DIVIDEND POLICY OF LIFE INSURANCE COMPANIES 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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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Dividend Policy of Life Insurance Companies 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 requirements for any other academic purposes.

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

Sanjit Shrestha

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REPORT OF RESEARCH COMMITTEE

Mr. Sanjit Shrestha has defended research proposal entitled **"Dividend Policy of Life Insurance Companies 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 Asso. Prof. Dr. Kapil Khanal and submit the thesis for evaluation and viva voce examination.

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We, the undersigned, have examined the dissertation entitled **"Dividend Policy of Life Insurance Companies in Nepal"** presented by Sanjit Shrestha a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

AD	:	Anno Domini
BS	:	Bikram Sambat
Co.	:	Companies
DPS	:	Dividend per Share
GDP	:	Gross Domestic Products
GP	:	Gross Premium
LEV	:	Leverage Ratio
LGP	:	Natural Logarithm of Gross Premium
LICN	:	Life Insurance Corporation Nepal Limited
LIQ	:	Liquidity Ratio
Ltd.	:	Limited
NLIC	:	Nepal Life Insurance Company Limited
NLICL	:	National Life Insurance Company Limited
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
SD	:	Standard Deviation
TANG	:	Tangibiligy
TU	:	Tribhuvan University

ABSTRACT

This study examines the dividend policy of life insurance companies in Nepal for ten year periods (2012/13-2021/22). This study has employed descriptive and causal research designs to analyze with issues associated with the factors of dividend policy. This study used descriptive statistic, correlation and multiple regression analysis. This study shows that NLIC has the highest dividend indicates that earning of this company seem to be highest and regular on offering dividend to shareholders. Having a growing dividend per share can be a sign that the company's management believes that the growth can be sustained. The correlation analysis shows that return on assets has significant positive relation with dividend. Likewise, there is insignificant positive correlation between liquidity and dividend of life insurance companies and insignificant negative relationship between leverage and DPS. The correlation also shows that gross premium has significant negative correlation with DPS. Further, tangibility has insignificant positive relation with dividend. The regression analysis reveals that return on assets has significant positive impact on dividend of sample life insurance companies in Nepal. However, liquidity and gross premium have insignificant negative effect on dividend. Then, leverage ratio has insignificant positive impact on dividend payout. Moreover, tangibility has significant negative impact on dividend. Hence, this study concluded that return on assets and tangibility is the key factors of dividend in Nepalese life insurance companies.

Key words: Dividend per share, return on assets, liquidity ratio, leverage ratio and tangibility.

CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Dividend policy is one of the most significant decisions made in corporate finance. A dividend is a portion of profit that is distributed to shareholders. Finance managers and companies in general have been interested in the topic of corporate dividend policy. Companies have to choose between keeping their earnings and giving them to shareholders as dividends or reinvesting them in the business to drive further growth. As the business grows, investors' earnings flow steadily rises. How much of the company's earnings can be retained and how much can be distributed as a dividend are the decisions made about dividend policy (Marfo & Agyei 2011).

The three primary pillars (trilogy) of corporate decision-making are payments, finance, and investments. Dividend policy is one of the primary categories of business financial choices that managers are required to make. Managers have the power to affect their shareholders' wealth through their dividend policy decisions. The "dividend puzzle" has inspired several scholars studying finance to look at the extent to which financial decisions made by companies impact dividend policy. The confusing aspects of dividend behavior have emerged empirically as a result of the differing interpretations of the dividend payment policy made by investors and company management (Brealey & Myers, 2003).

An essential component of financial decisions is dividend policy. The board of directors must determine whether to reserve money for investments that may be more advantageous to shareholders over the long term or to pay out dividends to shareholders and satisfy them now. This is a significant choice that affects the dividend policy. The allocation of earnings between payments to stockholders and reinvestment in the company is determined by the dividend policy. One of the most important sources of funding for financial company expansion is retained earnings, while dividends are the cash flows that go to owners (Baker et al., 1985).

A company's dividend policy is the collection of guidelines it uses to decide how much of its profits to provide shareholders. Making this organizational choice is

essential to assisting a business in achieving its objectives and running efficiently. One of the top ten "perplexing issues" in the field of finance is dividend policy. Any course of action that increases a company's stock price, which maximizes shareholder value, is an optimal dividend policy (Gul et al., 2012). It is still unclear, nevertheless, how dividend policy and shareholder wealth are related. Numerous theories about dividends have been proposed to explain how choices about dividends are made and whether or not they affect the firm's worth.

A corporation's profits may be reinvested or given to shareholders as dividends. Every business has its own dividend policies. This is primarily decided by the various circumstances and causes that were in place at the time. While some businesses distribute the remaining earnings as dividends, many keep a portion of their profits for capitalization purposes. Scholars have dedicated a great deal of time and effort to cracking the dividend riddle, leading to a multitude of contradictory theories and interpretations (Al-kuwari, 2009).

The dividend distribution policy the determination of the percentage of income that should be paid to shareholders as dividends has been a topic of discussion among financial managers for almost 50 years. Incomplete knowledge and market uncertainty may benefit shareholder value if dividends increase. Many hypotheses were later published in the literature, including the signaling hypothesis. When there is a knowledge asymmetry, dividends might provide information about a firm's future prospects (Bhattacharya, 1979). Easterbrook (1984) asserted that agency cost theory held that boosting compensation might mitigate a corporation's agency challenges. It lowers the quantity of free money that managers may access.

The profitability of the company determines the dividend policy (Ambarish et al., 1985). The underlying principle of this concept is that, in the event that a company generates significant profits, a portion of those revenues need to be allocated to the shareholders, or the actual owners of the company. To raise the company's stock price, the managers implement specific dividend policies (Ambarish et al., 1985). The market to book value ratio and current dividend payouts has a significant negative association, meaning that the company with a greater market to book value of equity pays its shareholders fewer dividends (Amidu & Abor, 2006).

Despite the fact that dividend policy has been extensively studied, there are still gaps from both theoretical and empirical perspectives. The dividend conundrum arises from the fact that dividend policies exist in a complex and multivariate actual world (DeAngelo et al., 2008). Frankfurter and Wood (1997) stated that Dividend policy is influenced by laws, regulations, public opinion, perceptions, general economic situations, and a host of other variables. Additionally, the bulk of empirical research appears to focus on the dividend policies of corporations in developed economies; however, developing economies have a scarcity of data, and the conclusions drawn from developed economies may not be easily transferred to developing nations like Ethiopia due to differences in laws, investor behavior, and cultural norms. Therefore, examining the dividend policies of companies in developing countries particularly Nepal—will shed additional light on the firm-specific factors affecting the decision to pay out a corporate dividend. The purpose of this study was to look at how dividend policies of Nepalese insurance firms were influenced by firm-specific characteristics. Specifically, the study examined the effect of profitability, firm size, premium income, leverage, liquidity on dividend policy of life insurance companies in Nepal

1.2 Problem Statement

Despite decades of analysis of dividend policy, no widely accepted theory has been developed to explain the observed payout behavior of firms. Since Miller and Modigliani's (1961) dividend irrelevance hypothesis was published, a significant amount of theoretical and empirical study on dividend policy has been conducted. But as of yet, no broad agreement has been reached. Even with the same empirical evidence, researchers disagree after decades of study (Al-Malkawi, 2010). M & M claimed that a company's worth is unaffected by its dividend policy in ideal capital markets. Nevertheless, a number of market defects (taxes, transaction costs, information asymmetry, agency issues) may be used to illustrate why their premise is false. Because of this, a number of theories of dividend policy, such as those based on tax preference, clientele effects, signaling, and agency costs, have been developed.

While some empirical evidence demonstrates that there is a discrepancy between what is observed and what theory proposes, the majority of empirical evidence is consistent with the theoretical assumptions. Even if there isn't a universally accepted answer to the problem of dividend policy, a lot of research is being done in this area to provide a

solid theoretical and empirical study of dividends and resolve this financial conundrum. The majority of respondents ranked earnings as the most important element influencing corporate dividend policy, followed by cash availability, past dividend payments, and concern for maintaining or rising stock price (Pradhan & Adhikari, 2003).

Adhikari (2015) found that the dividend payouts of all listed firms were significantly impacted by profitability, size, and liquidity, with profitability and liquidity having a positive influence and size having a negative one. Bhaukajee et al. (2016) came to the conclusion that the main factors influencing Nepalese commercial banks' dividend payout are size, profitability, liquidity, and credit risk. According to Liono et al. (2017), there was a strong and adverse correlation between DPR and profitability as determined by ROE and growth opportunity. In the meantime, the DPR had an insignificant and unfavorable relationship with company size and leverage. Ahmad et al. (2019) stated that the company's dividend payouts are positively and significantly influenced by profitability and liquidity, but size, risk, and leverage do not appear to have a major impact on the sector's dividend payment.

Melese and Ravi (2019) found that the dividend distribution of private insurance businesses in Ethiopia was positively and significantly impacted by profitability, firm size, and liquidity. The dividend distribution was significantly and negatively impacted by leverage. However, it was discovered that the premium had no impact on the dividend payout. Shi (2020) showed that, with the exception of ownership concentration (CONC), all firm-level factors were important in dividend payouts in the logistics industry in Thailand and all other factors were significant in dividend payouts in the Chinese logistics sector. Putri and Ugut (2021) came to the conclusion that the dividend payout ratio (DPR) was significantly positively impacted by the company's age. Conversely, tangible assets and leverage had little bearing on the dividend payout ratio (DPR), but business size, profitability, and dividends from the prior quarter had a considerable negative impact. Arshad et al. (2022) found that while profitability, sales growth, and debt had favorable effects, asset growth, retained profits to total equity, liquidity, and the company's debt had negative effects on the dividend payout ratio. There aren't enough studies in Nepal. Thus, studies on dividend policy are needed to help resolve dividend-related issues and give a clear picture of

the relationship between theory and practice from a Nepalese perspective. Examining the dividend policies of life insurance companies in Nepal, this study will look into the following research questions:

i. What is the position of dividend of life insurance companies in Nepal?

ii. What is the relationship between dividend and its factors of life insurance companies in Nepal?

iii. What is the impact of profitability, liquidity, tangibility, leverage and gross premium on dividend of life insurance companies in Nepal?

