# FACTOR AFFECTING SHARE PRICE OF INSURANCE COMPANIES IN NEPAL

A Dissertation submitted to the Office the Dean, Faculty of Management in partial fulfilment of the requirements for the Master of Business Studies (MBS)

By

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## CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Factor Affecting Share Price of Insurance Companies in Nepal"** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

…….

Kaushal Ghimire

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## REPORT OF RESEARCH COMMITTEE

Mr. Kaushal Ghimire has defended research proposal entitled **"Factor Affecting Share Price of Insurance Companies in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Sita Dhital and submit the thesis for evaluation and viva voce examination.

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## APPROVAL - SHEET

We, the undersigned have examined the thesis entitled **"Factor Affecting Share Price of Insurance Companies in Nepal"** presented by Kaushal Ghimire, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the thesis acceptable for the award of degree.

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**Kaushal Ghimire**

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# ABBREVIATIONS

| | |
|---|---|
| AGM: | Annual General Meeting |
| ALICL: | Asian Life Insurance Company Limited |
| AM: | Arithmetic mean |
| BAFIA: | Bank and Financial Institution Act |
| CADR: | Cash deposit ratio |
| CAPM: | Capital Assets Pricing Model |
| CDR: | Credit deposit ratio |
| CV: | Coefficient of Variation |
| D/Y: | Dividend Yield |
| DPS: | Dividend per Share |
| DTOR: | Debtor Turnover Ratio |
| EBIT: | Earnings before Interest and Tax |
| EPS: | Earnings per Share |
| FY: | Fiscal Year |
| MPS: | Market Price Per share |
| NEPSE: | Nepal Stock Exchange |
| NICL: | Nepal Insurance Company Limited |
| NLIC: | Nepal Life Insurance Company Limited |
| NLICL: | National Life Insurance Company Limited |
| NPAT: | Net Profit after Tax |
| NRB: | Nepal Rastra Bank |
| P/E: | Price to Earnings Ratio |
| PRIN: | Prabhu Insurance Limited |
| SD: | Standard Deviation |
| SE: | Stock Exchange |
| SEBON: | Security Exchange Board of Nepal |
| SIC: | Sagarmatha Insurance Company Limited |

## ABSTRACT

This study investigates the factors influencing the share prices of insurance companies in Nepal, with a primary focus on examining the key determinants of stock prices for selected insurance firms. The objectives include analyzing the relationship between variables such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Dividends Per Share (DPS), company size, Dividend Yield (D/Y), and Market Price per Share (MPS) for insurance companies listed on the Nepal Stock Exchange (NEPSE). In this analysis, EPS, P/E, DPS, Size, and D/Y serve as independent variables, while MPS is the dependent variable. The study employs mean, standard deviation, correlation, and multiple regression analysis to present the data and draw conclusions. The key findings reveal a negative correlation between MPS and DPS, suggesting an inverse relationship where an increase in the market price per share is associated with a decrease in dividends per share and vice versa. Similarly, a negative correlation between DPS and EPS is observed, indicating that higher dividends might coincide with lower earnings per share. Furthermore, after adjusting for the scale of the variables, a negative relationship between D/Y and MPS is established, while company size exhibits a positive effect on MPS, as indicated by a positive beta coefficient. The study concludes that DPS, EPS, and Size have significant relationships with MPS, while D/Y and the P/E ratio do not significantly influence market prices.



***Keywords:*** *Insurance Companies, Market price share, P/E Ratio, Earning per share and Dividend.*

# CHAPTER - I

# INTRIDUCTION

## 1.1 Background of the Study

Share prices in the Nepalese capital market are influenced by a diverse range of factors, both domestic and international. Recent research identifies multiple key factors influencing stock price fluctuations in Nepal. Shrestha and Thapa (2023) observed a positive link between GDP growth and stock prices, indicating that economic growth tends to boost stock values. Aryal and Maharjan (2024) further emphasized the role of company-specific elements, such as the quality of earnings, corporate governance standards, and dividend policies, in shaping stock price trends. Khanal and Bhandari (2023) highlight the effects of investor sentiment and market psychology, showing how consumer confidence and investor attitudes can affect market behavior. Additionally, Regmi and Karki (2023) and Bista and Pokhrel (2023) underscore the impact of regulatory shifts and global economic trends on Nepalese stock prices. For investors, policymakers, and analysts, understanding these diverse influences is essential for navigating Nepal's stock market landscape effectively.

Insurance companies play a pivotal role in the financial services sector by offering products that help individuals and businesses manage risk and provide financial security. These companies offer a broad spectrum of insurance products such as life, health, property, and casualty insurance customized to suit the unique needs of their clients. By gathering premiums from policyholders, insurance providers create a fund that can be utilized to settle claims and cover losses. This approach shields policyholders from substantial financial strain during unforeseen incidents and also fosters economic stability and growth, as it allows businesses to function with minimized risk.

Insurance companies are increasingly adopting technology and data analytics to modernize their operations and improve service offerings. This shift includes automating the underwriting process, leveraging big data for more accurate risk assessment, and creating innovative products that address new challenges, such as cyber risks. By embracing advanced technologies, insurers are enhancing efficiency and becoming more attuned to customer needs, helping them retain a competitive edge in a rapidly changing market. Additionally, insurance firms are advancing sustainable finance by incorporating environmental, social,

and governance (ESG) factors into their investment decisions, supporting long-term sustainable development (Shrestha & Subedi, 2014).

Several critical factors shape the share prices of insurance companies, directly influencing their market valuation and performance. A major factor is financial performance, reflected in metrics such as earnings per share (EPS), return on equity (ROE), and dividend distributions. Strong financial outcomes generally drive share prices upward, as they indicate stability and profitability to investors. The regulatory landscape is also essential; shifts in regulations, compliance expenses, and legal challenges can impact operational security and investor trust. Similarly, positive economic conditions often enhance market confidence, pushing share prices higher. Additionally, industry-specific developments, including emerging risks, technological progress, and competitive pressures, can affect an insurer's market appeal and position. Altogether, the combination of financial performance, regulatory influences, economic conditions, and industry trends determines the share price trajectory of insurance companies (Pandak, 2017).

Stock market price can energize financial development by giving a road for developing companies to raise capital in moo taken a toll. Companies often rely on bank loans to fulfill their short-term cash needs. However, for long-term financing, they may raise capital by issuing common or preferred stock, effectively offering ownership stakes. The stock exchange fulfills two primary roles: it connects companies in need of capital for new ventures or expansion with investors who have funds to invest, and it provides a regulated marketplace where shares are traded at market prices determined by supply and demand. Economists emphasize that stock prices in a free market are set by these demand-supply dynamics. In the securities market, both the primary and secondary markets are influenced by macroeconomic and microeconomic factors. Macroeconomic influences include political events and general economic conditions, while microeconomic factors encompass metrics such as earnings per share (EPS), return on assets (ROA), dividend payout ratio, dividend yield, investor sentiment, and announcements like dividends or rights issues. Stock prices are not static; they fluctuate daily and differ from their par and book values. Stock price movements are influenced by both external and internal factors, which together shape price trends (Tandon & Malhotra, 2013). Several key indicators, such as dividends per share (DPS)

and earnings per share (EPS), are crucial in assessing stock performance and the financial health of companies. A high DPS reflects a company's commitment to providing shareholder value through dividends, while a strong EPS indicates solid earning potential.

The D/Y (Profit Surrender) and P/E (Price-to-Earnings) proportions are fundamental measurements for financial specialists. Dividend Yield (D/Y) reflects the dividend income as a percentage of the stock price, providing insight into returns from dividends, which can be particularly appealing to income-focused investors. Conversely, the Price-to-Earnings (P/E) ratio compares the stock price to earnings, helping investors assess a company's valuation. A lower P/E may indicate potential undervaluation, while a higher P/E could suggest growth expectations. Company size, often measured by market capitalization (MPS), also impacts risk and growth prospects. Larger companies generally offer stability and consistent dividends, while smaller firms may present growth opportunities but with greater volatility. In the securities sector, a company's size is crucial, as it correlates with its ability to manage risk, financial strength, and market presence.

The share prices of insurance companies in Nepal are influenced by a combination of financial, economic, and firm-specific factors. A key factor influencing stock prices is the company's financial performance, with metrics like earnings per share (EPS), return on assets (ROA), and dividends per share being particularly important. While higher EPS and ROA are typically associated with rising share prices, studies on Nepalese insurance companies indicate these metrics don't always account for stock price variations, suggesting additional factors at work. Economic conditions, such as inflation and overall market sentiment, are also crucial. Inflation tends to negatively affect share prices by reducing purchasing power and raising operational costs. Firm size shows a positive correlation with both market price and price-to-earnings (P/E) ratios, as larger companies with established market presence and stability tend to be more highly valued by investors. Moreover, regulatory shifts, industry-specific trends, and

In conclusion, the factors affecting the share prices of insurance companies in Nepal can be linked to both company-specific and external variables, reflecting market dynamics and financial stability indicators. In particular, metrics like Market Price per Share (MPS), Dividend per Share (DPS), Earnings per Share (EPS), Dividend Yield, Price-to-Earnings

(P/E) Ratio, and company size or total assets are vital indicators that investors analyze to assess the financial health and performance potential of insurance firms. For instance, DPS and EPS represent returns on investment, with higher values generally appealing to shareholders seeking income and growth, thus driving up stock prices (Chen et al., 2007; Hossain & Lipy, 2014). Dividend Yield and P/E Ratios provide insights into the valuation and income potential of these stocks, allowing investors to compare them to alternatives, which can influence buying and selling decisions (Miller & Modigliani, 1961). Additionally, total assets, reflecting the size and stability of an insurance company, reassure investors of the company's ability to handle obligations and support its stock's resilience against market fluctuations (Berk & DeMarzo, 2014).

In Nepal, these factors are particularly relevant given the market's evolving regulatory landscape and the competitive pressures faced by insurance companies listed on the Nepal Stock Exchange (NEPSE). The perceived stability, growth prospects, and ability to offer reliable dividends make these financial indicators essential for understanding share price behavior and predicting future price trends. As Nepal's insurance sector continues to grow, these variables will remain integral to investment decisions, influencing investor sentiment and market valuation. Thus, understanding the interplay of these factors provides valuable insight into the financial and market dynamics specific to Nepal's insurance industry.

### 1.2 Problem Statement

Profit choice being one of the vital money related choices of a corporate firm has been still a most talked about issue over the world. There is extensive literature, theories, and models that address optimal dividend policy decisions. Each year, researchers and academics introduce new frameworks or refine existing models within the finance field. Since the foundational work of Modigliani and Miller (1961) on dividend policy and its impact on a firm's market value, considerable debate has emerged both theoretically and empirically regarding the relationship between a firm's dividend policy choices and its market value. These debates often explore whether a 100% dividend payout ratio, complete retention, or a balanced mix of payout and retention maximizes firm value and shareholder returns. Despite substantial research from various scholars seeking to identify an optimal dividend policy, there remains no universally accepted theory explaining firms' dividend payout and retention

decisions. Over the past century, however, several key theories have emerged to explain dividend policies and their effects on market value.

These theories include the dividend irrelevance theory, which argues that dividends have no real impact on firm value (Modigliani-Miller, 1961). In contrast, the dividend relevance theory posits that dividend policy does influence a firm's value, asserting that the choice of dividend policy nearly always impacts firm value (Walter, 1963). Additionally, Gordon (1962) contends that dividend policy affects share value, even when the rate of return equals the cost of capital.

A key consideration is whether the Market Price per Share (MPS) of listed companies, particularly selected firms, accurately reflects financial indicators such as Dividend per Share (DPS), Earnings per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) ratio, and company size all of which can influence changes in the market price of insurance companies. The relationship between MPS and earnings can be understood in the broader context of economic conditions and consumer behavior. Higher earnings often lead to increased savings rates, which can, in turn, boost MPS, as individuals with higher incomes generally have more disposable income, allowing them to save a larger portion. Empirical studies, including the work of Modigliani and Brumberg (1954), have shown a positive link between MPS and income. Additionally, factors like interest rates and consumer confidence can also impact this relationship. Higher interest rates, for example, tend to encourage more saving, which can lead to a higher MPS regardless of income level.

Harlina and Khoiruddin (2018) investigated dividend policy and economic factors affecting stock price volatility, finding that Earnings per Share (EPS) negatively impacts stock price fluctuations. In contrast, Singh and Tandon (2019) concluded that EPS is positively associated with Market Price per Share (MPS). The link between MPS, capital, and leverage emphasizes strategies for optimizing growth and ensuring financial stability within the dynamic landscape of wealth. This relationship between MPS and capital suggests that saving, investing, and leveraging can contribute to long-term financial well-being when guided by prudent planning.

The connection between MPS and capital leverage is especially relevant in the context of investment decisions (Joshi, 2012). When individuals or businesses have a high MPS, they

tend to save rather than spend their income, increasing the likelihood of using their savings for investments rather than relying on debt. This results in reduced capital expenditure, as there is less dependency on borrowing to fund projects. Generally, a higher MPS corresponds with lower capital expenditure, as entities prefer to use their own funds for financing, whereas a lower MPS often leads to increased capital expenditure, as borrowing becomes necessary to offset lower savings levels (Vijayakumar, 2010; Sattar et al., 2017).

Effectively tackling the challenges facing the Nepalese stock market has remained a longstanding issue. Although policymakers have been making efforts since 1976, significant advancements in creating impactful policies have been difficult to achieve. It was not until the economic reforms and liberalization of the early 1990s that government actions started to have a beneficial impact on the stock market. Policies introduced for capital market reform under the extended structural adjustment program (ESAP) also supported this upward trend. However, these efforts have struggled to maintain momentum due to weaknesses in policy implementation.

In the Nepalese context, research on the stock price behavior of listed companies has been relatively limited. Existing studies reveal a clear gap in fully examining both qualitative and quantitative factors that are key determinants of stock prices. This lack of comprehensive analysis, accounting for all relevant factors, presents challenges, especially given the symmetrical information available. The findings of these studies are often prone to variability, making it difficult to generalize results due to the high volatility in stock prices. Consequently, this study seeks to address these issues within the context of Nepal.

i. What is the position of major determinants of stock price of selected insurance companies?
ii. Does there exist any relationship between EPS, P/E, DPS, Size, DY and MPS?
iii. What is the effect of EPS, P/E, DPS, Size, and DY on share price of insurance companies in Nepal?

### 1.3 Objectives of the Study

The major purpose of this study is to measure the relationship between financial factors (like: dividend per share, dividend yield, earning per share, price earnings ratio and size.) and stock

price of companies listed in NEPSE. Specifically, the study purpose can be broken down into followings parts.

i. To examine the position of major determinants of stock price of selected insurance companies.
ii. To analyze the relationship between EPS, P/E, DPS, Size, DY and MPS of insurance companies in Nepal.
iii. To evaluate the effects of EPS, P/E, DPS, Size, D/Y and MPS of listed insurance companies listed at Nepal Stock Exchange.

### 1.4 Rationale of the Study

The rationale for studying the factors affecting the share prices of insurance companies In Nepal, the rationale for studying these factors is diverse and closely tied to the distinctive features of the Nepalese financial market, the essential role played by the insurance sector, and notable gaps in both academic research and practical understanding. Gaining a thorough knowledge of these influences is crucial for investors, policymakers, and stakeholders to make informed choices, strengthen regulatory frameworks, and improve the stability and effectiveness of the financial market.

The insurance sector in Nepal is essential to the nation's economic growth, offering risk management solutions, encouraging savings, and contributing to capital formation. Consequently, the financial stability and market performance of insurance companies are of great interest to various stakeholders, such as investors, regulators, and policymakers. The share prices of these companies reflect their financial soundness and market trust, which affect their capacity to draw investments and uphold solvency. Due to the sector's significant role, it is vital to pinpoint and comprehend the factors affecting share prices to foster sustainable growth and maintain investor confidence.

