IMPACT OF DIVIDEND ON MARKET PRICE OF COMMERCIAL BANKS IN NEPAL

A Dissertation submitted to the office of the dean, faculty of management in partial fulfillment of the requirements for the master's degree

by

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **IMPACT OF DIVIDEND ON MARKET PRICE OF COMMERCIAL BANKS IN NEPAL.** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirement for any academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all sources and literature used are cited in the reference section of the dissertation.

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Muna Kumari Paudel

REPORT OF RESEARCH COMMITTEE

Ms. Muna Kumari Paudel has defended research proposal entitled **IMPACT OF DIVIDEND ON MARKET PRICE OF COMMERCIAL BANKS IN NEPAL** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Ramesh Kumar Paudel of Shanker Dev Campus, T.U. and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled **IMPACT OF DIVIDEND ON MARKET PRICE OF COMMERCIAL BANKS IN NEPAL** presented by Ms. Muna Kumari Paudel for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Muna Kumari Paudel

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ABBREVIATIONS

BFI	Bank and Financial Institutions
CV	Coefficient of Variation
DPR	Dividend Payout Ratio
DPS	Divided Per Share
DY	Dividend Yield
EBL	Everest Bank Limited
EGLS	Expected Generalized Least Square
EPS	Earnings per Share
HBL	Himalayan Bank Limited
MPS	Market Price per Share
NABIL	Nabil Bank Limited
NBBL	Nepal Bangladesh Bank Limited
NMB	NMB Bank Limited
NSBL	Nepal SBI Bank Limited
PER	Price Earnings Ratio
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Equity
SCBNL	Standard Chartered Bank Limited
SD	Standard Deviation

ABSTRACT

Dividend is a kind of earnings that the shareholders expect from their investment. But the dividend decision is still a fundamental as well as controversial area of managerial function. The main purpose of this study is to assess the impact of dividend payout ratio, leverage, return on assets, price earnings ratio and size on market price per share of stock. In this study descriptive and causal comparative research design is followed and the sample for the study are selected as joint venture commercial banks of Nepal. This study in based on secondary data collected form the annual reports of sample banks from 2011/12 to 2020/21. The data are analyzed using descriptive statistical tools, correlation and multiple regression analysis. The relationship analysis found that MPS of Nepalese commercial banks significantly increases when DPR (i.e. 0.342) of the stock increases. On the other hand, MPS of the banks increases with the increment in ROA (i.e.0.217) of the stocks. For most MPS of the stock is significantly increases when PE ratio (0.539) of the stock increases. The analysis using the variables in multiple regression model found that return on assets (i.e. 709), leverage (i.e. 0.140), price earnings ratio (i.e. 0.031) and bank size (i.e. 0.406) have significant positive effect on market price per share. Leverage of the banks and dividend related factors are motivating factors to increase market price per share of the banking sectors. That's why, dividend and leverage of the banks have significant impact of market price of stock of Nepalese joint venture commercial banks. This study reflects historical scenarios of stock dividends and market prices per share. This is beneficial for investors interested in investing in the stock market, bank management can take information from this study to make good payout decisions and further research on this topic using other industry and macroeconomic variables is warranted for more reliable results.

Keywords: Dividend Payout Ratio, Return on Assets, Leverage, PE Ratio, Market Price per Share

CHAPTER I
INTRODUCTION

1.1 Background of the Study

An organization's board of directors may decide to distribute dividends at its discretion. For investors, the dividend is a crucial matter since, in addition to providing income, it serves as a benchmark for decisions about investments in the banking industry. Making wise dividend policy decisions that will draw investors and raise the company's market value is the main focus of contemporary corporate finance. Increased value is derived from higher dividends, whereas lower payouts result in lower share prices. The company has to give investors enough dividends to keep them happy in order to optimize wealth amid uncertainty. Determining how much of the company's revenues will be held in-house and how much will be paid to shareholders is a crucial component of dividend policy. The company's most important source of funding for its expansion is retained profits (Sharma, 2016).

A dividend is an immediate payment made in cash to shareholders. A dividend is unquestionably a percentage of revenue. Since dividends tend to improve owners' present wealth, they may be viewed as desirable. A dividend may be a concrete indicator of a company's capacity to provide liquidity as well as a signal of its sustained income. A dividend is a part of earnings that is given to shareholders as compensation for their share capital investment. It is the recurring payment given to shareholders as a way of making up for the risk associated with their investment and its utilization. As a result, dividend policy need to be able to ensure that dividends fulfill the expectations of the majority of shareholders (Pradhan, 2003).

One of the most extensively studied subjects in finance is dividend policy, but whether or not it influences stock prices has long been a source of contention for managers, decision-makers, and scholars alike. For lenders, managers, investors, and other stakeholders, dividend policy is crucial. It is significant to investors because they perceive dividends as a means of evaluating companies from an investing perspective, in addition to being a source of income. It is a method of determining whether or not the business could turn a profit. The dividend yield, which is determined by dividing

the current share price by the yearly dividend income per share, is a metric that many investors find interesting. The amount of income received in relation to the share price is measured by the dividend yield. A company's low dividend yield relative to other companies in its industry may indicate one of two things: either the market believes the company has promising future prospects and isn't overly concerned about the dividend payments, or the company is having financial difficulties and won't be able to pay reasonable dividends. In the latter case, the share price of the company may be high. However, a high dividend yield may also indicate a troubled business with a declining share price (Bhattarai, 2016).

Investing in stock shares is one of the main investment strategies that has the ability to provide investors with significant rewards. It provides funding for businesses' capital needs as well. However, returns on these equity investments might differ based on how well the specific stock performs and how the stock price moves. Although supply and demand factors may cause stock prices to fluctuate, there is no perfect or infallible method for predicting the precise movement of stock prices. There are three primary categories of factors that influence the supply and demand of stock prices: technical factors, fundamental factors, and market attitudes. However, understanding these variables and how they could affect share prices is quite valuable as it would empower businesses to increase their market value and assist investors in making informed investment decisions (Baral & Pradhan, 2018).

Regarding the dividend policy and stock price, there are two opposing points of view. Some who contend that dividends have a greater influence on share price contend that shareholders value present returns over future ones and that dividend distributions serve as a predictor of future earnings potential. The significance of retained profits is the basis of the opposing viewpoints. Retained earnings, they contend, are a sign of potential investment possibilities in the future. Retained earnings offer tax benefits to the shareholders. Retained money is not considered income for tax purposes until it is recognized (Brittain, 2006).

Only a small percentage of businesses in Nepal offer dividends, and the majority do not do so consistently. Certain firms have never distributed dividends to their shareholders. A key metric that demonstrates bank profitability and draws in investors is dividends

on shares. Before making an investment in the stock market, investors review the bank's dividend policy. However, because Nepal's commercial banks' dividend policies fluctuate, investors are unable to predict the future cash flow from cash dividends (Bhandari & Pokhrel, 2012).

It is believed that firms with growing dividends often see a gain in stock price, whereas companies with declining or nonexistent dividends tend to see a decline in stock price trend. Thus, it demonstrates that a dividend has an impact on the company's stock price; yet, a number of studies contend that the information on dividend payments has an impact on stock price. Actually, that dividend serves as a clear enough indicator of how management views the company's present situation and prospects for the future.

The banking industry, particularly commercial banks in terms of market capitalization, entirely dominates the Nepal Stock Exchange (NEPSE), the country's sole stock market. Many investors in Nepal find that commercial banks offer an alluring platform for investing in shares. Due to the high rate of return and strong liquidity of the NEPSE shares, there is investment interest in the secondary market (Bhatt & Jain, 2021). The group of commercial banks has the largest proportion of both the total trading volume and the total shares traded in terms of trading volume and share count, respectively.

Nepal's banking industry is walking a precariously risky road not only because of a seasonal and often recurrent loanable funds crunch but due to a combination of factors ranging from poor regulation and supervision. The stock price of banks are also highly fluctuated over the period depending on different variables. On this regard this study tries to analyze market price per share of the banking sector. Market price of the stock is affected by various firm specific and macroeconomic factors i.e. EPS, DPS, PE ratio, ROA, broad money supply, interest rate, inflation and exchange rate etc. This study focused on analysis of banks specific factors of stock market price in Nepal which are dividend payout ratio, dividend yield, return on assets, price earnings ratio and banks size.

1.2 Problem Statement

The purpose of equity capital investments made by shareholders is to increase their wealth. The type of returns that shareholders anticipate from their investment is known

as a dividend. Nonetheless, choosing a payout is still a crucial and contentious aspect of management work. There have long been debates over the impact of dividend policies on share prices. However, there is currently no single, definitive finding about the connection between dividend payments and share market price.

There is continuous discussion in the corporate finance literature on the relationship between share price, dividends, and retained earnings. It is suggested that one should consider a company's share price to be the organic result of actions that take into account the effect of shareholders and trading on the share market (Bhandari & Pokhrel, 2012).

The companies that announced no change in dividend were among the comparatively small number of companies in the dividend not change while earning increased category. This group's announcement of no change in dividend was associated with abnormally positive earnings that were even larger than those of the dividend increased when earning increased (DI-EI) category. On the other hand, the companies that reported bad news and earned the largest negative unusual returns of all the groups considered were the good and prosperous companies in the dividend decreased as well as earning decreased (DD-ED) group (Majanga, 2015).

Bhatt and Jain (2021) reported that dividend/earnings news does not seem to be a reliable indicator of a company's long-term performance; instead, firms who reduced their payouts and reported lower earnings were able to generate excess returns in the future. This problem is also rather confusing. The researcher intends to investigate the causes of this mystery within the context of Nepal.

The link between dividends and share price in the Indian setting was examined by Siagian, Riesmiyantiningtias, and Amalia (2022) and stated that retained profits' influence on the Indian stock market is now being acknowledged by the stock market. Strong dividends and relatively poor retained earnings are typical in the Nepalese setting, suggesting that dividends are appealing to Nepalese investors. The impact of dividends in the Nepali context.

Shammout (2020) explained that investors' portfolio decisions are influenced by the stock prices' ex-dividend behavior. Specifically, they noted that taxable investors will, at the margin, accelerate their sells before ex-dividend days and postpone their buying until after ex-dividend days if share prices decline by the entire amount of dividends. The ex-dividend date effect of stock prices is supported by reasoning and empirical data from industrialized nations; in Nepal, there is currently little of this data (Bhattarai, 2016). Dividend yield has a negligible positive influence on stock price volatility after adjusting for earnings volatility, payout ratio, business size, and asset growth (Rashid & Rahman, 2008).

The National Stock Exchange's stock price of the stock that has a dividend policy in place was shown to be significantly impacted by the dividend policy. The stock market price is significantly impacted positively by earnings per share and negatively by dividend yield, return on equity, and profit after taxes (Singh & Tandon, 2019). Lastly, the stock market price of stocks listed on the National Stock Exchange is not significantly impacted by the dividend per share or retention ratio. When including return on assets (ROA) as an independent variable in the investigation of the impact of dividends on stock market price, banks' return on assets has a negative impact on stock price (Shrestha, 2020).

