

Impact on Dividend Payout Analysis between Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited

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Abstract

This study entitles, “Factors Analysis on Dividend Payout of Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited” focused on quantities paid are decided on the company's performance analysis of Nepal Bank Limited (NBL), Rastriya Banijya Bank Limited (RBB) and Agricultural Development Bank Limited (ADB) taking three sample banks. This study focused to find the effects of different factors and on its dividend payout taking secondary data from 2012/13 to 2021/22. The study's finding indicate that larger corporations may afford to pay bigger dividends because of their greater financial strength. Also the profitability ratio, company size, and leverage ratio all have a negative correlation with the dividend payout ratio and as the bank's size grows, the dividend distribution will be reduced and increases in net income have a positive impact on dividend payments, meaning that higher payments will be made when growth is strong.

Keywords: *Dividend Pay-out ratio, liquidity ratio, leverage ratio, growth analysis, and net profit.*

1. Introduction

The dividend pay-out policy is very important since it serves as a link between the firm and its shareholders in terms of profit-sharing arrangements. If the company does not have a formalized dividend policy, it will be difficult for investors to determine the objectives of the management. As a result of these findings, Ross et al. (2013) assert that the essence of the dividend policy dilemma is simply this should the business pay money to its shareholders, or should the firm take that money and invest it for the benefit of its owners? In the business world, a dividend is a portion of a company's after-tax earnings that is dispersed to its shareholders in proportion to the number and class of shares that they own. A dividend is the money that a corporation distributes to its shareholders from its earnings. It may be paid out in cash or by issuing extra shares, as in the case of a script dividend, depending on the circumstances. Dividends are sometimes referred to as distributable profits when they are paid out by a corporation. These are the profits that are kept in the company and are not dispersed to the shareholders. It is the board of directors

of a corporation that determines whether or not a dividend should be paid out. The choice on dividend distribution and retained profits is what is referred to as the dividend policy in this context. Dividend distribution is one of the most contentious problems in contemporary corporate finance, and it is still a source of consternation (Knife, 2011). Generally speaking, dividend payout policy refers to the choice made by management about the part of revenue that is distributed to shareholders in the form of dividends. This has been a contentious subject for financial managers for more than 50 years. Because of poor knowledge and unpredictability in the market, an increase in dividends may have a beneficial impact on shareholder value. Later on, many more ideas were developed and published in the literature, such as the signaling theory of (Bhattacharya, 1979), which describes how dividends may be used to send information about a firm's future prospects when there is an asymmetry of knowledge. Easterbrook (1984) introduced the concept of Agency Cost Theory, which proposes that increasing dividends may be used as a strategy to offset the agency difficulties that corporations face. It reduces the amount of accessible free cash in the hands of business owners and managers.

There have been a number of studies conducted on the factors that influence dividend distribution in established capital markets. The empirical evidence that is now available is mostly based on data from industrialized and developing nations. In the case of Nepal, the conclusions based on data from underdeveloped nations have not been sufficiently validated for consistency and validity. As a result, it may be concluded that, in the context of a developing nation like Nepal, such empirical data is insufficient. So, this research is an attempt to put these truths into practice in a growing capital market like Nepal's capital market. In doing so, this research has used the most current data available and attempted to explore the numerous dynamics of dividend choices and drivers of dividend distribution that are most important to commercial banks in their decision-making processes. Also important is understanding how various banks formulate their dividend policies and what factors they take into consideration before announcing their choices, i.e., the factors that influence the amount of dividends that are paid out.

This study is aimed to investigate the dividend payout determinants of NBL, RBB and ADB. The reason for choosing these three commercial banks is clear because Nepal Bank Limited (NBL), Rastriya Banijya Bank Limited (RBB) and Agricultural Development Bank Limited (ADB) are one of the most sought-after commercial banks in the secondary market. All the three government banks have very strong fundamentals. Investors compare these three banks to find out which one is best for investment. Lastly, the required data were easily available from these banks which required to conduct this study.

Despite the fact that dividend distribution has been studied for decades, no widely accepted explanation for a company's observed dividend behavior has been found. Several researchers, including Brealey et al. (2008), have identified dividend payout policy as one of the top ten most challenging unresolved issues in the field of financial economics. It

has piqued the interest of corporate finance scholars because of the sensitive nature of the issue (Pradhan, & Gautam, 2017), the significance of the shareholder's expectations, and the need of meeting these expectations in order to reduce conflicts between the firm's many stakeholders. Furthermore, dividend payout policy continues to be a mystery because it has been observed that there are significant differences between the dividend payout policies of different countries, which can be attributed to the fact that countries are subjected to a variety of different tax systems, rules, and regulations, as well as a variety of different capital markets and regulatory institutions (Malomo, & Ojediran, 2015). Most empirical evidences have congruency to the theoretical assumptions while some other shows that there exists difference between what is observed and what theory suggests (Pandey, 2020). Although there is no consensus solution for the subject of dividend policy, however many studies are going on this field in order to obtain a strong theoretical and empirical analysis on dividends and solve this financial puzzle (Pradhan, & Rajbhandari, 2016). With respect to factors affecting corporate dividend policy, the majority of respondents gave the first priority to earnings, second to availability of cash, the third priority to past dividends and fourth priority to concern about maintaining or increasing stock price (Ranti, 2013). As a result, doing research on the determinants of dividend payment is of critical importance since it will aid in unraveling the problems surrounding dividends and may provide some clear evidence of the link between theory and practice from a Nepalese viewpoint (Pradhan & Adhikari, 2003). Consequently, the purpose of this research is to examine the trend pattern and link between dividend payment and its drivers, which are profit margins, liquidity, leverage, growth, size, and earnings per share (EPS). “What are the major determinants of dividend payout and how is the effect of dividend payout on dividend pay-out of Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Nepal Limited?” is the main research question of the study?