1.3 Objectives of the Study

The major objective of the study is to examine the dividend policy of Nepalese life insurance companies. However, the specific objectives of this study are as follows:

i. To analyze the position of dividend of life insurance companies in Nepal.

ii. To examine the relationship between dividend and its factors of life insurance companies in Nepal.

iii. To evaluate the impact of profitability, liquidity, tangibility, leverage and gross premium on dividend of life insurance companies in Nepal.

1.4 Research Hypothesis

The following hypotheses were developed to break down the above research questions. Therefore, this research work attempted to test the following hypotheses in the case of Nepalese insurance companies.

Hypothesis (H_1): Profitability (ROA) has significant impact on dividend of Nepalese life insurance companies.

Hypothesis (H_2): Liquidity has significant impact on dividend of Nepalese life insurance companies.

Hypothesis (H_3): Leverage has significant impact on dividend of Nepalese life insurance companies.

Hypothesis (H_4): Gross premium has significant impact on dividend of Nepalese life insurance companies.

Hypothesis (H_5): Tangibility has significant impact on dividend of Nepalese life insurance companies.

1.5 Rational of the Study

The dividend strategy works effectively to draw in new capital, keep the ones you already have, and satisfy them. It also helps to keep the goodwill and desired control over the firm's management. 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 clear understanding of the return that comes with stock investments. This thesis will, in part, close this gap and is quite significant. Here are some reasons why the study is important:

- This study offers important insights into how dividends affect market pricing.
- This study offers recommendations and suggestions that will be beneficial for investors and other researchers.
- This study aids in the formulation of appropriate dividend policies by management and policy makers.
- The government may find this report helpful in regulating, overseeing, and monitoring policies.

1.6 Limitations of the Study

The limitations of this study are listed below:

- The study is limited to only three life insurance companies of Nepal, Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL) and Life Insurance Corporation Nepal Limited (LICN).
- The study covers only past ten years data from F/Y 2012/13 to F/Y 2021/22.
- A variety of factors influence both the choice to pay out dividends and the firm's valuation. But in this analysis, only variables that are relevant to dividends would be taken into account.
- The study is based on secondary data such as journals, articles and financial annual report of sample life insurance companies.

CHAPTER - II
LITERATURE REVIEW

The examination and study of a few relevant books, articles, published and unpublished articles in various economic journals, magazines, newspapers, the annual balance statement of the relevant firms, prior theses on related subjects, and subject-related online searches are all connected to this chapter. The theoretical review and the empirical review are the two sections that make up this chapter.

2.1 Theoretical Review

2.1.1 Concept of Dividend

The amount per share that the company's board of directors decides to give to shareholders is known as a dividend. In most cases, it is a set amount for preferred shares. The dividend for common shares is contingent upon the company's performance and financial reserves. If the company is doing poorly or the directors are holding back earnings to invest in machinery and plants, it can be left out (Garver, 2011). Since the majority of closely held companies don't pay dividends, valuators must first ascertain a company's ability to pay dividends before employing dividend capitalization. Average cash flow and average net income are utilized to calculate dividend paying capacity.

It is necessary to look into a company's near-term capital needs, expansion plans, debt repayment, operation buffer, contractual requirements, prior dividend payment history, and dividends of similar companies in order to establish its potential to pay dividends. It is possible to determine the proportion of typical cash flow's net income that can be allocated to dividend payments by looking at these variables. The dividend yield needs to be ascertained as well, and the easiest way to do so is by examining similar businesses. Similar to the price-earnings ratio approach, this typically yields an arbitrary outcome (Brealey & Myers, 2003).

Dividends are important because they provide useful information. According to the notion of financial signaling, dividends could be used to transmit information. Share prices are influenced by information rather than dividends per se (Pandey, 1995).

Dividend payments inform shareholders of the company's profitability and sound financial standing. As a result, there is a subsequent increase in demand for the company's shares, which drives up its market value.

Investors believe that when a company modifies its dividend policy, it is doing so in reaction to a long-term shift in the company's profitability. A higher payout ratio indicates to investors a sustained or long-term rise in the company's anticipated earnings. Changes in dividend policy thus have an impact on share prices. This means that research on dividend policy and how it impacts share prices in the market has to be done (Wijaya & Felix, 2017).

2.1.2 Types of Dividend Policy
Stable Dividend Policy

Managers typically prefer steady dividend policies, and firms typically smooth dividends in relation to earnings (Lintner, 1956). Gradual increases in dividends and infrequent reductions in dividends result in lower dividend fluctuation relative to earnings variability. If a corporation has a steady dividend policy, it attempts to pay out consistently each year, regardless of how the business has performed. Stable dividend policies are more strongly correlated with long-term prospects and forecasts than they are with the company's short-term performance. The ultimate goal of the policy is to increase dividends at a pace that closely matches long-term earnings growth. A stable policy is often constructed using a target payout ratio, which indicates the portion of the policy's earnings that will be distributed to shareholders throughout the medium to long term.

Payouts under a stable dividend policy are dependable and steady, even in the event that the company experiences brief unrest. Even in the event of a poor year, a corporation will make an effort to pay the dividend; if profits are insufficient, it will draw from cash reserves, offering a sort of safety net for investors. However, it may alter the strategy or rebase the dividend if it thinks its poor performance will last longer. This implies that in the event that a firm does better than anticipated, shareholders won't see a significant increase in payouts because the corporation will probably choose to keep onto the cash. A consistent dividend strategy requires

dedication. Investors want payouts to stay stable even in the event that the business experiences a downturn. Companies are free to retain capital, but they are not required to give it back to investors.

Residual Dividend Policy

If a corporation has a residual dividend policy, it pays out whatever cash is left in the business after all expenses have been met. This implies that once the firm has paid for things like working capital, investments, and capital expenditures, the remaining funds are distributed to the shareholders.

A dividend becomes an incidental payment if only the investment policy is followed. Businesses implement this kind of policy because their managers believe that high retention leads to greater company growth and because they are more dependent on internally generated money and are unwilling to acquire fresh capital to save floatation and other fees connected with issuing debt. This kind of policy may lead to a dividend structure that is zero. In order to prevent investors from different clienteles from being driven away by a rigid enforcement of the policy, organizations may need to adjust this policy (Miller & Rock, 1985).

Alternative Policies to Paying Cash

In order to provide shareholders an option between dividends and fresh shares, the company may decide to buy back shares. This is a buyback of shares or stock. In terms of taxes, this offers the stockholders a big benefit. While dividends are fully taxed like regular income, stock buybacks and repurchases are not taxed until the shares are sold and the shareholder realizes a profit or capital gain (Rashid & Rahman, 2008).

Zero Dividend Policy

Companies may decide to pay out no dividends at all. This is particularly prevalent in recently founded businesses that need funding to expand their initiatives or because they may face severe financial challenges and be unable to pay dividends. So which corporation keeps its profits in order to grow its business? This type of strategy naturally attracts investors who prefer capital gains over dividends because of the taxation. Additionally, all of the expenses related to dividend payments can be easily

avoided and operated (Watson & Head, 2010). This payout policy's main benefit is that it's simple to use and won't require the administrative expenses related to paying dividends (Watson & Head, 2010).

A Constant or Fixed Policy

Businesses that have embraced a continuous payout strategy distribute a fixed portion of their profits as dividends, and they do it consistently over an extended period of time. In accordance with this strategy, the company retains its annual fixed dividend for consideration for an extended period of time, notwithstanding fluctuations in the company's earnings. The main issue with companies that have adopted a constant payout policy is that if they experience earnings decrees or a period of time when they record losses rather than profits, the dividend may not be paid or may be paid less than usual, which could have a negative impact on the company's stock price as dividends are frequently seen as indicators of a company's future performance. This sort of policy provides the possibility for shareholders to know how much dividend they may anticipate from their investments in the company. But as Watson and Head (2010) point out, the strategy might be devastating for businesses whose earnings are erratic or unpredictable.

2.1.1 Theories of Dividend Policy

Even though each company may have a different unique method, a review of the broad theories of dividend payment in this section will help paint a clearer picture of how businesses distribute their dividends. The following are the theories of dividend payout:

2.1.3.1 Peaking Order Theory

It was first proposed by Donaldson in 1961 and then developed and popularized by Myers and Majluf in 1984. It explains why company management prefers to finance investment possibilities internally, from retained earnings, rather than externally. Owing to unequal information sharing between investors and the company's management, internal financing from retained earnings is preferred by the management for capital, followed by debt financing and equity financing (Myers & Majluf, 1984). Given that internal financing from retained earnings has no additional

costs or risks compared to debt or equity financing, it is prioritized because it is the least asymmetrical. Because debt carries an interest expense, debt financing comes in second. Since equity finance is the most expensive financing option, it is ranked last. Equity investors demand a higher dividend payout because of greater asymmetrical information, since less information equates to a higher risk. Dittmar et al. (2003) stated that companies with large cash flows pay dividends efficiently. However, they could be reliant on debt financing and keeping a high level of liquidity. Large corporations can easily and substantially access debt funding, therefore it makes sense to believe that they are more likely to have high cash flows. High cash flows also equate to lesser borrowing when a greater dividend is paid out. To meet their financial needs, large companies rely largely on internal financing from retained earnings. Any residual small deficits are funded by outside funding. Equity financing is not a major source of funding for large businesses.

Since the goal of the current study was to determine the degree to which firm size, liquidity, and profitability have an impact on dividend distribution, pecking order theory is deemed pertinent. This theory explains how the independent factors can help investors make informed investment decisions, which further enhances the study variables.

