

# **A COMPARATIVE STUDY OF DIVIDEND POLICY OF NEPALESE COMMERCIAL BANKS**

**By:**

**BIJAY KUMAR RAJBANSHI**

**Shanker Dev Campus**

**Campus Roll No.: 244/064**

**T.U. Regd. No.: 7-1-999-1274-2001**

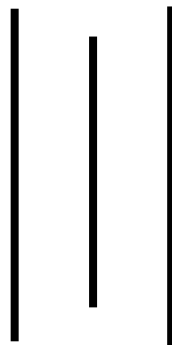
**2<sup>nd</sup> Year Symbol No.: 391039**

**A Thesis Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**



*In partial fulfillment of the requirement for the  
Degree of  
Master of Business Studies (M.B.S.)*

**Kathmandu, Nepal**

**April, 2012**

# RECOMMENDATION

This is to certify that the thesis

Submitted by:

**BIJAY KUMAR RAJBANSHI**

Entitled:

**“A COMPARATIVE STUDY OF DIVIDEND POLICY  
OF  
NEPALESE COMMERCIAL BANKS”**

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

.....  
(Asso. Prof. Kishor Maharjan)

.....  
(Prof. Bisheshwor Man Shrestha)

Pradhan)

*(Thesis supervisor)*

*(Head of Research Department)*

.....  
(Asso. Prof. Prakash Singh)

*(Campus Chief)*

# VIVA-VOCE SHEET

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

by:

**BIJAY KUMAR RAJBANSHI**

Entitled:

**“A COMPARATIVE STUDY OF DIVIDEND POLICY OF NEPALESE  
COMMERCIAL BANKS”**

*and found the thesis to be the original work of the student and written  
according  
to the prescribed format. We recommend the thesis to be accepted as partial  
fulfillment for the Degree of  
Master of Business Studies (M.B.S.)*

## **Viva-Voce Committee**

Head of Research Department

.....

Member (Thesis supervisor)

.....

Member (External Expert)

.....

## **DECLARATION**

I hereby declare that the data and work presented in this study entitled “**A Comparative Study of Dividend Policy of Nepalese Commercial Banks**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University is my original work done for the partial fulfillment of the requirement of the Degree of Master of Business Studies (M.B.S.) under the guidance of Mr. Kishor Maharjan Associate Professor of Shanker Dev Campus, Tribhuvan University.

**Bijay Kumar Rajbanshi**

Researcher

Shanker Dev Campus

TU Regd. No.:7-1-999-1274-

2001

Roll No: 244/064

Date: .....

## **ACKNOWLEDGEMENT**

This thesis has been prepared for the partial fulfillment of the requirement of the Degree of Master of Business Studies (M.B.S.). It would have been almost impossible to complete this without co-operation and help from different persons.

At first, I would like to express my sincere gratitude and deep respect to honorable Mr. Kishor Maharjan Associate Professor of Shanker Dev Campus, for his valuable suggestions, guidance and encouragement in the completion of this study.

I would like to express thanks to all the library and administrative staffs of Shanker Dev Campus for the necessary help in the preparation of this thesis. I must not forget to thank my friends and colleagues for the regular inspiration and support. Many many thanks to my friends.

I would like to extend my heart-felt gratitude to my family members specially my wife. They always inspired me to complete my higher study and provided all the necessary logistic supports.

Lastly, I want to take all the responsibility and welcome the comments from you all.

Thanks

**Bijay Kumar Rajbanshi**

Researcher

Shankar Dev Campus

TU Regd. No.:7-1-999-1274-  
2001

Roll No: 244/064

# TABLE OF CONTENTS

	PAGE No.
Acknowledgement	IV
Table of Contents	V
List of Tables	VI
List of Figures	VII
Abbreviations	VIII

CHAPTER I	INTRODUCTION	PAGE No.
1.1	General Background	1
1.2	Brief Profile of Sample Banks	5
1.3	Focus of the Study	8
1.4	Statement of the Problem	9
1.5	Objectives of the Study	11
1.6	Significance of the Study	11
1.7	Limitation of the Study	12
1.8	Research Methodology	13
1.9	Organization of the Study	13

CHAPTER II	REVIEW OF LITERATURE	
2.1	Conceptual Framework	15
2.1.1	Forms of Dividend	17
2.1.2	Theories of Dividend	20
2.1.3	Factors affecting Dividend Policy	23
2.1.4	Legal Provision Regarding Dividend practice in Nepal	27

<b>2.2</b>	<b>Review of Major Studies on Dividend Policies</b>	<b>29</b>
<b>2.3</b>	<b>Review of Journal an Articles</b>	<b>48</b>
<b>2.4</b>	<b>Review of Previous Research</b>	<b>50</b>
<b>2.5</b>	<b>Research Gap</b>	<b>55</b>