The major objective of the study is “to identify and examine the determinants of dividend payout of Nepal Bank Limited, Rastriya Banijya Bank Limited, and Agricultural Development Bank Nepal Limited”.

2. Literature Review

The literature review serves to enhance and consolidate the knowledge that is to explore and helps to integrate the finding with the existing body of the knowledge. A literature review in this research is a written summary of concern journal articles, related books, dissertations and other documents that describes “the past and current state of information” (Cresswell, 2012, p. 1) on the subject of inquiry factors that determine dividend payout sample banks of concern research study.

Theoretical Stance: Theory might be an opinion or belief “a way of looking at a situation” (Cohen et al, 2018, p. 68). In the opinion of Kumar (2011), "Theoretical framework underpins the research work" (p. 198). Therefore, it is a process of developing ideas that can allow us

to explain how and why event occur (Turner, 2007, p. 4). Hence a specific theory helps to describe the situation, to clarify the observation, to understand (more broadly and deeply) the phenomena, make sense of situation, make intelligible to the realities, conceptualize the particular research world, interpret the phenomena, explain the situation, to predict and generalize the situation and provide answers to the questions finally empower and emancipate the events. There are several theories advanced by different scholars that can be applied to explain the effect of dividend payout of sample banks. This study is hinged on three theories; Signaling Theory, Agency theory and Bird-in Hand theory.

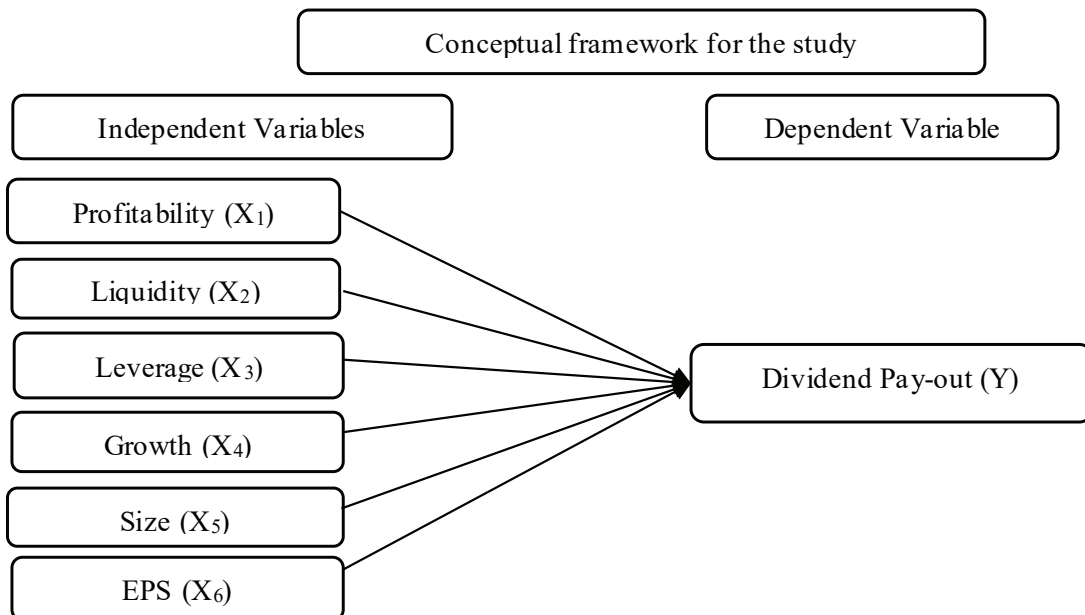
Signaling Theory : According to the Signaling theory, managers who anticipate abnormal returns in the future will be more willing to share earnings with shareholders because they anticipate that they will have enough cash flows to complete all of their projects with expected positive, high NPV regardless of how they do so. If managers expect to incur losses or see earnings decline in the near future, they would prefer to hold onto today's excess for use in the future. According to the explanation provided by John and Williams (1985) on the Signaling theory, dividends alleviate information asymmetry between managers and shareholders by providing inside knowledge about the firm's future prospects. According to Bhattacharya (1979), one of the most often cited studies in the field of Signaling theories, dividends may serve as a signal of predicted future cash flows in the future. A rise in dividends suggests that the company's management expects to generate more cash in the near future (Pradhan & Rajbhandari, 2016). On the premise that outside investors have imprecise knowledge about the company's future cash flows and capital gains, the study is conducted in this manner.

