DETERMINANTS OF STOCK PRICE OF LIFE INSURANCE COMPANIES IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this dissertation has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the dissertation has been written by me. Any help that I have received in my research work and the preparation of the dissertation itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the dissertation.

Purnawasi Baniya

Signature……..

Date ……..

REPORT OF RESEARCH COMMITTEE

Mr. Purnawasi Baniya has defended research proposal Determinants of Stock Price of Life 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 Mr. Boj Raj Ojha and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled Determinants of Stock Price of Life Insurance Companies in Nepal presented by Purnawasi Baniya, a candidate for the degree of Master of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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This study has been undertaken to assess Study on Determinants of Stock Price of Life Insurance Companies in Nepal. The study focused on the secondary data and findings are drawn on the basis of concepts, theories of determinants of stock price analysis and data collected. The study conducted solely for the purpose for the partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S).

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ABBREVIATIONS

AMA	=	American Marketing Association
ANOVA	=	Analysis of variance
SD	=	Standard Deviation
SPSS	=	Statistical Package for the Social Sciences
LIC	=	Life Insurance Corporation Nepal Limited
NLICL	=	National Life Insurance Company Limited

ABSTRACT

This thesis presents a comprehensive analysis of determinants of stock price dynamics in the Nepalese life insurance sector, with a specific focus on three prominent companies: Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL), and Asian Life Insurance Company Limited (ALICL). The study covers a ten-year period from 2012/13 to 2021/22 and investigates the impact of various financial variables, including Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR), on the Market Value per Share (MPS) of these companies.

The study is based on primary data sources. Financial and statistical tools such as mean, standard deviation, coefficient of variation, correlation analysis, and multiple regression analysis are employed to assess the impact of key financial variables on the Market Value per Share of these companies. The study also employs various statistical tests and hypotheses to determine the significance of the relationships between these variables.

The findings reveal significant variations in the financial performance of the three selected companies, with NLIC demonstrating the highest average MPS, while ALICL exhibits the highest volatility in its stock returns. Furthermore, the regression analysis highlights the significant impact of EPS and PER on MPS, emphasizing the importance of these variables in understanding stock market performance.

Keywords: *determinants of stock price, market value per share, earning per share, earning yield, stock return, dividend yield*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Economic growth is the major force for the development of the country and the economic development is jointly determined by various factors. Industrialization is one of the most important factors for the economic development of any country. This statement is justified by the size and quality of the economy of the present industrialized nations. Like blood is necessary for human beings, finance is for business organizations and industries. Each and every business organization should base their decision making in financial management. Financial management is mainly concerned with the acquisition and utilization of funds. For this, financial market plays vital role in utilizing financial resources for expanding productive sectors in the country. It mobilizes unproductive and unutilized financial resources towards productive sectors and helps in expanding economic growth of the country (Poudel & Achary, 2020).

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. An entity which provides insurance is known as an insurer, insurance company, insurance carrier or underwriter. A person or entity who buys insurance is known as an insured or as a policyholder. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and usually involves something in which the insured has an insurable interest established by ownership, possession, or pre-existing relationship (Agrawal & Ali, 2007).

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insurer will compensate the insured. The amount of money charged by the insurer to the policyholder for the coverage set forth in the insurance policy is called the premium. If the insured experiences a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claims adjuster. The insurer may hedge its own risk by taking out reinsurance, whereby another insurance company agrees to carry some of the risks,

especially if the primary insurer deems the risk too large for it to carry (Masciandaro, 2011).

For the smooth running of the financial system, there should be the appropriate market for such system which is called financial market. It is the market where financial claims and financial services are traded. The market consists of two major areas which are capital market and money market. Capital market refers to a market that is concerned with long term investments. It is facilitated with the borrowing and lending of long term funds. The major components of capital market are stock exchange, investment institutions, industrial companies, insurance companies, joint stock companies, etc. It deals with long term instruments. It is the main market for the formation of the capital (Masciandaro, 2011).

Money market refers to a market that is concerned with purchase and sale of money. Liquidity is the commodity that is traded in the money market. It deals with all the financial papers like treasury bills, commercial bills, certificated of deposits etc. The main function of the money market is to provide working capital for the corporations as well as to supply funds for individuals and institutions on the short-term basis. Insurance companies are one of the strong players in the money market as its main operation is to lend money (Wieland et al., 2020).

