

Impact of Dividend Policy on Share Price Volatility of Commercial Banks in Kathmandu

Deepin Joshi¹, Dr Prity Birla²

¹PG Scholar, Lord Buddha Education Foundation, Kathmandu, Nepal

² PGD Manager, Lord Buddha Education Foundation, Kathmandu, Nepal

Abstract

This study looks into how commercial banks in Kathmandu, Nepal's share prices fluctuate in relation to their dividend policies. A key component of banks' financial management is their dividend policy, which affects investor sentiment and market dynamics. The degree of risk and uncertainty involved in investing in bank stocks is reflected in share price volatility. It is crucial for investors, legislators, and bank management to comprehend the connection between dividend policy and share price volatility in order to make wise judgments.

Using secondary data from financial accounts, stock market records, and other pertinent sources, the study uses a quantitative methodology. Regression analysis is one of the statistical approaches that was used to examine the data and make intelligible findings.

The study's conclusions were added to the body of knowledge already available on dividend policy and share price volatility in the context of commercial banks, especially in the market in Kathmandu. The findings were shed light on how decisions on dividend policies affect market dynamics and investor behavior, which was consequences for developing sound financial plans for both investors and bank management.

Keywords: *Dividend Policy, Share Price Volatility, Commercial Banks, Kathmandu, Nepal, Financial Management, Investor Behavior, Market Dynamics.*

1. Introduction

Commercial banks' dividend policies have a significant impact on how investors perceive their products and how volatile share prices are. Knowing how dividend policy affects share price volatility is important in Kathmandu, the capital city of Nepal, since commercial banking is a major component of the financial system. The degree of variation in a bank's stock price, which is constantly watched by stakeholders, regulators, and investors alike, is reflected in share price volatility. The dividend policy can convey information about a bank's financial stability, future earnings prospects, and management confidence, whether it emphasizes consistent distributions, holding onto earnings, or a mix of the two. Thus, in the context of Kathmandu's commercial banks, examining the relationship between dividend policy and share price volatility is essential for both investors looking to make well-informed decisions and authorities trying to guarantee financial stability (Siddique, 2020).

The purpose of this study is to investigate the complex relationship between share price volatility and dividend policy in Kathmandu's commercial banking industry. This study looks at how different bank-adopted dividend policies affect share price volatility in an effort to provide light on investor behavior and the efficiency of dividend strategies in reducing market risk (Joginder Goet, 2022).

2. General Background

Share price volatility is the term used to describe how a share's price changes over time in proportion to its average value. Share price volatility is a commonly used measure of risk connected with common shares; the more volatile a share, the higher the risk. Stock price volatility, or changes in stock prices over time, is a result of instability, unpredictability, and risks. (Phan, 2019) The report continued by stating that although the corporation makes sure to set aside cash for increasing shareholder value, paying dividends is typically a controversial issue because shareholders always anticipate higher payouts (Nanang Supriyatna, 2023). The dividend yield is the ratio of a company's dividend payment to its stock price. Dividend yield is a metric used to calculate the annual return on an investor's share investment. The higher dividend payment Paid will improve investor interest in buying shares, boost the company's performance, and increase share prices (Dhodary, 2022).

3. Problem Statement

With its impact on shareholder wealth and market perceptions, dividend policy is a crucial component of corporate finance. Investors, politicians, and financial management must comprehend how dividend policies affect share price volatility in the context of Kathmandu, Nepal's commercial banks. The lack of thorough empirical data indicating how dividend policy decisions affect the share price volatility of commercial banks operating in Kathmandu is the main issue that this research aims to solve. There is still a knowledge gap about the precise dynamics between dividend policy and share price volatility in this particular setting, despite the substantial importance that commercial banks play in the economy, especially in emerging markets such as Nepal (Bansal, 2021).

4. Research Questions

The study examines the following topics in order to determine how dividend policy affects the share price volatility of Nepalese commercial banks:

- a) Is there a significant relationship between payout ratio for dividends influence the variation in share market price of commercial banks in Kathmandu?
- b) Is there a significant relationship between earnings at dividend rate and the share price volatility of commercial banks in Kathmandu?
- c) Is there a significant relationship between asset growth affect the variation in share market price of commercial banks in Kathmandu?
- d) Is there a significant relationship between leverage volatility impact the share price volatility of commercial banks in Kathmandu?
- e) Is there a significant relationship between firm size on the variation in share market price of commercial banks in Kathmandu?

5. Objective of the Study

This study's main goal is to investigate the effect of dividend policy on the erratic share prices of Nepalese commercial banks. The following are the study's particular goals:

- a) Analyze the connection between payout ratio for dividends and the fluctuations in the Kathmandu commercial banks' share prices.
- b) Examine the connection between the Kathmandu commercial banks' share price volatility and their earnings at dividend rate.

- c) Examine the impact of asset growth on the fluctuations in Kathmandu's commercial banks' share market prices.
- d) Examine how the volatility of leverage affects the share prices of Kathmandu's commercial banks.
- e) Examine the connection between Kathmandu's commercial banks' share market price fluctuations and firm size.

