

A Thesis

On

"Cash Management Policy of Commercial Banks"

(Special Reference to Nepal Investment Bank Limited, Nabil Bank Limited, Standard Chartered Limited and Himalayan Bank Limited)

Submitted To:

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Master in Business Studies (M.B.S.)**

RECOMMENDATION

This is to certify that the thesis

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VIVA-VOCE SHEET

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Cash Management Policy of Commercial Banks**” (special reference to: Nepal Investment Bank, Nabil Bank Limited, Standard Chartered Bank Limited, and Himalayan Bank Limited)” submitted to Shanker Dev Campus, Faculty of management, Tribhuvan University is my original work done in the form of the partial fulfillment of Master in Business Studies (M.B.S.) Study under the guidance and supervision of Mr. Shankar Raj Joshi and Dr. Kamal Deep Dhakal, Shanker Dev College.

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2009

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This Thesis Work entitled “**Cash Management Policy of Commercial Banks (special reference to: Nepal Investment Bank, Nabil Bank Limited, Standard Chartered Bank Limited, and Himalayan Bank Limited)**” has been prepared in the form as required for the partial fulfillment for the degree of Master in Business Studies (M.B.S.).

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Lastly, I do not want to state that this research is complete and perfectly satisfactory. There may be various limitations and shortcomings. I am alone responsible for all of those.

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ABBREVIATION

ACP	Average Collection Period
AR	Annual Report
CCC	Cash Conversion Cycle
CL	Current Liabilities
CV	Coefficient Of Variation
DPR	Dividend Payout Ratio
DPS	Dividend Per Share
D/Y	Dividend Yield Ratio
EPS	Earning Per Share
FSLB	Financial Statistics of listed Bank
HMG/N	His Majesty's the Government of Nepal
HBL	Himalayan Bank Limited
Invt.	Investment
JVB	Joint Venture Bank
M	Million
NE	Net Earning
NIBL	Nepal Investment Bank Limited
NP	Net Profit
NW	Net Worth
PDP	Payable Deferral Period
PE	Probable Error
P/R	Payout Ration
R^2	Correlation of Determination
RE	Retained Earning
SD	Standard Deviation
SCBL	Standard Chartered Bank Limited
TA	Total Assets
TU	Tribhuvan University
WC	Working Capital

CHAPTER-1

INTRODUCTION

1.1 Background of the study

Banks and other financial institution are playing vital role in the economic development of the country. Banks and financial institution have enhanced the industrial development and educational development. Actually, they regulate different policy so that the economic standard of the country automatically uplifted. So, if there is insufficiency of banking and financial facilities, the growth of the pace of economic development automatically becomes slow. Earning more and more profit in every transaction period by proper mobilizing the resources available in particular productive use after collecting them from scattered sources is the basic objective of the commercial banks. It is fairly safe to say that banks are not the outcome of the economic development but are the courses for it.

Banking is one of the major tools with the aid of which the vicious poverty circle of backwardness and poverty can be broken. In real sense, Banks provides the resources for the economic development, which maintain the self- confidence of various segment of society, and expand credit to the people. Commercial banks are those financial institution mainly dealing with financing activities of trade, commerce, industry and agriculture that seek regular financial and other helps from them for growth and progression. Commercial banks perform the function in many different ways like accepting deposits, providing interest, granting loan that helps to remove the deficiency of capital, performing agency function which make life easier and they also play an important role in credit creation. When the economy is in boom, banks increase interest rate which reduces the probability to inflation and incase of depression, they reduce interest rate so that people are interested in investment.

The history of financial institution in Nepal is not so long. It has taken many steps to come up to present situation. The banking function in Nepal prior to 1937 were carried out by indigenous money lenders known as Marwari merchants, Sharafis, Pawn brokers etc. Tanak Dhari also occupies significant position in the history of financial institution of Nepal. They were prevailing in the last of 14th century in the regime of Jayasthiti Mall. Tanak means money and Dhari means holder. Such persons based to hold sufficient money and used to give loan at fixed rate of interest. The Tejrath Adda set up during 1877-1885, under the period of Rana Prime Minister Shree Ranodip Singh, was

functioning as financial institution in the same sense. This adda was primarily engaged in giving loan to government servants. It also used to give loan to general public against security of gold and silver. So all the above used to give loan but did not receive deposit. In the sense, they were financial institution but not a bank.

The first organized bank in the history of Nepal was “Nepal Bank Limited” a commercial bank established in 1937. It was established with the purpose of supplying loans to industries and commerce providing banking facilities to the people such as collecting deposits, provide long-term and short-term loan against collateral and guarantee. The bank has dominance role in banking transaction all over the country.

Nepal Bank Limited was so serving as the central bank of the country before the establishment of Nepal Rastra Bank in 1956. Nepal Rastra Bank was established to work as a central bank of the country. The capital of this bank was fully subscribed by the Government of Nepal. Its objectives were stated by the Nepal Rastra Bank Act, under which it is established to ensure proper management for the issue of Nepalese currency through the kingdom. To stabilize the exchange rate of Nepalese currency in order to ensure the convenience and economic interest of the general public. To mobilize capital for the development and to encourage trade and industry in the kingdom and to develop banking system in Nepal. In addition, by strengthening capital base of development bank and commercial bank.

After the enactment of Commercial Bank Act 1963, another Commercial Bank, Rastriya Binajya Bank, named (RBB), was established in 1963. Since the RBB was opened in government ownership, Nepal Rastra Bank assigned it as an agent to work on behalf of central bank on those places where there was no branches of Nepal Rastra Bank.

However the expansion of only two banks, Nepal Bank limited and Rastriya Banijya Bank felt inadequate to cover all the financial transaction of the country. Government permitted to established a foreign Joint Venture Banks (JVBs) in 1980's, three Joint Venture Banks namely, Nepal Arab Bank, Nepal Grindlays Bank and Nepal Indosuez Bank were established respectively. Now total 17 commercial banks including Joint Venture Banks are operating in Nepal. Which include Nepal Bank Limited (now Nepal Investment Bank Ltd.), Nepal Grindlays Bank LTD (now Standard Chartered Bank Nepal LTD), Himalayan Bank Ltd., Nepal SBI Bank LTD, Nepal Bangladesh Bank LTD,

Everest Bank LTD, Bank of Kathmandu Ltd., Nepal Bank of Ceylon LTD (now Nepal Credit and Commerce Bank Ltd.), Lumbini Bank Ltd., Nepal Industrial and Commercial Bank Ltd., Machhapuchre Bank LTD, Kumari Bank LTD, Laxmi Bank and Siddhartha Bank. Today Nepal can take legitimate pride in the remarkable growth and progress in the banking sector.

Banking is one of the major tools with the aid of which the vicious circle of backwardness and poverty can be broken. In real sense, Banks are the resources for the economic development, which maintain the self- confidence of various segment of society, and expand credit to the people. Commercial banks are those financial institution mainly dealing with financing activities of trade, commerce, industry and agriculture that seek regular financial and other helps from them for growth and progression. Commercial banks perform the function in many different ways like accepting deposits, providing interest, granting loan that helps to remove the deficiency of capital, performing agency function which make life easier and they also play an important role in credit creation. When the economy is in boom, banks increase interest rate which reduces the probability to inflation and incase of depression, they reduce interest rate so that people are interested in investment.

Joint Venture, in global perspective, is the modes of trading through partnership between various groups of industries and trades to achieve mutual exchange of advantages. "A Joint Venture is the joining of forces between two or more enterprises for the purpose of carrying out a specific operation (Industrial or Commercial investment or trade). (G.P Gupta, "The banking System, Its role in Export Development", 1984,pp.15-24). Benefit of the Joint Venture and Private Banks in Nepal has many consequences apart from performing the role of Commercial Banks. They introduced new philosophy and modern banking practices in Nepal. The growth of Joint Ventures Banks increased dramatically after the restoration of democracy when the government adopted liberal and market oriented policy. The establishment of Joint Venture Banks after the restoration of democracy in 1990 has been contributing to a gradual development of banking culture i.e. issuing credit cards, Tele banking, 24 hours banking service etc. This has drawn a heavy attention from non- business of general public towards commercial banks.

Most of the public enterprises, in our country, are operating in loss that is either due to inefficiency in proper management or of having suffered from over corruption. In such enterprises, the problem are not the distribution of dividend rather maximization of losses through better utilization of capital. We can see only few enterprises paying proper dividend to the shareholders. That has brought new hopes

for productive mobilization of funds. So, major decision of the firm is its dividend policy, the percentage of earning it pays in cash to its shareholders.

“By a dividend policy we mean some kind of consistent approach to the distribution versus retention decision rather than making the decision on the purely ad- hoc basis from period to period”. So what and how much it is desirable to pay dividend is always controversial topic because share holders always expect high dividend, but the firm ensures towards setting aside funds for maximizing the shareholders wealth.

“ In the decades since Modigliani and Miller proclaimed that corporate dividend policy was a more detain in the context of their analysis, the air has been filled with the debate on the importance of dividends.” (Pandey, I.M.(1998)

There are again corporate laws that bind limitation on the distribution of dividends, as corporation has to keep reserve for the protection of credits overall interest. Therefore, it is very wise policy to maintain balance between shareholders interest with that of corporate growth from internally generated funds. The return on shareholder should be better paid as dividends since shareholders have invested opportunities to employ elsewhere. “Financial management is therefore concerned with the activities of corporation that affect the well being of shareholders. That well being can be partially measured by the dividends received, but a more accurate measured is the market value of stock”.

There is conceptual conflict about the dividend payout policy that is whether it should pay in cash or retain in company for the purpose of long term financing i.e. internal financing. Each of these alternatives has own impact while deciding dividend policy. If the investor couldn't get cash dividend, they would think their investment worthless. Similarly, on the other hand management desires retain all the earning foe the internal financing which is essential for corporate growth. Company feels so because of having lower flotation cost about retaining the earning in the company rather paying it out to the shareholders. The dividend will affect both the long-term financing, net profit, market price per share, book value per share and earning per share.

Concerning to our country, the government is unable to receive dividends from the public enterprises as documented in past several years' budget speech and economic survey published by HMG's

ministry of finance. According to the study made by the management consultant and company, it is found that the government never received a dividend more than 1.07% aggregate networth. So, neither the corporation of Nepal is capable of generating sufficient earning for dividend nor the government expects dividends since it has been observed that dividend payment is practically a crucial problem of the corporation. When we see the fact that the corporation can not pay dividend, the corporation is unable to generate earning due to the number of causes beyond their control. Decision regarding the dividend is very crucial factor for every corporation. Corporation like Bansbari leather and shoes factory (before privatizing it) RNAC, Nepal Electricity Corporation has been unable to pay dividend because that they always suffer with maximum losses. Their problem is about the recovery of past loss, and they won't always want to distribute the dividend from their earning. They have to maximize the losses through better utilization of capital. Major problem of having maximum loss is due the bureaucratic policy, which always lead the company toward maximum corruption. But Janakpur Cigarette Factory, NIDC etc are the enterprises, which are following the balance between dividend declaration and profit retention. On the other hand, the corporation that could offer to dividend out of an accumulated profit of the past could not do due to the necessity of compensating current losses that shocked their financial reputation.

In Nepal we can find very small number of corporation that are paying regular dividends, and the other corporation are not stable in the payment of dividends. There are still some companies not having the practice of paying dividends in their historical background.

We find that most of the Joint Venture Banks have practiced in paying dividend. They are like to pay more attention for paying appropriate dividend to the shareholder. "But the appreciation in the market value of the share of these joint Venture banks have, without any doubt, provide adequate sense of protection to the shareholders."

This research work will look into all relevant factor of dividend regarding dividend policy among Nepal Investment Bank Ltd., Nabil Bank Ltd., Standard Chartered Bank Ltd., and Himalayan Bank Ltd. These banks are selected to show the differences in policy adopted by them considering size of the profit and dividend. The study shows overall implication of dividend of Joint Venture Banks. It is also more specific in application of dividend policy in Joint Venture Banks.

1.1.1 A brief Introduction of sample Commercial Banks.

) **Standard Chartered Bank Limited**

Standard Chartered Bank Limited formerly known as Nepal Grindlays Bank limited, was incorporated in the year 1985 and has been in operating since 1987. On 31 July 2000, Standard Chartered Bank concluded the acquisition of ANZ Grindlays bank from the Australia and New Zealand Banking Group Limited. With this acquisition, 50% shares of Nepal Grindlays Bank Ltd. (NGBL) previously owned by ANZ Grindlays are now owned by Standard Chartered Grindlays Bank Ltd. leading to the name change of the Bank to Standard Chartered Bank Limited with effective from July 16, 2001. The equity composition of standard Chartered Bank Ltd. is as follows:

Standard Chartered Grindlays Bank	-	50%
<i>Nepal Bank Limited</i>	-	33%
General Public	-	17%

The bank focuses mainly on corporate, consumer and commercial banking, providing services for international firms, as well as embassies, aid agencies, airlines, hotels and government corporations.

The banking services range includes full trade finance capabilities as well as working capital and medium term loan facilities, remittances, deposit services, credit card and ATM. For international firms, Standard Chartered Bank Nepal limited specialized in foreign trade, bonding, remittance services and foreign exchange. (www.standardchartered.com.np)

) **Nepal Investment Bank Limited**

Nepal Investment Bank Limited, previously Nepal Indosuez Bank Limited, was established in 1986 as a joint venture between Nepalese and French partners. The French partners holding 50% of the

capital of NIBL was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessman, has acquired an April 2002 the 50% shareholding of Credit Agricole Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank LTD upon the approval of Bank's annual General Meeting, Nepal Rastra Bank and Company Registrar's Office with the following shareholding structure.

A Group of Companies	-	50%
Rastriya Banijya Bank	-	15%
Rastriya Beema Sansthan	-	15%
General Public	-	20%

Nepal Investment bank limited offers a wide range of service. Some of them are trade finance, deposits, fund transfer, remittances, export credit, bills purchase, loans and advances, locker facilities, ATM with any branch banking, 365 days banking etc. (www.nibl.com.np)

) Nabil Bank Limited(Nepal Arab Bank Limited)

Nabil Bank Limited (Nepal Arab bank Limited was incorporated in the year 1984 AD). It commenced its operation on 12 July 1984 as the first joint venture bank in Nepal. It was listed in the Nepal Stock Exchange in the year 1986 AD (2042 BS). Dubai Bank Ltd. (Later acquired by Emirates Bank International Ltd. Dubai) was the first joint venture partner to NABIL currently; NB (International) Ltd., Ireland is the foreign partner. Nabil Bank Limited had the official name Nepal Arab Bank Ltd. till 31st December 2001. The equity composition of Nepal Arab Bank limited is as follows:

NB (International) Ltd., Ireland	-	50%
Nepal Industrial Development Corporation (NIDC)	-	10%
Rastriya Beema Sansthan	-	9.67%
Nepal stock Exchange Limited	-	0.33%
General Public	-	30%

Nabil Bank is the pioneer in introducing many innovative banking services and marketing concept in banking sector of Nepal. It operates its activities through 15 branches and 2 countries. It is the only bank having presence in the Tribhuvan International Airport. Some of the services provided by NABIL bank Limited are accepting deposits, documentary credit, guarantees, collections, credit cards, Tele- banking, safe deposits, fund transfer etc. (www.nabilbank.com.np)

) **Himalayan Bank Limited**

Himalayan Bank Ltd. was established in 1992, under company Act 1964. It is joint venture bank with foreign partner, Habib Bank Ltd. Pakistan; this is the first joint venture bank managed by Nepalese chief executive. The main activities of this bank is to provide modern banking services like Tele banking to the businessman, industrialist and other professional and to provide loan in different sectors.

This bank was listed in Nepal stock exchange in Ashad 21, 2050 BS (1998 A.D).

1.2 Statement of the problem

In the context of Nepal there are only few joint venture bank with sufficient earning are capable of paying dividend. Still they do not follow the prevailing dividend policies. Cash Dividend distribution procedure is not matching with earning of the joint venture banks.

There are many dimensions to be considered on dividend policies and practices. The Nepalese government rules and regulation also affect the dividend behavior of commercial bank. There are many dimensions to be considered on dividend policies and practices. The research question is to find out issue, which deal with the propose of this study:

-) Dose there existence of the positive or negative relationship between dividend and Stock price?
-) What kind of cash dividend policies is following by the Joint Venture Banks of Nepal?
-) Is there consistency between cash dividend policy followed by the Joint Venture Banks?
-) What is the relationship of cash dividend with EPS, MPS, P/E ratio, and P/P ratio?

1.3 Significance of the study

Getting more return from the limited source of investment is the essential part for every investor while they seek to invest in different sector based on portfolio. Nowadays people are very attracted to invest in shares for the purpose of getting more return. Therefore, dividend policy has become an effective way for attracting the large number of investors, to keep present investor happy and to maintain goodwill of the company. Capital market plays a crucial role for the investors to select appropriate sector to invest. Numbers of investors will apply for owner's certificate through capital market when if the company sells shares for public offering. While investing in share the investor forgoes opportunity income that he could have earned. Actually, in capital market the investor can earn earning in two ways (a) by means of dividend (b) by capital gain i.e. increase in share price. In our country, most of the companies are not adopting appropriate dividend policy, and so it seems very important for our perspective.

Significance of the study is as follows:

1. This study will be very helpful for the further researcher to find more details on the same topic.
2. It may be useful to government for policy making, controlling, supervision and monitoring.
3. It will be very useful to the concerned people like shareholders, management and policy makers.
4. It covers the partial fulfillment of MBS.

1.3 Objective of the study

The main objective of the dividend policy should be to maximize the return on shareholders equity so that the value of the investment is maximized. Stock market plays a pivotal role in challenging the invest able funds in the most productive sector. The aim of the study is basically to analyze and evaluate the application of dividend decision in the selected banks, and the study focus on the prevalent dividend policies and to suggest the direction of future endeavor or share market in Nepal. Besides that the overall objective of the study are briefly enumerated below.

1. To highlight various cash payment as dividend procedures followed by Joint Venture Banks.
2. To find out the relationship of cash as dividend with various important variables .
3. To provide some fruitful suggestions that can be implemented easily and provide possible guideline to overcome various issues and gaps based on the finding of the analysis.
4. To find out the relationship between market price and cash distribution as dividend policy

1.4 Limitation of the study

This study will be limited by following factors.

1. The analysis covers only five years beginning from 2003 to 2007 of Joint Venture Banks.
2. Only those factors are considered which are related to cash dividend.
3. Only four JVBS (Nepal Investment Bank Ltd., Nabil Bank Ltd., Standard Chartered Bank Ltd., and Himalayan Bank Ltd.) are taken as sample for study.

1.5 Organization of the study

The study has been organized into five chapters; each devoted some aspect of the study of dividend policy followed by Banks in Nepal. The fields of these chapters are as follows

Chapter I	:	Introduction
Chapter II	:	Literature Review
Chapter III	:	Research Methodology
Chapter IV	:	Presentation and Interpretation of Data
Chapter V	:	Summary, Major Findings and Recommendations

Chapter I : Contains the introductory part of the study consisting introduction, statement of the problem, significance of the study, objective of the study, limitation of the study and chapter plan of the study.

Chapter II : Deals with review of literature. It consists a discussion on the conceptual framework and review of the major studies.

Chapter III : This chapter describes the research methodology used to evaluate dividend policy of JVBs in Nepal. This deal with the nature and sources of data, list of selected Banks, the model of analysis, meaning and definition of statistical tools.

Chapter IV : This chapter deals with the presentation and interpretation of data. These data will be interpreted with the help of various tools and it also deals with the presentation and analysis of primary data.

Chapter V : This chapter states summary, conclusion and major findings of the study. The bibliography, annexes are incorporated at the end of the study.

CHAPTER II

REVIEW OF LITRETURE

2.1 Conceptual Framework

The dividend decision or dividend policy of the firm is one of the major decision making areas of financial management. Simply, the policy of the company and the division of its profit between dividend and retention are known as dividend policy. “While dividend policy refers to that guideline that management uses in establishing portion of earning that is paid to the shareholder in the form of dividend.” (*Mathea, 1979/297*). The firm will use the net profit for paying dividend to the shareholders, if the payment will lead to maximization of the wealth of the owner, if not, it is better to retain them for investment.

How much dividend should be retained in business, is not a simple question. Since dividends would be more attractive to shareholders, one might not hesitate to say that dividends weight more than retention in the perception of the shareholders. But one might equally pressure that gross dividend would be reduced somewhat with an increase in net after tax dividend still available to shareholders and increase in the retained for the corporation. It would be wise policy to maintain balance between shareholders interest with that of corporate growth from initially generated fund. If the company cannot get required rate of return by investing the funds in investment opportunities, it will be better to distribute funds so that the shareholders can invest in the more profitable project. This argument of ploughing back into the shareholder in an analogy to the financial management’s objective to increase the value of the shareholders wealth or well being can be measured by dividend received but more accurate is the market value of the stock. (*William H. Dean, 1973/405-406*).

Normally, dividends are paid in cash, which decrease the cash balance of firm. It affects the investor’s attitude, financial structure, corporate liquidity and flow of funds.

2.1.1 Major Forms of Dividend

Corporation needs to use different forms of dividend in view of the objectives and policies, which they implement. The major forms of dividends are cash dividend and stock dividend. In Nepalese

context, “the type of dividend that corporation follow is partly of matter of attitude of directors and partly a matter of shareholder preferences, and also depend to the various circumstances and financial constraints that bound corporate plan and policies.”(*M.K.Shrestha, Financial Management Theory and Practice, 1980/670*). Dividend is being distributed in several forms. They are as cash dividend, stock dividend, properly dividend, and bond dividend.

1. Cash dividend

Cash dividend is the dividend, which is distributed to the shareholders in cash out of the earning of the company. “When cash dividend is distributed both total assets and net worth of the company decreases as cash and earnings decreases. The market price of the share drops in most cases by the amount of the cash dividend distributed.”(*P.G.Hasting, The Management of Business Finance, 1966/370*). For distribution of cash dividend, firm has to maintain adequate balance of cash otherwise company should be made to borrow fund, which is risky and difficult.

2. Stock Dividend

A stock dividend occurs when the board of directors authorized a distribution of common stock to existing shareholders. Stock dividend increases the number of outstanding shares of the firm’s stock. Although stock dividends do not have real value, firms pay stock dividend either as a replacement for or a supplement to the payment of cash dividend. (*Lawrence J. Gitman, Principle of Managerial Finance, 70*). Under stock dividend stockholders receives additional shares of the company in lieu of cash dividends. Stock dividend requires an accounting entry transfer from the retained earnings account to the common stock and paid in capital accounts. There is no cash in a stock dividend. net worth remains unchanged, and the number of shares is increased.

3. Bond Dividend

Bond dividend by its name is a dividend that is distributed to the shareholders in the form of a bond. This bond can be a long-term bond. These are given when the company unable to take the burden of interest of loans. It helps to postpone the payment of cash. In other word, companies declared dividend in the form of its own bond with a view to avoid cash.

4. Scrip Dividend

When Company is in profit but suffering from cash problem at that time this type of dividend is use. “ Scrip dividends are those paid in the company’s promises to pay instead of cash.”(*Americana, Encyclopedia Americana, 1997/322*). When earning of the companies justify dividends but the company’s cash position is temporarily weak and does not permit cash dividend, it may declare dividend in the 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.

5. Property Dividend

The payment of assets/property in any form other than cash is known as property dividend. When there is no longer necessary in operation of the business or in extra ordinary circumstances, the company follows this form of dividend. Company’s own product and securities of subsidiaries are the examples that have been paid as property dividend.

6. Interim Dividend

Generally dividend is declared in the last of the financial year. This I s called regular dividend also. Many times director can declare dividend before the end of the financial year; this is called interim dividend.

Though, there is a different form of dividend, in Nepal cash dividend and stock dividend is more popular.

2.1.2 Stability of Dividends

“Stability of dividend means regularity in paying some dividend annually even though the amount of dividend may fluctuate from year to year and may not be related with earning. (*Pandy, 1999/778*). Most of the stockholder prefers stable dividends because all the things being same, stable dividends have a positive impact on the market price per share. There are some reasons to believe that stable dividend policy does lead to higher stock price. First, investors are generally expected to more highly dividend. They are sure of receiving; since fluctuated dividends are riskier that stables ones.