The Nepalese financial market, with its emerging status, limited depth, and distinctive regulatory framework, requires an in-depth exploration of the specific factors influencing share prices, as findings from developed markets may not be fully applicable. The Nepal Stock Exchange (NEPSE) is relatively small and less liquid than global markets, resulting in greater volatility and heightened sensitivity to news and regulatory shifts. Investigating the

determinants of share prices in this context can yield valuable insights into the unique dynamics of NEPSE and support the development of strategies tailored to local conditions.

Moreover, there is limited research on stock price behavior in Nepal's insurance sector, and most existing studies focus on broad indicators without addressing company- or sector-specific influences. This gap underscores the need for a detailed analysis that includes financial metrics such as earnings per share (EPS), dividends per share (DPS), price-to-earnings (P/E) ratios, and dividend yields (D/Y), as well as external factors like regulatory developments and macroeconomic trends. By filling this research gap, the study can make meaningful contributions to academia and offer practical guidance to market participants.

Furthermore, understanding the relationship between various financial indicators and share prices can assist investors in making well-informed decisions. For example, earnings per share (EPS) and dividends per share (DPS) directly reflect a company's profitability and its capacity to deliver value to shareholders. Price-to-earnings (P/E) ratios provide insight into market expectations and the company's valuation based on its earnings, while dividend yield (D/Y) indicates the return on investment in terms of income. Analyzing these metrics within the context of Nepalese insurance firms can help investors assess risks and potential rewards more effectively, leading to more calculated investment choices. Moreover, the results of this study could improve market efficiency by addressing information asymmetry. A deeper understanding of the factors influencing share prices allows for more precise pricing of securities, enhancing transparency and bolstering investor confidence. This, in turn, could attract increased domestic and international investment into Nepal's insurance industry, stimulating economic growth and fostering long-term development.

In conclusion, the rationale for studying the factors affecting the share prices of insurance companies in Nepal is driven by the sector's economic significance, the distinct features of the Nepalese financial market, coupled with the gaps in existing research, highlight the importance of this study for investors and policymakers. By thoroughly examining these factors, the research seeks to enhance the understanding of market dynamics and provide insights that can support the long-term development and stability of Nepal's insurance sector.

## 1.5 Limitation of the Study

There are some limitations in this study which are pointed out below:

i. This research is concentrated at 6 sampled listed insurance companies out of 28 only so, the conclusion derived thereof cannot be generalized on the total capital market.
ii. The sample of the insurance company are Asian Life Insurance Company Limited (ALICL), Nepal Life Insurance Company Limited (NLICL), National Life Insurance Company Limited (NLICL), Sagarmatha Insurance Company Limited (SIC), Nepal Insurance Company Limited (NICL) and Prabhu Insurance Limited (PRIN) out of 28 companies listed in NEPSE.
iii. The study covers 10 years data from 2013/14 to 2022/23.
iv. Only secondary data is taken for the study.
v. This study exclusively investigates the impact of internal factors (EPS, P/E, DPS, SIZE, and Dividend Yield) on share price behavior. It does not consider external factors like inflation, interest rates, or other macroeconomic variables.
vi. The topic of stock price behavior for listed companies is highly dynamic and requires substantial resources, both human and financial, to comprehensively address all aspects of this research.
vii. Various techniques and methods could be employed to examine stock price behavior. However, this study is confined to using only a few statistical tools, specifically correlation and regression analysis.

# CHAPTER-II

# LITERATURE REVIEW

## 2.1 Theoretical Review

In present context, the venture segment is getting prospered in later a long time as other financial segments. Nowadays most of the creating nations are boosting their financial improvement in spite of the fact that the commitment of this venture segment. Trade cycle scholar felt that following the advancement of a few financial factors over time would clarify and anticipate the advance of economy through boom period. There are two speculations of stock cost behavior i.e., Gordon's hypothesis on profit approach, Walter hypothesis of profit approach and productive advertise hypothesis. Classical or convectional hypothesis incorporates essential investigation hypothesis and specialized investigation hypothesis. Beneath productive advertise hypotheses, there are their shapes of effective showcase speculation. Classical approach expect showcase as a wasteful while the proficient showcase hypothesis contends that the showcase is effective. Earlier to the advancement of the effective showcase hypothesis, speculators were by and large separated into two groups' fundamentalists and specialists (Alexander, Sharpe, & Bailey, 2018).

### 2.1.1 Concept of Insurance

The insurance company is undergoing significant transformations, driven by evolving economic conditions, technological advancements, and regulatory changes. In 2024, insurers are focused on enhancing operational efficiency and customer experience by leveraging technologies like generative AI and advanced data analytics. AI is being increasingly integrated across the insurance value chain, from underwriting to claims processing, helping insurers manage costs and improve decision-making processes. This technological shift is particularly timely, as the industry faces a talent gap and rising operational costs, necessitating innovative solutions to maintain profitability and competitiveness (Capgemini & Accenture 2024).

Moreover, the regulatory landscape is becoming more complex. New cyber security regulations and AI governance frameworks are being introduced to protect policyholders and

ensure ethical use of technology. The insurance sector is also adapting to global economic policies such as the OECD's Pillar 2 global minimum tax, which will impact multinational insurance companies' tax strategies and financial planning. Concurrently, the market is witnessing a dynamic shift in mergers and acquisitions activities, particularly in the life and annuity segments, with private equity playing a significant role. These developments highlight the industry's focus on strategic realignment and capital optimization to navigate the current economic challenges and capitalize on emerging growth opportunities (Deloitte, 2024).

Insurance companies play a critical role in managing and mitigating risks for individuals, businesses, and other entities. These companies offer insurance policies, which are contractual agreements that provide financial protection against specified risks in exchange for premium payments. The primary objective of insurance is to transfer the financial burden of unexpected events, such as accidents, illnesses, or property damage, from the policyholder to the insurance company. By pooling risks from a large number of policyholders, insurance companies create a diversified portfolio that allows them to spread and manage risks more effectively.

The insurance industry encompasses various types of coverage, including life insurance, health insurance, property and casualty insurance, and more. Life insurance provides a financial benefit to beneficiaries upon the death of the policyholder, offering support for loved ones in challenging times. Health insurance helps cover medical expenses, promoting access to healthcare services. Property and casualty insurance protect against losses related to property damage, liability, and other unforeseen events. Insurance companies use actuarial science and risk assessment tools to determine appropriate premium amounts, ensuring that they can fulfill their financial obligations to policyholders while maintaining the financial stability of the company.

### 2.1.2 Concept of Share Price

Share price is a crucial indicator of a company's financial health and market perception. It represents the current market value of a single share of a company's stock and is determined by various factors, including the company's performance, earnings, and overall economic conditions. Investors and analysts closely monitor share prices as they reflect the collective

wisdom and expectations of the market regarding a company's future prospects. The concept of share price embodies the dynamic interplay of supply and demand in the stock market, where buyers and sellers determine the equilibrium at which a share is traded.

One key factor influencing share prices is the company's financial performance, as reflected in its earnings reports. Positive financial results often lead to an increase in share prices, indicating investor confidence in the company's ability to generate profits. Conversely, poor performance or unexpected setbacks may result in a decline in share prices, reflecting concerns about the company's viability. Additionally, broader economic factors, industry trends, and geopolitical events can also impact share prices, making the stock market a complex and dynamic environment. It's important to note that while share prices are a valuable metric, they should not be viewed in isolation. As famed investor Warren Buffett once stated, "Price is what you pay; value is what you get." Investors should consider a company's fundamentals, long-term growth potential, and other qualitative factors in addition to its share price. This holistic approach allows for a more comprehensive evaluation of an investment's worth and aligns with the understanding that share prices are not merely numerical values but reflections of the underlying health and potential of the companies they represent.

### 2.1.3 Factors Affecting Share Price of Insurance Companies

The share price of insurance companies is influenced by a myriad of factors, reflecting the dynamic nature of the insurance industry and the broader financial landscape. One primary determinant is the company's financial performance, particularly its ability to generate consistent and profitable underwriting results. Positive financial indicators often lead to increased investor confidence, driving up the share price. Regulatory changes also play a significant role in influencing share prices. The insurance industry is heavily regulated, and changes in regulations can impact operational costs, product offerings, and profitability. For instance, new capital requirements or changes in underwriting standards can affect an insurer's financial stability and market position, thereby influencing its share prices. Compliance with environmental, social, and governance (ESG) standards is increasingly becoming a critical factor, as seen in the evolving regulatory landscape that emphasizes sustainability and responsible investment practices (Deloitte, 2024).

Market sentiment and macroeconomic conditions are equally critical. Economic indicators such as interest rates, inflation, and overall economic growth can impact the investment income of insurance companies, which is a significant component of their revenue. For example, rising interest rates can lead to higher investment yields, which can enhance profitability and positively affect share prices. However, economic downturns or periods of high inflation can erode profit margins and lead to a decrease in share prices. Additionally, market sentiment driven by news, investor perceptions, and broader market trends can cause fluctuations in share prices (Hanover, 2024).

Furthermore, technological advancements and cyber security risks are becoming increasingly important. The adoption of new technologies such as artificial intelligence and the Internet of Things can improve risk assessment and operational efficiency, potentially leading to better financial performance and higher share prices. On the other hand, the increasing threat of cyber-attacks poses significant risks, as breaches can result in substantial financial losses and damage to reputation, negatively impacting share prices.

Overall, the interplay of these factors creates a dynamic environment for the share prices of insurance companies. Investors need to consider a comprehensive range of influences, including financial performance, regulatory changes, economic conditions, market sentiment, and technological advancements, to make informed decisions in the insurance sector. Understanding these factors can help investors, analysts, and policymakers navigate the complexities of the insurance market and anticipate potential movements in share prices.

Investor perception and sentiment are intangible yet potent forces that significantly impact the share prices of insurance companies. Market expectations, public relations, and brand image all contribute to how investors perceive the company's future prospects. Positive news, such as innovative product launches or successful risk management strategies, can bolster investor confidence and contribute to an uptrend in share prices. Conversely, negative events, scandals, or regulatory issues can erode investor trust and lead to a decline in share prices. Successful M&A activities can be perceived positively by investors, leading to increased share prices as synergies are realized and growth opportunities are expanded. On the other hand, challenges in integrating acquired entities or disruptions in business operations can negatively impact share prices. The rapid evolution of technology is a transformative force in

the insurance industry, with innovations such as insurrect, artificial intelligence, and data analytics shaping the competitive landscape. Insurance companies that successfully leverage technology to improve operational efficiency, enhance customer experiences, and develop innovative products are likely to be viewed favorably by investors. Technological advancements also play a role in risk management, fraud detection, and pricing strategies, influencing the overall financial performance of insurers and, consequently, their share prices.

In conclusion, the share price of insurance companies is influenced by a multifaceted interplay of financial performance, regulatory dynamics, market conditions, investor perception, M&A activities, and technological advancements. Investors and industry analysts must adopt a holistic approach, considering both quantitative and qualitative factors, to gain a comprehensive understanding of the factors shaping the valuation of insurance companies in the stock market.

### 2.1.4 Theories of Factor Affecting Share Price of Insurance Company

Theories related to the factors affecting the share prices of insurance companies span several areas of finance and economics, integrating elements of market behavior, firm performance, and broader economic indicators. Key theories include:

#### Gordon’s Theory on Dividend Policy

Gordon (1962) in inquire about with respect to the curiously approach relating the showcase esteem of the firm to profit arrangement. He found that speculators have a solid inclination for show profits to future capital picks up beneath the condition of vulnerability. This hypothesis is comparative to the Walter's demonstrate. In this consider, it is clarified that “the speculators favor display profit instead of future capital gains”. Concurring to him showcase esteem of a share is rise to the show esteem of a boundless stream of profits to be gotten by the shareholders. Gordon's hypothesis on profit arrangement is one of the dividend hypotheses accepting within the 'relevance of dividends' concept. It is additionally called the 'Bird-in-the-hand' hypothesis, which states that the current profits are important in deciding the firm's esteem. Gordon's demonstrate is one of the foremost well-known numerical models to calculate the company's showcase esteem utilizing its profit approach. Gordon's hypothesis

on profit approach states that the company's profit payout approach and the relationship between its rate of return (r) and the taken a toll of capital (k) impact the showcase cost per share of the company. Gordon's hypothesis on profit approach states that the company's profit payout approach and the relationship between its rate of return (r) and the fetched of capital (k) impact the showcase cost per share of the company.

**Efficient Market Hypothesis (EMH)**

The Efficient Market Hypothesis (EMH), introduced by Eugene Fama in 1970, asserts that share prices at any given moment fully reflect all available information. According to this theory, the stock prices of insurance companies, like those of any other companies, instantly integrate new data such as regulatory changes, earnings announcements, and broader economic indicators. This immediate adjustment suggests that any new information, whether positive or negative, is quickly absorbed and factored into the current stock price, leaving no room for investors to gain an advantage through insider information or through extensive analysis. Essentially, the EMH posits that markets are always in a state of equilibrium, with prices representing all known factors, making it difficult for investors to consistently outperform the market through stock selection or market timing strategies (Fama, 1970).

The implications of EMH for insurance companies are profound. As insurers are subject to frequent regulatory updates, shifts in economic conditions, and varying financial performances, their stock prices should theoretically adjust to these changes almost instantaneously. For example, when a new regulation affecting insurance companies is announced, it would be quickly reflected in their stock prices, negating the possibility of investors earning above-average returns by acting on this information. Similarly, quarterly earnings reports and other significant company-specific news should already be priced into the stock by the time they become public. This hypothesis challenges the notion of 'beating the market' through strategic trading, suggesting instead that long-term gains are more likely to be achieved through diversified investments reflecting overall market performance (Malkiel, 2003).

**Dividend Discount Model (DDM)**

The Dividend Discount Model (DDM) posits that the value of a stock is equivalent to the present value of all its anticipated future dividend payments. This model is particularly relevant for evaluating the share prices of insurance companies, as their ability to consistently generate and distribute dividends is a key determinant of their stock valuation. According to DDM, factors such as profitability, which indicates the company's financial health, and claims ratios, which reflect the company's efficiency in managing insurance claims, are crucial. Additionally, investment returns play a significant role, as insurance companies often rely on investment income to support their operations and dividend payments. These factors collectively influence the firm's capacity to pay dividends, thereby impacting its share price (Gordon, 1962).

For insurance companies, the DDM emphasizes the importance of stable and predictable dividend policies. Investors utilize this model to estimate the fair value of insurance stocks by projecting future dividend payments and discounting them to their present value. A company with a strong track record of profitability and effective claims management is likely to maintain steady dividend payouts, making its stock more attractive to investors. Conversely, fluctuations in profitability or high claims ratios can jeopardize dividend payments, leading to a lower valuation of the company's stock. By focusing on dividends as a primary indicator of value, the DDM provides a framework for investors to assess the long-term potential and stability of insurance companies (Gordon, 1962; Malkiel, 2003).

**Capital Asset Pricing Model (CAPM)**

The Capital Asset Pricing Model is used to determine the expected return of an asset based on its systematic risk (beta) relative to the market. For insurance companies, CAPM suggests that their share prices are influenced by their beta, which measures sensitivity to market movements. Factors like economic conditions, regulatory environment, and market sentiment can affect the beta of insurance stocks, thereby influencing their expected returns and share prices (Sharpe, 1964). The Capital Asset Pricing Model (CAPM) is a cornerstone of modern financial theory, introduced by William Sharpe in 1964. CAPM is used to determine the expected return of an asset based on its systematic risk, represented by the beta coefficient. (Sharpe, 1964; Lintner, 1965).

