IMPACT OF DIVIDEND PRACTICE ON SHARE PRICE OF FINANCE COMPANIES IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfilment 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 **"IMPACT OF DIVIDEND PRACTICE ON SHARE PRICE OF FINANCE 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.

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REPORT OF RESEARCH COMMITTEE

Sumit Chimariya has defended research proposal entitled **" IMPACT OF DIVIDEND PRACTICE ON SHARE PRICE OF FINANCE 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 Madhusudan Gautam and submit the thesis for evaluation and viva voce examination.

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ABBREVIATIONS

ANOVA	:	Analysis of Variances
BFC	:	Best Finance Ltd.
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
FY	:	Financial Year
GFCL	:	Goodwill Finance Ltd.
GMFIL	:	Guheshwori Merchant Banking & Finance Ltd.
GUFL	:	Gurkhas Finance Ltd.
ICFC	:	ICFC Finance Ltd.
MPS	:	Market Price Per Share
N	:	Number of Observations
NFS	:	Nepal Finance Ltd.
NRB	:	Nepal Rastra Bank
PER	:	Price to Earnings Ratio
PFL	:	Pokhara Finance Ltd.
PROFL	:	Progressive Finance Ltd.
RLFL	:	Reliance Finance Ltd.
S.D.	:	Standard Deviation
SIFC	:	Shree Investment Finance Company Ltd.
VIF	:	Variance Inflation Factor

ABSTRACT

Dividend policy, representing the portion of a company's earnings distributed to shareholders, is a subject of considerable interest and debate in both global and Nepalese financial markets. The specific influence of dividend policies remains a focal point, particularly in Nepal, where dividend practices vary among finance companies. This study investigates the impact of dividend practices on share prices of Nepalese finance companies, aiming to provide insights into investor behavior and market reactions. The problem statement revolves around understanding the relationship between dividends and share prices in Nepal's finance sector.

The research design entails a quantitative approach utilizing descriptive statistics and a causal-comparative research design. The population includes 17 finance companies operating in Nepal, with a sample of 10 finance companies selected through convenience sampling. Data were collected from published annual reports, quarterly reports, and finance companies' websites like Merolagani and ShareSansar.

Statistical tools such as correlation analysis and regression analysis were employed, along with financial metrics like dividend payout ratio (DPR), earnings per share (EPS), and market price per share (MPS). The research framework outlines the interplay between these variables, highlighting their roles in influencing share prices.

The analysis reveals weak correlations between financial variables and MPS, with no statistically significant findings. While DPR exhibited a weak negative correlation with MPS, EPS, DPS, and PER displayed weak positive correlations. However, none of these impacts were statistically significant, indicating limited predictive power in explaining MPS changes.

Implications suggest investors should consider a broader range of financial metrics, while financial companies should diversify risk management strategies. Theoretical contributions include empirical evidence of weak correlations, emphasizing the need for further research to identify additional influencing factors.

Keywords: Dividend practices, Share prices, Nepalese finance companies, Correlation analysis, Regression analysis.

CHAPTER I
INTRODUCTION

1.1 Background of the Study

The examination of share price behavior has emerged as a central area of focus among academics, especially in relation to investors' tendencies towards risk aversion. Share price behavior pertains to the deviation or fluctuation of an asset's returns from their mean value, indicative of the uncertainty surrounding future payments and their temporal distribution. Guo (2003) identifies share price behavior as a systemic risk encountered by investors, which can impact the attractiveness of shares. Elevated levels of such behavior denote broader fluctuations in returns, suggesting heightened risk and potentially diminishing the valuation of a company's shares.

In response to stock market downturns and significant events such as Black Monday, academics have progressively explored the underlying causes of stock price behavior. Models for generating returns, rooted in modern asset pricing theory, scrutinize the relative influence of macroeconomic, industry-specific, and firm-specific factors on stock behavior. Fundamental analysis, grounded in valuation theories, posits that financial performance indicators drive stock price behavior. Fama and French (1988) emphasize factors such as company size and the book-to-price ratio over the Capital Asset Pricing Model (CAPM). In addition to fundamental analysis, technical analysis examines price patterns and returns as complementary approaches (Fabozzi & Drake, 2009).

The scrutiny of dividend disbursements has garnered significant attention among scholars, particularly concerning their impact on stock prices and the communication of a company's financial health to investors (Goshen, 1995). A dividend represents a distribution of earnings made by a company to its shareholders, with various forms of payment possible, including cash, stocks, or alternative arrangements. The decision to issue dividends lies within the purview of a company's board of directors, contingent upon shareholder approval, though it is not obligatory. Typically, dividends constitute a portion of a company's profits shared with shareholders.

Financial institutions constitute the cornerstone of the financial system, facilitating the flow of funds from various stakeholders to borrowers, thereby supporting economic activities (El-Hawary et al., 2007). They serve as custodians of deposits from individuals, government entities, and businesses, providing crucial financing through lending and investment activities. The efficiency and profitability of these institutions are of paramount importance as they manage public funds. Shareholders, who inject equity into these institutions, anticipate returns from their investments, often in the form of dividends, reflecting a portion of the institution's net earnings distributed to them (Minsky, 1986).

The allocation of earnings, whether in the form of dividends or retained earnings, holds significance for both shareholders and the company. While dividends directly benefit shareholders, retained earnings are utilized by the company for internal financing or expansion, contributing to its growth and stability. The overarching objective of a dividend policy should be to maximize shareholder returns, encompassing dividends and capital gains. The determination of dividend payouts has long been a subject of managerial concern, with observations indicating a correlation between dividend changes and stock price movements. However, the causality of this relationship has been debated among researchers, with some asserting that dividends per share do not exert a direct influence on stock prices (Al-Hasan et al., 2013). Nevertheless, dividend payouts can serve as signals to the market regarding a firm's prospects, with increased dividends often interpreted positively by investors. Moreover, dividends may mitigate agency costs and enhance firm value by reducing managerial discretion over free resources.

Dividends hold efficacy as signals due to their tangible nature and future-oriented implications, contrasting with other forms of communication that may lack credibility or simplicity. Empirical evidence supports dividends as a comprehensive signal of management's assessment of the firm's performance and outlook. Enhanced corporate dividend practices are thus integral for addressing information asymmetry between management and investors, potentially fostering the development of capital markets (Raza et al., 2018).

Micro-environmental variables, including metrics such as earnings per share, dividend per share, book value of the company, dividend pay-out ratio, and price-earnings ratio, have

been identified as significant influencers of stock prices (Gompers et al., 2003). On a broader scale, macroeconomic factors such as political conditions, overall economic climate, governmental regulations, legal frameworks, and societal considerations contribute to the overarching context shaping share prices. Appreciating the multifaceted nature of these influences is imperative for making well-informed investment decisions.

In line with global research trends, various studies have yielded differing conclusions regarding the determinants of share price behavior. While Shiller (1981) attributes market irrationality to the volatility of stock prices, Uddin (2009) identifies both linear and non-linear relationships between share prices and metrics such as earnings per share, net asset value, and dividend yield. Furthermore, the interaction between share prices and macroeconomic indicators such as GDP, inflation, and output growth adds another layer of complexity to understanding stock market dynamics.

In Nepal, dividend practices vary among finance companies, with some consistently paying dividends while others do not (Chand, 2013). Observations suggest a correlation between dividend changes and stock price movements, highlighting the perceived significance of dividends in influencing investor sentiment. However, researchers argue that it is not dividends per se, but rather the information conveyed through dividend announcements, that impacts stock prices. Nonetheless, dividends remain a straightforward and informative signal of a firm's financial performance and prospects (Subba, 2010).

Although extensive research in developed countries has explored the factors affecting share prices, the same level of investigation has not been carried out in developing nations like Nepal. Within the Nepalese context, there exists a scarcity of comprehensive studies examining the drivers of share price behavior, particularly among finance companies listed on the Nepal Stock Exchange (NEPSE). Despite the burgeoning interest in stock markets within developing countries, the underdeveloped state of financial markets has resulted in a gap in understanding the nuanced dynamics at play.

This study primarily examines the influence and extent to which dividend practices affect the share prices of finance companies in Nepal. By examining the relationship between dividend policies and share price movements within the context of Nepalese finance sector markets, the research aims to provide insights into the dynamics of investor behavior and

market reactions to dividend-related information. Through empirical analysis and data interpretation, the study seeks to shed light on the significance of dividend decisions in shaping investor perceptions and influencing stock valuations within Nepal's finance sector.

1.2 Problem Statement

The absence of a consistent and transparent dividend policy among Nepalese companies listed on the Nepal Stock Exchange (NEPSE) raises concerns regarding the clarity and reliability of dividend distributions, potentially impacting shareholder confidence and the stability of share prices (Koirala, 2013).

Stock prices are influenced by a multitude of factors, making their prediction a complex and challenging endeavor. This complexity arises from the dynamic nature of the business environment, which experiences constant shifts in economic conditions, regulatory frameworks, and market sentiments. In a market influenced by both micro and macroeconomic variables, factors such as earnings per share, dividend per share, return on equity, net worth, and company size play significant roles in determining company valuations (Sharma, 2011).

The unpredictability of share prices is further compounded by market irrationality, as highlighted by Shiller (1981), where stock values often deviate significantly from their underlying fundamentals in response to news and events. The upheavals witnessed during the global financial crisis underscore the extreme volatility and turbulence in stock prices, emphasizing the need for a thorough understanding of the factors driving market dynamics. Despite increasing interest in the Nepalese stock market, there remains a notable gap in research systematically analyzing the factors influencing share prices, particularly within Nepalese finance companies.

The lack of consensus among previous studies, both domestically and globally, reflects the complexity of the issue. While some studies suggest a positive correlation between certain fundamental variables and share prices, others highlight non-linear relationships and the influence of macroeconomic indicators (Maskey, 2023). The absence of a well-established understanding of these factors within the context of Nepalese finance companies hampers the ability of investors, policymakers, and researchers to make informed decisions and

navigate the challenges posed by dynamic market conditions. The following research questions has been crafted for this study:

1. What dividend practices are adopted by Nepalese finance companies?
2. Is there any relationship between dividend practices and market price per share of Nepalese finance companies?
3. What is the impact of dividend practices on the market price per share of Nepalese finance companies?

1.3 Objectives of the Study

The primary objective of this study has been to conduct a comprehensive examination of the dividend practices adopted by Nepalese finance companies. Through meticulous analysis of these practices, the aim is to gain a thorough understanding of the prevailing dividend landscape within the country's financial sector. This involves scrutinizing the various dividend policies and strategies employed by financial institutions in Nepal, thereby providing valuable insights into their approaches to distributing profits to shareholders. Additionally, the study seeks to rigorously analyze the impact of these dividend practices on the market price per share. By exploring the relationship between dividend decisions and stock valuations, the research aims to uncover the intricate dynamics that influence investor sentiment in the Nepalese context. Ultimately, the findings of this study are expected to contribute significantly to the existing literature on dividend policy and its implications for finance markets in Nepal, offering valuable insights for both academia and practitioners alike. he objectives of this study are as follows:

1. To examine the dividend practices adopted by Nepalese finance companies.
2. To analyze the relationship between dividend practices and the market price per share of Nepalese finance companies.
3. To analyze the impact of dividend practices on the market price per share of Nepalese finance companies.

1.5 Rationale of the Study

This study holds significant relevance and rationale for multiple stakeholders across different domains.

Investors are deeply interested in understanding the relationship between dividend practices and share prices as dividends play a crucial role in shaping investment decisions. By examining this relationship, investors can better assess the potential returns and risks associated with investing in finance companies.

The study offers valuable insights into how their dividend policies influence market perceptions and shareholder value. Understanding the impact of dividend practices on share prices can help financial firms formulate more effective dividend strategies to attract investors and enhance market competitiveness.

They can benefit from this study by gaining a deeper understanding of the dynamics between dividend policies and share prices within the financial sector. This knowledge can inform regulatory frameworks and policies aimed at promoting transparency, stability, and investor confidence in the financial markets.

Researchers stand to gain from the study's findings by expanding the existing body of knowledge on dividend policy and its implications for share price dynamics. By contributing to the academic literature, this research can stimulate further inquiry and debate on related topics, fostering intellectual advancement in the field of finance.

Students pursuing studies in finance or related disciplines can utilize the insights from this study to enhance their understanding of theoretical concepts and real-world applications. The study serves as a valuable educational resource, offering practical examples and empirical evidence to illustrate the significance of dividend practices in financial markets.

Lastly, Academicians can leverage the findings of this study to enrich their teaching curricula and incorporate contemporary research findings into their coursework. By integrating real-world case studies and empirical analyses, educators can provide students with a comprehensive understanding of dividend policy and its implications for share price dynamics in finance companies.

1.6 Limitations of the Study

Like every research endeavor, this study is not without its limitations. It's essential to acknowledge these constraints to contextualize the findings accurately. Below are the identified limitations of this study:

- Limited prior research on the impact of dividend practices specifically on finance companies in the Nepalese context.
- The study focuses only on a select set of variables (DPS, DPR, EPS, PER) to assess the relationship with share prices, potentially overlooking other influential factors.
- Reliance on secondary data sources may introduce biases or limitations inherent in the data collection methods or reporting standards.
- The sample size is constrained to only ten finance companies, which may not fully represent the diversity of the entire finance sector in Nepal.
- The study utilizes data from only ten fiscal years, potentially limiting the scope of analysis and capturing only a snapshot of the long-term trends and dynamics.

CHAPTER II
LITERATURE REVIEW

This chapter provides a comprehensive overview of the research landscape surrounding dividend policy, encompassing conceptual, literature, and empirical reviews, while also highlighting existing research gaps. The conceptual review delves into the fundamental nature and dimensions of dividend policy, exploring various theoretical perspectives and schools of thought. Following this, the literature review synthesizes existing empirical studies and theoretical frameworks, elucidating divergent findings and debates within the field. The empirical review examines specific studies that have investigated the relationship between dividend policy and share price, shedding light on methodological approaches, key findings, and contextual variations. Finally, the chapter identifies research gaps, highlighting areas where further investigation is warranted to address unresolved questions and advance understanding in the field of dividend policy.

