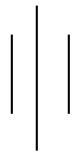
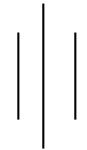
DIVIDEND PRACTICES IN COMMERCIAL BANKS OF NEPAL (WITH REFERENCE TO EVEREST BANK LIMITED AND NEPAL SBI BANK LIMITED)



By:

Samika Kumari Sigdel

Hari Khetan Multiple Campus, Birgunj T.U. Regd. No.7-2-238-26-2002 Campus Roll No. 25/064



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



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

Birgunj (Parsa), Nepal January,2011

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Miss. Samika Kumari Sigdel

Entitled

"Dividend Practices in Commercial Banks of Nepal (With reference to Everest Bank Limited and Nepal SBI Bank Limited"

has been prepared as approved by this Department in the prescribed format of Faculty of Management, T.U. This thesis is forwarded for evaluation. We wish him every success in his life.

Ram Babu Pd.Chaurasiya
(Thesis Supervisor)
Lecturer
Hari Khetan Multiple Campus

Sambhu Prasad Chaurasiya
(Head of Research Committee)
Lecturer
Hari Khetan Multiple Campus

Dr. Bhagwan Pd.Yadav Campus Chief Hari Khetan Multiple Campus Birgunj

VIVA - VOCE SHEET

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

Miss. Samika Kumari Sigdel

Entitled:

Dividend Practices in Commercial Banks of Nepal (with reference to Everest Bank Limited and Nepal SBI Bank Limited)

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment for the Degree of Master of Business Studies (M.B.S)

Viva-Voce Committee

Head of Research Department:
Member (Thesis supervisor):
Member (External expert):
Date: 2067/ /

DECLARATION

I hereby declare that the work reported in this thesis entittled "Dividend Practices in Commercial Banks of Nepal (with reference to Everest bank Limited and Nepal SBI Bank Limited "submitted to the Faculty of Management , Hari Khetan Multiple Campus , Tribhuwan University is my original work done in the format of T.U for the partial fulfillment of the requirement for the Master's Degree in Business Studies (MBS) under the supervision and guidence of Mr.Rambabu Chaurasiya of Hari Khetan Multiple Campus , Birgunj Parsa

ı)	a	te	٠	
$\boldsymbol{\nu}$	а	w	٠	_

Miss.Samika Kumari Sigdel Researcher

> Campus Roll No.:-25/064 T.U Regd.No.:- 7-2-238-26-2002 Hari Khetan Multople Campus

Acknowledgement

This research study entitled 'Dividend Practices in Commercial Banks of Nepal (with

reference to Everest Bank Limited and Nepal SBI Bank Limited ' has been carried out on

behalf of the fulfillment of the partial requirement of the Master's Degree in Business Study

(MBS). On the course of completion of this thesis study, I was able to gain and share a lot of

memorable moments and experiences. However, I got acquainted with the various

terminologies, thesis, Journals and Articles.

I sincerely acknowledge, Mr. Rambabu Chaurasiya, Lecturer of Hari Khetan Multiple

Campus for his co-operation and support. I owe my heart felt thanks to him for helping me

guiding me throughout this research.

I would like to express my sincere thanks to Campus Chief of Hari Khetan Multiple Campus,

Dr. Bhagwan Pd. Yadav, Dr. Alok Dutta and Lecture Mr. Hiralal Yadav, Mr. K.P Sharma

and Shambhu Chaurasiya who always been my true source of inspiration.

I am also thankful to my brother Jaleshwar Ram for providing me this research topic. He

gave me some valuable ideas on how to initiate a research work together with kind statistical

guidance wherever I required, during the study analysis. I would also like to express my

heartly thankful to my brother Mr. Sabin Sigdel who helped me to complete this thesis by

typing and printing.

Finally, thanks are also expressed to all those who have always been with me with their best

wishes for finalizing this study successfully.

Samika Kumari Sigdel

Researcher

Campus Roll No.: - 25/064

T.U. Regd. No.: - 7-2-238-26-2002

January 2011

TABLE OF CONTENTS

	Page No
Recommendation .	(i)
Viva-voce sheet	(ii)
Declaration	(iii)
Acknowledgement	(iv)
Table of Contents.	(v)
List of Tables	(viiii)
List of Diagrams	(ix)
List of Abbreviatio	n(x)
Chapter 1: Intro	oduction 1
1.1	General Background1
1	.1.1 History of Commercial banks in Nepal2
1	.1.2 Joint Venture Banks2
1	.1.3 Profile of Sample Banks2
1	.1.4 General Concept of Dividend5
1.2	Statement of the problem6
1.3	Objectives of the study7
1.4	Limitations of the study7
1.5	Significance of the study8
1.6	Organization of the study 8
Chapter 2: Revie	ew of Literature 10
2.1	Conceptual Review (Book review)10
	2.1.1 Concept of Dividend10
	2.1.2 Types of Dividend
	2.1.2.1 Cash Dividend11
	2.1.2.2 Stock Dividend
	2.1.2.3 Stock Split
	2.1.2.4 Stock repurchase