For insurance companies, CAPM plays a critical role in assessing the appropriate discount rate for evaluating potential investments and their stock prices. The model aids in understanding the risk-return tradeoff by quantifying how much extra return an investor should expect to receive for taking on additional risk beyond a risk-free asset. Insurance companies, which manage large investment portfolios, use CAPM to make informed decisions about asset allocation, pricing of insurance products, and determining the cost of capital. By understanding their beta relative to the market, these companies can better strategize their investments to balance risk and returns, aligning with shareholder expectations and regulatory requirements (Fama & French, 2004).

Furthermore, CAPM helps investors in insurance companies determine the expected return on their investments based on the inherent risk. Since insurance firms are often exposed to specific market and industry risks, including regulatory changes and catastrophic events, CAPM allows investors to price these risks accordingly. The model also facilitates comparisons across different companies and industries by standardizing the relationship between risk and return. However, while CAPM provides a foundational framework for risk assessment, it has been critiqued for its assumptions of market efficiency and the single-factor approach to risk, prompting the development of multifactor models like the Fama-French three-factor model to address these limitations (Fama & French, 1992; Jagannathan & McGrattan, 1995).

**Signaling Theory**

Signaling theory, initially developed by Michael Spence in 1973, explores how information asymmetry between parties can be mitigated through signals. In the context of finance, signaling theory suggests that company executives convey their private information about the firm's future prospects to the market through specific actions. These actions, or signals, include dividend announcements, share buybacks, and investment in new projects. For instance, when a firm announces an increase in dividends, it signals to investors that the management is confident about the company's future earnings and financial health. This positive signal can lead to an increase in the stock price as it reduces the information gap between the management and the investors (Spence, 1973; Connelly et al., 2011).

In the insurance industry, signaling is particularly relevant due to the complexity and opacity often associated with insurance firms' financial statements and risk profiles. Insurance companies might use dividend declarations or share repurchase programs to signal their financial stability and profitability to the market. These signals are crucial because they help differentiate well-performing companies from those that might be facing financial difficulties. For example, a consistent or increasing dividend payout can signal robust underwriting performance and effective risk management, thereby enhancing investor confidence and potentially boosting the stock price (Miller & Rock, 1985; Bhattacharya, 1979).

Moreover, signaling theory underscores the importance of transparency and strategic communication in corporate governance. Effective signaling can help mitigate adverse selection and moral hazard issues by aligning the interests of managers with those of shareholders. For insurance companies, clear and consistent signaling can improve market perceptions and attract long-term investors. However, the effectiveness of signals depends on the credibility and consistency of the information conveyed. Misleading or false signals can damage investor trust and lead to significant reputational and financial consequences. Thus, insurance firms must carefully manage their signaling strategies to ensure they accurately reflect the company's true financial condition and future prospects (Ross, 1977; Healy & Palepu, 2001).

## 2.2 Empirical Review

This section of the literature study is devoted to a detailed review of significant earlier research on stock price. Although there is a favorable correlation between the development of the stock market and economic growth, the empirical data supporting this association has been equivocal. Numerous studies have been conducted in both foreign and Nepalese contexts; a quick summary of these studies is provided below.

### 2.2.1 Review of International Articles

Driver et al. (2023) conducted an article on the topic, Estimates a dividend pay-out relationship for South Africa. The primary objective of the study was to analyze the relationship between dividend payout and various factors for South Africa. The study

considered both listed and unlisted non-financial companies, estimating results for distinct panels. The independent variables included dividend cash, company size, age, market-to-book ratio, profitability, and asset growth rate, while the dependent variables were earnings per share (EPS), dividend yield, and payout ratio. Regression analysis, ANOVA, correlation, and least squares methods were used in the analysis. The findings indicated that company size influenced dividend decisions, with this effect being more pronounced when there was a higher percentage of independent directors. A similar effect was observed for companies with foreign ownership. However, no significant impact was found related to ownership concentration. Additionally, a weak correlation was identified between the proportion of independent directors and the market-to-book ratio, which reflects investment opportunities.

Noha and Zakaria (2022) conducted an article on the topic, examined the Relationship between corporate governance dimensions and financial performance of listed insurance companies in muscat securities. The primary objective of this study was to examine the relationship between corporate governance dimensions and the financial performance of listed insurance companies in the Muscat Securities Market, Sultanate of Oman. The independent variables included board size, board independence, and the audit committee, while the dependent variables were Return on Assets (ROA) and Return on Equity (ROE). The study utilized correlation and regression analysis to assess these relationships. This research in the insurance industry provides valuable insights for broader studies within the financial sector. Understanding the impact of corporate governance factors on financial performance highlights the importance of good corporate governance practices for ensuring effective financial operations. The study analyzed data from 2004 to 2018, offering a comprehensive view of trends in the insurance industry. Key findings indicated that board size influenced ROA but had no effect on ROE, while board independence (FBM) impacted ROE but did not affect ROA.

Bustani et al. (2021) conducted an article on the topic, Examine the effect of EPS, PBV, DPR, and NPM on the stock price. The primary aim of the study was to investigate the impact of Earnings per Share (EPS), Price-to-Book Value (PBV), Dividend Payout Ratio (DPR), and Net Profit Margin (NPM) on stock prices. The independent variables included stock price, net profit margin, and dividend payout ratio, while EPS and PBV were treated as

dependent variables. The study utilized bootstrapping and Structural Equation Modeling (SEM) for hypothesis testing and data presentation. The results confirmed that EPS, PBV, and DPR significantly influenced stock prices. However, NPM did not show a statistically significant effect on stock prices at the 5% alpha significance level. The findings indicated that a random effect model was more suitable for explaining the relationships among the variables. The random effect regression model further supported the importance of dividend policy, highlighting its significant impact on the stock prices of firms.

Alajekwu and Ezeabasili (2020) conducted an article on the topic, the effect of dividend policy on the volatility stock prices of firms quoted on the Nigerien Stock Exchange. The main objective of the study was to assess the impact of dividend policy on stock price volatility for firms listed on the Nigerian Stock Exchange. The independent variables included dividend price, firm size, asset growth, and dividend payout ratio (DPR). A panel data regression method was used for the analysis. The key findings showed that the dividend payout ratio had a significant positive effect on stock price volatility for non-financial firms, while its impact on financial firms was positive but not statistically significant. On the other hand, dividend yield had an insignificant negative effect on stock market volatility for both financial and non-financial firms. The study concluded that a random effect model was the most suitable for understanding the relationships among the variables. The results from the random effect regression model affirmed the importance of dividend policy in influencing stock prices, highlighting its significant role in shaping market dynamics.

Singh and Tandon (2019) conducted an article on the topic, the effect of dividend on market price of share of listed companies on National Stock Exchange. The primary objective of the study was to assess the impact of dividends on the market price of shares for companies listed on the National Stock Exchange. The independent variables included earnings per share, stock price per share, and asset growth, while return on assets (ROA) and book value per share (BVS) were considered the dependent variables. The research utilized various panel data regression techniques, including pooled regression, the fixed effect model, and the random effect model. The results indicated that the random effect model was the most effective in explaining the relationships between the variables. Findings from this model confirmed that dividend policy has a significant influence on the stock prices of firms.

Bustani et al. (2021) conducted an article on the topic, The Effect of Earning per Share, Price to Book Value, Dividend Payout, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange. The study considered firm size and share price as independent variables, with dividend payout ratio (DPR) and dividend yield as the dependent variables. Bootstrapping and Statistical Equation Modeling (SEM) were used for data analysis and hypothesis testing. The findings confirmed that EPS, PBV, and DPR had a significant impact on stock prices. However, NPM did not show a statistically significant effect on stock prices during the study period, with an alpha significance level set at 5%.

Saldani, Axdin and Bektas (2017) conducted an article on the topic, The causality relationship of the stock price of 10 deposit banks traded in Borsa Istanbul with industrial production index. The primary objective of the study was to explore the causal relationship between the stock prices of 10 deposit banks listed on Borsa Istanbul and key factors such as the industrial production index, exchange rate, and money supply, using monthly data from June 2007 to October 2016. Data analysis was conducted using both simple and multiple regression methods. The findings indicated a significant relationship between ROA, debt ratio, company age, and company size with stock prices. However, no significant effect was found between ROE and market stock prices for insurance companies listed on the ASE.

Qaisi, Tahatmout and Oudah (2016) conducted an article on the topic, The effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. The main objective of the study was to analyze the impact of factors such as Return on Assets (ROA), Return on Equity (ROE), debt ratio, company age, and company size on market stock prices. The research focused on twenty insurance companies listed on the Amman Stock Exchange over the period from 2011 to 2015. The data analysis was conducted using both simple and multiple regression techniques. The results indicated that ROA, debt ratio, company age, and company size had a significant effect on market stock prices. However, no significant relationship was found between ROE and market stock prices for the insurance companies listed on the ASE.

Robert and Nardin (2015**)** conducted an article on the topic, Analyzed the Commonality in the Determinants of Expected Stock Returns. The primary aim of the study was to examine the common factors influencing expected stock returns. The independent variables included

liquidity, price level, growth potential, and stock price, while market share price was treated as the dependent variable. The data analysis involved hypothesis testing. The study initially found that stocks with higher expected and realized returns were strongly linked to lower risk levels compared to those with lower returns. Furthermore, the research highlighted that key determinants of expected stock returns were consistent across major global equity markets. In the chemical sector, the study revealed that the estimated coefficients showed the correct signs, and the coefficient of determination was notably high across all equations, indicating that the variations in stock prices and dividend distribution could be explained by the independent variables. However, in the sugar industry, the study found a negative relationship with retained earnings in both years.

Challa and Chalam (2015) conducted an article on the topic, Determinants of market share price of selected steel companies listed in Bombay Stock Exchange. The primary objective of the study was to identify the factors that influence the market share prices of certain steel companies listed on the Bombay Stock Exchange. The independent variables considered in the study were book value, dividend per share, earnings per share, and firm size, while the dependent variables included dividend payout ratio and price-to-earnings (P/E) ratio. The data was analyzed using multiple regression techniques to explore the impact of these financial factors on stock market prices. The analysis examined how specific accounting variables, including book value, dividend per share, earnings per share, firm size, dividend payout ratio, and P/E ratio, affect the stock prices of listed companies on the Bombay Stock Exchange. The findings revealed positive and significant relationships between these factors and the market prices of shares.

Shubiri (2014) conducted an article on the topic, The determinants of market stock price movement. The main objective of the study was to investigate the factors that influence the movement of market stock prices, specifically focusing on variables such as book value per share, dividend per share, earnings per share, lending interest rates, inflation rates, gross domestic product, and net worth over the period from 2005 to 2008. The independent variables in the study included stock price, lending interest rate, inflation rate, GDP, and net worth, while the dependent variables were earnings per share (EPS) and book value per share (BVPS). The analysis employed multiple panel data regression techniques, including pooled

regression and the fixed-effect model. The results revealed that EPS, BVPS, and dividend per share had a significant effect on market stock prices. Furthermore, the study highlighted that EPS, BVPS, and dividend per share were the key determinants influencing market prices, supporting a liberal dividend policy and recommending that companies maintain consistent dividend payouts.

Khan and Amanullah (2012) conducted an article on the topic, Determinants of share prices of Karachi Stock Exchange (KSE) 100 index. The main objective of the study was to examine the factors influencing share prices within the Karachi Stock Exchange (KSE) 100 index. Using multiple linear regression models, the research identified dividend per share as a key factor significantly impacting share prices. Additionally, yield was found to be an important determinant, exhibiting a negative relationship with share prices. The findings also showed that the coefficient for book value was consistently positive and statistically significant, except during the 1977-78 period. The analysis emphasized how stock price movements were sensitive to assumptions regarding permanent changes in either real dividend growth or excess stock returns.

Table.1

*Summary of International Articles*

| S. N | Date | Authors | Topic | Objective | Methodology | Finding |
|---|---|---|---|---|---|---|
| 1. | 2023 | Driver et.al Driver, Grosman, Scaramozzino and Lesame | Estimates a dividend payout relationship for South Africa. | To estimates a dividend payout relationship for South Africa. | The independent variables consist of dividend cash, company size, age, market-to-book ratio, profitability, and asset growth rate, while the dependent variables are EPS, dividend yield, and payout ratio. The analysis utilized regression modeling, ANOVA, correlation, and least squares techniques. | The researcher found that the influence of firm size on dividend decisions was intensified by a greater proportion of independent directors. A similar effect was observed with foreign ownership. However, notable effects on ownership concentration were also identified. |
| 2. | 2022 | Abdullah, Riyami, and IJSRM. | Examine the relationship between corporate governance dimension and | To examine the relationship between corporate governance dimension and | The independent variables examined were the audit committee, board independence, and board size, while the | The major findings indicated that board size significantly affects ROA but not ROE, while FBM influences ROE but has no |

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| | | | financial performance of listed insurance companies in Muscat Securities Market. | financial performance of listed insurance companies in Muscat Securities Market. | dependent variables included ROA and ROE. Regression analysis and correlation were used in the study. | impact on ROA. Additionally, BI was found to have no effect on either ROA or ROE. |
| 3. | 2021 | Kurniaty and Widyanti | Examine the effect of EPS, PBV, DPR, and NPM of the stock price. | To examine the effect of EPS, PBV, DPR, and NPM of the stock price | The independent variables considered were stock price, net profit margin, and dividend payout ratio, while the dependent variables collected were PBV and EPS. SEM (Structural Equation Modeling) was employed for data analysis, with bootstrapping used for hypothesis testing. | The researcher found that highlighted the significance of EPS, PBV, and DPR concerning stock prices, with a 5% alpha level confirming their relevance. However, NPM was not found to have a substantial impact on stock prices within the study period. The findings also indicated that the random effect model provided a more precise explanation of the relationships between the variables. |
| 4. | 2020 | Alajekwu and Ezeabasili | The effect of dividend policy on the volatility stock prices of firms quoted on the Nigerien Stock Exchange. | To examine the effect of dividend policy on the volatility stock prices of firms quoted on the Nigerien Stock Exchange. | The independent variables analyzed include dividend price, business size, asset growth, and DPR. Panel data regression analysis was used for the evaluation. | The major finding was that dividend payout ratios had a significant positive effect on stock market volatility for non-financial companies and a modest positive impact on financial firms. |
| 5. | 2019 | Singh and h Tandon | The effect of dividend on market price of share listed companies on National Stock Exchange. | To analyze the effect of dividend on market price of share listed companies on National Stock Exchange. | The independent variables in the study are asset growth, stock price per share, and earnings per share, while the dependent variables are BVS and ROA. The analysis employed three types of multiple panel data regression: pooled regression, fixed effect model, and random effect model. | The major finding suggested that the random effect model offered the most precise explanation of the relationships among the variables. The results from the random effect regression model supported the effectiveness of appropriate dividend policy strategies, revealing that dividend policies had a significant impact on company stock prices. |
| 6. | 2018 | Ahmed and Javid. | The effect of earning per share, price to book value dividend, dividend payout ratio, and net profit | To examine the effect of earning per share, price to book value dividend, dividend payout ratio, and net profit margin on | The independent factors in the study are share price and firm size, while the dependent variables are dividend yield and payout ratio. For hypothesis testing, | The study's conclusions affirmed that EPS, PBV, and DPR significantly influence stock prices. However, with a 5% alpha level, NPM was found to have no substantial impact on stock prices |

