DIVIDEND POLICY: A COMPARATIVE STUDY OF JOINT VENTURE COMMERCIAL BANKS IN NEPAL

By: Mira shrestha

POST GRADUATE CAMPUS BIRATNAGAR T.U. Registration No.-:7-1-3-114-96

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirements of the degree of Masters of Business Studies (M.B.S)

Biratnagar, Nepal. September, 2010



TRIBHUVAN UNIVERSITY FACULTY OF MANAGEMENT POST GRADUATE CAMPUS

Biratnagar, Nepal

Phone: 021-471205

Ref. No 021-471327

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Mira Shrestha

Entitled

"Dividend Policy: A comparative study of joint venture commercial banks in Nepal"

has been prepared and approved by this Department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

Supervisor Hiranya Prasad Gautam	<u>Head of department</u> Dr. Khagendra Archarya
	<u>Campus Chief</u> Harihar Bhandari

TRIBHUVAN UNIVERSITY FACULTY OF MANAGEMENT

POST GRADUATE CAMPUS

Biratnagar, Nepal

Phone: 021-471205

Ref. No

021-471327

VIVA-VOCE SHEET

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

Mira Shrestha

entitled

"Dividend Policy: A comparative study of joint venture commercial banks in Nepal"

and found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master's Degree in Business Studies (M.B.S)

Viva- Voce Committee:

Chair Person Research Committee	:
Member [Thesis Supervisor]	
(Hiranya Prasad Gautam)	:
Member [External Expert]	:
Date:	

DECLARATION

I hereby declare that the work reported in this thesis entitled "Dividend Policy: A comparative study of joint venture commercial banks in Nepal" submitted to Post Graduate Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement of the degree of Masters of Business Studies under the supervision of Hiranya Prasad Gautam Associate Professor, Post Graduate Campus, Biratnagar, Tribhuvan University.

Mira Shrestha

Researcher

Roll No. 182

T.U. Reg. No. 7-1-3-114-96

ACKNOWLEDGEMENT

"Education is the of the overall development"

It is indeed gratifying to say that I have been the student of P.G. Collage, Biratnagar. I have great pleasure in presenting my Report "Dividend Policy of Nabil Bank Ltd, Everest Bank Ltd. and Nepal SBI Bank." As a partial fulfillment for the degree of the masters in business studies.

The completion of this report would not have been possible without the help and support of many people and I am highly accredited to them all. I hardly proceed the acknowledge and great honour to my thesis supervisor Mr. Hiranya Prasad Gautam for providing orientation, giving valuable suggestion, untiring support, guidance and encouragement throughout this studies from the designing phase to its completion.

I am grateful to all my colleagues, staff of library and administration of post graduate campus, Biratnagar who helped me directly and indirectly in completing this research work. I must particularly thank my husband Mr. Madan Shrestha for his kind cooperation, support and collaboration.

Finally, I would like to thanks Ashwin Shrestha and Bishal Shrestha for typing and computerizing the whole thesis to complete this thesis.

Mira Shrestha

Biratnagar

october, 2010

TABLE OF CONTENTS

		Pages
Reco	ommendation	I
Viva-Voce Sheet		II
Decla	aration	III
Ackn	nowledgement	IV
Abbr	reviations	V
Table	e of Contents	VII
Chaj	pter 1: INTRODUCTION	1 – 10
1.1	General Background	1
1.2	History of Bank	4
1.2.1	Commercial Banks	6
1.2.2	Joint Venture Banks	8
1.2.3	Role of JVB in Nepal	9
1.2.4	Brief Profile of Sampled Bank	10
1.3	Focus of the study	12
1.4	Statement of problem	13
1.5	Objective of the study	15
1.6	Significance of the study	15
1.7	Limitation of the study	16
1.8	Research Methodology	16
1.9	Organization of the study	17

CHAPTER 2: REVIEW OF LITERATURE		19-40
2.	Review of Literature	19
2.1	Conceptual Framework	19
2.1.1	Forms of Dividend	21
2.1.2	Theorie of Dividends	22
2.1.3	Factors Affecting Dividend Policy.	25
2.1.4	Legal Provisions Regarding Dividend Practice in Nepal.	27
2.2	Review of Studies on Dividend Policy	28
2.2.1	Linters Study	28
2.2.2	F. Modoglani and M.H.millers Study	29
2.2.3	Myron Gordon's Study	33
2.2.4	Walter's Study	34
2.2.5	Van Horne and MC Donald's Study	36
2.2.6	Mark E. Holder, Frederick W.Langrehev	37
	and J.Lawrence Hecter's Study.	29
2.2.7	Deepak Chawla and G. Srinivasan's Study.	39
СНА	PTER 3: RESEARCH METHODOLOGY	41 - 51
3.	Research Methodology	41
3.1	Research Design	41
3.2	Population and Sample	42
3.3	Sources of data	43
3.4	Data Collection Procedure	43

3.5	Method of Analysis	43
3.5.1	Financial indicators and variables	44
3.5.2	Test of Hypothesis	46
3.5.3	Statistical Tools Used	47
CHAPTER 4: PRESENTATION AND ANALYSIS OF DATA 52		
4.	Presentation and Analysis of Data	52
4.1	Analysis of Financial Indicators and Variables	53
4.1.1	DPS Analysis	53
4.1.2	EPS Analysis	54
4.1.3	Price Earning Ratio Analysis	56
4.1.4	DPR Analysis	57
4.1.5	MVPS Analysis	59
4.1.6	DY Analysis	60
4.2	Correlation Analysis	64
4.2.1	Correlation between MVPS and DPS	64
4.2.2	Correlation between MVPS and EPS	65
4.2.3	Correlation between MVPR and DPS	65
4.2.4	Correlation between MVPS and P/E Ratio	66
4.2.5	Correlation between MVPS and Dividend Yield	66
4.3	Regression Analysis	66
4.4	Test of Hypothesis	67

CHAPTER 5: SUMMARY, MAJOR FINDINGS,

	CONCLUSION AND RECOMMENDATION	72 - 75
5.1	Summary	72
5.2	Major Findings	73
5.3	Conclusion	74
5.4	Recommendation	74
BIBI	LIOGRAPHY	
APPENDICES		

LIST OF ABBREVITION

a - Constant (intercept) of Regression.

b - Coefficient (slope) of Regression.

B.S - Bikram Sambat

C.V. - Coefficient of Variation.

d.f - Degree of freedom.

DPR - Dividend Payout Ratio.

DPS - Dividend Per Share

DY - Dividend Yield.

EPS -Earning Per Share.

EBL - Everest Bank Limited.

FY - Fiscal Year

MPS - Market price per share.

MVPS -Market value per share.

NIBL - Nepal Investment Bank Limited.

No. - Number

NSBL - Nepal SBI Bank Limited.

Pe - Probable Error

P/E Ratio - Price earning ratio.

r - Correlation

r² - Coefficient of determination

SAFTA -South-Asia Free Trade Area.

SCBL - Standard Chartered Bank Limited.

SD - Standard Deviation

SEE/SE -Standard error of estimation

Viz. -Namely

WTO -World Trade Organization

NABIL –Nepal Arab Bank Limited.