DOI URL: https://doi.org/10.3126/jbssr.v9i1.67984

Identifying the Determinants of Dividend Payout Ratios in Nepalese Commercial Banks

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History:
Received 23 May 2024
Reviewed 25 May 2024
Revised 26 May 2024
Plagiarism Checked
26 May 2024
Revised 31 May 2024
Accepted 2 June 2024

Keywords:
bank size, commercial banks, dividend payout, liquidity

Journal of Business and Social Sciences Research (ISSN: 2542-2812).
Vol IX, No. 1,
June 2024

Abstract

The banking sector in Nepal has experienced significant growth since its formal inception, playing a crucial role in the country's economic development. This study aims to explore the factors influencing the dividend payout ratio in commercial banks of Nepal. The research is based on secondary data to analyse the commercial banks operating in Nepal. Quota sampling was employed to select seven banks, and data were analysed using descriptive and analytical research designs, along with statistical tools like regression analysis. The findings reveal that liquidity ratio and bank size have a significant positive impact on dividend payout ratios in Nepalese commercial banks. However, variables such as leverage, capital adequacy ratio, and profitability ratios exhibit insignificant relationships. Additionally, significant differences in dividend payout ratios, return on assets, leverage, and capital adequacy ratio were observed among different bank types. Higher liquidity ratios and larger bank sizes correspond to higher dividend payout ratios, indicating their pivotal role in shaping dividend policies in Nepalese commercial banks. Banks and financial institutions may focus on managing liquidity and expanding their size to enhance the dividend payout ratio.

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INTRODUCTION AND STUDY OBJECTIVES

A stable financial system fosters the development of financial institutions that may support economic growth of the nation (Dhungana, 2014; Ishfaq et al., 2024; Levine, 1997). The banking sector holds a crucial role in the economic landscape of any nation, acting as the foundation for financial intermediation and economic development (Angahar, 2024; Beck, 2012; Dhungana, 2021). Since the inception of formal banking with the founding of Nepal Bank Limited in 1937, followed by the formation of Nepal Rastra Bank (NRB) in 1956 as the central bank, the banking system in Nepal has undergone significant evolution and expansion. There is a wide range of financial institutions, including commercial banks, development banks, finance, and microfinance institutions operating in Nepal, all of which play important roles in driving economic growth and increasing financial inclusion. Commercial banks are particularly important pillars of the financial system, and they are an important sector for investment for the investors (Dhungana, 2014; Munk et al., 2017).

The dividend payout ratio, a significant indicator in corporate finance, represents the proportion of earnings delivered to shareholders in the form of dividends compared to total earnings retained by the company (Hoang et al., 2020; Nam, 2019). In the case of commercial banks in Nepal, where profit distribution policies are subject to regulatory monitoring and market dynamics, various factors have a significant impact on the dividend payment ratio. Profitability is one of the most important elements influencing the dividend payout ratio of Nepal's commercial banks. Profitability is the foundation of dividend distribution decisions, as banks must create sustainable earnings to fund dividend payments while also meeting regulatory capital adequacy criteria and reinvesting in growth opportunities. Factors like net interest margin, asset quality, and operational efficiency all have a significant impact on commercial banks' profitability levels, determining their ability to pay dividends.

Dividend is one of the important factors considered by the investor. As a result, understanding the factors that influence the dividend payout ratio in Nepalese commercial banks is essential for stakeholders ranging from investors to policymakers, researchers, and practitioners. Regulatory and prudential criteria established by the Nepal Rastra Bank (NRB) have a considerable impact on commercial banks' dividend payout practices. As the major regulatory authority for the banking sector, the NRB establishes guidelines and directives on capital adequacy, reserve requirements, and dividend payout criteria in order to ensure financial stability and protect depositor interests. Compliance with these legal prescriptions limits commercial banks' freedom in calculating dividend payout ratios and requires a balance of profit distribution and capital preservation.

Moreover, macroeconomic considerations and market conditions have a

significant impact on dividend payment decisions in Nepali commercial banks. Economic indicators such as inflation rates, interest rate movements, currency rate variations, and GDP growth expectations can all have an impact on banks' overall financial performance and risk profiles, influencing dividend policy. Furthermore, market sentiment, investor expectations, and competitive pressures in the banking business influence shareholder preferences for dividend income over capital appreciation, hence influencing dividend payment ratios.