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|---|---|---|---|---|---|---|
| | | | margin on the Stock Price in Indonesia Stock Exchange. | the Stock Price in Indonesia Stock Exchange. | Structural Equation Modeling (SEM) was used. | during the study period. |
| 7. | 2017 | Axdin and Bektas | The causality relationship of the stock price of 10 deposit banks traded in Borsa Istanbul with industrial production index. | To examine the causality relationship, of the stock price of 10 deposit banks traded in Borsa Istanbul with industrial production index. | The panel causality test is used to analyze the causal relationship between the variables. | The main finding revealed a significant positive relationship between the industrial output index and the factors affecting bank stock prices. |
| 8. | 2016 | Qaisi, Tahatmout and Oudah | The effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. | To examined the effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. | The factors analyzed include size, age, ROE, debt ratio, and return on assets (ROA). Simple and multiple regression methods were applied for the analysis. | The key findings indicated that, for insurance companies listed on the ASE, there is no relationship between ROE and market stock price. However, there is a relationship between market stock price and ROA, debt ratio, company age, and company size. |
| 9. | 2015 | Robert and Nardin | Analyzed the Commonality in the Determinants of Expected Stock Returns. | To analyze the Commonality in the Determinants of Expected Stock Returns. | The independent variables analyzed are liquidity, price level, growth potential, and stock price, while market share is one of the dependent variables. A hypothesis testing approach was applied in the study. | The study's main finding showed that the predicted coefficients in the context of the chemical industry had the expected signs, and each equation demonstrated very high coefficients of determination. This suggests that variations in stock price and dividend supply can largely be explained by the independent variables. |
| 10. | 2015 | Challa and Chalam | Determinants of market share price of selected steel companies listed in Bombay Stock Exchange. | To determinants of market share price of selected steel companies listed in Bombay Stock Exchange. | The independent variables include book value, earnings per share, dividend per share, and business size, while the dependent variables are the P/E ratio and dividend payout ratio. Multiple regression analysis was used for the evaluation. | The primary finding of the study was to assess how specific accounting variables such as book value, earnings per share, dividend payout ratio, P/E ratio, and company size positively and significantly influenced the equity prices of companies listed on the Bombay Stock Exchange. |

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| 11. | 2014 | Nasif Al-shubiri | The determinants of market stock price movement. | To analyze the determinants of market stock price movement variables such as book value per share, dividend per share, earning per share, lending interest rate, inflation rate, gross domestic product | The independent variables include net worth, inflation rate, lending interest rate, and stock price, while the dependent variables are EPS and BVPS. A fixed effect model, specifically pooled regression, was applied to the multiple panel data regression analysis. | The study's key finding revealed that EPS, BVPS, and dividend per share have a significant impact on share market prices. Furthermore, the results highlighted that DPS and EPS were the two most influential factors affecting market prices. As a result, the findings suggest that companies should adopt regular dividend payments and support more generous dividend policies. |
| 12. | 2012 | Khan and Amanullah | Determinants of share prices of Karachi Stock Exchange (KSE) 100 index. | To investigate different determinants of share prices of Karachi Stock Exchange (KSE) 100 index. | Multiple linear regression models were used to analyze the data, revealing that dividend per share was a major factor influencing share price. | The study's key findings indicated that, except for the period of 1977–1978, the coefficient for book value was consistently positive and highly significant. Additionally, the manner in which dividend growth or excess stock returns are projected to persist over time plays a crucial role in how stock price fluctuations are analyzed. |

### 2.2.2 Reviews of Nepalese Articles

Agrawal (2022) conducting an article on the topic, Determinants of stock prices fluctuation in Nepal and foundthat there was difference between NEPSE Index. The primary objective of the study was to explore the factors influencing fluctuations in stock prices in Nepal. The research examined changes in the NEPSE index before and after significant events, such as the public monument in 2078/79, the peace agreement between the Maoists and the government, and political protests. Correlation tests were performed to assess the relationship between earnings per share (EPS) and dividends per share (DPS) with market value per share (MVPS). Paired-test correlation and regression analysis were used to test the proposed hypotheses. The study found that financial indicators like EPS and DPS highlighted the early stage of development in the Nepalese stock market, with noticeable instability in these metrics. Additionally, the banking sector and financial companies were found to be particularly attractive to potential investors.

Karki (2021) conducted an article on the topic, empirically examined the macro-economic factors on the stock marketperformance in Nepal. The primary objective of the study was to evaluate the influence of macroeconomic factors on stock market performance in Nepal. The independent variables included book value per share, dividend per share, earnings per share, price-earnings ratio, dividend yield, dividend payout, and sales size, with net worth serving as the dependent variable. The study used standard deviation, correlation, and regression analysis for data presentation. The findings revealed a positive correlation between market price and real GDP, inflation, and money supply, while a negative relationship was found with interest rates. The study concluded that stock price movements in Nepal were not fully explained by macroeconomic factors. However, a subsequent study highlighted a long-term equilibrium connection between the stock market and several macroeconomic variables, noting a strong positive relationship between remittances and the NEPSE index. This study employed Johansen's co-integration method and analyzed monthly data from 2013 to 2021.

Chundali (2020) conducted an article on the topic, The factors affecting the fluctuation of the share price in Nepalese commercial banks. The primary objective of this study was to explore public perceptions regarding the factors influencing share price movements in Nepal. The research combined both primary and secondary data sources to investigate the impact of various variables on share price fluctuations in the country. A descriptive research design was adopted, using convenience sampling for participant selection. Data were collected through questionnaires, while secondary data were gathered from the annual reports of the banks included in the study. The data analysis involved calculating the mean, standard deviation, coefficient of variation, and correlation coefficients. The results showed a general agreement among respondents that factors such as the country’s political environment, earnings per share, dividend distribution, book value, share price, regulations from Nepal Rastra Bank, and financial conditions all play a significant role in influencing share price movements. The study also noted the high volatility of share prices for commercial banks in Nepal, underlining the unpredictable nature of these prices. Given that commercial bank shares form a substantial part of many investors' portfolios, understanding the factors driving their price changes was of particular interest.

Paudel (2020) conducted an article on the topic, Stock price behavior of commercial banks in NEPSE. The main objective of the study was to analyze the stock price behavior of six listed commercial banks on the Nepal Stock Exchange (NEPSE) using monthly closing prices from 2012 to 2020. The study employed various analytical techniques, including Correlation Coefficient, Regression Analysis, Run Test, and Autocorrelation methods. The findings indicated that stock price changes were correlated with previous price movements, suggesting that the stock prices did not follow the random walk hypothesis for most of the banks. The research highlighted a significant dependence of current stock prices on past prices, with earnings per share (EPS) emerging as the most influential factor in stock price fluctuations. The study also observed a strong investor preference for commercial bank shares, which contributed to notable fluctuations in the NEPSE index. However, the study acknowledged some limitations, particularly the reliance on monthly closing prices, which may not offer a comprehensive basis for accurately forecasting stock price behavior.

Sharma (2019) conducted an article on the topic, The empirical relationship between equity and share prices and explanatory variables. The primary objective of the study was to explore the empirical relationship between equity and share prices, focusing on explanatory variables such as book value per share, dividend per share, earnings per share, price-earnings ratio, dividend yield, dividend payout, sales size, and net worth, covering the period from 1993-94 to 2018-19. The study utilized correlation and regression analysis methods for data presentation. The results revealed that earnings per share, dividend per share, and book value per share significantly influenced the market price of shares. Among these, dividend per share and earnings per share were identified as the most important factors affecting market prices. The study suggests adopting a liberal dividend policy and encourages companies to maintain consistent dividend payments.

Khadka (2018) conducted an article on the topic, Determinant of share price of commercial bank in Nepal. The primary aim of this study was to investigate the factors influencing share prices in Nepalese commercial banks between 2012/13 and 2016/17. The independent variables analyzed included Earnings per Share (EPS), Book Value per Share (BVPS), Dividends per Share (DPS), and Price-to-Earnings Ratio (P/E Ratio), with Market Price of Share (MPS) as the dependent variable. The study followed a descriptive research design,

selecting a sample of four commercial banks listed on the Nepal Stock Exchange (NEPSE) from a total of 28 commercial banks. Convenience sampling was used for selection. To examine the relationships between share prices and the independent variables, multiple correlation, simple regression, and multiple regression models were applied. The key findings revealed that DPS had a significant negative effect on the share prices of the banks, while EPS, BVPS, and P/E Ratio had a positive influence. Moreover, changes in share prices did not significantly affect EPS, DPS, and BVPS, but there were notable effects on the P/E ratios of NSBI and NBBL. These results are consistent with previous research conducted in the context of Nepalese banking.

Shrestha (2018) conducted an article on the topic, Stock price behavior of Nepalese Commercial Banks. The primary aim of this study was to analyze the stock price behavior of Nepalese commercial banks, using a sample of 10 banks over a 5-year period. The research focused on how earnings, book values, dividend distributions, and company-specific risks influence the market share prices in the Nepal Stock Exchange (NEPSE). Correlation and regression techniques were applied for data analysis. The study's key finding highlighted that NEPSE is still in its early developmental stages, with no significant effect observed on the cost of equity or changes in management due to retained earnings. Furthermore, the study noted that many banks lack a thorough understanding of relevant laws and policies governing the share market. The Nepalese capital market faces several challenges, including insufficient regulations and ineffective enforcement by market participants.

Kafle (2018) conducted an article on the topic, Challenges showed the primary market scenario, relevant issues in the primary market and envisioned reforms. The primary objectives of this study were to evaluate the development of Nepal's primary market, focusing on its challenges and issues while offering insights into the current state and suggesting potential reforms. The study considered independent variables such as size, dividend yield (DY), and dividend per share, with market per share as the dependent variable. Data analysis utilized standard deviation, correlation, and regression methods. The findings emphasized the importance of the recent Securities Ordinance, noting its potential in strengthening the role of regulators and supporting reforms in the capital market.

Additionally, the study highlighted that while the Ordinance's implementation is expected to bring improvements, it may also introduce future challenges.

Pradhan and Poudel (2017) conducted an article on the topic, The impact of fundamental factors on stock price of Nepalese commercial banks. The main objectives of this study were to evaluate the impact of key fundamental factors on the stock prices of commercial banks in Nepal. The independent variables considered were return on assets (ROA), return on equity (ROE), net profit margin (NPM), earnings per share (EPS), and dividend per share (DPS), while the dependent variables were market price per share and the change in market price per share. The data for the analysis were sourced from the Banking and Financial Statistics, Bank Supervision Report published by Nepal Rastra Bank, and the annual reports of the selected commercial banks. The study examined 13 commercial banks in Nepal over the period from 2007 to 2014, totaling 104 observations. Regression models were used to assess the significance and impact of the fundamental factors on the stock prices of these banks. The findings revealed a strong relationship between stock prices and DPS, ROA, and EPS, with all factors influencing both the market price per share and its changes. Regression results showed that the market price per share had a positive effect on the beta coefficients for DPS and EPS, with a 5% level of significance.

Adhikari (2017) conducted an article on the topic, To studied on securities markets development in Nepal. The primary objectives of this study were to examine the challenges facing the development of the securities market and suggest possible solutions to address these issues. The independent variables considered were dividend per share, earnings per share, and the price-to-earnings (P/E) ratio, while the dependent variable was the change in market price per share. Regression analysis was used to present the data. The study identified several significant challenges within the Nepalese securities market, including legal deficiencies, inadequate resources for regulators, low liquidity, weak corporate governance, poor disclosure practices, limited participation of institutional investors, high costs associated with public offerings, elevated transaction expenses, and a lack of standardized accounting and auditing practices. The author concluded by highlighting the need for reforms, including the introduction of new legislation and its effective enforcement, to strengthen the securities market and transform it into a vital source of long-term financing.

Poudel (2016) conducted an article on the topic, The determinants of stock price in NEPSE, with special focus to private commercial banks. The primary objectives of this study were to identify the factors influencing stock prices in the Nepal Stock Exchange (NEPSE), with a specific focus on private commercial banks. The research utilized statistical tools such as arithmetic mean, correlation and regression analysis, and t-tests to analyze the data. A descriptive research design was employed, with data organized using SPSS software to identify significant relationships and examine variations among different variables. The key findings, supported by the Z-test, confirmed the existence of statistically significant relationships between the variables under study. The research revealed that factors such as dividends per share (DPS), book value per share (BVPS), and earnings per share (EPS) positively affected the market price per share (MPS). While the theoretical expectation is that increases in earnings, dividends, and book value per share should result in a rise in market price per share, the study noted that this relationship does not always hold true in the context of NEPSE. This suggests the influence of additional internal and external factors on stock price movements.

Upreti (2015) conducted an article on topic, To examined corporate Governance Law and Practice in Nepal submitted by organized by SEBON Nepal. The main objectives of the study were to explore the corporate governance laws and practices in Nepal, as outlined by the Securities Board of Nepal (SEBON) in 2004. The report examined various dimensions of corporate governance, including relevant laws and practices within the framework of securities market regulation. It concluded that there is a critical need to promote the importance of strong corporate governance and to ensure that directors, CEOs, managers, regulators, and stakeholders fully understand their roles. The report recommended the establishment of a formal corporate governance code. Another study by SEBON focused on the regulatory aspects of the existing legislative frameworks governing the Nepalese capital market. It identified key shortcomings in the current regulations and proposed suggestions for improvement. The study's findings emphasized the need for professional development for members of SEBON, the Stock Exchange, and other relevant authorities through periodic training.

Regmi (2014) conducted an article on the topic, Studied on Capital market practices in Nepal conducted by Securities Board, Nepal mainly given focus on basic level of corporate governance practices in Nepal. The primary objectives of the study were focused on assessing capital market practices in Nepal, with a particular emphasis on key corporate governance principles. Conducted by the Securities Board of Nepal, the study found that corporate directors were generally aware of and, in some instances, already implementing certain governance practices. It highlighted a unanimous consensus among directors regarding the need for a formal code of ethics to ensure good governance, underscoring the importance of minimizing political influence in the corporate sector. Furthermore, directors expressed a strong desire to strengthen board responsibilities and enhance accountability. They also advocated for the active involvement of regulators in fostering improved corporate governance practices.

### 2.3 Research Gap

Previous research on stock price movements in the Nepal Stock Exchange (NEPSE) has typically concentrated on common indicators, often overlooking more detailed aspects. A review of previous studies reveals a notable gap in the literature regarding the companies selected for this research, particularly for the specified periods. This study seeks to address this gap by focusing on top-tier commercial banks, which are expected to exhibit significant stock price movements. The research examines price behavior within the framework of stock market efficiency, drawing on insights from share brokers, market analysts, and individual investors. Recognizing the crucial role these stakeholders play in the stock market, the researcher conducted a survey to gather valuable perspectives and information from them.

Research on the stock price behavior of selected insurance companies listed on the Nepal Stock Exchange (NEPSE) has been sparse, particularly within the context of Nepal. This study aims to address the research gap by analyzing the stock price dynamics of six insurance companies, selected based on their distinct founding periods. Although the study spans a relatively short period from the fiscal year 2013/14 to 2022/23, which may limit the accuracy of its findings, its primary objective is to evaluate the risk and relationships among key financial indicators such as earnings per share (EPS), dividends per share (DPS), price-to-earnings ratio (P/E), company size, and dividend yield (D/Y), and how they influence the

market price per share (MPS) for these insurance companies. Previous research has predominantly focused on technical and statistical approaches, such as regression analysis, correlation coefficients, and NEPSE trend analysis, with limited attention to fundamental analysis tools examining financial indicators like EPS, DPS, and MPS. This study seeks to investigate the interactions between these factors and their collective impact on stock prices.

Thus, from both an academic and policy perspective, this study provides valuable insights to various stakeholders, including individuals, researchers, professors, students, and business professionals. It is hoped that this research will serve as a useful resource for others in related fields in the future.

# CHAPTER- III

# RESEARCH METHODOLOGY

Research methodology refers to the structured approach and plan used to carry out scientific research. It includes the theoretical framework, strategies, tools, and processes for gathering and analyzing data. A well-designed research methodology ensures that the research question is tackled effectively and accurately. This involves choosing the appropriate research design (qualitative, quantitative, or mixed methods), selecting sampling methods, and using various data collection techniques such as surveys, interviews, or experiments. Furthermore, it includes methods for data analysis, ensuring the validity and reliability of results, and adhering to ethical standards to safeguard participants' rights and confidentiality.

