR with lowest fluctuation and the NBBL has lowest average DPR with highest fluctuation because of the NBBL has not distributed the dividend in three years with in the 5 years study period.
5. The average of the average of MPS of 5 concerned commercial banks is Rs. 1062.08 which is standard value of MPS for this study. The SCBNL and HBL has greater average MPS than the standard value of MPS but it is lower in case of NABIL, NBBL and EBL. There is not more different between Standard

value of MPS and average MPS of NABIL. But this different is highest in case of EBL. The coefficient of variation indicates that the market price of banks are not stable. The fluctuation in MPS of SCBNL has lowest i.e. 22.52% and it is highest of NBBL.

6. The average price-earnings ratio of the banks ranges between 19.55% and 13.44%. The coefficient of variation indicates the P/E ratios of the banks are not stable. The C.V ranges between 44.90 % and 3.06%. Among the banks under study, EBL has the highest average ratio and SCBNC has lowest P/E ratio. But there is not a big gap between P/E ratio overtime for any stock. The highest fluctuation shows in the NABIL and the lowest in case of NBBL.
7. The average Earning Yield (EY) of the concerned banks ranges between 7.78 and 5.5% which do not derivate from the average EY of the concerned banks. But the C.V. indicates that the EY of the banks are not stable. The C.V. ranges between 55.94% to 21.34% and the SCBNL has highest average EY and lower fluctuations in EY than other banks except HBL. The lowest EY was found in case of EBL and its fluctuation is high than the other banks expect NABIL.
8. The average Dividend Yield (DY) ranges between 5.93% and 0.59% and the coefficient of variation indicates that DYs of the banks are not stable. The C.V. ranges between 184.10% and 17.07%. Among the banks under study SCBNL has highest average DY with the lowest fluctuation and it is lower in case of NBBL with the highest fluctuation.
9. The average NWPS of SCBNL, HBL, NABIL, NBBL and EBL has Rs.335.13, Rs.392.35, Rs.258.2, Rs.229.8 and Rs.172.2 respectively and C.V. is 14.63%, 8.59%, and 11.80%, 27.17% and 23.05% respectively. SCBNL has the highest NWPS and EBL has lowest. The fluctuation in NWPS is highest in case of NBBL and lowest is case of HBL.
10. The average ratio between MPS and BVPS is nearly similar in all the sample banks ranging 4.89 and 3.126 but the fluctuation in this ratio range between 41.7% and 19.8%.

5.2 Conclusion

The results of this analysis are strong enough to establish the relationship between dividend policy and market price of share of Nepalese listed banks. However this

analysis cannot give wholesome conclusion of present dividend payment scenario. After analyzing the financial and statistical indicators of all the sample banks, following conclusion are drawn.

- Dividend practices of all sample banks are neither stable nor constantly growing. Dividends are distributed as an ad-hoc or situational basis.
- The market price per share is affected by the dividend related financial variable i.e. DPS, DP, DY and DPR either positively or negatively. The nature of effect is different for different banks. In case of some banks, there exist positive relation between dividend and market price per share, while for others exist negative relation. Beside this the market price per share largely depends upon the dividend, which has been shown by the coefficient of multiple determinations.
- The study of importance of cash dividend on the market price of share revealed that generally dividend per share has positive impact on market price of share in all banks.
- Beside dividend, other factors also affect the market price per share i.e. earnings per share, net worth per share, price earnings ratio, earnings per bonus share, information value of dividend decision etc. their effect is also different for different banks.
- Market price per share (MPS) to book value per share (BVPS) ratio is greater than 1 for all banks in all FY under study. In other words MPS of listed banks is higher than the BVPS. This indicates that the investors are not looking at BVPS but only the transaction price of share which shows the lack of consciousness and knowledge in shareholders.
- Dividend per share is affected by the earnings per share, retention ratio and net profit net worth per share differently in different banks.
- The situation of capital market of Nepal is improving day by day. As a result, the capital market seems to be more efficient than previous years. But it is reality that capital market of Nepal is still immature.
- Due to inadequate time period, only few numbers of banks have been taken as sample. Hence, if large samples are taken from the whole population the result might have produced more accurate and absolute results.