2.1.3.2 Bird in Hand Theory

The Bird in Hand idea, which was created by John Lintner in 1956, is the more traditional and alternate theory regarding how a dividend affects a company's value. The bird in hand idea is a refutation of the Modigliani-Miller dividend irrelevance argument, which holds that investors don't care whether the returns they receive from owning a stock come from capital gains or dividends. a theory that suggests that because capital gains are inherently uncertain, investors would rather receive dividends from a stock. The underlying idea of this theory is that dividends are valued differently from retained earnings (or capital gains) in an uncertain and imperfectly understood world. Instead of the "two in the bush" of potential capital gains, investors would rather have the "bird in the hand" of cash dividends. Ceteris paribus, higher dividend payments may thereafter be linked to higher business values. A high payout ratio will lower the cost of capital and so raise share value since it lowers uncertainty about future cash flows, just as a greater current dividend does. In line with the

aforementioned "bird-in-the-hand" theory, that is. The hypothesis was challenged by Miller and Modigliani (1961), who contended that a firm's risk is not decided by how it distributes its earnings but rather by the riskiness of its operational cash flows. M & M therefore dubbed this line of reasoning the "bird-in-the-hand fallacy".

2.1.3.3 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. By reducing the free cash flows available to managers through dividend payments, we can ensure that managers optimize shareholder wealth instead of misusing funds for personal gain (DeAngelo et al., 2006). Firms subject themselves to the scrutiny and discipline of these markets in an effort to draw in new 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 might 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 equity, may reduce agency costs and raise the firm's value.

2.1.3.4 Free Cash Flow Theory

According to Jensen's (1986) proposal, companies typically produce and hold onto large amounts of cash flows even in the absence of lucrative projects or expansion prospects. As a result, the management of these companies may abuse the excess cash by making excessive investments or investing in businesses that have a negative net present value, even when these actions are not in the best interests of the shareholders. This lowers the firm's worth and future profitability. According to Jensen (1986), management can lower the agency cost that comes with large levels of free cash flows by providing debt financing and dividend payouts. This theory goes on to say that rather than paying out dividends on excess cash, the management of these companies

would prefer to maintain an excess level of cash flows in order to increase the amount of liquid assets under their control.

Drobetz and Grüninger (2007) stated that management may have a large amount of cash on hand due to a variety of reasons, including a dislike of debt financing or a desire to avoid paying dividends, which indicates a correlation between retained earnings and cash reserves. This implies that in order to maintain a high amount of capital within the company, management may decide to reduce or eliminate the dividend payout. Therefore, as this study looked at the effects and validity of profitability and liquidity on dividend distribution, free cash flow theory is deemed important in this context. This theory explains how liquidity and profitability can help investors make informed investment decisions, which further improves the study variables.

2.1.3.5 Life Cycle Theory

Typically, businesses are founded by individuals who want to make money off of an inventive and enterprising idea. Businesses first devote all of their available funds to developing the novel concept. After starting out slowly, these businesses grow quickly, reach maturity, and eventually begin to decline. Companies that successfully complete this shift start to pay dividends, indicating their maturity. Investment opportunities typically decrease as a company gets older, but profitability typically rises. Additionally, cash resources often rise, enabling a company to start paying out or raise its current dividends. There is favourable empirical evidence of the life cycle theory. Generally, dividend payers are large and profitable firms while non-payers are small ones with more investment opportunities. Dividend payment behaviour also tends to correlate with the contributed capital mix (DeAngelo et al., 2006). According to their research, dividend payers are often larger and more lucrative than non-payers.

2.1.4 Factors Affecting Dividend Policy

A company's dividend policy is determined by a multitude of factors. Certain factors impact the type of payout, while others influence the amount. The following list of significant elements that impact dividend policy includes legal provisions, the firm's

cash condition, the need to repay debt, constraints imposed by debt holders, estimated rate of return, stability of earnings, shareholder personal tax, etc. (Joshi, 2012):

1. Legal Requirements

A company is under no legal obligation to distribute dividends. Nonetheless, there are legal restrictions on how dividends can be distributed. In general, we discover the following three dividend payment rules.

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, therefore, that dividend payments in excess of the total of past cumulative earnings and present earnings were not feasible.

ii) The Capital Impairment Rules

According to this rule, the company cannot pay dividends from its paid-up capital since doing so would negatively impact the company's equity base and jeopardize the interests of its creditors. The fundamental goal of this rule is to preserve a sufficient equity base in order to safeguard creditors' claims.

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 illegal for the company to pay dividends if it is insolvent.

2. Firm's Liquidity Position

Additionally impacted by the firm's liquidity condition is the dividend payout. Retained earnings are not kept in cash; instead, they are reinvested into the company's assets, even if the balance sheet indicates that there are sufficient earnings. This could prevent the company from being able to pay cash dividends (Ghimire, 2001).

3. Repayment Need

The company uses a variety of debt financing options to meet its investment requirements. At the maturity, these debts must be paid back. When it comes to repaying debt, the company typically has two options: either it can issue new

securities to cover the debt at maturity, or it can set aside money from earnings specifically for repayment.

4. 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 preferred stock holders have restricted the company from paying any dividends on common stock until the company has paid the full amount of dividends that have accrued on preferred stock.

5. Expected Rate of Return

The anticipated rate of return on investment affects the dividend payment amount as well. A company would rather keep its earnings for reinvestment than to pay out cash dividends if it can expect a higher rate of return on its investment.

6. Stability of Earnings

A company is more likely to pay a greater dividend than one with comparatively 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 (Joshi, 2012).

7. Desire for Control

The current management of the company might not want to issue more common stock when the need for additional funding arises because they are afraid of losing control over the company's management.

8. 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. Smaller and recently founded businesses, however, typically have trouble obtaining outside funding from the capital market.

9. Stockholders' Individual Tax Situation

Due to the higher tax on dividend income, shareholders of a closely held company prefer a comparatively lower cash dividend. Closely held company stockholders 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 numerous additional insights and factors. These include shifting governmental policies, the likelihood of future corporate expansion, the age and maturity of corporations, the informational value of dividends, and so forth.

2.1.5 Forms of Dividend

Normally, dividends are paid in cash, but in situations where the business cannot pay cash, it uses other methods to distribute dividends to its shareholders in order to keep them satisfied. Among these dividend types are those on stocks, stocks splits, funds, preference stocks, scripts, properties, bonds, and so forth. Nonetheless, the majority of businesses in Nepal pay dividends in the form of cash and shares.

i) Cash Dividend

One type of dividend that is given to shareholders in cash is a cash dividend, which is paid out of the company's profits. When a cash dividend is paid, a company's reserve and cash accounts will be depleted. Consequently, when a cash dividend is paid out, the company's total assets and net worth are decreased. Most of the time, the market price of the share decreases by the amount of the paid cash dividend (Pandey, 1995).

ii) Stock Dividend

A stock dividend occurs when new shares are distributed to current shareholders in lieu of a cash payout. In addition to the cash dividend paid to current shareholders, a stock dividend consists of the distribution of shares. As a result, there are now more outstanding shares of the corporation. A proportionate distribution of the shares is made. As a result, the shareholders continue to own a percentage of the business. The company's reserves and surplus are decreased while its paid-up share capital is increased through bonus share declarations. The issuance of bonus shares has no bearing on the overall net value.

iii) Stock Split Dividend

An additional dividend payment method that lowers the par value of each share while increasing the number of outstanding shares for each shareholder. A large stock dividend, also known as a stock split, occurs when the number of shares that were previously outstanding is increased by more than 20–25 percent. A reverse stock split, which lowers the number of outstanding shares and raises the price per share, is comparable to a stock split. A stock split is primarily intended to give management control and make the stock more marketable.

iv) Script Dividend

Script dividends are dividends paid in promissory notes. Script dividends are dividends that are handed out as a promise by the corporation rather than cash. A firm may declare a dividend in the form of a script if its earnings justify them but its cash position is momentarily precarious and does not allow for a cash payout. A script dividend could have a set maturity date or be left up to the directors' discretion. These payouts could have interest attached to them or not (Miller & Modigliani, 1961).

v) Preferred Stock Dividends

Preferred stock is a form of ownership interest in a corporation, but it trades high fixed-dividend payments for the right to influence the direction and growth of the business. Dividend yields on preferred stock, which are calculated by dividing the annual payout by the stock price, typically range from 4 to 8%. Preferred dividends are not impacted by business expansion because their payments are set. Before paying out any common dividends for the duration, corporations are required to pay preferred dividends in full. When a corporation owns Cumulative TM Preferred Stock, it must first make up any missed dividends before it can start paying dividends on its common stock again.

vi) Property dividend

A dividend payment that is made in the form of property as opposed to cash is referred to as a property dividend. When there are assets that are no longer required for the functioning of the firm or in exceptional situations, this type of dividend may be paid. Examples of property dividends paid by companies are their own products and subsidiary securities (Pandey, 1995).

vii) Fund Dividends

All dividends, interest, and capital gains earned by a mutual fund during the course of a year must be distributed to investors. As compensation, the fund is exempt from income taxes, a benefit that is shared with shareholders. If a stock pays qualified dividends, fund payments resulting from those dividends are qualified.

viii) Bond Dividend

A dividend paid to shareholders in the form of bonds is known as a bond dividend. If the business makes more money over an extended period of time, it is preferable to issue bonds with fixed interest rates. Put another way, a company that wants to prevent cash outflows declares a dividend in the form of its own bonds.

2.1.6 Legal Provisions Regarding Dividend Practice in Nepal

The Nepal Company Act of 2063, also known as NRB Circular 2063, lays forth the legal requirements for dividend payments to Nepalese companies. These provisions are as follows.

Section 2(m) states bonus shares are defined as shares that are capitalized of a company's reserve or excess earnings and awarded to shareholders as additional shares. The word also denotes an increase in capitalized excess or reserve funds.

Under Section 47, the corporation is not allowed to purchase its own shares. This provision prohibits a company from purchasing its own stock or utilizing the security deposits of its own stock as collateral for loans.

Section 137 is regarding bonus share and sub-section (1) states that the Company must inform the office before issuing bonus shares under sub section

(1) This may be done only by passing special resolution by the general meeting.

Sub-Section (1): Dividends are to be paid to shareholders within 45 days of the decision to distribute them, unless the following situations apply.

a) In case any law forbids the distribution of dividends.

b) In case the right to dividend is disputed.

c) If, for reasons outside of anyone's control and without the company's fault, dividends are not able to be delivered within the previously specified time frame.

Sub Section (2): If the dividends are not disbursed by the deadline specified in sub-section (1), interest at the specified rate will be added.