6. Research Model

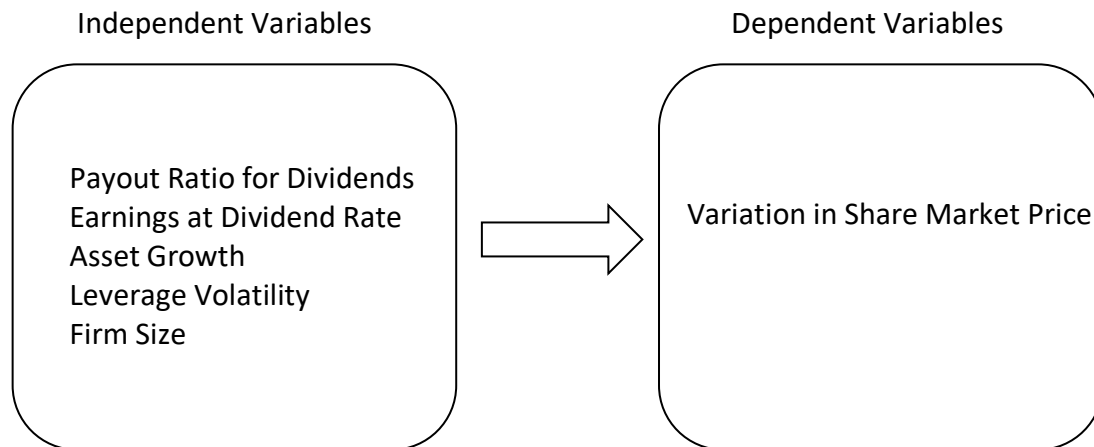


Figure 1: Research Model

7. Research Hypothesis

The hypothesis are as follows:

- a) **Hypothesis for Payout Ratio for Dividends (Independent Variable) and Variation in Share Market Price (Dependent Variable) Hypothesis 1:**
 Null Hypothesis (H0): The volatility in the share market price of Kathmandu's commercial banks is not significantly correlated with the payout ratio for dividends.
 Alternative Hypothesis (H1): The payout ratio for dividends and the fluctuations in the share market prices of Kathmandu's commercial banks are significantly correlated.
- b) **Hypothesis for Earnings at Dividend Rate (Independent Variable) and Share Price Volatility (Dependent Variable) Hypothesis 2:**
 Null Hypothesis (H0): The share price volatility of Kathmandu's commercial banks has no discernible correlation with earnings at dividend rates.
 Alternative Hypothesis (H1): Earnings at dividend rate and the share price volatility of Kathmandu's commercial banks are significantly correlated.
- c) **Hypothesis for Asset Growth (Independent Variable) and Variation in Share Market Price (Dependent Variable) Hypothesis 3:**
 Null Hypothesis (H0): The variance in the share market price of Kathmandu's commercial banks is not significantly correlated with asset growth.
 Alternative Hypothesis (H1): The share market price fluctuations of Kathmandu's commercial banks are significantly correlated with asset growth.
- d) **Hypothesis for Leverage Volatility (Independent Variable) and Share Price Volatility (Dependent Variable) Hypothesis 4:**

Null Hypothesis (H0): The share price volatility of Kathmandu's commercial banks has no discernible correlation with the volatility of leverage.

Alternative Hypothesis (H1): The share price volatility of Kathmandu's commercial banks is significantly correlated with the volatility of leverage.

e) Hypothesis for Firm Size (Independent Variable) and Variation in Share Market Price (Dependent Variable) Hypothesis 5:

Null Hypothesis (H0): The fluctuation in share market price of Kathmandu's commercial banks is not significantly correlated with the size of the firm.

Alternative Hypothesis (H1): The share market price fluctuations of Kathmandu's commercial banks are significantly correlated with the size of the firm.

8. Significance of the Study

The main focus of this study is how Nepalese commercial banks' volatile share prices are affected by their dividend policies. The main variables influencing stock price volatility are also identified and examined in this study, which will help commercial banks create plans and investors make investment decisions. This research is useful not only for the corporate executives who set policy, but also for investors constructing investment portfolios and economists trying to understand and assess the functioning of the capital markets. Larger study space and more recent study hours are also included in this study. The study's findings will also help management make decisions about how to change their dividend policy in order to reduce stock price volatility (Fadi Alasfour, 2022).

9. Limitations of the Study

In Nepal, the banking sector is still in its early phases of growth. Every study has limitations caused by different organizations, periods of time, statistical data reliability, techniques, and variations. The primary limitations of the study are enumerated below:

- a) The probe is limited to "A" class commercial banks. However, non-financial companies such as insurance companies, development banks, and financing companies were not included in this study.
- b) The analysis of secondary data is the only source of data for this study. There has been no consideration given to the primary survey's data collection procedure. As a result, the study's conclusion is not flexible or inclusive. The data is limited to that which can be obtained in Nepal Rastra Bank's financial reports and the annual reports of the sample banks.
- c) The study's conclusions are not applicable to manufacturing and trading companies because they are exclusively focused on the banking sector.