2.1 Conceptual Review

In this section, a conceptual review of dividend, dividend policy, and market price per share (MPS) is presented to lay the theoretical foundation for understanding these key concepts in corporate finance. Dividend, the distribution of a portion of a company's earnings to its shareholders, is explored in terms of its significance as a mechanism for rewarding investors and influencing stock prices. Dividend policy, the framework guiding a company's decisions regarding the amount and frequency of dividend distributions, is examined to elucidate its role in balancing shareholder expectations, financial objectives, and market dynamics. Market price per share (MPS), representing the valuation of a company's stock in the financial markets, is discussed in terms of its determinants and implications for investors, companies, and the broader economy. Through this conceptual review, readers gain insights into the fundamental principles underpinning dividend-related decisions and their impact on shareholder wealth and market

2.1.1 Concept of Dividend

Dividends serve as a pivotal component in corporate finance and shareholder value, constituting a portion of a company's earnings distributed to its shareholders as a return on

their investment (Fischel, 1981). These distributions provide investors with a direct share of the company's profits, typically disbursed periodically, and are subject to careful consideration by the company's board of directors, taking into account various factors such as financial performance, capital needs, and overall financial goals. Investors highly value dividends as they offer a steady income stream, often enjoying favorable tax treatment, thereby contributing to investor confidence and stability (Oyinlola & Ajeigbe, 2014).

The allocation of dividends carries significant implications for both investors and the company itself. For investors, dividends serve as a signal of the company's financial strength and reliability. Consistent dividend payments are generally perceived positively, indicating the company's ability to generate profits and maintain financial stability. Conversely, any reduction or omission of dividends may be viewed negatively, potentially undermining investor trust. From the company's perspective, dividend decisions necessitate a delicate balance between distributing earnings to shareholders and retaining funds for business growth and investment. Striking this balance involves evaluating the company's financial health, future prospects, and shareholder expectations (Fischel, 1981).

In the realm of corporate finance, the dividend policy encompasses the guidelines and decisions governing how a company distributes its earnings as dividends and retains funds for reinvestment or debt reduction (Bhattarai, 2009). This policy is shaped by various factors, including the company's stage of development, industry standards, and shareholder preferences. Companies may adopt different dividend policies, such as stable dividends, progressive dividends, or irregular payouts, each with its own implications for share price, investor appeal, and financial stability. Consequently, companies carefully tailor their dividend policies to align with their financial objectives and shareholder expectations (Oyinlola & Ajeigbe, 2014)

2.1.2 General Dividend Policy

The overarching dividend policy of a company stands as a crucial element within corporate finance, dictating the manner in which profits are apportioned to shareholders. It acts as a pivotal mechanism through which companies navigate the delicate balance between disbursing earnings to shareholders and preserving financial stability while planning for future expansion. Central to this process is the role of the board of directors, which

proposes dividend amounts subject to shareholder approval at annual meetings. The primary aim is to establish a dividend level deemed fair and satisfactory to shareholders, reflecting management's strategic decisions. These decisions are not solely contingent on the profits of the current fiscal year but also consider anticipated future earnings, thus ensuring a consistent dividend rate while accommodating potential growth prospects (Frankfurter & Wood, 1997).

Investors recognize the dynamic nature of dividend policy, understanding that it extends beyond the confines of the current year's profits. They anticipate stability in future dividend payments and seek sustained profit growth. In instances where a company experiences an exceptionally profitable year but does not foresee similar earnings in the future, it may distribute a combination of regular and extra dividends to manage shareholder expectations. These dividends are categorized as standard and incremental, signaling to shareholders that the supplementary dividend is an exceptional event rather than a recurring pattern (Dhanani, 2005).

Dividends can manifest in various forms, including traditional cash dividends and share dividends. Additionally, companies may opt for share repurchases, thereby impacting both shareholder wealth and the company's financial strategies. The proportion of profits distributed is influenced by a multitude of factors, encompassing legal requirements and bondholder agreements that may constrain the extent of cash dividends allocated. Moreover, the company's investment policy plays a pivotal role in determining whether profits are retained for capital investments, debt reduction, or bond obligations, with the remaining funds allocated for cash dividends or share buybacks (Dhanani, 2005).

The impact of dividend policy on a company's value and shareholder wealth remains subject to debate, with various theories positing differing perspectives on the correlation between increasing cash dividends and overall company value. These debates and theoretical perspectives are examined within the broader discourse surrounding dividend policies and their implications (Dickens et al., 2002).

Retained earnings also wield significant influence in upholding dividend stability. In instances where a company falls short of the normal dividend amount due to financial constraints, retained earnings may be utilized to bridge the gap. The General Assembly of

the company retains the authority to determine the utilization of retained earnings, including the distribution of cash or special dividends, share repurchases, or capitalization, thereby showcasing the adaptability of dividend policy to align with the company's financial and strategic imperatives (Dhanani, 2005).

Shareholders may receive their profits through various combinations of these policies, with the General Assembly retaining the discretion to make decisions in accordance with the company's financial well-being and prevailing market conditions. These considerations, coupled with the diverse theoretical viewpoints on dividend policy, underpin the formulation of a company's overarching dividend policy, serving as a fundamental component in striking a balance between rewarding shareholders and preserving resources for sustained growth and financial stability (Al-Malkawi et al., 2010).

2.1.3 Cash Dividend Policy

Cash dividend policy represents a pivotal element in corporate decision-making, exerting substantial influence not only on shareholder wealth but also on the broader dynamics of capital markets. Its significance resonates among investors, portfolio managers, policymakers, and economists who seek to assess financial market performance. Key inquiries center around the efficacy of company managers in maximizing shareholder wealth through specific dividend policies, and whether firms offering higher dividends command a premium, or conversely, if companies retaining a significant portion of profits as retained earnings should witness a corresponding decrease in share prices. Despite numerous research endeavors, a consensus has proven elusive, largely due to the multitude of influential factors impacting share market values beyond dividend policy considerations (Eckbo & Verma, 1994).

The primary debate among researchers regarding dividend policy revolves around how cash dividends, particularly the portion distributed to shareholders, impact a company's value and consequently, shareholder wealth. The Miller and Modigliani (1961) standpoint posits that cash dividends, in isolation, bear no influence on a company's value. They contend that a company's value stems from its profit generation capacity, advocating for a focus on maximizing profits through optimal investment policies, as mere profit division does not inherently drive growth (Walter, 1963).

In contrast, other scholars argue that profit distribution between dividends and retained earnings directly influences a company's value. Considerations such as taxation and investor preferences come into play, where high-income investors may favor companies without cash dividends if dividend taxes exceed capital gains taxes. Growing firms may opt to retain profits for reinvestment, capitalizing on higher internal returns on investment, while non-growth companies often prioritize high dividend payouts to meet investor expectations (Eckbo & Verma, 1994).

The cash dividend policy emerges as a multifaceted strategy involving intricate decision-making, as it determines how a company strikes a balance between disbursing funds to shareholders and reinvesting in the business. Legal, contractual, internal shareholder considerations, and market dynamics all shape this decision-making process, limiting the range of available options for companies. These factors constrain the spectrum of cash dividend policies a company can adopt, including fixed dividend rates, regular dividend policies, and other variations aimed at optimizing shareholder wealth while funding essential investments. Ultimately, the complexities inherent in cash dividend policy underscore its critical role in shaping shareholder value and guiding company decision-making (Bhattacharyya, 2007).

2.1.4 Bonus Dividend Policy

The bonus dividend policy, often termed as bonus shares or stock dividend policy, represents a strategic maneuver adopted by companies to distribute additional shares among their current shareholders instead of cash dividends. This approach involves issuing complimentary extra shares to shareholders in proportion to their existing holdings, typically at no expense to them. Bonus shares serve as a means for companies to reward their current investors while conserving financial resources for diverse purposes such as reinvestment, expansion, or debt management. This policy offers an alternative avenue to cash dividends, enabling companies to share profits with shareholders while safeguarding cash reserves for strategic utilization (Mohanty, 1999).

The primary objective of a bonus dividend policy is to safeguard the financial stability of the company while simultaneously acknowledging and rewarding shareholders. This strategy provides companies with the flexibility to allocate profits in a manner that benefits

shareholders without depleting the company's liquidity (Pattenden & Twite, 2008). The issuance of bonus shares enhances investor confidence and loyalty, serving as a testament to the company's commitment to shareholder value. Furthermore, bonus dividends can potentially augment the liquidity of a company's shares, making them more accessible to a wider investor base. Bonus shares are allocated based on existing shareholdings, typically in proportion to the number of shares held, promoting a fairer distribution of rewards among investors (Mohanty, 1999).

An inherent advantage of the bonus dividend policy lies in its tax-efficient nature for shareholders. Since bonus shares are usually allotted without incurring any direct monetary cost to shareholders, they do not immediately trigger tax liabilities. Shareholders only become subject to tax obligations when they eventually sell these bonus shares in the future. This tax-efficient mechanism benefits both shareholders and the company, enabling profit-sharing without immediate tax consequences associated with cash dividends. Overall, bonus dividend policies serve as effective instruments for companies striving to balance shareholder rewards with strategic financial goals while upholding favorable tax considerations for all parties involved (Pattenden & Twite, 2008).

2.1.5 Market Price Per Share

The Market Price per Share (MPS), also known as the prevailing share price or stock price, represents the most recent valuation of a publicly traded stock in financial markets. This value is subject to continual fluctuations throughout the trading day, primarily dictated by the interplay of supply and demand forces. When demand outweighs supply, the MPS typically rises, reflecting increased investor interest. Conversely, an excess of sellers can lead to a decline in the MPS as buyers negotiate lower prices, ultimately establishing an equilibrium point where supply matches demand (Kumar, 2017).

In the context of Nepal, the determination of MPS adheres to the regulations set forth by the Nepal Stock Exchange Ltd., guided by market demand and supply dynamics. This financial metric holds significant importance as it serves as a pivotal indicator of a company's current market value, commonly utilized to evaluate overall financial health and performance. For investors, understanding MPS is critical as it directly influences investment returns and wealth accumulation. Similarly, companies and stakeholders,

including commercial banks, rely on share prices as a gauge of financial stability and market sentiment (Bhattarai, 2018).

Moreover, MPS plays a multifaceted role beyond merely assessing a company's worth; it serves as a cornerstone of the broader financial landscape. Beyond impacting shareholder wealth, MPS influences decision-making processes across various stakeholders, including management, employees, depositors, and borrowers. Particularly for commercial banks, monitoring MPS fluctuations is crucial as it can significantly impact stakeholder confidence and perceptions. Therefore, possessing a comprehensive understanding of the determinants and dynamics of MPS holds paramount importance in the realm of finance and investment.

2.2 Theoretical Review

This section delves into various theories related to dividends, providing a comprehensive understanding of the factors influencing dividend policy decisions. The Dividend Irrelevance Theory posits that dividend payments do not affect a firm's value, suggesting that investors are indifferent between dividends and capital gains. Conversely, the Dividend Relevance Theory argues that dividends impact a firm's value and can influence investor behavior. The Bird in Hand Theory asserts that investors prefer current dividends over uncertain future capital gains, perceiving dividends as tangible returns on investment. Signaling Theory suggests that dividend changes convey valuable information about a firm's financial health and future prospects to investors. Lastly, the Clientele Effects of Dividend Theory explores how different investor preferences for dividends shape a company's dividend policy decisions. Through the examination of these theories, this section sheds light on the complexities and considerations involved in dividend policy formulation.

2.2.1 Dividend Irrelevance Theory

Miller and Modigliani (1961) introduced one of the most esteemed dividend theories over 50 years ago, which remains highly regarded today. Their irrelevance proposition, published in the article "Dividend policy, growth and the valuation of shares," significantly shifted the perspectives of both scholars and practitioners on dividends, establishing a new standard. Prior to the presentation of Modigliani-Miller's irrelevance theory, it was

commonly believed that dividend payouts were positively correlated with a firm's value, stemming from the "bird-in-hand" hypothesis. This hypothesis posited that corporations exist primarily to pay dividends and that firms offering higher dividends command higher share prices.

However, Miller and Modigliani (1961) introduced the irrelevance theorem, also known as the M&M theorem, which argued that, under certain assumptions, a company's dividend policy does not affect either its share price or cost of capital. They contended that a company's value is determined by its earning power, which relies on profits derived from optimal investments. Consequently, investment decisions render payout policy irrelevant to a firm's value. This is because the difference between investments and earnings, and a residual represents net payout. In essence, a firm's value depends on the revenue earned by its assets, irrespective of how this revenue is distributed between retained earnings and dividends. From an investor's standpoint, dividend policy is inconsequential, as appropriate equity transactions can replicate desired payment streams. A company can adjust its dividends with a corresponding change in outstanding shares. Therefore, according to the authors, dividend policy does not impact shareholder wealth, and investors will not pay a premium regardless of the dividend policy.

The dividend irrelevance theory rests on several assumptions. These include symmetrical and freely available information, absence of taxes on capital gains and dividends, non-existence of transportation and flotation costs during securities transactions, absence of divergence between managers and security holders' interests (i.e., no agency costs), and inability of individual firms and investors to influence security prices in the market. However, the practical applicability of some assumptions is contested. For instance, critics argue against the assumption of no agency problem, contending that managers may prioritize their interests over shareholders'. Similarly, the assertion of no taxes is challenged as unrealistic, as taxes on capital gains are prevalent.

2.2.2 Dividend Relevance Theory

Baker and Powell (1999) discuss that managers perceive an optimal dividend policy as a balanced combination of future growth and dividend payouts to maximize investor value. Their findings align with Lintner (1962) research, which emphasizes the significance of

dividends in determining firm value. Similarly, Gordon (1963) emphasizes the importance of dividends in his valuation technique for corporations. Despite investors potentially viewing dividend policy as inconsequential, empirical evidence demonstrates the significance of dividends in investor perception. In imperfect markets characterized by uncertainty and frictions, dividend policy can influence investors through behavioral considerations and market imperfections. These imperfections include theories such as the bird-in-hand theory, signaling theory, agency theory, and clientele effect, which highlight the challenges faced by managers in selecting a dividend strategy and underscore why investors perceive dividend policy as significant from various perspectives.

2.2.3 Bird in Hand Theory

The bird-in-hand theory, presented by Lintner (1962), suggests that a company's value is positively correlated with dividend payments, contrary to Modigliani-Miller's dividend irrelevance theory. According to this theory, investors prefer receiving current dividends over potential future capital gains due to the uncertainty associated with future earnings. This perception is supported by Gordon (1963) and echoed by Al-Malkawi (2010), who argue that current dividends offer more certainty than relying on future capital gains. Investors are more inclined to invest in companies that provide consistent dividends, as it reduces the risk associated with uncertain future income. Khan and Jain further elaborate on Gordon (1963) model, highlighting the importance of comparing present dividends with future dividends or capital gains. They emphasize that investors may discount the value of firms that do not pay current dividends, as there is uncertainty regarding future returns. Overall, the bird-in-hand theory challenges the notion of dividend irrelevance by suggesting that profitable companies tend to distribute more dividends to shareholders. However, further examination is needed to determine whether a company's profitability directly influences its dividend payments, as this relationship may vary based on individual circumstances.