	2.1.2.5 Bond Dividend. 13
	2.1.2.6 Scrip Dividend
	2.1.2.7 Property Dividend
	2.1.3 Types of Dividend Policies14
	2.1.3.1 Stable Dividend Policy14
	2.1.3.2 Policy of Regular Plus Extra dividend
	2.1.3.3 Policy to pay irregular dividend15
	2.1.3.4 Fixed payout policy
	2.1.3.5 Policy of No immediate Dividend15
	2.1.4 Factors Influencing Dividend Policy
	2.1.4.1 Legal rules
	2.1.4.2 Investment opportunities and Stockholders preference16
	2.1.4.3 Growth rate(Rate of Asset Expansion)17
	2.1.4.4 Liquidity position
	2.1.4.5 Debt repayment and Restriction on Debt contract17
	2.1.4.6 Stability of Earnings
	2.1.4.7 Control
	2.1.4.8 Access to Capital Market
	2.1.4.9 Ownership structure
	2.1.5 Review of Dividend Theories
	2.1.5.1 Dividend Irrelevance Theory19
	2.1.5.2 Modigliani Miller's Model (M-M's Model)19
	2.1.5.3 Dividend Relevance Theory21
	2.1.5.4 Walter's Model
	2.1.5.5 Gordon's Model
	2.1.5.6 Linter's Model24
	2.1.5.7 Signaling Theory
	2.1.5.8 Agency cost Theory27
	2.1.6 Legal Provisions Affecting Dividend Policy in Nepal 27
2.2	Review of Past Research
	2.2.1 Review of Articles and Journals29

		2.2.2	Review of Masters Degree Thesis	31
		2.2.3	Review of Other research papers	.39
	2.3 Re	esearch	Gap	.40
Chapter 3:	Resea	rch M	ethodology	42
	3.1	Resear	ch Design	42
	3.2	Popula	ation and Sample	42
	3.3	Source	es of Data	.43
	3.4	Data A	analysis Tools	.43
	3.4.1	Financi	ial Tools	.43
	3.4.2	Statisti	cal Tools	.45
Chapter 4:	Data 1	Presen	tation and Analysis	48
	4.1	Data Pı	resentation and Analysis	.48
	4.1.1	l Data p	resentation and Analysis of Nepal SBI	48
	4.1.2	2 Data p	resentation and Analysis of EBL	52
	4.1.3	3 Compa	arative Analysis of SBI and EBL	55
	4.1.4	l Correl	ation between various financial indicators	65
	4.1.5	5 Analys	sis of EPS and DPS(Cash) with respect to Time Series	.67
	4.2	Major	finding of this study	73
Chapter 5:	Sumn	nary, C	Conclusion and Recommendation	76
	5.1	Summ	ary	76
	5.2	Conclu	ısion	. 78
	5.3	Reco	mmendations	. 78
		Biblio	graphy	80
		Apper	ndix	82

LIST OF TABLES

Table no.	Particulars	Page No.
4.1	Major Financial indicators of Nepal SBI bank	48
4.2	Major Financial indicators of Everest bank	52
4.3	EPS of SBI and EBL.	55
4.4	DPS of SBI and EBL	57
4.5	Retained earnings of SBI and EBL	58
4.6	Dividend Payout and Retention ratio of SBI and EBL	60
4.7	Dividend Yield of SBI and EBL	61
4.8	Earning Yield of SBI and EBL	63
4.9	Actual and Trend Values of EPS of SBI	67
4.10	Actual and Trend Values of DPS of SBI	68
4.11	Actual and Trend Values of EPS of EBL	70
4.12	Actual and Trend Values of DPS of EBL	71

LIST OF DIAGRAMS

Diagram no	Particulars	Page No.
4.1	Closing MPS movement of SBI	49
4.2	DPS (Cash) of SBI	50
4.3	EPS of SBI	51
4.4	Closing MPS movement of EBL	52
4.5	DPS (Cash) of EBL	53
4.6	EPS of EBL	54
4.7	Comparison of EPS of SBI and EBL	56
4.8	Comparison of DPS of SBI and EBL	58
4.9	Comparison of Retained Earning of SBI and EBL	59
4.10	Comparison of Dividend Payout ratio of SBI and EBL	60
4.11	Comparison of Dividend Yield of SBI and EBL	62
4.12	Comparison of Earning Yield of SBI and EBL	64
4.13	Trend Line of EPS of SBI	68
4.14	Trend Line of DPS of SBI	69
4.15	Trend Line of EPS of EBL	71
4.16	Trend Line of EPS of EBL	72

List of Abbreviations

DPS Dividend per share

EPS Earnings per share

JVB Joint Venture Banks

LTD. Limited

MPS Market price per share

NSBI Nepal SBI Bank Limited

NBL Nepal Bank Ltd

NEPSE Nepal Stock Exchange

NIBL Nepal Investment Bank Ltd.

NRB Nepal Rastra Bank

RPS Retained Earnings per share

EBL Everest Bank Ltd

TU Tribhuvan University

EBL Everest bank Limited