Accordingly, some amount of dividend received under a fluctuating dividend policy is likely to have higher discount factor than the stable dividend policy. This means that the company with the stable dividend will have a lower required rate of return or cost of capital than one whose dividend fluctuates. Second, many stockholders live on income they receive in the form of dividend and they will pay premium for a stock with a resistively assured minimum dollar dividend. Third, from the stand point of both the corporation and its stockholder is that stability of dividend is desirable for the requirement of legal listing. (*Weston & Bringham/681*). Three distinct form of such stability dividend payment, which are given below:

i) Constant Dividend Per Share

Investors who have dividend as the source of income prefer the constant dividend per share. Under this policy, dividend is paid in a fixed amount per share in each year without considering the fluctuation in the earning of the company. It is easy to follow this policy where earning are stable. However, if the earning pattern of a company shows wide fluctuations, it is difficult to maintain such a policy. When the company reaches new levels of earning and expects to maintain it, the annual dividend per share may also be increased.

ii) Constant Payout Ratio

Paying a fixed percentage of net earnings as dividend every year is known as payout ratio. The amount of dividend will fluctuate in direct proportion to earnings, if a company implies this policy. Management generally adopts this type of policy because it is directly related to the company's ability to pay dividends. If the company generates profit, dividend shall be paid other wise not.

iii) Small Constant Dividend Per Share Plus Extra Dividend

Combination of above two policies is the form of small constant dividend per share plus extra dividend. In this policy, sum of amount is paid regularly as dividend. If company made good profit at that time company pay extra dividend i.e. paid above regular dividend. In the normal condition returns, the company cuts extra dividend per share and pay regular dividend only. It gives the firm flexibility but it gives investors somewhat uncertain about what their dividend income will be. If a company earning quite volatile this policy may be best for investors.

2.1.3 Factor Affecting Dividend Policy

The factors affecting dividend decision is one of the main focuses of this study. Mostly Government owned public limited companies are in loss and there is no question of paying dividend rather minimizes losses. However, in case of joint venture companies and other private owned enterprises management has somewhat understood the importance of the dividend, though all of them are not protecting shareholder rights. Therefore it is desirable to describe the factors recognized as active variable in determination of dividend in the case of Nepalese companies:

1) Legal Rules

Certain legal rules may limit the amount of dividend a firm may pay. These legal constraints fall into two categories. First, statutory restrictions may prevent a company from paying dividends. Second specific limitations, which vary by state. Generally a corporation may not pay a dividend at following condition.

- i) If the firm's liabilities exceed its assets.
- ii) If the amount of the dividend exceeds the accumulated profits(Retained Earnings)
- iii) If the dividends is beings paid from capital invested in the firm.

The second type of legal restrictions is unique to each firm and results from restrictions in debt and preferred stock contracts.

2) Liquidity Position

The cash of 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 cash available as well as retained earning to pay dividends.

3) Restriction in Debt Contracts

It may specify that dividends may be paid only out of earnings generated after signing the loan agreement and only when net working capital above a specified amount. Also, preferred stock agreement after specified that preferred dividends take precedence to common stock dividend.

4) Desire of Shareholders

Shareholders may be interested either in dividend incomes or capital gains. Wealthy shareholder in a high income tax bracket may be interested in capital gains as against current dividends. A retired and old person, whose source of income is dividend, would like to get regular dividend.

In a closely held company, management usually knows the desire of shareholders. So, they can easily adopt a dividend policy that satisfies all shareholders. But in a widely held company, number of shareholders is very large and they have diverse desire regarding dividends want cash dividends while other prefers bonus share.

5) Rate of Asset Expansion

A high rate of asset expansion creates a need to retain funds rather than to pay dividends.

6) Profit Rate

A high rate of profit on net worth makes it desirable to retain earnings rather than to pay them out if the investor will earn less on them.

7) Stability of Earnings

A firm that has a stable earnings trend will generally pay a larger portion of its earnings in dividends. If earnings fluctuate significantly, a larger amount of the profit may be retained to ensure that enough money is available for investment projects when needed.

8) Access to the Capital Markets

The age and size of the firm will influence a firm's access to capital market; therefore a well-established firm is likely to have a higher payout ratio than a smaller, newer firm.

9) Control Consideration

For many small firms, and certain large ones, maintaining the controlling vote is important. These owners would prefer the use of debt and retained profits to finance new investments rather than new stock. As a result dividend payout will be reduced.

10) Tax Position of shareholders

The tax position of shareholders also affects dividend policy. Corporation owned by largely taxpayers in high income tax bracket tends toward dividend payout whereas corporation owned by small investors tend toward higher dividend payout.

2.1.4 Legal Provision Regarding Dividend Practices in Nepal

Nothing had been explained about dividend practice in Company Act 2021 in Nepal but after the establishment of security exchange Act 1983, Nepal Stock Exchange limited which safe the investor's interest. After that, in 1997 Nepal Company Act has established which had made some provisions may be seen as under: (*Endi Consultants Research Group 1997/ 43*).

Section 2(m) states that stock dividends (Bonus share) means share issued in the form of additional shares to shareholders by capitalizing the surplus from the profit or the reserve fund of the company. The term also denotes an increase in the paid up values of the shares after capitalizing surplus or reserve fund of a company. The terms also deviate an increase in the paid up values of shares after capitalizing surplus or reserve funds. (*Ibid pp:60*)

Section 47 has prevailed company from purchasing its own share. This section states that no company shall purchase its own shares or supply loans against the security of its own. (*Ibid pp:94*)

Section 137, Bonus share & sub section (I) states that the company must inform the office before issuing bonus shares under sub section (I), this may be done only according to special resolution passed by the general meeting (*Ibid pp: 94-95*)

Section 140: Dividend and sub section of this section is as follows:

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

Sub- section (2): In case dividends are not distributed within the limit mentioned in subsection (I) this shall be done by adding interest at the prescribed rate.

Sub- section (3): Only the person whose name stand registered in the register existing shareholders at the time of declaring the dividend shall be entitled to it.

The above indicates that Nepalese law prohibits repurchase of stock which is against the theory of finance.

2.2 Review of Major Studies

2.2.1 Lintner's Study

Lintner in 1956 made an important study focusing on the behavioral aspect of dividend policy in American context. He investigated a partial adjustment model as he tested the dividend patterns of 28 companies. He concluded that a major portion of the dividend of a firm could be expressed in the

following way (*Linter 1956/97-113*)

Div * = Peps t(1)

and(2)

or,(3)

Where,

Firm's desired payment

EPS = Earning per share

P = Targeted payout ratio

a = Constant relating to dividend growth

b = Adjusted factors relating to previous period's dividend and how desired level of dividends where $b < 1$.

The major findings of the study were

) Firms generally think in terms of proportion of earning to be paid out.

) Investment requirements are not considered for modifying the pattern of dividend behavior.

) Firms generally have forgotten payout ratios in view while determining change in dividend per share.

2.2.1 Modigliani and Miller's Study

Modigliani and Miller's 1961 is the most comprehensive argument for the irrelevance of dividend. They advocated that dividend policy doesn't affect the value of the firm i.e. dividend policy has no effect on the share prices of the firm. They argued that the value of the firm depends on its investment policy. Therefore, as per MM theory, a firm's value is independent of dividend policy. (*Modigliani and Miller 1961/411-433*)

Modigliani and Miller's hypothesis of irrelevance is based on the following assumption:

-) The firm operates in perfect capital market.
-) There are no taxes.
-) The firm has a fixed investment policy, which is not subject to change.
-) Risk of uncertainty does not exist.

Modigliani and Miller provided the proof in support of their argument in the following manner:-

Step 1

The market price of a share in the beginning of the period is equal to the present value of dividend paid at the end of the period plus the market price of the share at the end of period. Symbolically,

Market price of share at the beginning of the year.

$$p_0 = (d_1 + p_1) / (1 + k_e) \dots\dots\dots 1$$

d_1 = Dividend per share to be recovered at the end of period.

p_0 = Market price of the share at the end of year.

k_e = Cost of equity capital (assume to be constant through out the time)

Step- 2

Assuming the firm doesn't resort to any external financing, the market value of firm can be computed by multiplying both side of above equation by number of share outstanding. Then the total value

$$np_0 = (nd_1 + np_1) / (1 + k_e) \dots\dots\dots 2$$

Step-3

If the firm's internal sources of financing its investment opportunities fall short of the funds required. The firm sell number of new share(ζ_n) at the end of year 1 at price p_1 , the value of the firm at 0 will be

$$np_0 = [nd_1 + np_1(n + n) - np_1] / (1 + ke) \dots\dots 3$$

$$np_0 = nd_1 + np_1 / (1 + ke)$$

$$np_0 + np_1 / (1 + ke) = nd_1 + np_1 / (1 + ke) + np_1 / (1 + ke)$$

$$np_0 = (nd_1 + np_1 + np_1 - np_1) / (1 + ke)$$

Step – 4

If the firm were to finance all investment proposal both can finance either in a given period of time either by retained earning or by issuance of new shares. Thus, the amount of new issue will be

$$np_1 = I - (E - nd_1)$$

or

$$np_1 = I - E + nd_1$$

Where ,

The amount obtained from the sale of new share to finance capital.

E = Earning of the form during the period.

I = Total new investment during the period.

$E - d_1$ = Retained earning.

Step- 5

By substituting the value of of step 4 to equation 3 we find.

$$P_0 = \frac{(P_1 + E - D_1)}{(1 + k_e)}$$

Step- 6 Conclusion:

There is no any role of dividend in above equation. Therefore MM conclude that dividend policy does not affect the value of the firm.

2.2.3 Walter’s Study

Professor James E. Walter studies on dividend and stock price on 1966. Walter argues that dividend policy always affect the value of enterprises.(Walter, 1996/29-44) The investment policy of a firm can not be separated from its dividend policy. His argument is just the opposite of what Modigliani and Miller said. Walter argued that dividend policy affects the stock’s price, i.e. dividend is relevant with the stock prices. The relation ship between firm’s internal rate of return and cost of capital is determining factors to retain profit or distribute dividends. As long as the internal rate is greater than the cost of capital, the stock price will be enhanced by the retention and will vary inversely with dividend pay out.

This model is based on following assumptions:-

-) Retained earning constitutes the exclusive sources of financing. firm does not use debt or equity financing.
-) The firm’s internal rate of return and its cost of capital are constant.
-) The firm distributes its entire earning or retains it for reinvestment immediately.
-) There is no change in values of earning per share and dividend per share.
-) Perpetual life of the firm.

Considering the above assumption, Walter’s model to determine the Market price per share is as follows:

$$P = \frac{DPS + r/k}{k} \text{ (EPS-DPS)}$$

K

Where,

P = Market Price per share

DPS = Dividend per share

EPS = Earning per share

R = internal rate of return

K = cost of capital

According to him the given firm may have three situations. They are:

(a) Growth firm ($r > k$)

If the firm's internal rate of return exceeds the cost of capital, such firms known as growth firms. Growth firms are those forms, which expands rapidly of ample investment opportunities yielding returns higher the opportunity cost of capital. The relation between dividend and stock prices is negative, i.e. more dividends lead to low stock prices. Walter argued that zero dividends would maximize the market value of shares for growth firm.

(b) Normal firm ($r = k$)

If the firm has $r = k$, there is no role of dividend on stock prices, i.e. dividends are indifferent from stock prices dividend pay out does not affect the values of share whether the firm retains the profit or distributes dividends is a matter of indifferences. This kind of firm is known as normal firm.

(c) declining firm ($r < k$)

If the firm's internal rate of return is less than cost of capital such firm is referred to as declining firm. The relation between dividend per share yields increase in stock prices. This kind of firm does not have profitable investment opportunities so the shareholders will be better off if earnings are paid out

of them so as to enable them to earn a high return by using the funds elsewhere. Here the optimum payout ratio should be 100%

In this way, Walter's study conclude that dividends are negatively correlated with market value of stock for growth firm, positively correlated for declining firm and there is no relation between market value and dividend payout ratio for normal firm.

2.2.4 Gordon's Study

Myron Gordon develops another popular modern explicitly relating the market value of the firms to dividend policy, which explain that dividend policy affects the value of shares even in a situation where the return on investment and required rate of return are equal. This model explains that investors are not indifference between current dividend and retention of earning with the prospects of future dividend capital gain and both. "This argument insisted that an increase in dividend payout ratio leads to increase in the stock prices for the reason that investors consider the dividend yield (d_1/p_1) is less risky than the expected capital gain." Hence investors required rate of return increases as the amount of dividend decreases. This means there exist a positive relationship between the amount of dividend and stock prices. (*Gordon, 1962/57*)

Gordon model is based on the following assumption:

-) The firm is on all- equity firm. No external financing is available
-) The internal rate of return 'r' and appropriate discount rate 'k' are constant.
-) The firm and its stream of earning are perpetual.
-) There are no taxes on corporate income.
-) The growth rate, $g = br$, is constant forever.
-) Growth rate is always smaller than cost of capital i.e. $g < k_e$

Based on the above assumption, Gordon provided the following formula (which is a simplified version of the original formula) to determine the market value of share. Symbolically,

EPS (1-b)

$$P = \frac{EPS}{K - br}$$

Where,

P = Price per share

EPS = Earning per share

b = Retention ratio

(1-b) = dividend payout ratio

K = Cost of capital

br = growth rate

(a) Growth Firm ($r > k$)

In case of growth firm the share price tends to decline in correspondence with increase in payout ratio or decrease in retention ratio, i.e. high dividend leads to decrease in share price. Therefore, dividends and stock prices are negatively correlated in such firms.

(b) Normal firm ($r = k$)

The share value remains constant regardless of changes in dividend policies. It means dividend and stock prices are free from other in normal firm.

(c) Declining firm ($r < k$)

The share prices tend to rise in correspondence with rise in dividend payout ratio. It means dividend and stock prices are positively correlated with each other in a decline firm

2.2.5 Van Horne and Mc-Donald's Study]

Van horn and Mc Donald conducted a more comprehensive study on dividend policy and new equity financing. The purpose of this study was to investigate the combined effect of dividend policy and new equity financing decision on the market value of the firm's common stocks. They explored some basic aspect of conceptual framework, and empirical tests were performed during year-end 1986, for two industries, using well-known valuation model. The required data were collected from 86 electric utility firms included on the COMPUSTAT utility data tape and 39 firms in the electronics and component industries as listed on the COMPUSTAT industry data type. (Van Horne & Mc Donald 1971/507-519)

They tested two regression models for the utilities industries.

2.2.6 Friend and Puckett's Study

Friend and Puckett had conducted a study on the relationship between dividend and stock price based on 110 firms from five industries. There are five industries were chemical, electronic, food, steel and electric utilities. The study period covered a boom year for the economy when stock price leveled off after rise (1956 AD) and a somewhat depressed year for the economy when stock, however, rose strongly (i.e. 1958 AD) (Friend and Marshall, 1964/ 656-682)

They used dividends, retained earnings and price earning ratio as independent variables in their regression model of price function. They also used dividend (supply) function on which earnings last year's dividends and price earning ratio independent variables.

2.2.7 Chawala and Srinivasan's Study

Chawala and Srinivasan have studied the impact of dividend and retention on share price. They estimate cross section relationship for the year 1969 and 1973 at 18 chemicals and in sugar industries. (*Chawala and Srinivasan, 1987/ 137-140*).

The objectives of their study were as follows:

) To estimate a model to explain shares price, dividend and retained earning relationship.

) To test the dividend, retained earning hypothesis.

) To examine the structural changes in estimated relations' overtime.

To explain the price behavior, they used simulation equation model as developed by Friend and Puckett (1964).

1. Dividend supply function

Where,

P = market price per share

D = Dividend per share

E = Earning per share

$P \setminus E$ = Deviation from the sample average of prices earning ratio

t = Subscript for Time

R = Retained Earning per Share

They used two stage least square techniques for estimation and in case of chemical industry they found the estimated co-efficient had the correct sign and coefficient of determination of all equations was very high. It implies that the stock price and dividend supply variation can be explained by their independent variables. But in case of sugar industry they found that the sign for the retained earning is negative in both years. So they left sugar industry for further analysis. For chemical industry, they observed that the coefficient of dividend was very high as compared to retained earnings. They also found that coefficient of dividend was significant at one percent level in both years. Whereas

coefficient of retained earning was significant at ten percent level in 1969 and one percent level in 1973.

Finally they concluded that the dividend hypothesis holds good in the chemical industry. Both dividend and retain earnings significantly explain in the variation in share price in chemical industries.

2.2.8 Paul D. Koch and Catherine Shenoy's study

Change in dividend and capital structure policies convey information to the stock market about the future performance of a firm. The empirical studies made by Paul D. Koch and Catherine Shenoy have examined the information effect of dividend changes for firms with different values of Tobin's q . The authors expand previous analysis by incorporating Stulz's (1990) argument and concluded that dividends and capital structure should provide more predictive information regarding future cash flow for under investing and over investing firms than for value maximizing firms. The authors analyze two stages procedure to investigate the issue related to the study topic. In the first stage they estimate three time series Grewke feedback measure (GFMS) for each firm in sample. Each GFM measures the incremental predictive information about future cash flow provided by a firm's dividend and capital structure policies and in the second stage, they regress each collection of feedback measures on Tobin's q and to see why the information contained of dividend and capital structure policies varies across firms. After solving the problems, results of the first stage indicate that both dividend and capital structure policies provide significant predictive information for most sample firms. However, that information contained of dividend and capital structure policies varies substantially across firms, including many firms which dividend and capital structure policies provide no significant predictive information. (*Koch and Shenoy; 2000/ Vol. 28*)

The result of the second stage reveal a distinct u-shaped relation between Tobin's q and the amount of predictive information contained in a firm's dividend and capital structure policies with a minimum at a q value near one.

This empirical evidence is consistent with the free cash flow hypothesis and it suggests dividend and capital structure policies provide more predictive information for over and under investing firm than for value maximizing firms.

2.2.9 D.B/P. H Dissa Bandara and Lalith P. Samarkoon Study

The information contains of dividend announcement in the Sri Lank stock market and assesses how the market response to dividend announcements varies according to the firms 'size and dividend growth. The empirical studies made by the Bandara and Lalith P. Samarkoon have examined the nature of stock market in order to assess if the results reported in developed market are equally valid in an emerging market as well. (*Bnadara and Lalith P. Samarkoon; 2002/228-224*).

The study addresses three major empirical issues:

-) How does the Sri Lanka market respond to announcement of dividends?
-) Does the market responds vary according to firm size?
-) Does the market response vary according to dividend growth?

For the purpose of measuring the impact of the information content of dividend announcements the information contain of dividend announcements on share prices, an overall sampled of 37 companies listed in the Colombo stock Exchange is selected. The sample covers 5 years. Reasonable case has been exercises in order to select a large sample to drive more valid findings

The major findings of this study were as follows:

-) The change in annual cash dividends provides information about the changes in manager assessments of future estimates of the firm. However the market reacts very slowly to information and a considerable amount of time passes before the prices fully incorporate relevant information in dividends.
-) There are economically significant anticipatory effects as well as delayed reaction to dividend announcements by smaller firms as well as the largest firms.
-) There is a significant anticipatory effect with respect to the lowest dividend growth and a very large delayed reaction to the highest dividend growth.

2.3 Review of Journals and Articles In Nepalese Perspective

There are not much articles published related to dividend in Nepal. The major studies are as follows:

2.3.1 Radhe Shyam Pradhan's Study

It is desirable to put forth here the study of Radhe Shyam Pradhan. The study "A survey of dividend policy and practices of Nepalese Enterprises" has been conducted based on views of 135 managers on dividend policy of large Nepalese enterprises. (Pradhan, 2003)

The main objectives of Pradhan's study on "Stock market behavior in small capital market" were as follows:

- 1) To assess the stock market behavior in Nepal.
- 2) 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.

Following findings were observed in the connection with dividend behavior:

-) Higher the earnings in stocks lead the larger the ratio of dividend per share to market price per share.
-) Stock with large dividend per share to market price per share has low beverage ratio.
-) Stock with large ratio of dividend per share has higher liquidity.
-) Dividend per share and market per share was positively correlated.
-) Positive relationship between the ratio of dividend per share to market per share and interest coverage.
-) Positive relationship between dividend payout and liquidity.
-) Positive relationship between dividend payout and profitability.
-) Positive relationship between dividend payout and turn over ratios.
-) Positive relationship between dividend payout and interest coverage.
-) Earning, assets turnover and interest coverage are more variable for the stock paying higher dividend.

2.3.2 Manohar K. Shrestha's Study

One article, "Public Enterprises: Have they dividend paying ability?"

Was published in 1981 by Prof.Dr. M.K.Shrestha, which gives short glimpse of the dividend performance of some public enterprises of that time in Nepal. (Shrestha, 1981/23)

Dr Shrestha has highlighted following issues in his article.

) HMG expects two things from the public enterprises:

- i) They should be in a position to pay minimum dividend and
- ii) The public enterprise should be self- supporting in financial matters in future year to come, but none of these two objectives are achieved by the public enterprises.

) One reason for this inefficiency is caused by excessive governmental interference in day to day affairs. On the other hand, high ranking officials of BIMG appointed on directors of Board do nothing but simply show their bureaucratic personalities. Bureaucracy has been the enemy of efficiency and thus led corporation to face losses. Losing corporation are, therefore, not in position to pay dividend to government

) Another reason is the lack of self- criticism and self- consciousness. Esman has pointed out that the lack of favorable leaders is one of the biggest constraints to institution building. Moreover, corporate leadership comes, as manager of corporation has not been able to identify him or herself regarding what they can contribute as managers of corporations. So, HMG must be in a position to develop a financial target in corporate investment by imposing financial obligation on corporation

) The article point out the irony of government biases hat government has not allowed following an independent dividend policy and HMG is focused to have pressurized on dividend payment in case of Nepal Bank Ltd. Regardless of profit. But, it has let off Rastriya Banijya Bank from dividend obligation in spite of considerable profit.

The improvements suggested by author are:

- a) Adopt a criteria- guided policy to drain resources from corporations through the medium of dividend payment.
- b) Realization by managers about the cost of equity and dividend obligation.

If HMG want to tap resources through dividend, the following criteria should be followed:

- a) Proper evaluation of public enterprises in terms of capability of paying dividend should be made through corporation co- ordination committee.
- b) Imposition of fixed rate of dividend by government to all the financial sound public enterprises.
- c) Circulating the information to all the public enterprises about the minimum rate of dividend.
- d) Specifying performance criteria such as profit target in terms of emphasis, priorities, timing and plans and developing a strategic plan that is not just a statement of corporate ion aspiration but must be done to cover the aspiration into reality.
- e) Identification of corporation objective in corporation act, Corporation Act or special charter so as to clarify the public enterprises managers regarding their financial obligation to pay dividend to HMG.

2.3.3 K.D. Manandhar's study

The main statement of the problem of the study is to test whether Nepalese corporate firms consider the lagged earnings and dividend paid to pay the dividend in current year.(*K.D.Manandhar,2000/5-12*)

For the test, 17 samples Nepalese corporate firm has been taken and different hypothesis have been tested. The conclusion drawn by the study is

-) There is significant relationship between changes in lagged in terms of DPS and change in lagged earnings.
-) In overall there is positive relationship between change in lagged consecutive earning and dividend per share.
-) There is a relationship between distributed lag profits and dividend.
-) When change in lagged consecutive earnings is greater than zero in 65% the case change in dividend per share.
-) Overall increase in EPS (t) has resulted to the increase in the dividend pay out, in 66.6% of the cases while decreases in EPS result decreases in dividend payments.
-) Nepalese corporate firms have followed the practice maintaining constant dividend payment per share.
-) Corporate firm does not take into 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 contents and signaling effect of dividend relating to the firms, continued progress and performance, sound financial strength, favorable investment environment, lower risk ability to maintain dividend rate and finally to increase the market price of the stocks in the stock market.

2.4 Review of Master's Thesis

Prior to this thesis, some students have conducted several thesis works. Out of them some are supposed to be relevant for this study have been reviewed in this section.

2.4.1 P.L. Rajbhandari Study

This study takes into consideration of data of only five-year 1994/95 through 1998/99. Six companies taken as sample. Her main findings are: -(Rajbhandari; 2001/1-90)

-) Average earning per share seems satisfactory of all sample companies.
-) The positive relationship between dividend per share and earning per share.
-) The co-efficient of correlation between Earning per share and market price to the negative.
-) The relationship between market price per share and dividend is positive. Dividend payment is not consistency of all six sample companies.

The institution do not seem to follow the optimal dividend policy of paying regular dividend as per shareholders expectation and interest

At first, her study is based on secondary data of past five year 1994/1995 to 1998/99. That may not represent the exact practice of dividend policy of Joint Venture Banks and Insurance companies based on secondary data only.

Secondly, she did not explain the existing capital market in Nepal.

The dividend it in macro level but it us necessary to do comparative study and analysis of dividend policy in micro level for the as of joint venture Banks and Insurance Companies.

They have not calculated the test of hypothesis, especially ANOVA test. Therefore, whether the financial indicator such as EPS, DPS & DPR results obtained values is significant or not.

