

# Managers' Views on Dividend Policy of Nepalese Enterprises

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## Abstract

*This paper analyses the perceptions of managers on dividend policy by surveying the views of 125 Managers of 66 companies listed at Nepal Stock Exchange. This survey is motivated by the observation that much of dividend policy theory is implicitly based on a capital market perspective. Out of 66 listed enterprises surveyed, 16 were from banks and 50 were from non-banks. To examine whether views of managers on dividend policy differ between banking group and non-banking group, chi-square analysis was used. Spearman's rank correlation coefficient was calculated to find out the degree of relationship between the responses of banking group and non-banking group and it was tested for significance at 5 percent level of significance. Median value of responses for each statement of observation on dividend policy was computed to highlight the significance of observation. The results of this study indicate that the most important determinants of dividend policy in order are growth rate of enterprise's earnings, patterns of past dividends, availability of investment opportunities; managers have more emphasis on the stable dividend policy; and dividend policy influences the value of the enterprise in Nepal. The findings of the study could be useful for research scholars, and users of financial information including corporate managers, investors, financial analysts, and regulators. The current study extends limited previous research based on questionnaire and survey related dividend policy. It thus provides new evidence from a pre-emerging capital market of Nepal.*

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**Key Words:** Dividend Policy; Managers, Survey, Pay-out Ratio, Capital Market

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## I. INTRODUCTION

Dividend policy is the determination of the proportion of profits to be paid out to shareholders and reinvestment in the enterprise -usually periodically. The seminal work by Miller and Modigliani (1961) posits that dividends are irrelevant in the world of perfect capital market. Despite numerous theoretical and empirical studies ever since the early stage of corporate development, a lack of consensus still persists among financial economists on why enterprises pay dividends (Black,1976;Baker et al., 2002). To the perplexity of their academic counterparts, corporate executives continue to flood the market with cash dividends (Asquith and Mullins,1986). The demand for dividends by shareholders and the practice of dividend payments is possibly the greatest enigma of modern finance. Brealey et al.(2012, p.934) have listed dividends as one of the 10 unresolved problems in finance.

Dividends can be used explicitly and deliberately as a costly signal to change market perceptions concerning future earnings prospects (Bhattacharya, 1979; Miller and Rock, 1985; John and Williams, 1985; Allen et al., 2000). Arnott and Asness (2003) argued that the empirical facts confirm to a world in which managers possess private information that causes them to pay out a large share of earnings when they are optimistic that dividend cuts will not be necessary and to pay out low rate when they are pessimistic, perhaps so that they can be confident of maintaining the dividend pay-outs.

The declaration and payment of dividend of the enterprises are governed by Companies Act, 2006 in Nepal. The provisions of Bank and Financial Institutions Act, 2006, and Unified Directives, 2013 issued by Nepal Rastra Bank govern the declaration and payment of dividend by the banks and finance companies in Nepal. The provisions from Companies Act, 2006 indicate that dividends to be paid only out of profits of that fiscal year for which the resolution passed regarding the payment of dividends by the Annual General Meeting. Similarly, the provisions of the Bank and Financial Institutions Act, 2006 and Unified Directives issued by Nepal Rastra Bank require fulfilling the capital requirements, payment of preliminary expenses or losses and creation of reserve funds before declaring cash dividends to shareholders.

A look at the actual practices of dividend pay-out in Nepal revealed that during the year ending mid-July 2010 to mid-July 2013, out of total listed enterprises on an average only 22 percent declared cash and/or stock dividends. During the same period the range of cash dividend pay-out was 0.22 percent to 760 percent and the range of stock dividend pay-out was 1.98 percent to 65 percent (SEBON, 2010-13). During the past four years, NEPSE index fluctuation ranged between 1175.38 points on August 31, 2008 and 292.32 points on June 15, 2011 without having any definite reasons in the market, economy and political stability of the country. A review of the disclosure practices in Nepal revealed that during the year ending mid-July 2006 to mid-July 2013, only 15.01 percent of the total listed enterprises on an average presented their annual reports and other financial statements to SEBON on time (SEBON, 2006-13). Similarly, during the year ending mid-

July 1998 to mid-July 2013, annual average percent of turnover on market value was 4.05, i.e., below than 7.5 percent specified by World Bank for emerging markets (SEBON, 2008-13). Consequently capital market in Nepal is in pre-emerging stage of development.

The study devoted to the dividend policy of Nepalese enterprises addresses the relative dearth of research; particularly survey research in the context of capital market in Nepal. Capital market in Nepal is in pre-emerging stage of development despite its long history as back as 1974. It is well observed fact that much of dividend policy theory is implicitly based on a capital market perspective and in practice as well dividend is a major attraction to the investors investing in stocks. Capital market is the major source of providing long-term funds for economic development of the country. Nepal being a capital deficient country has no other best alternative than to develop capital market to allocate scarce resources efficiently within the economies (Adhikari, 2013, p.333). However, investors consider several things before they invest their funds in any particular stocks available in the market. Among them, so far the most important subject matter is return from investment in stocks that partly depends on dividend policy of the enterprises. Dividend is considered to be a significant variable for stock price movement. Uwuigbe, Jafaru, and Ajayi (2012) state that dividend policy remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies.

Thus, making some survey efforts through this topic help to have an insight on behavioural aspect of capital market as well as address research gap in corporate finance of Nepal.

The rest of the paper proceeds in order of review of prior managers' views in Section II, data and methodology in Section III, survey findings IV, conclusions in Section V, and finally, policy prescription in Section VI.

## **II. REVIEW OF PRIOR MANAGERS' VIEWS**

Lintner (1956) in his pioneering work on dividend policy interviewed managers from 28 enterprises and based on findings concluded that dividends are sticky, tied to long-term sustainable earnings, paid by mature enterprises, smoothed from year to year, and targeted a long-term payout ratio when determining dividend policy.

Baker et al. (1985) survey revealed that the first highly ranked determinant was the anticipated level of an enterprise's future earnings, the second factor was the pattern of past dividends and the third factor cited as important in determining dividend policy was the availability of cash. In particular, respondents were highly concerned with dividend continuity, and the respondents believed that dividend policy affects share value and dividend payments provide a signalling device of enterprise future prospects.

Baker and Phillips (1992) surveyed managements' views on stock dividends. The analysis was based on the responses of 121 responding enterprises. The major findings of the survey were that managers strongly agree stock dividends have a positive psychological impact, managers believe stock dividends enable them to express their confidence in the

enterprise's future prospects, and the dominant motive for paying stock dividends is to maintain the enterprise's historical practice.

Baker and Powell (2000) investigated the views of corporate managers of major US enterprises about the factors influencing dividend policy. They concluded that the most important determinants of an enterprise's dividend policy were the level of current and expected future earnings and the pattern or continuity of past dividends.

Brav et al. (2005) surveyed 384 chief financial officers and treasurers to determine key factors that drive dividend and repurchase policy. The survey unveiled that, except under extraordinary circumstances, managers have a strong desire not to cut dividends. As a result, for enterprises that pay dividends tend to be smoothed from year to year and linked to sustainable long-run changes in profitability.