Agency Theory: In this theory, the primary premise is that there is a conflict of interests between managers and owners. As a result of such conflicts, agency costs are incurred (monitoring costs, other costs incurred by the agent to assure the owners that there will be no harm to the owners' interests, and finally any remaining loss resulting from differences between the agent and owner actions when compared to the loss resulting from differences if the owners take such actions). Agency theory developed as a result of this argument, and it states that dividends safeguard investors by reducing the extra income accessible to management once investment and operational operations are completed. Managers may spend surplus funds on less-than-desirable investment alternatives, which may have unfavourable risk/return characteristics for investors, whether in good faith or in bad faith. The presentation of one of the most prominent research about agency expenses was made by (Jensen & Meckling 1976). The study provides a fresh perspective on the agency issue (Gautam, 2019), and most studies on the subject of agency costs utilize research as a standard for comparison (Thapa, 2021). Agents are hired and delegated by the principals with a specific authority to increase the wealth of the principals and their families. They go on to say that only stocks and bonds may be utilized as claims against the corporation. As a result, the only people who may be considered principals are shareholders and creditors.

Bird in Hand Theory: According to the dividend irrelevancy theory, in a perfect market with independent investment and dividend policies, perfect capital market information, no taxes, no agency, contracting, transaction, or flotation costs, and a complete market, dividend payouts may have no effect on firm value and therefore have no effect on firm value. In this situation, investors generate dividends by disposing of their shares, which they often do at a minimum or no cost, rendering the dividend pay-out policy completely meaningless and undesirable (Oliver, 2015). Investors always prefer cash in hand over a future promise of capital gain because cash in hand reduces or eliminates the risk of losing money. In response to this desire, when all other conditions are held constant, investors pay higher prices for a firm's shares that pay cash dividends compared to a corporation that retains its earnings. Based on this hypothesis, cash dividends paid today lessen the risk connected with the uncertainty surrounding deferred income, which is expressed as a kind of capital gain in the near future. As a result, investors may choose to acquire shares in firms that have a proven track record of dividend payout rather than those that keep a large portion of their profits for development and expansion.

Research Gap: Many empirical studies conducted in this topic by different national and international researchers. (Manandhar, 2013), (Adhikari, 2014), (Bhattarai, 2015), (Hosain, 2016), (Pradhan and Rajbhandari, 2016), (Dhakal and Shah, 2017), (Raphael and Mnyavanu, 2018), (Pradhan and Gautam, 2019), (Adugna et al., 2020), (Thapa, 2021) conducted research in this topic but the conclusion is huge gulf. Most of the researchers found profitability, liquidity has a significant effect on dividend payout. Different authors used different variables in dividend pay-out of commercial banks. Therefore, in this study, the researcher wants to find the facts and conclusion on Nepalese commercial banks scenario with a combination of six study variables i.e., profitability, liquidity, size of the bank, growth, leverage and earnings per share from different prospectus which other researchers have not study. Only three sample banks NBL, RBB and ADB are examined in this thesis, out of a total population of twenty-six commercial banks operating during study period. Hence, the gap is observed in this research, “*is to factors that affect the dividend pay-out of Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited*”.

Conceptual Framework : The conceptual model proposed by Malik, et.al. (2013), will be employed as the reference for the conceptual framework of this study. The conceptual model includes dividend payout ratio which is used as the dependent variable and independent variables are profitability, liquidity ratio, leverage ratio, firm size (total assets), growth and EPS. The relationships between the dividend payout ratio and its determinants have been shown in the diagram below.



Source: Malik et al., 2013

3. Research Methodology

Research methodology is concerned to include all the things related to the research. In the view of Cohen et al. (2018), “Methodology concerns how we find out about the phenomenon” (p. 186). It includes with the procedure of collecting data, nature of data collection, processing the data, analysing the data and appropriate method to be used for interpretation in the research. It examines the ways in which they can be used in the favour of research questions. Secondary data were used in this study, which is published by the NRB and provided by the concern commercial banks. Collected data are first presented systematically in tabular forms and then assigned descriptive characteristics are calculated as per the objectives for the analysis and then analyzed by applying different financial and statistical tools to achieve the research objectives. The different calculated results obtained through financial and statistical tools are tabulated under different headings as per the conceptual framework. Figures, tables and timeline plots are presented to analyze and interpret the finding of the study. The study employed both descriptive and analytical statistics using the computer program SPSS-25 to analyze the collected secondary data. So the result obtained through the SPSS-25 is independent from the research’s intuition, values and beliefs.

Research Design: This study has employed descriptive and analytical research designs to deal with issues associated with the determinants of dividend policy of the NBL, RBB and ADB. A descriptive research design has been used in order to identify the factors affecting dividend policy and to get adequate information on such determinants and an analytical

study has been employed in order to investigate the direction and magnitude of the correlations among the dependent variable i.e., dividend payout and the assigned independent variables of the study. Three commercial government Banks were selected on the basis of purposive sampling for the study among 22 commercial banks existed during study period of fiscal year 2012/013 to 2021/022.