2.3.2 Sadakar Timilsena's Study

Sadakar Timilsena in his thesis paper “ Dividend and stock price and empirical study” (Timilsena,

1997/ 1-80) has studied the relationship between dividend and stock price of the sample companies by using the data between 1991 to 1994. Though it was not very comprehensive, it was the 1st of its kind and able through some light in the Nepalese context.

The objective of this study were as follows:

-) To test relationship between dividend per share and stock price.
-) To determine the impact of dividend policy on stock price.
-) To identify whether it is possible to increase the market value of stock by changing dividend policy or payout ratio.

Analysis of the result of the sample companies helped him to conclude the following points:

1. The relationship between dividend per share and stock price is positive in the sample companies.
2. Dividend per share affects the share price differently in different sectors.
3. Changing the dividend policy or dividend per share might help to increase the market price of share.

2.3.3 Rishi Raj Gautam Study

This study on dividend policy: Comparative study of three Joint venture Banks from 1993 to 1997.

The main objectives of his study are:

-) To identify the type of dividend followed by banks.
-) To examine the impact of dividend on stock price.
-) To identify the relationship between DPS and other financial indicators.
-) To know the uniformly among DPS, EPS, and DPR of the sample banks.

Following are the findings of his study:

-) No clearly defined dividend policy is found followed by the sample banks.
-) No significant relationship between DPS and other financial indicators.
-) No uniformly in EPS but prominent difference in DPS and DPR.

At first, number of samples selected for the study are small i.e. only three banks are selected, it would not be reasonable to quote dividend policy is bad or good by comparing three banks only.

Secondly, there are many factors, which affect the dividend policy. These are DPS, EPS, MPS, DPR, last year dividend paid, and liquidity. Net worth but the used only a few financial factors among them therefore, validity of the result is not worthwhile.

2.3.4 Nabraj Adhikari

The study has covered the period of 1990 to 1996 with the total observation of 47 in financial sector and 30 non- financial sectors. The main finding of the study is as follows:(*Adhikari\1990/1-90*)

-) Positive relationship between the ratio of dividend per share to book value per share and turnover ratios.
-) There is positive relationship between the ratio of dividend per share to book value per share and interest coverage.
-) Market price of the share is affected by dividend.
-) Financial executives of Nepal reject dividend as a residual decision in Nepalese Companies.
-) Stock with large ratio of dividend per share to book value per share has higher liquidity.

2.3.5 Rabindra Paudel's Study

A study “ Dividend Policy”: A case study of different listed finance companies conducted by Rabindra Paudel has concluded that (Paudel; 2000/ 1-87)

-) Dividend practices of all the sample companies are neither stable nor constantly growing. Moreover, haphazard way is adopting but in growing trend.

-) Relationship between DPS and EPS, NPAT and NW are positive in all these finance companies. Whereas relationship between DPS with average stock price is in improving condition with compare to previous year.

Change in dividend affect the MPS differently in different companies.

CHAPTER III

RESEARCH METHDODOLOGY

3.1 Introduction

Research methodology is a way to systematically solve the research problem. Research means to search again. Research is a systematic and organized effort to investigate a specific problem that needs a solution and it is undertaken not only to solve a problem existing in the work setting, but also to add or contribute to the general body of knowledge in a particular area of interest. Research is apart of interest. Research is a part of organizational reality that helps managers to improve their performance continuously. Research methodology describes the methods and process to be followed during the research work.(*C.R.Kothari, 1990/10*). Here the objective of this study is to concentrate on dividend practices of joint venture banks in Nepal. An attempt is made to find out the relationship between dividend and earning per share, net worth, and market price of shares and net profits of joint venture banks. Among JV banks the study covers four JVBs only. The four banks are taken as sample for this purpose.

3.2 Research Design

Research design is the plan, structure and strategy of investigation conceived to obtain answers to research question and control variance. The research design is the framework for collecting, analyzing and evaluating data after identifying:(I) What the research want to know and (ii) What has to be detail with in order to obtain required information.(*Howard K. Wolff & Prem Raj Pant,50*). It helps in the analysis of data related to this topic. It is a controlling media for the collection of data and it helps to collect the accurate information, which is related to dividend practices of JVBs. The research design of this study will be descriptive as well as analytical. The annual reports, bank statement of related JVBs were collected from the year 1999/2000 to 2005/2006.

3.3 Population and Samples

The term population for search means all the numbers of any well-defined class of people, event or object. A population in most studies usually consists of a large group of people. Because of its large size, it is fairly difficult to collect detail information from each member of the population. Rather than collecting information from each number, a sub- group is chosen which is believed to be representation of the population. This sub- group is called a sample and sampling is the method of choosing this sub- group. (*Ibid*, 75).

Since mid 1980s when HMG/N adopted economic liberalization policy in Nepal many JVBs have established up to now and they are operating and providing their services in the country.

It is not possible to take all banks for the purpose of study. So sampling technique is used for selecting sample bank from population.

Sources: -

Banking and financial statistics published by Nepal Rastra bank.

Out of the above commercial bank, some banks are joint venture banks. The study covers only joint venture banks. So for analysis purpose four major JVBs banks are selected for this study. Standard Chartered Bank, Himalayan Bank, Nabil Bank Ltd., Nepal Investment Bank Ltd. are selected as the sample of JVBs.

3.4 Source of Data

This study is based on both primary and secondary data. Secondary data were used to analyze the dividend policy of banks and examine the relationship between dividend and market price of stock of banks. Data required for analysis have been collected from annual report of concerned banks, financial statement published by related banks, newspaper, magazines, and other supplementary data and information's are obtained from Nepal Rastra Bank's reports. In addition to it, the other data were collected from annual report published by Securities Board, Nepal Stock Exchange Ltd., Ministry of Finance and National Planning Commission.

To identify the appropriate dividend policy followed by banks, primary data collected to survey the opinion of financial executives. The survey of financial executive is based on structured questionnaire as well as unstructured dialogues in banks along with some professors, teachers and persons of the concerned field.

3.5 The data Collection technique

The relevant data have been collected from the concerned banks under study and Nepal Exchange Ltd. by paying frequent visit. Similarly, the required data have also been acquired from various articles and journals available in Nepal administrative Staff College, Central library and Nepal Commerce Campus library. The primary data have been collected making questionnaire and telephonic interview asked only management level of staff.

3.6 Data Analysis Tools

A brief explanation of the statistical tools used in the study is as follows.

3.6.1 Sample Arithmetic Mean

Sample arithmetic mean is the sum of the values of all the elements in the sample (\bar{x}) and divides by the number of elements in the sample.

$$\text{Mean} = \frac{\text{Sum of total values}}{\text{Numbers of values}}$$

3.6.2 Standard Deviation(S.D.)

Standard deviation, usually denoted by the sigma (small sigma of the Greek alphabet was first suggested by Karl Pearson) is the measure the absolute dispersion of a distribution. The greater the

amount of dispersion means greater the standard deviation. A small standard deviation means high degree of uniformity of the observation as well as homogeneity of a series and vice-versa. It is defined as the positive square root of the given number of observation from their arithmetic. (*Ibid*,380)

3.5.2.3 Coefficient of Variation (C.V.)

The measure of dispersion based on standard deviation called coefficient of standard deviation. The greater the value of coefficient of variation, the less will be the uniformity and the smaller the value of coefficient of variation, the more will be the uniformity. Co-efficient of variation (C.V.) is computed by dividing standard deviation by the mean and multiplied by hundred. (*Ibid*,415)

3.5.2.4. Coefficient of Correlation(r):

The correlation is a statistical tool, which studies the relationship between two variables. Correlation analysis involves methods and techniques used for studying and measuring the extent of the relationship between two variables. This tool describes the degree to which one variable is linearly related to another. (*Ibid*,p. 510). So on the basis of correlation theory we can study the cause and effect relationship between two or more set of variables. Thus to determine the relationship between dividend and other variable, we used simple co-efficient of correlation(r) in this study.

Two variables are said to be correlated if the change in one variable result corresponding change in the other variable.

3.5.2.5 Correlation of Determination (R²)

According to Truffle, the coefficient of determination is a much useful and better measure for interpreting the value of r. (*Ibid*,p. 585). It is a primary way to measure the extent or strength of the association that existed between two variables. In other words it is the strength of the association or correlation between two variables. One of two variables must be independent and other must be dependent variable. It measures the percentage of total variation in dependent variable explained by dependent variables. The coefficient of determination value may range from zero to one. If regression line is a perfect estimator and correlation is positive R² will be zero, when there is no correlation. (*Levin, Richard and David, Statistic Of Management, 1997, 613*). Similarly, the value of

R^2 will be -1 , if two variables are perfectly negatively correlated. In this study coefficient of determination is calculated to know the degree of correlation of dividend per share with earning per share, net profit, and market price per share, book value per share and net worth per share. It is the square of the correlation of coefficient i.e. R^2

3.5.2.6 Regression

The literal or dictionary meaning of the word regression is stopping back or returning to the average value. Regression analysis, in the general sense, means the estimation of unknown value of one variable from the known value of the other variables. Regression analysis is based on the relationship or association between two (or more) variables. Whose value is influenced or is to be predicted is called depended variable and the variable which influences the value or is used for the prediction of dependent variable is called independent variable. As M.M. Blair “Regression is a mathematical measure of the average relationship between two or more variables in terms of the general original units of the data. The regression analysis for studying more than two variables at a time is known as multiple regressions. The regression analysis confined to the study of only two variables at a time is termed as simple regression. (S.C. Gupta, 2002/589). Simple regression analysis has been used in this study to determine the effects of aforementioned independent variable on dependent variable, i.e. dividend.

The regression equation of y on x be

$$y = a + bx$$

Where,

y = dependent variable (DPS)

a = Y- intercept

x = independent variable (EPS))

b = slope of regression liner or regression coefficient of y on x

This model has been applied for analyzing the seven years data from 2000 to 2004. Similarly the following regression model has been used to find out whether the variable of total earning, market price per share, book value per share and net worth of the bank is related to dividend per share of the bank.

The regression equation of y on x be

$$y = a + bx$$

Where,

a = Y- intercept

x = total earning.

The regression equation of y on x be

$$y = a + bx$$

Where,

y= Market Price Per share.

a = y – intercept

x = Dividend per Share.

The regression equation of y on x be

$$y = a + bx$$

Where,

y = Net Worth of Banks.

a = y- intercept

x = Dividend per share.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter, the relevant data and information on dividend policy of the selected banks are presented and analyzed comparatively keeping the objectives of the study in mind. To begin with analysis of dividend payment practices of the companies is done first and then followed by the company wise analysis. To provide the meaningful relationship between various interrelated financial variables, zero order correlation of various interrelated variables is presented in second part. In the third part, analysis of impact of dividend on market price of share and relationship of dividend with other key variables are done with the help of statistical tools mentioned in the chapter three. Multiple regressions between different variables are conducted in fourth part. In the fifth part, comparative analysis of market price per share and net worth per share is done and the data are presented in tabular form. Finally, the dividend model in Nepalese context is presented on the basis of primary data collected by distributing research questionnaire to 80 respondents. From the point of view of the study v, this chapter is the focal part of the study.

4.1 Analysis of dividend payment of practice of the companies:

As already mentioned in the first chapter (in objective of the study), one of the objective of this study is to access the prevailing practices of the company regarding the dividend. In this section, an attempt has been made to analyze the financial indicators that are relevant directly or indirectly to the dividend payments of the companies. Analysis of these indicators gives the true picture of the dividend practices of these companies in simple manner. This also helps to understand the dividend practices of these companies in the absence of complicated information. The analysis includes (1) Dividend per share (2) Dividend payout ratio (3) Percentage of cash dividend on paid up capital (4) Dividend yield and (5) Earning per share .

4.1.1 Dividend per share :

Dividend per share indicates the part of earning distribution to the shareholders on the per share basis. The following table shows all the details of dividend per share.

Table 1
Variable: Dividend per share (in Rs.)

Year / Company	2001/02	2002/03	2003/04	2004/05 03	2005/06	2006/07	2007/08	Average
NABIL	0	30	50	55	40	30	50	36.42857
SCBL	90	90	80	100	100	100	110	95.71429
NIBL	50	50	30	25	0	0	20	25.00
HBL	50	50	50	50	27.5	25	1.32	36.26
Composite Co. Average								48.35071
Yearly average	47.5	55	52.5	57.5	41.875	38.75	45.33	
Average S. D.								32.02544
Average C.V.								66.23571

(Source: Annual Reports of the Companies)

In the above table, it is seen that NABIL has paid fluctuating dividend. The average dividend per share paid by NABIL is Rs. 36.42. The bank seems in the second position among the selected companies.

The yearly comparison of Standard Charter Bank (Nepal) Limited shows that company has paid very attractive dividend for all the years. It has paid bonus share at the ratio of 1: 2 both in the year 2001/02 and 2002/03. The company's average dividend per share over seven year is Rs. 95.71 which seems highest among selected companies. The bank is able to maintain its average dividend per share almost in all the years. In the year 2004, 2005 and 2006, it has paid Rs. 100 dividends per share, which is 100 % of paid up value of share. If we look the dividend payment stream of the company there is high consistency in DPS. It indicates that company is able to establish the clear- cut dividend policy and the shareholders of the company are highly respected.

Cross-section analysis shows that the bank is above yearly average dividend for all the years.

Except standard chartered bank, other bank are paying divided in fluctuating rate.

The main reason behind the fluctuation can be due to the financial strength and sufficient fund to invest or there are adequate fund availability in the bank.

Nepal Invested Bank Limited has also paid bonus share in the year 2001/02 at the ratio 1.2 (i.e. 50 %) and Rs. 50 is cash dividend for the same year. The company's average dividend per share over

the seven year is Rs. 25, which seems lowest among selected companies. The company is able to maintain its average dividend per share only in the year 2003/04. The company is not able to pay dividend continuously in the year 2004/05 and 2005/06. If we look at the dividend payment streams of the company there is high fluctuation in DPS. It may indicate that company is not able to establish the clear cut dividend policy.

While applying cross section analysis, the company has always paid dividend below yearly average in almost all the year except in the year 2002/2003.

Like NIBL, HBL is also seems to be unable to established consistency in dividend payment stream. The average dividend per share paid by HBL is Rs. 36.26 which is third highest among selected companies. HBL seems to follow consistent dividend policy in the first four year but is unable to maintain the same in later three years. There is continues fall in DPS amount in the year 2005, 2006 and 2007. However, HBL has issued bonus share on 2002/03 at the ratio 3:5 (i.e. 60 %) and paid cash dividend of Rs. 60 at the same year. It implies that company is not abler to establish uniform dividend practices since last few years.

Cross-section analysis shows that company has paid dividend below yearly average expect in the year 2002/2003.

For dividend per share, average standard deviation is 32.02 and average is 66.23.

From the above analysis, it is seen that only one company had paid dividend per share is Rs. 48.34. The composite company average dividend per share is Rs. 48.35. The only company which is paying average dividend above the composite company average is SCBL, which has average DPS of Rs. 95.71.

Thus, summing up, due to lack of sustainable strategic dividend policy, the dividend payment stream of most companies is fluctuating.

Dividend Payout Ratio:

This ratio shows the amount of dividend as a percentage of earning available for equity share. The dividend payout ratio obviously depends as a percentage of earning, greater more ability of the company to pay dividend. The comparison of payout ratio reflects the management attitude towards the treatment of profit in respect to distribution of dividend and retained earnings. Therefore, comparison between selected companies has been made under:

Table 2:
Variable: Dividend Payout Ratio (In %)

Year/Company	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Average
NABIL	0	67.42	73.71	65.64	67.5	54.3	59.06	55.37571
SCBL	54.51	54	75.57	86.49	78.81	70.86	73.68	70.54571
NIBL	49.32	72.11	88.9	46.57	0	0	50.55	43.92143
HBL	43.45	44.13	58.09	60.18	29.39	41.48	2.67	39.91286
Composite Co. Average								52.43893
Yearly Average	36.795	59.415	74.0675	64.72	43.925	41.66	46.49	
Average S.D.								13.73476
Average C.V.								26.19191

(Source: Annual reports of the companies)

NABIL has average payout ratio of 55.71 %. The bank has not maintained the average payout ratio in all the year except 2006 and 2007. The main reason of this deviation of average DPR from yearly DPR of NABIL is due to retention of all the income in the year 2001. The maximum payout ratio of the company is 73.71 % in year 2003. The company's average DPR seems second highest among selected companies.

The main reason behind the fluctuation can be due to the financial weaknesses and policy of the banks to retain or pay the earning as per condition.

The cross-section analysis shows that company's DPR is above yearly average in the year 2002, 2003, 2004, 2005, 2006 and 2007.

Dividend payout ratio of SCBL is in the range between 54 % and 87 %. The average payout ratio of the bank is 70.54 %, which seems highest among selected companies. Though, bank does not seem to maintain its average payout ratio in all years except in year 2006 but it shows management's consistent attitude toward treatment of profit in respect to distribution of dividend and retained earnings.

Cross-section analysis shows that the bank is above yearly average in all years except in the year 2002.

Dividend payout ratio of NIBL lies in the range of 0 % to 89 %. And the average payout ratio of the company is 43.92 %, which shows that average DPR of the company deviates largely from yearly payout ratio. This shows management's inconsistent behavior for treatment of profit in respect to distribution of dividend and retained earnings. The average payout ratio of the company i.e. 43.92 % seems to be highest among selected companies.

The cross-section analysis shows that yearly DPR of the company is above yearly average except in the year company retained all the profit i.e. 2005 and 2006.

Analysis of payout ratio HBL, we can observe that it has maintained consistency in DPR in earlier years but it is unable to keep the same in the later years. The yearly DPR of HBL is in increasing trend till year 2004 but it decreases in faster rate after 2004 and reaches to minimum of 2.67 % from the maximum of 60.18 %. From the analysis, large fluctuation is seen in payment pattern. The average payout ratio of the company i.e. 39.91 % seems lowest among selected companies.

Cross – section analysis shows that it is yearly average in all the years except in the year 2001.

For DPR, average standard deviation is 13.7 % and average C.V. is 26.19 %.

From the above analysis, the composite companies average payout ratio seems 52.44 %. Out of four selected companies, it is seen that two company's average payout ratio is above the composite company average. The companies having average payout ratio above composite company average are NABIL and SCBL which has average DPR of 55.37 % and 70.54 % respectively.

Thus, it is concluded that 50 % of the selected companies have average payout ratio greater than composite company average.

4.1.2. Percentage of cash dividend on paid-up capital:

This variable shows the percentage of dividend per share on its paid –up value. After analyzing the percentage of cash dividend on paid up capital, the researcher can be seeing the attitude of management towards the dividend declaration. The analysis is done on the basis of following table:

Table 3:
Variable: Percentage of cash dividend on paid up capital (In %)

Year/Company	2001/02	2002/03	2003/04	2004/05 03	2005/06	2006/07	2007/08	Average
NABIL	0	30	50	55	40	30	50	36.42857
SCBL	90	90	80	100	100	100	110	95.71429
NIBL	50	50	30	25	0	0	20	25.00
HBL	50	50	50	50	27.5	25	1.32	36.26
Composite Co. Average								48.35071
Yearly Average	47.5	55	52.5	57.5	41.875	38.75	45.33	
Average S.D.								32.02544
Average C.V.								66.23571

(Source: Annual reports of the companies)

Nabil has average percentage of cash dividend on paid-up capital of 36.42 %, which is second highest among selected companies. It has maintained its average percentage of cash dividend on paid up capital in 2002, 2005 and 2006. The maximum percentage of cash dividend on paid- up capital is 55 %. The yearly percentage of cash dividend on paid up capital seems volatile through out the observation period.

Cross-section analysis shows that bank is above yearly average only in the year 2007. SCBL has the highest percentage of cash dividend on paid up capital among the selected companies. In the year

2004, 2005 and 2006 its percentage of cash dividend on paid-up capital is 100 %, which implies that the bank has paid dividend equal to the paid up value share, which is the sign tom. In the year 2007 the percentage of cash dividend on paid-up capital is 110 % which shows management's positive attitude towards dividend declaration. The bank has maintained its average percentage of cash dividend on paid up capital in almost all the years.

While applying cross- section analysis the bank is above yearly average in all the years.

NIBL has distributed 50 % of paid up value per share as dividend in the year 2001 and 2002 continuously, which shows high inconsistent behavior in dividend declaration by the management. Average percentage of cash dividend on paid-up capital of NIBL IS 25 % and the bank is able to maintain it in only in the year 2004.

Cross- section analysis shows company is always below the yearly average except in the year 2001.

Analysis of HBL shows that it has constant percentage of cash dividend on paid- up capital is 36.26 % which seems to be in third position among selected companies.

For cash dividend on paid-up capital average S.D. is 32.02 and average C.V. is 66.23.

From the above analysis, composite company average cash dividend on paid- up capital seems 48.35 %. Comparing the overall performance of the companies in respect of cash dividend on paid- up capital only on company i.e. SCBL has been found to maintain above composite company average cash dividend on paid- up capital i.e. 95.71 %

Thus, it is concluded that only 25 % of the selected companies seem to maintain the selected companies greater than composite company average.

4.1.3. Dividend Yield Ratio:

Dividend yield is a percentage of dividends per share on market value per share. It shows that how much is the dividend per share on market value per share. It measures the dividend in relation to market value of share. So, dividend yield is the dividend received by the investors as a percentage of market prices per share in the stock.

Dividend yield ratio is highly influenced by the market value per share and dividend per share. The ratio highly influences the market value per share because change in dividend per share can bring effective change in market value of that share. Therefore, before allocation of dividend, market scenario and price fluctuation is to be studied and evaluated for long run survival of the company.

The following tables show all details of dividend yield of the selected companies.

Table 4:
Variable: Dividend Yield Ratio (In %)

Year/Company	2001/02	2002/03	2003/04	2004/05 03	2005/06	2006/07	2007/08	Average
NABIL	0	6.976	7.412	3.928	2.666	4.285	6.756	4.536143
SCBL	8.571	8.333	6.885	5.038	4.664	6.349	6.707	6.649571
NIBL	6.95	8.33	3.65	1.78	0	0	2.52	3.318571
HBL	7.81	6.62	5	2.94	1.83	2.5	0.16	3.837143
Composite Co. Average								4.585357
Yearly Average	5.83275	7.56475	5.66925	3.4215	2.29	3.2835	4.03575	
Average S.D.								1.463782
Average C.V.								31.92297

(Source: Annual reports of the companies)

Table 5:
Variable: Market Price per Share (In Rs)

Year/Company	2001/02	2002/03	2003/04	2004/05 03	2005/06	2006/07	2007/08
NABIL	500	430	700	1400	1500	700	740
SCBL	1050	840	1162	1985	2144	1575	1640
NIBL	719	600	822	1401	1150	760	795
HBL	540	755	1000	1700	1500	1000	836

(Source: Annual reports of the companies)

Above table depicts that dividend yield of NABIL is 4.54 % which has maintained by the bank in

year 2004 and 2005 and in the year 2002, 2003 and 2007. On contrary, DYR is below average in the year 2001, 2003 and 2005. Yearly dividend yield of the company lies in the range of 0 to 8 %. From the analysis of figures, the dividend yield of the banks seems highly fluctuating. It shows that market value of the share is highly volatile which can be seen in supporting Table No.5.

Cross-section analysis reveals that bank is below yearly only in the year 2001 and 2002.

Analysis of SCBL shows that the dividend yields of the bank is in the range 4.349 % to 8.571 %. The average dividend yield is 6.65 %, which has maintained by the company in almost all the years. The DYR of the company is below average in the year 2004 and 2005. Therefore, the company seems to have studied and evaluated on market scenario and price fluctuation before allocation of dividend.

Cross-section analysis shows that bank is above yearly average in all the years.

NIBL has average dividend yield of 3.32 %, which is lowest figure among selected companies. NIBL has maintained its dividend yield above average only in the year 2001 and 2002 but it fails to maintain company's average in all the year after 2004. In the year 2005 and 2006 company has not distributed any dividend out of its earning which brings frustration among investors and market value of share decreases to Rs. 760 in the year 2005 from the highest figure of Rs. 1401 in the year 2004 which is not good symptom for the long run health of the company.

Cross-section analysis shows that dividend yield of the company is below yearly average almost in all the year except in the initial two years. i.e. 2001 and 2002.

The dividend yield is continuously decreasing from the year 2001 to 2005. There is no negligible increment of dividend yield in the year 2004 but it again decreases in the year 2007 but despite of downward moving trend in dividend yield market value of share is in increasing trend up to year 2004 and then decreases but the rate of increment in market value of share is greater than its decreasing trend. The dividend yield of HBL range 0.16% to 7.81 %. The opposite movement of dividend yield and market value of share shows the optimism of investors for retention of earning for investment rather than distributing it as dividend. Therefore, the company have studied and evaluated market scenario and price fluctuation before retention of its earning.