2.2.4 Signaling Theory

The signaling theory addresses the concept of information asymmetry in markets, where certain participants possess more information about a company's future prospects than others. Akerlof (1978) introduced the notion of information asymmetry, illustrated by the

"lemons" problem in automobile markets. Under this scenario, all items are sold at the same price despite varying qualities, leading owners of good cars to signal their quality to potential buyers. Similarly, companies that pay dividends are perceived as signaling positive future prospects, contrasting with the "lemons." Lintner (1962) study laid the foundation for the dividend signaling theory, indicating that changes in dividend payments often influence a company's stock price. While Miller and Modigliani (1961) supported the dividend irrelevance theory, they acknowledged that dividends convey valuable information to the market. Critics argue that managers possess more accurate and timely information about the company than external investors, creating an information gap. Dividends serve as a means for management to communicate private information to shareholders, aligning with Pettit's findings. Studies by Hussainey and Walker (2009), as well as Basiddig and Hussainey (2010), have documented significant increases in share value following unexpected boosts in dividend payouts, reinforcing the role of dividends as signals of brighter prospects.

2.2.5 Clientele Effects of Dividend Theory

The clientele effect of dividend theory posits that different investors or shareholders have varied expectations and preferences regarding dividend payout policies. Shareholders may opt for stocks of firms that align with their specific needs, considering factors such as tax treatment for capital gains and dividends, as well as transaction costs associated with buying and selling securities in different markets. Miller and Modigliani (1961) argue that to minimize these costs, shareholders are inclined towards companies offering expected benefits. Similarly, companies attract diverse clienteles based on their dividend policies. While the clientele effect may influence a company's dividend payout policy, all clienteles are deemed equally significant, rendering dividend policy irrelevant. Al-Malkawi (2010) suggests that companies in different stages, such as development or maturity, appeal to clientele with varying preferences, such as those seeking capital appreciation or immediate dividend income. The clientele effect encompasses two groups: tax-based clientele and transaction cost-induced clientele. Tax-based clientele refers to investors attracted to stocks with minimal dividends due to lower taxes on capital gains, while transaction cost-induced clientele are investors relying on dividends for their needs and preferring firms that meet

this requirement to avoid high transaction costs. These effects affect investors differently based on portfolio size, investor type, and the securities' buying and selling locations.

2.3 Empirical Review

Magribi et al. (2023) examined the impact of asset structure, dividend policy, and partial sales on stock prices. The theoretical framework was based on the premise that asset structure, dividend management, and sales growth are crucial factors influencing stock prices, drawing from existing debates in academic literature. The methodology involved classical assumptions, regression analysis, and partial hypothesis testing, with a focus on seven automotive industries listed on the IDX from 2015 to 2019 using purposive sampling. The findings indicated that companies with a growing asset structure tended to maintain above-average stock prices, while dividends showed no significant influence on stock prices. High total dividends distributed by companies did not correspond to high or increasing stock prices, contrasting with sales growth, which was associated with higher and increasing stock prices, reflecting investment success.

Nur et al. (2023) analyzed the performance of the food and beverage sector on the Indonesia Stock Exchange (IDX) between 2016 and 2021, focusing on gross profit margin and dividend. The research population comprised forty companies within the food and beverage sector listed on the IDX. Through purposive sampling, financial data from seven companies meeting the six-year observation criteria were selected, resulting in a total sample of 42 financial datasets. Analytical methods included model feasibility testing, hypothesis testing, and traditional assumption tests. The findings indicated that gross profit margin did not significantly influence stock prices for food and beverage companies listed on the IDX during the specified period, while dividend policy exhibited a positive and significant impact on stock prices over the same timeframe.

Muspa (2023) examined the impact of leverage and dividend policy on the enhancement of stock prices, which are crucial indicators for evaluating a company's performance and attractiveness to investors. The research population consisted of all manufacturing firms listed on the Indonesia Stock Exchange during the period from 2017 to 2021. Purposive sampling was utilized to select 230 manufacturing companies for the study. Structural Equation Modeling analysis based on Partial Least Squares was employed to analyze the

data. The findings revealed a positive relationship between leverage and dividend policy. Furthermore, both leverage and dividend policy were found to have a positive influence on stock prices. Specifically, the study concluded that dividend policy effectively mediated the relationship between leverage and stock prices.

Goenawan (2023) explored and conducted a thorough analysis of the intricate relationship between stock prices and key financial factors, particularly profitability and solvency. The study employed a set of research variables, including profitability and solvency ratios as independent variables, stock prices as the dependent variable, and dividend policies as a mediator. In this comprehensive analysis, annual closing stock prices were represented by ROA for profitability and DER for solvency, providing valuable insights into this complex relationship. The study focused on a substantial sample size of sixteen companies, all of which consistently belonged to the prestigious LQ45 index. Data analysis employed advanced Structural Equation Modeling, particularly Partial Least Square, with the assistance of the sophisticated Smart PLS 3.2.9 analysis tool. The findings of this research shed light on the dynamics within this multifaceted relationship. Notably, the study revealed that stock prices did not exhibit a significant influence on profitability, solvency, or dividend policies. Moreover, the mediation role of dividend policies was found to be somewhat unsuccessful in bridging the gaps between profitability and solvency and their ultimate impact on stock prices.

Mahirun et al. (2023) analyzed the research model by using dividend policy as an intervening variable on the effect of firm value and capital structure on firm value. Other variables influencing the stock price were investment opportunity set, trading volume activity, and profitability. The objects of this research were companies included in the LQ45 index on the Indonesia Stock Exchange during the period 2012 - 2021. The analytical tool used was path analysis to test the effect of exogenous variables on endogenous variables, including testing direct and indirect effects. The results of testing 177 samples over a period of 10 years resulted in the finding that the dividend policy with the DPR (Dividend Payout Ratio) indicator was unable to mediate funding policy and firm value in increasing stock prices. Another study found that factors that increased SP (stock prices) in a positive and significant direction of influence were ROE (Return On Equity) and DPR (Dividend Payout Ratio), while other variables such as PER (Price Earning Ratio) and DER

(Debt to Equity Ratio) did not significantly increase SP (Stock Prices) despite the positive direction of influence. While the factors that could reduce SP (Stock Prices) in our study were DAR (Debt to Assets Ratio) and TVA (Trading Volume Activity), and other factors that did not significantly reduce SP (Stock Prices) even though the direction of influence was negative were PBV (Price to Book Value) and ROA (Return on Assets).

Supriyatna et al. (2023) assessed the influence of profitability and firm size on stock prices, considering dividend policy as a potential mediating variable. The study focuses on 47 banking companies listed on the Indonesia Stock Exchange between 2017 and 2021, employing the saturated sample method. Data analysis was conducted using panel data regression in Eviews version 12. The findings indicate that profitability does not significantly impact stock prices, whereas company size does. However, the study does not find evidence to support dividend policy as an intervening variable, as it fails to mediate the effects of profitability and company size on the stock prices of banking companies listed on the Indonesia Stock Exchange during the specified period.

Koleosho et al. (2022) analyzed the influence of dividend policy on share price volatility among a selection of companies listed on the Nigerian Exchange. Employing an ex-post facto research design and EGARCH for volatility measurement, a panel data sample of forty-nine companies out of one hundred and sixty-two listed on the Nigerian Exchange during the study period (from 2010 to 2020) was randomly selected. Results revealed a significant relationship between dividend policy and share price volatility (SPV). Specifically, the Dividend Payout Ratio (DPR) exhibited a noteworthy effect on SPV, while dividend yield (DY), dividend per share (DPS), and financial leverage (LEV) showed negative but non-significant effects on SPV. Consequently, the study concluded that dividend policy significantly influences share price volatility. It was recommended that companies prioritize payout, while investors should favor corporate entities with a consistent payout ratio.

Hartono and Raya (2022) examined the impact of the COVID-19 crisis on the dividend policies of manufacturing firms in Indonesia and how the stock market reacted to these corporate decisions in the year 2020. Using a purposive sampling technique, 87 manufacturing companies were selected to analyze the crisis's effect on dividend policies

spanning from 2014 to 2020, with 42 companies chosen for examining the market reaction. Data were analyzed utilizing dynamic panel data regression employing the SYS-GMM estimation method, alongside one-sample T-test and Wilcoxon sign-ranked tests. The results revealed that Indonesia's manufacturing companies adopted a positive dividend policy amidst the COVID-19 pandemic. However, the stock market response to this corporate action was lackluster, indicating sluggishness during the crisis period. These findings suggest that efforts to convey positive signals to the market were ineffective. Consequently, companies are urged to develop corporate strategies or managerial policies to mitigate capital market sluggishness during crises. Moreover, implementing an optimal dividend policy is recommended to enhance their value and contribute to the Indonesian economy, particularly during challenging times like the COVID-19 pandemic.

Ajao and Robinson (2022) explored the influence of dividend policy determinants on stock price volatility in Sub-Saharan Africa. Three economies, namely Nigeria, Kenya, and South Africa, were selected from the region's 51 economies, and data covering a period of nine years (2011-2019) were collected for analysis. The Generalized Autoregressive Conditional Heteroskedasticity (GARCH) method was utilized to determine the volatility properties of stock prices, while the panel Autoregressive Distributed Lag (ARDL) technique was employed to examine the relationship between dividend policy determinants and stock price volatility. The independent variables studied included leverage (LEV), firm size (FSIZE), dividend yield (DY), earnings per share (EPS), and dividend payout (DPO), with stock price volatility (SPV) serving as the dependent variable. Results revealed varying degrees of relationships between all analyzed variables and stock price volatility, both in the long run and short run, across the three countries. The pooled findings indicated significant relationships between DPO, LEV, FSIZE, DY, and EPS, and stock price volatility over the study period in the long run, although no short-term relationships were confirmed for the combined samples. The study concluded that dividend payout, dividend yield, and earnings per share are significant factors for predicting the volatile movements in stock prices within African stock markets. It recommended maintaining consistent and smoothed dividend payments to mitigate stock price volatility, as dividend payment was identified as a significant determinant of stock price volatility.

Gbenga and Ayobami (2022) examined the relationship between dividend policy and share price movements with evidence from firms listed on the Nigerian Stock Exchange. A systematic literary approach for data analysis was employed, utilizing panel regression analysis and Generalized Methods of Moments (GMM). Panel data covering the years 2011-2020 were obtained from the financial statements of twenty firms listed on the Nigerian stock exchange. It was discovered that dividend yield had a negative relationship with share price movement. Furthermore, dividend yield was found to have a negative and significant relationship with share price. The study also revealed that firms' size had a positive and significant relationship with stock price volatility. As a result, the study recommended that stakeholders of quoted firms should ensure that the percentage of earnings disbursed as dividends to shareholders has a positive influence on the value of the company's common stock at the stock market on a continuous basis. It was further recommended that stakeholders should ensure that the ratio of a quoted company's annual dividend compared to its share price has a positive influence on the value of the company's common stock at the stock market on a frequent basis. Additionally, the stakeholders of quoted firms were advised to devise strategies for increasing their sizes in terms of assets, branch creation, etc., as this would potentially increase patronage and profit, thereby positively influencing the value of the company's common stock at the stock market.

Putri et al. (2022) analyzed the effect of dividend policy on stock price volatility in manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2020. It also examined other factors believed to affect dividend policy and stock price volatility, including firm size, earnings volatility, and leverage. A quantitative approach was employed, utilizing secondary data extracted from the companies' annual financial reports. Purposive sampling was used, resulting in a sample of 62 companies with a total of 124 observations. Multiple regression analysis was conducted, with SPSS 16 serving as the analytical tool. The empirical findings of the study indicated that dividend policy had a negative impact on stock price volatility. Specifically, an increase in dividends paid was associated with a decrease in stock price volatility. The control variables of firm size and leverage were found to have no significant effect on stock price volatility. However, the study identified a positive relationship between earnings volatility and stock price volatility.

Usman et al. (2021) analyzed the impact of dividend policy on share prices. The sample object used in this research was manufacturing companies listed on the Indonesia Stock Exchange in the period from 2014 to 2018. The independent variables examined were dividend per share, retention ratio, return on equity, dividend yield, and earnings per share, while the dependent variable was the share prices of the manufacturing sector. The number of samples in this research was 36 companies selected using a purposive sampling technique. Based on the results of the panel data regression model, it was found that dividend per share had a positive impact on share prices, while dividend yield had a negative impact. However, retention ratio, return on equity, and earnings per share were found to have an insignificant impact on share prices. The results of this study are expected to have served as a reference for companies and investors to increase share prices.

Nguyen et al. (2020) investigated the correlation between dividend policy and share price volatility among companies listed on the Hochiminh Stock Exchange (HOSE) in Vietnam. The dataset comprised financial statements from 260 listed firms on HOSE spanning from 2009 to 2018. To address econometric challenges and enhance regression coefficient accuracy, three statistical approaches were utilized: fixed effects model (FEM), random effects model (REM), and general method of moments (GMM). Using GMM, the study examined the relationship between share price volatility and dividend yield, as well as dividend payout ratio. The results revealed a positive association between dividend yield and stock price volatilities, while a negative correlation was observed between dividend payout ratio and stock price volatility. Furthermore, the study found that a firm's growth rate, leverage, and earnings volatility positively influenced share price volatility, whereas firm size had a negative impact on share price volatility.

Alajekwu and Ezeabasili (2020) evaluated the impact of dividend policy on stock price volatility among companies listed on the Nigerien Stock Exchange over an eleven-year period from 2006 to 2016. Employing panel data regression analysis, the study analyzed data from 60 firms, including 19 financial and 41 non-financial companies. Stock volatility, measured by the standard deviation of stock market prices, was assessed alongside dividend policies represented by dividend payout ratio and dividend yield, with consideration of five moderating variables: firm size, growth, leverage, earnings volatility, and financial crisis. The findings indicated a significant positive correlation between

dividend payout ratio and stock market volatility among non-financial firms, while the effect was positive but insignificant for financial firms. Conversely, dividend yield showed an insignificant negative impact on stock market volatility across both financial and non-financial sectors. Consequently, the study suggests that investors in the financial services sub-sector should not rely on dividend policies for share pricing or assessing stock riskiness.

Singh and Tandon (2019) assessed the impact of dividend policy on the stock prices of Nifty 50 companies listed on the National Stock Exchange (NSE) during the period from 2008 to 2017. Various panel data regression models, including pooled regression, fixed effect model, and random effect model, were employed to analyze the data. The Hausman test was utilized to determine the most suitable regression model for describing the relationship among the variables. The results of the Hausman test suggested that the random effect model was the most appropriate for the given dataset. Subsequently, the results obtained from the random effect regression model provided support for the significance of dividend policy in influencing stock prices. Consequently, it can be concluded that dividend policy had a notable effect on the stock prices of firms.