Numerous studies, mostly in industrialized nations, have been conducted on the effect of dividends on stock prices around the globe. The majority of past research indicates that dividend policy has a big impact on stock price. To optimize the value for shareholders, corporate enterprises have to adhere to the proper dividend policy. One of the major and crucial factors influencing the share price is dividend policy. The impact of dividends on stock prices, particularly in Nepal's banking and nonbanking industries, is not well covered in the financial literature (Pradhan, 2003).

Similar conclusions were reached by the top gainers and top losers banks based on their stock market performance: earnings per share and price earnings ratio significantly boost the value of the top gainer commercial banks' shares. Conversely, the stock price of the top looser commercial banks is significantly positively impacted by earnings per share, price earnings ratio, and dividend per share. The biggest element influencing the

stock price of the top looser commercial bank is dividend per share (Baral & Pradhan, 2018).

Empirical studied conducted on different market revealed the inconclusive relationship of dividend on stock market price. Thus, this study aims to empirically investigate the dividend policy and stock market price of Nepalese joint venture commercial banks. Therefore, this study answers the following research questions;

1. What is the existing position of dividend, leverage and market price per share of Nepalese commercial banks?
2. What is the relationship of market price of stock with dividend payout ratio, return on assets, leverage, price earnings ratio and bank size of Nepalese commercial banks?
3. What is the impact of dividend payout ratio, return on assets, leverage, price earnings ratio and bank size on market price of stock of Nepalese commercial banks?

1.3 Objectives of the Study

The general objective of this study is to analyze the impact of dividend and leverage on market price of joint venture commercial banks in Nepal. Moreover, the specific objectives are:

1. To compare the existing situation of dividend payout ratio, return on assets, leverage, price earnings ratio, bank size and market price per share of Nepalese commercial banks.
2. To examine the relationship of market price of stock with dividend payout ratio, return on assets, leverage, price earnings ratio and bank size of Nepalese commercial banks.
3. To analyze the impact of dividend payout ratio, return on assets, leverage, price earnings ratio and size on market price of stock of Nepalese commercial banks.

1.4 Research Hypotheses

The following hypotheses are developed to break down the above research questions. Therefore, this research work attempts to test the following hypotheses in the case of commercial banks in Nepal.

H1: Dividend payout ratio has negative relation the market price of stock.

H2: Return on assets has positive relation with the market price of stock.
H3: Leverage has positive relation with the market price of stock.
H4: Price earnings ratio has positive relation with the market price of stock.
H5: Bank size has negative relation with the market price of stock.

1.5 Rationale of the Study

A dividend provides stockholders with a source of income. Investing in shares allows shareholders to increase their wealth position and receive large returns. Leverage by banks has a major beneficial influence on how market prices are determined. Before making an investment in stocks, investors take into account the banks' leverage, which has an impact on the stock's market price. Leverage and dividends are powerful tools for drawing in new capital, keeping hold of current capital, and ensuring their satisfaction while preserving the company's goodwill and desired controlling influence.

People in Nepal are making random stock investments since they don't know enough about the market. Insufficient study has been done thus far to make things better. Therefore, it's critical to get a firm understanding of the return that comes with stock investments. This thesis plays a significant role in partially filling up this knowledge gap.

Important information on the effect of debt and dividends on the market price per share of joint venture commercial banks is provided by this study. The study's conclusions offer recommendations and consequences that may assist future buyers decide what to buy in the near future.

Researchers who are interested in studying market price per share analysis may also gain some understanding of the fundamental variables influencing market price from this research. The information in this study helps managers and decision-makers establish and implement an appropriate dividend policy. The government can utilize this study to help in controlling, monitoring, and policy making.

1.6 Limitations of the Study

The study is limited to following points. The main limitations of the study are as follows:

1. This study is based on historical data analysis of seven joint venture commercial banks i.e. HBL, EBL, NSBL, NBBL, SCBNL, NMB and NABIL form year 2011/12 to 2021 which may not represent all the commercial banking sectors of Nepal.
2. This study concentrates only dividend, leverage and market price per share of joint venture commercial banks and ignores the other financial aspects.
3. The study is basically based on secondary data collected from the annual reports of the sample banks and the reliability of the results are fully depends on the source of data.
4. Limited statistical tools as descriptive statistics, correlation, regression and hypothesis testing and variables related to dividend, leverage and profitability are considered for the data analysis which may not explain the market price of the stock.

CHAPTER II
LITERATURE REVIEW

This chapter is includes into the theoretical review, empirical review and research gap of the study.

2.1 Theoretical Review

The dividend policy and the company's intended dividend distribution procedure are analyzed theoretically. This section of the study reviews the variables affecting dividends and stock prices as well as the laws governing dividend practices in Nepal.

2.1.1 Agency Theory

According to the agency cost theory, agency costs resulting from ownership and control dispersion impact dividend policy. It is possible that managers will occasionally select for a dividend policy that optimizes their own gains above one that maximizes value for shareholders. In order to guarantee that managers maximize shareholder value rather than use the money for their own gain, dividend payments should be made in a way that minimizes the free cash flows available to them (DeAngelo, DeAngelo, & Stulz, 2006). Firms expose themselves to the scrutiny and discipline of these markets in an effort to draw in fresh equity.

According to agency theory, managers of businesses are prone to acting in a non-value-maximizing (NVM) manner. According to the theory put forward by Jensen and Meckling (1976), the agency costs experienced by NVM managers would reduce the firm's value. These agency costs may be decreased, though, if a manager's personal wealth was correlated with the value of the company's common stock. Consequently, insider holdings, or managerial ownership of shares, may reduce agency costs and raise the firm's value.

2.1.2 Stability Theory of Dividend

The term "dividend stability" describes the dividend stream's constancy. Stated differently, dividend stability refers to the dividend being paid on a consistent basis, even while the exact amount varies annually. The majority of businesses' management

see dividend stability as a good policy. Additionally, consistent dividends are often preferred by shareholders over changing ones, and they are valued higher by them. If all else remains the same, a consistent dividend might raise the share's market price (Pandey, 2010).

Maintaining the position of the company's dividend payments with respect to a trend line, ideally an upward-sloping one, is what we mean by stability. There are a few grounds for thinking that rising stock prices are a direct result of a consistent dividend policy. First, since variable dividends are riskier than stable ones, investors are typically expected to place a higher value on dividends they can be certain of getting. As a result, a bigger discount factor will probably be applied to the same average dividend amount received under a changing dividend policy than it will be for payouts under a stable dividend policy. This implies that compared to a firm whose payout varies, one with a steady dividend policy will have a lower necessary rate of return or cost of equity capital. Secondly, dividend income is a major source of income for many investors. These investors will pay more for a stock that has a comparatively certain minimum dollar payout since they are very inconvenient with variable payments. Third, from the perspective of the company and its investors, dividend consistency is preferred in order to meet legal listing requirements. Dividend payment stability comes in three different kinds. These include a low regular dividend with an additional payment, a steady dividend payout ratio, and a constant dividend per share.

i) Constant Dividend per Share

Under the constant dividend per share policy, annual dividend payments to shareholders are made at a consistent rate, regardless of changes in profitability. The dividend rate and dividend per share are not guaranteed to remain constant under this policy. A corporation may decide to raise its yearly dividend per share when it achieves a new level of earnings and anticipates maintaining it (Pandey, 2010).

ii) Constant Dividend Payout Ratio

Payout ratio is the ratio of dividends to profits. Certain corporations may adhere to a consistent payout ratio policy, meaning they will annually pay a certain percentage of their net earnings. The dividend will vary in direct proportion to earnings under this policy. This strategy offers the benefit of shielding a business from paying out too little

or too much in dividends. It also makes choosing a payout easier. It makes sure that dividends are distributed when profits are made and withheld when losses are incurred (Brittain, 2006).

iii) Low Regular Dividend Plus Extra Dividend

According to this plan, the company reduces the possibility that its shareholders would ever miss a dividend by paying them a fixed, regular sum. Additionally, the company distributes additional dividends on top of the regular distribution during market boom years. When regular circumstances return, the company stops paying the excess payment and starts paying dividends again. Without having to commit to making significant payments as part of a future fixed dividend, a business with this kind of policy can pay a consistent dividend amount on a regular basis without ever defaulting. It also gives shareholders a great deal of flexibility to supplement their income only in situations where the business's earnings exceed average (Sharma, 2016).

2.1.3 Residual Theory of Dividend

The residual theory of dividends, according to one school of thinking, contends that a company's payout should be seen as the amount that remains after all reasonable investment possibilities have been taken advantage of. One way to think of a company's dividend policy is as an investing choice. This kind of behavior is indicative of a corporation believing in residual dividends. This theory holds that a corporation's dividend policy is an after-investment residue, and that the availability of investment opportunities determines whether a company pays dividends or not (Bhattarai, 2016).

This theory's hypothesis is that, in cases when the return on reinvestment exceeds the investors' opportunity cost of funds, investors would rather see the company keep and reinvest earnings rather than distribute dividends. Under the residual dividend policy, new shares are sold to make up the shortfall for unpaid investments, and the dividend is equal to the amount remaining after investment. In the event that there are no investment opportunities, the shareholders get a dividend equal to one-tenth of the earnings. Dividends are therefore only a residue, or the percentage that remains after all requirements for equity investments have been met (Rashid & Rahman, 2008).

2.1.4 Dividend as a Signaling Effect

This change in dividends may have an impact on the stock price. Put another way, in certain situations, dividends speak louder than words. To emphasize this point, a company's management may utilize dividend payments to express its assessments of the company's earning potential and liquidity (Pradhan, 2003).

Because they have exclusive access to information about the company's cash flows and level of present and future earning power, managers will therefore choose to send clear signals about the company's future. If they have the right incentives, they may even use dividend payments as a means of communicating their expectations (Baral & Pradhan, 2018). Consequently, dividends might be seen as a signal to investors. Businesses who have excellent news on their potential for future profits should let investors know. Investors could assume that management is making an announcement about a shift in the company's projected future profitability. The message to investors is that the Board of Directors and management really think that the situation is not worse than what the stock price indicates.

2.1.5 Random Walk Theory

According to the random walk theory, variations in stock prices follow the same distribution and are unrelated to one another. As a result, it makes the assumption that a stock price's or market's historical movement cannot be utilized to forecast its future movement. To put it succinctly, random walk theory asserts that stocks move in an unexpected and random manner, rendering all stock price prediction techniques ultimately meaningless (Basnet, 2007). Random walk efficiency market theory presumption;

1. According to the random walk hypothesis, variations in stock prices follow the same distribution and are unrelated to one another.
2. The Random Walk Theory suggests that it is impossible to forecast a stock price's or market's future movement based on its historical movement or trend.
3. The random walk hypothesis holds that beating the market requires taking on more risk.
4. Technical analysis is deemed unreliable by random walk theory because it causes chartists to buy or sell a securities only after a move has taken place.

5. The random walk theory views fundamental analysis as untrustworthy because of the frequently inadequate quality of the data gathered and its susceptibility to misunderstanding.