Cross-section shows that the company is below yearly average except in the year 2001.

For DYR, average S.D is 1.46 and average C.V is 31.92.

Comparing the overall performance of the companies in respect of dividend yield, almost two companies out of four companies has found maintain up to above composite average dividend yield. Those companies are NABIL and SCBL with average DYR of 4.53% and 6.64 % respectively.

Finally, dividend yield of the above companies does not show encouraging figure. The highest percentage is of SCBL i.e. 6.64 %.The data of dividend yield shows that investors have not got reasonable return on their market value of share.

4.1.4. Earning Per Share:

Normally, the performance and achievement of the business organization are measured in terms of its capacity to generate its earning. Higher earning shows higher strength while lower earning shows weaker strength of the business organization because earning helps for its growth, expansion and diversification. EPS is the amount of earning of the share invested in the company, higher EPS of the company better position is seen in the stock market.

The following table shows the detail relating to EPS:

Table 6:
Variable: Earning Per Share (In Rs.)

Year/Company	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Average
NABIL	67.68	44.5	67.84	83.79	59.26	55.25	84.66	66.14
SCBL	165.41	129.62	105.86	115.62	126.88	141.13	149.3	133.4029
NIBL	101.37	69.33	33.76	53.68	33.18	33.59	39.56	52.06714
HBL	115.08	113.32	86.07	83.08	93.56	60.26	49.45	85.83413
Composite Co. Average								84.36036
Yearly Average	112.385	89.1925	73.3825	84.0425	78.22	72.5575	80.7424	
Average S.D.								35.50664
Average C.V.								42.08925

(Source: Annual reports of the companies)

The above table shows that average earning per share of NABIL is Rs. 66.14. The bank has maintained above its average EPS in the year 2001, 2003, 2004 and 2007. The EPS of the bank range between Rs. 44.5 to Rs. 84.66.

Cross-section analysis shows that the bank is above yearly average only in the year 2007.

SCBL has highest average EPS among the selected companies which has been maintained by the bank almost in all the years. The EPS of the bank range between Rs. 105.86 to Rs. 164.41. So, one can undoubtedly conclude that SCBL holds strongest position in the market.

Cross-section analysis shows that the bank is always above the yearly average.

NIBL has lowest average EPS among the selected companies, and the bank is unable to maintain its average EPS in the year 2003, 2005, 2006 and 2007. The EPS of the company has decreased by substantial portion in the last three years. Analyzing the figure of EPS, it is seen that NIBL has least capacity in generating earnings and holds weakest position in the stock market among selected companies.

Cross-section analysis shows that bank is always below the yearly average.

The yearly EPS of HBL is in diminishing trend. In the initial year i.e. 2001 EPS was Rs. 115.08 which decreases continuously through out the whole year and finally reaches to Rs. 49.45 in year 2007 which shows that earning generation capacity of HBL is falling gradually likewise its position in the stock market is decreasing simultaneously with the decrease in EPS.

Cross-section analysis shows that bank is below the yearly average only in the year 2004, 2006 and 2007.

For EPS, average S.D. is 35.05 and average C.V. IS 42.09.

Comparing the overall performance of the companies among selected for study in respect of EPS,

two companies out of four companies has been found to maintain composite company average. The composite company average EPS is Rs. 84.36. The companies that are able to maintain composite company average EPS is Rs. 84.36. The companies that are able to maintain composite company average are SCBL and HBL with average EPS Rs. 133.40 and Rs. 85.33 respectively.

Finally, EPS of SCBL seems encouraging as it has highest EPS among the selected companies and decreasing trend in EPS of HBL seems discouraging thought it is able to maintain composite company average.

4.2 Company Wise analysis :

In the earlier section, picture of dividend practices of all the selected companies have been presented in terms of ratio. Keeping in mind the need of more elaborate and extensive analysis, company wise analysis has been presented in this section.

4.2.1 NABIL Bank :

Table – 7

Variable : NABIL's minimum, maximum, mean, standard deviation and coefficient of variation

Variables	Minimum	Maximum	Mean	Standard Deviation	C.V.
DPS (Rs)	0	55	36.43	18.87	51.79
D/P Ratio (%)	0	73.71	55.38	25.21	45.53
D. Yield (%)	0	7.142	4.54	2.65	58.44
PCDOPC (%)	0	55	36.43	18.87	54.79
EPS (Rs)	44.5	84.66	66.14	18.87	22.2

(Source : Annual report of the Bank)

NABIL has average DPS of Rs. 36.43. Its standard deviation is Rs. 18.87 but as a whole average S.D. is 32.02, which seems higher return as compared to NABIL. And coefficient of variation is 51.79 percent. Its coefficient of variation shows that there is 51.79 percent

fluctuation. In DPS, which indicate 51.59 percent fluctuation in the variable or 48.21 percent consistency in DPS. But as a whole average C.V. is 66.23 percent. DPS of NABIL has ranged from Rs. 0 to Es. 55 which indicated high volatility in DPS.

NABIL has average D/P ratio of 55.38 percent which shows that bank has distributed 55.38 percent of its profit as dividend and rest portion is retained in the bank. The range of D/P ratio is 0 to 7.31 percent, which shows that in some years bank has retained all it's earning as dividend. The S.D. and C.V. of the bank is 25.21 and 45.53 percent fluctuation in D/P ratio whereas average S.D. is 13.73 and C.V. is 26.19 which are quite low as compared to NABIL.

Average dividend yield of the bank is 4.54 percent which can be consider very low. The range of dividend yield is 0 to 7.14 percent. Its standard deviation is 2.65 percent, which is among .lowest value as compared to other value whereas in average it is 1.46, which means NABIL has high return in this regards.

Average dividend percent on paid up capital is 36.43 percent and C.V. is 51.79 percent. The range of percentage of cash discount on paid up capital is 0 to 55 percent. Average S.D. and average C.V. of percentage of cash dividend on paid up capital are 32.03 and 66.24 respectively, which seems relatively higher than that of NABIL.

Average EPS of the bank is Rs. 6614. EPS of the bank has ranged from Rs. 44.5 to 84.66. The fluctuation in average EPS is 22.2 percent. For EPS, average S.D. and average C.V. are 35.50 and 42.09 respectively, which seems higher than NABIL. It indicates relatively high return of NABIL than overall company's average.

4.2.2 Standard Chartered Bank (Nepal) Limited :

Table – 8

Variable : SCBL's minimum, maximum, mean, standard deviation and coefficient of variation

Variables	Minimum	Maximum	Mean	Standard Deviation	C.V.
DPS (Rs)	80	110	95.71	9.76	10.2
D/P Ratio (%)	54	86.49	70.55	12.19	17.28
D. Yield (%)	4.66	8.57	6.65	1.48	22.31

PCDOPC (%)	80	110	95.71	9.76	10.2
EPS (Rs)	105.86	165.41	133.4	20.28	15.2

(Source : Annual report of the Bank)

The DPS of SCBL has ranged from Rs. 80 to Rs. 110 and its average is Rs. 95.71. Its standard deviation is 9.76 percent and coefficient of variation of 10.2 percent, which indicate 10.2 percent fluctuation in the variable or 89.98 percent consistency in DPS. For DPS, average S.D. is 32.25 which seem very high as compared to SCBL.

Average D/P ratio is 70.55 percent. D/P ratio has been ranged from 54 to 86.24 percent. Overall company's average S.D. is 13.73 percent while S.D. of SCBL alone is 12.19 percent, which seems higher return of overall company than that of SCBL. Overall company's average C.V. is 26.19 percent while coefficient of variation of SCBL alone is 17.28 which show there is higher consistency in DPR of SCBL than that of overall company average.

If the dividend amount is seen as a return on market price of shares i.e. Dividend yield SCBL has average of 6.65 percent. It's S.D. and C.V. is 1.48 percent and 22.31 percent respectively. On the other hand, if we see the same from overall company's approach its average S.D. and C.V. is 1.463 percent and 31.91 percent respectively which shows lower return and higher fluctuation in the dividend yield ratio of SCBL than that of overall company.

Average dividend percent on paid up capital is 95.71 percent and C.V. is 1.02 percent.

The range of percentage of cash dividend on paid up capital is 80 to 110 percent/ Overall company's average S.D. and average C.V. of percentage of cash dividend on paid up capital are 32.03 and 66.24 respectively, which seems relatively higher return and very high fluctuation in variable than that of SCBL.

4.3.3 Nepal Investment Bank Limited :

Table – 9

Variable : NIBL's minimum, maximum, mean, standard deviation and coefficient of variation

Variables	Minimum	Maximum	Mean	Standard Deviation	C.V.
DPS (Rs)	0	50	25	20.62	82.46

D/P Ratio (%)	0	88.9	43.92	33.55	76.39
D. Yield (%)	0	8.33	3.32	3.25	97.98
PCDOPC (%)	0	50	25	20.62	82.46
EPS (Rs)	33.18	101.37	52.07	25.26	49.1

(Source : Annual report of the Bank)

The data presented above clearly show that average DPS of NIBL is Rs. 25. Its DPS has range from Rs. 0 to Rs. 50 which is not so attractive as compared to other selected companies. Its standard deviation is 20.62 percent but as a whole S.D. is 32.03 percent, which seems higher return as compared to NIBL. Its c.v. of 82.46 percent shows that there is 82.46 percent fluctuation in DPS. It shows that DPS of NIBL is highly volatile with only 17.54 percent consistency in DPS.

Average DPR of NIBL is 43.92 percent which shows that bank has distributed 43.92 percent of its profit as dividend and rest portion of profit is retained by the bank for future investment. The range of DPR is 0 to 88.9 percent. The S.D. of NIBL is 33.55 percent. Whereas overall average S.D. is only 13.73 percent which shows higher return of NIBL. However, there is 76.39 percent fluctuation in DPR of IBL which is very high as compared to overall average C.V., i.e. 26.19 percent.

Average dividend yield of NIBL is 3.32. Dividend yield of NIBL is in the range of 0 to 8.33 percent. Its S.D. is 3.25 percent and C.V. is 97.98 percent. However, overall company's average S.D. and C.V. is 1.46 percent and 31.952 percent respectively. This shows that there is higher return volatility of variable as compared to overall company's average.

The percentage of cash dividend on paid up capital range from 0 to 50 percent with the average of 25 percent. And other variable can be analyzed same as that in DPS analysis.

Average EPS of the bank is Rs. 52.07. EPS of the bank has range from Rs. 33.18 to 101.37. The fluctuation is average EPS is 49.1 percent. For EPS, average S.D. and average C.V. are 35.50 and 42.09 respectively, which seems higher than NIBL. It indicated relatively low return of NIBL than overall company's average. But, volatility in EPS of NIBL is higher than overall company's average C.V.

4.2.4 Himalayan Bank Limited :

Table – 10

Variable : HBL's minimum, maximum, mean, standard deviation and coefficient of variation

Variables	Minimum	Maximum	Mean	Standard Deviation	C.V.
DPS (Rs)	1.32	50	36.26	19.06	52.56
D/P Ratio (%)	2.67	60.18	39.91	19.46	48.75
D. Yield (%)	0.16	7.81	3.34	2.74	71.39
PCDOPC (%)	1.32	50	36.26	19.06	52..56
EPS (Rs)	49.45	115.08	85.83	24.68	28.76

(Source : Annual report of the Bank)

The DPS of HBL has ranged from Rs. 1.32 to Rs. 50 and its average is Rs. 36.26. Its standard deviation is 19.06 percent and coefficient of variation is 52.56 percent, which indicate 52.56 percent fluctuation in the variable or 47.44 percent consistency in DPS. For DPS, average S.D. is 32.25 which seem very high as compared to HBL.

Average D/P ratio is 39.91 percent. D/P ratio has been ranged from 2.67 to 60.18 percent. Overall company's average S.D. is 13.73 percent while S.D. of HBL alone is 19.46 percent, which seems higher return to HBL. Then that of overall company average. Overall company's average C.V. is 26.19 percent while coefficient of variation of HBL alone is 48.75 which show that there is higher fluctuation in DPR of HBL than that of overall company average.

Average dividend yield of HBL is 3.34 dividend yield of JBL is in the range of 0.16 to 7.81 percent. Its S.D. is 2.74 percent and C.V. is 71.39 percent. However, overall company's average S.D. and C.V. is 1.46 percent and 31.92 percent respectively. This shows that there is higher return and higher volatility of variable as compared to overall company's average.

Average dividend percent on paid up capital is 36.26 percent and C.V. is 52.56 percent. The range of percentage of cash dividend on paid up capital is 1.32 to 50 percent. Average S.D. and average C.V. of percentage of cash dividend on paid up capital are 32.03 and 66.24

respectively, which seems relatively higher than that of NABIL.

Average EPS of the bank is Rs. 85.83. EPS of the bank has ranged from Rs. 49.45 to 115.08. The fluctuation in average EPS is 28.76 percent. For EPS, average S.D. and average C.V. are 35.50 and 42.09 respectively, which seems higher than HBL. It indicated relatively low return of HBL than overall company's average. Similarly, volatility in EPS of HBL is also low than overall company's average C.V.

In conclusion, above table no. 7, 8, 9 and 10 clearly shows that mean of all the variable i.e., Dividend Per Share (DPS), Dividend Payout Ratio (DPR), Dividend Yield (D/Y), Percentage of Cash Dividend On Paid-up Capital (PCDOPC) and Earning per Share (EPS) are higher in SCBL which indicates that SCBL is performing better among all selected companied. It has distributed average of Rs. 95.71 regular cash dividend to its shareholders which is highest among all. The bank has paid regular cash dividend throughout the observation period. Average DPS of SCBL is highest among all selected companied. NABIL is also paying regular cash dividend to its shareholders except in the year 1997. Cash dividend pattern followed by NIBL and HBL seems irregular and fluctuating. The figure of standard deviation of DPS is lowest in SCBL i.e. 9.75% which indicate that fluctuation in the DPS of the bank is very low. NIBL is relatively irregular in paying cash dividend which can be seen from its figure of standard deviation i.e. 20.61% which is highest among all selected companies, which indicated that fluctuation in DPS of the bank is very high. To sum up, while observing different financial variables of selected companies for the period of 7 years, SCBL seems strongest in paying dividend whereas NIBL seems weakest in paying dividend. Higher S.D. shows higher fluctuations in variables and vice-versa. As the average of different financial variable are higher while S.D. of same financial variable are lower in case of SCBL it is the strongest company in regards of paying dividend.

4.3 Analysis of Zero order correlation coefficient :

Ratio analysis had given a true vision of the dividend practices among the selected companies but more elaborated and extensive research is considered to make the analysis more research oriented. Dividend payment followed by these companied can be better explained through the use of statistical to provide the meaningful relationship among the various interrelated variables. So, it is useful to determine the degree of correlation between

different financial variables. The zero order of correlation of NABIL, SCBL, NIBL and HBL presented through correlation matrix table 11 as mentioned below :

Table – 11

Variable : Zero Order Correlation Matrix

Name of Banks	Variables	No. of cases	DPS	EPS (Rs)	MPS (Rs)	NE (in million)	NW (in million)
NABIL	DPS	7	1	0.436	0.529	0.742	0.579
	EPS	7		1	0.351	0.738	0.412
	MPS	7			1	0.478	0.424
	NE	7				1	0.897
	NW	7					1
SCBL	DPS	7	1	0.30	0.786	0.763	0.562
	EPS	7		1	-0.213	-0.095	-0.077
	MPS	7			1	0.682	0.170
	NE	7				1	0.933821
	NW	7					1
NIBL	DPS	7	1	0.812	-0.422	0.455	-0.356
	EPS	7		1	-0.295	0.466	-0.395
	MPS	7			1	-0.325	-0.078
	NE	7				1	0.570
	NW	7					1
HBL	DPS	7	1	0.792	0.059	-0.707	-0.965
	EPS	7		1	-0.161	-0.578	-0.092
	MPS	7			1	0.592	0.117
	NE	7				1	0.760
	NW	7					1

From the fore mentioned table no. 11 of correlation matrix it is observed that correlation coefficient is positive in some cases and negative in others. In addition, correlation between two same variable of different companies doesn't even have uniform sign, which is the major periphery of analysis in this section.

Positive correlation means that increase or decrease in one variable leads to increase or decrease in other variable towards same direction. Negative correlation means increase or decrease in one variable leads to increase or decrease in other variable in opposite direction. The analysis of coefficient shows that interrelation between two different variables. The value of correlation coefficient lies between -1 to $+1$. $+1$ indicates perfect positive correlation whereas -1 indicated perfect negative correlation which are two extreme value but actual correlation coefficient lies somewhere between these two extremes. The correlation analysis of four banks selected under study is mentioned below :

I. NABIL Bank Limited :

NABIL has positive correlation coefficient of DPS with EPS, MPS, NE and NW i.e. 0.439, 0.529, 0.742 and 0.579 respectively, which shows that DPS of NABIL is positively correlated with other financial variables. Similarly, correlation coefficient of EPS with MPS, NE and NW is also positive i.e. 0.351, 0.738 and 0.412 respectively. Correlation coefficient of MPS with NE and NW is also positive i.e. 0.478 and 0.424 respectively. Lastly NE and NW are also positively correlated. To sum up, the correlation coefficient of all the variables with some other variable of NABIL is positively correlated. It indicates that payment of dividend depends on all the other financial variables.

II. Standard Chartered Bank (Nepal) Limited :

SCBL has positive correlation coefficient of DPS with EPS, MPS, NE and NW i.e. 0.30, 0.76, 0.763 and 0.562 respectively, which indicates that if the DPS of SCBL increases its EPS, MPS, NE and NW also increases. Whereas correlation coefficient of EPS with MPS, NE and NW is negative i.e. -0.213, -0.095 and -0.077 respectively, which indicates that with the increase in EPS of company it's MPS, NE & NW decreases and as all these variables are positively correlated with DPS so, DPS decreases ultimately with the increase in EPS though EPS and DPS are positively correlated. Positive correlation is seen between MPS and NE, MPS and NW as well as NE and NW.

III. Nepal Investment Bank Limited :

The correlation coefficient of DPS & EPS of +0.8125 indicates that 1% increase in DPS would lead to 0.813% increase in EPS whereas correlation coefficient between DPS & MPS of -0.422 indicates that 1% increase in DPS would lead to 0.422% decrease in MPS. The correlation coefficient between DPS & NE, EPS & NE, NE & NW are positive i.e. 0.455, 0.466 and 0.570 respectively whereas same between DPS & NW, EPS & MPS, EPS & NW, MPS & NE and MPS & NW are -0.356, -0.295, -0.395 and -0.078 respectively. Due to this haphazard relationship between different financial variables, bank seems to be unable to establish uniformity in dividend distribution policy and practices.

IV. Himalayan Bank Limited :

The correlation coefficient of DPS & EPS and DPA & MPS of HBL is 0.79 and 0.058 respectively whereas the same between DPS & NE and DPS & NW is -0.70 and -0.96 respectively. EPS of HBL is negatively correlated with MPS, NE and NW i.e. -0.160, -0.578, -0.902 respectively which indicates that increase in EPS leads to decrease in MPS, NE and NW by significant portion.

To sum up, regarding DPS and NE, if all other variables are held constant, can be clearly seen that there exists positive relationship in all banks except HBL. It indicates that payment of dividend decision largely depends upon the net earning. If the bank earns high total earning then it distributes more dividends.

4.4 Impact on Dividend on market price of share

Analysis and interpretation of dividend payment practices of the selected companies have been presented in the first part of this chapter. Besides, keeping in the mind the need for more elaborate and extensive analysis, company wise analysis has also been presented in the second part. Further, to be more research oriented, dividend payment practices followed by these companies has been explained through the use of statistical tool to provide the meaningful relationship among the various interrelated variable through determination of degree of correlation between financial variables. However, the purpose of this study is not complete yet. The most important analysis is effect of dividend on valuation of share, which shall still to be carried out. Therefore, this part of study is purely devoted in this regard.

It is necessary to analyze the impact of dividend on valuation of the share of the

individual bank and generalize it for banking sector as a whole. Keeping this fact in mind, current study has been carried out for each individual bank and for banking sector as a whole. Based on these sample size and its generalization for whole banking sector, it is hoped that current study will through adequate light on the impact of individual on stock price.

Some financial data re used to determine how one variable is related to the other variable to know the impact of the dividend policy followed by these banks. One commonly used statistical tool is regression analysis. For this, bivariate regression analysis of MPS on DPS, MPS on DPR and multiple regression analysis of MPS on EPS & DPS is presented below and analyzed.

4.4.1 Impact of Dividend on market price of share

To access the impact of dividend on market price of stock, the simple regression analysis has been done. The result of the regression analysis has been presented in table 12.

Table – 12

Regression result of market price per share on dividend per share

Regression equation :- $y = a + bx$

Banks	Regression coefficient		R ²	SEE	F
	a	b			
NABIL	419.29 (1.22) [344.91]	11.90 (1.39) [8.54]	0.28	394.55	1.94
SCBL	-1666.25 (-1.03) [1615.27]	32.925 (1.96) [16.80]	0.43	401.63	3.84
NIBL	1035.96 (5.97) [173.62]	-5.74 (-1.04) [5.52]	0.18	278.75	1.08
HBL	1017.39	1.22	0.003	430.52	0.017

	(2.74) [371.88]	(0.13) [9.22]			
Banking Sector	156.44 (0.96) [1200.82]	-1.72 (-0.07) [24.62]	0.001	418.584	0.005

Note : x & y represent dividend per share and marker per share respectively.

Value within () and [] represent t -value and standard error of coefficient respectively.

The result presented in the table clearly shows that coefficient of dividend is positive in case of NABIL, SCBL and HBL. But the sign of coefficient is not as per expected for NIBL and banking sector as a whole.

In case of SCBL, the coefficient of dividend is highest i.e. 32.925, which indicates that one rupee increase in DPS leads to one average to Rs. 32.925 increase in stock price. Likewise in case of NABIL and HBL, the coefficient of DPS is 11.90 and 1.22 respectively which indicates that one rupee increase in DPS leads to Rs. 11.90 and Rs. 1.22 increase in the share price of NABIL and HBL respectively. But all these banks i.e. SCBL, NABIL, HBL are not statistically significant at 5 percent level significance.

On the other hand, in case of NIBL and banking sector as a whole, the sign of coefficient is not as per expectation. The coefficient of DPS is -5.74 for NIBL, which indicate that one rupee increase in DPS will bring Rs. 5.74 decrease in MPS. Further, in case of banking sector as a whole the coefficient of DPS is -1.72, which indicates that one rupee in DPS would lead to Rs. 1.72 decrease in MPS, which seems ridiculous. For the banking sector have to increase retention ratio in order to increase net worth y paying low amount of dividend. The coefficient of dividend for both NIBL and banking sector is not statistically significant at 5 percent level of significance.

The value of R^2 indicated the variation explained by DPS on MPS. The value of R^2 is very small in case of HBL and banking sector as a whole, if the value of R^2 is very low it is unable to indicate the variation explained by one variable to other. On the other hand the value of R^2 is 0.27, 0.43 and 0.18 for NABIL, SCBL and NIBL respectively. These values of R^2 indicates that 28%, 43% and 18% of the variation in the stock price of NABIL, SCBL and NIBL

respectively have been explained by the regression model.

F-statistics for the regression are 1.94, 3.84, 1.08, 0.017 and 0.005 for the NABIL, SCBL, NIBL, HBL and banking sector respectively which are lower than their corresponding critical value at 5 percent level at significance indicating the regression equation does not provide statistically significant explanation of variation in stock price for all the banks and banking sector.

The standard error of estimate measures accuracy of the estimated figure. It indicates that the smaller the values of standard error of estimates the closer will be the dots to regression line. As the standard error of coefficient of NIBL is 5.52 and SEE is 278.75 which is the lowest among all, shows that NIBL's accuracy level of estimated figure is very high.

As regards the regression model $y = a + bx$ [i.e. $MPS = a + b DPS$] and the above explanation, the inference drawn is that coefficient of dividend is very high in case of SCBL as compared to others. This indicates that there is positive relationship between dividend and stock price and dividend have predominant influence on stock price in SCBL as compared to others

4.4.2 Dividend payout ratio and valuation of share :

Table – 13

Regression result price per share on dividend payout ratio

Regression equation :- $y = a + bx$

Banks	Regression coefficient		R ²	SEE	F
	a	b			
NABIL	492.01 (1.18) [417.14]	6.52 (0.94) [6.94]	0.15	428.711	0.881
SCBL	-888.03 (-1.29) [690.69]	33.64 (3.48*) [9.67]	0.71	228.71	12.18*
NIBL	1003.87	-2.54	0.092	292.94	0.5068

	(5.235) [191.74]	(-0.7119) [3.56]			
HBL	841.85 (2.217) [379.71]	5.49 (0.635) [8.63]	0.075	414.85	0.403
Banking Sector	946.63 (1.4227) [665.34]	2.41 (0.1955) [12.32]	0.007	417.16	0.038

Note : x & y represent dividend per share and marker per share respectively.