Tools Used: The study has used graphs, descriptive statistics, correlation analysis and regression analysis for the analysis of the secondary data. Descriptive statistics such as mean, standard deviations, minimum and maximum values of the variables like DPR, NP, LIQ, GRO, SZ, LEV and EPS were used to describe the characteristics of dividends and its determinants for NBL, RBB and ADB during the period of 2012/13 to 2021/22.

4. Data Analysis

Figure 1 shows that DPR of NBL, RBB and ADB is in fluctuating trend during the ten years of the study period. This ratio expresses the amount of dividend as a percentage of earnings available for equity shares after meeting all charges. it is necessary to have an appreciation policy for dividend distribution of the banks must know about how much portion of its earning into be retained for internal financing and how much amount is to be allocated for the distribution of dividends to shareholders.

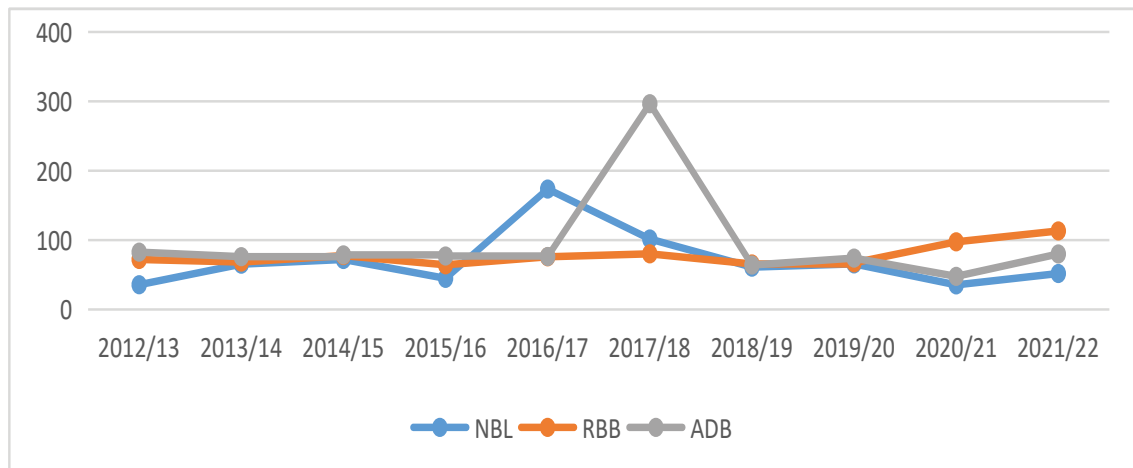


Figure 1: Dividend Payout Ratio of NBL, RBB and ADB

Figure 2 depicts the return on total assets ratio of NBL, RBB and ADB all over the study period. The pattern of average ratio for return on assets for NBL, RBB and ADB are increasing at first and then decreasing i. e. satisfactory. From the ten years analysis i.e., fiscal year 2012/13 to 2021/22 return on assets is greater for RBB than of NBL and ADB during the study period. The coefficient of variation shows RBB is more consistent with a lower CV i.e., 20.90% than NBL with CV of 22.23%, and ADB with CV of 22.47%. The dividends banks give out are closely linked to their profitability.

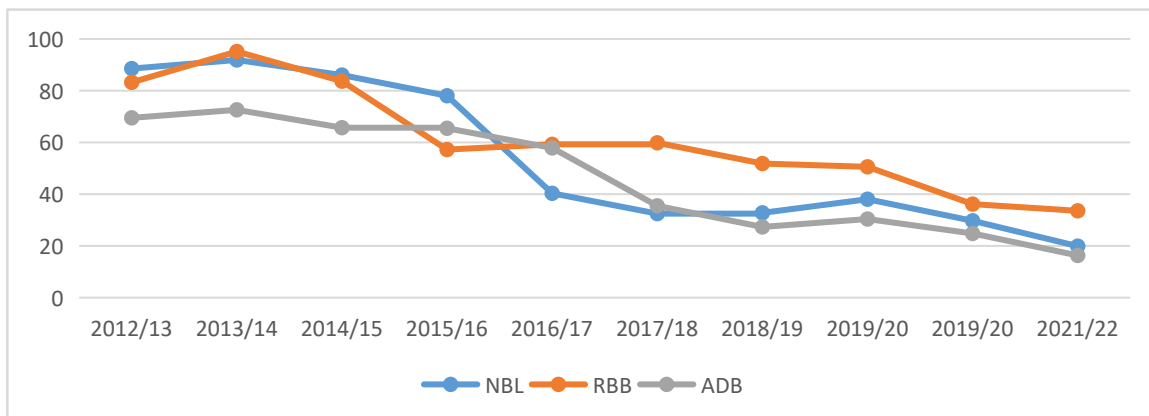


Figure 2: Return on Total Assets (Profitability)

Figure 3 depicts that the liquidity ratio is in fluctuating trend throughout the study period. The mean ratio of NBL is higher than RBB and ADB. From the CV analysis it can be concluded that NBL has more uniformity and less risky with lower CV than RBB and ADB. According to the results of the aforementioned investigation, all three sample banks are financially healthy. The more cash a company has on hand, the more dividends it can pay out to shareholders.