Mizuno (2007) surveyed the views of corporate managers on payout policy of Japanese enterprises listed in Tokyo Stock Exchange. The analysis of the responses obtained from 69 enterprises revealed that on payout policy enterprises put higher emphasis on dividends than on share repurchases, enterprises attach more importance to stable dividends than to performance linked dividends, and corporate managers recognize the relationship between dividends and an enterprise's value.

Khurana (1985) surveyed the corporate dividend policy in India mailing structured questionnaire to the 215 enterprises. The survey and personal interviews, among others, revealed that dividend decision of enterprises was primarily governed by net profits and dividend paid in the previous year.

Khan et al (2011) surveyed the opinions of finance directors of 60 foreign listed companies out of 105 foreign listed companies on Karachi stock exchange in order to visualize their view about the dividend decision. The survey resulted into some very important points to be noted that include: the firms give importance to the dividend as it was in past and the growth is considered at time of declaration of dividend; the dividend decision is influenced by the competitor policy and the fear of signalling of shortage of profitable investment; and the results demonstrate that foreign listed companies are more concerned with dividend policy.

Alshammari (2012) surveyed the corporate managers of 123 Kuwaiti firms listed in the Kuwait Stock Exchange (KSE) in order to look into what affects dividend policies in Kuwait. The questionnaire based survey with 52.58 percent response rate led some important findings. The major findings of the survey were that future earnings was a paramount factor that affects the level of current dividends and the level of current liquidity is another important factor affecting dividends in Kuwaiti listed firms.

Baker and Powell (2012) surveyed managers of dividend-paying firms listed on the Indonesian Stock Exchange (IDX) to learn their views about the factors influencing

dividend policy, dividend issues, and explanations for paying dividends. Of the 163 firms surveyed, 52 firms responded, resulting in a response rate of 31.9 per cent. The evidence showed that managers view the most important determinants of dividends is the stability of earnings and the level of current and expected future earnings. The evidence also showed that managers of Indonesian firms perceive that dividend policy affects firm value.

Naser et al (2013) surveyed the managers of the companies listed on Abu Dhabi Securities Exchange. The survey based on the responses obtained through 34 filled up questionnaires revealed, among others, that external factors related to the economic conditions together with the state of the capital market and lending conditions are all important factors in formulating dividend policy, and restrictions imposed on them by debt providers together with current financial market crises are the most important factors that affect their dividend policy.

John (2013) surveyed the opinions of managers on factors influencing dividends decision in Nigerian listed firms. The survey revealed, among others, that pattern of past dividends, the level of current earnings, current degree of financial leverage, availability of alternative source of capital, liquidity constraints such as availability of cash, growth and investment opportunities have a significant influence on dividend decision in Nigerian firms.

Manandhar (2002) surveyed the views of corporate executives on dividend policy and practice of corporate enterprises in Nepal. The major findings of the survey were that dividend decision was considered as discretionary decision, and lack of timely disclosure of relevant financial information and low rate of dividend payment are the major causes to the declining investors' confidence in the stock market.

Pradhan and Adhikari (2003) surveyed the views of financial executives of 50 large Nepalese enterprises. The survey findings, among others, revealed that major motive for paying cash dividends is to convey information to shareholders about favourable prospects of the enterprise and dividend decision is not a residual decision.

Basnet (2007) surveyed the views of managers on dividend policy of Nepalese enterprises listed at Nepal Stock Exchange Ltd. (NEPSE). The survey revealed that level of current and expected future earnings, liquidity constraints, projection about future state of the economy are the important factors in setting the enterprise's dividend policy in Nepal.

Shah (2009) surveyed the views of 60 financial executives on practices of dividend policy in Nepal. The results revealed, among others, stability of earnings, level of current earnings, and pattern of past dividends are the three important factors in order of their importance determining dividend policy of corporate sector.

The review of aforementioned surveys revealed that there are various surveys on dividend policy mostly in the context of developed countries, and there are very few and less comprehensive surveys of managers with inconclusive results on dividend policy

conducted in the context of Nepal. Thus, there is a need of conducting another survey of managers' views covering the divergent aspects of dividend policy in Nepal.

### **III. DATA AND METHODOLOGY**

Based on a careful review of the existing theoretical and empirical works about dividend decisions, a set of draft survey was developed and circulated to a group of prominent academics and practitioners for feedback. The survey was revised by incorporating their suggestions resulting in minor adjustments to the original documents. The changes made to the format of the questions and overall survey design with the goal of minimising biases induced by the questionnaire and maximising the response rate. The pro-forma of structured questionnaire for the managers' views on dividend policy of Nepalese enterprises can be requested through email: [nabaraj.adhikari@sebon.gov.np](mailto:nabaraj.adhikari@sebon.gov.np).

The data for measuring the importance managers attach to the determinants of dividend policy were collected in interval scales (in a 7-point scale), the importance managers attach to different factors affecting stable dividend policy were collected in a 5-point scale, the importance managers attach to different sources of financing if additional financing is required at different corporate tax level were collected in a 6-point scale. The data regarding perceptions of managers on the importance of dividend policy and motives of stock dividend payments were collected in a 6-point scale, and observations of managers on dividend policy were collected in a 5-point scale. Multiple statements included for each topic to diversify idiosyncratic errors.

#### **A. Sample Selection and Responses Retrieved**

The survey was conducted by distributing 150 questionnaires to the managers of the enterprises located in Kathmandu, Lalitpur, and Bhaktapur districts based on the concentration of corporate office of the selected enterprises by the researcher and a total of 125 responses were obtained from 16 enterprises of banking group and 50 enterprises of non-banking group (finance, insurance, manufacturing & processing, trading, hotels, and other, i.e., hydro power companies), indicating 83.33 percent response rate. Mostly the enterprises paying dividends were considered as sample. The list of enterprises surveyed and responses retrieved is presented in appendix I. The sampling frame determined for survey of managers on dividend policy and responses retrieved is presented in table 1.

Table I  
**Sampling frame for survey of managers on dividend policy  
 and responses retrieved**

This table shows the sampling frame for survey of managers and responses retrieved on dividend policy. There were a total of 216 listed enterprises in Nepal as of mid-July 2012. A total of 150 managers were selected from the 216 listed enterprises for survey. The managers comprise Chief Executive Officer/General Manager, Deputy Chief Executive Officer/Deputy General Manager, Financial Manager/ Deputy Financial Manager, and senior manager.