## 3.1 Research Design

A research design refers to the structured plan for collecting and analyzing data to ensure that the research is conducted efficiently and aligns with the study's objectives. It acts as the blueprint for the research process. In this study, a combination of descriptive and causal-comparative research designs has been employed. The primary design is descriptive, chosen to meet the study's goals. To examine the influence of book value, dividends, and earnings on stock prices, both descriptive and analytical research designs have been applied, utilizing correlation and regression analyses. Additionally, a descriptive approach has been used to explore the qualitative factors that affect stock prices.

## 3.2 Population and Sample

This study examines the factors that affect the share prices of insurance companies in Nepal. The research design used combines both descriptive and causal-comparative approaches. For sampling, a judgmental method was applied. The population included all listed insurance companies, both life and non-life, totaling 28 companies. A sample of six insurance companies was selected using this method for further analysis. The companies selected for the sample were Asian Life Insurance Company Limited (ALICL), Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL), Sagarmatha Insurance Company Limited (SIC), Nepal Insurance Company Limited (NICL), and Prabhu

Insurance Limited (PRIN). Data from the fiscal years 2013/14 to 2022/23 were included in the study.

### 3.3 Nature and Sources of Data

This study utilizes secondary data, primarily quantitative, sourced from various secondary materials. The essential data for analyzing the stock prices of the firms were extracted from the companies' annual financial statements. The research mainly focuses on secondary data, which includes sources such as annual reports, auditor's reports, balance sheets, profit and loss statements, company websites, published and unpublished theses, financial performance reports of banks, as well as relevant newspapers, journals, and magazines. Data were collected from the annual reports of the selected insurance companies, covering the period from 2013/14 to 2022/23.

### 3.4 Data Collection Procedure

This study relies on a diverse range of data sources, including information published by banks, financial performance reports, articles, reviews, references, annual reports, and respective websites. To glean essential insights, thorough reviews will be conducted on these materials. Furthermore, additional information will be gathered from various organizations and authorities such as the NRB (Nepal Rastra Bank), Nepal Stock Exchange, and the Ministry of Finance. The collection of data and information extends to economic journals, periodicals, newsletters, as well as published and unpublished reports and documents from multiple sources. Some pertinent review materials are specifically sourced from the Central Library at TU Kirtipur and Shanker Dev Campus to ensure a comprehensive exploration of the subject matter.

### 3.5 Data Processing Procedure

This section outlines the methodology used for data analysis in this chapter. It details the steps and procedures essential for understanding the results and drawing conclusions from the findings. The primary aim of analyzing secondary data is to investigate the relationships and causal effects between variables. This section is divided into several parts, starting with the presentation of descriptive statistics for the observed samples, including measures such as the mean, standard deviation, and the minimum and maximum values. Following this,

correlation analyses are performed, and stepwise regression analysis is conducted to evaluate the significance and standard error of the estimates. The interpretation of the identified relationships and outcomes will lead to meaningful conclusions about the factors influencing premiums in Nepali life insurance companies.

### 3.6 Data Analysis Tools and Techniques

The study utilizes both financial and statistical tools for analysis. One of the most commonly employed financial analysis tools is ratio analysis. Ratios are calculated by comparing two elements from financial statements, highlighting the mathematical relationship between them. In financial terms, a ratio represents the numerical connection between two variables. Ratios are essential for simplifying large volumes of financial data, aiding in qualitative assessments, and are widely regarded as a key metric for evaluating business performance. There are various types of ratios used to analyze and interpret the financial health of an organization or firm.

This section outlines the statistical and econometric models used to analyze the secondary data. The analysis was performed using the Statistical Package for the Social Sciences (SPSS 20). Both descriptive and regression analyses were employed in the study. Descriptive statistics, such as the mean, standard deviation, and the minimum and maximum values of the variables, were used to summarize the characteristics of the firms in the sample from 2013/14 to 2022/23. Correlation analysis was applied to examine the direction of the relationship between the dependent and independent variables. In addition, regression analysis was used to assess the impact of independent variables on the dependent variable, both individually and in combination with other factors. A normality test was also conducted to check for the normal distribution of the data. The main objective of this analysis is to investigate the relationship between company-specific factors and the business premiums of life insurance companies in Nepal.

#### 3.6.1 Financial Tools

**Market Price per Share**

The market price per share refers to the current price at which a single share of a publicly traded company's stock is bought or sold in the open market. This price is driven by supply

and demand dynamics, representing investors' views on the company's value, future outlook, and prevailing market conditions. The market price can vary throughout the day as buyers and sellers engage in transactions. Several factors influence this price, including the company's financial performance, trends within the industry, macroeconomic factors, relevant news or events, and overall investor sentiment. It is essential to recognize that the market price does not always align with a company's intrinsic value, which is the true worth of the stock based on fundamental analysis, such as earnings, growth potential, and other key financial indicators. Investors typically compare both market price and intrinsic value to make more informed investment choices.

$$\text{MPS} = \frac{Total\ Market\ Capitalization}{No.of\ \ Outstanding\ Share}$$

**Dividend per Share**

Dividend per Share (DPS) is a financial indicator that reflects the amount of a company's earnings distributed to each share of its common stock. It represents the cash payment made to shareholders in the form of dividends. DPS is expressed in currency units per share (e.g., dollars or euros per share) and serves as a key metric for investors focused on income-producing investments. It indicates the cash amount shareholders receive for each share they own. DPS is also used in financial assessments to evaluate a company's ability to consistently pay dividends and its financial health. Investors often compare DPS with Earnings per Share (EPS) to determine the company's dividend payout ratio, which shows the proportion of earnings paid out as dividends. A company with a sustainable dividend policy typically maintains a balanced payout ratio, ensuring it can distribute profits while preserving sufficient funds for growth and stability.

$$\text{DPS} = \frac{Total\ Dividend\ Paid}{No.of\ Outstanding\ Share}$$

**Earnings per Share**

Earnings per Share (EPS) is a financial metric that indicates the amount of a company's profit allocated to each outstanding share of its common stock. It is a key measure of a company's profitability and plays an essential role in financial reporting. EPS is usually expressed in currency per share (such as dollars or euros per share). This metric is important for investors, analysts, and financial professionals as it provides a snapshot of a company's earnings on a

per-share basis. EPS is commonly used to evaluate a company's financial health, growth prospects, and overall performance. Investors often examine both basic and diluted EPS to better understand a company's earnings capacity, especially in terms of how potential securities may impact the share count. EPS is also integral to various financial ratios and valuation models that help assess investment opportunities.

$$\text{EPS} = \frac{Net\ Profit\ After\ Tax - Preference\ Dividend}{No.of\ Share\ Outstanding}$$

**Dividend Yield**

Dividend Yield is a financial ratio that measures the annual dividend income a shareholder can expect relative to the stock's current market price. This percentage reflects the return on investment based purely on dividends, excluding any potential capital gains or losses. A higher dividend yield may be appealing to investors focused on generating regular income from their investments. It is commonly used by investors to assess the income potential of a stock and to compare it with other investment options. However, while a high dividend yield can signal an attractive income opportunity, it may also suggest that the stock's price is lower due to concerns about the company's financial stability or future prospects. Therefore, it is essential to consider additional factors, such as the company's dividend history, payout ratio, and overall financial health, when evaluating an investment. Companies that consistently and sustainably pay dividends may be more attractive to income-seeking investors. The dividend yield is expressed as a percentage and is calculated using the following formula:

$$\text{DY} = \frac{Dividend\ Per\ Share}{Market\ price\ per\ Share}$$

**P/E Ratio**

The Price-to-Earnings (P/E) ratio is a financial metric that compares a company's current market price per share to its earnings per share (EPS). It is commonly used to assess how the market values a company's stock relative to its earnings. The P/E ratio is expressed as a multiple, representing how many times the market is willing to pay for each dollar of earnings. For instance, a P/E ratio of 15 suggests that investors are willing to pay 15 times the company's earnings per share for a single share of its stock. A high P/E ratio often indicates positive market expectations, but it may also imply that the stock is priced at a premium, making it more susceptible to market corrections if earnings do not meet

expectations. Conversely, a low P/E ratio could signal that the stock is undervalued, but it may also reflect concerns about the company's future prospects. To make informed investment choices, investors should evaluate the P/E ratio alongside other financial indicators, company growth potential, and the broader economic and industry context.

$$\text{P/E Ratio} = \frac{Market\ Price\ Per\ Share}{Earning\ Per\ Share}$$

**Size or Total Assets**

Total assets represent the total value of a company's resources, both tangible and intangible, and are recorded on the company's balance sheet, a key financial document that offers a snapshot of its financial position at a given moment. The total assets figure provides valuable insight into a company's financial health and stability. A company with a large amount of total assets typically has a solid financial base, suggesting it has the capacity to meet its liabilities and continue operations. Total assets are essential for evaluating a company's solvency—the ability to fulfill long-term obligations. By comparing total assets with total liabilities, investors can assess a company's leverage and financial risk. Investors often use total assets in evaluating a company's financial robustness and overall valuation. This figure is also used in calculating financial ratios such as the asset turnover ratio and return on assets (ROA). Significant fluctuations in total assets over time can indicate trends in the company's growth or contraction, with rapid increases often pointing to business expansion and positive future prospects.

$$\text{Total Assets} = \text{Current Assets} + \text{Non-Current Assets}$$

### 3.6.2 Statistical Tools

Statistical tools play a crucial role in business operations, as they help evaluate and measure performance accurately. In the business world, it is essential to calculate various metrics to determine the exact profit or loss. The following statistical tools are commonly used to interpret data and provide valuable insights into business performance.

**1. Arithmetic Mean**

The arithmetic mean is calculated by summing all the numerical values in a dataset and then dividing the total by the number of values in that dataset. This tool is a basic yet essential

measure in statistical analysis, providing an average value that represents the central tendency of the data.

$$X\square = \frac{\Sigma \times}{N}$$

Where,

X□ = Arithmetic Mean

∑ X = Sum of Elements

N = Number of Observation

**2. Standard Deviation**

The standard deviation is a statistical measure that evaluates the extent of variation or dispersion within a dataset, calculated by taking the square root of the variance. It reflects how much individual data points differ from the mean. A larger standard deviation indicates greater variability, meaning that the data points are more spread out from the average. Conversely, a smaller standard deviation signifies that the data points are closer to the mean, showing less variation within the dataset.

$$S.\ D=\sqrt{\frac{\Sigma(X-\overline{X})^2}{N}}$$

**3. Coefficients of Variation**

Standard deviation is the absolute measure of dispersion. The relative measure of dispersing based on the standard deviation is known as the measurement of coefficient of standard deviation. The percentage of measure of co efficient of s.d is called coefficient of variation less c.v is more uniformity and consistency vice versa. Only standard deviation is not appropriate to compare two pairs of variables but cv is capable to compare two variables independently in terms of their variability. It is calculated as under.

$$\text{Coefficients of variation (C.V)} = \frac{S.D}{\bar{X}} * 100$$

**4. Coefficient of Correlation**

The correlation coefficient is a statistical measure that quantifies the strength and direction of the relationship between two variables. The most widely used method to calculate the correlation between two variables is "Pearson's correlation coefficient." When the variables

are directly proportional, the correlation is positive, indicating that as one variable increases, the other also increases. Conversely, if the variables are inversely proportional, the correlation is negative, meaning that as one variable increases, the other decreases. The correlation coefficient value ranges from +1 to -1. A correlation coefficient (r) between two variables X and Y can be calculated using the following formula.

$$r = \frac{N\Sigma XY - \Sigma X, EY}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\sqrt{N\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

r = the correlation coefficient between two variables of X and Y

Proprieties

a) It lies between -1 and +1

b) If r = +1, then there is perfect positive correlation.

c) If r = -1, then there is perfect negative correlation.

d) If r = 0, then there is no correlation.

e) If r = 0.7 to 0.99 (or- 0.7 to -0.99) then there is high degree positive or negative correlation.

**5. Multiple Regression Analysis**

Multiple linear regression (MLR) is a widely used statistical method that examines the relationship between one continuous dependent variable and two or more independent variables, which can be either continuous or categorical. The purpose of multiple linear regression is to create a model that accurately represents how the independent variables collectively influence the dependent variable. By using several explanatory variables, MLR allows for predictions of the dependent variable's outcome based on the linear connections between them.

Regression model of the study

$Y = \beta o + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + E$

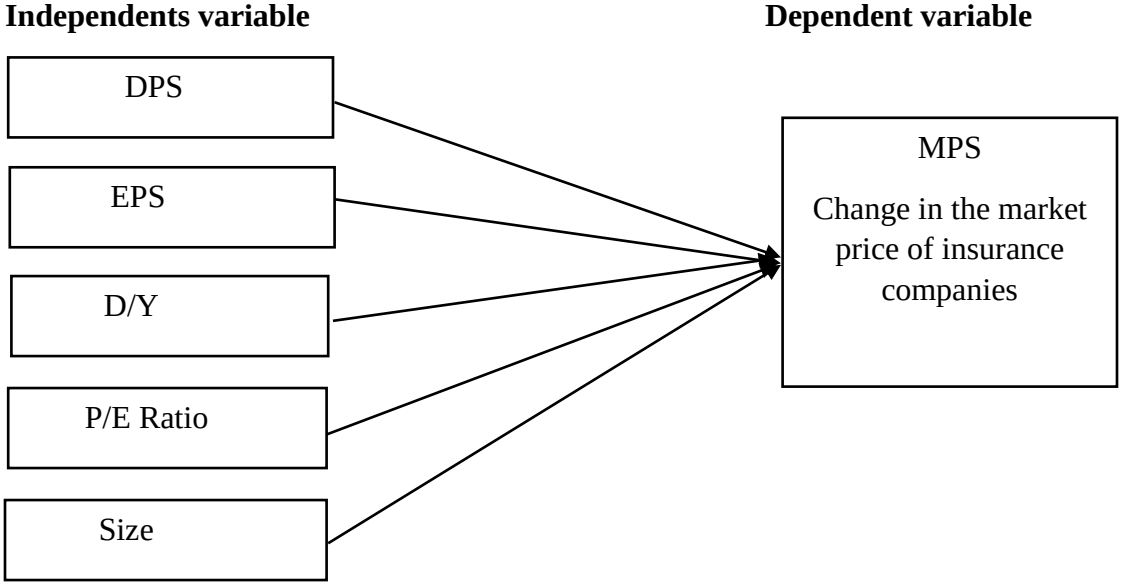
Where,

| | |
|---|---|
| Y = MPS | $\beta o$ = Regression coefficient |
| X1 = DPS | $\beta 1$ = Regression coefficient of DPS |
| X2 = EPS | $\beta 2$ = Regression coefficient of EPS |

| | |
|---|---|
| X3 = D/Y | $\beta$3 = Regression coefficient of D/Y |
| X4 = P/E Ratio | $\beta$4 = Regression coefficient of P/E |
| X5 = Size | $\beta$5 = Regression coefficient of Size |

### 3.6.3 Research Framework and Definition of Variables

The conceptual framework forms the foundation for the research, guiding the structure and focus of the study. It helps define and narrow down the research problem, ensuring that the objectives align with the literature review. In this study, the framework is designed to clearly illustrate the core aim and the scope of the variables being examined. The research focuses on analyzing the impact of company-specific factors on stock price behavior in selected insurance companies listed on NEPSE. The dependent variable in this study is the market price per share (MPS), while the independent variables include Dividend per Share (DPS), Earnings per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, and company size. The goal is to understand how these factors influence stock price behavior among the selected insurance companies. The conceptual model is presented below to visually depict the relationship between the dependent and independent variables in this study.