Considering these multifaceted influences, exploring the factors affecting the dividend payout ratio in commercial banks of Nepal assumes paramount significance for enhancing financial transparency, investor confidence, and overall economic resilience. This study aims to investigate the factors affecting dividend payout in selected commercial banks in Nepal. By explaining the interplay between profitability, regulatory dynamics, and market forces, this study aims to provide valuable insights into the dividend policy formulation process within the Nepalese banking sector, thereby fostering informed decision-making and sustainable growth strategies.

LITERATURE REVIEW

The dividend payout ratio refers to the proportion of earnings distributed to shareholders in the form of dividends. A firm's dividend pay-out ratio is influenced by various factors including the net income, liquidity position, leverage, investment opportunities, stability of earning, tax, etc. Similarly, different theories related to dividend payout ratio are proposed by different authors. Gordon and Walter (1963) introduced the bird-in-the-hand theory, which suggests that investors favour the assurance of cash dividends over the uncertainty associated with future capital gains. This preference for immediate dividends reduces perceived risk. As a result, higher dividend payouts are valued more by investors.

Signalling theory, developed by Miller and Modigliani (1961), suggests that dividends serve as indicators of a firm's prospects. Since management usually has better insight into the firm's future cash flows, they may use dividends to communicate positive information. An increase in dividends can signal strong future earnings, while a decrease might suggest potential financial difficulties. DeAngelo et al. (2006) proposed a life cycle theory that explains how a firm's ability to pay dividends varies based on its life cycle stage. In the mature stage, companies are highly profitable and large but have fewer investment opportunities, so they tend to pay more dividends to shareholders. In contrast, during the growth stage, companies are less profitable but have many investment opportunities, so they prefer to retain earnings rather than pay dividends. Agency theory, established by Jensen (2009), highlights that dividends can reduce agency costs between management and shareholders. By paying out dividends, a firm reduces the amount of free cash flow available

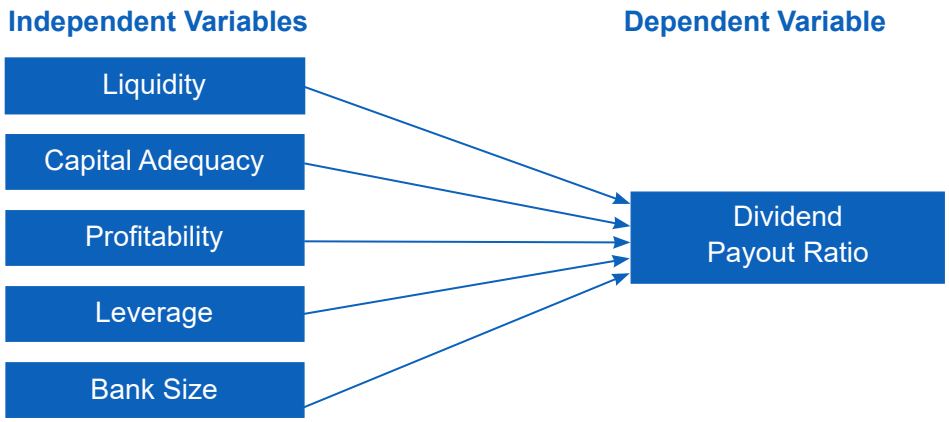

Figure 1. *Determinants of Dividend Payout Ratio*

to managers, which might otherwise be spent on unprofitable projects that do not benefit shareholders.

Dhungana and Devkota (2022) showed in their research that larger businesses pay more in dividends, and dividend payment history positively correlates with dividend payment during the subsequent month. By changing some of the variable proxies, a robustness check was carried out to ensure the result's robustness and found that authorities should not oblige the financial services industry to adopt the same dividend policy. Arshad et al. (2022) found that the dividend payout ratio was considerably impacted negatively by retained earnings to total equity, liquidity, asset growth, and the firm's debt and sales growth.

Bhatt (2021) found that market power, which is a stand-in for some degree of competition, is not an essential factor in dividend decisions in the banking sector, indicating that competition can be advantageous in reducing agency conflicts. Moreover, the dividend decision is considerably impacted negatively by asset growth and positively by bank size and leverage, along with other company-specific factors. However, profitability is found to have a relatively insignificant effect on dividend payout. The investigation expands on and improves the existing wealth of knowledge on bank payouts of dividends and supports determining the most important factors impacting banking dividend decision-making.

Ali et al. (2021) found that profitability largely and positively affects dividend payments in Kenyan deposit-taking SACCOS. The results align with the dividend preference theory, which suggests that investors are more inclined to invest in companies that promptly distribute dividends rather than those that retain profits. Shahid et al. (2023) found that profitability and financial leverage have a large and beneficial impact on the dividend policy.