S. N.	Groups	Number of listed enterprises	Number of managers selected for survey	Number of responses received	Response percentages
1.	Banks	92	42	36	85.71
2.	Finance	71	62	54	87.10
3.	Insurance	21	27	24	88.89
4.	Manufacturing and processing	18	5	2	40.0
5.	Trading	4	5	4	80.0
6.	Hotel	4	3	2	66.67
7.	Other (hydro)	6	6	3	50.0
	Total	216	150	125	83.33

*Source: Annual reports of the listed enterprises; annual report of Securities Board of Nepal (SEBON) for the year ending mid-July, 2012; and the questionnaire survey, 2012.*

## B. Statistical Tools Used

To examine whether views of managers on dividend policy differ between banking group and non-banking group enterprises, chi-square analysis was used. It was used to test for differences on the responses for the majority of the issues addressed in the survey.

The value of the test-statistic is

$$\chi^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i} \quad \dots\dots\dots (1)$$

Where,

$\chi^2$  = Pearson's cumulative test statistic, which asymptotically approaches a  $\chi^2$  distribution;  $O_i$  = an observed frequency;  $E_i$  = an expected (theoretical) frequency, asserted by the null hypothesis; and  $n$  = number of paired observations.

$$E = \frac{\text{Number of questionnaire distributed}}{\text{Number of response retrieved}}$$

When observed frequency is small, a more accurate value of  $\chi^2$  is obtained by applying Yates' Continuity correction. This is achieved by subtracting each difference by 0.5 in absolute value before squaring.

Spearman's rank correlation coefficient was calculated to find out the degree of relationship between the rank type responses (Lehmann and D'Abrera(1998)) of banking group and non-banking group and it was tested for significance at 5 percent level of significance.

The Spearman's rank correlation coefficient is defined by

$$r' = 1 - \frac{6 \sum d^2}{N(N^2 - 1)}, \dots\dots\dots (2)$$

where  $d$  is the difference in statistical rank of corresponding variables and is an approximation to the exact correlation coefficient, and  $n$  is number of pairs of observations.

Median is measure of central tendency and it appears in the centre of ordered data. It divides the list of ordered data into two equal parts. The median value of responses for each statement of observation on dividend policy was computed to highlight the significance of the selected statements of observations using following model.

$$\tilde{m} = \left( \frac{(n + 1)/2 - (F + 1)}{f_m} \right) w + L_m \dots\dots\dots (3)$$

Where, ' $\tilde{m}$ ' is sample median; ' $n$ ' is total number of items in the distribution; ' $F$ ' is sum of all class frequencies up to, but not including, the median class; ' $f_m$ ' is frequency of the median class; ' $w$ ' is class-interval width and ' $L_m$ ' is lower limit of the median-class interval.

**C. Respondents' Profile**

In order to obtain precise view of the dividend decision-making process, it is important that knowledgeable individuals with a broad understanding of the types of dividend policy developed throughout their enterprises complete the questionnaire. So, it was attempted to survey the views of chief executive officer, chief financial officer, deputy chief executive officer and deputy chief financial officer of dividend paying enterprises.

As presented and evident in appendix II, panel 'a' that the majority of sample (47.2 percent) held the position of chief executive officer (CEO). It is observed from the same appendix, panel 'b' that the majority of respondents (28 percent) have experience of above 25 years in corporate management. The respondents' serious interest in the survey is

evident from the key positions held by respondents and long experience they have acquired in corporate management.

With respect to responding managers representing the corporate groups, the same appendix, panel 'c' revealed that the finance companies group dominates the sample (43.20 percent) and also represents all other industries. Thus the responses are quite relevant as they represented all the industries of Nepalese capital market.

The break-up of responding enterprises on the basis of total paid-up capital (appendix IV, panel 'a') revealed that responding enterprises having total paid-up capital below Rs.100 million (62.12 percent) dominates the sample compared to others. The distribution of responding enterprises with respect to total assets (appendix IV, panel 'b') discloses that the majority (37.87 percent) responding enterprises have total assets below Rs.500 million as at the end of mid-July 2012. Similarly, years of establishment-wise analysis (appendix IV, panel 'c') revealed that responding enterprises having establishment period in between 15-19 years (36.36 percent) as at the end of mid-July 2012 dominates the sample compared to others. This sample behaviour corresponds to the corporate profile of the country.

#### **IV. SURVEY FINDINGS**

The responses of managers on major aspects of dividend policy were analysed first in total sample and then a comparative analysis was made by categorising responses of managers into banking group and non-banking group. The banking group responses incorporated the responses from commercial banks and development banks, and non-banking group responses incorporated the responses from finance, insurance, manufacturing and processing, trading, hotels, and other groups. The overall results of chi-square and Spearman's rank correlation analysis are shown in appendix V. Results of the surveys were compared with previous survey findings of the developed and developing countries including Nepal where possible.

##### **A. Significance and Determinants of Dividend Policy**

The majority of responding managers of Nepalese enterprises considered that dividend decisions are important (68.8 percent). This finding is similar to the finding obtained by Khurana (1985) that states the majority of enterprises in India under study consider the dividend decision to be the primary and active policy variable in their financial policy making. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority of banking group respondents (75 percent) and non-banking group (66.29 percent) stated that it is very important. The chi-square test indicated that the opinions of both responding groups are similar and that there is no significant difference with respect to importance of dividend decisions.

On the pressure to pay dividends, the majority of the respondents (62.40 percent) stated that some pressure exists for enterprises to pay dividends. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority

of respondents from banking group (61.11 percent) felt that there is some pressure to pay dividends and 62.92 percent from non-banking group felt the same. Hence, the responses from banking and non-banking groups are similar on the pressure to pay dividends.

On the issue of how shareholders should be rewarded, the majority of the respondents (61.60 percent) opined that shareholders should be rewarded by paying stable dividends. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority of respondents from both groups opined that shareholders should be rewarded by paying stable dividends. So, stability of dividends is one of the important aspects of rewarding shareholders in Nepal as viewed by managers.

The most important determinants of dividend policy in order of importance are growth rate of enterprise's earnings, patterns of past dividends, availability of investment opportunities as ranked by majority of responding managers. The determinants that growth rate of enterprise's earnings and patterns of past dividends are consistent with the findings of Lintner's survey (1956). These results are also consistent with the surveys conducted by Baker et al. (1985); Farrelly et al. (1989); Pruitt and Gitman (1991); Baker and Powell (2000); and Bhat and Pandey (1995). This finding suggests that the key determinants of dividend policy have remained remarkably stable over time.

Regarding the stability of dividend policy, the majority of respondents (81.60 percent) felt that the enterprises should follow a stable dividend policy. This finding confirmed the findings of Lintner (1956) that the market puts a premium on enterprises to a stable dividend policy. This finding is consistent with the finding of Chengxuan Geng (2011) in China that stable dividend payoff can improve enterprise value.

The result of Spearman's rank correlation test shows that the degree of relationship between the responses of banking group and non-banking group is not significant with respect to motives behind following the stable dividend policy. And the result of chi-square test shows that the opinions of banking group and non-banking group are similar and that there is no significant difference in the opinions with respect to motives behind following the stable dividend policy.