10. Introduction of Literature

Every research activity is predicated on prior understanding and expertise. Furthermore, since the previous studies served as the foundation for the current inquiry, it is critical to recognize their value. This chapter uses a variety of easily accessible materials, including as books that have been published, academic journals, articles, research papers, theses that have been completed in the past, workshops, pertinent webpages, and studies about the effects of dividend policies on shares at the national and worldwide levels. The majority of the referenced material focuses on the historical trajectory of commercial banks and how it relates to the volatility of their share prices (Saeed Akbar and Shehzad Khan, 2023).

11. Literature Review of Base Papers

11.1 Based paper 1:

Title	Dividend policy and market value of banks in MENA emerging markets: residual income approach
Author Name/Year	Akram Ramadan Budagaga, 2022
Features	<p>Dividend Influence: Study how dividend decisions affect:</p> <ul style="list-style-type: none"> • Residual income • Market value <p>Factors Impacting Dividend Policies:</p> <ul style="list-style-type: none"> • Regulatory environment • Economic conditions • Competitive pressures
Benefits	<ul style="list-style-type: none"> • Strategic Insights for Banks: Informed decisions to enhance shareholder value and adapt to market conditions. • Investor Decision-Making: Insights for investment strategies and informed choices in the banking sector.
Limitations	<ul style="list-style-type: none"> • Data Challenges: Limited accurate data availability for analysis. • Limited Generalizability: Findings might not apply universally due to regional differences.
Advantages	<ul style="list-style-type: none"> • Strategic Decision-Making for Banks: Insights for optimizing dividend policies to enhance market value and shareholder returns. • Investor Informed: Empowers investors with knowledge to make informed decisions about bank investments.
Methods of Research	Interview
Model Used	Qualitative (NVIVO Software)

11.2 Based paper 2

Title	Dividend reduction and stock price reaction in Indian market.
Author Name/Year	Chanchal Chatterjee and Sweta Tiwari, 2022
Features	<ul style="list-style-type: none"> • Impact of dividend reduction (DR) announcements on Indian equities market stock prices, taking share repurchases into account as well. • Repurchasing shares counteracts undervaluation, and governments protect minority shareholders.

Benefits	<ul style="list-style-type: none"> Insight into Indian Market: It offers insightful information about the workings of the Indian equity market. Understanding Stock Reactions: It aids in comprehending how stock prices respond to announcements of dividend reductions.
Limitations	<ul style="list-style-type: none"> Limited Generalizability: Results might not be applicable outside of the Indian equity market because of regional variations. Data and Timeframe Constraints: The conclusions are based on a limited sample size and time period, which may not be entirely indicative of market dynamics.
Advantages	<ul style="list-style-type: none"> An empirical analysis of the dynamics of the Indian equity market. Examination of the effect of share buybacks in conjunction with dividend cuts on stock values.
Methods of Research	Sample Method
Model Used	Estimation Model

11.3 Research Theory

- a) Social Exchange Theory: This theory focuses on the idea that social interactions involve an exchange of resources, benefits, and costs. It is often used in studies related to relationships, organizations, and economics to understand how individuals make decisions based on maximizing rewards and minimizing costs.
- b) Structural Functionalism: According to this theory, society is a complex system made up of numerous interrelated components that operate in concert to maintain stability and balance. The purposes of various organizations and their contributions to society are frequently examined in sociological and anthropological studies.

12. Methodology

12.1 Research Philosophy

A researcher's research philosophy encompasses the underlying principles, theories, and ideals that guide their technique. Critical decisions in research, including technique selection, study design, data collecting, analysis, and result interpretation, are greatly influenced by this mindset (Kevin Campbell, 2020).

12.2 Research Approach

Plans and processes for research are known as research approaches. that cover the progression from general hypotheses to specific techniques for gathering, analyzing, and interpreting data. The chosen research approach for the project, "Examining the Influence of Dividend Policy on Share Price Volatility of Commercial Banks in Kathmandu," leans toward a quantitative approach. This methodology can be used to evaluate the correlation between share price volatility and dividend policy within the context of Kathmandu's commercial banks.

(Singhania, 2021).

12.3 Research Strategy

The research proposal employs a mixed-methods approach to investigate the impact of dividend policy on share price volatility in Kathmandu's commercial banks. This approach blends quantitative analysis of numerical data related to dividend policy and share prices with qualitative methods such as surveys and interviews with significant banking industry players. A sample of the intended audience was issued a questionnaire as part of this research, and the data collected from the respondents was examined to arrive at a conclusion (Ameer, 2019).

12.4 Research Methodology

Quantitative Research Choice: The quantitative method will be used to analyze the numerical data obtained from financial reports and stock market data of the selected commercial banks. This approach enables the systematic analysis of a large dataset, providing objective insights into the research topic.

Qualitative Research Choice: For this project, qualitative research will be equally as significant as quantitative methods. Questionnaires and structured interviews with key stakeholders, such as bank executives, investors, and regulatory bodies, will be carried out in order to collect qualitative data (Fatima Ruhani, 2021).

Mixed Methods Approach: In order to provide a more comprehensive understanding of the complex relationship between dividend policy and share price volatility in commercial banks, a mixed methods approach combines quantitative and qualitative research approaches.