Value within () and [] represent t -value and standard error of coefficient respectively.

) Represents statistically significant at 5% level.

The result presented in above table shows that a coefficient of dividend payout ratio is negative only in case of NIBL whereas positive in case of NABIL, SCBL, HBL and banking sector as a whole.

In case of NIBL, the coefficient of D/P ratio is -2.54 which indicates that 1% increase in D/P ratio leads to 2.54% decrease in stock price. It appeared ridiculous. For this NIBL has to increase its retention ratio in order to increase the valuation of the stock. The coefficient of D/P ratio is not statistically significant at 5% level of significance.

The coefficient of D/P ratio is highest in case of SCBL i.e. 33.64 which indicates that one percent increase payout ratio leads to 33.64% increase in stock price. The coefficient of D/P ratio is statistically significant at 5% level of significance as the calculated value of 't' is greater than its table value.

In case of NABIL & HBL, the coefficient of D/P ratio is 6.52 and 5.49 which indicates that 1% increase in D/P ratio would lead to 6.52% and 5.49% increase in stock price of NABIL and HBL respectively. The coefficient of D/P ratio is not statistically significant at 5% level of significance for both banks.

In case of Banking sector as a whole, the coefficient of D/P ratio is 2.41 indicating 1% increase in D/P ratio leads to 2.41% increase in stock price. The coefficient of D/P ratio is not statistically significant at 5% level.

The value of R^2 is very low in case of NIBL, HBL and banking sector i.e. 0.092, 0.075 & 0.007 respectively. These values of R^2 indicate that very low satisfactory level of the explanation for the model as a whole. The value of R^2 in SCBL is 0.71 which indicate that 71% of variation in the stock price of SCBL is explained by the given regression model. Similarly, the value of R^2 in case of NABIL is 0.15, which indicate that 15 percent of variation in stock price of NABIL has been explained by the regression model.

F-Statistic for the regression of all the banks except SCBL are lower than their critical value at 5% level of significance. However, F-Statistics of the regression of SCBL is greater than its critical value at 5% level of significance indicating the regression model of SCBL provided statistically explanation of variation in stock price pf SCBL.

The Standard Error of Estimate (SEE) of SCBL is lowest among all i.e. 288.71 which show that there is comparatively high level of accuracy of estimated figure of SCBL than those of others.

As regards the regression model $y = a + bx$ i.e. $MPS = a + bD/P$ ratio and above explanation, the conclusion drawn is that coefficient of D/P ratio is high in SCBL as compared to other banks and banking as a whole. The effect of D/P ratio of market price of stock has been found different in different banks. However, positive impact has been found in all the banks and banking sector except in case of NIBL.

4.4.3 Impact of earning per share and Dividend per share on marker price of share

Now, the researcher is going to access the impact of EPS and DPS on marker price of share. For this purpose, multiple regressions have been used. The result of regression analysis has been presented in table.

Table – 14

Regression result of market price per share on earning per share and dividend per share

Regression equation :- $y = a + b_1x_1 + b_2x_2$

Banks	Regression coefficient			R ²	SEE	F
	a	b ₁	b ₂			
NABIL	191.5016 (0.2341) [818.024]	4.24 (0.3146) [13.486]	10.45 (0.9956) [10.4975]	0.2973	435.7628	0.8462
SCBL	-898.64 (-0.616) [1459.812]	-12.4245 (-1.6715) [7.4330]	45.22 (2.7329) [15.4492]	0.6670	344.546	4.0060
NIBL	994.3606 (3.3218) [299.3385]	1.5476 (0.1820) [8.5027]	-7.3004 (-0.69241) [10.5437]	0.1846	310.3738	0.4528
HBL	1449.095 (2.03169) [713.2431]	-8.8784 (-0.7236) [12.2685]	10.3288 (0.65003) [15.8897]	0.1188	452.62	0.2697
Banking Sector	1876.356 (1.2581) [1491.319]	-11.3045 (-0.8585) [13.1676]	3.1083 (0.1199) [25.91127]	0.1564	429.999	0.3708

Note : *y* represent market price of share and x_1 and x_2 represent earning per share and dividend per share.

Value within () and [] represent t-value and standard error of coefficient respectively.

As far as regression result of market price of share on earning per share and dividend per share is concerned, the estimated coefficients have positive sign for both EPS and DPS in case of NABIL bank only.

In case of SCBL, coefficient of EPS is -12.42, which indicate that one rupee increase in EPS leads to on the average of Rs. 12.42 decrease in stock price, which seems ridiculous. Generally, when EPS increases it leads to increase in market price per share. This situation clearly indicates that market price of share of SCBL is influenced by any factor else then EPS. The coefficient is not statistically significant at 5% level. Unlike this, in case of NIBL, the 1.54 increase in stock price, holding other variables constant. The coefficient is not statistically significant at 5% level. Like SCBL, HBL & banking sector has coefficient of EPS -8.87 and -11.3045 respectively indicating one rupee increase in stock price would lead to Rs. 8.87 and Rs. 11.3045 decrease in market price of stock respectively. This situation clearly indicates that market price of share of HBL and banking sector is influenced by any factor else then EPS.

On the other hand, in case of SCBL, the coefficient of DPS is positive. The coefficient of DPS is 44.22 which indicate that one rupee increase in DPS leads to on average to Rs. 42.22 increase in MPS. The coefficient of dividend per share is very high in case of SCBL compares to other banks and banking sector. This indicates that there is a positive relationship between dividend and stock price and dividend have predominant influence on stock price in SCBL as compared to others. The-t-value of coefficient of DPS if statistically significant at 5 percent level of significance. Similar trend is observed in case of HBL and banking sector. The coefficient of DPS is positive in case of HBL and banking sector i.e. 10.3288 and 3.1088 respectively. The t value of both HBL and banking sector is not statically significant at 5 percent level in both cases.

In case of NABIL, one rupee increase in DPS result Rs. 10.45 increase in stock price holding EPS constant. The t-value of DPS is not significant for NABIL at 5 percent level of significance. Similarly, one rupee increase in EPS of NABIL results only Rs. 4.2428 increase in stock holding DPS constant. The t-value of EPS if not significant for NABIL at 5% level of significance. To sum up, both EPS and DPS has positive impact on MPS in case of NABIL only.

The value or R square is 0.2973, 0.6670, 0.1846, 0.1188 and 0.1564 for NABIL, SCBL, NIBL, HBL and banking sector respectively. These value of R square indicate that the given regression model have explained 29.73%, 66.70%, 18.46%, 11.88% and 15.64% variation is stock price of for NABIL, SCBL, NIBL, HBL and banking sector respectively.

The F-statistics for the regression are 0.8462, 4.0660, 0.4528, 0.2697 and 0.3708 for NABIL, SCBL, NIBL, HBL and banking sector respectively which are lower then their

corresponding critical value at 5% level of significance indicating that the regression equation does not provide statically significant explanation of variation in stock price in these sector.

The standard error of estimate of NIBL is lower among is lowest among all i.e. 310.3788 which shows that these is high level of accuracy of estimated figure of NIBL then those of others.

From the above analysis, it is seen that coefficient of EPS and DPS both have positive impact on market price of stock in case of NABIL only. Thus it is concluded that EPS and DPS both affect market price of stock differently in different banks.

4.5 Analysis of Relationship of dividend with other key variables :

In this section, an attempt has been made to analyze the relationship of dividend per share with other key variables. Especially, the analysis includes,

- i) Relationship between dividend per share and earning per share.
- ii) Relationship between dividend per share and net profit.
- iii) Relationship between dividend per share and net worth.

The tables given below depict the relationship between DPS & EPS, DPS & NP and DPS & NW respectively. Correlation analysis shows the direction of movement of aforementioned two sets of financial variables but it does not show relative movement in these variables. To see the relative movement, bipartite regression of these variables have been calculates and interpreted in this section.

4.5.1 Dividend per share and earning per share :

The relationship between dividend per share and earning per share has been presented in table :

Table – 15

Correlation and regression result of Dividend per share on Earning per share

Regression equation :- $y = a + bx$

Banks	Regression coefficient		R ²	SEE	F	Coefficient of Correlation	Relationship
	a	b					
NABIL	-0.9173 (-0.026) [34.846]	0.5646 (1.094) [0.516]	0.193 1	18.564	1.197 1	0.44	Positive
SCBL	72.6074 (2.6848) [27.043]	0.1732 (0.8628)) [0.2007]	0.129 6	9.9736	0.744 5	0.30	Positive
NIBL	-9.1164 (-0.758) [12.024]	0.6552 (3.116*) (0.2102)	0.660 2	13.165	9.713 *	0.82	Positive
HBL	-16.2451 (-0.868) [18.713]	0.6117 (2.904*) 0.2106	0.622 7	12.738	8.430 *	0.79	Positive
Banking Sector	39.0183 (2.0611) [18.921]	0.1106 (0.4987) 0.2218	0.047 4	7.4212 5	0.248 7	0.59	Positive

Note : x & y represent dividend per share and marker per share respectively.

Value within () and [] represent t -value and standard error of coefficient respectively.

) Represents statistically significant at 5% level of significance.

From the correlation analysis of the above figures, the relationship between per share and earning per share has been found positive in all banks and banking sector. Positive correlation

means that change in one variable leads to change in other variable in same direction. The highest positive correlation is observed for NIBL i.e. 0.82 and lowest in SCBL i.e. 0.30 and others are in between.

The result presented in the above table shows that the coefficient of EPS in all the bank is positive. In case of NABIL, the coefficient of EPS is 0.5646, which indicates that one rupee increase in EPS leads to Rs. 0.56 increase in DPS. The coefficient of EPS is not statistically significant at 5% level of significance. The constant (a) is -0.917 which means, if EPS is zero then the company cannot pay any dividend.

As far as SCBL is concerned, the co-efficient of EPS is 0.1732 indicating one rupee increase in EPS leads to 0.1732 increase in DPS. The constant (a) is 72.60, which means, if EPS is zero then also the estimated DPS will be Rs. 72.60 The coefficient of (b) is not statistically significant at 5% level of significance. Likewise, the coefficient of EPS of BIBL and HBL is 0.6522 and 0.6117 respectively indicating one rupee increment in EPS of each bank would lead to Rs. 0.66 and Rs. 0.61 increment in DPS. The t-values of both the banks are statistically significant at 5% level of significance. So we infer that the difference between DPS and EPS of both banks are significant at 5% level.

If we look the result of banking sector as a whole, the coefficient of EPS is also found positive. The coefficient of EPS in total sector is 0.1106, which shows that one rupee increase in EPS leads to Rs. 0.11 increase in DPS. The t-values of banking sector is not statistically significant at 5% level.

The coefficient of multiple determination (R^2) between DPS and EPS of NABIL is 0.1931, which means variation in independent variable (EPS) explains 19.31% of the variation in DPS. Likewise, the value of R^2 in SCBL is 0.1296 which means 12.96% of variation is explained by in dependent variable DPS due to change in value of independent variable EPS. Similarly, the value of R^2 in NIBL is 0.6601 which is highest among other banks. It indicates that 66.01% of variation is explained by dependent variable DPS due to change in value of independent variable EPS. Likewise, 61.17% of variation of HBL is explained by the regression model. Lastly, the value of R^2 in total banking sector is 0.0473. The value of R^2 is very small in total banking sector. A very low satisfactory level of explanation for the model As a whole.

F-statistics for the regression model are 1.19, 0.745 and 0.248 for NABIL, SCBL and

banking sector as a whole which is lower than their corresponding critical values at 5% level of significance indicating that regression equation does not provide statistically significant explanation of variation in these sectors. On contrary, F-statistics for the regression model are 9.713 and 8.430 for NIBL and HBL respectively, which is higher than their corresponding critical values at 5% level of significance indicating that regression equation provides statistically significant explanation of variation in these banks.

4.5.2 Relationship between Dividend per share and Net profit :

The relationship between dividend per share and net profit has been presented in table :

Table – 16

Correlation and Regression result of Dividend per share on net profit

Regression equation : $y = a + bx$

Banks	Regression coefficient		R ²	SEE	F	Coefficient of Correlation	Relationship
	a	b					
NABIL	-0.9554 (-0.478) [19.159]	0.1656 (2.473*) [0.0699]	0. 55 02	13.860	6.117 6	0.74	Positive
SCBL	66.3294 (5.3664) [12.360]	0.7591 (2.437*) [0.2007]	0. 54 30	7.2265	53942 1	0.76	Positive
NIBL	-3.1289 (-0.121) [25.736]	0.3689 (1.1439) (0.3225)	0. 20 74	20.105	1.308 6	0.46	Positive
HBL	85.8474 (3.748) [22.903]	-0.2540 (-2.2324) [0.11377]	0. 44 91	14.774	4.983 *	-0.71	Negative
Banking Sector	60.9328 (4.9588) [12.284]	-0.0539 (-1.0477) [0.0514]	0. 18 00	6.8855	1.097 7	0.31	Positive

Note : x and y denotes net profit and DPS.

Value within () and [] represent t-value and standard error of coefficient respectively.

** Represent significance at 5% level.*

From the analysis of correlation coefficient, it is seen that the relationship between dividend per share and net profit is positive in all the banks and banking sector except HBL. There are none of the banks except HBL that shows coefficient of correlation between net profit and DPS negative. The highest positive relationship is found for SCBL. However, negative relationship has also been observed in case of HBL. Others are in between.

From the above regression equation, regression coefficient of HBL is -0.0254 which indicates that one rupee increase in net profit (independent variable) the company cannot pay dividend. F-statistics of the regression model is 4.98. This value is higher than its corresponding tabulated value at 5% level of significance indicating the regression equation provides statistically explanation of the variation in DPS. The constant (a) is 85.8474 which means if net profit is zero then estimated DPS will be Rs. 85.84. Similarly, the regression coefficient of banking sector as a whole is -0.0539 indicating with one rupee increase in net profit the company cannot pay dividend. Rather, the banking sector retains all its earning for future investment which does not seem practical in real sense. The F-statistics for the regression model is 1.09 which is not significant at 5% level. In case of banking sector, if net profit is zero then also estimated DPS will be Rs. 60.93 (i.e. $a=60.93$) which seems self-criticized and ridiculous.

On contrary, the coefficient of net profit is 0.6156 in NABIL bank indicating that one rupee increase in net profit leads to Rs. 0.1656 increase in DPS. The coefficient is statistically significant at 5% level of significance. F-statistics of the regression model is 6.1176. This value is higher than its corresponding critical at 5% level of significance indicating the regression equation provides statistically explanation of the variation in DPS. In case of SCBL and NIBL the coefficient of net profit is 0.7591 and 0.3698 indicating one rupee increase in net profit would lead to Rs. 0.7591 and Rs. 0.3689 increase in DPS of SCBL and NIBL respectively. The coefficient of net profit (t-value) is not statistically significant at 5% level for both the banks. F-statistics of the regression of SCBL is 5.94 which is higher than its corresponding critical at 5% level indicating the regression equation provides statistically explanation of the variation in DPS of SCBL. However, F-statistics for regression of NIBL is not significant at 5% level.

The value of R^2 of NABIL, SCBL, NIBL, HBL and banking sector is 0.5502, 0.5430, 0.2074, 0.4991 and 0.1800 respectively, which indicates that 55.02%, 54.30%, 20.74%, 49.91%

and 18.02% of variation in respective banks is explained by dependent variable (DPS) due to change in value of independent variable (net profit). The least percent of variation is explained by dependent variable (DPS) due to change in value of independent variable (net profit) for NIBL & banking sector and relatively high percent of variation is explained by dependent variable (DPS) due to change in value of independent variable (net profit) for NABIL bank and Standard Charter Bank.

The standard error of estimates measures the accuracy of the estimated figures. The smaller the value of SEE the closer will be the dots toward regression line. As the SEE of banking sector is 6.8855 which is lowest among all, indicates that banking sectors accuracy level of estimated figure is highest.

As regards to the regression model $y = a + bx$ [i.e. $DPS = a + b \text{ Net Profit}$] and above analysis on coefficient of net profit. It is neither very high nor very low in any banks. It indicates that there is moderate or negligible relationship between dividend and net profit. None of the bank's profit has predominant influence on its dividend.

4.5.3 Relationship between Dividend per share and Net Worth :

Table No. 17 clearly shows the relationship between dividend per share and net worth

Table – 17

Correlation and Regression result of net worth and dividend per share

Regression equation : $y = a + bx$

Banks	Regression coefficient		R ²	SEE	F	Coefficient of Correlation	Relationship
	a	b					
NABIL	836.405 (5.9868) [139.71]	5.4678 (1.5898) [3.4581]	0.3357	159.81	2.5275	0.58	Positive
SCBL	-21.581 (-0.035) [609.88]	11.6047 (1.8296) [6.3436]	0.4009	151.64	3.3465	0.56	Positive

NIBL	600.255 (4.0054) [149.86]	-4.0586 (-0.85180) [4.7686]	0. 12 67	240.60	0.725 6	-0.356	Negative
HBL	1116.22 (16.494) [67.673]	-13.7147 (-8.1723) [1.6781]	0. 93 09	78.345	66.67 *	-0.96	Negative
Banking Sector	1566.98 (2.8180) [556.05]	-15.637 (-1.3717) [11.4002]	0. 27 34	193.83	1.881 5	-0.0446	Negative

Note : x and y denotes dividend per share and net per share respectively.

Value within () and [] represent t-value and standard error of coefficient respectively.

** Represent significance at 5% level.*

It is clear from the above correlation figures that DPS is positively correlated with net worth NABIL and SCBL only. It means that the net worth of Nepalese joint venture banks doesn't depend completely upon dividend payment. The highest positive correlation is found for NABIL. The lowest negative correlation is found for HBL.

With respect to above regression result of net worth on dividend per share, coefficient of DPS is positive only in NABIL and SCBL. In case of NABIL, the coefficient of DPS is 5.4978, which indicate that one rupee increase in DPS leads to about Rs. 5.50 increase in net worth remaining other variables constant. The regression coefficient (b) is not statistically significant at 5% level of significance. In case of SCBL, the coefficient of DPS is 11.6047, which indicate that one rupee increase in DPS leads to Rs. 11.6047 increase in net worth remaining other variables constant, regression coefficient (b) is not statistically significant at 5% level.

On the other hand, in case of NIBL, the coefficient of DPS is found -4.0586 which indicate that one rupee increase in DPS leads to Rs. 4.0586 decrease in. The regression coefficient is not statistically significant at 5% level. Likewise, coefficient of DPS is -13.7147 and -15.6378 in case of HBL and banking sector respectively which indicate movement of DPS

and net worth in opposite direction as in case of Nepal Investment Bank Limited.

The value of R square in of NABIL, SCBL, NIBL, HBL and banking sector are 0.3357, 0.4009, 0.1267, 0.9303 and 0.2734 respectively indicating 33.57%, 40.09%, 12.67%, 93.03% and 27.34% of variation is explained in dependent variable (net worth) due to change in value of independent variable (DPS) respectively. From the analysis of the value of R square, it is observed that a very low percent of variation is explained in dependent variable (net worth) due to change in value of independent variable (DPS) in Nepal Investment Bank Limited.

To draw the inference, it can be clearly observed that there is lack of uniformity in respect of movement of dividend per share and net worth. DPS differently after the net worth in different banks.

4.6 Multiple Regression Analysis :

When the multiple regression model having two independent variable are run, the result obtained are presented in the given below. It represents simple linear relationship between closing stock price, dividend per share and retained earning.

Table – 18

Regression result of Market Price per Share on Dividend per share and Retained

Regression equation : $y = a + b_1x_1 + b_2x_2$

Banks	Regression coefficient			R ²	SEE	F
	a	b ₁	b ₂			
NABIL	191.501 6 (0.2341) [818.024]	14.6943 (1.1349) [12.9473]	4.2428 (0.314 6) [13.48 63]	0.2973	435.76	0.8462
SCBL	-159.673 (- 0.3914)	26.4195 (2.2906) [11.5335]	- 14.401 3	0.7963	269.464	7.8193*

	[1174.44]		(- 2.6659) [5.401 889]			
NIBL	994.360 6 (3.3218) [299.338]	-5.7528 (-0.9359) [6.14665]	1.5476 (0.182 0) [8.502 7]	0.1846	310.37	0.4528
HBL	1449.09 5 (2.0316) [713.243]	1.4504 (0.1495) [9.7005]	- 8.8784 (- 0.7236) [12.26 85]	0.1188	452.62	0.2697
Banking Sector	1906.95 7 (1.3560) [1406.29]	-7.5591 (-0.2999) [25.1986]	- 12.756 5] (- 1.6158) [12.55 73]	0.2058	417.207 3	0.5184

Note : y represents market price of share and x_1 and x_2 represents dividend per share and retained earning.

Value within () and [] represent t-value and standard error of coefficient respectively.

** Represent significance at 5% level.*

As presented in above table, for NABIL bank, as indicated by the value of b_1 , stock price

per share and dividend per share is positively related to each other. The value of coefficient of multiple determination (R^2) is 29.73% indicating that out of the total variation in stock price 29.73% of variation can be explained by the independent variable of the given regression model of NABIL bank. This model indicates that one rupee increase in DPS leads to Rs. 14.6943 increase in MPS. In addition, it also indicates that one rupee increase in retained earning leads to Rs. 4.24 increase in MPS which shows that DPS has predominant influence on MPS then that of retained earning. The constant (a) is 191.5016 which means if dividend per share and retained earning both are zero then also estimated market price per share of NABIL will be Rs. 191.5016. The t-values of coefficient of DPS and R/E are not statistically significant at 5% level as calculated value of 't' is less than tabulated 't' value. Observing the model we can conclude that the price stock is strongly determined by dividend. However, the stock price is less sensitive to retained earning than to dividends. According to the F-value as its critical value at 5% level, the model does not provide statistically significant explanation of variation in stock prices.

For Standard Charter Bank (Nepal) Limited, the result is somehow different than that of NABIL. The value of coefficient of multiple determination (R^2) is 79.63% indicating that out of the total variation in stock price 79.63% of variation can be explained by the independent variable of the given regression model of SCBL. The dividend per share shows high degree of relationship with MPS, which can be depicted from value of b_1 i.e. 26.4195 indicating that one rupee increase in DPS leads to Rs. 26.4195 increase in MPS. The model provides rather confusing relationship with retained earning which is negative. The t-value of DPS and R/E is not statistically significant at 5% level. However, analyzing the value of b_1 and b_2 dividend seems to be stronger than retained earning to explain the variation in stock price.

For Nepal Investment Bank Limited, the coefficient of multiple determination (R^2) is not satisfactory which is 0.1486 indicating that the independent variable can explain only 18.46% of variation in stock price of NIBL. The dividend per share shows negative relationship with market price per share, which is given by value 5.7528 indicating that one rupee increase in DPS leads to Rs. 5.7528 decrease in market price of share. On contrary, retained earning shows positive relationship with market price of share which is given by value of b_2 i.e. 1.5476. The t-value of DPS and R/E is not statistically significant at 5% level. Observing the model we can conclude that neither DPS nor R/E has strong relationship with MPS, however investors seems more optimistic toward retention for investment than payment of earning as dividend.

For Himalayan Bank Limited, the result is just opposite than that of NIBL as regards to outcome of coefficient of dividend per share and retained earning. Coefficient of multiple determination is not satisfactory which is 0.1188. The dividend per share shows low degree of positive relationship with market price per share, which is given by value of b_1 i.e. 1.4504. However, retained earning shows high degree of negative relationship with MPS which is given by value of b_2 i.e. -8.8784. Therefore, one can easily analyze that the model provides rather confusing relation with these two sets of financial variables. The 't' value of DPS and R/E is not statistically significant at 5% level. Observing the model we can conclude that dividend seems to be stronger than retained to explain the variation in stock price.

Lastly for banking sector as a whole, the coefficient of multiple determination is 0.2058 which is not satisfactory level and implies that the dependent variable can explain only 20.58% of variation in stock price of banking sector. The 't' value of DPS and R/E is not statistically significant at 5% level. As the coefficient of DPS and coefficient of R/E of banking sector is negative the regression result of banking sector does not provide any concrete idea regarding the variable under study. Thus, this section of study for banking sector is dropped for further analysis due to ridiculous numerical output drawn from given regression model.

In conclusion, the overall results indicates that there is strong relationship between the stock price and dividend and this relationship is obviously stronger than that with retained earning except in case of HBL.