Sub-section (3): The only individual to whom dividends are intended is the one whose name is on file with the register of current shareholders at the time of declaration.

The aforementioned clauses and subsections of the Company Act of 1997 make it clear that Nepalese companies are not allowed to repurchase their own shares. The sections solely cover concerns related to bonus shares. This Act is insufficient in

terms of dividend policy. The government of Nepal made a decision about the government corporations' dividend payments.

2.2 Empirical Review

Kuzucu (2015) examined determinants of dividend policy: a panel data analysis for Turkish listed firms. The main objective of the study was to investigate the firm-level factors influencing the dividend decisions of firms from an emerging market. This study used eight-year panel data from the Turkish stock market (Borsa Istanbul) spanning the years 2006 to 2013. The data in this study were analyzed using multiple regression analysis, correlation analysis, and descriptive statistics. Financial leverage, size, growth rate, age, profitability, ownership structure, and P/E ratio were all shown to be statistically significant, according to the findings. Leverage, growth rate, profitability, and family control had negative relationships with dividends; on the other hand, there were favorable relationships with size, age, and P/E ratio. Consequently, companies who have greater debt-to-earnings ratios, growth rates, or earnings are probably going to keep more of their earnings.

Adhikari (2015) analyzed determinants of corporate dividend payout in Nepal. The purpose of this study was to investigate the determinants of corporate dividend payout in Nepal. This study investigates if the traits of the businesses that are listed on Nepal Stock Exchange Ltd. have an impact on the dividend payments made by those businesses. Based on a theoretical framework and other empirical studies, an a priori hypothesis was developed regarding the relationship between the dividends paid by the enterprises and their characteristics, such as net profits, size, lagged dividends, liquidity, risk, investment opportunity set, and number of shareholders. The regression model was then used to test the hypothesis on 22 listed enterprises over a 5-year period, from 2009 to 2013. The study's enterprises are chosen through the application of the purposeful sample technique. The variable relationships were first examined for the financial sector as a whole, and then for the nonfinancial and financial sector subsectors. Pooled cross-sectional data are used to do overall sector analysis. Sector-wise regression analysis is carried out in order to further verify sectorial differences. The findings showed that size, liquidity, and profitability all had a substantial influence on the dividend payments made to all listed businesses; size had a negative

impact and profitability and liquidity a positive one; the financial sector's dividend payments were influenced by profitability and total assets; and Nepal's non-financial sector enterprises' dividend payouts were influenced by profitability and lagged dividends.

Bhaukajee et al. (2016) analyzed determinants of dividend payout: evidence from Nepalese commercial banks. The purpose of this study was to investigate the factors that influence Nepalese commercial banks' dividend payouts. The aim of this research is to identify the variables that affect Nepal's commercial banks' dividend distribution. It takes into account both macroeconomic and bank-specific variables. The study's foundation is a pooled cross-sectional examination of 149 observations from 25 commercial banks' secondary data collected during 2007–2008 and 2013–2014. The study postulates, as a first approximation to this theory, that a number of macro-economic and bank-specific factors, including size, cost-income ratio, market power, debt-equity ratio, profitability, liquidity, revenue growth, and market-to-book ratio, affect the dividend payout. As per study, the adjusted dividend payout was 23.41 percent, but the average dividend payout was 34.18 percent. While the beta coefficients for profitability, liquidity, market-to-book value, capital adequacy, cost-income ratio, market power, debt-equity ratio, and retained profits were positive, they were negative for tax, revenue growth, loan to deposit ratio, credit risk, and activity mix. At various percentiles of significance, the coefficients for size, profitability, liquidity, credit risk, and credit risk were also significant. This study comes to the conclusion that the main factors influencing Nepalese commercial banks' dividend distribution are their size, profitability, liquidity, and credit risk.

Liono et al. (2017) investigated the analysis of factors influencing dividend payout ratio in insurance companies listed in Indonesia stock exchange (IDX) period 2011-2015. The objective of this study was to examine the factors that affect the dividend payout ratio of insurance companies listed on the Indonesia Stock Exchange between 2011 and 2015, specifically focusing on profitability, growth opportunity, firm size, and leverage. This research employs multiple linear regression as an analytical method and is quantitative in nature. Ten businesses that had already gone public before 2011 comprise the sample, and information was taken from each company's

annual financial report. The findings indicated that there was a substantial and adverse correlation between DPR and profitability as determined by ROE and growth opportunity. In the meanwhile, among insurance businesses registered on IDX, firm size and leverage had a negligible and unfavorable relationship with the DPR. The adverse correlation between growth potential and ROE with the DPR. As a result, it prefers to keep its profits rather than distribute them as dividends. To meet all of the demands of their customers, businesses should enhance their offerings.

Wijaya and Felix (2017) investigated factors affecting dividend policy on non-financial companies in Indonesia. The objective of this study was to obtain empirical evidence and analyze the factors that affect the dividend policy of non-financial firms listed on the Indonesian Stock Exchange. 105 non-financial companies that were listed between 2011 and 2015 on the Indonesian Stock Exchange made up the total number of samples in this study. Multiple regression analysis was employed in order to test the hypothesis. The study's findings demonstrated that while liquidity, leverage, growth, price/earnings, size, ownership, age of the company, profitability, and free cash flow had no bearing on dividend policy, earnings per share, price to book ratio, and floating rate did. The study's conclusions help the businesses set up a dividend policy that will meet the needs of both investors and the company, which includes the company's future growth.

Masry and Amer (2018) examined factors affecting dividend policy in an emerging capital markets (ECM's) country: theoretical and empirical study. The dividend is based in part on the company's current earnings and in part on its payout from the prior year. Consequently, the primary factors influencing corporate dividend policy were changes in earnings at the current dividend rate. Following the financial risks aspect of financial leverage without gains variation, which comes in second rank, the research revealed that the profitability aspects and their indicators for each of the return on equity, return on asset, and earning per share without dividend yield have the greatest impact on share price performance. The factors of size, investment opportunity for each investment opportunity, net profit standard deviation without assets volume, and cash ratio without signals index reflect the next three factors in order of importance, followed by the liquidity and signals factor. The most effective pay-out ratio is the one with profitability aspects and indicators for each of return on

equity, return on asset, and earning per share without dividend yield (first rank). Financial risks and gains variation coefficient without financial leverage are ranked second and third, respectively, and liquidity factor of index without signals is ranked third. Finally, size and investment opportunity factor for each of investment opportunity and assets volume without net profit standard deviation is ranked fourth.

Bostanci et al. (2018) examined determinants of dividend payout decisions: a dynamic panel data analysis of Turkish stock market. The elements unique to each business that influence the dividend distribution decisions of the firms whose shares are quoted on the Borsa Istanbul stock exchange were examined in this study. In order to do this, 853 observations of the yearly average of 106 businesses listed on the Borsa Istanbul between 2009 and 2015 are subjected to the dynamic panel regression. The Arellano–Bover/Blunder–Bond two-step system generalized method of moments results showed that the relationship between the previous year's dividend payout, the company's return on equity and the market value/book value ratio, liquidity, and the company's size had a statistically significant positive effect on dividend payout. The free cash flow hypothesis is supported by the evidence of a positive association between dividend payout and return on equity, and the dividend smoothing hypothesis for Turkey is supported by the evidence of a positive relationship with the dividend payout ratio from the prior year.

Ahmad et al. (2019) analyzed factors affecting dividend payout: Empirical investigation from cement sector of Pakistan. In the field of finance, a great deal of study has been done on dividend policy and payout (DP) to determine what drives companies to share their earnings with shareholders and why they pay dividends. Researchers refer to this scenario as a conundrum. Researchers have identified a number of financial and non-financial aspects that might help answer this riddle. The purpose of this study was to determine how financial parameters, such as size, profitability, risk, leverage, and liquidity, affected the debt-to-paper ratio (DP) of cement companies listed on the Pakistan Stock Exchange (PSX). Cement manufacturing companies are chosen, whereas other companies in the industry are not. Data has been taken from the firms' published annual financial statements for the ten-year period, or from 2009 to 2018. Bivariate correlation has been used to confirm the link between the dependent and independent variables, and backward multiple

regression has been used to identify the best-fit regression model. The results of backward multiple regression indicated that, while size, risk, and leverage had not had any meaningful influence over the sector's dividend payment, profitability and liquidity were the characteristics that positively and significantly influenced the firm's dividend payouts.

Melese and Ravi (2019) analyzed firm specific factors affecting dividend payout of private insurance companies in Ethiopia. This study's goal was to look into the firm-specific factors that affect dividend distribution in a subset of Ethiopia's private insurance businesses between 2006 and 2017. Explanatory research design and a quantitative research technique were used in the study. A panel regression model with random effects was utilized for eight private insurance companies that were chosen. The empirical findings showed that important determinants influencing the dividend distribution of private insurance businesses in Ethiopia include company age, firm size, growth potential, lagged dividend, liquidity, profitability, risk, and tangibility. Conversely, it was discovered that premium and leverage had little bearing on how much Ethiopian private insurance businesses paid out in dividends.

Melese and Ravi (2019) investigated internal and external factors that determine corporate dividend payout: evidence from selected private insurance companies in Ethiopia. This study assessed into the internal and external factors that affected dividend payout in a subset of Ethiopian private insurance businesses between 2006 and 2017. Explanatory research design and a quantitative research approach were used in the study. A panel regression model with random effects was utilized for eight carefully chosen private insurance companies. The empirical findings showed that the dividend payout of private insurance businesses in Ethiopia was positively and significantly impacted by profitability, company age, firm size, delayed dividend, liquidity, GDP, and tangibility. The dividend distribution was significantly and negatively impacted by risk, inflation, and leverage. However, it was shown that premium and development potential had little bearing on how much Ethiopian private insurance businesses paid out in dividends.