Dissanayake and Dissabandara (2021) indicated that the presence of women on boards, larger board size, and CEO duality significantly increase the likelihood of paying dividends. In contrast, the size of the audit committee, number of board meetings, and board independence have negatively influenced the dividend decision. In contrast, Widyasti and Putri (2021) asserted that corporate governance, as indicated by the number of Audit Committee members, has no impact on dividend policy.

Raj and Dalvadi (2020) revealed the significant beneficial impact of size, leverage, and liquidity on share pricing and the positive but insignificant associations between profitability, risk, and dividend policy. Sthapit and Maharjan (2012) found a positive correlation between liquidity (measured in bank-specific liquidity ratios stipulated by the central bank) and profitability (returns on assets) and reported that liquidity management of leading foreign joint venture commercial banks in Nepal helped boost their profitability.

Ramadani and Jumono (2020) revealed that debt ratio, cash position, and net call money had a substantial positive impact on the dividend pay-out ratio. Conversely, loan to deposit ratio, return on assets, and other factors had a significant and negative impact on the dividend pay-out ratio. Similarly, Martin and Panggabean (2020) found that sales growth and the investment opportunity set have no apparent impact on the dividend payout ratio and the cash ratio has a positive and significant impact on it.

Fajaria and Isnalita (2018) found that companies with higher profitability and growth rates tend to pay out larger dividends. However, companies with high liquidity or debt levels are less likely to distribute large dividends. On the other hand, Pattiruhu and Paais (2020) argue that common financial metrics like current ratio, return on equity (ROE), and company size do not significantly influence dividend policy. They found that a higher debt-to-equity ratio and return on assets (ROA) are correlated with larger dividends.

Based on the review of literature, this study includes five mostly used independent variables – liquidity, capital adequacy, profitability, leverage, and bank size and one dependent variable – dividend payout ratio. The following conceptual framework has been adopted in this study.

In the study, the dependent variable is the dividend payout ratio (DPR), which indicates the proportion of earnings distributed as dividends, calculated by dividing the dividend per share (DPS) by the earnings per share (EPS). The independent variables include profitability (measured by return on assets, ROA), liquidity (assessed via the liquidity ratio), leverage (evaluated by the debt-to-assets ratio), firm size (represented by the natural logarithm of total assets), and capital adequacy (determined by the capital adequacy ratio, CAR).

RESEARCH METHODS

The study is based on secondary data from various sources, including annual reports, bulletins, NRB publications, theses, papers, journals, magazines, and websites, to examine the relationship between variables. This study aims to generalise findings from a representative sample of 26 commercial banks operating in Nepal. Out of these, seven commercial banks – Himalayan Bank Limited, Standard Chartered Bank Limited, Nabil Bank Limited, Kumari Bank Limited, Nepal Investment Bank Limited, Laxmi Bank Limited, and Agriculture Development Bank Limited were selected purposively, those established before 2003, through quota sampling, representing public, joint venture, and private banks. The sample includes data spanning 10 years, from 2011/12 to 2021/22., with criteria including establishment before 2003, availability of balance sheets, and income statements. This study analysed the DPR of commercial banks in Nepal using yearly data from ten sample periods. Using descriptive and analytical research designs, this study shows the general pattern of variables using central tendency as well as this study utilised statistical tools like the t-test, ANOVA, coefficient of correlation, and regression analysis to examine the relationship between the variables. The study also used statistical software like Excel and SPSS to analyse the data.

DATA ANALYSIS AND DISCUSSION

Descriptive Analysis of Sample Banks

The descriptive statistics were analysed based on the 70 observations of seven commercial banks for 10 years. Table 1 shows the descriptive analysis of sample banks.