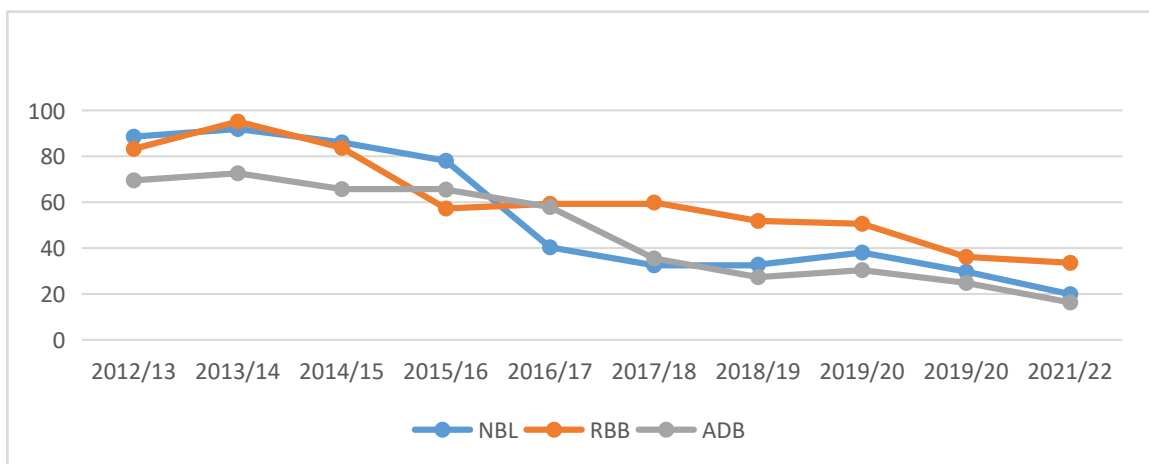


Figure 3: Liquidity Ratio of NBL, RBB and ADB

Figure 4 depicts the size of the company has a considerable impact on dividend payments. The bigger the company, the more money shareholders get in the form of dividends. According to Lloyd, Jahera, & Page, (1985), the size of the company has a favorable link with their payment. From the average of ten years of data, it can be concluded that the size of the bank for RBB is better because the average for RBB is better than other sample banks. In terms of consistency of assets growth of NBL, RBB and ADB, ADB assets growth is more consistent with lower CV i.e., 1.37% than NBL and RBB. The magnitude of a bank's dividends is also influenced by the bank's size. Having more clients

and collateral improves a company's credit rating, making it easier to get funds from the public, which in turn improves its dividend payment.

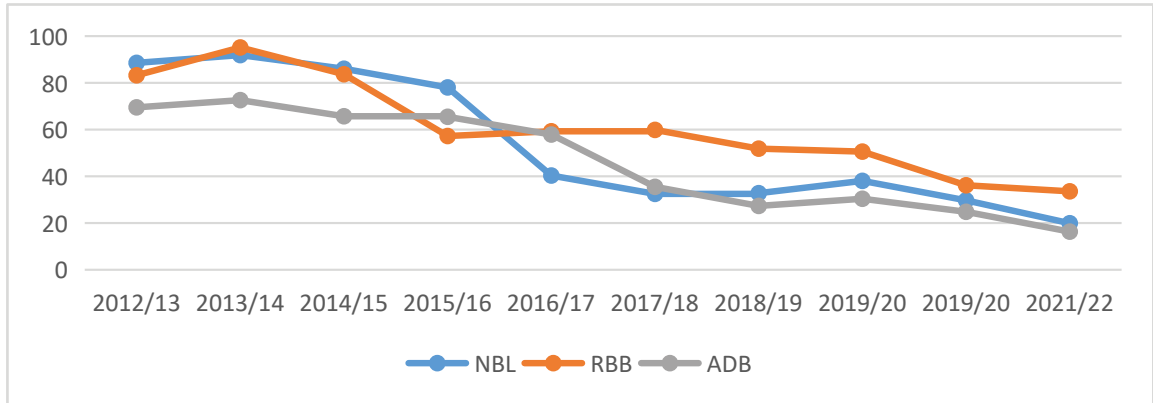


Figure 4: Natural Log of Total Assets of NBL, RBB and ADB

Figure 5 shows that the growth of net revenue for NBL, RBB and ADB is in fluctuating trend during the ten years of the study period. From the average of ten years data from NBL, RBB and ADB, RBB average growth is better with higher average. From CV analysis it can be concluded that ADB has less uniformity with the highest CV as compare to NBL and RBB. As a result, a balance will be struck between the interests of the firm and those of its shareholders. As the company expands fast, more money are required to support the growth; as a result, more cash are held for the expansion and no or extremely little dividends are distributed.