Camilleri et al (2019) evaluated the relationship between the share price volatility of Mediterranean banks and their dividend policies, with particular emphasis on the variation of results across sub-samples and the outcomes when omitting outlier observations. The authors utilized dividend yield and dividend payout as proxies of dividend policy and regressed these ratios together with other control variables to model volatility. The robustness of the results was assessed by re-using a dataset which omitted outliers relating to the aftermath of the 2007 financial crisis and by forming sub-samples using cluster analysis. The findings revealed that the elimination of outliers and the formation of sub-samples led to different inferences about the underlying relationship between dividend policy and volatility. Additionally, traditional indicators of statistical significance were noted to sometimes give the impression of a robust relationship, even when this was not the case.

Ahmad et al. (2018) aimed to examine the effect of dividend policy on the stock price volatility of firms listed in the Amman Stock Exchange. The data applied for the study

consisted of 228 firms listed on the Amman Stock Exchange from the period 2010 to 2016, comprising 1596 firm-year observations. Descriptive statistics, Pearson correlation, and panel GMM estimation were applied to test the relationship. The findings showed that both main variables of dividend policy - dividend yield and dividend payout - had a negative significant relationship with stock price volatility. This implied that the higher the dividend yield and dividend payout of the firms, the lower the stock price volatility, leading to more stability in the stock price. It was suggested that firms on the Amman Stock Exchange should maintain dividend policies that fit into the preferences of existing and prospective investors.

Raza et al. (2018) undertook a non-systematic review of empirical and theoretical literature on corporate dividend policy to elucidate its nature and dimensions. Through an extensive examination of existing literature, three predominant schools of thought emerged. The first posited that an increase in dividend payout enhanced firm value (share price), while the second contended the opposite, suggesting that such an increase diminished firm value. The third aligned with Miller and Modigliani's argument that dividend policy had no impact on firm value or share price. Despite extensive research, a consensus remained elusive, with inconclusive results characterizing the field. Additionally, this article delved into key empirical studies on dividend policy across various countries, revealing significant variations in the phenomenon across different national contexts. The persistent and diverse discussions surrounding dividend policy contributed to a burgeoning volume of literature, making it impractical to comprehensively review all debates.

Iftikhar et al. (2017) focused on examining the impact of dividend policy on the stock prices of firms within the banking sector. Financial data spanning a period of ten years (2005 to 2014) from five selected banks have been collected from their financial reports as well as the State Bank of Pakistan and Karachi Stock Exchange websites. The findings underscore the significance of a well-thought-out dividend policy in attracting reputable investors and strengthening a firm's capital structure. To gain insights, the study has conducted an extensive literature review of relevant texts and journals, followed by gathering secondary data on capital structure and dividend policies of the selected firms through internet research and personal visits. The results highlight that crafting and implementing dividend policies after thorough consideration of market capital structure

and diverse firm policies could have a positive and desirable impact on a firm's stock prices. The study's outcomes are expected to benefit business institutions, students, and researchers by elucidating the intricate relationship between dividend policies and stock prices of firms.

Table 1

Meta Table of Empirical Review

S.N.	Author	Title	Objective	Methodology	Findings
1	Magribi et al. (2023)	Asset Structure, Dividend Policy, and Sales Growth Influence on Stock Prices	To examine the impact of asset structure, dividend policy, and partial sales on stock prices	Classical assumptions, regression analysis, partial hypothesis testing	Companies with a growing asset structure tended to maintain above-average stock prices. Dividends showed no significant influence on stock prices. Sales growth was associated with higher and increasing stock prices, reflecting investment success.
2	Nur et al. (2023)	Effect of Gross Profit Margin and Dividend Policy on Stock Price (Case Study of Food and Beverage Companies Listed on the IDX for the 2016-2021 Period)	To analyze the performance of the food and beverage sector on the Indonesia Stock Exchange (IDX) between 2016 and 2021, focusing on gross profit margin and dividend	Model feasibility testing, hypothesis testing, traditional assumption tests	Gross profit margin did not significantly influence stock prices, while dividend policy exhibited a positive and significant impact on stock prices over the same timeframe.
3	Muspa (2023)	Increasing Stock Prices: The Role of Leverage and Dividend Policy	To examine the impact of leverage and dividend policy on the enhancement of stock prices	Purposive sampling, Structural Equation Modeling based on Partial Least Squares	Leverage and dividend policy were found to have a positive influence on stock prices. Dividend policy effectively mediated the relationship between leverage and stock prices.

S.N.	Author	Title	Objective	Methodology	Findings
4	Goenawan (2023)	Effect of Profitability and Solvency on Stock Prices With Dividend Policy as An Intervening Variable	To explore and conduct a thorough analysis of the intricate relationship between stock prices and key financial factors, particularly profitability and solvency	Structural Equation Modeling (Partial Least Squares) with Smart PLS 3.2.9	Stock prices did not exhibit a significant influence on profitability, solvency, or dividend policies. The mediation role of dividend policies was found to be somewhat unsuccessful.
5	Mahirun et al. (2023)	Impact of dividend policy on stock prices	To test and analyze the research model by using dividend policy as an intervening variable on the effect of firm value and capital structure on firm value	Path analysis	Dividend policy with the DPR indicator was unable to mediate funding policy and firm value in increasing stock prices. ROE and DPR were found to increase stock prices.
6	Supriyatna et al. (2023)	Determining Factors of Dividend Policy and Its effect on Stock Price in the Banking Sector	To assess the influence of profitability and firm size on stock prices, considering dividend policy as a potential mediating variable	Panel data regression in Eviews version 12	Profitability does not significantly impact stock prices, whereas company size does. Dividend policy does not mediate the effects of profitability and company size on stock prices.
7	Koleosho et al. (2022)	The effect of dividend policy on share price volatility of some selected companies on the Nigerian Exchange	To examine the influence of dividend policy on share price volatility among a selection of companies listed companies	Ex-post facto research design, EGARCH for volatility measurement	Dividend policy significantly influences share price volatility. Dividend Payout Ratio exhibited a noteworthy effect on share price volatility.

S.N.	Author	Title	Objective	Methodology	Findings
8	Hartono and Raya (2022)	COVID-19 pandemic, dividend policy, and stock market reaction: Evidence from the manufacturing companies in Indonesia	To assess the impact of the COVID-19 crisis on the dividend policies of manufacturing firms in Indonesia and how the stock market reacted to these corporate decisions in the year 2020	Dynamic panel data regression employing the SYS-GMM estimation method, one-sample T-test, and Wilcoxon sign-ranked tests	Indonesian manufacturing companies adopted a positive dividend policy amidst the COVID-19 pandemic, but the stock market response was lackluster.
9	Ajao and Robinson (2022)	Dividend Policy Determinants and Stock Price Volatility in Selected African Stock Markets	To investigate the influence of dividend policy determinants on stock price volatility in Sub-Saharan Africa	Generalized Autoregressive Conditional Heteroskedasticity (GARCH) method, panel Autoregressive Distributed Lag (ARDL) technique	Dividend payout, dividend yield, and earnings per share are significant factors for predicting the volatile movements in stock prices within African stock markets.
10	Gbenga and Ayobami (2022)	Effect of dividend policy on share price movement: Focusing on companies listed on the Nigerian Stock Exchange market	To examine the relationship between dividend policy and share price movements with evidence from firms listed on the Nigerian Stock Exchange	Panel regression analysis, Generalized Methods of Moments (GMM)	Dividend yield had a negative relationship with share price movement. Firm size had a positive relationship with stock price volatility.
11	Putri et al. (2022)	Dividend Policy and Stock Price Volatility: A Study on Indonesian Manufacturing Companies	To investigate and analyze the effect of dividend policy on stock price volatility in manufacturing companies listed on 2020	Multiple regression analysis	Dividend policy had a negative impact on stock price volatility. Firm size and leverage had no significant effect on stock price volatility.

S.N.	Author	Title	Objective	Methodology	Findings
12	Usman et al. (2021)	The effect of dividend policy on share price manufacturing companies in Indonesia	To examine and analyze the impact of dividend policy on share prices	Panel data regression model	Dividend per share had a positive impact on share prices, while dividend yield had a negative impact. Retention ratio, return on equity, and earnings per share were insignificant.
13	Nguyen et al. (2020)	Dividend policy and share price volatility: empirical evidence from Vietnam	To investigate the correlation between dividend policy and share price volatility among companies listed on the Hochiminh Stock Exchange (HOSE) in Vietnam	Fixed effects model (FEM), random effects model (REM), general method of moments (GMM)	Dividend yield had a positive association with stock price volatilities, while dividend payout ratio showed a negative correlation. Firm's growth rate, leverage, and earnings volatility positively influenced share price volatility. Firm size had a negative impact on share price volatility.
14	Alajekwu and Ezeabasili (2020)	Dividend policy and stock market price volatility in the Nigerian stock market	To investigate the impact of dividend policy on stock price volatility among companies listed on the Nigerien Stock Exchange over an eleven-year period from 2006 to 2016	Panel data regression analysis	Dividend payout ratio had a significant positive correlation with stock market volatility among non-financial firms, while the effect was positive but insignificant for financial firms. Dividend yield showed an insignificant negative impact on stock market volatility across both sectors.
15	Singh and Tandon (2019)	The effect of dividend policy on stock price: evidence from the Indian market	To assess the impact of dividend policy on the stock prices of Nifty 50 companies listed on the National Stock Exchange	Pooled regression, fixed effect model, random effect model	Dividend policy had a notable effect on the stock prices of firms.

S.N.	Author	Title	Objective	Methodology	Findings
16	Camilleri et al. (2019)	The effect of dividend policy on share price volatility: An analysis of Mediterranean banks' stocks.	To investigate the relationship between the share price volatility of Mediterranean banks and their dividend policies, with particular emphasis on the variation of results across sub-samples and the outcomes when omitting outlier observations.	Utilized dividend yield and dividend payout as proxies of dividend policy and regressed these ratios together with other control variables to model volatility.	Elimination of outliers and the formation of sub-samples led to different inferences about the underlying relationship between dividend policy and volatility.
17	Ahmad et al. (2018)	The effect of dividend policy on stock price volatility: empirical evidence from amman stock exchange	To examine the effect of dividend policy on the stock price volatility of firms listed in the Amman Stock Exchange	Descriptive statistics, Pearson correlation, panel GMM estimation	Dividend yield and dividend payout had a negative significant relationship with stock price volatility. Higher dividend yield and payout led to lower stock price volatility.
18	Raza et al. (2018)	The effect of dividend policy on share price: A conceptual review	To undertake a non-systematic review of empirical and theoretical literature on corporate dividend policy to elucidate the nature and dimensions	Extensive examination of existing literature	Three predominant schools of thought emerged regarding the impact of dividend policy on firm value and share price. Significant variations in the phenomenon across different national contexts were observed.

S.N.	Author	Title	Objective	Methodology	Findings
19	Iftikhar et al. (2017)	Impact of dividend policy on stock prices of firm	To examine the impact of dividend policy on the stock prices of firms within the banking sector	Literature review, data collection from financial statements and websites, panel data regression	A well-thought-out dividend policy positively influences a firm's stock prices.

2.4 Research Gap

The comprehensive review of existing literature, conducted by Magribi et al. (2023); Nur et al. (2023); Muspa (2023); Goenawan (2023); Mahirun et al. (2023); Supriyatna et al. (2023); Koleosho et al. (2022); Hartono and Raya (2022); Ajao and Robinson (2022); Gbenga and Ayobami (2022); Putri et al. (2022); Usman et al. (2021); Nguyen et al. (2020); Alajekwu and Ezeabasili (2020); Singh and Tandon (2019); Camilleri et al. (2019); Ahmad et al. (2018); Raza et al. (2018); and Iftikhar et al. (2017), highlights a significant research gap in the context of finance companies, particularly within the Nepalese context.

While numerous studies have investigated this relationship in different sectors and regions, there is a notable absence of research specifically focused on finance companies in Nepal. Furthermore, the time gap identified in this body of research underscores the importance of updating the analysis to reflect the latest market dynamics. Many of the reviewed studies utilized data from previous years, and there is a need for research that incorporates more recent financial data to provide up-to-date insights.

Moreover, there exists a variable gap in the literature, as not all studies have considered the same set of variables to analyze the relationship between dividend policy and share prices. While some studies focused on traditional dividend metrics like dividend payout ratio (DPR), earnings per share (EPS), dividend per share (DPS), and price-to-earnings ratio (PER), others explored additional financial indicators. This discrepancy highlights the need for research that specifically examines the impact of these core dividend practices on market price per share, especially within the context of finance companies.

Lastly, there is a methodology gap in the existing literature, with variations in the research methodologies employed across different studies. While some studies utilized regression analysis, structural equation modeling, or panel data regression, others employed different

statistical techniques to analyze the relationship between dividend policy and share prices. This study aims to address these identified research gaps by focusing exclusively on finance companies in Nepal, utilizing the latest available financial data, examining core dividend metrics, and employing a robust research methodology combining descriptive statistics with a causal-comparative research design. Through this approach, the study endeavors to contribute valuable insights into the relationship between dividend practices and market price per share in the context of Nepalese finance companies by addressing all the identified research gap.

CHAPTER III
RESEARCH METHODOLOGY

This chapter encompasses the research design, population and sample, data sources, analysis methods, and the framework for the study. The research design outlines the overall approach and methodology employed to address the research objectives. Population and sample selection details how the study population was defined and how samples were chosen to represent it. The nature and sources of data section elucidate the types of data collected and the origins of this information. Furthermore, it explains the instrument used for data collection. The method of analysis section describes the statistical or analytical techniques applied to interpret the data collected. Lastly, the research framework and definition of variables delineate the conceptual framework guiding the study and provide clear definitions of the variables under investigation. This comprehensive approach ensures rigor and clarity in conducting the research and drawing meaningful conclusions.

3.1 Research Design

This study has employed a quantitative approach, utilizing both descriptive statistics and a causal comparative research design. Descriptive statistics were utilized to summarize and present the characteristics of the data collected, providing insights into the central tendencies and variability within the dataset. Additionally, a causal comparative research design was adopted to investigate the relationships between variables and determine potential causal effects. This design allowed for the comparison of groups or conditions to identify associations and infer causality, providing valuable insights into the factors influencing the phenomenon under study. By leveraging these complementary quantitative methodologies, the study aimed to achieve a comprehensive understanding of the research topic while ensuring robustness and reliability in the analysis of data and interpretation of results.

3.2 Population and Sample, and Sampling Design

In conducting this study, the population under consideration comprised 17 finance companies operating in Nepal. However, due to practical constraints and data availability considerations, a sample size of 10 finance companies was selected for the analysis. The

selection process employed convenience sampling, which allowed for the inclusion of companies based on their accessibility and readiness of data for analysis. While the sample size represents a subset of the entire population, it was deemed sufficient to draw meaningful insights and conclusions regarding the research objectives. By utilizing this approach, the study aimed to balance the need for comprehensive coverage of the finance sector with the practical constraints inherent in data collection and analysis, ensuring the validity and reliability of the findings within the scope of the study.