The respondents (80.80 percent) are in favour of long-run rate of dividends. This finding is consistent with Lintner's finding that enterprises have longer term target dividend pay-out ratios. This finding is also consistent with the survey finding of Baker and Powell (2000) that a greater percentage of utilities had a target dividend pay-out ratio compared with manufacturing and wholesale/retail trade groups. This finding is also similar with the Partington (1984) that the enterprises had an explicit target pay-out ratio. Respondents were asked the influence for striving for a long-run rate of dividends, the majority of the respondents (28.71 percent) stated that growth prospects of the enterprise.

## **B. Dividend Clientele Effects, Ex-date Effects, and Financing**

The majority of responding managers (89.60 percent) stated that the group comprising females (mostly retired), retired males, widows, senior citizens, poor, institutions, trust funds, etc. prefers dividends than to capital gains. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority of respondents from both groups stated that the group consisting of females, retired males, widows, senior citizens, poor, institutions, trust funds, etc. prefers dividends than to capital gains. This finding is consistent with the dividend clientele effects supported by the empirical findings of Elton and Gruber (1970); Pettit (1977); Lewellen et al. (1978); Gordon and Bradford (1980); Lakonishok and Vermaelen (1986); Scholz (1992); and Dhaliwal et al. (1999).

There is the net tendency of an individual investor to hold portfolios of securities that have particular dividend paying characteristics in Nepalese capital market as responded by the majority of respondents (74.40 percent). In this connection, when the responses of banking and non-banking group respondents were compared, the majority respondents of banking group (63.89 percent) and non-banking group (78.65 percent) agreed to the statement. This finding is also consistent with the clientele effect of dividends.

In their overall ranks for importance of sources of financing at the current tax level in view of dividend decisions are quite frequently treated as financing decisions; the majority of the respondents ranked the first to retained earnings, and the second to rights share issue. This finding is significant because prior empirical evidence about this belief is scarce.

## **C. Dividend Announcement Effects on the Value of the Enterprise**

The majority of the respondents (57.60 percent) stated that dividends have information signalling effect. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority of respondents of both groups stated that dividends have information signalling effect. This finding is consistent with the survey findings of Baker and Powell (1999) that managers are concerned about the signals that dividend change may provide to investors.

## **D. Effect of Dividends on the Value of the Enterprise**

The majority of respondents (54.40 percent) disagreed to the statement that dividend is a residual decision. In this aspect, when the responses of banking and non-banking group of respondents were compared, the majority of both group of respondents stated that dividend is not a residual decision. This finding is similar to the earlier survey finding of Pradhan and Adhikari (2003) that dividend is not a residual decision in Nepal.

The majority of the respondents (80.80 percent) stated that dividends affect share price. In this aspect, when the responses of banking and non-banking group of respondents were compared, the respondents of both group overwhelmingly stated that dividends affect

share price. Therefore, the responses of most of the managers surveyed clearly imply the belief that dividend policy affects stock price. This finding is consistent with the finding of Baker, Powell and Veit (2002) that state managers agree that an optimal dividend policy strikes a balance between current dividends and future growth that maximises stock price, and that a firm should formulate its dividend policy to produce maximum value for shareholders. Similarly, this finding is consistent with the survey finding of Dhanani (2005) that dividend policy serves to enhance corporate market value.

To an issue relating to the factors indicating the importance of dividend policy, the majority of respondents in their overall ranks gave the first importance to dividend policy affects the growth of the enterprise, the second importance to dividend policy affects the financing mix of the enterprise, the third importance to dividend policy has signalling effects on shareholders. In this aspect, when the responses of banking and non-banking group of respondents were compared, the majority of banking group gave first importance to dividend policy has signalling effects on shareholders while non-banking group gave first importance to dividend policy affects the growth of the enterprise.

#### **E. Stock Dividend Payments of Nepalese Enterprises**

In their overall ranks for the motives of stock dividend payments of Nepalese enterprises, the majority of the responding managers stated that the first motive is to increase equity capital base of the enterprise. In this connection, when the responses of banking and non-banking group of respondents were compared, the majority from both responding groups gave the first rank to increase equity capital base of the enterprise. This finding is consistent with the earlier informal interview evidence of Pradhan and Adhikari (2003) that the major motive of stock dividend payment in Nepal is to raise capital base of the enterprise as per legal requirements.

#### **F. Dividend Pay-out Schemes and Target Pay-out Ratio**

The majority of the respondents (48 percent) suggested that stable amount of dividends per share scheme to their enterprises. In this aspect, when the responses of banking and non-banking group of respondents were compared, the majority of respondents, 47.22 percent of banking group and 48.31 percent of non-banking group suggested that stable amount of dividends per share scheme. The majority of the respondents (59.20 percent) stated that 10 to 20 percent is appropriate target pay-out ratio, which is the ratio of dividend set by managements to pay to stockholders based on the level of earnings to their enterprises. In this aspect, when the responses of banking and non-banking group of respondents were compared, the majority of both group of respondents stated that 10 to 20 percent is appropriate target pay-out ratio.

## G. General Observation on Dividend Policy

With respect to observation on dividend policy in Nepal, the respondents were given with a list of ten different statements on dividend policy in Nepal and they were asked to rank them in order of their significance. In order to highlight the significance of the selected statements of observations, median value of responses for each statement of observation were computed. The criterion applied is lower value of median indicates that the statement is highly significant to majority of respondents, while higher value of median indicates less significance. Applying this criterion, the observation statements for total sample have been arranged in order of their significance in table II.

Table II  
**Observations on Dividend Policy as Viewed by  
the Responding Managers**

This table shows the observation on dividend policy as viewed by total sample, banking group, and non-banking group managers. Lowest median value indicates the highest importance of the observation statement and so on.

S.N.	Observation Statements	Median Value		
		Total Sample	Banking Group	Non-banking Group
1	Reasons for dividend policy changes should be adequately disclosed to investors.	0.93	0.83	0.98
2	Stock dividend payments affect the price of the common stock.	1.15	0.95	1.49
3	Shareholders in low income group are attracted to high dividend stocks.	1.17	0.97	1.21
4	An enterprise should avoid making changes in its dividend rates that might have to reverse in a year or so.	1.40	1.52	1.61
5	Dividends attract relatively more institutional shareholdings and that the presence of institutional block shareholdings can add value to the enterprise.	1.59	1.68	1.0
6	Dividend decisions tend to be future oriented as opposed to accounting statements which document past performance.	1.62	1.73	1.58
7	Managers are extremely reluctant to cut dividends for fear of sending a negative signal.	1.70	1.83	1.63
8	Stock price falls by less than the amount of the dividend on ex-dividend day.	1.88	2.06	1.83
9	Low dividend yielding stocks tend to have high risk and high dividend yielding stocks tend to have low risk.	2.88	3.09	2.73
10	Shareholders in high income group are attracted to low-dividend stocks.	3.30	3.10	3.39

*Source: The Questionnaire Survey, 2012.*

The median values of observation statements given in table varied from 0.93 to 3.30 in total sample. Among them, the statement that reasons for dividend policy changes should be adequately disclosed to investors has been regarded as the most significant observation on dividend policy in Nepal.