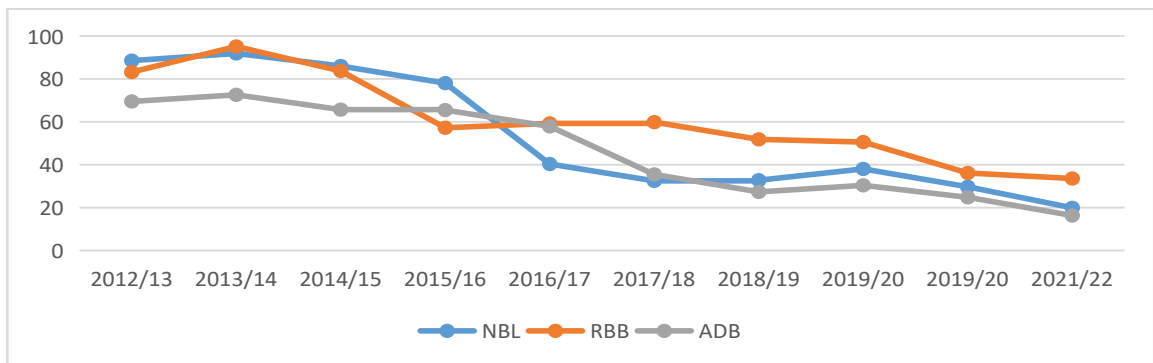


Figure 5: Natural Log of Total Assets of NBL, RBB and ADB

Figure 6 depict that among the most important ratios in corporate finance is the debt-to-equity ratio (D/E ratio). It is a measure of the percentage of a company's operations that are funded by debt, as opposed to activities that are financed entirely by equity. The ability of the firm to pay off all current commitments in the event of a business downturn is determined by the amount of shareholder equity that the company has. When it comes to finance, the debt-to-equity ratio is a kind of gearing ratio that is employed. In terms of leverage ratio, NBL is better than RBB and ADB with higher average of debt-to-equity

ratio during the ten years of the study period. CV analysis show that NBL is more consistent than RBB and ADB with lower CV.

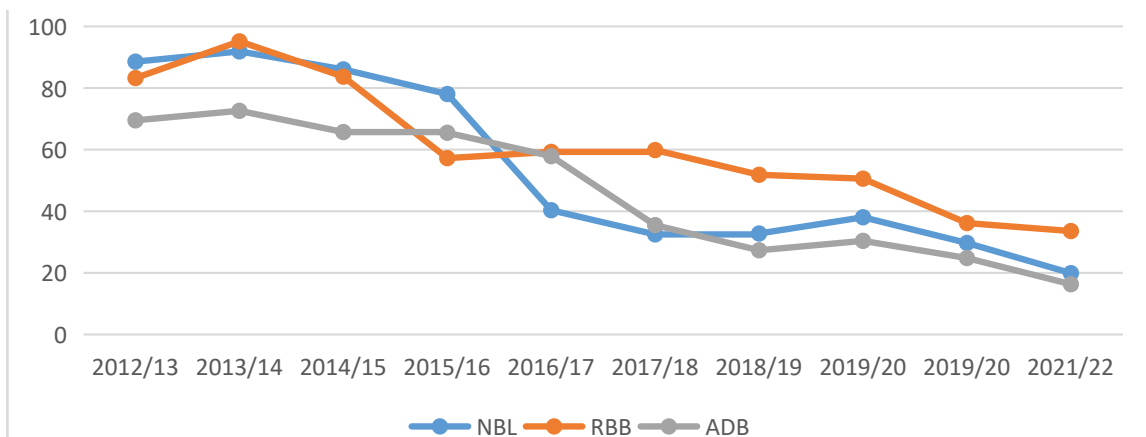


Figure 6: Natural Log of Total Assets of NBL, RBB and ADB

Figure 7 depicts the earnings per share of NBL, RBB and ADB during the ten years of the study period. The highest earnings per share is Rs. 91.88, Rs. 95.14 and Rs. 72.6 for NBL, RBB and ADB respectively. Similarly, the lowest earnings per share is Rs. 19.91, Rs. 33.57 and Rs. 16.32 for NBL, RBB and ADB respectively. The average earnings per share for RBB is Rs. 61.06 during the ten years of the study period which is higher than NBL i.e., Rs. 53.78 and ADB i.e., Rs. 46.55. From the CV analysis RBB earnings per share is more consistent than NBL and ADB with lower CV i.e., 31.74%. Earnings per share is also affected the dividend pay-out of commercial banks.