2.1.6 Factors Influencing Dividend Policy

Numerous factors affect a company's dividend policy. Certain factors impact the type of payout, while others influence the amount. The main elements influencing dividend policy are listed below and include legal provisions, the firm's financial condition, the need to repay debt, constraints imposed by loan holders, estimated rate of return, stability of earnings, shareholder personal tax, etc. (Joshi, 2012):

- **Legal Requirements**

A firm is under no legal obligation to deliver dividends. Nonetheless, there are legal restrictions on how dividends can be distributed. In general, the following three dividend payment regulations may be found (Bhattarai, 2016):

i) The Net Profit Rule

According to the net profit rule, dividends may be paid from either current or historical earnings. It should be acknowledged, nevertheless, that dividends larger than the total of historical cumulative profits plus present earnings may not be paid out (Bhandari & Pokhrel, 2012).

ii) The Capital Impairment Rules

According to this regulation, the company is not allowed to pay dividends from its paid-up capital as doing so would jeopardize the interests of creditors and negatively impact the company's equity base. The fundamental purpose of this guideline is to safeguard creditors' claims by keeping an adequate equity foundation (Shrestha, 2020).

iii) Insolvency Rule

A company is deemed insolvent if its liabilities are more than its assets or if it is unable to make its current payments. It is legally severely forbidden for the company to pay dividends if it is bankrupt (Singh & Tandon, 2019).

- **Firm's Liquidity Position**

Additionally impacted by the firm's liquidity condition is the dividend distribution. Retained profits are not kept in cash; instead, they are reinvested into the company's

assets, even if the balance sheet indicates that there are adequate earnings. This might prevent the company from being able to pay cash dividends (Baral & Pradhan, 2018).

- **Repayment Need**

The company employs a variety of debt financing options to meet its investment requirements. At the maturity, these loans must be paid back. When it comes to repaying debt, the company typically has two options: either it may issue new securities to cover the debt at maturity, or it can set aside money from earnings for repayment (Joshi, 2012).

- **Restriction Imposed by Debt Holders**

Debt holders have the ability to place limitations on the company's ability to pay dividends. The restrictions could state that the company cannot pay dividends from past retained earnings that are recorded in the company's books prior to fulfilling the terms of the debt contract, or they could state that the company cannot pay any dividends on common stock until it has paid all of the dividends that have accrued on preferred stock, as required by the preferred stock holders (Singh & Tandon, 2019).

- **Expected Rate of Return**

The anticipated rate of return on investment affects the dividend payout amount as well. When a company expects a better rate of return on its investment, it will choose to reinvest its earnings rather than pay out cash dividends (Bhatt & Jain, 2021).

- **Stability of Earnings**

A company is more likely to pay a greater dividend than one with more variable earnings if its earnings are generally steady. Because it is unsure of its future earnings, the company with unpredictable earnings would rather keep more of its existing earnings (Pradhan, 2003).

- **Desire for Control**

When the company requires more funding, the current management might not want to issue more common shares because they worry about losing control over the company's management (Baral & Pradhan, 2018).

- **Access to the Capital Markets**

It is not necessary to retain more retained earnings if a company can easily access capital markets to raise more finance. Nonetheless, smaller and recently founded businesses typically have trouble obtaining outside funding from the financial market (Baral & Pradhan, 2018).

- **Stockholders' Individual Tax Situation**

Due to the greater tax on dividend income, shareholders of a closely held corporation choose a comparatively lesser cash payout. Closely held company investors in higher personal tax brackets favor capital gains over dividends. It takes more than just the items listed above to establish a good dividend policy. It is necessary to take into account several more insights and factors. These include shifting governmental policies, the likelihood of future expansion, the age and maturity of firms, the informative value of dividends, and so on (Singh & Tandon, 2019).

2.1.7 Factors Influencing Share Price

One may classify the elements affecting share prices as either macro-environmental forces or micro-environmental factors (Baral & Pradhan, 2018):

Micro-economic Environment Factors

These are internal company characteristics, as well as industry-specific aspects. These might include, among other things, the company's dividend policy, profitability, management caliber, and earnings ratios. While a low dividend policy may draw cheap stocks, a high dividend strategy may draw expensive firms (Bhattarai, 2014).

Macro-economic Environment Factors

These are elements that have an impact on the overall economy in which the company works. These variables include, among other things, interest rates, the rate of inflation, the government's budgetary policies for controlling the economy, and foreign exchange rates. In developing nations such as Nepal, political factors have a greater influence on the share price of commercial banks than investors' astute comprehension of fundamental and technical analysis (Basnet, 2007).

2.1.8 Legal Provisions Regarding Dividend Practice in Nepal

The Nepal Company Act of 2063, with its first revision in 2074, establishes some legal guidelines for the distribution of dividends in Nepalese companies. Dividend requirements are specified under Section 182 (Act Nepal, 2017). In spite of the BFIs' substantial paid-up capital, they are being compelled to issue bonus shares from their noteworthy net earnings, and the central bank has been accommodating in this regard. Currently, only thirty percent of the net distributable earnings may be paid out as a cash dividend to shareholders by BFIs (NRB, 2022).

1) Dividends are to be paid to shareholders within 45 days of the decision to offer dividends, with the following exceptions:

(a) In the event that a law forbids the payment of dividends;

(b) In the event that there is a dispute about the entitlement to receive dividends;

(c) In the event that the firm is unable to deliver dividends within the specified time frame for whatever reason.

2) A corporation that is wholly or partially owned by the Nepali government is only permitted to distribute dividends after receiving the government's prior consent; moreover, the government may issue any required directives about the dividend that the firm may release.

3) Should a dividend not be paid out within the time frame mentioned in Sub-section (1), the dividend and interest on it will be paid out at a rate that may be specified.

4) A dividend shall be payable to the individual whose name is on file in the shareholder registry at the time of declaration, or to his heirs by law.

5) A company's dividend payments and distributions cannot be made in any other way than using the portion of profits designated for dividend payments.

6) A company must fully deduct pre-operation expenses, the amount that must be depreciated in accordance with the accounting standards set by the competent authority under the applicable law, any amount that must be paid or set aside out of the profits under the applicable law, and the amount of accumulated loss in prior financial years before paying or declaring a dividend out of the profits for any given fiscal year. However, any company that is required to comply with such a legal requirement shall not distribute divided without establishing such a reserve or consolidated fund, if the prevailing law requires the establishment of such a fund in any amount prior to the distribution of dividends.

7) The board of directors of any firm may, in the following circumstances, distribute an interim dividend from the earnings of the preceding fiscal year, subject to the different restrictions provided in this Section:
(a) A clause regarding the interim dividend distribution is included in the association's articles of association;
(b) The auditor has certified and the board of directors has approved the annual financial statement for the fiscal year from which the interim dividend is to be distributed.
8) With the exception of dividends authorized by the general meeting, no firm may pay or distribute to its shareholders any sum in cash or kind that is chargeable against its finances.
9) Any dividend that is not claimed or received by a shareholder within five years of the date on which the firm adopted a resolution directing dividend distribution at its general meeting will be deposited to the investor protection fund that will be formed in accordance with Section 183.
10) To credit the amount as referred to, the corporation must publish a notice in a national daily newspaper requesting the interested parties to receive the dividend within the time restriction of at least one month, prior to the expiration of the term specified in that sub-section.
11) Within 45 days of the general meeting's approval date, a company must credit a separate account with the amount of dividends that must be paid to shareholders under this Act. The dividend amount must be paid from that account, and the company is not permitted to use the funds for any other purpose.

The government-owned commercial bank's set deposit interest rate will not be lower than the dividend rate. If there is not enough profit to distribute at the aforesaid rate, the relevant corporation should make a recommendation for a new dividend rate through the Unison ministry to the Finance Ministry, and it should follow whatever decision is made in this regard. The Finance Ministry's approval must be obtained before making any decisions about the yearly net profit distribution. Except for those mandated by law, no incentives may be given out unless the government receives the dividend payment (Shrestha, 2020).

Companies that have monopolies should give back the government the whole amount of their earnings, less any bonuses, taxes, and sums required for company development

and expansion. The amount set aside for business growth and development will not exceed the year's earnings, nor should it exceed the whole amount of paid-up capital. If the full sum set aside for the aforementioned provision is not used within three years, it should be distributed as a dividend. The execution of these dividend policies will fall within the purview of concerned senior management and the BOD (Pradhan, 2003).

The Ministry of Finance will coordinate with all relevant ministries and corporations to make the appropriate arrangements for fixing the dividend percentage. The Hemagen Diagnostics, Inc. ruling mentioned above only addresses government-owned enterprises' dividend decisions; it makes no mention of privately held businesses (Bhandari & Pokhrel, 2012).

2.2 Empirical Review

Masum (2014) analyzed the dividend policy and its impact on stock price: a study on commercial banks listed in Dhaka stock exchange. This objective of the study was to find the relation between shares market price and the dividend policy of the banks, to analyze the factors affecting the market price of banks shares and to measure the impact of the dividend policy on its shares market price. This study used panel data regression approach for the data analysis. Return on equity, Retention ratio, Dividend yield, Earnings per share and Profit after tax of the companies were used as independent variables and Market price of the stock was considered as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.6428$ which is significant at 1 percent level of significance since p-value is less than 1 percent, showing the significant effect of the variables on market price. The coefficient of return on equity i.e. 2957.523 was significant (p = 001), coefficient of retention ratio i.e. 4.0813 was not significant (p = 0.990), coefficient of dividend yield i.e. -6235.14 was significant (p = 0.005), coefficient of earnings per share i.e. 5.7049 was significant (p = 0.000) and coefficient of profit after tax i.e. -0.2254 was significant (p = 0.000).

Majanga (2015) studied on the dividend effect on stock price-an empirical analysis of Malawi listed companies. The study aimed to establish if there exists such a direct relationship between a firm’s dividends and its stock price with particular emphasis on the Malawi stock exchange. In this study correlation analysis is used for the data analysis. Dividend per share, retention ratio, Profit after tax, earnings per share and

Return on equity were used as independent variables and Share price was used as dependent variable. The correlation coefficient of dividend per share was 0.799 which shows strong positive association of DPS with share price, coefficient of retention ratio was -0.293 which shows low degree negative relation of RR with share price, coefficient of profit after tax was -0.19 which also shows lo degree negative relation with share price, earnings per share had positive relation with share price with coefficient 0.433 and return on equity also had low degree negative relation with share price i.e. 0.221.

Bhattarai (2016) studied on the effect of dividend payment on stock prices of commercial banks in Nepal: panel approach. This study tried to examine the effect of dividend payment on stock prices of commercial banks in Nepal. This study used Descriptive and inferential statistics for the data analysis. Dividend per share, profitability and Size were used as independent variables and Market price per share was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.517$ which is significant at 1 percent level of significance since p-value is less than 1 percent, showing the significant effect of the variables on stock price. The coefficient of dividend per share i.e. 33.85 was significant ($p = 0.002$), coefficient of profitability i.e. -288.12 was not significant ($p = 0.59$) and coefficient of size i.e. 196.31 was not significant ($p = 0.47$).

Velankar et al. (2017) analyzed the impact of EPS and DPS on stock price: a study of selected public sector banks of India. This study attempted to analyze the impact of two specific internal factors EPS and DPS on Stock Price. The cause and effect relationship was checked by regression model using EViews7. In this study multiple regression model was used for the data analysis. Earnings per share and Dividend per share were used as independent variables and Stock price was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.8343$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on stock price. The coefficient of earnings per share i.e. 0.6411 was significant ($p = 0.0006$) and coefficient of dividend per share i.e. 0.4131 was significant ($p = 0.0224$).