Shi (2020) examined firm-level factors affecting dividend payout in logistics sector in China and Thailand. The purpose of this study was to better understand the firm-level

factors influencing listed firms in the logistics sector in China and Thailand, the ways in which each factor influences the dividend payout of listed firms in the logistics sector, and any variations in the factors affecting the dividend payout of listed firms in the logistics sector between the two nations. Using the seemingly unrelated regression model (Cross-section SUR), pooled least squares (Pooled OLS), pooled estimated generalized least squares (Pooled EGLS), and T-test for data analysis, the study used 25 listed firms and 7 listed firms in the logistics sectors of China and Thailand during 2006–2014 as samples, respectively. The outcome demonstrated that, with the exception of ownership concentration (CONC), all firm-level factors important in dividend payouts in the logistics industry in Thailand and all other factors relevant in dividend payouts in the Chinese logistics sector.

Putri and Ugut (2021) examined factors affecting dividend payout ratio in LQ-45 (non-banking) companies listed in Indonesia stock exchange, 2011-2019. This study's objective was to evaluate the variables—businesses' age, tangible assets, leverage, firm size, profitability, and dividend of the preceding period—that impact the Dividend Payout Ratio (DPR) among non-banking companies listed on the LQ-45 Index. In order to meet the criteria of companies that consistently pay dividends and publish audited financial reports for the years 2011-2019, this research is a quantitative study that uses secondary data from audited company financial reports. It is included in the LQ-45 index on the Indonesia Stock Exchange (BEI) 2011-2019. Purposive sampling was utilized to choose the research sample, and panel data regression analysis was performed for data analysis. The best model was then assessed, along with the traditional assumption test. The study's findings showed that the dividend payout ratio (DPR) was significantly positively impacted by the company's age. Conversely, tangible assets and leverage had little bearing on the dividend payout ratio (DPR), but business size, profitability, and dividends from the prior quarter had a considerable negative impact.

Arshad et al. (2022) examined factors affecting dividend payout ratio of dividend paying firms listed on KSE-100 index. The goal of the study was to look at the factors that significantly affect the dividend payout ratio of companies that pay dividends and are listed on the KSE-100 index. Purposive sampling was used in this study, and a set of criteria was used to choose the sample. Through the official KSE data site, secondary data is gathered from non-financial companies utilizing their yearly

financial reports from the Pakistan Stock Exchange in order to examine panel data models using pooled OLS regression. Profitability, the firm's debt, and sales growth were shown to have a positive significant impact on the dividend payout ratio. Conversely, asset growth, retained profits to total equity, and liquidity were found to have a negative significant impact. This research paper contributes to the body of knowledge on dividend policy by separating it from financial performance measures, which have not yet been done in Pakistan, a developing market, and using the life cycle measure.

Louziri and Oubal (2022) investigated determinants of dividend policy: the case of the Casablanca stock exchange. Analyzing the factors influencing dividend policy on the Casablanca stock exchange was the study's primary goal. Panel data was examined using the fixed effect model across a 16-year period, from 2003 to 2018, with the variables based on the primary theories of dividend policy. Profitability, firm size, retained earnings, firm age, leverage, growth possibilities, price to earnings (P/E), and a dummy variable specifically designed for financial organizations were the eight independent variables that were put to the test. Dividend yield and payout ratio were the two proxies utilized to assess the dependent variable in order to validate the findings. The findings allowed for the identification of three important factors that influence dividend policy: business size, growth potential, and firm age. Signaling theory explains the negative association seen between the variables of business age and size and dividend policy. The negative relationship between dividend payments and growth chances, however, is anticipated by a number of theories, including agency, financial flexibility, and life cycle theories.

Chali et al. (2023) investigated determinants of dividend payout ratio of private insurance companies in Ethiopia. By purposefully choosing eight private insurance businesses from a target population of sixteen, this study investigated the factors influencing the dividend payment ratio of private insurance companies in Ethiopia. The audited yearly financial reports of each chosen insurance company and NBE from 2007 to 2019 served as secondary sources of quantitative data for the study. The gathered information was subjected to a panel data random effect model analysis, yielding empirical results indicating that the dividend payout ratio was significantly impacted negatively by leverage, growth potential, and retained earnings, and

positively by company age, gross premium, and delayed dividend. The dividend distribution was not significantly impacted by profit or inflation rate. The findings suggested that older companies with substantial premium income accumulate bigger dividends, whereas more leveraged and quickly expanding companies pay smaller dividends.

Bakri and Yong (2023) analyzed determinants of dividend policies in shariah compliant and non-shariah compliant firms: a panel quantile approach. The aim of this research was to examine potential differences in factors between non-Shariah compliant and Shariah compliant organizations. Information gathered between 2010 and 2019 for the top 200 based on market capitalization via DataStream and the Securities and Exchange Commission. The study used pooled OLS, random, and fixed effects to evaluate the hypothesis. The study discovered that for Shariah-compliant businesses, free cash flow, profitability, growth potential, and firm size were important factors in determining dividends. On the other hand, it was discovered that important factors influencing the dividends of non-Shariah-compliant businesses included firm size, growth potential, profitability, and risk.

Table 1

Summary of Empirical Review

S.N.	Writers	Topic/Title	Objectives	Methodology	Major Findings
1	Kuzucu (2015)	Determinants of dividend policy: A panel data analysis for Turkish listed firms.	This study aimed to investigate the firm-level factors influencing the dividend decisions of firms from an emerging market.	This study used descriptive statistic, correlation analysis and multiple regression analysis to analyze the data.	The results showed that financial leverage, size, growth rate, age, profitability, ownership structure and P/E ratio were statistically significant. The relationship of leverage, growth rate, profitability and family control with dividends was negative, whereas the relationship of size, age and P/E ratio was positive.
2	Adhikari (2015)	Determinants of corporate dividend payout in Nepal.	The purpose of this study was to investigate the determinants of corporate dividend payout in Nepal.	Overall sector analysis is performed through pooled cross-sectional data. Further to	This study revealed that profitability, size, and liquidity have a significant impact on the dividend payouts of overall listed enterprises, profitability and liquidity influencing

				check sectorial differences, sector wise regression analysis is performed.	positively and size affecting negatively; profitability and total assets influencing dividend payouts of financial sector.
3	Bhaukaje, Pradhan, Shrestha, and Tiwary (2016)			This study used correlation and multiple regression analysis to analyze the data.	This study found that liquidity has insignificant positive impact on dividend payout and size has significant positive impact on dividend payout. Then, loan to deposit ratio and capital adequacy ratio have insignificant negative impact on dividend payout of the banks. Finally, credit risk variables and activity mix have significant negative impact on dividend payout.
4	Liono, Lambey and Tumiwa (2017)	The analysis of factors influencing dividend payout ratio in insurance companies listed in Indonesia stock exchange (IDX) period 2011-2015.	This study aimed to analyze factors which were profitability, growth opportunity, firm size and leverage that influence the dividend payout ratio in insurance companies listed in Indonesia Stock Exchange	This study is a quantitative study and multiple linear regression used as analysis tool.	Result showed that profitability measured by ROE and growth opportunity had a significant and negative association with DPR. Meanwhile firm size and leverage had insignificant and negative relation with the DPR in insurance companies that listed in IDX. The negative association by ROE and growth opportunity to the DPR
5	Wijaya and Felix (2017)	Factors affecting dividend policy on non-financial companies in Indonesia.	The objective of this study was to obtain empirical evidence and analyze the factors that affect the dividend policy of non-financial firms listed on the Indonesian Stock Exchange.	The hypothesis was tested by using multiple regression analysis.	The results of this study showed that earnings per share, price to book ratio, and floating rate affect the dividends policy while liquidity, leverage, growth, price/earnings, size, ownership, age of the firm, profitability, and free cash flow had no effect on dividend policy.
6	Bostanci,	Determinan	This study	This study	This study found that a

	Kadioglu and Sayilgan (2018)	ts of dividend payout decisions: A dynamic panel data analysis of Turkish stock market.	analyzed the firm-specific factors affecting the dividend payout decisions of the companies	used descriptive statistic, correlation analysis and multiple regression analysis to analyze the data.	statistically significant positive effect on dividend payout was found in the relationship between the dividend payout of the previous year, the company's return on equity and the market value/book value ratio, liquidity and the company's size. The demonstration of a positive relationship between dividend payout and return on equity.
7	Masry and Amer (2018)	Factors affecting dividend policy in an emerging capital markets (ECM's) country: Theoretical and empirical study.	The objective of the study was to examine the effect of factors on dividend policy	The regression analysis and correlations are used to estimate the functions relating to dividend policy.	The research showed that the profitability aspects and their indicators for each of the return on equity return on asset, and earning per share without dividend yield, have the greatest impact on share price performance, followed by the financial risks aspect of financial leverage without gains variation which comes in the second rank.
8	Melese and (2019)	Firm specific factors affecting dividend payout of private insurance companies in Ethiopia.	The objective of this study was to investigate the firm specific determinants of dividend payout in selected private insurance companies in Ethiopia over the period 2006 to 2017.	Random effect panel regression model was employed for 8 selected private insurance companies.	The empirical results revealed that firm age, firm size, growth opportunity, lagged dividend, liquidity, profitability, risk and tangibility are significant factors for dividend payout of private insurance companies in Ethiopia. On the contrary, leverage and premium were found to be insignificant factors to determine dividend payout of private insurance companies in Ethiopia.
9	Ahmad, Ansari and Shamsi (2019)	Factors affecting dividend payout: Empirical investigation from cement sector of Pakistan.	This research is carried out to find the effect of financial factors viz. size, profitability, risk, leverage, and liquidity over the DP of the firms listed	Bivariate correlation has been applied and to find the best-fit regression model, backward multiple regression has	The results showed profitability and liquidity were the factors that influence the dividend payouts of the firm positively and significantly whereas, size, risk, and leverage had failed to show their significance over the dividend payment of the sector.