Mixed approach will be used in this research

12.5 Time Horizon

Cross-Sectional Method: In this research, sometimes referred to as "one-shot" research, data is collected once, usually over a few days to many months, in order to answer a particular research topic. Given the constraints of the available timeframe, this dissertation will employ a cross-sectional time horizon to accomplish the research objectives. In this research cross-sectional time horizon is used

12.6 Types of data

Primary Data: Original information gathered directly by researchers using techniques like surveys and interviews is referred to as primary data.

Secondary data: When collecting original data isn't feasible, researchers might use secondary data pre-existing material from other sources such as studies, reports, and records to compare and contextualize their findings.

“This research has used both set of data.”

12.7 Questionnaire

In this study, Google Docs will be used to collect responses from bankers, share market investors, salaried employee & others using a closed-ended questionnaire. Likert scales are also be used as a component of the study process.

12.8 Types of Questions

- a) Open-ended questions: These are not the queries that people simply respond to with "yes" or "no." Rather, they express their personal opinions and viewpoints.
- b) Close-ended questions: The answers to these questions can be found in the options provided in the questions. People are required to select one option from a possible three, four or five.
- c) Likert scale: The question has a rating range of five points, ranging from extreme attitudes to the middle ground. Sometimes, this scale is referred to as a satisfaction scale.

“Both closed-ended and Likert scale questions are included in the questionnaire utilized for this investigation.”

12.9 Sources of data collection

Data for this study are collected from both primary sources (interviews, surveys, experiments, observations) and secondary sources (books, journals, reports, internet), offering a comprehensive perspective (Rozaimah Zainudin, 2020).

12.10 Sampling method

Sampling techniques include a range of strategies for choosing goods or persons from a population:

- Random Sampling: Every participant has an equal chance because they are chosen at random.
- Stratified Sampling: Selecting samples from each group after classifying the population into groups according to shared criteria.
- Convenience Sampling: Selecting people who are easily accessible may result in biased results.
- Purposive Sampling: Carefully choosing individuals according to pertinent attributes.
- Snowball Sampling: Starting with a small number of participants and growing the sample through recommendations.
- Systematic Sampling: Starting with a random point and choosing each nth person from a list.

12.11 Data analysis

The primary objective of the data analysis in this study is to examine the link between changes in the market price per share and changes in stock return within a selected group of commercial banks in the context of Nepal. This section's primary focus is on how secondary data can be evaluated using statistical and economic models. The study employs regression, correlation, and descriptive analytic methods. Descriptive statistics are used to present quantitative data in a more comprehensible manner. This technique can be used to reduce enormous datasets into more manageable representations, such as the mean, standard deviation, and the lowest and maximum values of the variables that characterize the sampled firms.

Using the statistical data that is currently available, correlation analysis determines how strongly variables relate to one another. Its purpose is to determine the strength and direction of the correlation between two sets of variables (Walkup, 2021).

12.12 Ethical Consideration

Important elements like voluntary participation, informed permission, possible risks, anonymity, and confidentiality will be carefully included, recognizing the critical importance of ethical concerns. This meticulous approach will guarantee that the study's execution complies with ethical standards and principles (Felimban, 2020).

13. Data Analysis

13.1 Introduction of Data Analysis

This chapter covers the data analysis stage of quantitative research, which involves using statistical techniques to evaluate numerical data and generate research questions. This chapter covers data preparation, descriptive statistics, and inferential statistics, which includes hypothesis testing. It also emphasizes how critical accurate data analysis and presentation are to the ability of researchers to reach insightful conclusions and add to the corpus of knowledge already known in their field of study (Zainudin, 2022). A questionnaire for online surveys is used to get data from 399 respondents who are currently using or have previously used MFI services. A Likert scale with five points, from Strongly Disagree to Strongly Agree, was used in the questionnaire along with certain demographic inquiries. With the aid of statistical software called "SPSS Version 29," all of the data are examined and tests are run.

13.2 Respondents Feedback

The Google Docs platform was utilized to generate the questionnaire, which was then disseminated electronically through internet channels. The first week of February 2024 marked the start of the data collection phase, which ended the first week of March 2024. Even though the survey was distributed to over 1195 people, it was crucial to recognize that not everyone who got the questionnaire answered it. As a result, 399 valid replies in total were analyzed.

Questionnaire	No. of Questionnaire (All Online)
Distributed	1195
Collected	450
Usable	396

Table 1: Respondents Summary

13.3 Reliability Test

The ability of research procedures to yield consistent results over time is referred to as research reliability. Your research techniques are probably trustworthy and unaffected by outside influences if they can yield consistent outcomes. The Cronbach's alpha coefficient measures survey question dependability, with values ranging from 0 to 1. A 1 or nearer value indicates strong correlation between independent and dependent variables, while a coefficient over 0.7 indicates good reliability.

13.3.1 Reliability test for independent variable Payout Ratio for Dividends

Reliability Statistics	
Cronbach's Alpha	N of Items
0.934	5

Table 2: Reliability Statistics

The data demonstrates high internal consistency, reliability, with a Cronbach's Alpha of 0.934, indicating strong correlation between components and likely measuring the same construct. This reliability suggests the measure would yield comparable results if administered to the same people.