Baral and Pradhan (2018) examined the impact of dividend policy on share price of commercial bank in Nepal. The purpose of this study was to examine the impact of dividend policy on the share price of commercial bank in Nepal. This study used descriptive statistics, correlation and regression, ANOVA for data analysis. Earnings per share, P/E ratio and Dividend payout ratio were used as independent variables and Market price per share was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.51$ which is significant at 10 percent ($p = 0.081$) showing the significant effect of the variables on market price per share. The coefficient of earnings per share i.e. 1.898 was not significant ($p = 0.487$), coefficient of P/E ratio i.e. 0.672 was not significant ($p = 0.492$) and coefficient of dividend payout ratio i.e. 79.727 was significant at 10 percent ($p = 0.053$).

Maswadeh (2018) examined the effect of dividends and earnings per share on the stock market value by moderating bank size. The aim of this study was to investigate the effect of dividend distributions and earnings per share by moderating bank size as measured by its total assets on the stock market value of banks operating in Jordan. For the data analysis multiple and hierarchical regression method were used in this study. Dividend, Earnings per share and Size were used as independent variables and Stock price was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.677$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on stock price. The coefficient of dividend i.e. 0.025 was not significant ($p = 0.691$), coefficient of earnings per share i.e. 0.52 was significant ($p = 0.00$) and coefficient of size i.e. 0.372 was significant ($p = 0.00$).

Singh and Tandon (2019) studied on the effect of dividend policy on stock price: evidence from the Indian market. This study was conducted to evaluate the effect of dividend policy on market prices of shares of Nifty 50 companies listed on the National Stock Exchange (NSE). Descriptive statistics, correlation, unit root tests and panel regression analyses tools were used in this study. Earnings per share, Dividend per share, Dividend yield, Retention ratio, Return on equity and Profit after tax were used as independent variables and Market price per share was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.65$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the

significant effect of the variables on market price per share. The coefficient of earnings per share i.e. 31.62 was significant (p = 0.00), coefficient of dividend per share i.e. 4.76 was not significant (p = 0.42), coefficient of dividend yield i.e. -173.36 was significant (p = 0.00), coefficient of retention ratio i.e. -0.08 was not significant (p = 0.88), coefficient of return on equity i.e. -11.12 was significant (p = 0.04) and coefficient of profit after tax i.e. -0.04 was significant (p = 0.03).

Shrestha (2020) analyzed on effect of dividend on stock market price: a panel data approach. This study examined the impact of dividend on stock market price of Nepalese enterprises. In this study pooled regression model was used for the data analysis. Cash dividend, Stock dividend, Return on assets, Earnings per share and Return on equity were used as independent variables and Stock price was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.4160$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on stock price. The coefficient of cash dividend i.e. -22.1385 was significant (p = 0.000), coefficient of stock dividend i.e. 6.1588 was significant (p = 0.027), coefficient of return on assets i.e. -33.7318 was significant (p = 0.002), coefficient of earnings per share i.e. 30.8022 was significant (p = 0.000) and coefficient of return on equity i.e. -33.4311 was significant (p = 0.018).

Shammout (2020) explored the impact of stock characteristics on its market price in Jordanian commercial banks. The study aims at identifying the impact of stock characteristics represented by Earnings per share, Book value ratio, Dividends per share, Dividends payout ratio, Market to book ratio, Price earnings ratio and yield per share on the market stock price. Multiple Linear Regression Model was applied for the data analysis in this study. Earnings per share, Book value ratio, Dividends per share, Dividends payout ratio, Market to book ratio, Price earnings ratio, Yield per share, Size and Leverage were analyzed as independent variables and Market price of stock was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.45$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on stock price. The coefficient of earnings per share i.e. 2.858 was not significant (p = 0.312), coefficient of book value ratio i.e. 2.778 was significant (p = 0.000), coefficient of dividend per share i.e. -17.691 was significant (p = 0.001), coefficient of dividend payout ratio i.e. 0.011 was not

significant (p = 0.465), coefficient of market to book ratio i.e. 3.457 was significant (p = 0.000), coefficient of price earnings ratio i.e. 0.024 was significant (p = 0.022), coefficient of yield per share i.e. 0.306 was significant (p= 0.035), coefficient of size i.e. -0.450 was not significant (p = 0.383) and coefficient of leverage i.e. 0.102 was not significant (p = 0.209).

Al-Afeef (2020) analyzed the factors affecting market capitalization: a practical study Amman Stock Exchange 1978-2019. This study aimed to investigate the most factors that affect market capitalization. The study was applied to all companies listed on Amman Stock Exchange (ASE). In this study descriptive and analytical approach based on the multiple regression model were used of the data analysis. No. of transaction, Turnover ratio, Earnings per share, Dividend yield ratio, P/B ratio and P/E ratio were used as independent variables and Market Capitalization was analyzed as dependent variable. The multiple regression analysis in the study showed R^2 = 0.890 which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on market capitalization. The coefficient of no. of transaction i.e. 0.828 was significant (p = 0.000), coefficient of turnover ratio i.e. 0.042 was not significant (p = 0.745), coefficient of earnings per share i.e. 0.776 was significant (p = 0.005), coefficient of dividend yield ratio i.e. 0.337 was significant (p = 0.002), coefficient of P/B ratio i.e. -0.054 was not significant (p = 0.746) and coefficient of P/E ratio i.e. 0.309 was significant (p = 0.002).

Usman et al. (2021) studied the effect of dividend policy on share price manufacturing companies in Indonesia. The objective of the empirical study was to examine and analyze the impact of dividend policy on the share prices. The panel data regression model was used in this study. Dividend per share, Dividend yield, Earnings per share, Retention ratio and Return on equity were used as independent variables and Share price was analyzed as dependent variable. The regression analysis found that the coefficient of dividend per share i.e. -1.067 was significant (p = 0004), coefficient of retention ratio i.e. -0.0065 was not significant (p = 0.4897), coefficient of return on equity i.e. -0.0287 was not significant (p = 0.7186), coefficient of dividend yield i.e. -1.0529 is significant (p = 0.000) and coefficient of earnings per share i.e. 0.00011 was significant (p = 0.000).

Bhatt and Jain (2021) studied the dividend policy and share price volatility: evidence from commercial banking sector. This study sought to establish association between dividend policy and share price volatility of banks listed in Nepal Stock Exchange. In this study multiple panel data regression models were used. Dividend per share, Dividend payout ratio, Dividend yield, Size, Assets growth, Leverage and Earnings were used as independent variables and Stock price was used as dependent variable. The multiple regression analysis in the study showed $R^2 = 0.135$ which is significant at 1 percent level of significance since p-values is less that 1 percent, showing the significant effect of the variables on stock price. The coefficient of dividend per share i.e. -0.001 was not significant (p = 0.781), coefficient of dividend payout ratio i.e. -0.034 was not significant (p = 0.203), coefficient of dividend yield i.e. -4.885 was significant (p = 0.016), coefficient of size i.e. -0.143 was significant (p = 0.010), coefficient of assets growth i.e. 0.004 was not significant (p = 0.935), coefficient of leverage i.e. 1.213 was not significant (p = 0.252) and coefficient of earnings i.e. 0.025 was significant (p = 0.005).

Ajao and Robinson (2022) examined dividend policy determinants and stock price volatility in selected African stock markets. The study examined the impact of dividend policy determinants on stock price volatility in Sub Sahara Africa. In this study generalized autoregressive conditional heteroskedacity testing were applied in this study. Leverage, Size, EPS, Dividend yield and Dividend payout ratio were analyzed as independent variables and Stock price was used as dependent variable. It was found that the effect of variables in the stock price were significant. The coefficient of leverage i.e. 17.79 was significant (p = 0.00), coefficient of size i.e. -1.75 was significant (p = 0.00), coefficient of earnings per share i.e. -47.37 was significant (p = 0.00), coefficient of dividend yield i.e. -1.28 was significant (p = 0.00) and coefficient of dividend payout ratio i.e. 0.67 was significant (p = 0.00).

Siagian et al. (2022) analyzed the impact of dividend policy analysis on fluctuations in stock price of food and beverage companies. This study aimed to determine the effect of dividend policy on stock prices in food and beverage companies listed on the Indonesia Stock Exchange. This study used correlation and regression analysis method for the relationship analysis. Dividend per share was independent variable in this study and Stock price was dependent variable. The results of the research for PT Sekar Laut,

showed very weak correlation (r = 0.33) between dividend per share and stock price. The regression coefficient (r^2 = 10.89), showed not significant effect of dividend per share on stock price. The results of the research for PT. Ultra Jaya, showed very strong correlation (r = 0.96) between dividend per share and stock price. The regression coefficient (r^2 = 0.9216), showed significant effect of dividend per share on stock price. The results of the research for PT. Ades Alfindo Putra Setia, showed very strong correlation (r = 0.86) between dividend per share and stock price. The regression coefficient (r^2 = 0.7396), showed significant effect of dividend per share on stock price.

Bhatti et al. (2023) investigated the dividend policy and its impact on market price: an empirical study of chemical sector. In this study dividend policy in the chemical industries and how it affects market prices were analyzed. This study used panel data of Pakistan's chemical sectors to analyze dividend policy using fixed effect models (categories of panel model). The multiple regression analysis in the study showed R^2 = 0.85 which is significant at 1 percent level of significance since p-values (0.000) is less that 1 percent, showing the significant effect of the variables on market price. The coefficient of dividend yield has negative effect on market price i.e. -138.88 was significant (p = 0.025), coefficient of return on equity i.e. 3.760 was significant (p = 0.029), coefficient of earnings per share i.e. 2.282 was significant (p = 0.000), coefficient of retention ratio i.e. -6.202 was significant (p = 0.021). Dividend yield, retention ratio, return on equity and earnings per share are highly correlated with share market price. Also, the fact that there is a regrettable between retention ratio and market price indicated that investors want dividends if businesses save aside money for emergencies.

2.3 Research Gap

The literature mentioned above provides an overview of previous investigations into the variables affecting dividend policy and how it affects share market price. Of these, relatively little research were done on how Nepal's commercial banks' market prices were affected by their dividend policies. The factors included in the investigation provide this study a unique form. This study is a novel attempt to completely use the independent factors that previous researchers did not fully employ in their earlier studies, such as the dividend payout ratio, return on assets, leverage, price earnings ratio, and bank size. This study's utilization of recent data presents the most recent

situation regarding Nepal's commercial banks' market pricing relationships and dividend practices.

Empirical studied conducted on different market revealed the inconclusive impact of dividend on stock market price. Thus, this study aims to empirically investigate the impact of dividend and leverage on stock market price of Nepalese joint venture commercial banks. The specific factors that affects the market price per share as banks size, dividend payout ratio, leverage, earning per share and price earnings ratio are analyzed in this study. This study consists of secondary data collected mostly on the annual basis from the annual report of the banks representing the data form year 2011/12 to 2020/21 and analysis done using correlation and multiple regression model which are new attempt in this study. Conclusive findings of the review have influence to conduct this study and examine the factors affecting market price per share of Nepalese joint venture commercial banks.

CHAPTER III
RESEARCH METHODOLOGY

This chapter deals research design, population and sample and sampling design, nature and source of data and the instrument of data collection, methods of analysis and research framework and definition of variables used in this study.