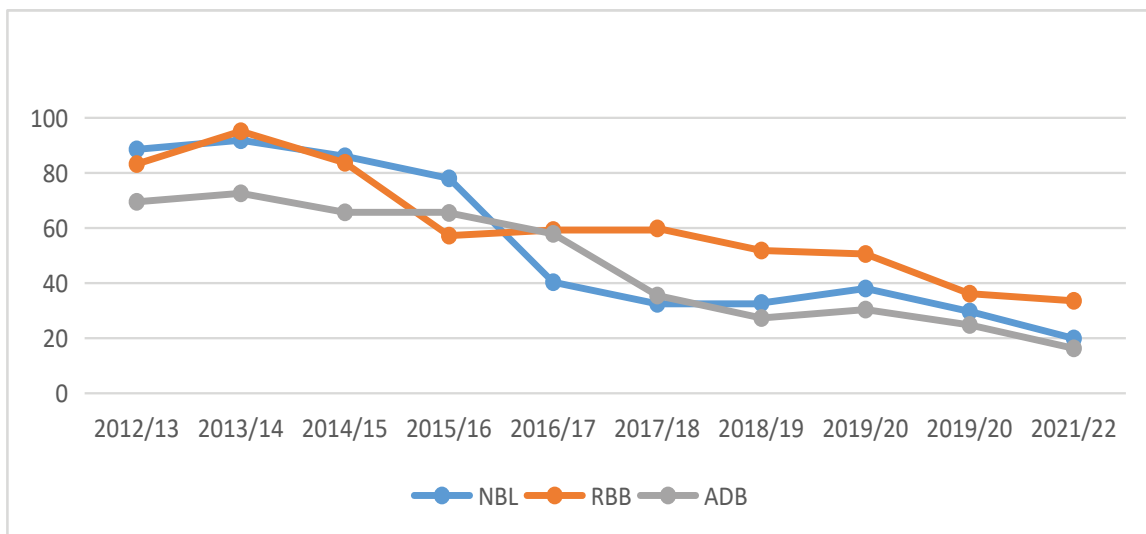


Figure 7: Earnings per Share of NBL, RBB and ADB

Descriptive Statistics : Table 1 shows descriptive statistics: mean, standard deviation, minimum and maximum values for the variables associated with three sample banks for the

period 2011/12 to 2020/21. Profitability, Liquidity, Size, Growth, Leverage, and EPS are the measure of banks' dividend behaviour are independent variables under this study. The statistics are from pooled data of 30 valid observations. N is the number of observations.

Table 1

Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation	CV
DPR	30	35.44	296.59	81.4103	47.89435	58.83
PRO	30	.89	3.03	2.0573	.52581	25.56
LIQ	30	3.66	24.27	14.1887	5.68571	40.07
SIZE	30	24.45	26.40	25.3553	.50827	2.00
GRO	30	-29.61	54.05	7.4227	19.73505	265.87
LEV	30	4.97	12.36	8.7573	1.93403	22.08
EPS	30	16.32	95.14	53.7943	23.74019	44.13

(Calculation by Researcher using SPSS-25)

Table 1 shows that the dividend payout ratio ranges from 35.44 to 296.59 leading to an average of Rs. 81.41. The average profitability of the selected banks during the study period is noticed to be 2.06 percent with a minimum of 0.89 percent and a maximum of 3.03 percent. Likewise, the liquidity ratio has a minimum value of 3.66 percent and a maximum of 24.27 percent with a mean of 14.19 percent. The size represented by total assets of the bank has the minimum value of 24.45 and the maximum value of 26.40 leading to the average of 25.36. The growth prospect ranges from -29.61% to 54.05% with an average of 7.42 percent. Leverage ranges from minimum value of 4.97 percent to the maximum of 12.36 percent with an average of 8.76 percent. The EPS ranges from Rs. 16.32 to Rs. 95.14 with an average of Rs. 53.79.

Table 2

Multiple Correlation Analysis (N=30)

		DPR	PRO	LIQ	SIZE	GRO	LEV	EPS
DPR	Pearson Correlation	1						
	Sig. (2-tailed)							
PRO	Pearson Correlation	-.080	1					
	Sig. (2-tailed)	.673						
LIQ	Pearson Correlation	.071	-.115	1				
	Sig. (2-tailed)	.708	.545					
SIZE	Pearson Correlation	-.040	-.576**	-.416*	1			
	Sig. (2-tailed)	.833	.001	.022				
GRO	Pearson Correlation	.589**	.538**	-.077	-.091	1		
	Sig. (2-tailed)	.001	.002	.684	.631			
LEV	Pearson Correlation	-.237	-.052	.181	.029	.004	1	
	Sig. (2-tailed)	.208	.786	.340	.879	.982		
EPS	Pearson Correlation	.497	.606**	.105	-.619**	.215	.497**	1
	Sig. (2-tailed)	.002	.000	.581	.000	.254	.005	
Note **. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed)								

The result from Table 2 shows a positive relationship of dividend payout ratio with, liquidity ratio, growth of the firm and earnings per share. It indicates that larger liquidity ratio, growth of the firm and earnings per share results in higher the dividend payout ratio. Similarly, Table 2 shows that there is a negative relation between profitability ratio, size of the firm, leverage ratio and dividend payout ratio. It indicates that there is a negative relationship between profitability ratio, size of the firm, leverage ratio and dividend payout ratio with dividend payout ratio. If profitability ratio, size of the firm, leverage ratio and dividend payout ratio increased then the dividend payout ratio will decreased (Samuel, 2016). From the significant test, all variables p-values are greater than 0.05 i.e., 5% level of significance except growth of the firm and earnings per share. So, it can be concluded that there is an insignificant relationship of study variables with dividend payout ratio except growth of the firm and earnings per share (Zelalem, 2021). However, there is a significant relationship between growth of the firm, earnings per share and dividend payout ratio.