13.3.2 Reliability test for independent variable Earnings at Dividend Rate

Reliability Statistics	
Cronbach's Alpha	N of Items
0.93	5

Table 3: Reliability Statistics

Strong internal consistency and a high Cronbach's Alpha of .930 in the aforementioned data point to highly related questions and the possibility of comparable scores if repeated.

13.3.3 Reliability test for independent variable Asset Growth

Reliability Statistics	
Cronbach's Alpha	N of Items
0.923	5

Table 4: Reliability Statistics

With a high Cronbach's Alpha of .923, the data point to a highly reliable measure with consistent questions and reliability that, if applied to similar participants, would produce scores that are comparable.

13.3.4 Reliability test for independent variable Leverage Volatility

Reliability Statistics	
Cronbach's Alpha	N of Items
0.924	5

Table 5: Reliability Statistics

The high value of the measure Its reliability is indicated by a Cronbach's Alpha of .924, which is higher than the .7 criteria. It's very consistent with few things and will probably yield comparable results if retested.

13.3.5 Reliability test for independent variable Firm Size

Reliability Statistics	
Cronbach's Alpha	N of Items
0.93	5

Table 6: Reliability Statistics

The data exhibit's significant reliability and high correlation between the questions within the measure, suggesting similar scores if the test were to be administered again. It also demonstrates remarkable internal consistency, with a Cronbach's Alpha of .930.

13.3.6 Reliability test for dependent variable Variation in Share Market Price

Reliability Statistics	
Cronbach's Alpha	N of Items
0.924	5

Table 7: Reliability Statistics

With a Cronbach's Alpha of.924, above the.7 reliability level, the data demonstrates strong internal consistency and highly correlated questions that are probably measuring the same concept.

13.4 Descriptive Analysis

This section shows demographic responses, including gender, age, education & occupation presented through tables and diagrams.

13.4.1 Frequency Distribution

- **Gender**

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	240	60.2	60.2	60.2
	Female	149	37.3	37.3	97.5
	Others	10	2.5	2.5	100
	Total	399	100	100	

Table 8: Gender Distribution

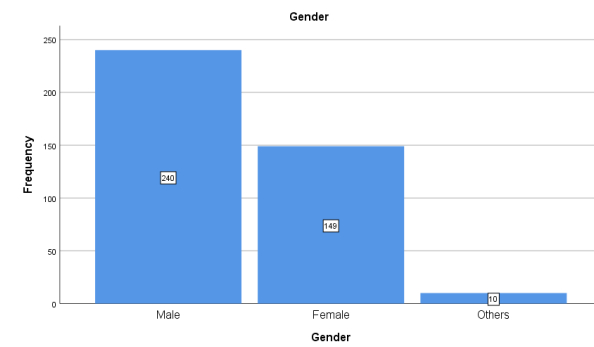


Figure 2 :Gender Distribution

The sample in the table above consists of 399 people. According to the table, there are 240 males, 149 female & 10 others. In percentage 60.2% are male, 37.3% are female and 2.5% are others who are in the respondents of the survey.

- **Age**

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-35	194	48.6	48.6	48.6
	36-50	147	36.8	36.8	85.5
	51-65	45	11.3	11.3	96.7
	66 or above	13	3.3	3.3	100
	Total	399	100	100	

Table 9 : Age Distribution

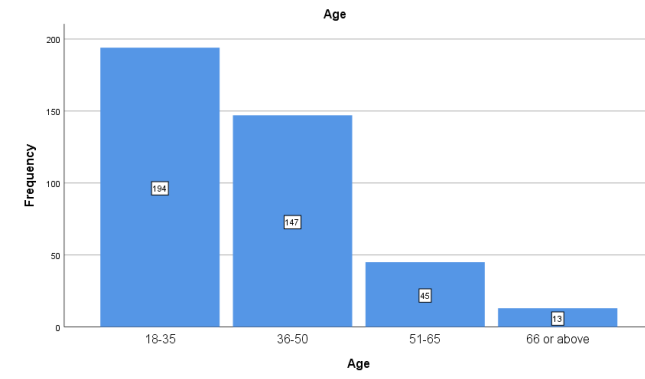


Figure 3 : Age Distribution

The age brackets are as follows: 18–35, 36–50, 51–65, and 66 and up. The total number of responders (399) is also represented by a row. According to the table, respondents' most common age group was 18–35 years old (194 persons), which was followed by 36–50 years old (147 people) and 66 years of age or more (13 people).

The respondents of age group 18-35 are highest and the age group 66 or above is least.

- Occupation

Occupation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaried Employee	146	36.6	36.6	36.6
	Bankers	150	37.6	37.6	74.2
	Share Market Investor	61	15.3	15.3	89.5
	Others	42	10.5	10.5	100
	Total	399	100	100	

Table 10: Occupation Frequency

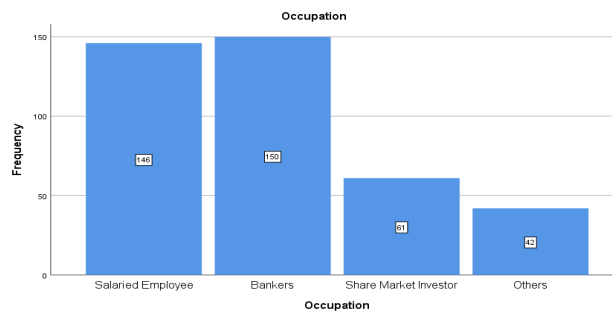


Figure 4: Occupation Frequency

The table presents four job titles: Salaried Employee, Bankers, Share Market Investors, and Others. It shows the frequency, percent, valid percent, and cumulative percent of respondents for each job title.