*Source: Silwal & Napit (2019).*

Figure: Research Framework

## Definition of Variables

In research, a variable refers to any entity, location, object, or phenomenon that is being measured or observed. To differentiate between dependent and independent variables, consider the role each plays in the study. The independent variable is the factor you manipulate or observe for its effect, while the dependent variable is the outcome that you measure in response to changes in the independent variable.

## Dependent Variables

### Market Price per Share

The market price per share of insurance companies is influenced by a variety of factors, including earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, company size, and financial leverage. A higher EPS typically signals strong profitability, often leading to increased stock prices as investors anticipate higher future returns (Ehsan & Mollah, 2020). Similarly, the DPS indicates the company's ability to distribute profits, making it an attractive feature for income-focused investors, which can drive stock prices upward (Mollah et al., 2020). The P/E ratio provides insight into investor expectations; higher P/E ratios suggest optimism about future growth, potentially boosting share prices (Bhimani, 2019). Company size also plays a critical role, with larger insurance companies often seen as more stable, thus influencing investor sentiment positively and leading to higher stock prices (Mollah et al., 2020). Additionally, leverage—represented by a company's debt level affects stock prices by altering its risk profile, with higher debt potentially deterring investors due to concerns over financial stability (Pandey, 2019). Market conditions and broader economic factors also indirectly affect share prices, as macroeconomic changes influence investor behavior and overall market sentiment (Mollah et al., 2020). These interrelated factors contribute to the overall valuation of an insurance company on the stock market.

$$\text{MPS} = \frac{Total\ Market\ Capitalization}{No.of\ \ Outstanding\ Share}$$

**Independent Variables**

In experimental research, an independent variable is one that you manipulate, control, or modify to investigate its effects. It is referred to be "independent" since it is unaffected by any other factors in the research. They are as follows:

**Dividend per Share**

Dividend per Share (DPS) plays a significant role in influencing the market price per share of insurance companies. DPS reflects the portion of a company's earnings distributed to shareholders, serving as an indicator of financial health and profitability (Bhattacharya, 2016). Research indicates that higher DPS often correlates with an increase in stock prices as investors perceive the company as stable and profitable, thus making it attractive for income-seeking investors (Gordon, 1959). Furthermore, companies with consistent or growing dividends tend to enjoy stronger market confidence, which can positively affect their share price (Lintner, 1956). Studies focusing on the insurance sector also suggest that DPS, along with earnings stability and risk management practices, significantly impacts stock price behavior (Kraus & Litzenberger, 1973). In the context of insurance companies, DPS is often linked to company-specific factors such as profitability, asset quality, and dividend policy, which in turn influence investor perceptions and market price movements (Mollah, Hossain, & Uddin, 2020).

$$\text{DPS} = \frac{Total\ Dividend\ Paid}{No.of\ Outstanding\ Share}$$

**Earnings per Share**

Earnings per Share (EPS) is a key determinant in the stock price behavior of insurance companies, as it represents a company's profitability on a per-share basis, influencing investor perceptions and decisions. A higher EPS typically signals strong earnings potential, attracting investors and boosting market confidence, which can drive the stock price higher (Fama & French, 2001). In the context of insurance companies, a stable or increasing EPS is often seen as an indicator of good financial health, operational efficiency, and the ability to generate sustainable returns (Mollah et al., 2020). Furthermore, research suggests that investors consider EPS growth as a predictor of future performance, which in turn influences the pricing of insurance company stocks (Nissim & Ziv, 2001). However, a declining EPS

may indicate underlying issues, such as poor risk management or inadequate underwriting practices, which could negatively affect the stock price (Koh, 2016). Thus, EPS, alongside other factors like dividend policy, asset management, and market conditions, is essential in understanding the share price behavior of insurance companies.

$$\text{EPS} = \frac{Net\ Profit\ After\ Tax - Preference\ Dividend}{No.of\ Share\ Outstanding}$$

**Dividend Yield**

Dividend Yield (DY) is a critical factor in determining the stock price of insurance companies, as it represents the income return on investment relative to the stock's market price. A higher dividend yield is often perceived as an attractive feature for income-focused investors, signaling a company's profitability and its commitment to distributing earnings to shareholders (Black & Scholes, 1974). For insurance companies, dividend policies are particularly significant since these firms typically generate stable cash flows and have predictable earnings, making them well-positioned to provide consistent dividends (Litzenberger & Ramaswamy, 1979). The dividend yield influences share price by reflecting investor confidence in the company's financial stability and its ability to manage risk and pay returns. Research has shown that investors consider dividend yield as a sign of financial health and sustainability, which can lead to higher stock prices (Gordon, 1959). However, an excessively high dividend yield can also be a signal of potential risk, where a company might be distributing more than it can sustainably afford, affecting investor confidence and potentially leading to a decline in stock price (Lintner, 1956). Therefore, while a balanced dividend yield typically drives positive share price movement, overly high or low yields can have the opposite effect depending on broader financial conditions.

$$\text{DY} = \frac{Dividend\ Per\ Share}{Market\ price\ per\ Share}$$

**P/E Ratio**

The Price-to-Earnings (P/E) ratio is a vital metric in assessing the valuation of insurance companies' shares, reflecting investor expectations about the company's future earnings relative to its current stock price. A high P/E ratio often indicates that investors expect strong future growth, thus inflating the stock price relative to its current earnings (Gordon, 1962). Insurance companies, with their relatively stable earnings and long-term risk management strategies, may exhibit varying P/E ratios depending on their profitability, growth prospects,

and market conditions (Brealey et al., 2008). An elevated P/E ratio could signal overvaluation, especially if it is not supported by strong earnings growth, while a low P/E ratio might suggest undervaluation, signaling potential investment opportunities or concerns about the company's future performance (Fama & French, 1992). Furthermore, changes in market conditions, regulatory environments, and macroeconomic factors such as interest rates can also significantly influence the P/E ratio and, consequently, the share price of insurance companies (Shiller, 1981). Thus, while the P/E ratio is an essential indicator, it must be analyzed in conjunction with other financial metrics and market conditions for a comprehensive understanding of share price.

$$\text{P/E Ratio} = \frac{Market\ Price\ Per\ Share}{Earning\ Per\ Share}$$

**Size or Total Assets**

The size of a company, often represented by its total assets, plays a significant role in determining the market price of shares in insurance companies. Larger firms with greater asset bases are generally perceived as more stable and capable of generating consistent returns, which can lead to higher share prices (Hossain & Lipy, 2014). The total assets provide a snapshot of a company's financial strength and its ability to meet obligations, impacting investor sentiment and stock valuations (Miller & Modigliani, 1961). In the insurance industry, larger companies typically benefit from economies of scale, allowing them to diversify risks and improve profitability (Berk & DeMarzo, 2014). Furthermore, the size of a company can influence its ability to manage claims, expand its market share, and adapt to regulatory changes, all of which can directly affect stock prices (Chen et al., 2007). Therefore, investors often view total assets as a proxy for financial health, and changes in this metric can trigger stock price adjustments, reflecting shifts in perceived stability and growth potential.

Total Assets = Current Assets + Non-Current Assets

# CHAPTER IV
# RESULTS AND DISCUSSION

## 4.1 Results

The gathered data are examined and interpreted in this chapter in accordance with the technique described in the preceding chapter. The study's findings were obtained with the aid of financial statements covering the period from FY 2013/14 to FY 2022/23. Financial ratios are used to analyze the data, which are shown in tabular and diagrammatic form. Moreover, statistical tools such as, mean, standard deviation, co-efficient of variation, and correlation co-efficient and regression have been utilized to analyze the data.

### 4.1.1 Descriptive Analysis of the Variables

In this descriptive analysis, several key financial variables are examined to provide insights into the company's financial health and market performance. The variables include the Dividends per Share (DPS), Earnings per Share (EPS), Debt-to-Equity (D/E) ratio, Price-to-Earnings (P/E) ratio, company Size, and Market Price per Share (MPS). DPS reflects the dividend distribution to shareholders, indicating the company's commitment to returning value to investors. EPS measures the company's profitability, illustrating the earnings generated per outstanding share. The D/E ratio assesses the company's leverage and financial risk, highlighting the proportion of debt to equity. The P/E ratio evaluates the market's perception of the company's future earnings potential. Size is a fundamental metric, providing an understanding of the company's scale and operations. Lastly, MPS indicates the current market valuation of a single share. This comprehensive analysis allows stakeholders to gauge the financial stability, growth prospects, and market sentiment surrounding the company.

**Table 2**

*Descriptive Statistics*

| | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| DPS | 0.23 | 126.32 | 27.96 | 28.21 |
| EPS | 4.54 | 166.85 | 35.81 | 35.60 |
| D/Y | 0.16 | 16.08 | 3.10 | 2.33 |
| P/E Ratio | 3.00 | 366.10 | 58.05 | 69.97 |
| Size | 12.12 | 549.62 | 93.305 | 89.77 |
| MPS | 97.00 | 4351.00 | 1101.55 | 1309.80 |
| Valid (Likewise N) 60 | | | | |

*Source: Appendix*

Table 2 presents a comprehensive set of descriptive statistics for six key financial variables—Dividends per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, Size, and Market Price per Share (MPS). These statistics provide a detailed overview of the central tendencies and variations within the dataset, shedding light on the distribution and characteristics of each variable. Starting with DPS, the minimum value of 0.23 and the maximum value of 126.32 indicate a considerable range in dividend payouts per share. The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21 reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies.

Similarly, for EPS, the range from 4.54 to 166.85 signifies a broad spectrum of earnings per share. The mean EPS of 35.81 and the standard deviation of 35.60 illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of 0.16 and the maximum value of 16.08 indicate a substantial range in dividend yield percentages. The mean D/Y of 3.10, coupled with the standard deviation of 2.33, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean.

The P/E Ratio statistics reveal a wide range from 3.00 to 366.10, indicating diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio of 58.05 and the relatively high standard deviation of 69.97 highlight the considerable dispersion in market valuation, emphasizing differences in investors' expectations and sentiments. Regarding Size, the minimum value of 12.12 and the maximum value of 549.62 reflect a substantial variation in the size of the companies within the dataset. The mean Size of 93.305, coupled with the standard deviation of 89.77, underscores the heterogeneity in company size, suggesting that the sample comprises a mix of small, medium, and large-sized firms. Lastly, MPS statistics show a broad range from 97.00 to 4351.00, indicating diverse market prices per share. The mean MPS of 1101.55 and the standard deviation of 1309.80 emphasize the significant variability in market valuations, suggesting that the observed companies have varying degrees of attractiveness to investors.

In conclusion, Table 2 provides a nuanced and detailed examination of key financial variables, revealing the diversity and dispersion within the dataset. These statistics offer valuable insights for investors, analysts, and stakeholders seeking to understand the financial landscape and market dynamics of the companies under consideration.

### 4.1.2 Correlation Analysis

Correlation analysis is a statistical technique employed to measure the degree and direction of the relationship between two or more variables. It provides insights into the extent to which changes in one variable are associated with changes in another, aiding in the identification of patterns and dependencies within a dataset. The correlation coefficient, typically ranging from -1 to +1, quantifies the strength and direction of this relationship. A positive correlation close to +1 implies a direct relationship, indicating that as one variable increases, the other tends to increase as well. Conversely, a negative correlation close to -1 suggests an inverse relationship, indicating that as one variable increases, the other tends to decrease. A correlation coefficient near 0 indicates a weak or no linear relationship. Correlation analysis is widely utilized in various fields, including finance, economics, biology, and social sciences, to uncover connections between variables and make informed predictions. However, it's important to note that correlation does not imply causation. While a significant correlation indicates an association, it does not establish a cause-and-effect

relationship between the variables. Thus, correlation analysis serves as a powerful tool for exploratory data analysis, hypothesis testing, and decision-making, providing a quantitative basis for understanding how changes in one variable might be linked to changes in another. This methodological approach is invaluable for researchers, analysts, and decision-makers seeking a deeper comprehension of the intricate relationships within complex datasets.

**Table 3**

*Correlation Metrix*

| | MPS | DPS | EPS | D/Y | P/E Ratio | Size |
|---|---|---|---|---|---|---|
| MPS | 1 | | | | | |
| DPS | -.764** | 1 | | | | |
| EPS | .675** | -.766** | 1 | | | |
| D/Y | -.481** | .325 | .629** | 1 | | |
| P/E Ratio | .226 | .487** | .354** | .415** | 1 | |
| Size | .936** | .816** | -.332 | .612** | .209 | 1 |

**. Correlation is significant at the 0.01 level (2-tailed).

*Source: SPSS Output*

Table 3 presents a correlation matrix that illustrates the relationships between various financial variables for a set of entities, presumably within a specific context, such as a company or industry. The matrix showcases the correlation coefficients, denoted by values ranging from -1 to 1, indicating the strength and direction of the associations between the respective pairs of variables. The variables included in the matrix are MPS (perhaps Market Price per Share), DPS (Dividends per Share), EPS (Earnings per Share), D/Y (Dividend Yield), P/E Ratio (Price-to-Earnings Ratio), and Size. Each variable is compared with every other variable, resulting in a symmetric matrix.

Notably, the correlation between MPS and DPS is represented as -.764 with two asterisks denoting significance at the 0.01 level, suggesting a strong negative correlation between Market Price per Share and Dividends per Share. Similarly, EPS and DPS exhibit a significant negative correlation of -.766. In contrast, EPS and MPS display a positive correlation of .675. The correlation between D/Y and MPS is -.481, while Size has a noteworthy positive correlation with MPS (.936) and DPS (.816).

Additionally, the P/E Ratio shows positive correlations with DPS (.487) and Size (.415), with the latter having a particularly strong association. Size also demonstrates a strong positive correlation with MPS (.936) and a negative correlation with EPS (-.332). These correlations provide insights into potential patterns and dependencies among the financial variables, offering valuable information for financial analysis and decision-making. The inclusion of asterisks emphasizes the statistical significance of these correlations at the 0.01 level, highlighting the reliability of the observed relationships.

### 4.1.3 Regression Analysis: Impact of DPS, EPS, D/Y, P/E and Size on MPS

Regression analysis serves as a statistical technique employed to examine the connections between variables by constructing an estimated functional relationship among them. This method is valuable for assessing the robustness of relationships between two or more variables. The regression analysis investigates the influence of liquidity variables, such as Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings ratio (P/E ratio), and Size, on the changes in market price per share (MPS) for the chosen insurance companies. The equation for this regression model is outlined below:

$$MPS = \beta o + \beta 1DPS + \beta 2EPS + \beta 3D/Y + \beta 4P/E\ Ratio + \beta 5Size + E$$

Where, $a1$= Constant, $b1$, $b2$, $b3$, b4 and b5 = Regression coefficient

**Table 4**

*Model Summary*

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .708 | .501 | .405 | .394646 |

a. Predictors: (constant), DPS, EPS, D/Y, P/E Ratio, Size
b. Dependent Variables: MPS
*Source: SPSS Output*

Table 4 presents the results of a regression analysis focused on the Market Price per Share (MPS), providing insights into the predictive power of selected variables. The model, labeled as Model summary exhibits an R (correlation coefficient) of .708, indicating a moderately strong positive linear relationship between the dependent variable, MPS, and the included predictors: a constant term, Dividends per Share (DPS), Earnings per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings Ratio (P/E Ratio), and Size. The R Square value of .501 suggests that approximately 50.1% of the variability in MPS can be explained by the variation in these predictor variables. The Adjusted R Square, accounting for the number of predictors, is .405, offering a more conservative estimate of the model's goodness of fit. The Standard Error of the Estimate, reported as .394646, represents the average variability of actual MPS values from the predicted values, indicating the precision of the model in capturing the observed data.