Table 2

Sample Size

S.N.	Name of Finance Company	Observation Period	Number of Observations
1	Best Finance Ltd. (BFC)	FY 2013/14 to FY 2022/23	10
2	Goodwill Finance Ltd. (GFCL)	FY 2013/14 to FY 2022/23	10
3	Guheswori Merchant Banking & Finance Ltd. (GMFIL)	FY 2013/14 to FY 2022/23	10
4	Gurkhas Finance Ltd. (GUFL)	FY 2013/14 to FY 2022/23	10
5	ICFC Finance Ltd. (ICFC)	FY 2013/14 to FY 2022/23	10
6	Nepal Finance Ltd. (NFS)	FY 2013/14 to FY 2022/23	10
7	Pokhara Finance ltd. (PFL)	FY 2013/14 to FY 2022/23	10
8	Progressive Finance Ltd. (PROFL)	FY 2013/14 to FY 2022/23	10
9	Reliance Finance Ltd. (RLFL)	FY 2013/14 to FY 2022/23	10
10	Shree Investment Finance Company Ltd. (SIFC)	FY 2013/14 to FY 2022/23	10

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

In this study, a quantitative approach was adopted to analyze the data, drawing upon secondary sources from multiple platforms to ensure comprehensive coverage of the finance sector in Nepal. The primary instruments for data collection included published annual reports of the sampled finance companies, quarterly reports, and data obtained from various finance websites such as Merolagani, ShareSansar, and NepseAlpha. These sources provided a rich repository of financial information, allowing for a detailed examination of key variables over the latest ten financial years, spanning from FY 2013/14 to FY 2022/23. By leveraging secondary data from reputable sources, the study aimed to establish a robust foundation for analysis, enabling insights into trends, patterns, and relationships pertinent

to the research objectives. The utilization of a quantitative approach facilitated systematic data collection and rigorous analysis, enhancing the reliability and validity of the study findings.

3.4 Method of Analysis

Following data collection, the collected data underwent thorough analysis using both Microsoft Excel and SPSS statistical software packages. Various financial metrics such as dividend payout ratio, earnings per share, dividend per share, price-to-earnings ratio, and market price per share were subjected to analysis to extract meaningful insights. Statistical techniques including mean calculation, standard deviation assessment, correlation analysis, and regression analysis were employed to explore relationships, patterns, and trends within the dataset. By leveraging both financial and statistical tools, the study aimed to provide a comprehensive understanding of the factors influencing dividend policy and their impact on market dynamics, shareholder wealth, and company performance.

3.4.1 Financial Tools

The study utilized a range of financial indicators to evaluate different facets of the companies under scrutiny. These metrics encompass the Dividend Payout Ratio (DPR), which gauges the percentage of profits disbursed as dividends, Earnings Per Share (EPS) as a measure of profitability per share, Price to Earnings Ratio (PER) for assessing market valuation relative to earnings, Dividend Per Share (DPS) indicating cash dividends per outstanding share, and Market Price Per Share, indicating the current trading price on the stock exchange.

3.4.1.1 Dividend Payout Ratio (DPR)

The Dividend Payout Ratio (DPR) is a financial measure indicating the fraction of a company's profits allocated to shareholders through dividends. It is computed by dividing the total dividends disbursed by the company by its net income. A higher DPR suggests that a greater proportion of the firm's earnings is being shared with shareholders, reflecting a more liberal dividend distribution policy. It can be expressed as;

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

3.4.1.2 Earnings Per Share (EPS)

Earnings Per Share (EPS) serves as a crucial financial metric, assessing a company's profitability per outstanding share. Computed by dividing the net income attributable to common shareholders by the total number of outstanding shares, EPS offers a glimpse into a company's capacity to generate earnings for each share held by investors. Elevated EPS values typically signify robust profitability on a per-share basis, which is often perceived positively by investors. It can be expressed as;

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Income}}{\text{Total outstanding number of Shares}}$$

3.4.1.3 Price to Earnings Ratio (PER)

The Price to Earnings Ratio (PER) is a financial measure utilized to evaluate the valuation of a company's stock in relation to its earnings per share (EPS). This metric is computed by dividing the current market price per share by the earnings per share. Investors employ PER to gauge the relative valuation of a stock, where a higher PER indicates that investors are willing to pay a premium for each unit of earnings generated by the company. It can be expressed as;

$$\text{Price to Earnings Ratio (PER)} = \frac{\text{Share Price}}{\text{Earning Per Share}}$$

3.4.1.4 Dividend Per Share (DPS)

Dividend Per Share (DPS) is a crucial financial indicator that signifies the cash distributed to shareholders for each outstanding share held. The computation involves dividing the total dividends paid by the company by the number of outstanding shares. DPS offers valuable insight into the cash returns that shareholders receive from their investment through dividends. It can be expressed as;

$$\text{Dividend Per Share (DPS)} = \frac{\text{Total Dividend Paid}}{\text{Total Number of Outstanding Shares}}$$

3.4.1.5 Market Price Per Share (MPS)

The Market Price Per Share represents the prevailing trading value of a company's stock within the open market environment. Determined through the interplay of supply and

demand dynamics, this metric is subject to fluctuations influenced by multifaceted factors such as the company's financial health, prevailing market sentiment, broader economic conditions, and investor anticipations. Serving as a pivotal gauge, it offers insights into the market's perception of the company's equity valuation at any given moment. It can be expressed as;

$$\text{Market Price Per Share (MPS)} = \frac{\text{Total Market Capitalization}}{\text{Total Number of Outstanding Shares}}$$

3.4.2 Statistical Tools

The analytical toolkit utilized in this study comprises three fundamental statistical methodologies: descriptive statistics, correlation analysis, and regression analysis. Descriptive statistics, which include metrics such as the mean and standard deviation, offer a succinct overview of the central tendencies and variability within the dataset. Correlation analysis investigates the interrelationships among independent and dependent variables, revealing underlying connections. In contrast, regression analysis examines how independent variables impact the dependent variable, shedding light on patterns and influencing factors.

3.4.2.1 Descriptive Statistics

Descriptive Statistics, a cornerstone of the statistical methodologies utilized in this study, holds significant importance. It includes essential metrics like the mean, standard deviation, and coefficient of variation. These statistics are invaluable for summarizing and presenting crucial aspects of the data, offering a comprehensive snapshot of central tendencies, variability, and relative dispersion.

3.4.2.2 Correlation Analysis

Correlation analysis serves as a vital tool in this study for scrutinizing the intricate relationship between dividend policy and the market price of shares. Specifically, it explores the correlations between various financial metrics, including the Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Price to Earnings Ratio (PER), Dividend Per Share (DPS), and the market price per share (MPS). By assessing the strength and direction of these correlations, the study aims to uncover any associations between dividend-related

factors and the market valuation of shares. This analytical approach offers insights into how dividend policies may impact investors' perceptions of a company's value and its corresponding share prices. Karl Pearson correlation coefficient has been calculated by using following formula.

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

Where,

n = Number of observations

X = Value of independent variable

Y= Value of dependent variable

3.4.2.3 Regression Analysis

Multivariate Regression Analysis stands at the forefront of this study, offering a robust methodology to dissect and comprehend the intricate relationships among key financial metrics. By examining the Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Price to Earnings Ratio (PER), and Dividend Per Share (DPS) as independent variables, and their collective impact on the dependent variable, Market Price Per Share (MPS), this analytical technique unveils invaluable insights into the underlying dynamics of the market. Through regression analysis, the study not only identifies patterns and trends but also quantifies the influence exerted by each variable on the market price per share. As such, Multivariate Regression Analysis serves as a powerful tool for elucidating the complexities of stock market dynamics and informing strategic decision-making for investors and financial practitioners alike. The regression equation that has been used in this study was as follows.

$$Y_{MPS} = \alpha + \beta_1 DPR + \beta_2 EPS + \beta_3 PER + \beta_4 DPS \quad \text{..... Eq (1)}$$

Where,

MPS = Market Price Per Share

DPR = Dividend Payout Ratio

EPS = Earnings Per Share

PER = Price to Earnings Ratio

DPS = Dividend Per Share

E = Error Term

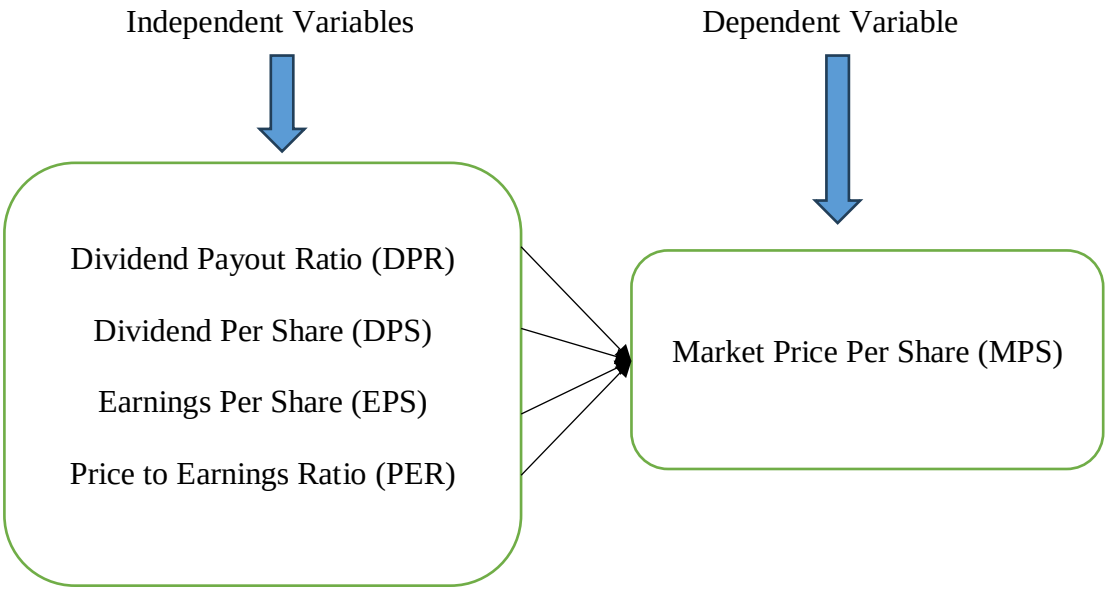
α = Intercept term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients

3.5 Research Framework and Definition of Variables

3.5.1 Research Framework

This study adopted a research framework inspired by the model proposed by Khadka and Khadka (2021), which outlines the interplay between essential financial indicators and market price movements within the life insurance sector. The framework highlights key metrics such as Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Price to Earnings Ratio (PER), and Dividend Per Share (DPS) as independent variables influencing the market price of life insurance company shares. Meanwhile, the Market Price Per Share (MPS) serves as the dependent variable, representing the composite valuation of a company's shares within the market.



Source: Khadka and Khadka (2021)

Figure 1. Research Framework of this Study

3.5.2 Operational Definition of Variables

Dividend Putout Ratio (DPR)

Company's earnings that are distributed to shareholders in the form of dividends. It is calculated by dividing the total dividends paid out by the company by its net income. A higher DPR indicates that a larger portion of the company's earnings is being distributed to shareholders as dividends, while a lower DPR suggests that the company retains more earnings for reinvestment or other purposes (Gill et al., 2010).

Dividend Per Share (DPS)

Dividend Per Share (DPS) is a financial metric that represents the amount of cash distributed to shareholders for each outstanding share of common stock. It is calculated by dividing the total dividends paid out by the company by the total number of outstanding shares. DPS provides insight into the cash returns that shareholders receive from their investment in the form of dividends (Arsal, 2021).

Earnings Per Share (EPS)

Earnings Per Share (EPS) is a fundamental indicator of a company's profitability per outstanding share of common stock. It is calculated by dividing the company's net income by the total number of outstanding shares. EPS provides insight into how much profit a company is generating for each share of its stock. A higher EPS generally indicates higher profitability on a per-share basis, which can be seen as favorable by investors (Kumar, 2017).

Price to Earnings Ratio (PER)

The Price to Earnings Ratio (PER), often abbreviated as P/E ratio, is a valuation metric used by investors to assess the relative attractiveness of a company's stock price compared to its earnings per share (EPS). It is calculated by dividing the market price per share by the EPS. A higher PER suggests that investors are willing to pay more for each unit of the company's earnings, indicating that the stock may be overvalued (Khadka & Khadka, 2021). Conversely, a lower PER may suggest that the stock is undervalued.

Market Price Per Share (MPS)

Market Price Per Share (MPS) reflects the current trading price of a company's stock in the open market. It is determined by the interaction of supply and demand in the stock market and represents the valuation placed on the company by investors at any given point in time. MPS is influenced by various factors, including the company's financial performance, market sentiment, economic conditions, and investor expectations (Khadka & Khadka, 2021).

CHAPTER IV
RESULTS AND DISCUSSION

In this chapter, the study presents and analyzes the initial results concerning the impact of dividend practices on market share prices. It explores how metrics like the Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Price to Earnings Ratio (PER), and Dividend Per Share (DPS) influence the Market Price Per Share (MPS) of companies. The discussion section contextualizes these findings by comparing them with previous research, aiming to identify trends and insights in the field. This comparative analysis enhances understanding and offers practical implications for investors and corporate decision-makers.

4.1 Results

This section delves into the presentation and analysis of results derived from descriptive statistics of financial ratios, correlation analysis, and regression analysis. Descriptive statistics offer a succinct summary of the dataset's central tendencies and variability, providing essential insights into the distribution of financial metrics. Correlation analysis elucidates relationships between variables, unveiling potential connections within the data. Meanwhile, regression analysis uncovers the impact of independent variables on the dependent variable, shedding light on patterns and influencing factors. Through rigorous analysis, this section aims to provide a comprehensive understanding of the relationships between financial ratios and their impact on market dynamics.

4.1.1 Descriptive Statistics of Financial Ratios

In this section, the descriptive statistics of financial ratios, including the Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Dividend Per Share (DPS), Price to Earnings Ratio (PER), and Market Price Per Share (MPS), across ten finance companies from fiscal years 2013/14 to 2022/23, have been meticulously examined. The analysis encompasses key measures such as the mean, and standard deviation, providing valuable insights into the central tendencies and variability of these financial metrics. Through this comprehensive analysis, a deeper understanding of the financial performance and market dynamics of the selected companies is sought, laying the groundwork for further exploration and interpretation of the data.