The most frequent job title is salaried employee (146 respondents), followed by bankers (150 respondents) & the least one is others which is (42 respondents). In the above survey of 399 respondent's banker's respondents is the highest one which is 37.6% (150 people).

13.4.2 Descriptive Statistics of Variables

A five-point Likert scale was used in the data collection process. The standard deviation measures how widely distributed or variable the data points are with respect to the mean, whereas the mean estimates the center value around which the data points tend to cluster.

Descriptive Statistics			
Variables	Mean	Std. Deviation	N
Payout Ratio for Dividends (IV)	3.7747	1.08069	399
Earnings at Dividend Rate (IV)	3.4652	1.10238	399
Asset Growth (IV)	3.7175	1.11691	399
Leverage Volatility (IV)	3.7990	1.02833	399
Firm Size (IV)	3.7818	1.05449	399
Variation in Share Market Price (DV)	3.7929	1.08649	399

Table 11: Descriptive Statistics of Variables

The descriptive statistics that are offered show the variability and central tendency of various variables in a dataset that has 399 observations. The variables are the variation in share market price, designated as the dependent variable (DV), and the payout ratio for dividends, earnings at dividend rate, asset growth, leverage volatility, and firm size, all of which are regarded as independent variables (IV). With mean values for each IV falling between 3.47 and 3.80, there appears to be a considerable degree of magnitude across these parameters. In a similar vein, the standard deviations, which show how the data are dispersed or distributed around the mean, range from roughly 1.03 to 1.12.

13.5 Correlation Analysis

By calculating the correlation coefficient, which can have values between -1 and +1, one can determine if a linear relationship between two variables is positive or negative. The link between the two variables is nonlinear if the coefficient of correlation is small or nonexistent. A correlation coefficient around 1 indicates a strong degree of relationship between the two variables.

Correlations

		VSMP (DV)	PR (IV)	EDR (IV)	AG (IV)	LV (IV)	FS (IV)
Pearson Correlation	VSMP (DV)	1	0.662	0.826	0.872	0.876	0.914
	PR (IV)	0.662	1	0.807	0.688	0.691	0.68
	EDR (IV)	0.826	0.807	1	0.848	0.844	0.834
	AG (IV)	0.872	0.688	0.848	1	0.907	0.897
	LV (IV)	0.876	0.691	0.844	0.907	1	0.906
	FS (IV)	0.914	0.68	0.834	0.897	0.906	1

Sig. (1-tailed)	VSMP (DV)	.	0	0	0	0	0
	PR (IV)	0	.	0	0	0	0
	EDR (IV)	0	0	.	0	0	0
	AG (IV)	0	0	0	.	0	0
	LV (IV)	0	0	0	0	.	0
	FS (IV)	0	0	0	0	0	.

Table 12: Pearson’s Correlation Analysis

The correlations between the VSMP and each IV vary from 0.662 to 0.914, indicating moderate to significant favorable connections. In particular, VSMP and FS (0.914) and LV (0.876) have the highest correlations, suggesting that these two pairs have greater ties than the rest. Furthermore, all correlations have p-values less than 0.05 and are statistically significant at the 0.05 level, indicating that it is improbable that these interactions happened by accident. Furthermore, the analysis is robust because the sample size for each variable remains constant at 399 observations. In general, the correlation coefficients aid in comprehending the possible influence of the independent variables (IVs) on the dependent variable (DV) within the study's context by revealing the direction and intensity of the links between the two variables.

13.6 Normality Test

A statistical technique called a normality test is used to determine whether a dataset has a normal distribution. It supports the evaluation of the normalcy assumption, which is crucial for numerous statistical analyses. In this survey, it was discovered that the data were regularly distributed (Tawfik Azrak, 2021).

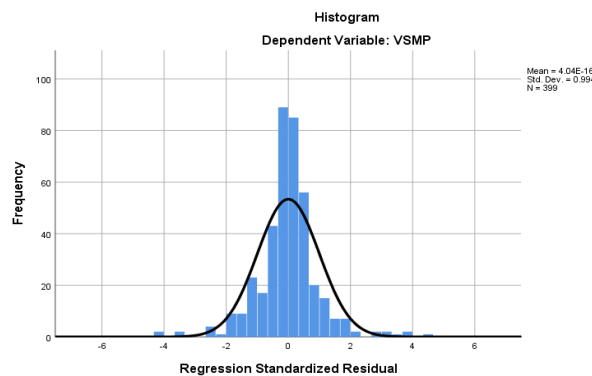


Figure 5: Regression Standardized Residual

Based on the graphical representation above, the researcher deduced that the data are frequently symmetrically distributed around the mean. It shows that the left and right parts of the histogram are roughly mirrored. The same idea was made clearer by the straight-line residual display as well.