The predictors chosen for the regression model reflect key financial metrics, and their coefficients contribute to predicting changes in MPS. This information is crucial for financial analysts and decision-makers, offering a quantitative understanding of the factors influencing MPS and aiding in the formulation of strategic decisions related to investments or financial management. The statistical measures provided in the table offer a comprehensive summary of the model's performance, helping to assess its reliability and effectiveness in explaining the variability in Market Price per Share.

**Table 5**

*Analysis of Variance of MPS*

**ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 69.430 | 5 | 13.883 | 5.261 | .002 |
| | Residual | 68.624 | 54 | 2.639 | | |
| | Total | 138.054 | 59 | | | |

a. Dependent Variable: MPS
b. Predictors: (constant), DPS, EPS, D/Y, P/E Ratio, Size

*Source: SPSS Output*

Table 5 provides the results of the Analysis of Variance (ANOVA) for the regression model assessing the Market Price per Share (MPS). The table is divided into three sections: Regression, Residual, and Total. These sections contribute to understanding the overall significance and effectiveness of the regression model in explaining the variability in MPS. In the Regression section, the Sum of Squares (SS) is reported as 69.430, with 5 degrees of freedom (df) representing the number of predictors in the model. The Mean Square, calculated as the ratio of SS to df, is 13.883. The F-statistic, which assesses the overall significance of the regression model, is 5.261, and the associated p-value (Sig.) is .002. The statistically significant p-value suggests that at least one of the predictor variables in the model significantly contributes to explaining the variance in MPS. In the Residual section, the SS is 68.624, with 54 df. The Mean Square for the Residuals is 2.639, representing the average unexplained variability in MPS. The Residuals account for the portion of the variance in MPS that is not explained by the predictor variables in the model. The Total section combines the SS from both the Regression and Residual sections, resulting in a Total SS of 138.054 with 59 df.

Overall, the ANOVA table provides a comprehensive assessment of the significance and effectiveness of the regression model in predicting MPS. The significant F-statistic indicates that, collectively, the chosen predictors contribute significantly to explaining the variability in MPS. This information is crucial for researchers, analysts, and decision-makers in evaluating the reliability and validity of the regression model.

**Table 6**

*Correlation Coefficient*

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t-value | Sig. |
| 1 | (Constant) | 6.649 | 1.118 | | 5.595 | 0.000 |
| | DPS | -0.001 | 0.013 | -0.478 | -2.885 | 0.008 |
| | EPS | -0.291 | 0.147 | -0.330 | -1.981 | 0.058 |
| | D/Y | 0.433 | 0.169 | 0.480 | 2.568 | 0.016 |
| | P/E Ratio | 0.252 | 0.059 | -0.132 | 0.869 | 0.329 |
| | Size | 0.277 | 0.096 | 0.193 | 2.878 | 0.005 |

Dependent Variable: MPS

*Source: SPSS Output*

Table 6 provides the results of a multiple regression analysis for the model predicting Market Price per Share (MPS) based on several predictor variables. The table includes information on unstandardized coefficients, standardized coefficients (Beta), t-values, and significance levels (Sig.) for each predictor. The constant term in the model has an unstandardized coefficient (B) of 6.649, with a standard error of 1.118. The associated t-value is 5.595, and the p-value (Sig.) is 0.000, indicating that the constant term is statistically significant. For the predictor variables, the unstandardized coefficients represent the change in the dependent variable (MPS) for a one-unit change in the predictor, holding other variables constant. The standardized coefficients (Beta) provide a measure of the relative importance of each predictor in explaining the variance in the dependent variable.

The results show that Dividends per Share (DPS) has a negative impact on MPS, with an unstandardized coefficient of -0.001 and a significant t-value of -2.885 and p-value 0.008 indicate that DPS has significant and impact on MPS. Earnings per Share (EPS) also exhibits a negative influence on MPS, as indicated by the unstandardized coefficient of -0.291 and a marginal p-value of 0.058. On the other hand, Dividend Yield (D/Y) and Size have positive impacts on MPS, with unstandardized coefficients of 0.433 and 0.277, respectively, and both coefficients are statistically significant. The Price-to-Earnings Ratio (P/E Ratio) does not appear to have a statistically significant impact on MPS, as indicated by the non-significant p-value of 0.329. In summary, this table provides valuable insights into the strength,

direction, and significance of each predictor variable's impact on MPS, contributing to a comprehensive understanding of the multiple regression model's performance.

**4.2 Discussion**

The dynamics of factor affecting share price of insurance companies are integral for companies seeking to generate capital, playing a pivotal role in the broader financial system. This study aims to assess the impact of stock prices on insurance companies by analyzing secondary data. It focuses on examining the relationship between Market Price per Share (MPS) and key financial metrics, including Dividends per Share (DPS), Earnings per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) ratio, and company Size, within the context of insurance companies listed on the Nepal Stock Exchange (NEPSE). Adopting a descriptive research approach, the study employs correlation and regression models to uncover the complex relationships between MPS and these financial indicators for insurance firms in NEPSE.

In the descriptive statistics analysis, the range for Dividends per Share (DPS) spans from a minimum of 0.23 to a maximum of 126.32, reflecting significant variation in dividend payouts across the companies. The average DPS is 27.96, but the standard deviation of 28.21 indicates considerable fluctuation around this average, suggesting diverse dividend distribution patterns among the sampled firms. For Earnings per Share (EPS), the values range from 4.54 to 166.85, highlighting a wide disparity in earnings across the companies. The average EPS stands at 35.81, with a standard deviation of 35.60, which points to significant differences in profitability, with some companies reporting much higher or lower EPS than the mean. Regarding Dividend Yield (D/Y), the values range from 0.16 to 16.08, showing a wide variation in yield percentages. The mean D/Y is 3.10, and the standard deviation of 2.33 indicates notable variability in yields among the firms, with some having yields higher or lower than the average.

The P/E Ratio data spans a broad range, from 3.00 to 366.10, reflecting the varying market perceptions of the companies' earnings potential. With an average P/E Ratio of 58.05 and a high standard deviation of 69.97, there is considerable variability in how the market values these companies, highlighting differences in investor expectations and sentiments. In terms of Size, values range from 12.12 to 549.62, showing significant differences in the scale of the

companies within the sample. The mean size is 93.305, with a standard deviation of 89.77, indicating that the sample includes a mix of both small and large companies. Finally, the MPS data ranges from 97.00 to 4351.00, illustrating a wide variation in market prices per share. The average MPS is 1101.55, with a standard deviation of 1309.80, indicating significant fluctuations in market valuations and suggesting that the companies have differing levels of appeal to investors.

The relationship between Market Price per Share (MPS) and Dividends per Share (DPS) is strongly negative, with a correlation coefficient of -0.764, which is statistically significant at the 0.01 level. A similar negative correlation of -0.766 is observed between Earnings per Share (EPS) and DPS. On the other hand, EPS and MPS are positively correlated, with a coefficient of 0.675. The correlation between Dividend Yield (D/Y) and MPS is negative at -0.481. Size shows a strong positive correlation with both MPS (0.936) and DPS (0.816). Additionally, the P/E Ratio is positively correlated with both DPS (0.487) and Size (0.415), with the latter showing a particularly strong association. Size also exhibits a strong positive correlation with MPS (0.936) but a negative correlation with EPS (-0.332). These correlations reveal important relationships among financial variables, providing valuable insights for financial analysis and decision-making. The statistical significance of these correlations is underscored by the asterisks, indicating reliability at the 0.01 level.

The predictors chosen for the regression model reflect key financial metrics, and their coefficients contribute to predicting changes in MPS. This information is crucial for financial analysts and decision-makers, offering a quantitative understanding of the factors influencing MPS and aiding in the formulation of strategic decisions related to investments or financial management. The statistical measures provided in the table offer a comprehensive summary of the model's performance, helping to assess its reliability and effectiveness in explaining the variability in Market Price per Share.

Overall, the ANOVA table provides a comprehensive assessment of the significance and effectiveness of the regression model in predicting MPS. The significant F-statistic indicates that, collectively, the chosen predictors contribute significantly to explaining the variability in MPS. This information is crucial for researchers, analysts, and decision-makers in evaluating the reliability and validity of the regression model.

The findings revealed a positive and significant effect of Dividends per Share (DPS) on Market Price per Share (MPS). This outcome aligns with the study by Bustani, Kurniaty, and Widyanti (2021), but contradicts the results of Ahmed and Javid (2018), Khadka (2018), and Challa and Chalam (2015). The study examined the influence of various accounting variables, such as book value, dividend per share, earnings per share, firm size, dividend payout ratio, and P/E ratio, on the equity prices of listed companies on the Bombay Stock Exchange, showing a significant positive relationship.

The findings revealed an insignificant effect of Earnings per Share (EPS) on Market Price per Share (MPS). This aligns with the studies by Shubiri (2014) and Bustani, Kurniaty, and Widyanti (2021), but contrasts with the findings of Ahmed and Javid (2018), Khadka (2018), and Challa and Chalam (2015), who highlighted that EPS, Book Value per Share (BVPS), and Dividends per Share (DPS) significantly impact market prices. The results further indicated that DPS and EPS are among the most influential determinants of market price. Based on these findings, the study supports a liberal dividend policy, recommending that companies consistently distribute dividends.

The findings indicated a significant positive impact of Dividend Yield (D/Y) on Market Price per Share (MPS). This result is in line with the studies of Agrawal (2022), Shubiri (2014), and Bustani, Kurniaty, and Widyanti (2021), but contradicts the conclusions of Ahmed and Javid (2018), Khadka (2018), and Challa and Chalam (2015). The study also highlighted that financial indicators such as Earnings per Share (EPS) and Dividends per Share (DPS) demonstrate the early-stage development of the Nepalese stock market, where EPS and DPS tend to be less stable. Furthermore, the study found that potential investors are particularly drawn to the banking and financial sectors.

The findings revealed that the Price-to-Earnings (P/E) ratio does not have a significant effect on Market Price per Share (MPS). This outcome aligns with the research by Khadka (2018), Agrawal (2022), Shubiri (2014), and Bustani, Kurniaty, and Widyanti (2021), but contrasts with the results of Ahmed and Javid (2018) and Challa and Chalam (2015). The study also highlighted that while Dividends per Share (DPS) has a significant negative impact on the share prices of selected banks, other factors like Earnings per Share (EPS), Book Value per Share (BVPS), and P/E Ratio show a significant positive effect. Furthermore, in the context

of insurance companies, EPS, DPS, and BVPS are not significantly influenced by fluctuations in share prices.

The results indicated a positive and significant impact of company size on Market Price per Share (MPS). This finding is consistent with the study by Bustani, Kurniaty, and Widyanti (2021), but contrasts with the results of Ahmed and Javid (2018), Khadka (2018), and Challa and Chalam (2015). These previous studies highlighted the positive significant impact of factors such as book value, dividends per share, earnings per share, company size, dividend payout ratio, and P/E ratio on the equity prices of companies listed on the Bombay Stock Exchange. Additionally, the findings of the current study suggest that the industrial production index has a positive and significant effect on the determinants of stock prices for insurance companies.

The research findings confirmed the significant impact of Earnings Per Share (EPS), Price-to-Book Value (PBV), and Dividend Payout Ratio (DPR) on stock prices. However, Net Profit Margin (NPM) did not show a notable effect on stock prices during the study period, maintaining a significance level of 5%. The analysis suggested that a random effect model was more suitable for explaining the relationships between the variables under investigation. The random effect regression model's results corroborated the insights from dividend policy approaches discussed by Bustani, Kurniaty, and Widyanti (2021). Key outcomes of the study emphasized the significant influence of EPS, PBV, and DPR on stock prices, while NPM did not have a significant impact, consistent with the findings of Ahmed and Javid (2018). The study also highlighted that, for the selected banks, Dividends Per Share (DPS) had a significant negative effect on stock prices, while EPS, Book Value Per Share (BVPS), and Price/Earnings (P/E) Ratio showed a positive impact. Additionally, it was found that EPS, DPS, and BVPS were not significantly affected by stock price changes, whereas the National Sebon Index (NSBI), Nepal Bank Limited (NBBL), and their P/E ratios were significantly influenced. These findings align with previous research in the Nepalese context, as noted by Khadka (2018).

# CHAPTER V

# SUMMARY AND CONCLUSION

The final chapter of the report presents a discussion of the study's findings and offers a summary of the entire report. It includes an overview of the results, comparing them with previous research. Additionally, this chapter highlights the implications of the relationships between the variables and provides recommendations for improvement, if applicable. Finally, it suggests areas for future research and offers recommendations for further studies in the field.

## 5.1 Summary

The focus of this study is on the factors influencing the share price of insurance companies in Nepal. The primary objectives are to assess the key determinants of stock prices for selected insurance companies, analyze the relationships between EPS, P/E ratio, DPS, company size, dividend yield (DY), and market price of shares (MPS) of these companies, and examine the impact of these variables on the stock prices of insurance companies listed on the Nepal Stock Exchange. The limitations of the study include the fact that it only examines 6 out of the 28 listed insurance companies, so the conclusions drawn may not be applicable to the entire capital market. The study covers a 10-year period, from 2013/14 to 2022/23, and relies solely on secondary data. Additionally, although there are various methods available to analyze stock price behavior, this research focuses on a limited set of statistical tools, specifically correlation and regression analysis. The insurance companies selected for the sample include Asian Life Insurance Company Limited (ALICL), Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL), Sagarmatha Insurance Company Limited (SIC), Nepal Insurance Company Limited (NICL), and Prabhu Insurance Limited (PRIN). In this study, DPS, EPS, DY, P/E ratio, and company size are treated as independent variables, while MPS is the dependent variable.

The correlation between MPS and DPS is -0.764, with two asterisks indicating significance at the 0.01 level, which suggests a strong negative relationship between Market Price per Share and Dividends per Share. Likewise, EPS and DPS show a significant negative correlation of -0.766. On the other hand, EPS and MPS have a positive correlation of 0.675.

The correlation between D/Y and MPS is -0.481, while Size exhibits a strong positive correlation with both MPS (0.936) and DPS (0.816). Furthermore, the P/E Ratio displays positive correlations with both DPS (0.487) and Size (0.415), with the relationship to Size being notably stronger. Size also shows a robust positive correlation with MPS (0.936) and a negative correlation with EPS (-0.332). These correlations reveal key patterns and interdependencies among the financial variables, providing valuable insights for financial analysis and decision-making. The use of asterisks emphasizes the statistical significance of these correlations at the 0.01 level, reinforcing the credibility of the observed relationships.

The results indicate that Dividends per Share (DPS) negatively affects MPS, with an unstandardized coefficient of -0.001 and a significant t-value of -2.885. Earnings per Share (EPS) also has a negative impact on MPS, as reflected by the unstandardized coefficient of -0.291 and a p-value of 0.058, which is marginally significant. In contrast, Dividend Yield (D/Y) and Size positively influence MPS, with unstandardized coefficients of 0.433 and 0.277, both of which are statistically significant. The Price-to-Earnings Ratio (P/E Ratio) does not show a significant impact on MPS, with a non-significant p-value of 0.329. Overall, these findings offer important insights into the strength, direction, and statistical significance of the factors influencing MPS.

**5.2 Conclusion**

Stock price behavior plays a crucial role in determining a company's Market Price per Share (MPS). Since stock prices reflect market sentiment and perceptions about a company, they have a direct impact on its MPS, which represents the current market value of each share. Positive stock price trends, signaling investor confidence, typically lead to an increase in the MPS, boosting the company's market capitalization and financial stability. On the other hand, negative stock price movements can diminish investor confidence, causing a decrease in MPS and creating potential difficulties in raising capital in the market.