The least significant observation for the majority of the respondents is shareholders in high income group are attracted to low-dividend stocks. It is also felt appropriate to assess the difference in responses of banking group respondents and non-banking group respondents. The observation statements are also arranged in the table in order of their significance as viewed by the banking group and non-banking group respondents. The median values of observation statements for banking group varied from 0.83 to 3.10. Among them, the most significant observation on dividend policy in Nepal as viewed by banking group respondents is that reasons for dividend policy changes should be adequately disclosed to investors followed by an enterprise should avoid making changes in its dividend rates that might have to reverse in a year or so and so on.

The median values of observation statements of non-banking group given in the table varied from 0.98 to 3.39. The majority of respondents of non-banking group gave first importance to reasons for dividend policy changes should be adequately disclosed to investors as given by banking group respondents.

## **H. Other Suggestions and Comments**

To the last question of the questionnaire was any other suggestions and comments on dividend policy and practice of Nepalese enterprises, the responding managers gave various suggestions and comments. The major suggestions and comments given by banking group respondents include dividend policy should be focussed on earning capacity and future prospects of the enterprise; stock trading and pricing so far observed are not based on fundamentals but on speculation and announcement of certain strategy; and dividend policy in financial sector mainly guided by the directives of Nepal Rastra Bank.

Similarly, major suggestions and comments given by non-banking group respondents include dividend policy should be as stable as possible; enterprises should prepare dividend policy considering all factors including shareholders' desire to dividend policy; Nepalese capital market could not grow as expected because entrepreneurs except from the financial enterprises are not sincere towards providing returns in the form of dividends; Nepalese enterprises need to focus on adequate disclosures on their state of affairs and policy decisions in order to avoid any kind of possible manipulation; and Nepalese capital market is still at infant stage as few stockbrokers and investors use to play role to influence market price of share.

## **V. CONCLUSIONS**

The growth rate of the enterprise's earnings, patterns of past dividends and availability of investment opportunities are the major determinants of dividend policy. Dividend clientele effect prevails in Nepal. The managers from banking sector and non-banking sector equally view on major aspects of dividend policy. Dividend policy influences the value of the enterprise in Nepal.

## VI. POLICY PRESCRIPTION

The dividends influence the value of the enterprise as it affects the growth and financing mix of the enterprise, and it has signalling effect on shareholders, so Nepalese enterprises are recommended to follow stable and explicit dividend policy commensurate with the actual growth and earning capacity of the enterprise.

Since the majority of responding managers of the Nepalese enterprises commented that few investors have influence on the market price of share, and a large number of investors use to buy and sell common stock based on market price trends without going through balance-sheet and other financial statements; SEBON and NEPSE are recommended to facilitate or develop institutional arrangement for the investor education in the country.

Nepalese capital market is still at pre-emerging stage of development as there are poor disclosure practices, meagre turnover, highly fluctuating market index, and a few stockbrokers and investors' dominance in stock pricing. SEBON should be serious to fulfil its fiduciary duty of market regulation by conducting regular supervision, taking tougher enforcement action, and protecting the interest of investors from being manipulated.

One policy implication of this survey is that dividend policy is important to the investors, enterprises and capital market of the country as a whole.

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## Appendix I

## List of the Responding Enterprises and Number of Responses Retrieved

## A) Banking Group

S. N.	Name of the Enterprises	Position of the Respondents	Address of Corporate Offices	Number of Responses Retrieved
1.	Standard Chartered Bank Nepal Ltd.	Chief Executive Officer	NayaBaneshwor, Kathmandu	1
2.	Nabil Bank Ltd.	Chief Executive Officer and Financial Manager	Kamaladi, Kathmandu	2
3.	Himalayan Bank Ltd.	General Manager, General Manager and Financial Manager	Thamel, Kathmandu	3
4.	Nepal Investment Bank Ltd.	Senior General Manager, General Manager and Deputy General Manager	Durbarmarg, Kathmandu	3
5.	Everest Bank Ltd.	Executive Director, Deputy General Manager, Deputy General Manager Assistant General Manager, Manager	Lazimpat, Kathmandu	5
6.	Nepal SBI Bank Ltd.	Assistant General Manager and Company Secretary	Hattisar, Kathmandu	2
7.	Bank of Kathmandu	Managing Director and Deputy General Manager	Kamaladi, Kathmandu	2
8.	NIC Asia Bank Ltd.	Chief Executive Officer and Manager	Thapathali, Kathmandu	2
9.	Machhapuchhare Bank Ltd.	Chief Executive Officer	Putalisadak, Kathmandu	1
10.	Laxmi Bank Ltd.	Chief Executive Officer and Financial Manager	Hattisar, Kathmandu	2
11.	Kumari Bank Ltd.	Chief Executive Officer and Deputy General Manager	Putalisadak, Kathmandu	2
12.	Siddhartha Bank Ltd.	General Manager and Senior Manager	Kamaladi, Kathmandu	2
13.	Lumbini Bank Ltd.	Chief Executive Officer, Deputy Chief Executive Officer and Financial Manager	Durbarmarg, Kathmandu	3
14.	NMB Bank Ltd.	Chief Executive Officer and Deputy Chief Executive Officer	Babaramahal, Kathmandu	2
15.	DCBL Bank Ltd.	Chief Executive Officer and Senior Manager	Kamaladi, Kathmandu	2
16.	KIST Bank Ltd.	Managing Director and Senior Manager	Anamnagar, Kathmandu	2
<b>Total Responses</b>				<b>36</b>

## B) Non-banking Group

S. N.	Name of the Enterprises	Position of the Respondents	Address of Corporate Offices	Number of Responses Retrieved
1.	Crystal Finance Ltd.	Chief Executive Officer and Senior Manager	Bag Durbar, Kathmandu	2
2.	NIDC Capital Markets Ltd.	Chief Executive Officer and Manager (Officer)	Kamalpokhari, Kathmandu	2