Table 1 presents the minimum, maximum, mean, and standard deviation values using bank size, liquidity, profitability, leverage ratio, capital adequacy ratio, and dividend payout ratio. The liquidity ratio measures a company's ability to convert current assets into cash without significant price or time concessions. The mean value of ROA is 1.83 percent, with a minimum of 0.76 percent and a maximum of 3.57 percent. Bank size

Table 1
Descriptive Analysis of Sample Banks

	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity ratio		4.57	50.08	17.72	9.16
Return on assets		0.76	3.57	1.83	0.613
Bank size	70	7.40	8.46	7.96	0.25
Debt to total assets		75.69	91.86	88.12	3.19
Capital adequacy ratio		10.81	45.00	14.23	4.75
Dividend payout ratio		0.00	296.59	77.05	41.15

Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

Table 2
Correlation Matrix of Variables

	DPR	Liquidity Ratio	Leverage Ratio	ROA	Bank Size	CAR
DPR	1					
Liquidity Ratio	0.283*	1				
Leverage Ratio	0.119	-0.163	1			
ROA	-0.122	0.112	-0.308**	1		
Bank Size	0.060	-0.223	-0.325**	0.084	1	
CAR	-0.067	0.335**	-0.395**	0.331**	0.048	1

**. Correlation is significant at the 0.05 level (2-tailed).*
***. Correlation is significant at the 0.01 level (2-tailed).*
Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

Table 3
ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	20020.843	5	4004.169	2.646	0.031
Residual	96852.115	64	1513.314		
Total	116872.958	69			

Predictors: (Constant), Capital adequacy ratio, Bank size, Return on assets, Liquidity ratio, Debt to total assets, Dependent Variable: Dividend payout ratio.
Note. Annual Report of Sample banks (2011/12to 2020/2021) and Author's calculation.

is the total assets of each bank, with an average value of Rs 7.96 during the study period. The debt ratio, which represents nearly 88.12 percent of the capital of banks, indicates that assets were financed through debt. The equity capital to total assets ratio, a proxy for bank capital adequacy, has a mean value of 14.23 percent, indicating a low capital contribution by shareholders to finance the company's assets. The dividend payout ratio is 77.05 percent, with a standard deviation of 41.15 percent.

Inferential Analysis

Correlation Matrix of Variables: The correlation matrix of different variables such as dividend payout ratio (DPR), liquidity ratio, leverage ratio, return on assets (ROA), bank size and capital adequacy ratio (CAR) are presented in Table 2.

Table 2 presents the Pearson correlation between the variables. The correlation coefficients of dividend payout ratio (DPR) are found to be positively correlated with liquidity, leverage ratio, and bank size. The positive coefficient estimates of the correlation implied a direct relationship between liquidity, leverage ratio, and bank size. The liquidity ratio is significant at the 5 percent level of significance, but leverage and bank size are insignificant. Similarly, CAR and return on assets are

Table 4
Summary of Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.414	0.171	0.107	38.90134	2.046

Note. Annual Report of Sample banks (2011/12to 2020/2021) and Author's calculation.

Table 5
Coefficients of Regression Model

Model	Unstandardized Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-434.443	266.709		-1.629	0.108
Liquidity ratio	1.849	0.566	0.412	3.268	0.002
Return on assets	-6.212	8.266	-0.093	-0.752	0.455
Bank size	36.562	20.356	0.226	1.796	0.047
Debt to total assets	2.414	1.740	0.187	1.387	0.170
Capital adequacy ratio	-0.965	1.154	-0.112	-0.836	0.406

Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

negatively correlated, which also shows CAR and return on assets are insignificant at the 5 percent level of significance. The negative coefficient estimates of the correlation resulted in these ratios having an inverse relationship with DPR.

Regression Analysis

Regression analysis is used to examine the impact of various independent variables including liquidity, bank size, profitability, capital adequacy ratio, and leverage on dividend payout ratio.

Linear equation of regression model describes:
Y=a+bx1+bx2+bx3+bx4+bx5+bx6
Where,
Y= Dependent variable (DPR)
a = constant
b (x1, x2, x3, x4, x5, x6) = Independent variable

Table 3 shows that the overall regression model is statistically significant, with a p-value less than 0.05.

The R-square value, found in Table 4, is 0.171, indicating that only 17.1 percent of the variation in the data is explained by the independent variables: liquidity, profitability, bank size, debt to total assets, and capital adequacy ratio.

TTable 5 reveals that bank size has a significant impact on dividend payout ratio (P<0.05), with a positive coefficient of 36.562. This indicates that one unit increase in bank size leads to an increase in DPR of 36.562 units. However, there is

no significant impact of return on assets on dividend payout ratio (P > 0.05), with a negative coefficient of 6.212 units. Capital adequacy ratio also has an insignificant relationship with dividend payout ratio (P > 0.05), with a negative coefficient of 0.965 units. Liquidity has a significant impact on dividend payout ratio (P<0.05), with a positive coefficient of 1.849 units. Lastly, there is an insignificant relationship between debt to total assets and dividend payout ratio (P > 0.05), with a positive coefficient of 2.414 units.