5.3 Recommendations

There seems lack of consistent in dividend pay practices of sample banks. This may be due to lack of legal obligation that abides the companies to pay dividend when they are running at profit. There is not clear provision in company ACT 2053, commercial banks ACT 2053, and their regulating acts regarding the dividend policy.

- The uniformity and regularity in dividend payment practices should be adopted by the companies. In many cases, a small amount of dividend is paid without considering what is adequate or desired by the investors. But all respondents say that they should take into account the shareholders expected return, while forming dividend policy. The financial institution should consider the shareholder expectation as far as possible.
- The commercial banks should have long term policy/ strategy regarding the adoption of suitable dividend policy.
- The shareholder should be taken into confidence while there is a pressing the dividend practice.
- Government, Nepal Rastra Bank, security exchange board and Nepal stock exchange should be conscious in discouraging market imperfection in dividend payment practices.
- Even if the net earning has been increased the dividend per share has widely fluctuated. There seems to be the need of relating DPS with the long term trend of EPS. Distribution of bonus share should be pre-evaluated.
- Most of the banks seem to ignore the dividend expectation of the minority shareholders. Their needs an organization as a pressure group to promote and protect shareholder rights as regards dividend.
- The organization formed by conscious shareholders like shareholders' Association of Nepal should be encouraged to work against the management ignorance.
- The Activities, policies and the financial information should be transparent and within the reach of the shareholders.
- In short, to develop a long-term dividend policy the directors should aim to strike a balance between the desire of shareholders and the means of the concerned company.

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Appendix-I

Earning Per Share

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	105.86	86.07	67.84	68.94	21.3
2006/07	115.62	83.08	83.79	116.28	34.84
2007/08	126.88	93.57	59.26	82.81	31.56
2008/09	141.13	60.26	55.25	18.27	32.91
2009/10	149.30	49.45	84.66	19.86	25.89
Mean	127.76	74.49	70.16	61.23	29.3
Std. Dev.	14.48	18.72	13.62	42.17	5.58
C.V.	11.33	25.13	19.42	68.87	19.04

Dividend Per Share

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	80	50	50	15	15
2006/07	100	50	55	0.00	0.00
2007/08	100	27.50	40	5	0.00
2008/09	100	25	30	0.00	0.00
2009/10	110	1.32	50	0.00	20
Mean	98	30.76	45	4	7
Std. Dev.	10.95	20.32	10	6.52	9.75
C.V.	11.18	66.04	22.22	162.98	139.29

Appendix-II

Dividend Percent

Years	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	80	50	50	15	15
2006/07	100	50	55	0.00	0.00
2007/08	100	27.50	40	5	0.00
2008/09	100	25	30	0.00	0.00
2009/10	110	1.32	50	0.00	20
Mean	98	30.76	45	4	7
Std. Dev.	10.95	20.32	10	6.52	9.75
C.V.	11.18	66.04	22.22	162.98	139.29

Dividend Payout Ratio

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	75.57	58.09	73.70	21.76	70.42
2006/07	86.49	60.18	65.64	0.00	0.00
2007/08	78.81	29.39	67.49	6.04	0.00
2008/09	70.86	41.49	54.29	0.00	0.00
2009/10	73.68	2.67	59.06	0.00	77.25
Mean	77.08	38.36	64.05	5.56	29.53
Std. ev.	6	23.61	7.54	9.46	40.51
C.V.	7.79	61.54	11.78	169.53	137.20