				been applied.	
			on Pakistan Stock Exchange		
10	Melese and Ravi (2019)	Internal and external factors that determine corporate dividend payout: evidence from selected private insurance companies in Ethiopia.	The aim of this study was to investigate the internal and external determinants of dividend payout in selected private insurance companies in Ethiopia	Random effect panel regression model was employed for 8 purposively selected private insurance companies.	The empirical results revealed that profitability, firm age, firm size, lagged dividend, liquidity, GDP, tangibility had positive and significant effect on dividend payout of private insurance companies in Ethiopia. Risk, inflation and leverage had negative and significant effect on dividend payout. On the other hand, growth opportunity and premium were found to be insignificant factors to determine the dividend payout of private insurance companies in Ethiopia.
11	Shi (2020)	Firm-level factors affecting dividend payout in logistics sector in China and Thailand.	The objective of this study was to find out the what firm-level factors affecting dividend payout of listed firms in logistics sector, how each factor affects the dividend payout of listed firms in logistics sector.	This study used pooled least squares (Pooled OLS), pooled estimated generalized least squares (Pooled EGLS), seemingly unrelated regression model.	The result showed all firm-level factors significant in dividend payouts in logistics sector in China and the others factors significant in dividend payouts in logistics sector in Thailand except ownership concentration (CONC).
12	Putri and Ugut (2021)	Factors affecting dividend payout ratio in LQ-45 (non-banking) companies listed in Indonesia stock exchange, 2011-2019.	The purpose of this study was conducted to assess the factors that affect the Dividend Payout Ratio (DPR) in non-banking companies listed on the LQ-45 Index	The research sample used purposive sampling method with data analysis method in the form of panel data regression analysis	The results of the study indicated that age of company had a significant positive effect on the dividend payout ratio (DPR). Meanwhile, firm size, profitability and dividend of previous period had a significant negative effect on dividend payout ratio (DPR), and tangible assets and leverage had no effect on dividend payout ratio.
13	Arshad, Waseem and Abbas	Factors affecting dividend	The study purpose was to investigate the	This study used panel data models	The results showed profitability, firm's debt and sales growth positively

	(2022)	payout ratio of dividend paying firms listed on KSE-100 index.	variables that significantly affect dividend payout ratio of dividend paying firms listed on KSE-100 index.	using pooled OLS regression to analyze the data.	significantly and asset growth, retained earnings to total equity and liquidity negatively significantly affected dividend payout ratio.
15	Louziri and Oubal (2022)	Determinants of dividend policy: The case of the Casablanca stock exchange	The main objective of the study was to analyze the determinants of dividend policy on the Casablanca stock exchange.	This study used panel data using fixed effect model to analyze the data.	The results found that firm age, growth opportunities and firm size significant determinants of dividend policy. The negative correlation between the variables of firm size and firm age with dividend policy is explained by signaling theory. On the other hand, the negative correlation between growth opportunities and dividend payments is predicted by different theories, such as agency theory, financial flexibility theory and life cycle theory.
14	Chali, Gelaye and Gelalcha (2023)	Determinants of Dividend Payout Ratio of Private Insurance Companies in Ethiopia.	This study examined the determinants of dividend payout ratio of private insurance companies in Ethiopia by selected purposive eight private insurance companies.	The collected data were analyzed using panel data random effect model.	This study found that firm age, gross premium and lagged dividend had positive significant impact while leverage, growth opportunity and retained earnings had negative significant impact on dividend payout ratio. Profit and inflation rate had insignificant impact on dividend payout.
16	Bakri and Yong (2023)	Determinants of dividend policies in shariah compliant and non-shariah compliant firms: A panel quintile approach.	The purpose of this study was to investigate whether Shariah-compliant firms have different determinants than non-Shariah-compliant firms.	To test the hypothesis, the study used pooled OLS, random and fixed effects.	The study found that firm size, growth opportunities, profitability, and free cash flow were found to be significant determinants of dividends for Shariah-compliant firms. On the other hand, firm size, growth opportunities, profitability, and risk were found to be significant determinants of dividends of non-Shariah-compliant firms.

2.3 Research Gap

Knowledge gaps in relevant prior research are referred to as research gaps. The goal of this research is to gather information, thoughts, and proposals related to dividend payouts as well as to identify potential new contributions. Since they served as the basis for the current study, the earlier research in this area cannot be disregarded. Put differently, research needs to be ongoing. By connecting the current study with earlier research investigations, the continuity of the research is guaranteed. The company's financial health depends on the different funding decisions made. One of the most important decisions to be taken is the dividend.

The objective of this study effort differs greatly from that of other investigations. First first, research on this subject was done at various times. Their research were limited to earlier eras. It became imperative to do fresh research on this subject in the most recent years, up to 2021/22. In a similar vein, this study attempted to examine three Nepali life insurance firms that were not included in earlier research, which focused solely on commercial banks. This study has taken explanatory variables such as return on assets, liquidity ratio, gross premium, leverage (debt to equity) and tangibility to analyze determinants of dividend policy in Nepalese life insurance companies in Nepal which were not included. This study also has tried to use descriptive nalaysis, correlation analysis and multiple regression analysis but in the previus studies these tools were not included with the objectives of determinants of dividend policy of life insurance companies in Nepal. So, this study is quite different to examine in this topic because this study gives attention on technical factors as well as fundamental factors affecting the dividend policy.

CHAPTER - III
RESEARCH METHODOLOGY

Research methodology is the methodical process of resolving a problem by systematic information recording, analysis, interpretation, and reporting of the numerous facets of a phenomena under study. The research methodology for this paper describes the steps and techniques employed in each phase of the inquiry. This chapter describes research design, nature and sources of data, population and sample and sampling design, research framework and definition of variables and method of analysis.

3.1 Research Design

A thorough strategy, system, or program is called a research design. This study employed descriptive and causal research techniques to look at issues pertaining to the dividend policy components. Descriptive study design is used to determine the status and conditions of dividend policy and its relevant elements. whereas causal research design is used to evaluate relationship and influence of return on assets, liquidity ratio, gross premium, leverage (debt to equity) and tangibility on the dividend of insurance companies in Nepal.

3.2 Population and Sample, and Sampling Design

At present, there are 14 life insurance companies in Nepal (till June, 2023). They constitute the population. Among of them, only three life insurance companies are selected namely; Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL) and Life Insurance Corporation Nepal Limited (LICN) for the study of the dividend policy of life insurance companies in Nepal on the basis of purposive sampling method. These companies are top gainer insurance companies of Nepal in present context. Moreover, these companies have paying either cash or stock dividends to their shareholder in most of the year.

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

This study used only secondary data. In order to examine the type of relationship and cause and effect associations between dividend payout and factors impacting it, secondary data is used. Furthermore, secondary data have been used to evaluate the

prediction power of these characteristics. The information pertaining to firm-specific characteristics, such as the data gathered from the sample firms' annual reports and entered into the database on their own websites. Furthermore, NEPSE's data firm will be utilized to obtain the necessary data for this investigation. Determinants of dividends payout for company are collected for each year from 2012/13 to 2021/22. Thus, this study uses panel data to analyze the relationship between the dividend policy and factors influencing it.

3.4 Method of Analysis

Econometric models are the secondary data analysis strategy used in this study. Regression modeling is one of the tools used in the study to examine how the independent factors affect dividend payment. The study has also used descriptive statistics, correlation analysis along with statistical test of significance such as, F-test, Prob. Value and Adjusted R2.

Descriptive Statistics

This study has explained the nature, characteristics, and trend of these variables during the sample period using a summary of descriptive statistics related to dividend payout ratio and its determinants of sample non-life insurance businesses. The descriptive statistics such as mean, standard deviations, minimum and maximum values of the variables like DPR, LIQ, INF, LEV, PROF (ROA) and gross premium (GP) is used to describe the characteristics of dividends and its determinants for sample firms during the period of 2012/13 to 2021/22.

Correlation Analysis

In essence, this design has been used to determine the strength and direction of the association between several sets of variables. Correlation analysis has been utilized for this purpose. This statistical tool determines the strength and direction of the relationship between two sets of data. It displays the degree of connection as well as the movement of two variables together. The Pearson correlation coefficient has been used to explain the link. The correlation coefficient has a value between -1 and +1. Two variables are said to have complete negative correlation if their correlation coefficient is precisely -1, meaning that they move in the exact opposite direction of

one another. In contrast, the variables are said to be fully positively connected if the correlation coefficient is +1.

Test of Significance

The conventional linear regression model is predicated on several different premises. The significance of the regression coefficients, overall significance, the issue of multicollinearity and autocorrelation, etc. are some of the key presumptions. The t-statistic was used in this study to examine the regression coefficients' significance. When the essential p-value of the test statistic is smaller than the designated level of significance, a regression coefficient is referred to as statistically significant in significance test terminology. Testing the overall significance of the model is imperative in addition to the statistical test of significance of each individual regression coefficient. F-statistics and the adjusted coefficient of determination (Adj.R2) might be used for this. The percentage of the dependent variable's overall variance that can be jointly explained by all explanatory factors is found using the modified coefficient of determination. In order to determine if the regression models are significant at the 1 percent and 5 percent levels, the p-value has been investigated.

Regression Model

The purpose of the regression models used in this study is to examine the link between the explanatory variables that is, the factors that influence corporate dividend policy. The following format is used to express the relationship between the dependent and independent variables:

$DPS_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 LIQ_{it} + \beta_3 LEV_{it} + \beta_4 GP_{it} + \beta_5 TANG_{it} + \varepsilon$

Where,

DPS= Dividend per Share

ROA_{it}= Return on Assets (Profitability)

LIQ_{it}= Liquidity

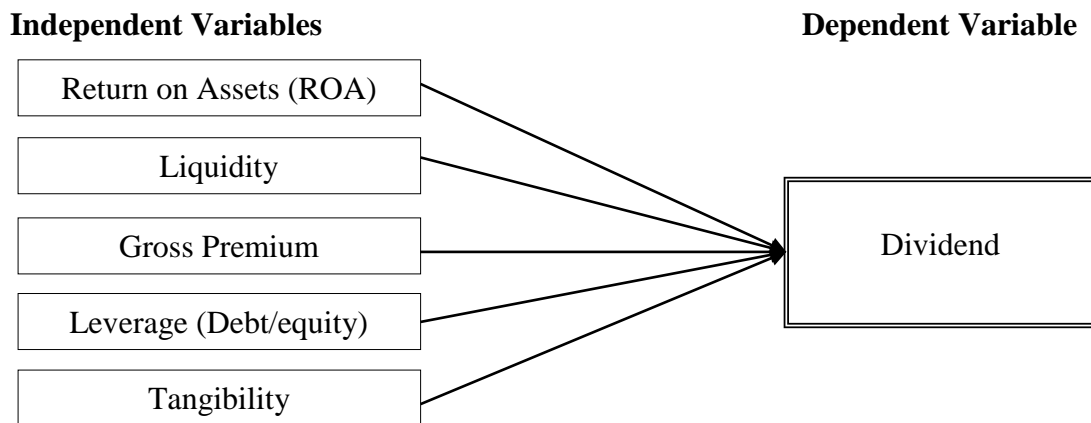LEV_{it}= Leverage (Debt to total assets)

GP_{it}= Gross Premium

$TANG_{it}$= Tangibility

ε = the error term

3.5 Research Framework and Definition of the Variables

A research framework is a diagram that shows the qualities or attributes that the researcher wishes to investigate, or the link the researcher anticipates to see between variables. The major objective and extent of this investigation are summed up in terms of the factors covered by the conceptual model that follows.