3.1 Research Design

Research design is the specification of method and procedures for acquiring the information needed. To achieve the objectives of the study, descriptive and causal comparative research design has been employed. Descriptive research design is used to analyze the variables and market price of sample banks and compare the results and the casual comparative research design is used to analyze the relation of market price with return on assets, price earnings ratio, dividend payout ratio, leverage and banks size of sample banks with the help of correlation and regression analysis tools.

3.2 Population and Sample and Sampling Design

This study is based on historical data analysis of seven joint venture commercial banks i.e. HBL, EBL, NSBL, NBBL, SCBNL, NMB and NABIL form year 2011/12 to 2021. This study analyzed the impact dividend and leverage on market price of joint venture commercial banks using random sampling technique. Since the topic implies the study of dividend and leverage the sample banks are selected in the way that the highest dividend paying banks, banks having foreign capital and more collection of deposit as debt over the period and the sample banks are most traded banks in NEPSE are selected for the study.

3.3 Nature and Sources of Data and the Instruments of Data Collection

To conduct this study, secondary data are used which are collected from annual reports of related banks and their websites. Data are collected from audited financial statements of sample banks. All data are collected on annual basis and the date covers ten years from 2011/12 to 2020/21. The data for the study were collected from secondary sources such as annual reports of the sample banks. From the available published data of the firms, annual reports of ten fiscal periods were taken for the study.

3.5 Methods of Analysis

To make the study more specific and reliable, the researcher uses following statistical tools are used for data analysis;

3.5.1 Descriptive Statistics

From the gathered data, descriptive statistics including mean, maximum, minimum, and standard deviation were calculated. With maximum and minimum values indicating the highest and lowest value of the variables, respectively, the mean value provides the arithmetical average of the variables. The standard deviation provides an indication of how much a group of variables vary or are dispersed.

- **Arithmetic Mean**

The arithmetic average of a variable is the best value that represents the group as a whole. In this study, it is utilized to determine the mean of the profitability and financial ratios. Mean is calculated as:

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{n}$$

Where,

ΣX = Sum of given Observation

n = No. of Observation

- **Standard Deviation**

Since the standard deviation met the most of the requirements for a good measure of dispersion, it is the absolute measure of dispersion in which the flaw found in other measures of dispersion is present. Greater standard deviation the variability will be higher and vice versa. Dispersion quantifies how far the data deviate from the center value. Put differently, it is beneficial to examine the data's variability and quality in relation to it (Yadav, Dhakal, Tamang, Shrestha, & Panta, 2010). It is used to determine the standard deviation of all computed profitability and financial ratios. It is calculate as:

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Co-efficient of Variation

Coefficient of variation is the percentage measure of co-efficient of so. More homogeneity and consistency with fewer CVs, and vice versa. Not only is the standard deviation inappropriate for comparing two sets of variables, but the CV may also compare two sets of variables separately according on how variable they are. It is calculated as under:

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{X}} \times 100\%$$

3.5.2 Correlation Analysis

The relationship between an independent variable and another independent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value. This coefficient's value can never be less than -1 or greater than + 1. Therefore, the limits of this coefficient are + 1 and -1. Positive correlation between variables is indicated by a value of r = + 1, and vice versa. Zero also indicated no association.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma XY - \Sigma X\Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

X & Y = Variables i.e. dividend payout ratio, leverage, return on assets, price earnings ratio and size and market stock price of sample banks

3.5.3 Regression Analysis

Using estimates of an approximate functional connection, regression analysis is a statistical tool to determine the relationship between the independent and dependent variables. Only multiple regression analysis—which posits that the market price per share (MPS), a measure of stock price—is dependent on characteristics unique to banks, such as size, dividend payout ratio, leverage, return on assets, and price earnings ratio. As a result, the following model has been used to examine the relationship and impact of the research variables.

$$MPS = \beta_0 + \beta_1 DPR + \beta_2 ROA + \beta_3 LEV + \beta_4 PER + \beta_5 SIZE + e \quad \ldots\ldots\ldots\ldots\ldots\ldots \text{(i)}$$

Where:

MPS = Market price per share of banks

DPR = Dividend payout ratio of banks

ROA = Return on Assets of banks

LEV = Total debt to assets ratio of banks

PER = Price earnings ratio of banks

SIZE = Logarithm of total assets of banks

β_0 = Intercept of the regression equation

β_1, β_2, β_3, β_4 and β_5 = Coefficients of the respective variables

e = error term of the regression equation

3.5.4 Test of Significance

- **t- Test**

In this study to significance of an observed correlation coefficient in the population t-test is performed which consists of;

Null hypothesis (H_0); $\rho = 0$ i.e. Correlation coefficient is not significant in the population.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. Correlation coefficient is significant in the population.

Test statistic under H_0;

$$t = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where,

r = Sample correlation between two variables

r^2 = Coefficient Determination

n = No. observations

Level of significance: Level of significance $\propto = 5\%$

Decision: If p-value for the calculated correlation coefficient is less than the significance level the null hypothesis is rejected concluding the coefficient is significant in the population and if p-value for the calculated correlation coefficient is greater than the significance level null hypothesis is accepted concluding that the coefficient is not significant in the population.

- **F–Test**

Due to their direct variation, the F-Test and R^2 test significance are employed to determine the overall significance of the estimated regression. F is zero when $R^2 = 0$, and infinite when $R^2 = 1$. In other words, the higher the R^2 value, the higher the F test value. The overall significance of the computed regression model is suggested by a greater F test score.

$$F = \frac{R^2/(K-1)}{(1-R^2)/n-k}$$

Where,

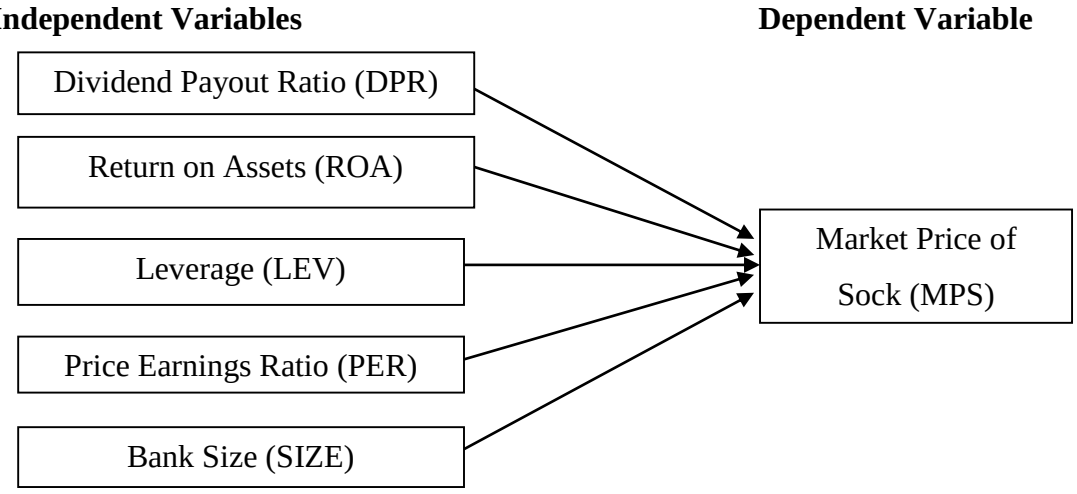
K = Total Number of Parameters to Estimated

n = number of observation

R^2 = Coefficient of determination

3.6 Research Framework and Definition of the Variables

Based on the empirical review of Bhattarai, (2016), Shammout, (2020), Bhatt, & Jain, (2021), Usman, Lestari, & Sofyan, (2021), Ajao, & Robinson, (2022) the following conceptual framework for the study has been derived.



Source: Bhattarai, (2016), Shammout, (2020), Bhatt, & Jain, (2021), Usman, Lestari, & Sofyan, (2021), Ajao, & Robinson, (2022)

Definition of Variables

Bank size (SIZE)

One of the control variables, size, is calculated using the total asset's natural logarithm (Ajao & Robinson, 2022). Previous empirical data has confirmed that a firm's size may have an impact on its share price. The share price and bank size are positively and significantly correlated. These empirical data support the expectation that size and share price will positively correlate.

Dividend Payout Ratio

The percentage of earnings distributed as dividends to shareholders is known as the dividend payout ratio. The result of dividing the stock dividend by earnings per share is the dividend payout. An indication of how effectively profits support dividend payments is given by the dividend payout ratio. Dhanani (2005) discovered that a company's dividend policy raises its market value. In actuality, payout ratios are often greater in more established businesses. On the other hand, it indicates that the payout ratio and share price have an inverse relationship.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

Return on Assets (ROA)

A company's profitability in relation to its total assets may be determined by looking at its return on assets. ROA provides insight into how well management uses its resources to produce profits (Shrestha, 2020). Depending on the business, return on assets (ROA) indicates the capital health of the banking sector; banks that need high initial investments typically have lower ROA.

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Leverage (LEV)

One factor in the company's financial structure that may have a greater impact on share price volatility is leverage (Bhatt & Jain, 2021). The financial leverage of a company is positively correlated with stock market volatility. Obviously, a higher debt load makes a company's share price more vulnerable. The calculation of leverage involves dividing

the firm's total debt by its entire equity. We also use the same method in this study to calculate the leverage. It is calculated as:

$$\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Price Earnings Ratio (PER)

It has to do with contrasting market value and earnings per share. The price-to-earnings ratio shows how much each share's earnings are covered by its price. It indicates if a company's share price is overpriced, undervalued, or reasonably valued. When compared to firms with a lower P/E, a high P/E often indicates that investors are expecting more profits growth in the future. Similarly, Shammout (2020) found a strong positive correlation between a company's stock price and its price-earnings ratio.

$$\text{Price Earnings Ratio} = \frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$$

Market Stock Price (MPS)

The purpose of this research is to investigate the variables affecting commercial bank stock prices on the Nepalese stock exchange. Singh and Tandon (2019) have noted that variations in the urge to purchase and sell stocks can cause their price to fluctuate minute by minute. Selecting which market price to regress as a dependent variable measure becomes challenging as a result of these developments. The market price is represented in this study by using the closing price of the bank's shares at the conclusion of its fiscal year. In this study, the dependent variable is the market price.

CHAPTER IV
RESULT AND DISCUSSION

In this chapter analysis of data collected using the descriptive analysis, correlation and regression analysis tools and the results from the analysis are discussed with the findings of previous researchers.

4.1 Results

In this section, ten years yearly data from 2011/12 to 2020/21 for dependent variable and independent variables have been presented in figures. The pattern and behavior of the data are presented accordingly.

4.1.1 Market Price per Share

The dependent variable of the study is market price per share (MPS). Market price per share of sample banks are taken from the annual reports of the banks and in this study the factors relation to dividend structure of the banks are analyzed in this study.