### **CHAPTER III RESEARCH METHODOLOGY**

<b>3.1</b>	<b>Introduction</b>	<b>56</b>
<b>3.2</b>	<b>Research Design</b>	<b>56</b>
<b>3.3</b>	<b>Population and Sample</b>	<b>57</b>
<b>3.4</b>	<b>Sources of Data</b>	<b>57</b>
<b>3.5</b>	<b>Data Collection Procedure</b>	<b>57</b>
<b>3.6</b>	<b>Method of Analysis</b>	<b>58</b>
<b>3.7</b>	<b>Data Analysis Tools</b>	<b>58</b>
	<b>3.7.1 Financial Tools used for Analysis</b>	<b>58</b>
	<b>3.7.2 Test of Hypothesis</b>	<b>60</b>
	<b>3.7.3 Statistical Tools Used</b>	<b>61</b>
	<b>3.7.4 Limitations of Methodology</b>	<b>67</b>

### **CHAPTER IV PRESENTATION AND ANALYSIS OF DATA**

<b>4.1</b>	<b>Analysis of Financial Indicators &amp; Variables</b>	<b>69</b>
	<b>4.1.1 Earning per Share (EPS) &amp; Dividend per Share (DPS)</b>	
	<b>Analysis</b>	<b>69</b>
	<b>4.1.2 Market Price per Share (MPS) Analysis</b>	<b>72</b>
	<b>4.1.3 Dividend Payout Ratio (DPR) Analysis</b>	<b>74</b>
	<b>4.1.4 Analysis of P/E Ratio</b>	<b>76</b>
	<b>4.1.5 Dividend Yield Analysis</b>	<b>78</b>
<b>4.2</b>	<b>Correlation Analysis</b>	<b>79</b>
	<b>4.2.1 Correlation between EPS and DPS</b>	<b>80</b>
	<b>4.2.2 Correlation between EPS and MPS</b>	<b>81</b>

4.2.3	Correlation between MPS and Last year's Dividend ( $D_{t-1}$ ) of Banks	81
4.3	Regression Analysis	82
4.3.1	Simple Regression Analysis	82
4.4	Test of Hypothesis	87
4.4.1	First Hypothesis	87
4.4.2	Second Hypothesis	89
4.4.3	Third Hypothesis	90
4.5	Major Findings	92

## **CHAPTER V SUMMARY, CONCLUSION & RECOMMENDATIONS**

5.1.	Summary	95
5.2	Conclusion	96
5.3	Recommendation	97

## **BIBLIOGRAPHY**

## **APPENDICES**



## LIST OF TABLES

PAGE No.

Table 4.1 Earning per Share (EPS) of Respective Banks	69
Table 4.2 Dividend per Share (DPS) of Respective Banks	70
Table 4.3 Market price per Share (MPS) of Respective Banks	72
Table 4.4 Dividend Payout Ratio (DPR) of Respective Banks	74
Table 4.5 Price Earning (P/E) Ratio of Respective Banks	76
Table 4.6 Dividend Yield of Respective Banks	78
Table 4.7 Correlation between EPS and DPS	80
Table 4.8 Correlation between EPS and MPS	81
Table 4.9 Correlation between MPS and Last year's Dividend ( $D_{t-1}$ ) of Banks	81
Table 4.10 Simple Regression Analysis between MPS and Last year's Dividend ( $D_{t-1}$ )	83
Table 4.11 Simple Regression Analysis between MPS and EPS	84
Table 4.12 Simple Regression Analysis between DPS and EPS	85
Table 4.13 Regression Analysis between MPS, EPS, DPS & Retention Ratio	86
Table 4.14 Dividend per Share (DPS) of Respective Banks	87
Table 4.15 ANOVA Table	88
Table 4.16 Earning per Share (EPS) of Respective Banks	89
Table 4.17 ANOVA Table	89
Table 4.18 Dividend Payout Ratio (DPR) of Respective Banks	90
Table 4.19 ANOVA Table	91

## **LIST OF FIGURES**

**PAGE No.**

<b>Figure 2.1 Constant Dividend per Share Policy</b>	<b>21</b>
<b>Figure 2.2 Dividend Policy of Constant Payout Ration</b>	<b>22</b>
<b>Figure 4.1 Earning per Share (EPS) of Respective Banks</b>	<b>69</b>
<b>Figure 4.2 Dividend per Share (DPS) of Respective Banks</b>	<b>70</b>
<b>Figure 4.3 Market Price per share (MPS) of Respective Banks</b>	<b>72</b>
<b>Figure 4.4 Dividend Payout Ratio (DPR) of Respective Banks</b>	<b>74</b>
<b>Figure 4.5 P/E Ratio of Respective Banks</b>	<b>76</b>
<b>Figure 4.6 Dividend Yield of Respective Banks</b>	<b>78</b>

## **LIST OF THE ABBREVIATIONS**

%	:	Percentage
&	:	And
ANOVA:		Analysis of Variance
CV	:	Coefficient of Variation.
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
D/Y	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earning per Share
HBL	:	Himalayan Bank Limited
i.e.	:	That is
MPS	:	Market Price per Share
NRB	:	Nepal Rastra Bank
NABIL	:	NABIL Bank Limited
NIBL	:	Nepal Investment Bank Limited
No.	:	Number
PE	:	Probable Error
r	:	Correlation Coefficient
SCBNL	:	Standard Chartered Bank Nepal Limited
SEE	:	Standard Error of Estimate
F/Y	:	Fiscal Year
Ltd.	:	Limited
TU	:	Tribhuvan University