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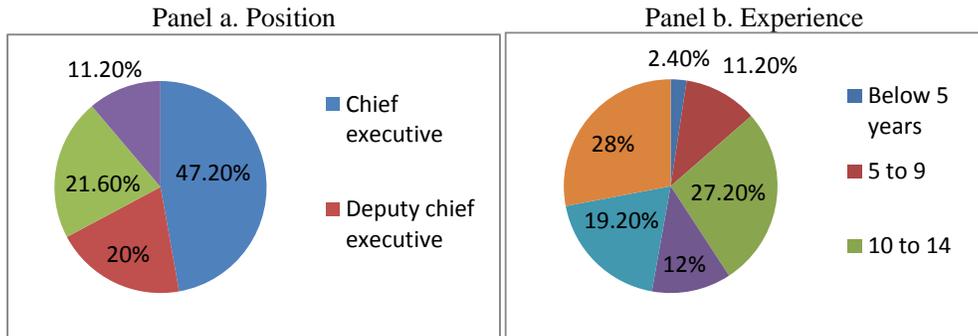
3.	Citizen Investment Trust	Chief Executive Officer	NayaBaneshwor, Kathmandu	1
4.	Nepal Share Markets and Finance Ltd.	Chief Executive Officer and Deputy General Manager	Ramshahpath Kathmandu	2
5.	Baibhav Finance Ltd.	Chief Executive Officer and Senior Manager	NayaBaneshwor, Kathmandu	2
6.	Narayani National Finance Ltd.	General Manager	KalikasthanDillibazar, Kathmandu	1
7.	Hama Merchant and Finance Ltd.	General Manager and Senior Manager	Tripureshwor, Kathmandu	2
8.	Kuber Merchant Finance Ltd.	General Manager and Senior Manager	Kamalpokhari, Kathmandu	2
9.	Lumbini Finance and Leasing Ltd.	Chief Executive Officer and Senior Manager	Thamel, Kathmandu	2
10.	Lalitpur Finance Ltd.	Managing Director and Chief Corporate Officer	Lagankhel, Lalitpur	2
11.	Kathmandu Finance Ltd.	Chief Executive Officer and Financial Manager	Dillibazar, Kathmandu	2
12.	People's Finance Ltd.	Manager cum Company Secretary	Tripureshwor, Kathmandu	1
13.	Union Finance Ltd.	Chief Executive Officer and Senior Manager	Kamaladi, Kathmandu	2
14.	Goodwill Finance Ltd.	Chief Executive Officer and Financial Manager	Hattisar, Kathmandu	2
15.	Nepal Housing Development Finance Ltd.	General Manager and Senior Manager	Bijulibazar, Kathmandu	2
16.	Gorkha Finance Ltd.	General Manager and Deputy General Manager	Hattisar, Kathmandu	2
17.	CMB Finance Ltd.	General Manager and Senior Manager	Jamal, Kathmandu	2
18.	Alpic Everest Finance Ltd.	Chief Executive Officer and Senior Executive Officer	Kathmandu Mall, Kathmandu	2
19.	International Leasing and Finance Ltd.	Chief Executive Officer and Financial Manager	NayaBaneshwor, Kathmandu	2
20.	United Finance Ltd.	General Manager	Durbarmarg, Kathmandu	1
21.	Central Finance Ltd.	Managing Director and Senior Manager	Kupondol, Lalitpur	2
22.	Himalaya Finance Ltd.	General Manager and Senior Manager	Sundhara, Kathmandu	2
23.	Premier Finance Ltd.	Managing Director and Manager cum Company Secretary	Kumaripati, Lalitpur	2
24.	Shree Investment and Finance Ltd.	General Manager and Financial Manager	Dillibazar, Kathmandu	2
25.	Royal Merchant Banking and Finance Ltd.	Chief Executive Officer and Senior Manager	Durbarmarg, Kathmandu	2
26.	Prabhu Finance Ltd.	Executive Director	Lainchaur, Kathmandu	1
27.	Nepal Finance Co. Ltd.	General Manager and Senior Manager	Kamaladi, Mode, Kathmandu	2
28.	Bhajuratna Finance Ltd.	Executive Director and Accountant	Kanthipath, Kathmandu	2

29.	Nepal Housing and Merchant Finance Ltd.	General Manager and Deputy General Manager	Dillibazar, Kathmandu	2
30.	Pashchimanchal Finance Ltd.	Manager cum Company Secretary	Butwal, Rupandehi	1
31.	Nepal Insurance Co. Ltd	Managing Director and Deputy General Manager	Kamaladi, Kathmandu	2
32.	National Life and General Insurance Ltd	Deputy General Manager and Assistant General Manager	Lazimpat, Kathmandu	2
33.	Himalayan General Insurance Ltd.	Managing Director and Deputy General Manger	Babarmahal, Kathmandu	2
34.	United Insurance (Nepal) Ltd.	General Manager and Deputy General Manager	Durbarmarg, Kathmandu	2
35.	Everest Insurance Ltd.	Senior Manager and Manager	Hattisar, Kathmandu	2
36.	Premier Insurance Ltd.	Managing Director and Chief Executive Officer	Tripureshwor, Kathmandu	2
37.	Alliance Insurance Ltd.	Chief Executive Officer and Deputy Manager	Tinkune, Kathmandu	2
38.	Sagarmatha Insurance Ltd.	Senior Manager and Deputy Financial Manager	Kamaladi, Kathmandu	2
39.	N.B. Insurance Ltd.	General Manager and Deputy General Manager	Lal Durbar, Kathmandu	2
40.	Nepal life Insurance Ltd.	Chief Executive Officer and Financial Manager	Kamaladi, Kathmandu	1
41.	Life Insurance Corporation (Nepal) Ltd.	Chief Executive Officer	Kamaladi, Kathmandu	1
42.	Prudential Insurance Ltd	Chief Executive Officer and Senior Deputy General Manager	Triveni Complex, Kathmandu	2
43.	Lumbini General Insurance Ltd.	Managing Director and Deputy Managing Director	Gyneshwor, Kathmandu	2
44.	Soaltee Hotels Ltd.	Group Chief Accountant and Senior Manager	Tahachal, Kathmandu	2
45.	Nepal Lube Oil Ltd.	Senior Manager	Pulchowk, Lalitpur	1
46.	Unilever Nepal Ltd.	Manager cum Company Secretary	Heritage Plaza, Kathmandu	1
47.	Bishal Bazar Ltd.	Chief Executive Officer and Chief Accountant	Sukrapath, Kathmandu	2
48.	Salt Trading Corporation Ltd.	Chief Executive Officer and Financial Analyst	Kalimati, Kathmandu	2
49.	Butwal Power Ltd.	Officiating General Manager and Deputy General Manager	Kumaripati, Lalitpur	2
50.	Chilime Hydropower Ltd	Senior Manager	Dhumbarahi, Kathmandu	1
<b>Total Responses</b>				<b>89</b>
<b>Total Responses (Banking Group and Non-banking Group)</b>				<b>125</b>

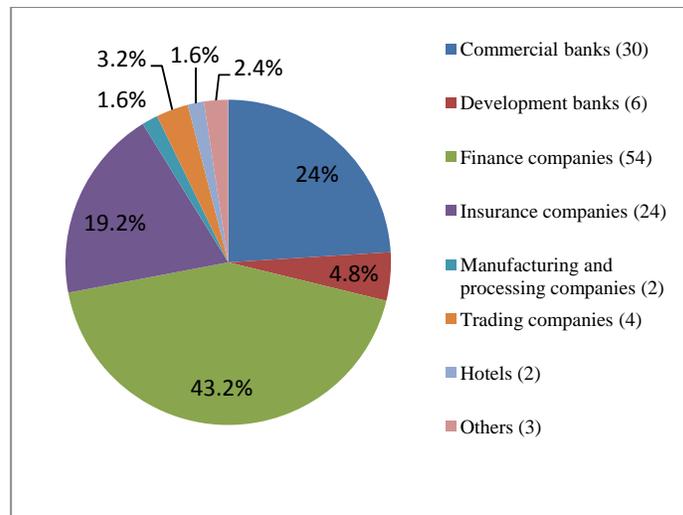
Source: The Questionnaire Survey, 2012

Appendix II  
**Profile of the Responding Managers**

This figure shows the profile of the responding managers. The position indicates the position of responding managers, the experience indicates the experience of responding managers in enterprise management, and the group indicates the enterprise responding managers belong to. The number in parenthesis indicates the number of responding managers.