The analysis reveals significant variation in the financial metrics across the companies. For DPS, the values range from 0.23 to 126.32, with a mean of 27.96 and a high standard deviation of 28.21, indicating substantial variation in dividend payouts. EPS ranges from 4.54 to 166.85, with an average of 35.81 and a standard deviation of 35.60, highlighting diverse profitability. Dividend Yield (D/Y) spans from 0.16 to 16.08, with a mean of 3.10

and a standard deviation of 2.33, reflecting variability in dividend returns. The P/E Ratio shows a wide range from 3.00 to 366.10, with an average of 58.05 and a standard deviation of 69.97, indicating varied market perceptions. Size varies significantly, from 12.12 to 549.62, with a mean of 93.305 and a standard deviation of 89.77, suggesting a mix of company sizes. Finally, MPS ranges from 97.00 to 4351.00, indicating diverse market valuations.

The correlation between MPS and DPS is -0.764, with two asterisks indicating significance at the 0.01 level, implying a strong negative relationship between Market Price per Share and Dividends per Share. Similarly, EPS and DPS show a significant negative correlation of -0.766. In contrast, EPS and MPS exhibit a positive correlation of 0.675. The correlation between D/Y and MPS is -0.481, while Size shows a notable positive correlation with both MPS (0.936) and DPS (0.816). Additionally, the P/E Ratio is positively correlated with both DPS (0.487) and Size (0.415), with Size showing a particularly strong connection. Size also has a strong positive correlation with MPS (0.936) and a negative correlation with EPS (-0.332). These correlations reveal key patterns and relationships among the financial variables, providing valuable insights for financial analysis and decision-making. The asterisks emphasize the statistical significance of these correlations at the 0.01 level, reinforcing the reliability of the observed connections.

The findings indicate that Dividends per Share (DPS) negatively affects MPS, with an unstandardized coefficient of -0.001 and a significant t-value of -2.885. Earnings per Share (EPS) also shows a negative effect on MPS, with an unstandardized coefficient of -0.291 and a marginal p-value of 0.058. In contrast, Dividend Yield (D/Y) and Size have positive influences on MPS, with unstandardized coefficients of 0.433 and 0.277, respectively, both statistically significant. The Price-to-Earnings (P/E) Ratio does not have a significant effect on MPS, as reflected by its p-value of 0.329. Overall, these results provide important insights into the strength, direction, and statistical significance of the various factors influencing MPS.

### 5.3 Implications

The following recommendations have been given for the enhancement of the stock price behavior of listed insurance companies in NEPSE.

i. The average earnings per share (EPS) across the sampled companies' shows considerable variation in profitability, with some companies reporting significantly higher or lower figures than the average. Regarding the dividend yield (D/Y), the range between the lowest and highest values demonstrates a wide discrepancy in dividend percentages, indicating substantial diversity in dividend payouts. The mean dividend yield, combined with its standard deviation, suggests that there is notable variation among the companies in terms of the yield, with some offering higher or lower returns than the average. Similarly, the Price-to-Earnings (P/E) ratio spans a wide range, reflecting varied market perceptions of the companies' earnings potential. The mean P/E ratio, along with its high standard deviation, highlights significant differences in how investors value the earnings of these companies, emphasizing diverse expectations and sentiments within the market.

ii. The relationship between Market Price per Share (MPS) and Dividends per Share (DPS) shows a strong negative correlation, which is statistically significant, indicating that as DPS increases, MPS tends to decrease. Similarly, Earnings per Share (EPS) and DPS are also negatively correlated, with this relationship being significant. In contrast, EPS and MPS have a positive correlation, suggesting that higher earnings per share are associated with higher market prices per share. The correlation between Dividend Yield (D/Y) and MPS is negative, indicating that as dividend yield increases, MPS tends to decrease. Company Size demonstrates a significant positive correlation with both MPS and DPS, suggesting that larger companies tend to have higher market prices and higher dividends per share. Additionally, the Price-to-Earnings (P/E) Ratio shows positive correlations with both DPS and Size, with the relationship to Size being particularly strong. Size also has a strong positive correlation with MPS, while it shows a negative correlation with EPS. These correlations reveal potential patterns and relationships between the financial variables, offering important insights for financial analysis and decision-making. The statistical significance of these correlations emphasizes the robustness of the findings.

iii. The analysis reveals that Dividends per Share (DPS) have a negative effect on Market Price per Share (MPS), with a statistically significant result. Earnings per

Share (EPS) also show a negative influence on MPS, though the effect is marginally significant. On the other hand, Dividend Yield (D/Y) and Company Size both have a positive impact on MPS, with statistically significant results indicating that increases in these variables are associated with higher MPS. The Price-to-Earnings Ratio (P/E Ratio) does not appear to have a meaningful effect on MPS, as its p-value suggests that the relationship is not statistically significant. These findings provide important insights into the strength and significance of the factors that influence MPS, helping to better understand the dynamics between the variables.

iv. This study seeks to address the existing gap in research by analyzing the relationships between EPS, P/E, DPS, Size, D/Y, and MPS of insurance companies in Nepal. The findings could provide valuable insights into the stock price behavior and market share prices of Nepalese insurance companies.

v. This study explores how Dividend per Share (DPS), Earnings per Share (EPS), Dividend Yield (D/Y), P/E Ratio, and Total Assets influence the overall stock price, represented by the market price per share (MPS), of six selected insurance companies. Future studies could broaden this analysis by incorporating a larger sample from other sectors, including development banks, commercial banks, microfinance institutions, and other types of organizations.

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# APPENDICES

## Asian Life Insurance Company Limited (ALICL)

| Fiscal Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 3.22 | 0.7 | 95.58 | 6.25 | 1.79 | 25.43 |
| 2021/22 | 8.89 | 1.17 | 85.5 | 10.44 | 2.42 | 47.37 |
| 2020/21 | 6.65 | 1.94 | 90.52 | 16.2 | 2.60 | 47.19 |
| 2019/20 | 7.18 | 1.97 | 89.6 | 15.81 | 2.81 | 33.28 |
| 2018/19 | 10.04 | 1.57 | 78.07 | 14.85 | 2.45 | 31.98 |
| 2017/18 | 8.33 | 1.59 | 72.9 | 19.25 | 2.75 | 32.53 |
| 2016/17 | 10.92 | 1.64 | 78.39 | 18.87 | 3.39 | 36.40 |
| 2015/16 | 9.32 | 1.51 | 65.54 | 20.35 | 2.80 | 37.10 |
| 2014/15 | 9.58 | 1.19 | 49.55 | 20.31 | 2.09 | 24.60 |
| 2013/14 | 9.16 | 0.83 | 49.62 | 15.02 | 2.22 | 31.41 |

## Nepal Life Insurance Company Limited (NLIC)

| Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 36.21 | 1.59 | 92.93 | 11.2 | 2.57 | 15.32 |
| 2021/22 | 33.98 | 1.86 | 85.84 | 11.7 | 2.72 | 18.74 |
| 2020/21 | 27.2 | 2.77 | 93.62 | 14.71 | 2.82 | 19.22 |
| 2019/20 | 29.15 | 2.71 | 95.64 | 13.01 | 3.74 | 31.34 |
| 2018/19 | 31.18 | 2.15 | 92.9 | 10.87 | 3.71 | 30.50 |
| 2017/18 | 23.33 | 2.32 | 95.46 | 13.6 | 3.80 | 26.49 |
| 2016/17 | 28.74 | 3.12 | 93.77 | 21.66 | 3.8 | 28.50 |
| 2015/16 | 30.43 | 1.76 | 94.8 | 10.09 | 4.05 | 31.13 |
| 2014/15 | 32.27 | 2.97 | 100.81 | 16.1 | 4.38 | 30.80 |
| 2013/14 | 36.65 | 2.9 | 104.06 | 13.97 | 4.75 | 48.31 |

## National Life Insurance Company Limited (NLICL)

| Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 7.53 | 1.22 | 71.27 | 8.623 | 1.24 | 5.28 |
| 2021/22 | 14.49 | 1.71 | 56.75 | 13.16 | 1.23 | 6.53 |
| 2020/21 | 7.52 | 2.61 | 70.11 | 16.31 | 1.21 | 6.87 |
| 2019/20 | 18.91 | 2.61 | 66.45 | 15.73 | 1.51 | 6.6 |
| 2018/19 | 19.71 | 1.84 | 62.2 | 11.98 | 1.27 | 6.53 |
| 2017/18 | 7.98 | 1.98 | 56.88 | 17.18 | 1.43 | 5.83 |
| 2016/17 | 24.03 | 1.99 | 48.92 | 21.69 | 1.37 | 4.87 |
| 2015/16 | 21.18 | 2.51 | 56.87 | 26.27 | 1.32 | 4.98 |
| 2014/15 | 16.43 | 2.67 | 58.63 | 26.38 | 1.74 | 5.17 |
| 2013/14 | 22.4 | 2.8 | 55.13 | 28.36 | 1.41 | 4.50 |

## Sagarmatha Insurance Company Limited (SIC)

| Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 3.66 | 1.71 | 89.84 | 13.37 | 1.44 | 10.53 |
| 2021/22 | 11.2 | 1.58 | 79.72 | 13.39 | 1.40 | 14.7 |
| 2020/21 | 4.78 | 2.11 | 81.96 | 18.28 | 1.57 | 14.26 |
| 2019/20 | 10.05 | 2.61 | 82.66 | 19.34 | 4.67 | 36.34 |
| 2018/19 | 10.02 | 2.69 | 65.38 | 25.86 | 1.37 | 9.66 |
| 2017/18 | 6.77 | 2.32 | 70.49 | 24.35 | 1.48 | 10.10 |
| 2016/17 | 14.15 | 2.06 | 64.43 | 22.04 | 1.75 | 14.16 |
| 2015/16 | 11.32 | 2.89 | 74.55 | 30.39 | 1.94 | 15.37 |
| 2014/15 | 9.32 | 3.25 | 74.9 | 33.2 | 1.79 | 15.68 |
| 2013/14 | 8.6 | 2.8 | 77.91 | 31.05 | 1.91 | 15.98 |

## Nepal Insurance Company Limited (NICL)

| Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 5.66 | 1.17 | 96.69 | 11.32 | 2.54 | 42.70 |
| 2021/22 | 5.93 | 0.95 | 92.31 | 8.181 | 2.84 | 44.69 |
| 2020/21 | 4.19 | 1.67 | 94.61 | 12.97 | 2.50 | 43.14 |
| 2019/20 | 6.68 | 1.65 | 90.46 | 11.24 | 2.86 | 50.30 |
| 2018/19 | 7.72 | 1.69 | 85.5 | 13.81 | 2.32 | 34.68 |
| 2017/18 | 10.81 | 1.49 | 84.07 | 16.25 | 2.30 | 55.85 |
| 2016/17 | 13.32 | 1.21 | 75.32 | 15.2 | 2.22 | 56.09 |
| 2015/16 | 13.72 | 1.36 | 76.73 | 14.57 | 1.83 | 56.49 |
| 2014/15 | 23.35 | 1.43 | 76.2 | 14.87 | 2.32 | 77.82 |
| 2013/14 | 18.91 | 0.28 | 78.01 | 2.307 | 2.02 | 53.16 |

## Prabhu Insurance Limited (PRIN)

| Year | DPS | D/Y | Size | EPS | P/E | MPS |
|---|---|---|---|---|---|---|
| 2022/23 | 5.53 | 1.25 | 72.27 | 8.64 | 1.26 | 6.20 |
| 2021/22 | 14.49 | 1.75 | 54.75 | 13.21 | 2.23 | 6.59 |
| 2020/21 | 4.52 | 2.61 | 72.11 | 16.31 | 1.23 | 5.62 |
| 2019/20 | 18.91 | 2.65 | 65.45 | 15.73 | 1.49 | 6.63 |
| 2018/19 | 16.71 | 1.86 | 62.2 | 11.98 | 1.27 | 6.49 |
| 2017/18 | 8.98 | 1.96 | 56.88 | 17.18 | 1.47 | 5.83 |
| 2016/17 | 24.03 | 1.98 | 46.92 | 21.69 | 1.27 | 4.17 |
| 2015/16 | 22.18 | 2.53 | 56.87 | 26.27 | 1.38 | 4.19 |
| 2014/15 | 16.43 | 2.51 | 57.13 | 26.38 | 1.74 | 5.37 |
| 2013/14 | 20.4 | 2.78 | 56.23 | 28.36 | 1.42 | 4.59 |

**Descriptive Statistics**

| | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| DPS | 0.23 | 126.32 | 27.96 | 28.21 |
| EPS | 4.54 | 166.85 | 35.81 | 35.60 |
| D/Y | 0.16 | 16.08 | 3.10 | 2.33 |
| P/E Ratio | 3.00 | 366.10 | 58.05 | 69.97 |
| Size | 12.12 | 549.62 | 93.305 | 89.77 |
| MPS | 97.00 | 4351.00 | 1101.55 | 1309.80 |

Valid (Likewise N) 60

**Correlation Metrix**

| | MPS | DPS | EPS | D/Y | P/E Ratio | Size |
|---|---|---|---|---|---|---|
| MPS | 1 | | | | | |
| DPS | -.764** | 1 | | | | |
| EPS | .675** | -.766** | 1 | | | |
| D/Y | -.481** | .325 | .629** | 1 | | |
| P/E Ratio | .226 | .487** | .354** | .415** | 1 | |
| Size | .936** | .816** | -.332 | .612** | .209 | 1 |

**. Correlation is significant at the 0.01 level (2-tailed).

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .708 | .501 | .405 | .394646 |

a. Predictors: (constant), DPS, EPS, D/Y, P/E Ratio, Size
b. Dependent Variables: MPS

**ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 69.430 | 5 | 13.883 | 5.261 | .002 |
| | Residual | 68.624 | 54 | 2.639 | | |
| | Total | 138.054 | 59 | | | |

a. Dependent Variable: MPS
b. Predictors: (constant), DPS, EPS, D/Y, P/E Ratio, Size

**Correlation Coefficient**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t-value | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 6.649 | 1.118 | | 5.595 | 0.000 |
| | DPS | -0.001 | 0.013 | -0.478 | -2.885 | 0.008 |
| | EPS | -0.291 | 0.147 | -0.330 | -1.981 | 0.058 |
| | D/Y | 0.433 | 0.169 | 0.480 | 2.568 | 0.016 |
| | P/E Ratio | 0.252 | 0.059 | -0.132 | 0.869 | 0.329 |
| | Size | 0.277 | 0.096 | 0.193 | 2.878 | 0.005 |

Dependent Variable: MPS

# FACTOR AFFECTING SHARE PRICE OF INSURANCE COMPA...

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ABSTRACT This study investigates the factors influencing the share prices of insurance companies in Nepal, with a primary focus on examining the key determinants of stock prices for selected insurance firms. The objectives include analyzing the relationship between variables such as Earnings

**Per Share (EPS), Price** -to- **Earnings (P/E** ) ratio, Dividends **Per Share (DPS** ), company size, **Dividend** Yield ( **D** /Y), **and**

Market Price per Share (MPS) for insurance companies listed on the Nepal Stock Exchange (NEPSE). In this analysis, EPS, P/E, DPS, Size, and D/Y serve as independent variables, while MPS is the dependent variable. The study employs

**mean, standard deviation, correlation, and multiple regression analysis to present** the **data** and draw conclusions. **The**

key findings reveal a negative correlation between MPS and DPS, suggesting an inverse relationship where an increase in the market price per share is associated with a decrease in dividends per share and vice versa. Similarly, a negative correlation between DPS and EPS is observed, indicating that higher dividends might coincide with lower earnings per share. Furthermore, after adjusting for the scale of the variables, a negative relationship between D/Y and MPS is established, while company size exhibits a positive effect on MPS, as indicated by a positive beta coefficient. The study concludes that DPS, EPS, and Size have significant relationships with MPS, while D/Y and the P/E ratio do not significantly influence market prices. Keywords: Insurance Companies, Market price share, P/E Ratio, Earning per share and Dividend. CHAPTER - I