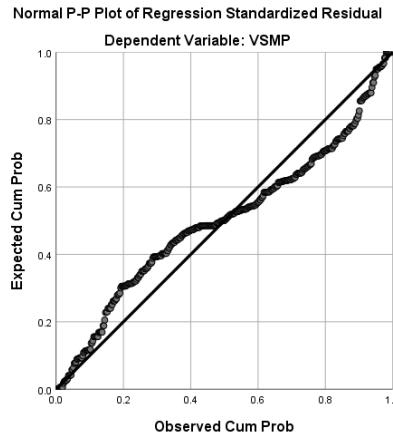


Figure 6: Linear Line Residual Plot

The probability plot points are closely plotted around the straight line that depicts the normal distribution, as can be seen in the above Normal P-Plot of Regression Standardized Residual.

13.7 Multiple Regression Analysis

Analyzing the impact of independent variables on dependent variables is aided by it. The ANOVA, Coefficient table, and Model Summary Table are the three statistical items that are used to justify the results of the multiple regression study (Ghauri, 2022).

13.7.1 Model Summary Table

It includes statistical measures like R, R-squared, Adjusted R Square, and standard error of the estimate that aid in assessing the model's correctness and the importance of the indicators. A higher value or a value near 1 indicates the best fit of the model. The value of R varies from 0 to 1.

Model Summary ^b					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.86	0.739	0.737	0.47939	0.857	471.426	5	393	0

a. Predictors: (Constant), FS, PR, EDR, AG, LV
 b. Dependent Variable: VSMP

Table 13: Model Summary & Change Statistics

The dependent variable and the independent variables have a strong linear connection in the model, which accounts for about 85.7% of the variability. When the predictors are added, the model's fit significantly improves as well, demonstrating a strong overall fit.

13.7.2 ANOVA

An analysis of variance, or ANOVA, test compares research findings from three or more unrelated samples or groups to find differences.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	395.951	5	79.19	471.426	.000 ^b
	Residual	66.016	393	0.168		
	Total	461.968	398			

a. Dependent Variable: VSMP
 b. Predictors: (Constant), FS, PR, EDR, AG, LV

Table 14: ANOVA Table

The table shows a significant overall effect of the predictors on the dependent variable, with a p-value less than 0.05. The residual section shows the unexplained variability in the dependent variable, with a sum of squares residual of 66.016 and degrees of freedom of 393. The total sum of squares and degrees of freedom is 461.968, with 398 degrees of freedom.

13.7.3 Coefficients Table

To show the estimated influence of the independent variables on the dependent variable, the coefficient table presents the estimated values. This analysis indicates that the five independent variables in the basic linear regression are:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5$$

Where,

Y = Dependent Variable (Variation in Share Market Price)

a = Constant Value

X₁ = Independent Variable (Payout Ratio for Dividends)

X₂ = Independent Variable (Earnings at Dividend Rate)

X₃ = Independent Variable (Asset Growth)

X₄ = Independent Variable (Leverage Volatility)

X₅ = Independent Variable (Firm Size)

b₁, b₂, b₃ = B-Value (Coefficient or Slope)

Based on the table and the numerical values for each variable listed below, the aforementioned basic linear regression equation was created for this study:

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.143	0.081		1.757	0.08
	PR	-0.033	0.032	-0.033	-1.031	0.303
	EDR	0.146	0.045	0.151	3.249	0.001
	AG	0.145	0.055	0.138	2.658	0.008
	LV	0.136	0.055	0.133	2.484	0.013
	FS	0.563	0.05	0.566	11.187	0

a. Dependent Variable: VSMP

Table 15: Coefficients Table

When all independent variables are zero, the constant term indicates the dependent variable's expected value. The model has both standardized and unstandardized coefficients for PR, EDR, AG, LV, and FS. The most important predictor of VSMP is Firm Size, which is followed by Asset Growth and Earnings at Dividend Rate. In the above we reject the PR because its sig. value is greater than 0.05 and we accept other all the variables.

13.8 Hypothesis Testing and Results

The significance level, or P-value, determined in the coefficient table, influences hypothesis testing and its outcome. If the supervisor has not chosen the significance threshold, it is predetermined to be either 0.05 or 5%. The null hypothesis is rejected and the alternative hypothesis is strongly supported if the significance level (P-Value) is less than or equal to 0.05 (0.05). The following table shows the findings of this study's hypothesis testing:

Developed Hypothesis	Sig. (P-Value)	Impact	Status of Developed Hypothesis
<i>H1: There is a negative relationship between payout ratio for dividends & Variation in Share Market Price.</i>	.303	Negative	Not Supported
<i>H2: There is a positive relationship between Earnings at Dividend Rate & Variation in Share Market Price.</i>	.001	Positive	Supported
<i>H3: There is a positive relationship between Asset Growth Variation in Share Market Price.</i>	.008	Positive	Supported
<i>H4: There is a positive relationship between Leverage Volatility & Variation in Share Market Price.</i>	.013	Positive	Supported
<i>H5: There is a positive relationship between Firm Size Variation in Share Market Price.</i>	.000	Positive	Supported

Table 16: Hypothesis Testing Results

The aforementioned statistical tests and calculations, such as regression analysis and correlation, provide sufficient evidence to substantiate and validate the noteworthy association between the dependent variable (dividend price variation) and the independent variables (dividend payout ratio, earnings at dividend rate, asset growth, leverage volatility, and firm size). Since the independent factors have a positive effect on the dependent variable, as seen by the preceding table, the directed alternative hypothesis is accepted.