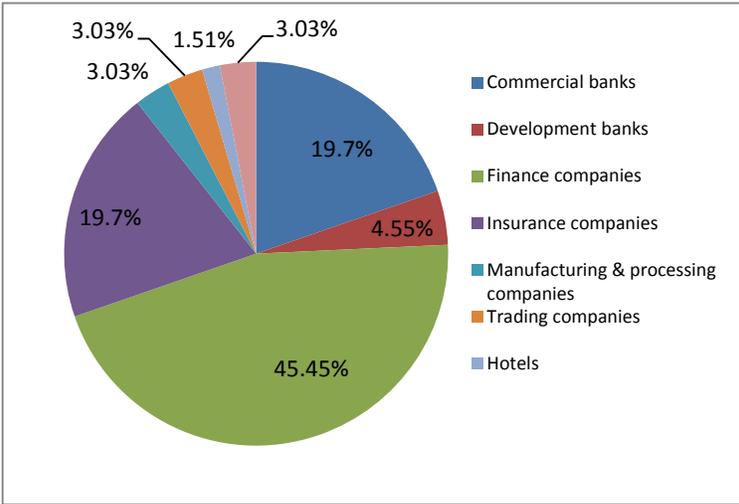


Panel c. Group



Source: The Questionnaire Survey, 2012.

Appendix III  
**BACKGROUND INFORMATION OF THE RESPONDING ENTERPRISES BASED ON GROUP**

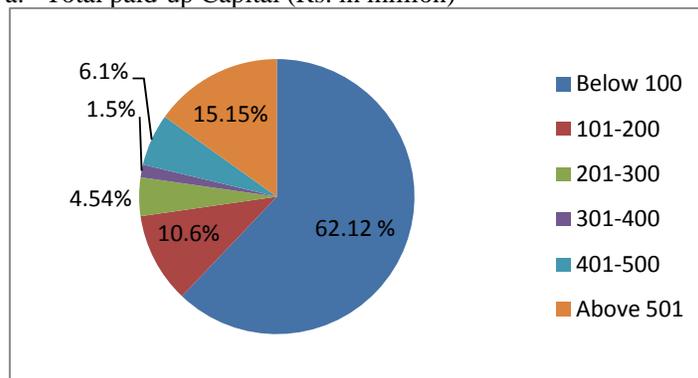


Source: *The Questionnaire Survey, 2012; Securities Board of Nepal; and Nepal Stock Exchange Ltd.*

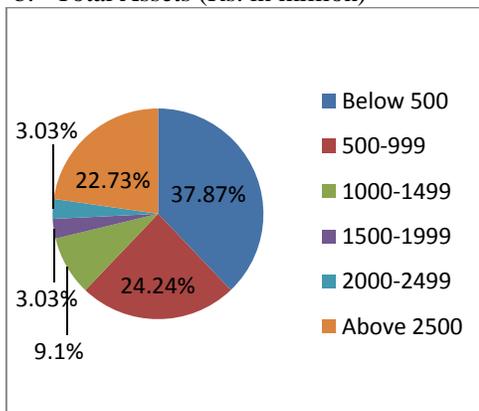
Appendix IV

**BACKGROUND INFORMATION OF THE RESPONDING ENTERPRISES BASED ON TOTAL PAID-UP CAPITAL, TOTAL ASSETS AND YEARS OF ESTABLISHMENT**

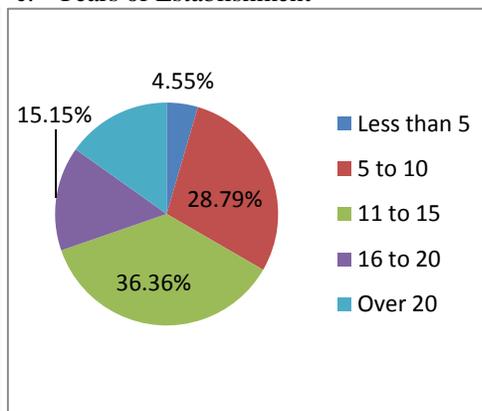
a. Total paid-up Capital (Rs. in million)



b. Total Assets (Rs. in million)



c. Years of Establishment



Source: The Questionnaire Survey, 2012; Securities Board of Nepal; and Nepal Stock Exchange Ltd.

## Appendix V

## Overall results of chi-square and spearman's rank correlation analysis

## The responses to survey of managers on determinants of dividend policy and results of chi-square test

I. N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
1.	Importance of dividend decisions				
	a) Very important	86 (68.8)	27 (75.0)	59 (66.29)	0.91
	b) Important	39 (31.2)	9 (25.0)	30 (33.71)	
	c) Don't know	0 (0)	0 (0)	0 (0)	
	d) Less important	0 (0)	0 (0)	0 (0)	
	e) Not important at all	0 (0)	0 (0)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
2.	Pressure to pay dividends				
	a) Tremendous pressure	34 (27.2)	11 (30.56)	23 (25.84)	3.56
	b) Some pressure	78 (62.4)	22 (61.11)	56 (62.92)	
	c) Don't know	0 (0)	0(0)	0(0)	
	d) No pressure	12 (9.6)	2 (5.56)	10 (11.24)	
	e) No pressure at all	1 (0.8)	1 (2.78)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
3.	Shareholders should be rewarded				
	a) By increasing dividends	33 (26.4)	6 (16.67)	27 (30.34)	19.26*
	b) Stable dividends	77 (61.6)	21 (58.33)	56 (62.92)	
	c) By decreasing dividends for corporate growth	8 (6.4)	2 (5.56)	6 (6.74)	
	d) Others	7 (5.6)	7 (19.44)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
4.	The most influential in developing the dividend policy				
	a) Chairman, Board of Directors	56 (44.8)	13 (36.11)	43 (48.32)	15.34*
	b) Public Directors	8 (6.4)	3 (8.33)	5 (5.62)	
	c) Professional Director	1 (0.8)	0 (0)	1 (1.12)	
	d) Directors from promoter group	20 (16)	11 (30.56)	9 (10.11)	
	e) Managing Director/ Chief Executive Officer	28 (22.4)	4 (11.11)	24 (26.97)	
	f) Chief Financial Officer	4 (3.2)	3 (8.33)	1 (1.12)	
	g) Others	8 (6.4)	2 (5.56)	6 (6.74)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
6.	The enterprise should follow a stable dividend policy				
	a) Yes	102 (81.6)	31 (86.11)	71 (79.78)	0.69
	b) No	23 (18.4)	5 (13.89)	18 (20.22)	
	c) Don't know	0 (0)	0 (0)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
7.	Striving for a long-run rate of dividends				
	a) Yes	101 (80.8)	30 (83.33)	71 (79.78)	3.07
	b) No	23 (18.4)	5 (13.89)	18 (20.22)	
	c) Don't know	1 (0.8)	1 (2.78)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