Moreover, if one more financial variable i.e. lagged earnings price ratio is added to the aforementioned financial variable then the outcome of such multiple regressions is presented, analyzed, interpreted and concluded in the section to come :

Table – 19

Regression result of Market Price per Share on Dividend per share, Retained earning per share and Lagged P/E ratio

Regression equation : $y = a + b_1x_1 + b_2x_2 + b_3x_3$

Banks	Regression coefficient				R ²	SEE	F
	a	b ₁	b ₂	b ₃			
NABIL	-94.2567 (- 0.0873) [1079.17]	15.3634 (1.06335) [14.49]	6.3479 (0.4073) [15.58]	15.6697 (0.4909) [31.91]	0.349	484.0 1	0.537
SCBL	32.1099 (0.02737) [1172.78]	15.7677 (1.1394) [13.83]	-11.5413 (- 2.0696) [5.576]	38.2596 (1.2375) [30.915]	0.865	253.1 7	6.416 *
NIBL	730.668 (0.73247) [994.49]	-1.03393 (-0.5704) [18.12]	0.18512 (6.0171*) [10.8258]	9.77506 (0.2822 8) [34.612 8]	0.205	353.7 7	0.258
HBL	-391.86 (- 0.6010) [651.91]	22.5919 (2.8383) [7.95]	-8.2755 (- 1.2966) [6.38]	87.8346 (3.4338) [25.57]	0.821	235.3 8	4.595 *
Banking Sector	-2501.75 (- 1.0339) [2419.80]	50.4566 (1.4696) [34.33]	4.00185 (0.3190) [12.5439]	75.1537 6 (2.0247 3) [36.13]	0.664	313.1 3	1.980

Note : y represents market price of share and x_1 , x_2 and x_3 represents dividend per share, retained earning and lagged earnings price ratio respectively.

Value within () and [] represent t-value and standard error of coefficient respectively.

** Represent significance at 5% level.*

The coefficient of multiple determination (R^2) are 0.3495 and 0.2057 for NABIL and NIBL respectively. These values of R^2 indicates that 34.95% and 20.57% of total variation in stock price of NABIL and NIBL have been explained by the regression model (or by the explanatory variable used in regression model), a very low satisfactory level of explanation for the model as a whole. On the other hand, same is 0.865, 0.8213 and 0.6644 of SCBL, HBL and banking sector respectively which indicates that 86.5%, 82.13% and 66.44% of the total variation in the stock price respectively has been explained by the regression model.

The F-statistics for the regressions are 0.5374, 0.2589 and 1.98 for NABIL, NIBL and banking sector respectively, which are lower than their corresponding critical value at 5% level of significance indicating that regression equation do not provide statistically significant explanation of variation in stock price of NABIL, NIBL and banking sector. On the other hand, the F-statistics the regression is 6.416 and 4.5954 of SCBL and HBL respectively which is higher than the critical value at 5% level of significance indicating that regression equation do not provide statistically significant explanation of variation in stock price of SCBL and HBL.

Table No. 18 also sets fourth the coefficient of lagged earning price ratio which is very high in SCBL, HBL and banking sector as compared to NABIL and NIBL. It indicates that the effect of lagged earning ratio in earlier mentioned banks and banking sector is explaining the variation in stock price prominently. Besides the coefficient of lagged earning price ratio, the coefficient of divided is very high compares to the coefficient of retained earning in all the banks except NIBL. This indicates that the effect of dividends on stock price is customarily strong and relatively weak effect of retained earning in all the banks and banking sector except NIBL. However, the effect is largest in SCBL and HBL. In these banks, the coefficient of retained earning is negative indicating dividend payment and lagged earning price ratio play dominant role in explaining the variation in stock price. On contrary, in case of NIBL retained earning seems to play dominant role over dividend in explaining the variation in stock price as the coefficient of DPS in NIBL is negative which seems quite exceptional.

In case of NABIL bank, the coefficient of dividend is 15.37 which indicate that one rupee increase in dividend leads to Rs. 15.37 increase in stock price, holding the other variable constant. Similarly, in case of SCBL, coefficient of dividends is 15.77 which indicate that, holding the other variables of the model constant, one rupee increase in dividend leads to Rs. 15.37 increase in share price. Likewise, coefficient of dividends is 22.59 and 50.46 in case of HBL and banking sector respectively which indicate that one rupee increase in dividend leads to Rs. 22.59 and Rs. 50.46 increase in share price of HBL and banking sector respectively. However, the coefficient of dividends is -1.0339 in case of NIBL which indicate that one rupee increase in dividend leads to Rs. 1.0339 increase in stock price which seems ridiculous an unusual in present context.

So far as retained earning is concerned the sign of coefficient is as expected for NABIL and NIBL and banking sector but not for SCBL and HBL. The coefficient of retained earning are 6.3479, -11.5412, 0.1851, -8.2755 and 4.00185 with t-value of 0.4073, -2.0696, 6.0171, -1.2966 and 0.3190 in NABIL, SCBL, NIBL, HBL and banking sector respectively. Thus, retained earning's coefficient is not statistically significant in NABIL, SCBL, HBL and banking sector at 5% level of significance. However, the same is significant in case of NIBL only. To sum up, it implies that retained earning have relatively weak influence on stock prices.

Similarly, in case of lagged earnings price ratio, the sign of coefficient meets every expectation in all the banks and banking sector. The coefficients of lagged earnings price ratio are statistically significant in HBL 5% level of significance. But, it is statistically significant in NABIL, SCBL, NIBL and banking sector at 5% level.

Making the inference of the result of different regression model so far, it can be observed that the coefficient of dividends are positive as expected in individual banks and banking sector as a whole. The values of coefficient have increased considerably almost in all banks when added the other explanatory variable i.e. Lagged earning price ratio. The coefficient of multiple determination have also increased in all the banks and banking sector as a whole. The coefficient of dividends is higher as compared to coefficient of retained earning in all the banks except NIBL. The coefficient of lagged earnings price ratio is higher than coefficient of dividends and retained earning in all the individual banks and total banking sector which signifies that lagged earning price ratio have predominant influence on stock price. The coefficient of lagged earnings price ratio is highest in HBL as compared to other banks which indicate that lagged earning price

ratio has most significant influence in stock price of HBL. Moreover, coefficient of dividend is significant at 5% level in case of HBL. However, the coefficient of dividend is not statistically significant at 5% level in case of NABIL, SCBL, HBL and banking sector. On the other hand, coefficients of retained earning are insignificant for all the individual banks and total banking sector except NIBL at 5% level. This gives the allusion of the positive relationship between dividend and stock price. In conclusion, dividend payout affects share price of different banks differently. This study suggests that the relationship between dividend and stock price is in conformity with the relationship as assured in development capital market.

4.8 Presentation and Analysis of Investor's Viewpoints about Dividend (Qualitative Analysis)

Here, in this section attempt is concentrated to draw current picture of dividend policies of banking sector prescribed by investor's. Investors are the main post around which any firm runs. In real sense, they have the right to elect boars of directors ad take every decision collectively. So it is necessary to draw their opinions to dividend policy.

Studies on dividend policy are important because information on how investors make dividend decisions would not help development of realistic theoretical model but would also help to test empirically the different opinions concerning dividend policy. There is therefore need for generating research questionnaire on dividend policy in Nepal. This section is based on primary data analysis mainly deals with qualitative aspect of dividend policy. The qualitative aspects are examined by distributing questionnaire to 80 investors (shareholders) of different commercial banks. This aspect includes investors prediction regarding their future earnings, assessing priority for major decisions of finance, motive for paying cash and stock dividend, factors affecting dividend policy, suggestion and recommendation on dividend policy followed by commercial banks etc.

The respondents covering very litter number may divert the reality but the response and findings will be of vital importance to draw certain inferences about dividend policy of banking sector in Nepal. The result we obtain from this survey will be important to match and compare with various financial theories and draw some conclusion.

4.8.1 Investor's Prediction regarding their future earning

As response to the research question "Can you predict your future earning as dividend ?" following result has been drawn :

S. No.	Statements	Number of Respondents	Percentage
1	Yes	4	8
2	No	76	95
Total :		80	100

The majority of the respondents (95%) feel that it is not possible to predict their future earning as dividend and only 5% percent of respondent fell that they can predict their future earning as dividend. This analysis clearly depicts that majority of investors have very few knowledge about dividend policy. These investors are investing in shares of commercial bank without having adequate knowledge of finance.

4.8.2 Priority for Dividend Decision :

In their overall ranks for the importance of major decisions of finance i.e. financing decisions, investment decisions and dividend decisions, the majority of the respondents gave the first priority to ' investment decision', the second priority to 'financing decision' and third priority to 'dividend decision'. The outcome drawn from the field survey is presented below :

S. No.	Statements	Rank wise no. of respondents			Total Respondents	Rank
		1	2	3		
1	Financing Decision	35	30	13	78	2 nd
2	Investment Decision	41	35	3	79	1 st
3	Dividend Decision	3	21	25	78	3 rd

4.8.3 Major Motives of Paying Cash Dividend :

Regarding the motives of paying cash dividends majority of the investors (35%) feel that it is 'to convey information to shareholders that company is doing well'. Some respondents (30%) it is 'to draw the attention from the investment community'. Twenty percent respondents believe that the main motive of paying cash dividend is 'to increase the market value of firms stock'. The other (10%) respondents consider that the major motive is to fulfil shareholders expectation'. The outcome field survey on this matter is presented as under :

S.N.	Statements	No.	Percentage
1	To convey information to shareholders that company is doing well.	28	35
2	To draw the attention from the investment community.	24	30
3	To increase the market value of firms stock	16	20
4	To fulfil shareholders expectation	8	10
5	Others	4	5
Total :		80	100

Another 5% respondents clarify various opinions that :

- a) To raise funds through common stock.
- b) Don't know.
- c) To utilize cash which are remaining idle ?
- d) Due to pressure of stockholder.

4.8.4 Dividend as a Residual Decision :

With respect to dividend as a residual decision, the majority of the respondents i.e. 85% feels that dividend is not treated as a residual decision. Another 13% of the respondents accept it as a residual decision. Residual decision is related to paying dividends out of the earnings left after financing all short of profitable investment. This decision is also effected by the various other factors like composition of capital structure, cost of retained earning, cost of external

financing, tax status of stockholders etc. But here we see that in most of the Nepalese commercial banks dividend are not treated as a residual decision.

S. No.	Statements	Number of Respondents	Percentage
1	Yes	10	13
2	No	69	85
3	Don't know	1	2
Total :		80	100

4.8.5 Motives of Stock Dividend Payment :

S.N.	Statements	Rank wise no. of respondents				
		1	2	3	4	5
1	To conserve cash	38	15	16	7	4
2	To indicate higher future profit	18	13	21	20	8
3	To raise future dividends for shareholders	5	26	25	11	5
4	To provide high psychological value to shareholders	18	2	10	24	4
5	To lower the firm's stock price	4	4	7	5	59

With respect to the motives of stock dividend payment in Nepalese commercial banks the majority of the respondents gave the first importance to 'conserve cash', the second importance to 'indicate higher future profits', the third importance to 'provide high psychological value to shareholders' and the fourth importance to 'raise future dividends for shareholders'. Very less respondent believe the major motive is to lower the firm's stock price. The observation provides one important message the min and first motive of stock dividend payment is to conserve cash in Nepalese banking sector.

4.8.6 Payment or Non-payment of Dividends

As regards to the research topic "Nepalese stockholders are indifferent whether the company pays or does not pay dividend", following outcome is drawn :

S. No.	Statements	Number of Respondents	Percentage
1	Yes	6	8
2	No	72	90
3	Don't know	2	2

Nepalese shareholders are not really indifferent towards payment or non-payment of dividends. The 90% of the respondent felt that investors are not indifferent in this regards. However, 8% investors stated that shareholders are indifferent in this aspect. Only 2% of the investors stated that they have no idea on it. From the above response pattern it is clear that most of the investors like to be paid dividend the return of their investment.

4.8.7 Suggestion if the company has no Cash to Pay Dividends :

If the company has no cash to pay dividends, 42% of the respondents opined to pay stock dividends. 30% of the respondents suggested not to pay cash or stock dividend at all. Another 18% of the respondents suggested borrowing funds and paying cash dividends if the company has no cash to pay dividends. The outcome of research is as under :

S.N.	Statements	No.	Percentage
1	Borrow fund and pay dividend	14	18
2	Pay stock dividend	34	42
3	Don't pay cash or stock dividend	24	30
4	Others	8	10
	Total :	80	100

Other 10% respondents presented their classified view in this regards as :

1. It is to be paid later when company ha enough cash.

2. The decision to be taken considering overall financial position of the company.
3. It depends upon the policy of the company.
4. Give the detail reasons to shareholders and do not pay.
5. Investigate the reason of such situation.

4.8.8 Relationship of Stock Dividend and Stock Price :

In this issue, 56% respondents opine that 'very close' relationship exists between stock dividend and stock price. 36% respondents believe that 'close relation' exists between two variables. 6% respondents have no idea in this regards and 2% there is no relation between these two variables.

S.N.	Statements	No.	Percentage
1	Close relation	29	36
2	Very close relation	45	56
3	No relation	2	2
4	Don't know	4	6
	Total :	80	100

4.8.9 Announcement of Earnings :

With respect to whether the company's announcement of earnings will help to increase market price of share, the majority of the respondents 90% feel that the company's announcement of earnings will help to increase market price of share if a share. 2.5% respondents feel that the company's announcement of earning won't help to increase market price of share. 7.5% of the respondents don't know whether or not company's announcement of earnings help to increase market price of share.

S.N.	Statements	No.	Percentage
1	Yes	72	90
2	No	2	2.5
3	Don't know	6	7.5

From the investors view point we are bound to conclude that the announcement of earnings will help to increase share price. This is what we call signalling effect in stock market.

4.8.10 Factors affecting Dividend Policy in Nepal :

With respect to factors affecting corporate dividend policy, the majority of the respondents gave the first priority to 'earnings', the second priority to 'availability of cash', the third priority to 'past dividends and the fourth priority to 'concern about maintaining or increase stock price' and fifth & sixth importance is given to 'investment opportunities in the company' and 'ability to borrow of the company' respectively. The rank wise number of response to field survey based on questionnaire is presented below :

S. N.	Statements	Rankwise no. of respondents				
		1	2	3	4	5
1	Earnings	60	10	6	2	1
2	Past Dividends	7	32	30	3	2
3	Availability of cash	9	30	35	5	1
4	Concern about maintaining of increase stock price	1	5	10	31	32
5	Ability to borrow of the company	-	-	2	7	67
6	Investment opportunities in the company	2	4	4	41	29

Thus, we can infer that earnings is the main factor affecting policy in Nepal.

4.8.11 Recommendation of Dividend policy for Nepalese Commercial Banks :

As regards to the research section regarding recommendation for particular dividend policy in Nepalese banking sector, respondent investors provide following view :

S. N.	Statements	No.	Percentage
1	Stable rupee amount per share	8	10
2	Constant payout ratio	23	28.75
3	Low regular dividends plus extras	42	52.5
4	Target payout ratio	7	8.75
	Total :	80	100

With respect to recommendation on dividend policy, 52.5% of the respondents recommended 'Low regular dividends plus extras', 28.75% of the respondents recommended 'Constant payout ratio', another 10% respondents recommend 'Stable rupee amount per share' and 8.75% respondents recommend for 'Target payout ratio'. Though these several dividend policies have their own importance in different circumstances, however most of the investors, at present recommend for low regular dividend extra plus.

4.8.12 Suggestion with Regards to Dividend Policy :

With regards to suggestion on dividend policy, 40% of respondents suggested 'stability of dividend and unhapazarad payout ratio', 30% of the respondent suggests 'cash balance for dividend be adequately planned and maintained', 25% of the respondent suggested 'treatment of dividend as an obligation' and only 5% of the respondent suggested 'legislation regarding minimum dividend be enacted'. The outcome of field survey on this regards is tabulated below :

S.N.	Statements	No.	Percentage
1	Treatment of dividend as an obligation	20	25
2	Stability of dividend and unhapazarad payout ratio	32	40
3	Cash balance for dividend be adequately planned and	24	30

	maintained		
4	Legislation regarding minimum dividend be enacted	4	5
	Total :	80	100

From the above table, we can infer that investors laid down their classified view in this regards. Through, majority of the investor suggest for stability of dividend and unhapazard payout ratio but other suggestion of investors in this regards are close to majority. So, it is quite difficult to suggest for prefect dividend policy to be followed by commercial banks. However, Nepalese banking sector can follow any one of the dividend payment practices considering the collective interest of management, investors and shareholders.

4.9 Major Finding of the Study :

The major findings of the study are stated as follows :

1. Dividend payment is not regular and attractive phenomenon in Nepalese commercial banks. SCBL has the highest average DPS of Rs. 95.714 among the four selected commercial BANKS. However, NIBL has lowest average DPS of Rs. 25.00. The coefficient of variation of BIBL, which indicate relative dispersion, is the highest i.e. 82.46%. However, SCBL has lowest C.V. of 10.2%. SCBL pays regular dividend in all the years. However, NIBL do not even pay dividend in the year 2001/02 and 2002/03. This clearly indicates that commercial banks do not have stable, consistent and uniform dividend practices.
2. The average highest D/P ratio is 70.55% of SCBL. Similarly, the lowest average D/P ratio is 39.91% of HBL. NIBL has the highest fluctuation in D/P ratio, which is indicated by its C.V. of 76.39%. SCBL has lowest fluctuation in D/P ratio. Its C.V. is 17.28%. This figure clearly shows that there is no uniform attitude of management of different banks towards the treatment of profit in respect of distribution of dividend and retained earning.
3. When dividend amount is considered as return on the amount invested in share value, it is highest of 95.71% of SCBL. But, NIBL has lowest 25% among the selected commercial banks. The range of 15 to 95.71% indicates greater variation. There is high fluctuation of 82.46% of NIBL and lowest of 10.2% of SCBL. The

company should pay proper attention to enhance their percentage of cash dividend on paid-up value.

4. Similarly, when dividend amount is considered as return on market price of share, dividend yield is highest of 6.65% in case of SCBL. The highest percentage of 6.65% is also not so encouraging figure in share market. The lowest dividend yield is 3.32% of NIBL. In fact both highest and lowest of D/Y ratio is negligible on its market value of share. The highest fluctuation of 97.98% as indicated by C.V. of NIBL. However, SCBL has lowest C.V. of 22.31%. The dividend amount paid by these commercial banks appears very low which is even less than 10%. Since, all the sample companies are leading commercial banks of the country we can thus generalize this result for banking sector as a whole.
5. On the basis of earning per share, SCBL has the highest average EPS of Rs. 13.40 whereas NIBL has comparatively lowest EPS of Rs. 56.07. There is highest of 49.01% fluctuation of NIBL whereas SCBL has lowest C.V. of 15.2%. It indicates that NIBL has greater stability in its earnings. The average EPS of SCBL seems satisfactory among the selected commercial banks. All the companies have EPS more than Rs. 50. However, all the banks should further try to improve this situation.
6. With respect to the correlation matrix, for NABIL correlation coefficient of all the variables with other variables are positively correlated which indicate the payments of dividend depend largely upon financial variables. The DPS of NIBL is positively related with its EPS and NE whereas the same is negatively correlated with MPS and NW. Lastly, DPS of HBL is positively related with its EPS and MPS and same is negatively correlated with NE and NW. To sum up, correlation between two same variables of different doesn't even have uniform sign which is the major concern of study. One important thing to observe in this section is that regarding DPS and NE, if all other variables are held constant can be clearly seen that there exists positive relationship in all the banks except HBL. It indicates that payment of dividend decision largely depends upon the net earning. If the bank earns high total earning then it distributes more dividends.

7. The impact of cash dividend on market price of share revealed that dividend per share has positive impact on market price of share in NABIL, SCBL and HBL as coefficient of DPS of these banks are 11.90, 32.93 and 1.22 respectively. But negative impact has been found in NIBL and total banking sector i.e. -5.74 and -1.72 respectively, which indicate that market price per share of NIBL and total banking sector is influenced by any factor else than DPS. The coefficient of dividend is very high in SCBL (i.e. 32.93) as compared to other banks. It indicates that there is positive relationship between dividend and stock price and dividend have predominant influence on stock price in SCBL as compared to other banks. From the regression analysis it can be concluded that the change in dividend per share affects the share prices differently in different banks and total banking sector.
8. With respect to impact of payout ratio on valuation of share, positive impact has been found in all the banks except in NBL. The negative impact has been found only in NIBL. The coefficient of D/P ratio in NIBL is -2.54, which indicate that 1% increase in payout ratio leads to decrease on the average of 2.54% in stock price. Whereas NABIL, SCBL, HBL and total banking sector has the coefficient of D/P ratio of 6.52, 33.64, 5.49 and 2.41 which indicates that 1% increase in payout ratio brings 6.52, 33.64, 5.49 and 2.41% increase in market price of stock. From the analysis, it has been found that payout ratio affects the stock price positively in most of the banks but differently in different banks.
9. As far as multiple regression analysis of earning per share and dividend per share on market price per share is concerned, the estimated coefficients have positive sign for both EPS and DPS in case of NABIL bank only i.e. 4.24 and 10.45 respectively. In other banks either earning per share or dividend per share has negative impact on market price of share. The highest positive impact of EPS has been found in NABIL (i.e. $b=4.24$) and highest positive impact of DPS in SCBL (i.e. $b=42.22$). The coefficient of EPS and DPS in total banking sector shows that one rupee increase in EPS bring Rs. 11.30 decrease in stock price if DPS is held constant whereas one rupee increase in DPS bring Rs. 3.1083 increase in stock price. This shows that predominant influence on stock price. However, EPS and

DPS both affect market price of stock differently in different sectors.

10. The DPS and EPS are positively correlated in all the banks which mean higher the EPS higher will be the DPS. The highest positive relationship between these two variables has been found in NIBL and lowest in SCBL. Regression analysis shows that one rupee increase in EPS leads to Rs. 0.5696 increase in DPS of NABIL, Rs. 0.1732 increase in DPS of SCBL, Rs. 0.6552 increase in DPS of NIBL, Rs. 0.6117 increase in DPS of HBL and Rs. 0.1106 increase in DPS of total banking sector. This shows that EPS has positive impact on DPS in all the banks and banking sector.
11. A positive relationship is found between dividend per share and net profit in all the banks except HBL. The highest positive relationship has been found in SCBL and negative relationship is found in HBL. Regression analysis shows that one Rs. Increase in net profit leads to Rs. 0.1656 increase in DPS of NABIL, Rs. 0.7591 increase in DPS of SCBL and Rs. 0.3689 increase in DPS of NIBL. Unlike this, in case of HBL and total banking sector one rupee increase in net profit leads to Rs. 0.71 and Rs. 0.0531 decreases in DPS respectively.
12. While observing the coefficient of correlation between DPS and NW, positive relationship is found only in case of NABIL and SCBL. However, NIBL, HBL and total banking sector has negative relationship between abovementioned two variables. The highest positive relationship is found in NABIL and highest negative relationship is in HBL. Regression result of net worth on DPS shows that one rupees increase in DPS leads to Rs. 5.4978 increase in net worth of NABIL and Rs. 11.60 increase in net worth of SCBL. However, one rupee increase in DPS of NIBL, HBL and total banking sector leads to Rs. 4.0586, Rs. 13.747 and Rs. 15.637 decrease in net worth respectively. To draw the inference, it can be clearly observed that there is lack of uniformity in respect of movement of DPS and NW. DPS differently affects NW in different banks.
13. The multiple regression analysis of market price per share on dividend per share and retain earning per share shows that one rupee increase in DPS of NABIL leads to Rs. 14.69 increase in market price per share if retain earning is held

constant. And one rupee increase in RE of NABIL leads to Rs. 4.2428 increase in market price per share of stock if DPS is held constant which shows that DPS has predominant influence on MPS. Similar short of result is found in other banks too except NIBL. The overall result indicates there is strong relationship between stock price per share and dividend and this relationship between stock price per share and dividend and this relationship of MPS is obviously stronger than that with retained earnings.

14. When one more variable i.e. lagged earnings price ratio is added in above mentioned regression model we can observe that there is positive relationship between dividend and stock price in sample banks except NIBL. The coefficient of dividend is higher as compared to coefficient of retained earnings. Further Coefficient of lagged earnings price ratio is higher than coefficient of dividend and retained earnings which signifies that lagged earnings price ratio has predominant influence on stock price. The effect of dividends on stock price is customarily strong and relatively weak effect of retained earnings in all the individual sample banks and total banking sector except NIBL. In conclusion, this part of study suggests that relationship of dividend and stock price is in conformity with relationship as assured in development capital markets.

From the analysis of aforementioned secondary data some major points are drawn which are listed as follows :

- 1) There is no uniformity of dividend distribution policy in selected companies.
- 2) A change in dividend per share and payout ratio affects share price differently in different banks.
- 3) The relationship between dividend per share and earning per share is positive in all the banks however the relationship between dividend per share with net profit and net worth is found different in different banks.
- 4) The effect of dividend on stock price is customarily strong and relatively weak effect of retained earnings in almost all the individual banks and total banking sector.