14. Conclusion, Summary and Recommendations

14.1 Summary of Findings

For the sake of statistical analysis, five alternative hypotheses (H1–H5) were developed. The demographic properties of a representative sample consisting of 399 people. The acquired reliability coefficients, which are greater than 0.7, show that the questions were very dependable and capable of producing accurate and trustworthy results. The assumption of a normal distribution was supported by the results of the normality tests performed on the histogram and normal PP regression plot. The independent factors account for 85.5% of the variance in the dependent variable, or the adjusted R-value. In the ANOVA table, a P value of less than .001 denotes statistical significance and points to a significant relationship between the independent and dependent variables.

14.2 Discussion of Findings

The results presented in Chapter 4 was examined and debated in relation to the research topics posed in Chapter 1.

Question 1: Is there a significant relationship between payout ratio for dividends influence the variation in share market price of commercial banks in Kathmandu?

The findings of the hypothesis test indicate that the association between the dividend payment ratio and share market price variation has a p-value of .303, which is greater than the usual significance level of 0.05. This suggests that there isn't enough data to back up the idea that these factors have a bad association. On the other hand, because their p-values are less than 0.05, other independent factors, like profits at dividend rate, asset growth, leverage volatility, and firm size, show significant positive correlations with variance in share market price.

Question 2: Is there a significant relationship between earnings at dividend rate and the share price volatility of commercial banks in Kathmandu?

With a statistically significant p-value of .001, the data analysis carried out as part of the study project shows a positive association between earnings at dividend rate (EDR) and variation in share market price (VSMP). As a result, dividend rate earnings can be seen as a significant element influencing the volatility of share prices among Kathmandu's commercial banks.

Question 3: Is there a significant relationship between asset growth affect the variation in share market price of commercial banks in Kathmandu?

Asset growth (AG) and variation in share market price (VSMP) have a high positive link, as seen by their correlation coefficient of 0.872. Furthermore, this relationship's p-value is 0.008, which at the 0.05 level indicates statistical significance. This indicates that the likelihood that this link happened by accident is less than 1%. In addition, business size, profits at dividend rate, leverage volatility, and asset growth were found to be important predictors of variation in share market price in the multiple regression analysis.

Question 4: Is there a significant relationship between leverage volatility impact the share price volatility of commercial banks in Kathmandu?

With a solid link and a Pearson correlation coefficient of 0.876, the correlation analysis showed a strong positive correlation between leverage volatility and variance in share market price. The results of the hypothesis test, which show a significant p-value of 0.013 and support this relationship, show that leverage volatility positively affects share price volatility.

Question 5: Is there a significant relationship between firm size on the variation in share market price of commercial banks in Kathmandu?

An extremely low p-value of 0.000 indicates that the data analysis shows that firm size has a positive impact on share market price variation. This shows that share market price variance tends to expand in tandem with the number of commercial banks. The correlation coefficient between share market price variance and firm size, which is especially strong at 0.914, lends more evidence to this relationship.

14.3 Implications of Study

First off, the findings highlight how crucial dividend policy choices are in determining share price volatility, with strong correlations shown between share price variance and factors such firm size, asset growth, leverage volatility, and earnings at dividend rate. All things considered, the study's conclusions go beyond theoretical frameworks and provide real-world advice to Kathmandu's commercial banks looking to maximize their dividend policy in order to manage market volatility and increase shareholder wealth.

14.4 Conclusion

The dividend payout ratio, profits at dividend rate, asset growth, leverage volatility, and business size were found to have significant connections with fluctuations in share market prices through rigorous statistical analysis and hypothesis testing. The study also emphasizes the intricacy of Kathmandu's banking sector, taking into account variables including capital structure, macroeconomic conditions, and regulatory frameworks that might affect dividend policy decisions and the volatility of share prices that follow.

14.5 Recommendations

Based on the research report, the following recommendations and suggestions are drawn:

- a. **Evaluate Dividend Policies:** Continually assess and modify dividend policies to ensure they are in line with the goals of shareholders and the state of the market.
- b. **Take Market Factors into Account:** To reduce share price volatility, take the macroeconomic climate into account while establishing dividend policies.
- c. **Enhance Reporting:** To give clear information about dividend policy and how they affect share prices, improve financial reporting.
- d. **Stress Testing:** Stress testing is a technique used to discover and reduce risks by testing dividend policies under various economic situations.
- e. **Inform Investors:** Provide investors with information so they can make well-informed decisions on the connection between dividend policy and share price volatility.

14.6 Future Research Recommendation:

Future research on the impact of dividend policy on share price volatility of commercial banks in Kathmandu should focus on longitudinal studies, international comparisons, macroeconomic analysis, regulatory influences, investor behavior, risk management strategies, technological disruption, sustainability integration, event studies, and machine learning techniques. These avenues promise valuable insights for both academia and practitioners in finance and banking.

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