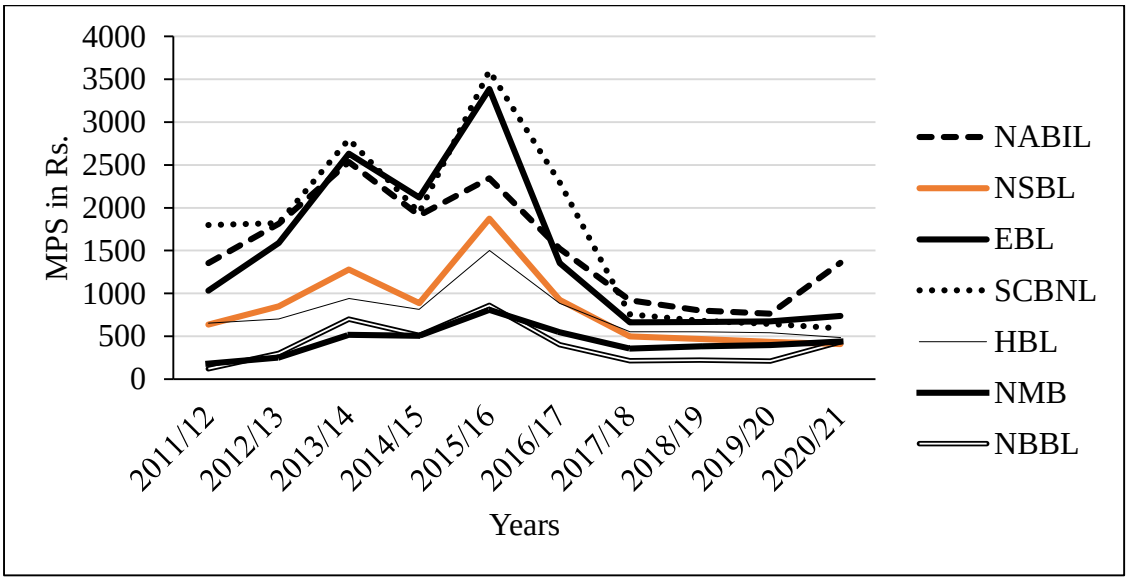


Figure 1: Trend of Market Price per Share
Source: Appendix-II

Figure 1 shows the historical trend of market price per share of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the ten years study period. There is fluctuating trend in market price per share of the banks over the period. There is lowest market

price per share of NBBL in year 2011/12 and highest market price per share of SCBNL in year 2011/12. The market price per share of sample banks except NABIL reached maximum in year 2015/16 while there is maximum market price per share of NABIL in year 2014/15. In year 2016/17 there is huge declination in market price per share of all sample the banks. In year 2020/21 there is slight increment in market price per share of sample banks.

4.1.2 Dividend Payout Ratio

The independent variable of the study is dividend payout ratio (DPR). Dividend payout ratio of sample banks are taken from the annual reports of the banks and in this study DPR is considered as the factor affecting the MPS of the banks.

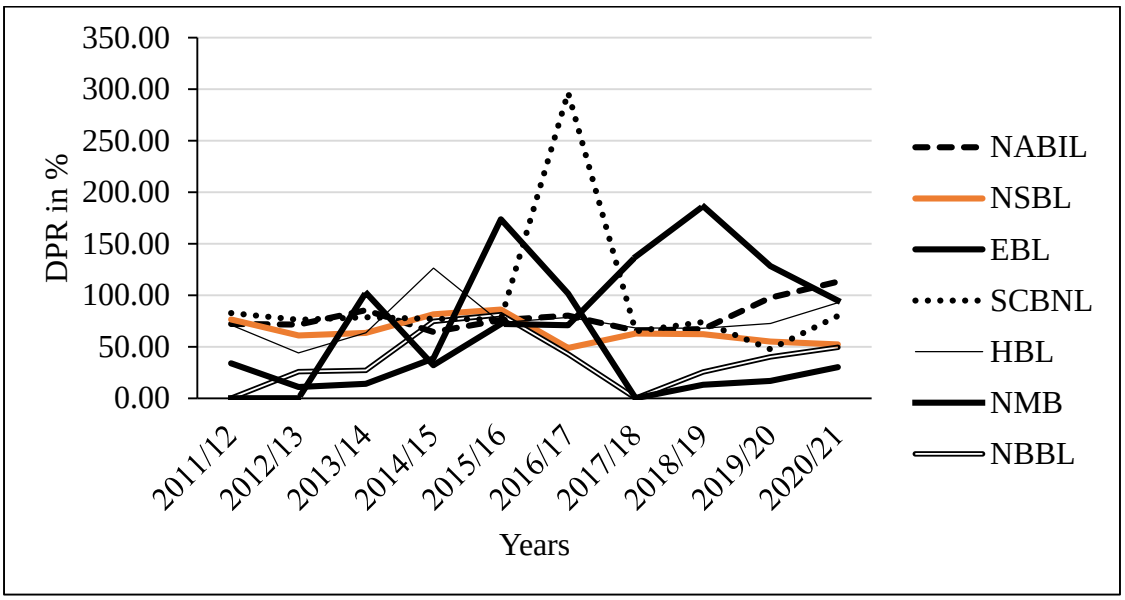


Figure 2: Trend of Dividend Payout Ratio
Source: Appendix-III

Figure 2 depicts the trend of dividend payout ratio of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the ten year study period. There is fluctuating trend in dividend payout ratio of the banks over the period. There is lowest dividend payout ratio of NBBL and NMB in year 2011/12 since the banks have not distributed dividend in year 2011/12 and highest dividend payout ratio of SCBNL in year 2016/17. NMB has highest dividend payout ratio in year 2018/19 and EBL has highest dividend payout ratio in year 2015/16. In year 2020/21 there is highest dividend payout ratio in NABIL and lowest dividend payout ratio in EBL.

4.1.3 Return on Assets

The independent variable of the study is return on assets (ROA). Return on assets of sample banks are taken from the annual reports of the banks and in this study ROA is considered as the factor affecting the MPS of the banks.

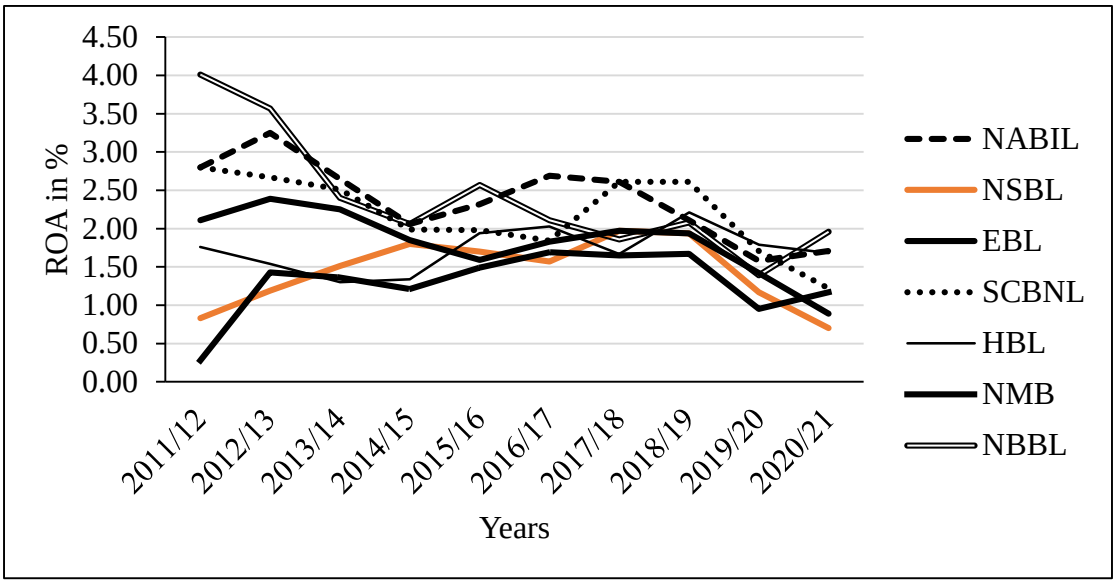


Figure 3: Trend of Return on Assets
Source: Appendix-IV

Figure 3 presents the trend of return on assets of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL. There is fluctuating trend in return on assets of the banks over the period. There is lowest return on assets of NMB in year 2011/12 and highest return on assets of NBBL in year 2011/12. Return on assets of all sample banks decreased in year 2013/14 and remain slightly stable during 2015/16 to 2018/19. The profitability of all sample banks as return on assets over the study period decreased in comparison to the return on assets of the starting period. In year 2020/21 there is highest return on assets in NBBL and lowest return on assets in NSBL.

4.1.4 Leverage

The independent variable of the study is leverage (LEV). Leverage of sample banks are taken from the annual reports of the banks and in this study leverage is considered as the factor affecting the MPS of the banks.

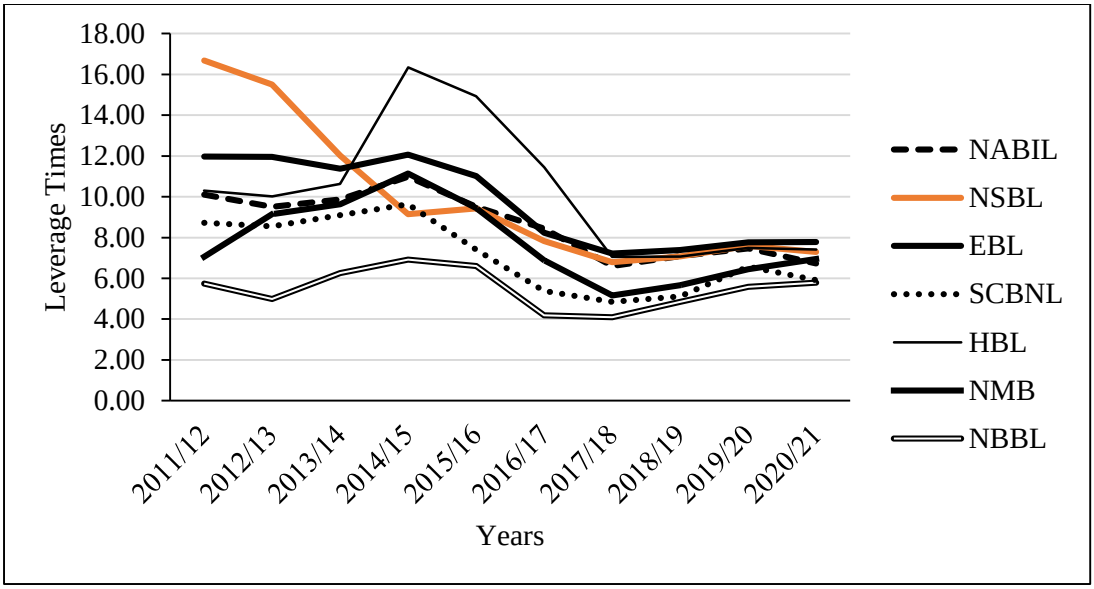


Figure 4: Trend of Leverage
Source: Appendix-V

Figure 4 shows the trend of leverage of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the ten year study period. There is fluctuating trend in leverage ratio of the banks over the period. There is lowest leverage ratio of NBBL in year 2011/12 and highest leverage ratio of NSBL in year 2011/12. Leverage ratio of all sample banks decreased in year 2015/16 to 2017/18 and remain slightly stable after 2018/19. The leverage ratio of all sample banks over the study period decreased in comparison to the leverage ratio of the starting period. In year 2020/21 there is highest leverage ratio in EBL and lowest leverage ratio in NBBL.