Table 3

Descriptive Statistics of Financial Ratios

Finance Company		DPR	EPS	DPS	PER	MPS
	Mean	0.000	5.795	0.000	28.443	237.050
BFC	S.D.	0.000	14.560	0.000	31.877	195.273
	N	10	10	10	10	10
	Mean	0.541	15.366	9.794	9.618	303.000
GFCL	S.D.	0.313	11.829	7.528	22.476	190.564
	N	10	10	10	10	10
	Mean	0.763	15.232	11.607	23.971	277.694
GMFIL	S.D.	0.372	8.857	7.404	18.256	128.215
	N	10	10	10	10	10
	Mean	0.172	11.492	1.579	-18.914	456.180
GUFL	S.D.	0.365	15.176	3.338	328.370	505.372
	N	10	10	10	10	10
	Mean	0.678	17.519	11.773	19.109	331.600
ICFC	S.D.	0.217	4.851	5.022	8.938	162.880
	N	10	10	10	10	10
	Mean	0.000	4.592	0.000	27.613	206.108
NFS	S.D.	0.000	23.722	0.000	41.279	154.641
	N	10	10	10	10	10
	Mean	0.682	15.617	12.838	32.994	291.800
PFL	S.D.	0.335	12.314	14.303	38.846	158.395
	N	10	10	10	10	10
	Mean	0.000	-0.260	0.000	64.353	222.900
PROFL	S.D.	0.000	12.854	0.000	89.283	105.859
	N	10	10	10	10	10
	Mean	0.729	10.050	9.184	15.059	238.500
RLFL	S.D.	0.528	9.781	7.193	18.888	129.389
	N	10	10	10	10	10
	Mean	0.780	15.551	11.965	25.544	335.800
SIFC	S.D.	0.068	8.360	5.671	13.136	112.602
	N	10	10	10	10	10
	Mean	0.435	11.095	6.874	22.779	290.063
Overall	S.D.	0.428	13.758	8.314	106.936	216.717
	N	100	100	100	100	100

Source: Appendix 1, and 2

Table 3 presents the descriptive statistics of key financial metrics, including DPR (Dividend Payout Ratio), EPS (Earnings Per Share), DPS (Dividend Per Share), PER (Price to Earnings Ratio), and MPS (Market Price Per Share), for a sample of finance companies operating in Nepal over a ten-year period from FY 2013/14 to 2022/23. The financial companies analyzed in this study include Best Finance Ltd. (BFC), Goodwill (GFCL), Guheshwori (GMFIL), Gurkhas Finance Ltd. (GUFL), ICFC Finance Ltd. (ICFC), Nepal Finance Ltd. (NFS), Pokhara Finance Ltd. (PFL), Progressive Finance Ltd. (PROFL), Reliance Finance Ltd. (RLFL), Shree Investment Finance Company Ltd. (SIFC). These statistics offer insights into the central tendencies, variability, and distribution of these financial metrics across the sampled companies, providing a comprehensive overview of their financial performance and market dynamics over the specified timeframe.

4.1.1.1 Descriptive Study of Dividend Payout Ratio (DPR)

For BFC, the Dividend Payout Ratio (DPR) remained consistently at zero across the analyzed fiscal years, with a standard deviation of 0.000, indicating a policy of retaining all earnings rather than distributing dividends to shareholders. This conservative approach may signify a focus on reinvesting profits into business expansion or strengthening financial reserves. Similarly, NFS also maintained a DPR of zero, with a standard deviation of 0.000, reflecting a similar strategy of prioritizing internal reinvestment over dividend distribution. Conversely, GFCL exhibited a mean DPR of 0.541 and a standard deviation of 0.313, indicating that approximately 54.1% of its earnings were distributed as dividends, with a moderate level of variability in this distribution. GMFIL's mean DPR of 0.763 and a standard deviation of 0.372 suggest an even higher commitment to dividend distribution, potentially appealing to investors seeking income through dividends. GUFL, with a mean DPR of 0.172 and a standard deviation of 0.365, follows a more conservative approach, distributing a smaller portion of earnings as dividends with moderate variability. ICFC's mean DPR of 0.678 and a standard deviation of 0.217 indicates a balanced approach to dividend policy, with relatively low variability. PFL's DPR of 0.682 and a standard deviation of 0.335 suggest a similar commitment to distributing earnings to shareholders as ICFC, with moderate variability. PROFL's DPR remains at zero throughout the period, with a standard deviation of 0.000, implying a strategy of retaining all earnings. RLFL exhibits a high mean DPR of 0.729 and a standard deviation of 0.528, reflecting a strong

emphasis on dividend distribution with relatively high variability. Lastly, SIFC's mean DPR of 0.780 and a standard deviation of 0.068 indicates a robust commitment to rewarding shareholders through dividends, with low variability. Overall DPR of sampled finance companies is 0.435 with standard deviation of 0.428.

Overall, Shree Investment Finance Company Ltd. (SIFC) has the highest DPR among the sampled finance companies, indicating a strong commitment to dividend distribution, while Best Finance Ltd. (BFC) and Nepal Finance Ltd. (NFS) have the lowest DPR, reflecting a strategy of retaining all earnings for internal reinvestment.

4.1.1.2 Descriptive Study of Earnings Per Share (EPS)

For BFC, the Earnings Per Share (EPS) averaged at 5.795 with a standard deviation of 14.560 across the analyzed fiscal years. The relatively high standard deviation suggests considerable variability in earnings per share, which could be influenced by factors such as fluctuations in profitability or changes in the number of outstanding shares. GFCL exhibited a mean EPS of 15.366 and a standard deviation of 11.829, indicating a higher level of earnings per share with moderate variability. GMFIL's EPS averaged at 15.232 with a standard deviation of 8.857, reflecting relatively stable earnings per share over the period. GUFL's EPS averaged at 11.492 with a substantial standard deviation of 15.176, suggesting significant variability in earnings per share. ICFC demonstrated a mean EPS of 17.519 with a standard deviation of 4.851, indicating higher earnings per share with low variability. NFS displayed a mean EPS of 4.592 and a notably high standard deviation of 23.722, suggesting considerable fluctuation in earnings per share. PFL's EPS averaged at 15.617 with a standard deviation of 12.314, reflecting moderate variability in earnings per share. PROFL's EPS remained negative throughout the period, with a mean of -0.260 and a standard deviation of 12.854, indicating a loss per share with variability. RLFL exhibited an EPS mean of 10.050 and a standard deviation of 9.781, reflecting moderate variability in earnings per share. SIFC's EPS averaged at 15.551 with a standard deviation of 8.360, indicating relatively stable earnings per share over the period. Overall, the sample companies had an average EPS of 11.095 with a standard deviation of 13.758, indicating moderate variability in earnings per share across the sample.

Among the sampled finance companies, ICFC Finance Ltd. (ICFC) stands out with the highest average Earnings Per Share (EPS) of 17.519, reflecting stronger profitability on a per-share basis, coupled with relatively low variability indicated by a standard deviation of 4.851. Conversely, Nepal Finance Ltd. (NFS) exhibits the lowest average EPS of 4.592, accompanied by a notably high standard deviation of 23.722, suggesting considerable fluctuation in earnings per share over the analyzed fiscal years. These findings underscore the divergent financial performance and stability across the sampled companies, with ICFC demonstrating robust profitability and stability, while NFS experiences significant variability in earnings per share.

4.1.1.3 Descriptive Study of Dividend Per Share (DPS)

For BFC, the Dividend Per Share (DPS) remained constant at 0.000 throughout the analyzed fiscal years, with no variability indicated by a standard deviation of 0.000. GFCL exhibited a mean DPS of 9.794 with a standard deviation of 7.528, suggesting moderate variability in dividend per share over the period. GMFIL's DPS averaged at 11.607 with a standard deviation of 7.404, indicating moderate variability in dividend per share. GUFL had a mean DPS of 1.579 and a standard deviation of 3.338, suggesting relatively low variability in dividend per share. ICFC demonstrated a mean DPS of 11.773 with a standard deviation of 5.022, indicating moderate variability in dividend per share. NFS, like BFC, had a consistent DPS of 0.000 with no variability shown by a standard deviation of 0.000. PFL displayed a mean DPS of 12.838 with a relatively high standard deviation of 14.303, indicating significant variability in dividend per share. PROFL, similar to BFC and NFS, maintained a constant DPS of 0.000 with no variability shown by a standard deviation of 0.000. RLFL exhibited a mean DPS of 9.184 with a standard deviation of 7.193, indicating moderate variability in dividend per share. SIFC had a mean DPS of 11.965 with a standard deviation of 5.671, indicating moderate variability in dividend per share. Overall, the sample companies had an average DPS of 6.874 with a standard deviation of 8.314, suggesting moderate variability in dividend per share across the sample.

Among the sampled finance companies, PFL stands out with the highest average Dividend Per Share (DPS) of 12.838, indicating a relatively generous dividend distribution policy. However, this is accompanied by a significant standard deviation of 14.303, implying

substantial variability in dividend payments over the analyzed fiscal years. Conversely, both BFC and PROFL maintained a constant DPS of 0.000 throughout the period, reflecting a strategy of retaining all earnings rather than distributing dividends to shareholders. These findings highlight the contrasting dividend policies among the sampled companies, with PFL emphasizing dividend distribution while BFC and PROFL prioritize internal reinvestment.

4.1.1.4 Descriptive Study of Price to Earnings Ratio (PER)

For BFC, the Price to Earnings Ratio (PER) had a mean value of 28.443 with a standard deviation of 31.877, indicating considerable variability in PER across the analyzed fiscal years. GFCL exhibited a mean PER of 9.618 with a standard deviation of 22.476, suggesting moderate variability in PER over the period. GMFIL's PER averaged at 23.971 with a standard deviation of 18.256, indicating moderate variability in PER. GUFL had a mean PER of -18.914 and a surprisingly high standard deviation of 328.370, suggesting significant variability in PER, possibly influenced by outliers or irregularities in the data. ICFC demonstrated a mean PER of 19.109 with a standard deviation of 8.938, indicating relatively low variability in PER. NFS displayed a mean PER of 27.613 with a standard deviation of 41.279, suggesting moderate variability in PER. PFL exhibited a mean PER of 32.994 with a standard deviation of 38.846, indicating significant variability in PER. PROFL had a mean PER of 64.353 with a relatively high standard deviation of 89.283, suggesting significant variability in PER. RLFL showed a mean PER of 15.059 with a standard deviation of 18.888, indicating moderate variability in PER. SIFC had a mean PER of 25.544 with a standard deviation of 13.136, indicating moderate variability in PER. Overall, the sample companies had an average PER of 22.779 with a surprisingly high standard deviation of 106.936, suggesting significant variability in PER across the sample finance companies.

Among the sampled finance companies, PROFL stands out with the highest average Price to Earnings Ratio (PER) of 64.353, indicating a relatively high valuation compared to earnings. However, this is accompanied by a notably high standard deviation of 89.283, implying significant variability in PER across the analyzed fiscal years. Conversely, GUFL exhibits a mean PER of -18.914, indicating a negative ratio, which might be influenced by

anomalies or irregularities in the data. These findings underscore the diverse valuation metrics employed by the sampled companies, with PROFL showing a higher valuation relative to earnings, while GUFL's negative PER suggests a potentially unique financial situation or accounting discrepancy.

4.1.1.5 Descriptive Study of Market Price Per Share (MPS)

For BFC, the Market Price Per Share (MPS) had a mean value of 237.050 with a standard deviation of 195.273, indicating considerable variability in MPS across the analyzed fiscal years. GFCL exhibited a mean MPS of 303.000 with a standard deviation of 190.564, suggesting moderate variability in MPS over the period. GMFIL's MPS averaged at 277.694 with a standard deviation of 128.215, indicating moderate variability in MPS. GUFL had a mean MPS of 456.180 and a relatively high standard deviation of 505.372, suggesting significant variability in MPS, possibly influenced by outliers or irregularities in the data. ICFC demonstrated a mean MPS of 331.600 with a standard deviation of 162.880, indicating relatively low variability in MPS. NFS displayed a mean MPS of 206.108 with a standard deviation of 154.641, suggesting moderate variability in MPS. PFL exhibited a mean MPS of 291.800 with a standard deviation of 158.395, indicating significant variability in MPS. PROFL had a mean MPS of 222.900 with a standard deviation of 105.859, suggesting moderate variability in MPS. RLFL showed a mean MPS of 238.500 with a standard deviation of 129.389, indicating moderate variability in MPS. SIFC had a mean MPS of 335.800 with a standard deviation of 112.602, indicating moderate variability in MPS. Overall, the sample companies had an average MPS of 290.063 with a standard deviation of 216.717, suggesting significant variability in MPS across the sample finance companies.

Among the sampled finance companies, GUFL stands out with the highest mean Market Price Per Share (MPS) of 456.180, indicating a relatively high trading price for its shares. However, this is accompanied by a notably high standard deviation of 505.372, implying significant variability in MPS across the analyzed fiscal years. Conversely, NFS exhibits a mean MPS of 206.108, reflecting a lower trading price for its shares. Despite this, NFS shows moderate variability in MPS, as indicated by a standard deviation of 154.641. These

findings highlight the diverse market valuations observed among the sampled companies, with GUFL commanding a higher market price for its shares compared to NFS.

4.1.2 Correlation Analysis

In this section, correlation analysis was conducted to explore the relationships between the variables Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Dividend Per Share (DPS), Price to Earnings Ratio (PER), and Market Price Per Share (MPS) across ten finance companies from fiscal years 2013/14 to 2022/23. The correlation analysis aimed to uncover any significant associations or dependencies between these financial metrics. By examining the degree and direction of correlations, insights were gained into how changes in one variable may affect others, providing valuable information for understanding the dynamics of these companies' financial performance and market valuation.

Table 4

Correlation Analysis

Variables		DPR	EPS	DPS	PER	MPS
DPR		1				
	Sig.					
EPS		.352**	1			
	Sig.	0.000				
DPS		.773**	.558**	1		
	Sig.	0.000	0.000			
PER		-0.027	-0.011	-0.043	1	
	Sig.	0.789	0.913	0.672		
MPS		-0.080	0.142	0.015	0.144	1
	Sig.	0.430	0.158	0.882	0.153	

Source: Appendix 2

Table 4 describes the correlation analysis between dividend practice and market price per share. In the correlation analysis, the Dividend Payout Ratio (DPR) exhibits a weak negative correlation with the Market Price Per Share (MPS) with a Pearson correlation coefficient of -0.080. This suggests that as the DPR increases, there is a slight tendency for the MPS to decrease, although the relationship is not statistically significant ($p = 0.430$). This weak negative correlation indicates that higher dividend payouts might be associated

with slightly lower market prices per share, but the effect is minimal and not statistically reliable.

Conversely, the correlation coefficient between Earnings Per Share (EPS) and MPS is 0.142, indicating a weak positive correlation. This suggests that as EPS increases, there is a slight tendency for the MPS to increase, although, similar to DPR, the relationship is not statistically significant ($p = 0.158$). This weak positive correlation implies that higher earnings per share might be associated with slightly higher market prices per share, but again, the effect is marginal and not statistically supported.