Market Price per Share

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	1162	1000	700	616	407
2006/07	1985	1700	1400	1502	995
2007/08	2144	1500	1500	1100	650
2008/09	1575	1000	700	490	405
2009/10	1640	836	740	360	445
Mean	1701.2	1207.2	1008	813.6	580.4
Std. Dev.	383.09	371.56	405.36	475.77	252.93
C.V.	22.52	30.78	40.21	58.48	43.58

Appendix-III

Price Earning Ratio

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	10.98	11.62	10.32	8.66	19.11
2006/07	17.17	20.46	16.71	12.68	28.56
2007/08	16.90	16.03	25.31	13.18	20.60
2008/09	11.16	16.59	12.67	26.82	12.31
2009/10	10.98	16.90	8.74	18.13	17.19
Mean	13.44	16.32	14.75	15.90	19.55
Std. Dev.	3.28	3.15	6.62	48.6	5.93
C.V.	24.45	19.31	44.90	3.06	4.89

Earning Yield

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	9.11	8.61	9.69	11.54	5.23
2006/07	5.82	4.89	5.98	7.89	3.50
2007/08	5.92	6.24	3.95	7.53	4.86
2008/09	8.96	6.03	7.89	3.73	8.13
2009/10	9.10	5.92	1.44	5.52	5.82
Mean	7.78	6.34	5.79	7.24	5.51
Std. Dev.	1.75	1.35	3.24	2.93	2.87
C.V.	22.45	21.34	55.94	40.43	52.27

Appendix-IV

Dividend Yield

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	6.88	5	7.14	2.51	3.69
2006/07	5.04	2.94	3.93	0.00	0.00
2007/08	4.66	1.83	2.67	0.45	0.00
2008/09	6.35	2.5	4.29	0.00	0.00
2009/10	6.71	0.16	6.76	0.00	4.50
Mean	5.93	2.49	4.96	0.59	1.64
Std. Dev.	1.01	1.76	1.92	1.09	2.26
C.V.	17.07	70.74	38.73	184.10	137.8

Net Worth Per Share (NWPS)

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	282.26	362.03	224	207	122.61
2006/07	298.88	362.70	251	330	171.24
2007/08	327.50	399.42	216	248	144.62
2008/09	363.86	393.34	233	174	207.66
2009/10	403.15	444.26	267	190	214.89
Mean	335.13	392.35	258.2	229.8	172.2
Std. Dev.	49.04	33.70	30.47	62.43	39.69
C.V.	14.63	8.59	11.80	27.17	23.05

Appendix-V

Market Price Per Share (MPS) to Book Value Per Share (BVPS)

Banks	SCBNL	HBL	NABIL	NBBL	EBL
2005/06	4.17	2.76	3.13	2.89	3.31
2006/07	6.64	4.69	5.59	4.46	5.82
2007/08	5.25	3.76	6.94	4.40	4.48
2008/09	4.329	2.54	3.00	2.82	1.95
2009/10	4.07	1.88	2.77	1.89	2.07
Mean	4.89	3.126	4.286	3.29	3.53
Std. Dav.	0.969	0.988	1.675	0.994	1.472
CV	0.198	0.316	0.391	0.302	0.417

Before Dividend Price, Dividend Per Share, Theoretical Price and Market Price

Banks	Before Dividend Price	Dividend Per Share	Theoretical Price	Market Price
SCBNL	3110	110	3000	1640
HBL	1652	1.32	1650.68	836
NABIL	1900	50	1850	740
NBBL	1352	0.00	1352	360
EBL	1380	20	1360	445

Appendix-VI

Financial Situation of SCBNL

Variables	Min.	Mix.	Mean	Std. Dev.	C.V.
EPS	105.86	149.30	127.76	14.48	11.33
DPS	80	110	98	10.95	11.18
DP Ratio	70.81	86.49	77.08	6	7.79
MPS	1162	2144	1701.2	383.09	22.52
EP Ratio	10.98	17.17	13.44	3.28	24.45
EY	5.82	9.11	7.78	1.75	22.45
DY	4.66	6.88	5.93	1.01	17.07
NWPS	282.26	403.15	335.13	49.04	14.63

