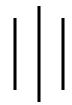
DIVIDEND POLICY OF FINANCE COMAPANIES IN NEPAL



Niranjan Kumar Karn T.U. Registration No: 6454-95 Hari Khetan Multiple Campus, Birgunj



A Thesis
Submitted to
The Office of the Dean
Faculty of Management
Tribhuwan University



In the partial fulfillment of the requirement for the Master's Degree in Business Studies (M.B.S.)
August, 2008

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

prepared by:

Niranjan Kumar Karn

Entitled

"Dividend Policy of Finance Companies 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 the Master's Degree in
Business Studies
(M.B.S.)

VIVA-VOCE COMMITTEE

Head of Research Department:-	•••••
Member (Thesis Supervisor):-	
Member (External Expert):-	
Date :-	

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Niranjan Kumar Karn

Entitled

"Dividend Policy of Finance Companies in Nepal"

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

Deepak Singh	Shambhu Chaurasiya
(Thesis Supervisor)	(Head of the Department)
••••	
	Dr. Bhagwan Prasad
	(Campus Chief)

DECALRATION

I hear by declare that the work reported in this thesis entitled "Dividend Policy of Finance Companies in Nepal" submitted to the faculty of management, Hari Khetan Multiple Campus, Trubhuwan University is my original work done in the format of T.U. for partial fulfillment of the Master's Degree in Business Studies (MBS) under the supervision of Mr. Deepak Singh, thesis supervisor, Hari Khetan Multiple Campus, Birgunj, Parsa.

Niranjan Kumar Karn
(Researcher)
T.U. Regd. No. # 6454-95
Hari Khetan Multiple Campus
Birgunj, Parsa

ACKNOWLEDGEMENT

My study entitled "Dividend Policy of Finance Companies in Nepal" has been completed under the supervision/guidance of honorable advisor Mr. Deepak Singh, Hari Khetan Multiple Campus, Department of Management, T.U., Birgunj. His valuable suggestion, constant encouragement, patient guidance and worthy time paying to me, even in a busy schedule are key instruments of this study to be in this form in time so I would like to express my sincere gratitude and obligation to my honorable advisor.

I would like to express my sincere thanks to all the lecturers of Hari Khetan Multiple Campus, Birgunj for their co-operative suggestion and academic support.

I shall remain indebted to my parents and other family member specially my mother Mrs. Bachchi Devi for her continuous motivation in my efforts.

I wish to express the sincerest thanks to my friends: Nandan Gupta, Keshar Sah, Riva Shrestha, Jyoti Singh, Puja Tamrakar, Lalan Kumar Sah, Mukesh Sigdel and colleagues Shekhar Acharya, Kumar Sigdel, Narhari Chaudhary and all well wishers who provided valuable cooperation in my efforts. Last but not least, I am also thankful to Mr. Pradosh Bahadur Kshetri and Mr. Raghunath Lal Karn for their honorable efforts towards data collection presentation and analysis.

Needless to say, to error is human kind and I am not also exception, so I am alone responsible for any deficiency tht may have remained in this work.

Niranjan Kumar Karn (Researcher) T.U. Regd. No. 6454-95 Roll No. 47/061

Table of contents

Viva	Voce Sheet	• • • • • • • • • • • • • • • • • • • •
	mmendation	
	lration	
	nowledgement	
S.No		Page No
	Chaper - 1	8
1.1	Background of the study	1
1.1.1	Concept	4
1.1.2	Nature and Function of Finance Companies	5
1.1.3	Types of Finance Companies	5
1.1.4	Problems of Finance Companies	6
1.1.5	Growth of Finance Companies in Nepal	7
1.2	Statement of problems	9
1.3	Objectives of the study	11
1.4	Significance of the study	12
1.5	Limitation of the study	12
1.6	Research Methodology	13
1.7	Organization of the study	13
	Chapter - 2	
2.1	The conceptual Framework	15
2.2	Stability of dividend	18
2.3	Significance of stability of Dividend	21
2.4	Danger of stability of Dividend	22
2.5	Payment procedure	23
2.6.1	Residual Dividend policy	24
2.6.2	The Residual Theory of Dividend	25
2.7	Review of provision of Dividend policy Under the Nepalese	
	Company Act	26
2.8	Forms of Dividend policy	27
2.9	Practical Considerations in Dividend policy	28

2.10	Factors Affecting Dividend Policy	31
	Review of Financial Journal	34
	Review of Previous Thesis	51
	Chapter - 3	
3.1	Introduction	58
3.2	Research Design	58
3.3	Nature and Source of Data	58
3.4	Selection of Sample	59
3.5	Method Analysis	60
	Chapter - 4	
4.1	Analysis of Financial Tools	64
4.1.1	Earning per share	64
4.1.2	Dividend per share	69
4.1.3	Dividend pay out Ratio	72
4.1.4	Market Price per share	76
4.1.5		78
4.1.6	Dividend Yield	79
4.1.7		81
4.2	Statistical Tools	84
	Correlation Coefficient	84
	Mean, Standard Deviation and Coefficient of Variance	87
4.2.3	Analysis of Growth Rate	89
	Chapter - 5	
5.1	Summary	91
5.2	Conclusions	94
5.3	Recommendations	95
	Bibliography	98
	Appendix	100

List of Table

	Page No
Chapter - 2	
Constant dividend per share	18
Constant dividend payout ratio	19
Constant dividend per share plus Extra dividend	20
Residual dividend policy	24
Dividend policy and Value of the share (Walter's Model)	35
Dividend policy and Value of the share (Gordon's Model)	38
Chapter- 3	
Earning per share	65
Dividend per share	69
Dividend payout ratio	73
Market price per share	76
Price earning ratio	78
Dividend yield	79
Return on Net worth	81
Correlation Coefficient of market price per share with other	
variables of Mahalaxmi Finance Limited	84
Correlation Coefficient of market price per share with other	
Variables of Ace Finance Limited	85
Correlation Coefficient of market price per share with other	
Variables of United Finance Limited	85
Correlation Coefficient of market price per share with other	
Variables of National Finance Limited	86
Correlation Coefficient of market price per share with other	
Variables of Siddharth Finance Limited	86
Correlation Coefficient of market price per share with other	
Variables of World Merchant Banking& Finance Limited	87
Mean, Standard Deviation and Coefficient of Variance of	
Mahalaxmi Finance Limited	87
Mean Standard Deviation and Coefficient of variance of	0.7
Ace Finance Limited	97
Mean Standard Deviation and Coefficient of variance of	00
United Finance Limited	88

Mean Standard Deviation and Coefficient of variance of	
National Finance Limited	88
Mean Standard Deviation and Coefficient of variance of	
Siddharth Finance Limited	88
Mean Standard Deviation and Coefficient of variance of	
World Merchant Banking & Finance Limited	89
Growth Rate of selected Finance Companies	89