7+	Reason for a long-run rate of dividends				
	a) Prevailing rate of dividend of competitor enterprises in the recent past	16 (15.84)	3 (10.0)	13 (18.31)	19.32*
	b) Prevailing yield rates on equity shares for the sector or for the corporate sector as a whole	44 (43.57)	8 (26.67)	36 (50.70)	
	c) Prevailing interest rates on debentures or term loans from the market	10 (9.90)	1 (3.33)	9 (12.68)	
	d) Growth prospects of the enterprise	29 (28.71)	16 (53.33)	13 (18.31)	
	e) Others	2 (1.98)	2(6.67)	0 (0)	
<b>All samples</b>		<b>101(100)</b>	<b>30 (100)</b>	<b>71(100)</b>	

Source: The Questionnaire Survey, 2012

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\* Significant at 5 percent level of significance.

Figures in parenthesis indicate percentage.

**Results of chi-square test and Spearman's rank correlation test for rank type questions to survey of managers on dividend pay-out policy**

I.N.	Aspects	Spearman's rank correlation computed value	$\chi^2$ Computed value
5.	Determinants of dividend policy of Nepalese enterprises	0.96*	6.18
6+	Motives behind following a stable dividend policy	0.15	0.45
10.	Preference of different sources of financing at the current tax level	0.14	4.87
14.	Importance of dividend policy	0.14	14.79*
15.	Motives of stock dividend payments in Nepalese enterprises	0.31	0.19

Source: The Questionnaire Survey, 2012

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\* Significant at 5 percent level of significance.

**The responses to survey of managers on issues on dividend clientele effects and ex-date effects, and financing of Nepalese enterprises and results of chi-square test**

I. N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
8.	Group of investors preferring dividends than to capital gains a) Females (mostly retired), retired males, widows, senior citizens, poor, institutions, trust funds, etc. b) Young, unmarried professionals, highly educated young professionals, wealthy, older males still at work, etc.	112 (89.6)	32 (88.89)	80 (89.89)	0.03
		13 (10.4)	4 (11.11)	9 (10.11)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
9.	There is the net tendency of an individual investor to hold portfolios of securities that have particular dividend paying characteristics a) Yes b) No c) Don't know	93 (74.4)	23 (63.89)	70 (78.65)	3.97
		19 (15.2)	9 (25.0)	10 (11.24)	
		13 (10.4)	4 (11.11)	9 (10.11)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

Source: *The Questionnaire Survey, 2012.*

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\* Significant at 5 percent level of significance.

Figures in parenthesis indicate percentage.

**The responses to survey of managers on dividend announcement effects and results of chi-square test**

I. N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
11.	Information signalling effect of dividends				0.86
	a) Dividends have information signalling effect	72 (57.6)	21 (58.33)	51 (57.30)	
	b) Dividends have some information signalling effect	50 (40)	14 (38.89)	36 (40.45)	
	c) Dividends have no information signalling effect	1 (0.8)	0 (0)	1 (1.12)	
	d) Dividends have no information signalling at all	2 (1.6)	1 (2.78)	1 (1.12)	
	e) Others	0 (0)	0 (0)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

Source: The Questionnaire Survey, 2012.

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\* Significant at 5 percent level of significance.

Figures in parenthesis indicate percentage.

**The responses to survey of managers on the effect of dividends on the value and results of chi-square test**

I.N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
12.	Dividend as a residual decision				
	a) Yes	57 (45.6)	17 (47.22)	40 (44.94)	0.05
	b) No	68 (54.4)	19 (52.78)	49 (55.06)	
	c) Don't know	0 (0)	0 (0)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
13.	Effect of dividends or retained earnings on share price				
	a) Dividends affect share price	101 (80.8)	29 (80.56)	72 (80.90)	5.90
	b) Dividends do not affect share price	1 (0.8)	0 (0)	1 (1.12)	
	c) Retained earnings affect share price	20 (16.0)	5 (13.89)	15 (16.85)	
	d) Retained earnings do not affect share price	2 (1.6)	2 (5.56)	0 (0)	
	e) Others	1 (0.8)	0 (0)	1 (1.12)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

Source: *The Questionnaire Survey, 2012.*

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\*Significant at 5 percent level of significance.

Figures in parenthesis indicate percentage.

**The responses to survey of managers on stock dividend payment of the enterprise and results of chi-square test**

I. N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
16.	Suggestion if the enterprise does not have enough cash to pay dividends				
	a) Pay stock dividends	55 (44.0)	13 (36.11)	42 (47.19)	4.46
	b) Neither pay cash dividends nor stock dividends	17 (13.6)	7 (19.44)	10 (11.24)	
	c) Convey the reason of not paying dividends to the shareholders	52 (41.6)	15 (61.67)	37 (41.57)	
	d) Others	1 (0.8)	1 (2.78)	0 (0)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

Source: *The Questionnaire Survey, 2012.*

Note : I.N. indicates issue number as shown in questionnaire.

\* Significant at 5 percent level of significance.

$\chi^2$  indicates chi-square.

Figures in parenthesis indicate percentage.

**The responses to survey of managers on dividend pay-out schemes and target pay-out ratio and results of chi-square test**

I. N.	Issues	Number of responses			$\chi^2$
		Total	Banking group	Non-banking group	
17.	Suggestion on dividend pay-out schemes				1.32
	a) Stable amount of dividends per share	60 (48.0)	17 (47.22)	43 (48.31)	
	b) Constant dividend pay-out ratio	39 (31.2)	11 (30.56)	28 (31.46)	
	c) Low regular dividend plus extras	9 (7.2)	4 (11.11)	5 (5.62)	
	d) Residual dividend policy	15 (12.0)	4 (11.11)	11 (12.36)	
	e) Others	2 (1.6)	0 (0)	2 (2.25)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	
18.	Appropriate target dividend pay-out ratio				8.19
	a) 10-20 percent	74 (59.2)	19 (52.78)	55 (61.80)	
	b) 21- 40 percent	39 (31.2)	14 (38.89)	25 (28.09)	
	c) 41- 60 percent	7 (5.6)	1 (2.78)	6 (6.74)	
	d) 61-80 percent	2 (1.6)	2 (5.56)	0 (0)	
	e) 81- 100 percent	3 (2.4)	0 (0)	3 (3.37)	
	<b>All samples</b>	<b>125 (100)</b>	<b>36(100)</b>	<b>89(100)</b>	

Source: *The Questionnaire Survey, 2012.*

Note : I.N. indicates issue number as shown in questionnaire.

$\chi^2$  indicates chi-square.

\* Significant at 5 percent level of significance.

Figures in parenthesis indicate percentage.