Financial Situation of HBL

Variables	Min.	Mix.	Mean	Std. Dev.	C.V.
EPS	49.45	93.57	74.49	18.72	25.13
DPS	1.32	50	30.76	20.32	66.04
DP Ratio	2.67	60.18	38.36	23.61	61.54
MPS	836	1700	1207.2	371.56	30.78
PE Ratio	11.62	20.46	16.32	3.15	19.31
EY	4.89	8.61	6.34	1.35	21.34
DY	0.16	5	2.49	1.76	70.74
NWPS	362.03	444.26	392.35	33.70	8.59

Appendix-VII

Financial Situation of NABIL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	55.25	84.66	70.16	13.62	19.42
DPS	30	55	45	10	22.22
DP Ratio	54.29	73.70	64.05	7.54	11.78
MPS	700	1500	1008	405.36	40.21
PE Ratio	8.74	25.31	14.75	6.62	44.90
EY	1.44	9.69	5.79	3.24	55.94
DY	2.67	7.14	4.96	1.92	38.73
NWPS	216	267	258.2	30.47	11.80

Financial situation of NBBL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	18.27	116.28	61.23	42.17	68.87
DPS	0	15	4	6.52	162.98
DP Ratio	0	21.76	5.56	9.46	169.53
MPS	360	1502	813.6	475.77	58.48
PE Ratio	8.66	26.82	15.90	48.6	3.06
EY	3.73	11.54	7.24	2.93	40.43
DY	0	2.51	0.59	1.09	184.10
NWPS	174	330	229.8	62.43	27.17

Appendix-VIII

Correlation between DPS and MPS of Concerned Banks

Banks	Coefficient of variation	Relationship	r ²	Probable error	Sig./Insig.
SCBNL	0.606	Positive	0.367	0.191	Not Significant/ Moderate
HBL	0.552	Positive	0.305	0.210	Not Significant/ Moderate
NABIL	0.197	Positive	0.039	0.290	Insignificant
NBBL	-0.123	Negative	0.015	0.297	Insignificant
EBL	-0.538	Negative	0.289	0.214	Not Significant/ Moderate

Correlation between DPS and EPS of Concerned Banks

Banks	Coefficient of correlation	Relationship	r ²	Probable error	Sig. /Insig.
SCBNL	0.837	Positive	0.701	0.090	Significant
HBL	0.753	Positive	0.567	0.131	Not Significant/
NABIL	0.872	Positive	0.760	0.072	Significant
NBBL	0.203	Positive	0.041	0.289	Insignificant
EBL	-0.865	Negative	0.748	0.076	Significant

Correlation between DPS and NWPS of Concerned Banks

Banks	Coefficient of variation	Relationship	r ²	Probable error	Sig./Insig.
SCBNL	0.809	Positive	0.654	0.104	Significant
HBL	-0.990	Negative	0.980	0.006	Significant
NABIL	0.471	Positive	0.222	0.235	Moderate
NBBL	0.072	Positive	0.005	0.002	Significant
EBL	-0.157	Negative	0.025	0.294	Insignificant

Table Correlation between EPS and MPS of Concerned Banks

Banks	Coefficient of correlation	Relationship	r²	Probable error	Sign./ Insign.
SCBNL	0.182	positive	0.033	0.292	Insignificant
HBL	0.707	positive	0.50	0.898	Insignificant
NABIL	0.063	positive	0.004	0.3004	Insignificant
BNNL	0.937	positive	0.878	0.037	Significant
EBL	0.650	positive	0.423	0.174	Insignificant / Moderate

Correlation between MPS and DPR of Concerned Banks

Banks	Coefficient of correlation	Relationship	r²	Probable error	Significant / Insignificant
SCBNL	0.570	Positive	0.325	0.309	Insignificant/Moderate
HBL	0.474	Positive	0.225	0.346	Insignificant/Moderate
NABIL	0.301	Positive	0.091	0.406	Insignificant/none
NBBL	-0.143	Negative	0.020	0.438	Insignificant/none
EBL	-0.553	Negative	0.306	0.310	Moderate