The correlation between Dividend Per Share (DPS) and MPS is negligible (0.015), indicating an extremely weak positive correlation. This means that there is almost no discernible relationship between DPS and MPS. Furthermore, the p-value (0.882) suggests that this correlation is not statistically significant. Consequently, changes in dividend per share are unlikely to have any meaningful impact on market prices per share.

Similarly, the Price to Earnings Ratio (PER) demonstrates a weak positive correlation of 0.144 with MPS. This implies that as the PER increases, there is a slight tendency for the MPS to increase as well. However, like the previous correlations, this relationship is not statistically significant ($p = 0.153$). Thus, changes in the price-to-earnings ratio are not reliably associated with changes in market prices per share.

Overall, the correlation analysis indicates that while there are some weak correlations between the financial variables (DPR, EPS, DPS, PER) and MPS, none of these relationships are statistically significant. This suggests that variations in dividend practices, earnings per share, dividend per share, and price-to-earnings ratios across the sampled finance companies do not strongly predict changes in market prices per share. Therefore, investors and stakeholders should consider other factors beyond these financial metrics when evaluating market price dynamics.

4.1.3 Regression Analysis

In this section, regression analysis was employed to investigate the impact of Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) on Market Price Per Share (MPS) across ten finance companies from

fiscal years 2013/14 to 2022/23. Regression analysis enables the exploration of how changes in independent variables affect the dependent variable, providing insights into the factors influencing market valuation. By assessing the significance and magnitude of regression coefficients, this analysis helps discern the extent to which each financial metric contributes to variations in the market price of shares

Table 5

Model Summary of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.248	0.062	0.022	214.299

Source: Appendix 2

Table 5 represents the model summary of the regression analysis which presents various metrics to assess the goodness of fit and predictive power of the regression model. The table 6 shows that for Model 1, the coefficient of determination (R-squared) is 0.062, indicating that approximately 6.2% of the variance in the dependent variable, Market Price Per Share (MPS), is explained by the independent variables included in the model. This means that the predictors (PER, EPS, DPR, DPS) collectively account for about 6.2% of the variability observed in MPS.

The Adjusted R-squared, which adjusts the R-squared value for the number of predictors in the model, is 0.022. This adjusted value considers the complexity of the model and penalizes the R-squared for including additional predictors. In this case, the adjusted R-squared suggests that approximately 2.2% of the variance in MPS is explained by the predictors after accounting for the model's complexity.

The Standard Error of the Estimate, which provides a measure of the variability or dispersion of actual values around the regression line, is 214.299. This value represents the average distance that the observed values fall from the regression line. In this context, it indicates the typical error or deviation between the predicted MPS values generated by the regression model and the actual MPS values observed in the data.

Overall, the Model Summary provides insights into the proportion of variance explained by the regression model, its goodness of fit, and the precision of the predictions made by the model. In this case, the low R-squared and adjusted R-squared values suggest that the

included predictors (PER, EPS, DPR, DPS) have limited explanatory power in predicting the variation in MPS. Therefore, other factors not included in the model may also influence market price per share.

Table 6

ANOVA Table of Regression Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	286880.21	4	71720.05	1.56	0.02
	Residual	4362770.98	95	45923.91		
	Total	4649651.19	99			

Source: Appendix 2

The ANOVA Table 6 for the regression analysis, Model 1, provides important statistical information regarding the overall significance of the regression model and the individual contributions of the regression components. The table shows that the regression model accounts for a significant amount of variation in the dependent variable, Market Price Per Share (MPS), as indicated by the F-statistic of 1.56 and its associated p-value of 0.02. This suggests that at least one of the independent variables in the model has a statistically significant relationship with MPS. Additionally, the regression sum of squares (SSR) is 286880.21, indicating the variability in MPS explained by the regression model. The residual sum of squares (SSE) is 4362770.98, representing the unexplained variability in MPS that is attributed to random error or factors not included in the model. Overall, the ANOVA table provides evidence of the regression model's significance in explaining the variance in MPS and the effectiveness of the included predictors in contributing to this explanation.

Table 7

Beta Coefficient of Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	282.937	32.960		8.584	0.000		
	DPR	-99.238	80.239	-0.196	-1.237	0.219	0.394	2.540
	EPS	2.669	1.909	0.169	1.399	0.165	0.673	1.487
	DPS	2.034	4.660	0.078	0.436	0.663	0.309	3.236
	PER	0.292	0.202	0.144	1.448	0.151	0.998	1.002

Source: Appendix 2

In the regression analysis which is presented in Table 7, the coefficient for DPR (Dividend Payout Ratio) is -99.238, with a standardized coefficient (Beta) of -0.196. This coefficient indicates the change in the dependent variable (Market Price Per Share, MPS) for each unit change in DPR. A negative coefficient suggests an inverse relationship between DPR and MPS, implying that an increase in DPR is associated with a decrease in MPS. However, the coefficient is not statistically significant at the 0.05 level (Sig. = 0.219), meaning that the relationship between DPR and MPS may not be reliably estimated by the model. Additionally, the Variance Inflation Factor (VIF) for DPR is 2.540, indicating no multicollinearity (i.e. less than 10) between this independent variable and others in the model.

The coefficient for EPS (Earnings Per Share) is 2.669, with a standardized coefficient (Beta) of 0.169. This coefficient represents the change in MPS for each unit change in EPS. A positive coefficient suggests a direct relationship between EPS and MPS, meaning that higher EPS is associated with higher MPS. The coefficient is statistically significant at the 0.05 level (Sig. = 0.165), indicating a reliable estimate of the relationship between EPS and MPS. The VIF for EPS is 1.487, indicating low multicollinearity with other independent variables.

The coefficient for DPS (Dividend Per Share) is 2.034, with a standardized coefficient (Beta) of 0.078. This coefficient signifies the change in MPS for each unit change in DPS. A positive coefficient suggests a positive relationship between DPS and MPS, implying

that higher DPS is associated with higher MPS. However, the coefficient is not statistically significant at the 0.05 level (Sig. = 0.663), indicating that the relationship between DPS and MPS may not be reliably estimated by the model. The VIF for DPS is 3.236, indicating low multicollinearity.

The coefficient for PER (Price to Earnings Ratio) is 0.292, with a standardized coefficient (Beta) of 0.144. This coefficient denotes the change in MPS for each unit change in PER. A positive coefficient suggests a positive relationship between PER and MPS, meaning that higher PER is associated with higher MPS. The coefficient is not statistically significant at the 0.05 level (Sig. = 0.151), suggesting that the relationship between PER and MPS may not be reliably estimated by the model. The VIF for PER is 1.002, indicating low multicollinearity.

4.2 Discussion

The analysis of dividend practices among Nepalese finance companies highlights a diverse landscape, with some firms consistently distributing dividends while others prioritize retaining earnings for internal reinvestment. Notable examples include Shree Investment Finance Company Ltd., known for its robust commitment to dividend distribution, contrasted with companies like Best Finance Ltd., Nepal Finance Ltd., and Progressive Finance Ltd., which consistently maintain zero dividend payout ratios. This diversity underscores the dynamic nature of dividend policy in Nepalese finance, reflecting varying corporate strategies and market conditions. e analysis of dividend practices among Nepalese finance companies reveals a nuanced picture, with some firms consistently distributing dividends while others prioritize retaining earnings for internal reinvestment, indicative of varying corporate strategies and market conditions. This finding contrasts with several previous studies. For instance, Nur et al. (2023) observed a positive and significant impact of dividend policy on stock prices, whereas the current study did not find statistically significant impacts. Muspa (2023) and Mahirun et al. (2023) reported positive influences of dividend policy on stock prices, which deviates from the current study's findings of non-significant impacts. Additionally, Koleosho et al. (2022) found a significant influence of dividend policy on share price volatility, which contrasts with the current study's non-statistically significant impacts. However, this study aligns partially

with the findings of Supriyatna et al. (2023), who also observed that dividend policy does not significantly impact stock prices.

Secondly, the analysis of Nepalese financial companies reveals weak correlations between dividend practices and market price per share (MPS), with no statistically significant findings. Dividend Payout Ratio (DPR) shows a slight negative correlation with MPS, while Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) display weak positive correlations, although none of these relationships are statistically significant. The findings of the current study, which reveal weak correlations between dividend practices and market price per share (MPS) among Nepalese financial companies, diverge from several previous research findings. Magribi et al. (2023) observed that dividend policies did not significantly influence stock prices but highlighted the impact of asset structure and sales growth. Similarly, Nur et al. (2023) found a positive and significant impact of dividend policy on stock prices. Muspa (2023) and Mahirun et al. (2023) identified positive influences of dividend policy on stock prices, contrasting with the current study's weak correlations. Moreover, Goenawan (2023) and Supriyatna et al. (2023) noted the lack of significant influence of dividend policies on stock prices, aligning partially with the current findings. The study by Koleosho et al. (2022) found a significant impact of dividend policy on share price volatility, contrasting with the lack of statistical significance observed in the current research. Thus, while some previous studies support the weak relationship found in the current study, others indicate significant impacts or mixed results, suggesting the need for further investigation and acknowledging the influence of various contextual factors on dividend policy and stock prices.

Finally, the regression analysis examining the impact of dividend practices on market price per share (MPS) in Nepalese financial companies reveals non-statistically significant results. While Dividend Payout Ratio (DPR) showed a negative impact on MPS, Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) displayed positive impacts. However, none of these impacts were statistically significant, suggesting limited predictive power in explaining MPS changes. The regression analysis findings of the current study contrast with those of several previous research studies. Magribi et al. (2023) observed that dividends had no significant influence on stock prices, which differs from the current study's non-statistically significant results regarding the impact of

dividend practices on market price per share (MPS). Similarly, Nur et al. (2023) found a positive and significant impact of dividend policy on stock prices, while the current study did not identify any statistically significant impacts. Muspa (2023) and Mahirun et al. (2023) noted positive influences of dividend policy on stock prices, which contrasts with the current study's findings of non-significant impacts. Additionally, Supriyatna et al. (2023) found that dividend policy does not significantly impact stock prices, aligning partially with the current study's results. In contrast, Koleosho et al. (2022) found a significant influence of dividend policy on share price volatility, which deviates from the current study's non-statistically significant impacts. These comparisons indicate variability and mixed findings across different studies regarding the relationship between dividend practices and stock prices, emphasizing the complexity of this relationship and the influence of contextual factors.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter concludes the study with a summary, highlighting key findings, followed by a concise conclusion that reflects on the research process and outcomes. It then explores theoretical and practical implications, discussing how the findings contribute to academic understanding and real-world applications. Overall, Chapter 5 provides a succinct overview of the study's significance and future directions.

5.1 Summary

The impact of dividend practices on share prices, which represent the portion of a company's earnings distributed to shareholders, is a subject of considerable interest and debate in both global and Nepalese financial markets. While studies have explored various determinants of share price behavior, the specific influence of dividend policies remains a focal point. In Nepal, where dividend practices vary among finance companies, understanding the relationship between dividends and share prices is crucial for investors and market analysts alike. This study has evaluated the impact of dividend practices on share prices of Nepalese finance companies. By analyzing the correlation between dividend policies and share price movements, the research aims to uncover insights into investor behavior and market reactions to dividend-related information. Ultimately, the objective is to provide valuable insights into the dynamics of stock valuation and investor sentiment within Nepal's financial sector, thus contributing to both academic understanding and practical decision-making in the Nepalese stock market landscape.

The literature review of this study comprehensively explores the conceptual, theoretical, and empirical aspects related to the impact of dividend policies on share prices in Nepalese finance companies. In the conceptual review, various dividend policies including cash dividends, bonus dividends, and their relationship with market price per share are examined. The theoretical review delves into key theories such as the Dividend Irrelevance Theory, Dividend Relevance Theory, Bird in Hand Theory, Signaling Theory, and Clientele Effects of Dividend Theory, providing theoretical frameworks to understand the dynamics between dividends and share prices. Additionally, the empirical review analyzes

previous research from books, journals, articles, and dissertations to identify existing knowledge gaps. This study aims to address these gaps by conducting empirical research to further explore the relationship between dividend practices and share prices in the context of Nepalese finance companies.

This study employed a quantitative approach, utilizing both descriptive statistics and a causal-comparative research design to examine the impact of dividend practices on share prices among Nepalese finance companies. The population under consideration comprised 17 finance companies operating in Nepal. However, due to practical constraints and data availability considerations, a sample size of 10 finance companies was selected for analysis, including Nepal Finance Ltd. (NFS), ICFC Finance Ltd. (ICFC), Gurkhas Finance Ltd. (GUFL), Goodwill Finance ltd. (GFCL), Guheshwori Merchant Banking & Finance Ltd. (GMFIL), Progressive Finance Ltd. (PROFL), Reliance Finance Ltd. (RLFL), Shree Investment Finance Company Ltd. (SIFC), and Pokhara Finance Ltd. (PFL). The selection process employed convenience sampling, which allowed for the inclusion of companies based on their accessibility and readiness of data for analysis. In this study, a quantitative approach was adopted to analyze the data, drawing upon secondary sources from multiple platforms to ensure comprehensive coverage of the financial sector in Nepal. The primary instruments for data collection included published annual reports of the sampled finance companies, quarterly reports, and data obtained from various finance company websites such as Merolagani, ShareSansar, and NepseAlpha. These sources provided a rich repository of financial information, allowing for a detailed examination of key variables over the latest ten financial years, spanning from FY 2013/14 to FY 2022/23.

This study utilized Microsoft Excel and SPSS statistical software packages for analysis. Various financial metrics, including dividend payout ratio (DPR), earnings per share (EPS), dividend per share (DPS), price-to-earnings ratio (PER), and market price per share (MPS), were subjected to analysis to extract meaningful insights. Statistical techniques such as mean calculation, standard deviation assessment, correlation analysis, and regression analysis were employed to explore relationships between these metrics. The research framework adopted in this study outlines the interplay between essential financial indicators and market price movements within the life insurance sector. The framework highlights key metrics such as DPR, EPS, PER, and DPS as independent variables

influencing the market price of life insurance company shares. These metrics are selected for their critical role in evaluating financial performance and investor sentiment. Meanwhile, MPS serves as the dependent variable, representing the composite valuation of a company's shares within the market.

The analysis has revealed various relationships between financial variables and Market Price Per Share (MPS). Overall, the correlations between Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Dividend Per Share (DPS), Price to Earnings Ratio (PER), and MPS have been found to be weak, with no statistically significant findings. Specifically, DPR has shown a weak negative correlation with MPS, suggesting that an increase in DPR is associated with a slight decrease in MPS, although this relationship lacks statistical significance. Conversely, EPS, DPS, and PER have exhibited weak positive correlations with MPS, indicating that higher values of these variables are associated with slightly higher MPS values. However, similar to DPR, these relationships have lacked statistical significance. In regression analysis, while DPR has had a negative impact on MPS, EPS, DPS, and PER have shown positive impacts. However, none of these impacts have been statistically significant, suggesting limited predictive power in explaining changes in MPS. Therefore, the analysis suggests that the influence of financial variables on MPS has been weak and not statistically significant, highlighting the need for further investigation into other factors affecting MPS fluctuations.