Mean Difference Test

This study uses one-way ANOVA to analyse the mean difference on return on assets, liquidity, leverage, earnings per share, debt-to-assets ratio, capital adequacy ratio, and dividend payout ratio by bank type (joint venture, private, and government banks).

Differences of (Dividend Payout Ratio (DPR) by Bank Types

As per the nature of bank types, the differences of dividend payout ratio (DPR) have been shown in Table 6.

Table 6 shows the difference between the mean score and standard deviation evaluation of the dividend payout ratio by bank type. The table reveals that the F-statistics of dividend payout ratio are significant at the 5 percent level of significance (P<0.05). This indicates that the dividend payout ratio (DPR) varies significantly depending on the type of bank.

Differences of Return on Assets (ROA) by Bank Types

Based on the bank types, return on assets (ROA) has been presented in Table 7.

Table 6
Differences of Dividend Payout Ratio (DPR) by Bank Types

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	81.9707	44.03106	3.443	0.038
Private Bank	82.3253	39.43426		
Government Bank	46.5020	22.75430		

Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

Table 7
Differences of Return on Assets (ROA) by Bank Types

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	2.043	0.507	18.498	0.000
Private Bank	1.438	0.442		
Government Bank	2.401	0.631		

Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

Table 8
shows the difference of liquidity ratio by bank types such as joint venture, private and government bank.

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	18.720	13.151	0.466	0.630
Private Bank	17.469	4.767		
Government Bank	15.539	2.065		

Note. Annual Report of Sample banks (2011/12 to 2020/2021) and Author's calculation.

Table 7 shows that the F-statistics of dividend payout ratio are significant at the 5 percent level of significance, i.e., P<0.05. This means that there is a significant difference in ROA depending on the bank type.

Differences of Liquidity Ratio by Bank Types

Table 8 Differences of Liquidity Ratio by Bank Types

Table 8 shows that the F-statistics of liquidity ratio are insignificant at the 5 percent level of significance, i.e., P > 0.05. This reveals that there is no significant difference in liquidity ratio by bank type.

Differences of Debt to Total Assets Ratio by Bank Types

The differences of debt to total assets ratio by bank types in Table 9.

Table 9 indicates that the F-statistic for the debt-to-total assets ratio is significant at the 5 percent level (P<0.05). This demonstrates that there is a significant difference in the debt-to-total assets ratio based on bank types.

Differences of Bank Size by Bank Types

Table 10 shows the differences of bank size by bank types.

Table 10 shows that F-statistic for bank size is not significant at the 5 percent level (P > 0.05). This indicates that there is no significant difference in bank size based on bank type.

Differences of Capital Adequacy Ratio (CAR) by Bank Types

The regulatory authority measures the capital adequacy ratio maintained by the banks. Table 11 shows the differences of capital adequacy ratio by bank types.

Table 11 shows that the F-statistics of the capital adequacy ratio is significant at the 5 percent level (P < 0.05). This reveals that there is a significant difference in the capital adequacy ratio by bank types.

DISCUSSION

The key conclusions drawn from the test of hypotheses and the output of the regression were covered in the section that followed.

Liquidity and Dividend Payout

H_1: Liquidity has a significant impact on dividend payment in the commercial banks of Nepal.

The linear regression model shows a significant impact of liquidity on dividend payment in commercial banks of Nepal at a 0.01 level of significance. This study is consistent with the study made by Hosain (2016) that liquidity has a favourable and considerable impact on Bangladesh's commercial banks' dividend payout ratio. Likewise, the dividend payout ratio significantly and favourably correlates with liquidity in the UAE banking sector (Ahmed, 2015).

Table 9
Differences of Debt to Total Assets Ratio by Bank Types

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	89.1310	2.40000	24.663	0.000
Private Bank	88.7923	2.16509		
Government Bank	83.0760	3.37761		

Note. Annual Report of Sample banks (2011/12to 2020/2021) and Author's calculation.

Table 10
Differences of Bank Size by Bank Types

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	7.9960	0.21126	2.442	0.095
Private Bank	7.8917	0.30148		
Government Bank	8.0720	0.16395		

Note. Annual Report of Sample banks (2011/12to 2020/2021) and Author's calculation.

Table 11
Differences of Capital Adequacy Ratio (CAR) by Bank Types

Bank Type	Mean	Std. Deviation	ANOVA Test	
			F- Statistics	Sig.
Joint Venture	14.7293	6.53873	5.697	0.005
Private Bank	12.5243	1.24550		
Government Bank	17.8670	2.36081		

Note. Annual Report of Sample banks (2011/12to 2020/2021) and Author's calculation.