Financial Situation of EBL

Variables	Min.	Max.	Mean	Std. Dev.	C.V.
EPS	21.30	34.84	29.3	5.58	19.04
DPS	0	20	7	9.75	139.29
DP Ratio	0	77.25	29.53	40.51	137.20
MPS	405	995	580.4	252.93	43.58
PE Ratio	12.31	28.56	19.55	5.93	4.89
EY	3.50	8.13	5.51	2.87	52.17
DY	0	4.50	1.64	2.26	137.8
NWPS	122.61	214.89	172.2	39.69	23.05

Simple Regression Analysis of DPS on EPS

Banks	Constant 'a'	Reg. Coeff. 'b'	Std, error	R ²	't' value calculated
SCBNL	32.298	0.514	0.194	0.701	2.646
HBL	-30.094	0.817	0.412	0.567	1.981
NABIL	0.085	0.640	0.207	0.760	3.084
NBBL	2.076	0.0315	0.087	0.041	.0360
EBL	51.306	-1.512	0.0506	0.748	-2.991
EBL	51.306	-1.512	0.0506	0.748	-2.991

Simple Regression Analysis for MPS on DPS

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	-375.683	21.192	16.061	0.367	1.319
HBL	1127.931	0.140	0.160	0.305	0.874
NABIL	648	8	22.943	0.039	0.349
NBBL	849.647	-9.012	41.813	0.015	-0.216
EBL	678.20	-13.97	12.626	0.289	-1.107

Appendix-IX

Simple Regression Analysis of MPS on EPS

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	1201.624	3.910	12.203	0.033	0.320
HBL	162.071	14.031	8.107	0.50	1.731
NABIL	875.622	1.887	17.143	0.004	0.110
NBBL	166.036	10.576	2.270	0.878	4.659
EBL	-282.561	29.487	19.888	0.423	1.583

Simple Regression Analysis of MPS on DPR

Banks	Constant 'a'	Reg. Coeff. 'b'	Std. Error	R ²	't' value
SCBNL	-1104.429	36.398	30.275	0.325	1.202
HBL	920.892	7.463	8.000	0.225	0.933
NABIL	-29.152	16.196	29.581	0.091	0.548
NBBL	853.803	-7.231	28.840	0.020	-0.251
EBL	682.384	-3.453	3.003	0.306	-1.150

Multiple Regression Analysis of MPS on EPS and DPS

Banks	Reg. Constant (a)	Reg. Coefficient (b ₁)	Regression Coefficient (b ₂)	S.E.		Multiple Correlation	R ²
				S ₁	S ₂		
SCBNL	-506.983	-23.296	52.902	14.697	23.910	0.848	0.720
HBL	187.147	13.350	0.883	15.070	13.885	0.708	0.501
NABIL	873.574	-13.521	24.068	41.069	55.955	0.297	0.088
NBBL	215.656	11.327	-23.904	1.110	7.181	0.990	0.981
EBL	-412.827	33.297	2.520	48.511	27.763	0.652	0.425

Appendix-X

MSC, MSR and MSE

Years	Banks					Row Total Tr	X_1^2	X_2^2	X_3^2	X_4^2	X_5^2
	SCBNL X_1	HBL X_2	NABIL X_3	NBBL X_4	EBL X_5						
2005/06	30	0	0	-35	-35	-40	900	0	0	1225	1600
2006/07	50	0	5	-50	-50	-45	2500	0	25	2500	2500
2007/08	50	22.50	-10	-45	-50	-32.5	2500	506.25	100	2025	2500
2008/09	50	-25	-20	-50	-50	-95	2500	625	400	2500	2500
2009/10	60	-48.68	0	-50	-30	-68.68	3600	2369.74	0	2500	900
Column Total Tc	240	-51.18	-25	-230	-215	281.18	12000 $\sum X_1^2$	3501 $\sum X_2^2$	525 $\sum X_3^2$	10750 $\sum X_4^2$	10000 $\sum X_5^2$