4.1.5 Price Earnings Ratio

The independent variable of the study is price earnings ratio (PER). Price earnings ratio of sample banks are taken from the annual reports of the banks and in this study PER is considered as the factor affecting the MPS of the banks.

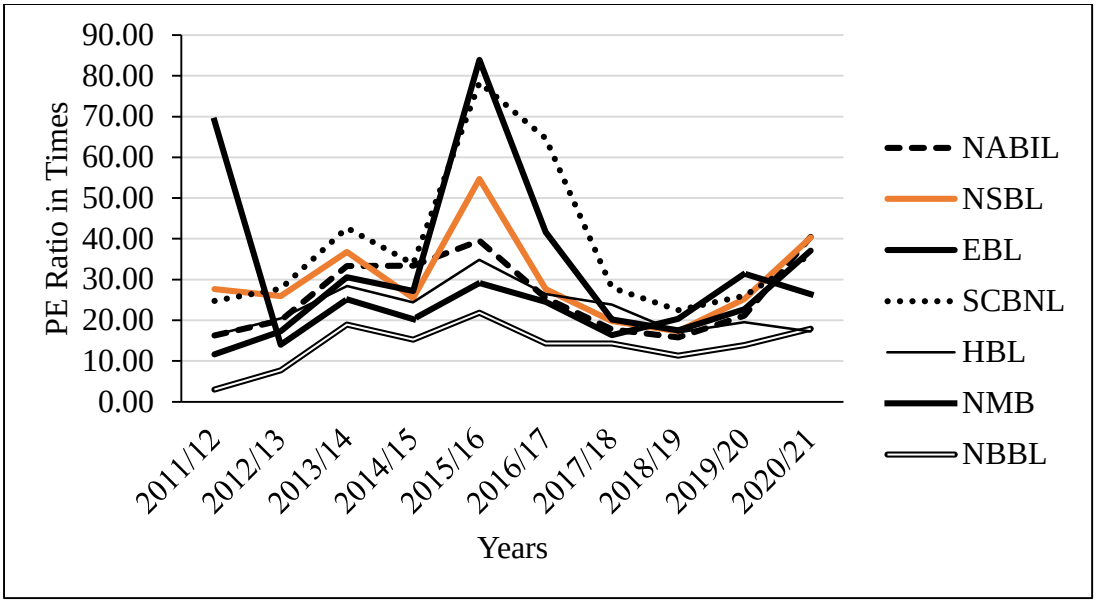


Figure 5: Trend of Price Earnings Ratio
Source: Appendix-VI

Figure 5 represents the trend of price earnings ratio of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the study period. There is huge fluctuating trend in price earnings ratio of the banks over the period. There is lowest price earnings ratio of NBBL in year 2011/12 and highest leverage ratio of NMB in year 2011/12. Price earnings ratio of all sample banks reached maximum in year 2015/16 and decreased heavily till year 2018/19. The price earnings ratio of all sample banks over the study period increased in comparison to the price earnings ratio of the starting period except NMB. In year 2020/21 there is highest price earnings ratio in NSBL and lowest price earnings ratio in HBL.

4.1.6 Bank Size

The independent variable of the study is bank size i.e. total assets of the banks. Bank size is considered as the factor affecting the MPS of the banks.

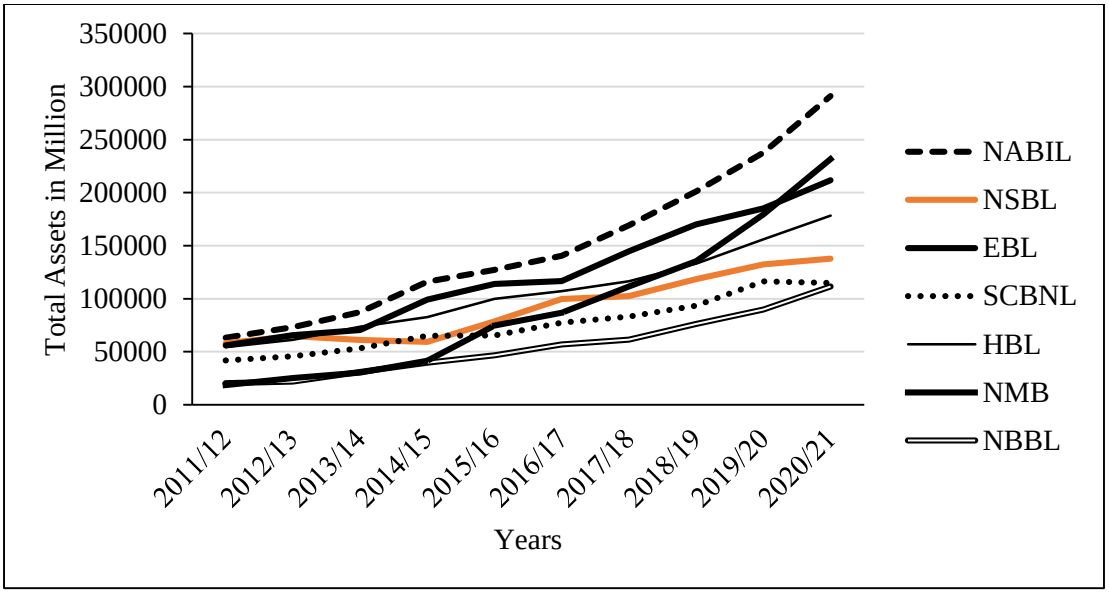


Figure 6: Trend of Total Assets
Source: Appendix-VII

Table 6 presents the historical trend of total assets (bank size) of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the ten years study period. There is increasing trend in total assets of the banks over the period. There is lowest total assets of NBBL in year 2011/12 and highest total assets of NABIL in year 2011/12. Total assets of the banks increased continuously over the period and there is highest assets growth in NABIL. As in year 2011/12 there is highest total assets in NABIL and lowest total assets on NBBL.

4.1.7 Descriptive Summary

The descriptive summary presents the mean, maximum, minimum and standard deviation of the variables. This summary analysis tires to summarize the data and checkout the variation in the variables over the study period.

Table 1
Descriptive Summary of Variables

Variables	MPS	DPR	ROA	LEV	PER	TA
Mean	1019.34	68.24	1.89	8.41	27.17	99430.93
Maximum	3600.00	296.59	4.01	16.68	83.93	291066.00
Minimum	121.00	0.00	0.28	4.09	3.00	18495.00
Std. Dev.	782.39	46.11	0.64	2.77	14.83	56176.47
Observations	70	70	70	70	70	70

Source: Appendix-VIII

Table 1 presents the descriptive summary of market price per share, dividend payout ratio, return on assets, leverage, price earnings ratio and total assets (bank size) of sample banks over the ten years study period. The average market price per share of the banks over the study period is Rs. 1019.34 per share with the standard deviation of 782.39, which indicates that there is higher variation in market price per share of the banks. There is maximum of Rs. 3600 per share and minimum of Rs. 121 per share market price per share of sample banks. Similarly, the average dividend payout ratio of the banks is 68.24 percent with the standard deviation of 46.11 percent which indicates that there is low consistency in dividend payout ratio of the banks. The maximum dividend payout ratio of the banks is 296.59 percent over the study period. Likewise, the average profitability as return on assets of the banks is 1.89 percent with the standard deviation of 0.64 percent, meaning that the profitability of the banks is consistent in comparison to dividend payout ratio over the study period. The maximum return on assets of the banks is 4.01 percent while there is minimum of 0.28 percent return on assets among the sample banks. The average leverage ratio of the banks is 8.41 times with the standard deviation of 2.77 times which means that on average the deposit collection of the banks is 8.41 times more than their equity. The maximum and minimum leverage ratio of the banks are 16.68 times and 4.09 times respectively and the leverage ratio of the banks has quite less variation over the study period. Likewise, the average price earnings ratio of the banks is 27.17 times with the standard deviation of 14.83 times meaning that the market price per share of the banks have 27.17 times more than their earnings per share. The maximum and minimum price earnings ratio of the banks are 83.93 times and 3.00 times respectively and there is higher variation in price earnings ratio of the banks during the study period. The average total assets of the banks over the study period is Rs. 99430.93 million with the standard deviation of 56176.47 meaning that there is higher variation in total assets of the banks over the study period.

4.1.8 Correlation Analysis

The correlation analysis in this study tries to analyze the relation of market price per share of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL with dividend payout ratio, return on assets, leverage, price earnings ratio and bank size with the help of Karl-Pearson correlation coefficient.

Table 2
Pearson Correlation Coefficients of Study Variables

Correlation	LNMPS	DPR	ROA	LEV	PER	SIZE
LNMPS	1.000					

DPR	0.342*	1.000				
	(0.004)	-----				
ROA	0.217***	-0.099	1.000			
	(0.072)	(0.413)	-----			
LEV	0.456*	0.001	-0.197	1.000		
	(0.000)	(0.992)	(0.103)	-----		
PER	0.530*	0.426*	-0.332*	0.168	1.000	
	(0.000)	(0.000)	(0.005)	(0.165)	-----	
SIZE	0.159	0.268**	-0.261**	-0.048	0.062	1.000
	(0.189)	(0.025)	(0.029)	(0.694)	(0.608)	-----

Source: Appendix-IX
* Significant at the 1%, ** Significant at 5% & *** Significant at 10%

Table 2 reveals the correlation analysis result of market price of stock with dividend payout ratio, return on assets, leverage, price earnings ratio and bank size of NABIL, NSBL, EBL, SCBNL, HBL, NMB and NBBL over the study period. The result shows that MPS has low degree positive with DPR i.e. 0.342 which is statistically significant at 1 percent level of significance, meaning that MPS of the banks increases when DPR of the stocks increases. Similarly, MPS has low degree significant positive relation with ROA i.e. 0.217 which is statistically significant at 10 percent level of significance, meaning that MPS of the banks increases when ROA of the stock increases. In contrast, there is very positive correlation between MPS and LEV i.e. 0.456 which is significant at 1 percent, meaning that the positive relation of MPS with leverage of the stock is significant in the population. There is moderate degree significant positive correlation of MPS with PER i.e. 0.530 which is significant at 1 percent level of significance, meaning that MPS of the banks increases when PER of the stocks increases. Likewise, there is very low degree positive correlation between MPS and bank size i.e. 0.159, which is not significant in the population, meaning that low degree positive association between MPS and bank size cannot be significant in the population.

4.1.8 Regression Analysis

The regression analysis in this study tries to find out the effect of dividend payout ratio, leverage, return on assets, price earnings ratio and size on market price of stock of HBL,

EBL, NSBL, NBBL, SCBNL, NMB and NABIL during the study period. In this study multiple regression analysis is calculated taking MPS as dependent variable and DPR, LEV, EPS, PE ratio and size as independent variables. The panel data of two sample banks are used covering ten years from 2011/12 to 2020/21. The regression model used in this study is generalized least square model to make the data analysis more relatable and fit to estimate the MPS of the banks.