Return on Assets and Dividend Payout

H_2: Return on assets has a significant impact on dividend payment in the commercial banks of Nepal.

The linear regression model shows no significant impact of return on assets on dividend payment in commercial banks of Nepal at a 0.01 level of significance. Zelalem (2021) also found that the profitability was insignificant on dividend payment ratio of Ethiopian commercial banks. Likewise, the dividend payout ratio is insignificant with the profitability in the banking sector of the United Arab Emirates (Ahmed, 2015).

Bank Size and Dividend Payout

H_3: Bank size has a significant impact on dividend payment in the commercial banks of Nepal.

The linear regression model shows a significant impact of bank size on dividend payment in commercial banks of Nepal at a 0.01 level of significance. In the Nigerian banking industry, firm size has a negative and negligible impact on dividend per share (Abdullahi et al., 2020). But the size of the bank and dividend payments in Nepalese commercial banks are positively correlated (Pradhan et al., 2016).

Debt to Total Assets and Dividend Payout

H_4: Debt to total assets has a significant impact on dividend payment in the commercial banks of Nepal.

The linear regression model shows no significant impact of debt to total assets on dividend payment in commercial banks of Nepal at a 0.01 level of significance. But Zelalem (2021) found significant impact of financial leverage on dividend payment ratio of Ethiopian commercial banks.

Capital Adequacy and Dividend Payout

H_5: Capital adequacy has a significant impact on dividend payment in the commercial banks of Nepal.

The linear regression model shows no significant impact of capital adequacy on dividend payment in commercial banks of Nepal at a 0.01 level of significance. This study is consistent with the findings of Hutasoit et al (2022) that the capital adequacy ratio has no effect on the dividend payout ratio in Indonesia's banking industry. The financial performance of Nepalese commercial banks is adversely affected by the core capital ratio (Pradhan et al., 2016).

CONCLUSION AND IMPLICATIONS

The research investigated the impact of leverage, bank size, liquidity, capital adequacy, and profitability ratios on the dividend payout ratios (DPR) of seven commercial banks in Nepal. The study found a significant positive impact of liquidity ratio and bank size on dividend payout ratios, indicating their significant impact on dividend payout ratios in Nepalese commercial banks. Conversely, variables such as leverage, capital adequacy ratio (CAR), and profitability ratios exhibited insignificant relationships

with DPR among the selected banks. This study concludes that banks should prioritise maintaining adequate liquidity levels to sustain dividend payments. Further, larger banks may have more resources and stability to consistently pay dividends, reflecting investor confidence. These findings highlight the importance of liquidity management and the size of banks in determining their dividend policies.

Similarly, this study found that there is a significant difference in DPR, ROA, leverage, and capital adequacy ratio by bank types. This study concludes that higher liquidity ratios and larger banks corresponded to higher dividend payout ratios. Bank control variables such as liquidity of banks and bank size emerged as pivotal in shaping the dividend policy of commercial banks in Nepal. Further, the analysis of financial metrics across government banks, joint venture banks, and private banks reveals distinct patterns in their operational dynamics. Joint venture and private banks exhibit a heightened pressure for dividend payouts, evident in their higher dividend payout ratios compared to government banks. Conversely, government banks demonstrate superior performance in terms of return on assets (ROA), indicating greater efficiency in generating profits relative to their assets. Despite similarities in liquidity positions and bank sizes among all categories, joint venture and private banks stand out with higher debt to total assets ratios, suggesting a reliance on debt financing for their operations. In contrast, government banks showcase higher capital adequacy ratios, indicating stronger buffers against potential losses and regulatory compliance. Banks and financial institutions may focus on managing liquidity and expanding their size to enhance the dividend payout ratio. These disparities underscore differing risk management strategies and financial priorities among the different types of banks, reflecting the diverse landscape of the banking sector.

This study focused on analysing the factors affecting the dividend payout ratios (DPR) of seven commercial banks only over a decade-long period. Likewise, this study only covers the five independent variables affecting dividend payout ratio and does not incorporate other possible variables. Further study could be an in-depth investigation utilising more independent variables and advanced models to enhance result accuracy. Expanding the sample size to encompass a broader spectrum of firms would enrich future research outcomes in the Nepalese banking sector.

Funding

The authors declare that they have received no financial support for this study.

Conflict of interest

The authors declare having no conflicts of interest.

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