Insurance is a financial mechanism designed to offer protection against potential financial losses. It functions as a form of risk management, predominantly utilized to mitigate the uncertainty of potential future losses (Rejda & McNamara, 2014). The entity that provides insurance is referred to as an insurer, insurance company, insurance carrier, or underwriter. Conversely, the individual or entity that purchases insurance is known as the insured or policyholder (Vaughan & Vaughan, 2013).

The insurance process involves the insured agreeing to a guaranteed and relatively minor loss, represented by a payment made to the insurer. In return, the insurer promises to compensate the insured in the event of a specified loss covered by the policy. This loss may be either financial or non-financial but must be quantifiable in monetary terms and generally pertains to something the insured has an insurable interest in, due to ownership, possession, or a pre-existing relationship (Black & Skipper, 2000).

The insured receives a contract, known as the insurance policy, which outlines the terms and conditions under which the insurer will provide compensation (Cummins & Venard, 2008). The amount charged by the insurer for the coverage detailed in the insurance policy is termed the premium. Should the insured suffer a loss potentially covered by the policy, they can submit a claim to the insurer, which is then processed by a claims adjuster (Harrington & Niehaus, 2004). To manage its own risk, the insurer may procure reinsurance, wherein another insurance company agrees to assume a portion of the risk, particularly if the initial insurer considers the risk too substantial to manage independently (Skipper & Kwon, 2007).

Risk is defined in Webster's dictionary as a hazard a peril: exposure to loss or injury. Therefore, risk refers to chance that some unfavorable event will occur. Most people view risk is the matter. Risk is the just described a chance of loss in reality, risk occurs when the something's cannot be certain about the outcome of a particular activity or event (Merriam- Webster, 2018). Systematic and unsystematic risk are the two main components of risk. Economic and political instability, economic recession, macro policy of the government etc. affects the price of all shares systematically. Thus the variation of return of shares, which is caused by these factors, is called systematic risk. Unsystematic risk can be described as the uncertainty inherent in a company or industry investment. Types of unsystematic risk include a new competitor in the marketplace with the potential to take significant market share from the company invested in, a regulatory change (Harrington & Niehaus, 2004).

The return is the total gain or loss experienced on an investment over a given period of time. It is commonly measured as cash distributions during the period plus the change in value, expressed as a percentage of the beginning-of-period investment value (Gitman, 2003). It is also understood as expected positive cash flow generated from an investment. Investors are concerned primarily with growth. They would seek project that offer the promise of long term, higher than average growth of sales, earnings and capital appreciation. Return is also defined as the difference between outflow and inflow of funds (Cummins & Venard, 2008).

As an investor, it is crucial to grasp the concept of risk versus return. By comprehending the relationship between risk and reward, investors can choose investments that align with their comfort levels regarding the determinants of stock price (Bodie, Kane, &

Marcus, 2014). A thorough understanding of the factors influencing stock prices enables investors to construct a diversified portfolio. Portfolio diversification is a strategic investment approach that spreads risk across multiple stocks or bonds, thereby mitigating potential losses (Elton, Gruber, Brown, & Goetzmann, 2009).

Prior to investing in stocks and bonds, investors must thoroughly understand the nature of their investments and assess their own risk tolerance. While some investors seek fast, high-risk returns, others prefer a more conservative, long-term investment strategy (Reilly & Brown, 2012). The only unsuitable investment option is one that makes the investor uncomfortable and deviates from their risk tolerance and investment goals (Sharpe, Alexander, & Bailey, 1999).

Risk analysis and risk management have gained significant importance in the Nepalese economy during the liberalization period. One of the primary challenges currently faced by the insurance sector is understanding and managing risk. The intrinsic nature of the insurance business inherently involves the threat of risk (Cummins & Venard, 2008). The primary function of insurance companies is to act as intermediaries between those who have resources and those who need them (Rejda & McNamara, 2014).