Independent Variables   **Dependent Variable**

Source: Liono et al. (2017), Ahmad et al. (2019), Melese and Ravi (2019), Putri and Ugut (2021); Chali et al. (2023)

Figure 1 Research Framework of the Study

Independent Variables

Return on Assets

Profitable companies are willing to pay larger dividends in order to communicate their strong financial performance, according to the dividend policy signaling theory. Melese and Ravi (2019) found a positive association between profitability and dividends, indicating that dividend payments represent a signal of current profitability rather than future profitability. As a result, the idea of dividend policy signaling backs up the claim that successful companies raise their payouts to indicate their strong financial standing. Profitability had a positive and statistically significant impact on dividend payout, according to Arshad et al. (2022), analysis of the factors influencing the dividend payout ratio of dividend-paying companies listed on the KSE-100 index.

Leverage

Diverse empirical data exist addressing how leverage affects dividend payment. According to some research, companies with high debt ratios are less likely to

distribute dividends because they are obligated to make fixed payments to service their debt, which limits the amount of dividends that may be paid (Liono, Lambey & Tumiwa, 2017; Melese & Ravi, 2019). In a 2013 study, Shi examined firm-level factors influencing dividend payout in the logistics industry in China and Thailand and discovered a negative correlation between leverage and dividend payout. Besides, a study conducted by Putri and Ugut (2021) found that there was significant positive effect of leverage ratio on dividend payout of insurance companies.

Liquidity

Darling (1957) argued a company's liquidity plays a critical role in deciding its dividend policy during the capital planning process. Liono et al. (2017) stated that companies with more cash on hand pay out dividends at a higher rate than those with less. Liquidity had a negative and statistically significant impact on dividend payout, according to Shi's (2013) study on firm-level determinants affecting dividend payout in the logistics sector in China and Thailand. Furthermore, Melese and Ravi (2019) analyzed discovered a favorable correlation between dividend distribution and liquidity.

Gross Premium

The money that insurance firms receive from businesses and individuals who are covered over the course of a fiscal year is known as premiums. A high gross premium generating insurance firm distributes a large dividend to its stockholders. Melese and Ravi (2019) examined firm-specific variables influencing Ethiopian private insurance firms' dividend distribution. The study's findings suggest that an organization's decisions on dividends are influenced by the gross premium. Moreover, Melese and Ravi (2019) found that gross premium has significant positive relation with dividend payout.

Tangibility

Throughout an accounting year, the tangible assets of insurance companies also referred to as their fixed and current assets are what give them their tangible nature. Real estate assets are instances of current assets, whereas property, plant, and equipment are examples of fixed assets. Companies with large asset holdings usually

have lower profitability rates. Melese and Ravi (2019) found that tangibility had the significant positive impact on dividend of private insurance companies. Putri and Ugut (2021) concluded that tangibility has positive but insignificant effect on dividend.

Dependent Variable

Dividend per Share

In the study, the dividend payment choice is represented by the dividend payout per share, which serves as a dependent variable. The dependent variable employed in this analysis is the dividend payout, which is defined as the dividend delivered to shareholders (Liono et al., 2017; Melese & Ravi, 2019). Previous research has determined the main factors that predict dividend payments. The percentage of the company's earnings that are given to shareholders is shown by this metric (Putri & Ugut (2021). The payout ratio is computed by dividing each stock's net profit by the total dividend. Each company's net profit and dividends have been computed separately for each year in order to compensate for the problem of high values in a given year that result in low or negative net income.

CHAPTER - IV

RESULTS AND DISCUSSION

This study investigates the dividend policy of life insurance companies in Nepal. As a consequence, this chapter, which is divided into three sections, deals with the findings and their analysis. The dividend's structure and contributing elements were described in the first portion, along with a descriptive and correlation analysis of the study's variables. The assumptions of the linear regression model were fulfilled in the second section, and the discussion was outlined in the third. For additional statistical analysis, the ratio of the designated dependent and independent variables as well as the ratio scale measurement were computed using data analysis techniques.

4.1 Results

In this section, analysis of determinants dividend payout of life insurance companies is carried out using the statistical analytical tools such as descriptive statistic, correlations analysis and multiple regression analysis.

4.1.1 Descriptive Statistics

Table 2 displays the descriptive statistics for the study's explanatory and explained variables. The study draws upon a panel data set consisting of three life insurance companies that were active in the Nepalese financial sector between 2012/13 and 2021/22. When examining them broadly, the statistics show that there is a great deal of variation in the insurance companies' dividend distribution indicators.

Table 2

Descriptive Statistics of Variable of Sample Companies

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROA	30	0.18	5.21	1.7290	1.08928
LIQ	30	2.18	16.68	6.9693	4.23785
LEV	30	0.04	0.33	0.0787	0.04939
LGP	30	6.36	7.55	6.9466	0.32609
TANG	30	0.24	6.10	1.5597	1.56673
DPS	30	0.00	98.50	32.9863	25.00561

Source: Appendix - II

Table 2 reveals that the descriptive statistics of three sample life insurance companies listed on NEPSE from 2012/13 to 2021/22. It shows that the mean of the ROA is 1.7290 with standard deviation of 1.08928 and ranges from 0.18 to 5.21 percent. Likely, the average liquidity ratio is 6.9693 with standard deviation of 4.23785 and minimum and maximum liquidity are 2.18 percent and 16.68 percent respectively. At the same time, the mean of the LEV is 0.0787 with standard deviation of 0.04939 and ranges from 0.04 to 0.33. This implies that value of leverage can vary on both sides by 0.04939. It also shows that gross premium ranges from6.36 to 7.55, leading to the average of 6.9466 with the standard deviation of 0.32609. Further, tangibility (TANG) has average of 1.5597 percent with the standard deviation of 1.56673 and the minimum and maximum range from 0.24 to 6.10 percent. Finally, dividend per share has mean value of 32.9863 and standard deviation of 25.00561 ranging from 0.00 to 98.50 which means the value can be deviated by 25.00561.

4.1.2 Correlation Analysis

The purpose of this study was to determine the fundamental relationship between the dependent variable, the "dividend payout ratio," and the independent variables, profitability, liquidity, tangibility, leverage, and gross premium. The many factors listed above were examined and noted. A correlation value of 0 signifies the absence of a linear relationship between the two variables. The correlation coefficient between two variables goes from +1, which represents a perfect positive link, to -1, which represents a perfect negative relationship. The correlation matrix is shown in Table 3 as follows.

Table 3

Pearson Correlation Coefficients of Study Variables

	ROA	LIQ	LEV	LGP	TANG	DPS
ROA	1					
LIQ	.069	1				
LEV	-.245	-.192	1			
LGP	-.564**	-.322	.384*	1		
TANG	.545**	.191	-.129	-.799**	1	
DPS	.828**	.052	-.170	-.434*	.272	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix - III

Table 3 reveals the correlation test between both dependent and independent variables using correlation coefficient matrix. The correlation test shows that return on assets (ROA) has significant positive relation with dividend (DPS) in 1 percent level of significance. Similarly, there is insignificant positive correlation between liquidity (LIQ) and dividend of life insurance companies and insignificant negative relationship between leverage and DPS. The correlation matrix also shows that gross premium (LGP) has significant negative correlation with DPS. Moreover, tangibility has insignificant positive relation with dividend at 5 percent level of significance.

4.1.3 Results of Regression Analysis

When the link between a dependent variable (dividend) and independent factors (return on assets, liquidity, tangibility, leverage, and gross premium) is the main emphasis, it offers a variety of modeling and analysis tools.

Table 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.878[a]	.771	.723	13.16763

a. Predictors: (Constant), TANG, LEV, LIQ, ROA, LGP

Source: Appendix-IV

The R-Square indicates that the overall fitness of the model. Here, the R square value is 0.771 which shows that 77.10 percent of the variation in the dependent variable i.e. dividend is explained by the independent variables (TANG, LEV, LIQ, ROA, LGP). Then, the value of multiple correlation is 0.878 indicates that there is high relationship between study variables. This implies that the DPS is significantly impacted by the independent variables. The standard error of estimate has a perfect correlation with regression analysis due to its extremely small value.

Table 5

Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13971.851	5	2794.370	16.116	.000[b]
	Residual	4161.279	24	173.387		
	Total	18133.129	29			

a. Dependent Variable: DPS

b. Predictors: (Constant), TANG, LEV, LIQ, ROA, LGP

Source: Appendix-IV

The influence of dependent variables may be best explained by the greatest number of possible combinations of predictor variables, according to an ANOVA analysis (F-value). The results show how important an influence the loan and advance indication has. The F-values of 16.116 ($p = 0.000 < 0.05$) for the DPS proxy variables TANG, LEV, LIQ, ROA, and LGP demonstrate a statistically significant correlation between the independent factors and the dependent variable, dividend.