Now, $T = \text{Grand Total} = 281.18$

$$\sum Tc = \sum Tr = 281.18 \text{ and } n = 25$$

$$\text{Correlation factor (C.F.)} = \frac{T^2}{n} = \frac{(281.18)^2}{25} = 3162.50$$

R.S.S. = Row sum of squares

$$\begin{aligned} &= \sum X_1 + \sum X_2 + \sum X_3^2 + \sum X_4^2 + \sum X_5^2 \\ &= 12000 + 3501 + 525 + 10750 + 10000 = 36776 \end{aligned}$$

$$\therefore \text{SST} = \text{R.S.S.} - \text{C.F.} = 36776 - 3162.50 = 33613.5$$

$$\text{SSC} = \frac{\sum T^2c}{n_r} - \text{C.F.} = \frac{(240)^2}{5} + \frac{(-51.18)^2}{5} + \frac{(-25)^2}{5} + \frac{(-230)^2}{5} + \frac{(-215)^2}{5} - 3162.5$$

$$\text{SSR} = \frac{\sum T^2r}{n_c} - \text{C.F.} = \frac{(-40)^2}{5} + \frac{(-45)^2}{5} + \frac{(-32.5)^2}{5} + \frac{(-95)^2}{5} + \frac{(-68.68)^2}{5} - 3162.5$$

$$= 28831.38$$

$$= 522.14$$

$$\therefore \text{SSE} = \text{SST} - \text{SSC} - \text{SSR} = 33613.5 - 28831.38 - 522.14 = 1619.62$$

Appendix - XI

A Survey of Dividend Policy Application in Nepales Banks

Name (optional):

Designation:

Institution:

- 1) Which of the following factors, do you think mainly affect dividend?
(a) Size of Company(Market capitalization) (b) Earnings yield (c) Retain earinings
- 2) Mostly companies want to provide stock dividend rather than cash dividend, why?
(a) Yes (b) No (c) Don't know
- 3) Which of the following variables, in your opinion, would have higher performance measurement power of companies?
(a) Earnings (b) Size of enterprises
(c) Book-to-market equity ratio (d) Dividend payouts ratio
- 4) In your opinion, what kind of relation exists between dividend and size?
(a) Positive relationship (b) Negative relationship
(c) Depends upon situation of companies
- 5) Is the company paying consistent dividend to the shareholders throughtout the different years?
(a) Yes (b) No (c) Don't know
- 6) Which fundamental variables mainly affect the dividend policy? (Please rank in order of their effectiveness by assigning most important one and so on)
(a) Book-to-market equity ratio. ()
(b) Returning earining ratio ()
(d) Size ()
(e) Cash flow yield. ()

7) Please specify how far do you agree or disagree with following statements.

(Make a tick-mark on appropriate box as per following scheme for each statement)

1 = strongly agree

2 = Agree

3 = Do not know

4 = Disagree

5 = Strongly Disagree

S. N.	Statements	1	2	3	4	5
a.	Future dividend movements of the stocks can be predicted by analyzing the historical price changes and volume of transactions.					
b.	The stock price prediction is possible by estimating and analyzing the fundamental facts of the company like expected future earnings, cash flows, retained earning, book to market ratio, size etc).					
c.	Insiders' information can be used to forecast the dividend policy					
d.	As the price movement is purely random, the future prices of dividend movement can not be predicted at all.					

8) In your opinion, would the large sized enterprises pays higher dividend?

(a) Yes

(b) No

(c) Don't know

9) what is the most important decision for the organization?

(a) financial decision

(b) investment decision

(c) dividend decision

10) Any other remarks (comments):

.....

Thank you