Table 3
Regression Analysis Result

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-1.361	1.020	-1.334	(0.187)
DPR	0.001	0.001	0.757	(0.452)
ROA	0.709*	0.078	9.033	(0.000)
LEV	0.140*	0.017	8.349	(0.000)
PER	0.031*	0.004	8.576	(0.000)
SIZE	0.406*	0.082	4.959	(0.000)
R-squared	0.767			
S.E. of regression	0.371			
F-statistic	42.195*			
Prob(F-statistic)	(0.000)			

Source: Appendix-X
* Significant at the 1%, ** Significant at 5% & *** Significant at 10%

Table 3 depicts regression analysis result for the dependent variable market price per share and independent variables dividend payout ratio, return on assets, dividend yield, price earnings ratio and bank size using the multiple regression analysis. The table shows the R-square value of 0.767 which means that 76.70 percent change in MPS of the banks is explained by DPR, ROA, LEV, PER and SIZE and remaining 23.30 percent change in MPS of the banks is not affected by these variables. The F-statistics and p-value for the regression result are 42.195 and 0.000 respectively, which means that included variables in the regression analysis are strong enough to explain the change in MPS and the result is significant.

The coefficient of DPR is 0.001, meaning that DPR has no significant positive effect on MPS of the banks since the p-value (i.e. 0.452) is higher than 5 percent level of significance. The coefficient also shows that if DPR increases by 1 percent MPS of the banks also increases by 0.001 percent. In contrast, coefficient of ROA is 0.709, meaning that ROA has significant positive effect on MPS of the banks since the p-value (i.e. 0.000)

is less than 1 percent level of significance. The coefficient also shows that if ROA increases by 1 percent MPS of the banks also increases by 0.709 percent. On the other hand, coefficient of LEV is 0.140, meaning that LEV has significant positive effect on MPS of the banks since the p-value (i.e. 0.000) is less than 1 percent level of significance. The coefficient also shows that if leverage increases by 1 percent MPS of the banks increases by 0.140 percent. Similarly, coefficient of PER is 0.031, meaning that PER has significant positive effect on MPS of the banks since the p-value (i.e. 0.000) is less than 1 percent level of significance. The coefficient also shows that if PER increases by 1 percent MPS of the banks also increases by 0.031 percent. Likewise, coefficient of bank size is 0.406, meaning that bank size has significant positive effect on MPS of the banks since the p-value (i.e. 0.000) is less than 1 percent level of significance. The coefficient also shows that if bank size increases by 1 percent MPS of the banks also increases by 0.406 percent.

4.2 Discussion

Banks' descriptive analysis of the MPS showed that SCBNL's shares traded at the highest average price and NBBL's shares traded at the lowest average price during the study period. The average ROA shows that NBBL's earning power is higher than other banks, and each NMB's earning power is relatively lower than the other banks surveyed. Similarly, an analysis of PE ratios revealed that EBL's stock was the highest among the banks sampled, while NBBL's stock was less valuable than the other banks surveyed. The average DPR indicated that SCBNL distributed the majority of its profits to shareholders as dividends, while NBBL distributed a smaller portion of profits to shareholders during the study period. There is more portion of debt capital in HBL over the study period. It turned out that it was paid as a dividend. Average total assets showed NABIL to have the highest growth rate and NBBL to have the lowest growth rate in relation to bank size during the study period.

Correlation analysis showed that MPS has low positive relation with DPR i.e. 0.342, which is statistically significant at the 1% level of significance, meaning that an increase in his DPR for the stock will increase the bank's MPS. This result contradicts the results of Dhakal and Shah (2018), who also found a positive association between MPS and DPR concluding that market price of stock increases when company pays higher dividend.

Similarly, MPS has a significant positive relationship with ROA. i.e. 0.217. This is statistically significant at the 10% level of significance, meaning that the bank's MPS increases as ROA for the stock increases. This result is similar to that of Shrestha (2020), who found that profitability and MPS change in the same direction concluding that market price of stock increases when company's profitability increases.

As Bhatt and Jain (2021) pointed out, there is a negative association between MPS and LEV in their study. This study found a positive correlation between MPS and LEV i.e. 0.456, which is significant. This means that the positive relationship between MPS and leverage is significant in the population.

There is a significant positive correlation (0.530) between MPS and PER, significant at the 1% significance level. This means that the bank's MPS increases as the stock's P/E ratio increases, similar to the findings of Baral and Pradhan (2018) and Bhattarai (2014) who stated that higher P/E ratio pulls the market price per share of the stock.

Similarly, there is a very low positive correlation (0.159) between MPS and bank size, which is not significant in the population. That is, although the small positive association between MPS and bank size in the population may not be significant, this positive association is consistent with Nodeh, Anuar, Ramakrishnan and Raftnia (2016) and Hamdan and Al-Qada (2013) who depict that the market price of stock having more assets are higher.

The regression analysis found that DPR coefficient is 0.001 and the p-value (that is, 0.452) is higher than 5% significance level, indicating no significant positive effect on bank MPS. This result is consistent with that of Joshi (2012) and is also confirmed by Baral and Pradhan (2018) who found that the DPR was the driving force behind per-share market price increase in the banking sector.

In contrast, the coefficient of ROA 0.709. This means that ROA has a significantly positive impact on banks' MPS, as the p-value (i.e. 0.000) is less than the 1% significance level. This result is consistent with those of Shrestha (2020), Adesina, Uwuigbe, Uwuigbe, Asiriuwa, Oriabe (2017), Singh and Tandon (2019), Bhattarai (2014), and Baral and Pradhan (2018). This means ROA has a big impact on MPS in the sample bank.

On the other hand, the coefficient for LEV is 0.140. This means that leverage has a significant positive impact on banks' MPS, as the p-value (that is, 0.000) is less than the 1% significance level, and the result is consistent with the results of Bhatt and Jain (2021), who conclude that leverage influence investor to buy stocks and influence market price of the stock.

Similarly, the PER coefficient is 0.031, which means that PER has a significantly positive impact on banks' MPS. This is because the p-value (that is, 0.000) is less than the 1% significance level. This result is consistent with Baral and Pradhan (2018) and Bhattarai (2014) who concluded that higher P/E ratio increases the market price of the stock.

Similarly, the bank size coefficient is 0.406. This means that bank size has a significantly positive effect on bank MPS, as the p-value (i.e. 0.000) is less than 1% of the significance level, whereas Bhattarai (2014) detected negative effect of Bank's size on MPS.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

Stock dividends are an important indicator of a bank's performance, thereby attracting investors. Investors look at a bank's dividend policy before deciding to invest in the stock market. The companies that increase their dividends generally have higher share prices, while companies that either pay no dividends or decrease their dividends suffer from their share price performance. Thus, it shows that dividends affect a company's stock price, although some researchers argue that it is information about dividend payments that influences stock prices. In fact, this dividend serves as a simple signal for management to interpret the company's current performance and future prospects.

The main purpose of this study is to analyze dividends and share prices of commercial banks in Nepal. The specific objective is to examine the relationship between the current position of Nepal commercial bank dividends and share prices, dividend payout ratio, return on assets, leverage, bank size, price/earnings ratio, and market price of Nepalese commercial bank stocks. It also explores the impact of dividend payout ratio, return on assets, leverage, bank size, and price/earnings ratio on the market price of Nepalese commercial bank stocks. The final findings of the review are influential in conducting this research and examining the factors affecting the market price per share of joint venture commercial bank in Nepal.

Descriptive and analytical research related to dividends and stock prices of commercial banks in Nepal was conducted to achieve the specific objectives of the study. This study consider only seven joint venture commercial banks for the study which are; NABIL, NSBL, EBL, SCBNL, HBL, NMB, and NBBL. The study extracts secondary data from the annual reports of sample banks from their websites. All data were collected annually for 10 years i.e. from year 2011/12 to 2020/21. Descriptive statistics, correlation, and multiple regression analysis are used in this study. This study uses a combination of Excel and Eviews software for data analysis.

The data analysis found that average market price per share of the banks over the study period is Rs. 1019.34 per share and there is higher variation in market price per share of the banks. Similarly, the average dividend payout ratio of the banks is 68.24 percent and there is low consistency in dividend payout ratio of the banks. Likewise, the average profitability as return on assets of the banks is 1.89 percent and the profitability of the banks is consistent in comparison to dividend payout ratio over the study period. The average leverage ratio of the banks is 8.41 times, which means that on average the deposit collection of the banks is 8.41 times more than their equity. Likewise, the average price earnings ratio of the banks is 27.17 times, meaning that the market price per share of the banks have 27.17 times more than their earnings per share. The average total assets of the banks over the study period is in increasing trend.

The relationship analysis found that MPS has low degree positive with DPR i.e. 0.342 which is statistically significant at 1 percent level of significance, meaning that MPS of the banks increases when DPR of the stocks increases. Similarly, MPS has moderate degree significant positive relation with ROA i.e. 0.217 which is statistically significant at 10 percent level of significance, meaning that MPS of the banks increases when ROA of the stock increases. In contrast, there is positive correlation between MPS and LEV i.e. 0.456 which is significant at 1 percent, meaning that the positive relation of MPS with leverage of the stock is significant in the population. There is moderate degree significant positive correlation of MPS with PER i.e. 0.530 which is significant at 1 percent level of significance, meaning that MPS of the banks increases when PER of the stocks increases. Likewise, there is very low degree positive correlation between MPS and bank size i.e. 0.159, which is not significant in the population, meaning that low degree positive association between MPS and bank size cannot be significant in the population.

5.2 Conclusion

Based on the findings and discussions, it can be concluded that the bank's earnings in the Nepalese situation are satisfactory. The results concluded that several considerations were made before issuing dividends to shareholders. However, due to the volatile position of commercial banks in Nepal, dividend yields are low. It also shows that the NRB's merger policy in recent years has increased the average asset size of commercial banks in Nepal during the study period.

As regards correlation analysis, it can be conclude that MPS of Nepalese commercial banks significantly increases when DPR of the stock increases. On the other hand, it can be concluded that MPS of the banks increases with the increment in ROA of the stocks. In contrast, there is positive correlation between MPS and LEV which is significant. For most MPS of the stock is significantly increases when PE ratio of the stock increases. On the other hand, there is low degree positive correlation between MPS and size of the banks which is not significant meaning that there is very low degree positive correlation between MPS and size of the banks.

The analysis using the variables in multiple regression model leads to conclude that return on assets, leverage, price earnings ratio and bank size have significant positive effect on market price per share. However, dividend payout ratio has no significant effect on market price per share of the banks. Leverage of the banks and dividend related factors are motivating factors to increase market price per share of the banking sectors. That's why, dividend and leverage of the banks have significant impact of market price of stock of Nepalese joint venture commercial banks.

5.3 Implications

- Dividend payout ratio, return on assets, dividend yield, price/earnings ratio, and bank size are the main variables that affect the market price per share, and bank management can take information from this study to make good payout decisions.
- The implications for management of this study remain the focus as dividend policy influences shareholder wealth and is relevant to corporate financing and investment decisions.
- It is imperative for Nepalese banks to monitor regular dividend payments that lead to stock market rally and to formulate appropriate dividend strategies by properly assessing dividend payment practices.
- Despite the fact, this study is hoped to be useful to policy makers in banking sector to determine dividend payout policy.
- The study reflects historical scenarios of stock dividends and market prices per share. This is beneficial for investors interested in investing in the stock market.

- Therefore, the research is limited to seven sample banks and independent variables specific to commercial banks, and further research on this topic using other industry and macroeconomic variables is warranted for more reliable results.

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