To manage risk at the corporate level, various types of risks, such as credit risk, market risk, and operational risk, need to be consolidated into a single composite measure. It is essential that the measurement of operational risk is integrated with measurements of credit and market risks to derive a comprehensive risk estimate (Harrington & Niehaus, 2004). Analyzing the determinants of stock prices for insurance companies is crucial for facilitating financial lending and identifying potential investment areas in the financial market (Black & Skipper, 2000).

The purpose of an investment must be clearly defined before selecting from among the available alternatives. Generally, most investments are undertaken to increase wealth. The higher the desired level of wealth, the higher the returns that must be achieved (Bodie, Kane, & Marcus, 2014). An investor seeking higher returns must be willing to face a higher level of risk (Elton et al., 2009).

The degree of risk may be lower for conservative financial managers and higher for aggressive financial managers. Risk needs to be measured objectively to determine

whether it justifies a specific rate of return. Investors require a higher return from a risky project to compensate for the risk (Sharpe, Alexander, & Bailey, 1999). The main goal is to maximize returns given a certain level of risk or to minimize risk given a certain level of return. Therefore, it is essential to measure both returns and risks for this purpose (Reilly & Brown, 2012).

This study has focused on the analysis of determinants of stock price associated with the share price of the insurance companies. Determinants of stock price of insurance companies are fully based on the portfolio analysis. Therefore, this study is also focus on the analysis of determinants of stock price how an investor should take investment decision in share of insurance companies in Nepal.

1.2 Brief Introduction of Sample Companies

There are total 35 insurance companies in Nepal among them 14 are life insurance companies and remaining are nonlife insurance companies. Among them three insurance companies are selected as the sample for this study. Brief description of sample companies are given below:

Life Insurance Corporation Nepal Limited (LIC)

Life Insurance Corporation Nepal Limited (shortly called as L.I.C. Nepal) is one of the largest capitalized insurance companies of Nepal. The journey of L.I.C. Nepal had its genesis in 2000 when global insurance behemoth, Life Insurance Corporation of India, joined hands with Vishal Group, a dominant player of Nepal. 55% of ownership of the Company is held by L.I.C. of India, 25% by Vishal Group and 20% by general public in the form of equity. This way the essence of L.I.C. Nepal can best be described by the word "Glocal" i.e. a unique combination of global experience with local expertise. Life Insurance Corporation (Nepal) Limited having Registration No. 765-057/58, was incorporated under the Companies Act, 2053, on 27.12.2000. It has got the life insurance license from Insurance Board of Nepal (Beema Samiti) on 07.08.2001 and started operations from 01.09.2001.

National Life Insurance Company Limited (NLICL)

National Life Insurance Company Limited (formerly known as National life & General Insurance Co. Ltd.) was incorporated in 1988 A.D. under Nepal Company Act 1964

and the insurance Act 1968 of Nepal with prime objective to meet growing insurance requirements of the country. For more than two decades, National Life has built reputation as a company that believes in highest level of customer's service. The company's well-known name and good reputation are reinforced by our commitment to deliver value and service to all who do business with us. Supporting these efforts are the National Life's core values of professionalism, transparency, trust worthiness and honesty. These values are central to the company's efforts to achieve its vision - to build financial freedom for all – the company remains committed to the highest standards of ethics and integrity.

Asian Life Insurance Company Limited (ALICL)

Asian Life Insurance Company Limited (ALICL), established in 2008 under the Company Act 2053, has rapidly emerged as a prominent player in Nepal's insurance sector. With an authorized capital of Rs. 5 billion and a paid-up capital of Rs. 3399.8 million, the company maintains a healthy promoter to public shareholding ratio of 51:49. ALICL commenced operations on April 3, 2008, and has since been dedicated to providing comprehensive life insurance solutions to its customers. Its robust financial standing is evidenced by its substantial life funds of Rs. 41 billion, as of the end of the fiscal year 2080-81.

The company's board of directors comprises esteemed individuals from diverse backgrounds, including leaders in banking, insurance, finance, private enterprises, and former government officials. This diverse expertise ensures effective governance and strategic decision-making. ALICL's extensive network of 132 branches strategically located across the nation underscores its commitment to reaching and serving customers nationwide. With a focus on customer-centricity and financial strength, ALICL continues to contribute significantly to the nation's insurance landscape, offering peace of mind and financial security to its policyholders.