Similarly, survey based on research questionnaire has been distributed to eighty investor respondents. The major findings of this primary data are summarized as under :

- 1) Since, most of the investors cannot predict their future earning as dividend, dividend of these JVB's are more fluctuating and dividend payment practices is asymmetric over the period.
- 2) Among the major decisions of finance, the majority of the respondents feel that investment decisions are more important. Financing decision got second importance and dividend decision got last importance. It indicates that dividend decision is relatively less important.
- 3) As to motive for paying cash dividend, from survey, it is clear that the first and foremost motive is to convey information to the shareholders that the company is doing well. But the secondary motives are: it is to draw the attention from investment community and to increase market value of firm's stock respectively in ranking order.
- 4) As regards to dividend as residual decision, the majority of respondents feel that it is not a residual decision.
- 5) Regarding motives of paying stock dividend, many respondents think that it is to conserve cash. To provide high psychological value to shareholders and indicate higher future profit is other main motive next to conserve cash.
- 6) Nepalese shareholders are not really indifferent towards payment or non payment of dividends.
- 7) Majority of the investors suggests banks top pay stock dividend if bank have not enough cash to pay dividends to their shareholders. This may save image and good will of such company.
- 8) As the attempt is concerned to see weather the stock dividend and stock price are related or not, most of the respondents think there is close relation between these two variables. This response resembles with theories of finance too.
- 9) With respect to weather the company's announcement of earnings will help to

increase in market price of a share the majority of the respondents felt that company's announcement of earnings will help to increase in market price of a share.

- 10) With respect to factor affecting dividend policy, the majority of the respondents gave first priority to earnings.
- 11) Most of the invertors like low regular plus extras as the company's dividend policy which is the best policy from the viewpoint of stability of dividends and earnings too.

CHAPTER-IV

SUMMARY, CONCLUSION AND RECOMMENDATION

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2. The average highest D/P ratio is 70.55% of SCBL. Similarly, the lowest average D/P ratio is 39.91% of HBL. NIBL has the highest fluctuation in D/P ratio, which is indicated by its C.V. of 76.39%. SCBL has lowest fluctuation in D/P ratio. Its C.V. is 17.28%. This figure clearly shows that there is no uniform attitude of management of different banks towards the treatment of profit in respect of distribution of dividend and retained earning.
3. When dividend amount is considered as return on the amount invested in share value, it is highest of 95.71% of SCBL. But, NIBL has lowest 25% among the selected commercial banks. The range of 15 to 95.71% indicates greater variation. There is high fluctuation of 82.46% of NIBL and lowest of 10.2% of SCBL. The company should pay proper attention to enhance their percentage of cash dividend on paid-up value.
4. Similarly, when dividend amount is considered as return on market price of share, dividend yield is highest of 6.65% in case of SCBL. The highest percentage of 6.65% is also not so encouraging figure in share market. The lowest dividend yield is 3.32% of NIBL. In fact both highest and lowest of D/Y ratio is negligible

on its market value of share. The highest fluctuation of 97.98% as indicated by C.V. of NIBL. However, SCBL has lowest C.V. of 22.31%. The dividend amount paid by these commercial banks appears very low which is even less than 10%. Since, all the sample companies are leading commercial banks of the country we can thus generalize this result for banking sector as a whole.

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payout ratio brings 6.52, 33.64, 5.49 and 2.41% increase in market price of stock. From the analysis, it has been found that payout ratio affects the stock price positively in most of the banks but differently in different banks.

9. As far as multiple regression analysis of earning per share and dividend per share on market price per share is concerned, the estimated coefficients have positive sign for both EPS and DPS in case of NABIL bank only i.e. 4.24 and 10.45 respectively. In other banks either earning per share or dividend per share has negative impact on market price of share. The highest positive impact of EPS has been found in NABIL (i.e. $b=4.24$) and highest positive impact of DPS in SCBL (i.e. $b=42.22$). The coefficient of EPS and DPS in total banking sector shows that one rupee increase in EPS bring Rs. 11.30 decrease in stock price if DPS is held constant whereas one rupee increase in DPS bring Rs. 3.1083 increase in stock price. This shows that predominant influence on stock price. However, EPS and DPS both affect market price of stock differently in different sectors.
10. The DPS and EPS are positively correlated in all the banks which mean higher the EPS higher will be the DPS. The highest positive relationship between these two variables has been found in NIBL and lowest in SCBL. Regression analysis shows that one rupee increase in EPS leads to Rs. 0.5696 increase in DPS of NABIL, Rs. 0.1732 increase in DPS of SCBL, Rs. 0.6552 increase in DPS of NIBL, Rs. 0.6117 increase in DPS of HBL and Rs. 0.1106 increase in DPS of total banking sector. This shows that EPS has positive impact on DPS in all the banks and banking sector.
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13. The multiple regression analysis of market price per share on dividend per share

and retain earning per share shows that one rupee increase in DPS of NABIL leads to Rs. 14.69 increase in market price per share if retain earning is held constant. And one rupee increase in RE of NABIL leads to Rs. 4.2428 increase in market price per share of stock if DPS is held constant which shows that DPS has predominant influence on MPS. Similar short of result in found in other banks too except NIBL. The overall result indicates there is strong relationship between stock price per share and dividend and this relationship between stock price per share and dividend and this relationship of MPS is obviously stronger than that with retain earning.

14. When one more variable i.e. lagged earnings price ratio is added in above mentioned regression model we can observe that there is positive relationship between dividend and stock price in sample banks except NIBL. The coefficient of dividend is higher as compared to coefficient of retained earnings. Further Coefficient of lagged earnings price ratio is higher than coefficient of dividend and retained earnings which signifies that lagged earnings price ratio has predominant influence on stock price. The effect of dividends on stock price is customarily strong and relatively weak effect of retained earnings in all the individual sample banks and total banking sector except NIBL. In conclusion, this part of study suggests that relationship of dividend and stock price is in conformity with relationship as assured in development capital markets.

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APPENDIX

Annex – 1 Calculation Mean, S. D. and C. V. of Current Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$f_x \sum \bar{X} \bar{A}$	X	$f_x \sum \bar{X} \bar{A}$	X	$f_x \sum \bar{X} \bar{A}$
2003/04	1.05	0.0004	1.05	0.0001	1.04	0.0001
2004/05	1.07	0.0000	1.02	0.0004	1.06	0.0001
2005/06	1.08	0.0001	1.06	0.0004	1.07	0.0004
2006/07	1.08	0.0001	1.05	0.0001	1.07	0.0004
2007/08	1.07	0.0000	1.04	0.0000	1.00	0.0025
Total	5.35	0.0006	5.22	0.0010	5.24	0.0035

Where,

N = 5 years

\bar{X}	$X \frac{\sum}{n}$	\dagger	$X \sqrt{\frac{1}{n} \sum f_x - \bar{X} \bar{A}}$	C.V.	$X \frac{\dagger}{\bar{X}} 100$
Nabil Bank	$X \frac{5.35}{5}$ X1.07		$X \sqrt{\frac{1}{5} 0.0006}$ X0.01095		$X \frac{0.01095}{1.07} 100$ X1.023%
NIBL	$X \frac{5.22}{5}$ X1.04		$X \sqrt{\frac{1}{5} 0.0010}$ X0.01414		$X \frac{0.01414}{1.04} 100$ X1.359%
SCBNL	$X \frac{5.24}{5}$ X1.05		$X \sqrt{\frac{1}{5} 0.0035}$ X0.02646		$X \frac{0.02646}{1.05} 100$ X2.52%

Annex – 2

Cash & Bank Balance to Total Deposits Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$f_{XZ\bar{X}}\bar{A}$	X	$f_{XZ\bar{X}}\bar{A}$	X	$f_{XZ\bar{X}}\bar{A}$
2003/04	8.51	7.95	11.69	0.77	8.06	0.41
2004/05	6.87	1.39	10.65	0.03	9.56	4.58
2005/06	3.83	3.46	9.40	1.99	5.75	2.79
2006/07	3.26	5.90	12.34	2.34	5.53	3.57
2007/08	6.00	0.07	9.97	0.71	8.20	0.61
Total	28.47	18.77	54.05	5.84	37.10	11.96

Where,

N = 5 Years

$$\bar{\epsilon} X \frac{\epsilon}{n} \quad \dagger X \sqrt{\frac{1}{n} \mid f_{\epsilon Z \bar{\epsilon}} \bar{A}} \quad C.V. X \frac{\dagger}{\epsilon} \mid 100$$

Nabil Bank $X \frac{28.47}{5}$ $X \sqrt{\frac{1}{5} \mid 18.77}$ $X \frac{1.94}{5.69} \mid 100$
 $X 5.69$ $X 1.94$ $X 34.09\%$

NIBL $= \frac{54.05}{5}$ $X \sqrt{\frac{1}{5} \mid 5.84}$ $X \frac{1.08}{10.81} \mid 100$
 $X 10.81$ $X 1.08$ $X 9.99\%$

SCBNL $X \frac{37.10}{5}$ $X \sqrt{\frac{1}{5} \mid 11.96}$ $X \frac{1.55}{7.42} \mid 100$
 $X 7.42$ $X 1.55$ $X 20.89\%$

Annex – 3

Cash & Bank Balance to Current Asset Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX / Z \bar{X} \hat{A}$	X	$\sum fX / Z \bar{X} \hat{A}$	X	$\sum fX / Z \bar{X} \hat{A}$
2003/04	7.02	4.62	10.33	0.42	7.30	0.46
2004/05	5.91	1.08	9.28	0.16	8.61	3.96
2005/06	3.35	2.31	8.34	1.80	5.12	2.25
2006/07	2.86	4.04	10.92	1.54	4.97	2.72
2007/08	5.19	0.10	9.53	0.02	7.10	0.23
Total	24.33	12.15	48.40	3.94	33.10	9.62

Where,

N = 5 years

\bar{X}	$X \frac{\sum t}{n}$	\dagger	$X \sqrt{\frac{1}{n} \sum fX - \bar{X} \hat{A}}$	$C.V. = X \frac{\dagger}{\bar{X}} 100$
Nabil Bank	$X \frac{24.33}{5}$ X4.87		$X \sqrt{\frac{1}{5} 12.15}$ X1.55	$X \frac{1.55}{4.87} 100$ X31.83%
NIBL	$X \frac{48.40}{5}$ X9.68		$X \sqrt{\frac{1}{5} 3.94}$ X0.89	$X \frac{0.89}{9.68} 100$ X9.19%
SCBNL	$X \frac{33.10}{5}$ X6.62		$X \sqrt{\frac{1}{5} 9.62}$ X1.39	$X \frac{1.39}{6.62} 100$ X21.00%

Annex – 4

Net Profit to Total Assets Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\frac{\sum X}{n}$	X	$\frac{\sum X}{n}$	X	$\frac{\sum X}{n}$
2003/04	2.43	0.1600	1.27	0.0289	2.42	0.0001
2004/05	2.73	0.0100	1.13	0.0961	2.27	0.0256
2005/06	3.06	0.0529	1.42	0.0004	2.46	0.0009
2006/07	3.23	0.1600	1.61	0.0289	2.56	0.0169
2007/08	2.72	0.121	1.79	0.1225	2.42	0.0001
Total	14.17	0.5039	7.22	0.2768	12.13	0.0436

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \text{and} \quad \text{C.V.} = \frac{\frac{\sum (X - \bar{X})^2}{n}}{\bar{X}} \times 100$$

$$\begin{aligned} \text{Nabil Bank} \quad \bar{X} &= \frac{14.17}{5} = 2.83 \\ \text{C.V.} &= \frac{\frac{0.5039}{5}}{2.83} \times 100 = 11.20\% \end{aligned}$$

$$\begin{aligned} \text{NIBL} \quad \bar{X} &= \frac{7.22}{5} = 1.44 \\ \text{C.V.} &= \frac{\frac{0.2768}{5}}{1.44} \times 100 = 16.32\% \end{aligned}$$

$$\begin{aligned} \text{SCBNL} \quad \bar{X} &= \frac{12.13}{5} = 2.43 \\ \text{C.V.} &= \frac{\frac{0.0436}{5}}{2.43} \times 100 = 3.83\% \end{aligned}$$

Annex – 5

Net Profit to Total Deposit Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum \frac{fX}{Z} \bar{X} \Delta$	X	$\sum \frac{fX}{Z} \bar{X} \Delta$	X	$\sum \frac{fX}{Z} \bar{X} \Delta$
2003/04	3.10	0.0121	1.47	0.0361	2.70	0.0016
2004/05	3.22	0.0001	1.32	0.1156	2.54	0.0400
2005/06	3.56	0.1225	1.63	0.0009	2.79	0.0025
2006/07	3.28	0.0049	1.85	0.0361	2.86	0.0144
2007/08	2.89	0.1024	2.05	0.1521	2.81	0.0049
Total	16.05	0.2420	8.32	0.3408	13.70	0.0634

Where,

N = 5 years

$$\bar{X} = \frac{\sum X^t}{n} \quad \text{and} \quad \text{C.V.} = \frac{\sum \frac{fX}{Z} \bar{X} \Delta}{\bar{X}} \times 100$$

$$\begin{aligned} \text{Nabil Bank} \quad & \frac{\sum X}{5} = \frac{16.05}{5} = 3.21 & \text{and} & \quad \sum \sqrt{\frac{1}{5} \sum \frac{fX}{Z} \bar{X} \Delta} = \sqrt{\frac{1}{5} \times 0.2420} = 0.22 \\ & & & \quad \text{C.V.} = \frac{0.22}{3.21} \times 100 = 6.85\% \end{aligned}$$

$$\begin{aligned} \text{NIBL} \quad & \frac{\sum X}{5} = \frac{8.32}{5} = 1.66 & \text{and} & \quad \sum \sqrt{\frac{1}{5} \sum \frac{fX}{Z} \bar{X} \Delta} = \sqrt{\frac{1}{5} \times 0.3408} = 0.261 \\ & & & \quad \text{C.V.} = \frac{0.261}{1.66} \times 100 = 15.72\% \end{aligned}$$

$$\begin{aligned} \text{SCBNL} \quad & \frac{\sum X}{5} = \frac{13.70}{5} = 2.74 & \text{and} & \quad \sum \sqrt{\frac{1}{5} \sum \frac{fX}{Z} \bar{X} \Delta} = \sqrt{\frac{1}{5} \times 0.0634} = 0.1126 \\ & & & \quad \text{C.V.} = \frac{0.1126}{2.74} \times 100 = 4.11\% \end{aligned}$$

Annex -6

Return on Shareholder's Equity or Net Worth Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$fX \sum \bar{X} \hat{A}$	X	$fX \sum \bar{X} \hat{A}$	X	$fX \sum \bar{X} \hat{A}$
2003/04	43.52	82.63	18.29	14.29	47.62	100.80
2004/05	30.73	13.69	20.94	1.28	35.96	2.62
2005/06	31.29	9.86	19.67	5.76	34.07	12.32
2006/07	33.88	0.30	24.77	7.29	37.55	0.001
2007/08	32.72	2.92	26.70	21.44	32.68	24.01
Total	172.14	109.40	110.37	50.06	187.88	139.75

Where,

N = 5 years

\bar{X}	$X \frac{\sum}{n}$	\dagger	$X \sqrt{\frac{1}{n} \sum fX - \bar{X} \hat{A}}$	$C.V. = X \frac{\dagger}{\bar{X}} 100$
Nabil Bank	$X \frac{172.14}{5}$ X34.43		$X \sqrt{\frac{1}{5} 109.40}$ X4.68	$X \frac{4.68}{34.43} 100$ X13.59%
NIBL	$X \frac{110.37}{5}$ X22.07		$X \sqrt{\frac{1}{5} 50.06}$ X3.16	$X \frac{3.16}{22.07} 100$ X14.32%
SCBNL	$X \frac{187.88}{5}$ X37.58		$X \sqrt{\frac{1}{5} 139.75}$ X5.29	$X \frac{5.29}{37.58} 100$ X14.08%

Annex-7

Net Interest Earned to Total Assets Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\frac{\sum X}{n}$	X	$\frac{\sum X}{n}$	X	$\frac{\sum X}{n}$
2003/04	4.23	0.0001	2.95	0.0256	3.55	0.0081
2004/05	4.20	0.0016	3.00	0.0121	3.20	0.0676
2005/06	4.70	0.2116	3.25	0.0196	3.63	0.0289
2006/07	4.27	0.0009	3.14	0.0009	3.44	0.0004
2007/08	3.79	0.2025	3.20	0.0081	3.50	0.0016
Total	21.19	0.4167	15.54	0.0663	17.32	0.1066

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \text{C.V.} = \frac{\frac{\sum (X - \bar{X})^2}{n}}{\bar{X}} \times 100$$

Nabil Bank	$\frac{21.19}{5}$ X4.24	$\sqrt{\frac{1}{5} \times 0.4167}$ X0.289	$\frac{0.289}{4.24} \times 100$ X6.81%
NIBL	$\frac{15.54}{5}$ X3.11	$\sqrt{\frac{1}{5} \times 0.0663}$ X0.1152	$\frac{0.1152}{3.11} \times 100$ X3.70%
SCBNL	$\frac{17.32}{5}$ X3.46	$\sqrt{\frac{1}{5} \times 0.1066}$ X0.1460	$\frac{0.1460}{3.46} \times 100$ X4.22%

Annex – 8

Loan and Advances to Total Deposit Ratio (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX / Z \bar{X} \bar{A}$	X	$\sum fX / Z \bar{X} \bar{A}$	X	$\sum fX / Z \bar{X} \bar{A}$
2003/04	57.68	58.52	74.74	14.98	30.36	49.28
2004/05	60.55	22.85	63.68	51.70	31.63	33.06
2005/06	75.05	94.48	73.73	8.18	43.55	38.07
2006/07	66.79	2.13	69.63	1.54	38.75	1.88
2007/08	66.60	1.61	72.56	2.86	42.61	27.35
Total	326.67	179.59	354.34	79.26	186.90	149.64

Where,

N = 5 years

\bar{X}	$X \frac{\sum t}{n}$	$\pm X \sqrt{\frac{1}{n} \sum fX - \bar{X} \bar{A}}$	C.V. $X \frac{\pm}{\bar{X}} 100$
Nabil Bank	$X \frac{326.67}{5}$ X65.33	$X \sqrt{\frac{1}{5} 179.59}$ X5.99	$X \frac{5.99}{65.33} 100$ X9.17%
NIBL	$X \frac{354.34}{5}$ X70.87	$X \sqrt{\frac{1}{5} 79.26}$ X3.98	$X \frac{3.98}{70.87} 100$ X5.62%
SCBNL	$X \frac{186.90}{5}$ X37.38	$X \sqrt{\frac{1}{5} 149.64}$ X5.47	$X \frac{5.47}{37.38} 100$ X14.63%

Annex -9

Loan and Advances to Total Assets Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum X / Z \bar{X} \hat{A}$	X	$\sum X / Z \bar{X} \hat{A}$	X	$\sum X / Z \bar{X} \hat{A}$
2003/04	46.83	63.84	64.62	10.56	27.12	33.41
2004/05	49.98	23.43	54.51	47.06	27.98	24.21
2005/06	62.39	57.30	63.78	5.81	37.98	25.81
2006/07	57.87	9.30	60.64	0.58	34.67	3.13
2007/08	57.04	4.93	63.29	3.69	36.73	14.67
Total	274.11	158.80	306.84	67.70	164.48	101.23

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \text{and} \quad \text{C.V.} = \frac{\sum \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}}{\bar{X}} \times 100$$

$$\begin{aligned} \text{Nabil Bank} \quad & \frac{\sum X}{5} = \frac{274.11}{5} = 54.82 & \sum \sqrt{\frac{1}{5} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 158.80} = 5.64 & \text{C.V.} = \frac{5.64}{54.82} \times 100 = 10.29\% \end{aligned}$$

$$\begin{aligned} \text{NIBL} \quad & \frac{\sum X}{5} = \frac{306.84}{5} = 61.37 & \sum \sqrt{\frac{1}{5} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 67.70} = 3.68 & \text{C.V.} = \frac{3.68}{61.37} \times 100 = 6\% \end{aligned}$$

$$\begin{aligned} \text{SCBNL} \quad & \frac{\sum X}{5} = \frac{164.48}{5} = 32.90 & \sum \sqrt{\frac{1}{5} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 101.23} = 4.50 & \text{C.V.} = \frac{4.50}{32.90} \times 100 = 13.68\% \end{aligned}$$

Annex – 10

Total Investment to Total Deposit Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\frac{\sum X}{N}$	X	$\frac{\sum X}{N}$	X	$\frac{\sum X}{N}$
2003/04	49.83	48.02	22.03	48.16	64.06	0.58
2004/05	47.84	24.40	36.20	52.27	64.17	0.76
2005/06	35.21	59.14	28.58	0.15	61.87	2.04
2006/07	40.90	4.00	29.97	1.00	64.29	0.98
2007/08	40.74	4.67	28.05	0.85	62.13	1.37
Total	214.52	140.23	144.83	102.43	316.52	5.73

Where,

N = 5 years

$$\frac{\sum X}{N} \pm X \sqrt{\frac{1}{N} (\sum \frac{X}{N})^2} \quad C.V. = \frac{\pm}{\frac{\sum X}{N}} \times 100$$

$$\begin{aligned} \text{Nabil Bank} &= \frac{214.52}{5} \pm X \sqrt{\frac{1}{5} \times 140.23} = \frac{5.30}{42.90} \times 100 \\ &= 42.90 \quad = 5.30 \quad = 12.35 \% \end{aligned}$$

$$\begin{aligned} \text{NIBL} &= \frac{144.83}{5} \pm X \sqrt{\frac{1}{5} \times 102.43} = \frac{4.53}{28.97} \times 100 \\ &= 28.97 \quad = 4.53 \quad = 15.64\% \end{aligned}$$

$$\begin{aligned} \text{SCBNL} &= \frac{316.52}{5} \pm X \sqrt{\frac{1}{5} \times 5.73} = \frac{1.07}{63.30} \times 100 \\ &= 63.30 \quad = 1.07 \quad = 1.69 \% \end{aligned}$$

Annex – 11

Total Debts (Liabilities) to Net Worth Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$f_x \sum \bar{X} \hat{A}$	X	$f_x \sum \bar{X} \hat{A}$	X	$f_x \sum \bar{X} \hat{A}$
2003/04	16.32	20.07	13.35	1.10	18.73	17.14
2004/05	10.54	1.69	17.47	9.42	15.00	0.17
2005/06	9.59	5.06	12.89	2.28	13.01	2.50
2006/07	11.18	0.44	14.40	0.00	13.69	0.81
2007/08	11.58	0.07	13.94	0.21	12.51	4.33
Total	59.21	27.33	72.00	13.01	72.94	24.95

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \dagger \quad X \sqrt{\frac{1}{n} \sum f_x - \bar{X} \hat{A}} \quad \text{C.V.} = \frac{\dagger}{\bar{X}} | 100$$

$$\begin{array}{l} \text{Nabil Bank} \\ X \frac{59.21}{5} \\ X11.84 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 27.33} \\ X2.34 \end{array} \quad \begin{array}{l} X \frac{2.34}{11.84} | 100 \\ X5.22\% \end{array}$$

$$\begin{array}{l} \text{NIBL} \\ X \frac{72.00}{5} \\ X14.40 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 13.01} \\ X1.61 \end{array} \quad \begin{array}{l} X \frac{1.61}{14.40} | 100 \\ X11.81\% \end{array}$$

$$\begin{array}{l} \text{SCBNL} \\ X \frac{72.94}{5} \\ X14.59 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 24.95} \\ X2.23 \end{array} \quad \begin{array}{l} X \frac{2.23}{14.59} | 100 \\ X15.28\% \end{array}$$

Annex -12

Total Debts (Liabilities) to total Assets Ration(x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum_{i=1}^n X_i / n$	X	$\sum_{i=1}^n X_i / n$	X	$\sum_{i=1}^n X_i / n$
2003/04	94.22	4.80	93.03	0.17	94.93	2.13
2004/05	91.34	0.48	94.58	1.30	93.75	0.08
2005/06	90.55	2.19	92.80	0.41	92.86	0.37
2006/07	91.60	0.18	93.49	0.01	93.19	0.08
2007/08	92.45	0.18	93.31	0.02	92.60	0.76
Total	460.16	7.83	467.21	1.91	467.33	3.42