Multiple Linear Regression Model: s one of major objectives of this study is to ascertain the predictive power of determinants in the variability in dividend payout and to evaluate the direction of relationship between these variables, the test involves estimating several pairs of regressions equations. The multiple linear regression model employing in this study intend to analyze the relationship between corporate dividend payout determinants i.e., explanatory variables. The relationship between the dependent and independent variables were stated in the following form:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \varepsilon$$

Where, Y= Dividend Payout Ratio

X_1 = Profitability

X_2 = Liquidity

X_3 = Growth

X_4 = Size

X_5 = Leverage

X_6 = Earnings per Share and $b_1, b_2, b_3, b_4, b_5, b_6$ = Regression Coefficients for 1st 2nd 3rd 4th 5th and 6th variables also ε = the error term.

Analysis through Multiple Linear Regression Model

Table 3

Regression Analysis

Variables	Coefficients	t-Value	p-Value	VIF	R ²
(Constant)	999.970	1.041	.309	-	0.144
PRO	-28.912	-.868	.394	3.593	
LIQ	-.309	-.139	.890	1.868	
SIZE	-31.878	-.879	.389	3.981	
GRO	.718	1.195	.049	1.647	
LEV	-3.290	-.438	.666	2.473	
EPS	1.426	-.517	.035	4.498	
F Statistics	0.644		0.049	-	

(Calculation by Researcher using SPSS-25)

Table 3 depict that dependent variable is dividend payout and independent variables used in the model are leverage, growth, profitability, liquidity and EPS. The table shows that the R square is 14.4 percent. The regression result from R square indicates that 14.4 percent of the variation in dividend payout is determined by these independent variables. This shows that dependent variable (dividend payout) is 14.4 percent explained by the independent variables used in the model and rests percent are explained by other variables which were not included in this study.

Further, table 3 shows that profitability has negative effect on the dependent variable and indicates statistically insignificant because the p-value for this variable is higher than 0.05. This indicates that when the profitability of the NBL, RBB and ADB increase will result to decrease the dividend payout of the banks. In the same way liquidity has the negative effect on the dividend payout but it is statistically insignificant because the p-value for this variable is greater than 0.05 i.e. > 0.890 . The size of the banks has a negative effect and it is statistically insignificant because p-value is greater than 0.05. This indicate if the size of the bank will increase than the dividend payout of the bank was decreased. Growth of net revenue has the positive effect on dividend payout which states that when there is high growth will increase the dividend payout (Jovković, Vasić & Bogičević, 2021). It is statistically significant at the level of 5% because p-value for this variable is lower than 0.05 i.e., $0.049 < 0.05$. Leverage has the negative effect on dividend payout which indicates that as increases in leverage ratio will decrease the proportion on dividend payout will increase and vice versa and is statistically insignificant because the p-value is higher for this variable. Similarly, EPS has a positive effect on dividend payout ratio and it is statistically significant because p-value is lower than 0.05 i.e., 5% level of significance.

5. Conclusion

RBB beat NBL and ADB in terms of return on assets. RBB has a lower CV than other sample banks when it comes to profitability. Financial institution dividend payouts are directly related to bottom line success. Shareholders benefit from higher profits made by banks. Paying more dividends is a sign of a company's ability to generate profits. Every single one of the three banks in our study has a high level of liquidity. Larger corporations may afford to pay bigger dividends because of their greater financial strength. When compared to other banks in the study, RBB's average bank size is larger. As compared to NBL and RBB in our sample, the rise in assets at ADBs is more closely tied to a decline in CV. Dividends are also influenced by the bank's size. As a result of a higher credit rating, it is simpler to get public funds.

As determined by the study's goals and the most important results, NBL, RBB and ADB profits are deemed adequate in the Nepalese environment. There is a favorable association between the dividend payout ratio and the liquidity ratio (Adugna, Mhired, & Kumar, 2020), growth and profits per share. Increased dividend payment ratios are a direct outcome of higher liquidity ratios, growth, and profits per share. The profitability ratio, company size, and leverage ratio all have a negative correlation with the dividend payout ratio. Profitability ratios, company size, and leverage ratios all fell while dividend payout ratios rose.

The model summary of regression analysis shows that 14.4% of the dependent variable (dividend payment) is explained by the independent variables utilized in the model, while the remainder is explained by other factors that were not included in this research. Profitability

has a negative influence on the dependent variable and shows statistical insignificance since the p-value for this variable is more than 0.05, according to the coefficient of regression analysis. This shows that when the NBL, RBB and ADB profitability rises, the dividends paid out by the banks will fall. Just like with dividend payouts, liquidity has a negative impact on them, but the p-value for this variable is more than 0.05, which means that the effect is statistically negligible, or a dividend payout of 0.890. The size of the banks has a negative influence, but the p-value is bigger than 0.05, therefore it is statistically insignificant. This shows as the bank's size grows, the dividend distribution will be reduced (Barclay, Holderness, & Sheehan, 2009). Increases in net income have a positive impact on dividend payments, meaning that higher payments will be made when growth is strong 0.05 percent of the time, this is substantial. As leverage ratios drop, so does the percentage of dividends paid out, and vice versa.

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