1.3 Problem Statement

Investors engage in purchasing financial assets like shares or bonds with the aim of augmenting their wealth through positive returns on investment. However, the future remains uncertain, and investors grapple with the ambiguity surrounding the potential rates of return on their investments. Insurance companies, operating within this

uncertain landscape, allocate investments across diverse asset classes with the anticipation of future benefits (Tahat, 2019; Bhattarai, 2020). Despite this, investors often lack comprehensive measures for assessing returns and comprehending the inherent risks entailed in their investment decisions. Furthermore, investors struggle to discern the prevailing price dynamics of listed companies, which adds complexity to their investment strategies (Manandhar, 2022).

Following the restoration of democracy in Nepal, the government embarked on an open market policy, leading to a surge in the number of public limited companies operating in various sectors, including insurance, manufacturing, and services (Chhetri, 2023). However, the economic landscape in Nepal is fraught with challenges stemming from political instability, regulatory hurdles, and geographic constraints, among other factors. These challenges impede the smooth functioning of economic activities, including those of insurance companies (Goet & Kharel, 2021). One of the primary hurdles faced by public companies, including insurance firms, is the lack of a nuanced understanding of the determinants influencing stock prices in the market. This lack of understanding exacerbates the challenges faced by investors, who struggle to gauge the dynamics of stock prices and make informed investment decisions (Wagle, 2021).

In Nepal, insurance companies occupy a pivotal role in the capital markets, exerting significant influence across various sectors. Despite this, many investors opt to deposit their funds in insurance companies rather than diversifying their investments into financial assets like shares, bonds, and debentures (Chhetri, 2023). However, a significant portion of investors remains unaware of how to navigate the complexities of investment analysis and calculate the determinants of stock prices (Manandhar, 2022). Consequently, there is a pressing need for research that elucidates the determinants shaping stock prices within the Nepalese insurance sector, offering insights that can empower investors and enhance the efficiency of capital markets in the country.

Tahat (2019) and Manandhar (2022) found the importance of firm-specific variables such as earnings per share (EPS) and dividend per share (DPS) in influencing stock prices. However, these studies primarily focus on commercial banks, leaving a dearth of empirical evidence regarding their applicability within the life insurance domain. Furthermore, while Goet and Kharel (2021) offers insights into stock price variability

within the Nepalese commercial banking sector, the specificities of the insurance industry remain unexplored.

Therefore, this study aims to address this gap by investigating the determinants of stock prices of life insurance companies in Nepal. By drawing on methodologies and insights from previous research on stock price determinants, this study seeks to provide a comprehensive understanding of the factors driving stock price movements within the Nepalese life insurance sector. So, the researcher has following questions for the study:

i. What are the determinants of stock price of life insurance companies in Nepal?
ii. Is there any relationship between EPS, PER, DY, ROE and stock return and MPVS?
iii. What is the impact of EPS, PER, DY, ROE and stock return on MPVS?

1.4 Objectives of the Study

The general objective of this study is to analyzed determinants of stock price of insurance companies. The specific objectives of the study are as follows:

i. To assess the determinants of stock price of life insurance companies in Nepal.
ii. To examine the relationship between EPS, PER, DY, ROE and stock return and MPVS.
iii. To analyze the impact of EPS, PER, DY, ROE and stock return on MPVS.

1.5 Hypothesis of the Study

The study aims to investigate the relationship between various financial indicators and the Market Value per Share (MPS) of life insurance companies in Nepal. Understanding these relationships is crucial for investors, financial analysts, and policymakers to make informed decisions regarding investments in the insurance sector. This study focuses on five key financial variables: Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR). The alternative hypotheses (H1, H2, etc.) for each variable are as follows:

H1: There is a significant impact of Earnings Per Share (EPS) on the Market Value per Share (MPS) of life insurance companies in Nepal.

H2: There is a significant relationship between Price Earnings Ratio (PER) and the Market Value per Share (MPS) of life insurance companies in Nepal.

H3: There is a significant impact of Dividend Yield (DY) on the Market Value per Share (MPS) of life insurance companies in Nepal.