This study's implications suggest that investors should consider a broad range of financial metrics beyond dividend practices when making investment decisions, while finance companies should diversify risk management strategies. Theoretical contributions include empirical evidence of weak correlations between financial variables and market prices per share, highlighting the need for further research to identify additional influencing factors.

5.2 Conclusion

The first objective of this study is to examine the dividend practices adopted by Nepalese finance companies. The analysis of dividend practices among Nepalese finance companies reveals a mixed landscape. While some companies demonstrate a consistent commitment to dividend distribution, others opt for a strategy of retaining earnings for internal reinvestment, reflected in their consistent zero dividend payout ratios (DPR). Notably,

Shree Investment Finance Company Ltd. stands out for its robust commitment to dividend distribution, whereas companies like Best Finance Ltd., Nepal Finance Ltd., and Progressive Finance Ltd. consistently retain earnings without distributing dividends. This diversity in dividend policies suggests a range of strategic approaches among finance companies, with some prioritizing shareholder returns while others focus on internal growth and reinvestment. Overall, the dividend policy landscape among Nepalese finance companies appears dynamic and reflective of varying corporate strategies and market conditions.

The Second objective of this study is to analyze the relationship between dividend practices and the market price per share of Nepalese finance companies. The analysis of financial variables and Market Price Per Share (MPS) reveals weak correlations overall, with no statistically significant findings. Specifically, Dividend Payout Ratio (DPR) shows a weak negative correlation with MPS, suggesting a slight decrease in MPS with an increase in DPR, albeit without statistical significance. Conversely, Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) exhibit weak positive correlations with MPS, indicating slightly higher MPS values with higher values of these variables. However, these relationships also lack statistical significance.

The third objective of this study is analyzing the impact of dividend practices on the market price per share of Nepalese finance companies. In regression analysis, Dividend Payout Ratio (DPR) exhibited a negative impact on Market Price Per Share (MPS), while Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) showed positive impacts. However, none of these impacts were statistically significant, indicating limited predictive power in explaining MPS changes. Overall, the analysis suggests weak and nonsignificant influences of financial variables on MPS, underscoring the necessity for further exploration of other factors influencing MPS fluctuations.

In conclusion, the study reveals that dividend policy plays a role in shaping the market price of shares among Nepalese finance companies. While some companies prioritize dividend distribution to shareholders, others opt for retaining earnings for internal reinvestment. However, the analysis indicates weak and nonsignificant correlations between dividend practices and market price per share, suggesting that other factors may

also influence share prices in the Nepalese financial market. Further research is warranted to explore these additional factors contributing to fluctuations in market prices of finance company shares in Nepal.

5.3 Implications

Based on the findings of this study, several practical and theoretical implications emerge. From a practical standpoint, investors should adopt a comprehensive approach to investment decisions, considering a wide array of financial metrics beyond dividend practices when evaluating their potential impact on market prices per share. Financial companies need to acknowledge the limited predictive power of individual financial variables like Dividend Payout Ratio (DPR), Earnings Per Share (EPS), Dividend Per Share (DPS), and Price to Earnings Ratio (PER) in explaining fluctuations in market prices per share. Therefore, diversifying risk management strategies to incorporate broader market dynamics is essential, alongside continued efforts to provide transparent and accurate financial reporting to ensure investors have access to reliable data.

On a theoretical level, this study contributes to understanding the relationship between dividend practices and market prices per share by offering empirical evidence of weak correlations between various financial variables and market prices per share. The utilization of quantitative analysis techniques, such as correlation analysis and regression analysis, enhances the methodological rigor of this study and lays a framework for future research in exploring similar relationships within different contexts. The findings also underscore the need for further research to identify additional factors influencing market prices per share, which could lead to advancements in financial theory and practice.

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APPENDICES

Appendix 1 Annual Report of Sample Finance Companies

Finance Company	FY	DPR	EPS	DPS	PER	MPS
NFS	2013/14	0.00	-48.86	0.00	-1.84	90.00
	2014/15	0.00	-20.34	0.00	-6.10	124.00
	2015/16	0.00	26.73	0.00	4.64	124.00
	2016/17	0.00	18.67	0.00	6.64	124.00
	2017/18	0.00	12.35	0.00	10.04	124.00
	2018/19	0.00	6.13	0.00	20.23	124.00
	2019/20	0.00	32.85	0.00	3.96	130.00
	2020/21	0.00	10.29	0.00	55.41	570.00
	2021/22	0.00	5.33	0.00	56.32	300.08
	2022/23	0.00	2.77	0.00	126.83	351.00
ICFC	2013/14	0.75	19.77	14.74	15.68	310.00
	2014/15	0.80	13.81	11.05	16.30	225.00
	2015/16	0.82	21.86	17.89	17.40	365.00
	2016/17	0.88	24.03	21.05	11.98	288.00
	2017/18	0.62	12.86	8.00	13.37	172.00
	2018/19	0.80	16.28	13.00	10.32	168.00
	2019/20	0.93	11.26	10.50	15.36	173.00
	2020/21	0.41	24.55	10.00	26.07	640.00
	2021/22	0.28	17.71	5.00	24.41	450.00
	2022/23	0.50	13.06	6.50	40.20	525.00
GUFL	2013/14	0.94	9.00	8.42	21.21	191.00
	2014/15	0.79	9.37	7.37	15.05	141.00
	2015/16	0.00	47.48	0.00	2.97	141.00
	2016/17	0.00	17.42	0.00	10.39	181.00
	2017/18	0.00	-0.12	0.00	-864.88	106.00
	2018/19	0.00	0.26	0.00	459.61	121.00
	2019/20	0.00	-9.16	0.00	-13.21	121.00
	2020/21	0.00	12.00	0.00	104.14	1250.00
	2021/22	0.00	10.61	0.00	44.57	1154.67
	2022/23	0.00	18.06	0.00	31.01	1155.13
GFCL	2013/14	0.77	18.12	14.00	12.14	220.00
	2014/15	0.82	12.80	10.53	16.01	205.00
	2015/16	0.70	37.61	26.32	8.88	334.00
	2016/17	0.64	16.65	10.73	12.07	201.00
	2017/18	0.68	7.74	5.26	16.28	126.00

	2018/19	0.54	18.48	10.00	7.31	135.00
	2019/20	0.84	14.21	12.00	10.21	145.00
	2020/21	0.41	22.31	9.10	30.57	682.00
	2021/22	0.00	15.50	0.00	32.20	499.00
	2022/23	0.00	-9.76	0.00	-49.49	483.00
GMFIL	2013/14	0.89	28.15	25.00	10.34	291.00
	2014/15	0.78	20.12	15.79	11.58	233.00
	2015/16	0.79	23.91	18.95	15.48	370.00
	2016/17	0.57	27.54	15.80	9.69	267.00
	2017/18	0.69	7.60	5.26	16.98	129.00
	2018/19	0.57	11.40	6.50	11.40	130.00
	2019/20	1.45	7.85	11.40	17.47	134.94
	2020/21	0.81	12.93	10.53	40.05	518.00
	2021/22	1.07	6.42	6.84	44.73	307.00
	2022/23	0.00	6.40	0.00	61.99	397.00
PROFL	2013/14	0.00	-3.49	0.00	-31.51	110.00
	2014/15	0.00	-4.43	0.00	-32.71	145.00
	2015/16	0.00	10.13	0.00	22.90	232.00
	2016/17	0.00	6.21	0.00	37.36	232.00
	2017/18	0.00	4.75	0.00	28.42	135.00
	2018/19	0.00	8.64	0.00	15.97	138.00
	2019/20	0.00	0.55	0.00	264.15	146.00
	2020/21	0.00	3.35	0.00	118.15	396.00
	2021/22	0.00	5.91	0.00	110.40	350.00
	2022/23	0.00	-34.22	0.00	110.40	345.00
RLFL	2013/14	0.00	12.37	0.00	14.39	178.00
	2014/15	1.82	11.54	21.05	14.81	171.00
	2015/16	0.81	19.41	15.79	15.51	301.00
	2016/17	0.60	21.14	12.63	10.03	212.00
	2017/18	0.47	5.59	2.63	21.29	119.00
	2018/19	0.75	8.78	6.58	14.36	126.00
	2019/20	0.85	12.32	10.53	9.82	121.00
	2020/21	0.97	16.33	15.79	32.58	532.00
	2021/22	1.01	6.76	6.84	45.88	310.00
	2022/23	0.00	-13.74	0.00	-28.08	315.00
SIFC	2013/14	0.80	15.80	12.63	30.06	475.00
	2014/15	0.71	17.15	12.22	19.06	327.00
	2015/16	0.80	13.76	11.05	22.60	311.00
	2016/17	0.70	37.81	26.57	10.13	383.00

	2017/18	0.87	11.47	10.00	33.39	383.00
	2018/19	0.81	16.04	13.00	9.79	157.00
	2019/20	0.78	13.50	10.53	11.78	159.00
	2020/21	0.86	12.86	11.00	38.03	489.00
	2021/22	0.80	9.48	7.60	31.53	299.00
	2022/23	0.66	7.64	5.05	49.07	375.00
PFL	2013/14	0.77	20.81	16.00	12.00	240.00
	2014/15	1.08	47.27	51.05	7.15	338.00
	2015/16	0.79	17.90	14.21	19.72	353.00
	2016/17	0.54	15.96	8.70	14.97	239.00
	2017/18	1.23	11.14	13.68	12.12	135.00
	2018/19	0.60	11.94	7.20	14.20	138.00
	2019/20	0.66	8.02	5.26	19.07	153.00
	2020/21	0.66	12.20	8.08	54.93	670.00
	2021/22	0.48	8.73	4.20	40.56	354.00
	2022/23	0.00	2.20	0.00	135.22	298.00
BFC	2013/14	0.00	-33.49	0.00	-3.14	105.00
	2014/15	0.00	10.11	0.00	9.30	94.00
	2015/16	0.00	1.87	0.00	90.29	169.00
	2016/17	0.00	10.03	0.00	15.45	155.00
	2017/18	0.00	17.17	0.00	9.78	168.00
	2018/19	0.00	12.06	0.00	8.37	101.00
	2019/20	0.00	9.38	0.00	10.23	96.00
	2020/21	0.00	9.88	0.00	43.13	426.00
	2021/22	0.00	16.42	0.00	22.99	377.50
	2022/23	0.00	4.52	0.00	78.03	679.00

Appendix 2 SPSS Results

Appendix 2.1 Descriptive Statistics of Financial Ratio

Report

Finance Company		DPR	EPS	DPS	PER	MPS
BFC	Mean	0.000	5.795	0.000	28.443	237.050
	Std. Deviation	0.000	14.560	0.000	31.877	195.273
	N	10.000	10.000	10.000	10.000	10.000
GFCL	Mean	0.541	15.366	9.794	9.618	303.000

	Std. Deviation	0.313	11.829	7.528	22.476	190.564
	N	10.000	10.000	10.000	10.000	10.000
GMFIL	Mean	0.763	15.232	11.607	23.971	277.694
	Std. Deviation	0.372	8.857	7.404	18.256	128.215
	N	10.000	10.000	10.000	10.000	10.000
GUFL	Mean	0.172	11.492	1.579	-18.914	456.180
	Std. Deviation	0.365	15.176	3.338	328.370	505.372
	N	10.000	10.000	10.000	10.000	10.000
ICFC	Mean	0.678	17.519	11.773	19.109	331.600
	Std. Deviation	0.217	4.851	5.022	8.938	162.880
	N	10.000	10.000	10.000	10.000	10.000
NFS	Mean	0.000	4.592	0.000	27.613	206.108
	Std. Deviation	0.000	23.722	0.000	41.279	154.641
	N	10.000	10.000	10.000	10.000	10.000
PFL	Mean	0.682	15.617	12.838	32.994	291.800
	Std. Deviation	0.335	12.314	14.303	38.846	158.395
	N	10.000	10.000	10.000	10.000	10.000
PROFL	Mean	0.000	-0.260	0.000	64.353	222.900
	Std. Deviation	0.000	12.854	0.000	89.283	105.859
	N	10.000	10.000	10.000	10.000	10.000
RLFL	Mean	0.729	10.050	9.184	15.059	238.500
	Std. Deviation	0.528	9.781	7.193	18.888	129.389
	N	10.000	10.000	10.000	10.000	10.000
SIFC	Mean	0.780	15.551	11.965	25.544	335.800
	Std. Deviation	0.068	8.360	5.671	13.136	112.602
	N	10.000	10.000	10.000	10.000	10.000
Total	Mean	0.435	11.095	6.874	22.779	290.063
	Std. Deviation	0.428	13.758	8.314	106.936	216.717
	N	100.000	100.000	100.000	100.000	100.000

Appendix 2.2 Correlation Analysis

Correlations[b]

		DPR	EPS	DPS	PER	MPS
DPR	Pearson Correlation	1	.352**	.773**	-0.027	-0.080
	Sig. (2-tailed)		0.000	0.000	0.789	0.430
EPS	Pearson Correlation	.352**	1	.558**	-0.011	0.142
	Sig. (2-tailed)	0.000		0.000	0.913	0.158
DPS	Pearson Correlation	.773**	.558**	1	-0.043	0.015
	Sig. (2-tailed)	0.000	0.000		0.672	0.882
PER	Pearson Correlation	-0.027	-0.011	-0.043	1	0.144
	Sig. (2-tailed)	0.789	0.913	0.672		0.153
MPS	Pearson Correlation	-0.080	0.142	0.015	0.144	1
	Sig. (2-tailed)	0.430	0.158	0.882	0.153	

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

b. Listwise N=100

Appendix 2.3 Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248[a]	0.062	0.022	214.298635

a. Predictors: (Constant), PER, EPS, DPR, DPS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	286880.211	4	71720.053	1.562	.0191[b]
	Residual	4362770.975	95	45923.905		
	Total	4649651.186	99			

a. Dependent Variable: MPS

b. Predictors: (Constant), PER, EPS, DPR, DPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	282.937	32.960		8.584	0.000		
	DPR	-99.238	80.239	-0.196	-1.237	0.219	0.394	2.540
	EPS	2.669	1.909	0.169	1.399	0.165	0.673	1.487
	DPS	2.034	4.660	0.078	0.436	0.663	0.309	3.236
	PER	0.292	0.202	0.144	1.448	0.151	0.998	1.002

a. Dependent Variable: MPS