Table 6

Regression Coefficient of Independent Variables with Dividend

Variables	Coefficients	t-statistics	Sig.
(Constant)	205.273	1.915	.067
ROA	21.367	7.608	.000
LIQ	-.057	-.093	.927
LEV	68.250	1.197	.243
LGP	-28.978	-1.948	.063
TANG	-8.271	-2.944	.007

Source: Appendix-IV

Table 6 presents the regression coefficient of independent variables like profitability, liquidity, tangibility, leverage and gross premium of sample companies and the intercept value of dependent variable dividend. The coefficient estimate of return on assets is 21.367 which show that while other independent variables are remain constant, if one unit increase in ROA, the dividend will increase by 21.367 of life insurance companies and the p value for dividend is 0.000. Testing in the 5 percent significance level p-value is lower and which indicates that ROA has statistically significant positive influence on the dividend of sample life insurance companies.

The regression coefficient of liquidity (LIQ) is currently -0.057. This indicates that, when all other independent factors are held constant, a one percent increase in liquidity (LIQ) results in a 0.071 percent decrease in the dividend of life insurance companies in Nepal. Additionally, at the five percent significance level, the liquidity p value of 0.927 indicates that it is statistically negligible. Thus, liquidity (LIQ) has a statistically insignificant negative impact on life insurance companies' payout in Nepal.

The leverage ratio has coefficient estimate of 68.250 which means if one unit increase in leverage ratio then 68.250 unit decrease in dividend if other variables remain constant. The p value of 0.243 indicates that leverage has an insignificantly positive influence on dividend at the 5 percent level of significance.

With a coefficient estimate of -28.978, the regression model's findings showed that gross premium (LGP) and DPS had a positive association. This indicates that, when other independent variables are held constant, a one-unit increase in gross premium (LGP) causes a -28.978 -unit decrease in the companies' dividend. The p value of gross premium (LGP) is 0.063, indicating that this increase is statistically insignificant at the five percent significance level. Therefore, the premium growth has insignificant impact on dividend of life insurance companies.

A coefficient estimate of -8.271 indicates a positive association between tangibility and dividend. This indicates that, when other independent variables are held constant, a one percent increase in the inflation rate results in a -8.271 percent decrease in the dividend of the companies. The p value of tangibility (TANG) is 0.007, indicating that the tangibility has a statistically significant impact on dividend of life insurance companies in Nepal at the five percent significance level.

4.2 Discussion

The major objective of the study is to examine the dividend policy of Nepalese life insurance companies. To achieve the objectives of the study, five specific factors such as return on assets, liquidity, tangibility, leverage, and gross premium are used. The study uses the secondary data to fulfill its objectives. The study is used panel data for the sample of three life insurance companies in Nepal which had ten years period

from 2012/13 to 2021/22. This study is mainly depends on the use of secondary data that consists of annual reports of the respective companies.

The correlation analysis found that there is significant positive relationship between return on assets and dividend payout. This is similar with the prior study of Bhaukajee et al. (2016) concluded that return on assets had positive relationship with dividend. This is also similar with the finding of Bostanci et al. (2018); Shi (2020); Arshad et al. (2022). However, there is insignificant positive association between liquidity and dividend which is consistent with the finding of Kuzucu (2015); Bhaukajee et al. (2016) found that there was positive relationship between liquidity and dividend but opposite to the finding of Shi (2020); Arshad et al. (2022). At the meantime, there is insignificant negative relationship between leverage and dividend which is consistent with the prior study of Bhaukajee et al. (2016). However, it contradicts with the finding of Shi (2020); Arshad et al. (2022). The correlation analysis also shows that gross premium (LGP) has significant negative relationship with DP. This finding is similar with the finding of Melese and Ravi (2019). This is also consistent with the finding of Chali et al. (2023). Finally, tangibility has insignificant positive relation with dividend at 5 percent level of significance which is consistent with the finding of Melese and Ravi (2019).

The multiple regression analysis found that the return on assets has significant positive effect on dividend of sample life insurance companies. This is consistent of the finding of Melese and Ravi (2019) concluded that return on assets had significant positive effect on dividend payout. This is also similar with the previous literatures of Adhikari (2015); Wijaya and Felix (2017); Arshad et al. (2022); Chali et al. (2023). However, it contradicts with the finding of Liono et al. (2017); Putri and Ugut (2021). At the same time, liquidity (LIQ) has statistically insignificant negative effect on dividend of sample life insurance companies. This finding is similar with the finding of Wijaya and Felix (2017); Arshad et al. (2022) but opposite to the finding of Adhikari (2015) Kuzucu (2015); Melese and Ravi (2019) concluded that liquidity had positive impact on dividend. Then, leverage ratio has statistically insignificant positive effect on DP of sample companies which is consistent with the prior study of Putri and Ugut (2021); Arshad et al. (2022) which observed that leverage ratio had

positive impact on dividend. However, it contradicts with the finding of Melese and Ravi (2019), Liono et al. (2017); Chali et al. (2023). At the meantime, gross premium (LGP) has insignificant negative impact on dividend of the life insurance companies which is not consistent with the finding of Melese and Ravi (2019) found that gross premium had insignificant positive impact on dividend payout. This is also inconsistent with the finding of Chali et al. (2023). Finally, tangibility has significant negative impact on dividend of life insurance in Nepal. This is not consistent with the finding of Melese and Ravi (2019) found that significant impact on dividend. However, it contradicts with the finding of Putri and Ugut (2021).

CHAPTER - V
SUMMARY AND CONCLUSION

5.1 Summary

Dividends are normally given out of earnings, though profits may be kept in lieu of payouts. Retained profits and dividends are competitors and enemies. A dividend plan that maximizes shareholders' wealth is the best kind. Management determines when and how much to pay shareholders in long-term cash distributions based on the dividend payout. The management finds it challenging to choose a schedule for dividend distribution because of the numerous financial factors. Regarding the dividend payment capacity, there is a conceptual disagreement between cash and internal funds. These decisions impact dividend policy decisions in different ways. Investors would believe their investment was a waste of money if they were not rewarded in cash. In a similar vein, management plans to keep all earnings for internal financing, which is a crucial tactic for business expansion. Companies often anticipate cheaper flotation expenses when they choose to keep earnings in-house rather than share them with shareholders. Long-term financing as well as short-term financial metrics for the firm, such net profit, market price per share, book value per share, and profits per share, are impacted by dividends. For any business, deciding how much dividend to pay out is essential.

The major objective of the study is to examine the dividend policy of Nepalese life insurance companies. However, the specific objectives of this study are to analyze the position of dividend of life insurance companies in Nepal, to examine the relationship between dividend and its factors of life insurance companies in Nepal and to evaluate the impact of profitability, liquidity, tangibility, leverage and gross premium on dividend of life insurance companies in Nepal. This study has employed descriptive and causal research designs to analyze with issues associated with the factors of dividend policy. Descriptive research design is used to find out the position and condition of dividend policy and its factors whereas causal research design is used to evaluate relationship and influence of return on assets, liquidity ratio, gross premium, leverage (debt to equity) and tangibility on the dividend of insurance companies in Nepal. Currently, there are 14 life insurance companies in Nepal (till June, 2023). They constitute the population. Among of them, only three life insurance companies

are selected namely; Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL) and Life Insurance Corporation Nepal Limited (LICN) on the basis of purposive sampling method. These companies are top gainer insurance companies of Nepal in present context. Moreover, these companies have paying either cash or stock dividends to their shareholder in most of the year. For this study, secondary data are taken from annual reports of related office and their websites. Data is collected from audited financial statements (balance sheet and profit and loss account) of sample life insurance companies. The data is collected on annual financial report of respective company covering ten year periods, i.e. from the fiscal year 2012/13 to 2021/22. The study used descriptive statistics, correlation and multiple regression analysis to analyze the data with the help of IBM SPSS software and Excel.

This study shows that NLIC has the highest dividend indicates that earning of this company seem to be highest and regular on offering dividend to shareholders. Having a growing dividend per share can be a sign that the company's management believes that the growth can be sustained. The correlation analysis shows that return on assets has significant positive relation with dividend. Likewise, there is insignificant positive correlation between liquidity and dividend of life insurance companies and insignificant negative relationship between leverage and DPS. The correlation also shows that gross premium has significant negative correlation with DPS. Further, tangibility has insignificant positive relation with dividend. The regression analysis reveals that return on assets has significant positive impact on dividend of sample life insurance companies in Nepal. However, liquidity and gross premium have insignificant negative effect on dividend. Then, leverage ratio has insignificant positive impact on dividend payout. Moreover, tangibility has significant negative impact on dividend. Hence, this study concluded that return on assets and tangibility is the key factors of dividend in Nepalese life insurance companies.

5.2 Conclusion

This study concluded that NLIC has the highest DPS suggests that the company appears to be generating the most and consistently paying dividends to its shareholders. A rising dividend per share may indicate the management of the

company thinks the growth can continue. Among the sample companies, NLICL has the lowest standard deviation, indicating the lowest level of risk.

The correlation analysis concluded that return on assets has significant positive relation with dividend. Similarly, there is insignificant positive correlation between liquidity and dividend of life insurance companies and insignificant negative relationship between leverage and DPS. The correlation also shows that gross premium has significant negative correlation with DPS. Moreover, tangibility has insignificant positive relation with dividend.

The regression analysis concluded that return on assets has significant positive impact on dividend of sample life insurance companies in Nepal. However, liquidity and gross premium have insignificant negative effect on dividend. Then, leverage ratio has insignificant positive impact on dividend payout. Moreover, tangibility has significant negative impact on dividend. Therefore, this study concluded that return on assets and tangibility is the major factors of dividend of the life insurance companies in Nepal.

5.3 Implications

The implications that follow are based on the overview and conclusion that were previously mentioned;

- This study found that return on assets and tangibility have significant positive impact on dividend of the life insurance companies. This findings and conclusions give managers, policymakers, the insurance board, and other external users more relevant information with which to make decisions on the ways in which various factors impact insurance companies' dividends.
- Managers of life insurance companies will also benefit from this study as it will provide them a better grasp of the variables affecting dividend distribution.
- This research may contain some of the most recent data, figures, and worries regarding dividend and its variables. It will also allow them to concentrate on enhancing these areas to guarantee that their dividend strategy keeps getting

better. Insurance companies and investors should therefore consider this study to be significant.

- The findings of the study are helpful to investors and upcoming researchers. Future researchers will find this publication to be a useful resource.