Where,

N = 5 years

\bar{X}	$X \frac{\sum_{i=1}^n X_i}{n}$	$\sqrt{\frac{1}{n} \sum_{i=1}^n (X_i - \bar{X})^2}$	$C.V. = \frac{\sum_{i=1}^n X_i}{\bar{X}} \times 100$
Nabil Bank	$X \frac{460.16}{5}$ X92.03	$X \sqrt{\frac{1}{5} \times 7.83}$ X1.25	$X \frac{1.25}{92.03} \times 100$ X1.36%
NIBL	$X \frac{467.21}{5}$ X93.44	$X \sqrt{\frac{1}{5} \times 1.91}$ X0.62	$X \frac{0.62}{93.44} \times 100$ X0.66%
SCBNL	$X \frac{467.33}{5}$ X93.47	$X \sqrt{\frac{1}{5} \times 3.42}$ X0.82	$X \frac{0.82}{93.47} \times 100$ X0.88%

Annex -13
Earning Per Share (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX$	X	$\sum fX$	X	$\sum fX$
2003/04	84.66	632.52	39.56	120.56	149.30	42.77
2004/05	92.61	295.84	51.70	1.35	143.55	151.04
2005/06	105.49	18.66	39.50	221.88	143.14	161.29
2006/07	129.21	376.36	59.35	77.62	175.84	400.00
2007/08	137.08	743.65	62.57	144.72	167.37	132.94
Total	549.05	2067.03	252.68	466.13	779.20	888.04

Where,

N = 5 years

\bar{X}	$X \frac{\sum fX}{n}$	\pm	$X \sqrt{\frac{1}{n} \sum fX^2 - \bar{X}^2}$	$C.V. = X \frac{\pm}{\bar{X}} 100$
Nabil Bank	$X \frac{549.05}{5}$ X109.81		$X \sqrt{\frac{1}{5} 2067.03}$ X20.33	$X \frac{20.33}{109.81} 100$ X18.51%
NIBL	$X \frac{252.68}{5}$ X50.54		$X \sqrt{\frac{1}{5} 466.13}$ X9.66	$X \frac{9.66}{50.54} 100$ X19.11%
SCBNL	$X \frac{779.20}{5}$ X155.84		$X \sqrt{\frac{1}{5} 888.04}$ X13.33	$X \frac{13.33}{155.84} 100$ X8.55%

Annex -14

Dividend Payout Ratio (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX / Z \bar{X} \bar{A}$	X	$\sum fX / Z \bar{X} \bar{A}$	X	$\sum fX / Z \bar{X} \bar{A}$
2003/04	50	576	20	30.25	110	144
2004/05	65	81	15	0.25	110	144
2005/06	70	16	12.50	4.00	120	4
2006/07	85	121	20	30.25	140	324
2007/08	100	676	5	90.25	130	64
Total	370	1470	72.5	155	610	680

Where,

N= 5 years

\bar{X}	$X \frac{\sum t}{n}$	$\dagger \quad X \sqrt{\frac{1}{n} \sum fX - \bar{X} \bar{A}}$	$C.V. \quad X \frac{\dagger}{\bar{X}} 100$
Nabil Bank	$X \frac{370}{5}$ X74	$X \sqrt{\frac{1}{5} 1470}$ X17.15	$X \frac{17.15}{74} 100$ X23.18%
NIBL	$X \frac{72.5}{5}$ X14.5	$X \sqrt{\frac{1}{5} 155}$ X5.57	$X \frac{5.57}{14.5} 100$ X38.41%
SCBNL	$X \frac{610}{5}$ X122	$X \sqrt{\frac{1}{5} 680}$ X11.66	$X \frac{11.66}{122} 100$ X9.56%

Annex – 15
Price Earning Ratio

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX - \bar{X} \sum f$	X	$\sum fX - \bar{X} \sum f$	X	$\sum fX - \bar{X} \sum f$
2003/04	8.74	78.50	20.10	1.90	10.98	68.39
2004/05	10.80	46.24	18.18	10.89	12.16	50.27
2005/06	14.27	11.09	20.25	1.51	16.38	8.24
2006/07	17.34	0.07	21.23	0.07	21.47	4.93
2007/08	36.84	370.18	27.63	37.82	35.25	256
Total	87.99	506.08	107.39	52.19	96.24	387.83

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \text{and} \quad \text{C.V.} = \frac{\sum \frac{1}{n} (fX - \bar{X} \sum f)}{\bar{X}} \times 100$$

Nabil Bank	$\frac{87.99}{5}$ X17.60	$\frac{1}{5} \sum 506.08$ X10.06	$\frac{10.06}{17.60} \times 100$ X57.16%
NIBL	$\frac{107.39}{5}$ X21.48	$\frac{1}{5} \sum 52.19$ X3.23	$\frac{3.23}{21.48} \times 100$ X15.03%
SCBNL	$\frac{96.24}{5}$ X19.25	$\frac{1}{5} \sum 387.83$ X8.81	$\frac{8.81}{19.25} \times 100$ X45.77%

Annex – 16

Net Interest Income to Total Income (x)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX / \sum Z \bar{X} \hat{A}$	X	$\sum fX / \sum Z \bar{X} \hat{A}$	X	$\sum fX / \sum Z \bar{X} \hat{A}$
2003/04	63.10	7.90	69.53	0.41	59.77	1.90
2004/05	62.85	9.36	68.97	0.01	58.58	6.60
2005/06	65.12	0.62	67.28	2.59	60.85	0.09
2006/07	68.73	7.95	70.25	1.85	62.44	1.66
2007/08	69.73	14.59	68.44	0.20	64.12	4.97
Total	329.53	40.42	344.47	5.06	305.76	15.22

Where,

N = 5 years

$$\bar{X} = \frac{\sum X}{n} \quad \text{and} \quad \text{C.V.} = \frac{\sum \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}}{\bar{X}} \times 100$$

$$\begin{aligned} \text{Nabil Bank} \quad & \frac{\sum X}{n} = \frac{329.53}{5} = 65.91 & \sum \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 40.42} = 2.84 \\ & & \text{C.V.} = \frac{2.84}{65.91} \times 100 = 4.31\% \end{aligned}$$

$$\begin{aligned} \text{NIBL} \quad & \frac{\sum X}{n} = \frac{344.47}{5} = 68.89 & \sum \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 5.06} = 1.01 \\ & & \text{C.V.} = \frac{1.01}{68.89} \times 100 = 1.47\% \end{aligned}$$

$$\begin{aligned} \text{SCBNL} \quad & \frac{\sum X}{n} = \frac{305.76}{5} = 61.15 & \sum \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} = \sqrt{\frac{1}{5} \times 15.22} = 1.74 \\ & & \text{C.V.} = \frac{1.74}{61.15} \times 100 = 2.85\% \end{aligned}$$

Annex – 17

Exchange Income to Total Income (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$f_x z \bar{x} \hat{A}$	X	$f_x z \bar{x} \hat{A}$	X	$f_x z \bar{x} \hat{A}$
2003/04	12.98	0.64	13.08	0.05	18.62	1.64
2004/05	13.78	0.00	14.98	4.49	20.87	0.94
2005/06	14.59	0.66	12.96	0.01	20.18	0.08
2006/07	13.38	0.16	12.96	0.01	19.97	0.01
2007/08	14.18	0.16	10.30	6.55	19.90	0.00
Total	68.89	1.62	64.28	11.11	99.48	2.67

Where,

N = 5 years.

$$\bar{X} = \frac{\sum X}{n} \quad \dagger \quad X \sqrt{\frac{1}{n} \sum f_x z \bar{x} \hat{A}} \quad \text{C.V.} = \frac{\dagger}{\bar{X}} | 100$$

$$\begin{array}{l} \text{Nabil Bank} \\ X \frac{68.89}{5} \\ X13.78 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 1.62} \\ X0.57 \end{array} \quad \begin{array}{l} X \frac{0.57}{13.78} | 100 \\ X4.14\% \end{array}$$

$$\begin{array}{l} \text{NIBL} \\ X \frac{64.28}{5} \\ X12.86 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 11.11} \\ X1.49 \end{array} \quad \begin{array}{l} X \frac{1.49}{12.86} | 100 \\ X11.59\% \end{array}$$

$$\begin{array}{l} \text{SCBNL} \\ X \frac{99.48}{5} \\ X19.90 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 2.67} \\ X0.73 \end{array} \quad \begin{array}{l} X \frac{0.73}{19.90} | 100 \\ X3.67\% \end{array}$$

Annex – 18

Commission and Discount Received to Total Income (X)

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$fX \sum \bar{X} \hat{A}$	X	$fX \sum \bar{X} \hat{A}$	X	$fX \sum \bar{X} \hat{A}$
2003/04	13.00	3.84	10.50	0.56	17.24	3.88
2004/05	11.89	0.72	9.49	3.10	15.21	0.01
2005/06	10.17	0.76	11.83	0.34	13.98	1.66
2006/07	9.98	1.12	11.95	0.49	15.70	0.18
2007/08	10.18	0.74	12.47	1.49	14.20	1.14
Total	55.22	7.18	56.24	5.98	76.33	6.87

Where,

N = 5 years.

$$\bar{X} = \frac{\sum X}{n} \quad \dagger \quad X \sqrt{\frac{1}{n} \sum fX - \bar{X} \hat{A}} \quad \text{C.V.} = \frac{\dagger}{\bar{X}} | 100$$

$$\begin{array}{l} \text{Nabil Bank} \\ X \frac{55.22}{5} \\ X11.04 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 7.18} \\ X1.20 \end{array} \quad \begin{array}{l} X \frac{1.20}{11.04} | 100 \\ X10.87\% \end{array}$$

$$\begin{array}{l} \text{NIBL} \\ X \frac{56.24}{5} \\ X11.25 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 5.98} \\ X1.09 \end{array} \quad \begin{array}{l} X \frac{1.09}{11.25} | 100 \\ X9.69\% \end{array}$$

$$\begin{array}{l} \text{SCBNL} \\ X \frac{76.33}{5} \\ X15.27 \end{array} \quad \begin{array}{l} X \sqrt{\frac{1}{5} | 6.87} \\ X1.17 \end{array} \quad \begin{array}{l} X \frac{1.17}{15.27} | 100 \\ X7.67\% \end{array}$$

Annex – 19
Interest Expenses

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum f_x z \bar{x}^k$	X	$\sum f_x z \bar{x}^k$	X	$\sum f_x z \bar{x}^k$
2003/04	317.35	1155.32	189.21	48435.21	255.15	2035.81
2004/05	282.95	4677.19	326.20	6903.95	275.81	598.29
2005/06	243.55	11618.68	354.55	2996.47	254.13	2140.91
2006/07	357.16	33.87	490.95	6668.36	303.20	8.58
2007/08	555.71	41767.10	685.53	76308.54	413.06	12721.58
Total	1756.72	59252.16	2046.44	141312.53	1501.35	17505.17

Where,

N = 5 years.

$$\bar{X} = \frac{\sum X}{n} \quad \dagger \quad X \sqrt{\frac{1}{n} \sum f_x z \bar{x}^k} \quad \text{C.V.} = \frac{\dagger}{\bar{X}} | 100$$

Nabil Bank	$X \frac{1756.72}{5}$ X351.34	$X \sqrt{\frac{1}{5} 59252.16}$ X108.85	$X \frac{108.85}{351.34} 100$ X30.98%
NIBL	$X \frac{2046.44}{5}$ X409.29	$X \sqrt{\frac{1}{5} 141312.53}$ X168.11	$X \frac{168.11}{409.29} 100$ X41.07%
SCBNL	$X \frac{1501.35}{5}$ X300.27	$X \sqrt{\frac{1}{5} 17505.17}$ X59.17	$X \frac{59.17}{300.27} 100$ X19.71%

Annex – 20
Staff Expenses

Fiscal Year	Nabil Bank		NIBL		SCBNL	
	X	$\sum fX - \bar{X} \sum f$	X	$\sum fX - \bar{X} \sum f$	X	$\sum fX - \bar{X} \sum f$
2003/04	210.58	0.16	61.29	1723.91	128.33	761.21
2004/05	180.84	860.84	89.75	170.56	134.69	450.71
2005/06	199.52	113.64	97.00	33.76	148.59	53.73
2006/07	240.16	898.80	120.66	318.62	168.23	151.54
2007/08	219.78	92.16	145.37	1811.35	199.78	1923.70
Total	1050.88	1965.60	514.07	4058.20	779.62	3340.89

Where,

N = 5 years.

$$\bar{X} = \frac{\sum X}{n} \quad \dagger \quad X \sqrt{\frac{1}{n} \sum fX - \bar{X} \sum f} \quad \text{C.V.} = \frac{\dagger}{\bar{X}} \times 100$$

Nabil Bank	$X \frac{1050.88}{5}$ X210.18	$X \sqrt{\frac{1}{5} \mid 1965.60}$ X19.83	$X \frac{19.83}{210.18} \mid 100$ X9.43%
NIBL	$X \frac{514.07}{5}$ X102.81	$X \sqrt{\frac{1}{5} \mid 4058.20}$ X28.49	$X \frac{28.49}{102.81} \mid 100$ X27.71%
SCBNL	$X \frac{779.62}{5}$ X155.92	$X \sqrt{\frac{1}{5} \mid 3340.89}$ X25.85	$X \frac{25.85}{155.92} \mid 100$ X16.58%

Annex – 21

Calculation of Loan and Advance Trend Line of Nabil Bank Ltd.

(In million)

X	Y	X ²	Y ²	XY
1	7755.95	1	60154760.40	7755.95
2	8548.66	4	73079587.80	17097.32
3	10946.74	9	119831116.60	32840.22
4	12922.54	16	166992040.1	51690.16
5	15545.78	25	241671275.80	77728.90
15	55719.67	55	661728780.70	187112.55

Where,

$$N = 5 \text{ years.}$$

$$x = 15$$

$$y = 55719.67$$

$$x^2 = 55$$

$$y^2 = 661728780.70$$

$$xy = 187112.55$$

Here,

$$B = \frac{N \sum xy - \sum x \sum y}{N \sum x^2 - (\sum x)^2} = \frac{5 \times 187112.55 - 15 \times 55719.67}{5 \times 55 - 15^2}$$

$$= \frac{935562.75 - 835795.05}{275 - 225} \times \frac{99767.70}{50}$$

$$\dots \quad b \times X = 1995.35$$

$$\text{Here, } a = \frac{\sum y - b \sum x}{N} = \frac{55719.67 - 1995.35 \times 15}{5}$$

$$= \frac{25789.42}{5} \dots \quad a \times X = 5157.88$$

Annex – 22

Calculation of Loan and Advance Trend Line of NIBL

(In million)

X	Y	X ²	Y ²	XY
1	5921.79	1	35067596.80	5921.79
2	7338.57	4	53854609.64	14677.14
3	10453.16	9	109268554.0	31359.48
4	13178.15	16	173663637.4	52712.60
5	17769.10	25	315740914.8	88845.50
15	54660.77	55	687595312.6	187594.72

Where,

$$N = 5 \text{ years.}$$

$$x = 15$$

$$y = 54660.77$$

$$x^2 = 55$$

$$y^2 = 687595312.6$$

$$xy = 187594.72$$

Here,

$$b = \frac{N \sum xy - \sum x \sum y}{N \sum x^2 - (\sum x)^2} = \frac{5 \times 187594.72 - 15 \times 54660.77}{5 \times 55 - 15^2}$$

$$= \frac{937973.60 - 819911.55}{275 - 225} = \frac{118062.05}{50}$$

$$\dots \quad b = 2361.24$$

$$\text{Here, } a = \frac{\sum y - b \sum x}{N} = \frac{54660.77 - 2361.24 \times 15}{5}$$

$$= \frac{19242.17}{5} \dots \quad a = 3848.43$$

Annex – 23

Calculation of Loan and Advance Trend Line of SCBNL

X	Y	X ²	Y ²	XY
1	5695.82	1	32442365.47	5695.82
2	6693.86	4	44807761.70	13387.72
3	8420.87	9	70911051.56	2526261
4	8935.42	16	79841730.58	35741.68
5	10502.64	25	110305447.0	52513.20
15	40248.61	55	338308356.31	132601.03

Where,

N = 5 years.

x = 15

y = 40248.61

x² = 55

y² = 338308356.31

xy = 132601.03

Here,

$$b = \frac{N \sum xy - \sum x \sum y}{N \sum x^2 - (\sum x)^2} = \frac{5 \times 132601.03 - 15 \times 40248.61}{5 \times 55 - 15^2}$$

$$= \frac{663005.15 - 603729.15}{275 - 225} = \frac{59276}{50}$$

... b = 1185.52

$$\text{Here, } a = \frac{\sum y - b \sum x}{N} = \frac{40248.61 - 1185.52 \times 15}{5}$$

$$= \frac{22465.81}{5} \quad \dots \quad a = 4493.16$$

Annex-24
NEPAL ARAB BANK LIMITED
Five years Financial Summary
(Balance Sheet)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Cash and Bank Balance	1144767	970486	559381	630239	1399826
Money at call	670204	918733	868428	1734902	563532
Investment	6031176	5835949	4267233	6178533	8945310
Loan, advance and Bill Purchase	7755952	8189992	10586170	12922543	15545778
Fixed Assets	251915	338126	361235	319086	286895
Other Assets	708611	492199	413340	544668	512050
Total Assets	16,562,625	16,745,485	17,055,787	22,329,971	27,253,391
Share Capital	491654	491654	491654	491654	491654
Reserve and Surplus	435007	990027	1165983	1383340	1565395
Borrowings	961461	229660	17062	173202	882572
Deposit	13447661	14119032	14586608	19347399	23342285
Bills Payable	387526	119753	77128	92538	83517
Proposed and undistributed Dividends	-	-	361221	435084	50941
Income Tax Liabilities	-	-	15345	34605	-
Other liabilities	839316	795359	340786	372149	378551
Total Capital and Liabilities	16,562,625	16,745,485	17,055,787	22,329,971	27,253,394

(Source: Annual Report of NABIL Bank Limited, 2006)

Annex-25
NEPAL ARAB BANK LIMITED
Five years Financial Summary
(Profit & Loss Account)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Interest Income	1017872	1002872	1068747	1309998	1587758
Interest Expenses	(317348)	(282948)	(243545)	(357161)	(555710)
Net Interest Income	700,524	718,669	825,202	952,837	1,032,048
Exchange Earnings	144075	157324	184879	185484	209926
Commission Earnings	144406	135958	128883	138294	150609
Other Operating Income	86946	38755	55934	82898	87574
Other Non Operating Income	34154	92781	72241	26808	56942
Gross Income	1,110,102	1,143,487	1,267,139	1,386,321	1,537,099
Staff Costs	(210583)	(180840)	(199516)	(219781)	(240161)
Provision for Staff Bonus	(66364)	(71941)	(84198)	(89800)	(99504)
Premises Costs	(166200)	(19259)	(22237)	(23381)	-
Other Operating Costs	-	(131500)	(168062)	(159315)	(188183)
Other Non Operating Costs		(51574)	-	-	-
Total Costs	(494,721)	(403,540)	(474,013)	(492,277)	(568,584)
Profit Before Tax	615381	739947	793126	894044	1009251
Income Tax	199146	201763	239149	262741	321086
Book write off Bad Loans	-	(82873)	(31133)	7729	10926
Provision for Loan Loss	-	-	(4207)	(3770)	(14206)
Net Profit After Tax	416,235	455,311	518,637	635,262	673,959

(Source: Annual Report of NABIL Bank Limited, 2006)

Annex-26

NEPAL INVESTMENT BANK LIMITED

Five years Financial Summary

(Balance Sheet)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Cash & Bank Balance	926535	1226923	1340481	2335521	2441514
Money at Call & Investment	1745240	4172483	4074189	5672869	6868650
Loans & Advances	5921788	7338566	10453164	13178152	17769100
Net Fixed Assets	191116	249788	320592	343450	759456
Other Assets	379216	476177	202226	201090	234797
Total Assets	9,163,895	13,463,937	16,390,652	21,732,081	28,073,517
Paid-Up Capital	295293	295293	587739	590586	801353
Profit Capitalization	-	-	-	-	-
Reserve Fund	314845	419092	567511	778904	955417
Profit & Loss Account	28404	14663	24924	45950	121354
Total Shareholder's Fund	638,542	729,048	1,180,173	1,415,440	1,878,124
Borrowings	6829	361500	350000	550000	800000
Customer's Deposit	7922766	11524680	14254574	18927306	24488856
Other Liabilities	446111	640269	278796	437392	423866
Provision For Loan Loss	149647	208441	327108	401944	482673
Total Liabilities	8,525,359	12,734,889	15,210,479	20,316,642	26,195,394
Total Liabilities & Shareholders' Fund	9,163,895	13,463,937	16,390,652	21,732,081	28,073,517

(Source: Annual Report of NIBL, 2006)

Annex-27

NEPAL INVESTMENT BANK LIMITED

Five years Financial Summary

(Profit & Loss Account)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Loans, Advances & Overdrafts	421847	663016	769195	964689	1302122
Others	37662	68387	117605	208053	282865
Interest Expenses	(189214)	(326202)	(354549)	(490947)	(685530)
Net Interest Income	270,295	405,201	532,251	681,795	899,457
Exchange Gain	50834	87980	102518	125747	135355
Commission Income	40811	55747	93551	115942	163899
Other Operating Income	26288	36816	56567	46607	114096
Other Non-Operating Income	487	1768	6192	391	1426
Total Income	388,715	587,512	791,079	970,482	1,314,233
Staff Expenses	61288	89749	97004	120664	145371
Operating Expenses	108038	149479	182915	190605	243431
Non-Operating Expenses	-	-	-	-	-
Staff Bonus	18905	25719	37075	50491	72338
Total Expenses	188,231	264,947	316,994	361,760	461,139
Profit Before Tax	200,484	322,565	474,085	608,722	853,094
Loan Loss Provision	30335	91092	140409	103808	129719
Income Tax	53332	78801	101529	154378	221977
Net Profit/(Loss) After Tax	116,817	152,671	232,147	350,536	501,399

(Source: Annual Report of NIBL, 2006)

Annex-28

STANDARD CHARTERED BANK NEPAL LIMITED

Five years Financial Summary

(Balance Sheet)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Cash & Bank Balance	1512304	2023162	1111116	1276241	2021019
Money at Call and Short Notice	1657909	2218599	2259691	1977271	1761151
Investments	10216199	11360328	9702553	12838555	13553233
Loan, Advances & Bill Purchased	5695823	6410242	8143207	8935417	10502637
Fixed Assets	191710	136234	71412	101302	125590
Other Assets	1637022	1493492	605596	638564	633055
Total Assets	20,910,970	23,642,059	21,893,578	25,767,352	28,596,689
Share Capital	339548	374640	374640	374640	413254
Reserve & Surplus	1029357	1121098	1207775	1379498	1703098
Loans & Borrowings	79163	78282	55926	-	400000
Deposit Liabilities	18755634	21161441	19335094	23061032	24647020
Bills Payable	54841	59024	56297	55750	36168
Proposed & Unpaid Dividend	-	-	-	499979	341744
Income Tax Liabilities	-	-	-	-	5598
Other Liabilities	652423	847571	863843	396450	1049804
Total Liabilities & Equity	20,910,970	23,642,059	21,893,578	25,767,352	28,596,689

(Source: Annual Report of SCBNL, 2006)

Annex-29

STANDARD CHARTERED BANK NEPAL LIMITED

Five years Financial Summary (Profit & Loss Account)

NPR in Thousand

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08
Loan & Advances	563506	558006	581664	596622	1411981
Others	437854	484170	477014	592981	-
Interest Expenses	(255154)	(275809)	(254127)	(303198)	(413055)
Net Interest Income	746,206	766,367	804,551	886,405	998,926
Exchange Earnings	232522	273050	266865	283472	309086
Commission Earnings	215201	198948	184830	222929	221208
Other Operating Income	50131	69835	62945	25442	28784
Other Non-Operating Income	4389	-	2957	1433	9492
Gross Income	1,248,449	1,308,200	1,322,148	1,419,681	1,567,495
Staff Costs	(128327)	(134685)	(148586)	(168231)	(199778)
Provision for Staff Bonus	(76084)	(85955)	(88683)	(93937)	(101609)
Premises Costs	(311013)	(23151)	(26105)	(28944)	-
Other Operating Costs	(15530)	(256543)	(230544)	(192143)	(228450)
Other Non-Operating Costs	-	(10756)	-	(2411)	(4915)
Total Costs	(530,954)	(511,090)	(493,918)	(485,666)	(534,752)
Profit Before Tax	717495	797110	828230	934015	1032743
Income Tax	(208222)	(235793)	(258944)	(280619)	(324427)
Provision For Non-Banking Assets	(2340)	-	-	-	-
Book write off Bad Loan	-	(23517)	-	53090	20159
Provision for Loan Loss	-	-	(30082)	(47730)	(36808)
Net Profit (Loss) After Tax	506,933	537,800	539,204	658,756	691,668

(Source: Annual Report of SCBNL, 2006)