H4: There is a significant impact of Return on Equity (ROE) on the Market Value per Share (MPS) of life insurance companies in Nepal.

H5: There is a significant relationship between Stock Return (SR) and the Market Value per Share (MPS) of life insurance companies in Nepal.

1.6 Rationale of the Study

The insurance industry plays a pivotal role in Nepal's financial landscape, providing protection, financial security, and investment opportunities to individuals and organizations alike. Within this industry, life insurance companies hold a unique position as they offer products and services that span both risk protection and wealth accumulation. Understanding the factors that influence the performance of common stocks issued by these life insurance companies is of paramount importance for various stakeholders, including investors, policymakers, and the companies themselves.

- Investor Decision-Making: Investors in the Nepali financial market rely on comprehensive information and analyses to make informed investment decisions. Common stocks are a favored investment avenue for many, and their valuation is influenced by a complex interplay of financial metrics. This study seeks to provide valuable insights into the factors affecting the Market Value per Share (MPS) of life insurance companies, which will aid investors in making prudent investment choices.
- Financial Performance Assessment: For life insurance companies, the MPS represents a key indicator of their financial health and attractiveness to potential investors. Analyzing the factors that impact MPS, such as Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR), will enable a comprehensive assessment of the companies' financial performance.

- Determinants of stock price Dynamics: The insurance sector is inherently characterized by risk management. Insurance companies must strike a delicate balance between risk assumption and profitability. By examining the relationships between financial variables and MPS, this study will contribute to understanding the determinants of stock price dynamics specific to life insurance companies in Nepal.
- Policy Implications: Policymakers and regulatory authorities require empirical evidence to develop and refine policies that govern the insurance sector. Insights gained from this research may inform regulatory decisions and help create an environment conducive to the growth and stability of the industry.
- Academic Contribution: This study aims to contribute to the academic body of knowledge by providing empirical evidence specific to the Nepali context. It will add to the growing body of literature on financial analysis within the insurance sector and serve as a valuable reference for future researchers.

The rationale for this study lies in the significance of the life insurance industry within Nepal's financial landscape and the need to comprehensively analyze the factors that influence the Market Value per Share of key companies in this sector. The findings will be valuable for investors, insurers, policymakers, and academia, facilitating better decision-making and fostering a deeper understanding of the determinants of stock price dynamics in the Nepali insurance market.

1.7 Limitations of the Study

Every research naturally has some limitations. So, this study is not an exceptional case, the major limitation of the study are: -

a) The study covers the relevant data and information only for 10 years from 2012/13 to 2021/22.

b) Analysis is based on the tools developed in the context of efficient market condition.

c) This study mainly focuses on determinants of stock price of Nepal Life Insurance Company, National Life Insurance Company and Asian Life Insurance Company Limited.

1.8 Chapter Plan

The entire study has been divided into the following five chapters:-

Chapter 1: Introduction

The chapter is introduction framework that includes background of the study, statement of the problem, object of the study, significance of the study, limitations and structure of report.

Chapter 2: Literature Review

This chapter concerned with review of literature. It focuses on the theoretical part of the study including Conceptual review and Empirical review.

Chapter 3: Research Methodology

These chapters deals with methodology that includes research design, Population and sample and sampling design, Nature and sources of data and the instrument of data collection, Methods and analysis, and Research framework and definition of variables.

Chapter 4: Results and Discussions

This is the most important and most extensive chapter as it includes the main theme of the study. The chapter deals with the presentation and analysis of collected data and information. For this purpose various analytical tools will be used.

Chapter 5: Summary and Conclusion

This chapter is the final chapter of the study which includes Summary, Conclusion and Implications.

This dissertation also includes Appendix and Bibliography.

CHAPTER II

LITERATURE REVIEW

This chapter presents the review of relevant theoretical literature and previous relevant studies. It is divided into three parts: conceptual review, review of related studies and research gap. Conceptual review includes definitions and summary taken from different books and journal articles and research review includes the review of the article published in different journals and past study reports and thesis.

2.1 Conceptual Review

The sections discussed in this chapter is as follows; the theoretical framework that has described the theories supporting this study and their link to the main study variables (firm-specific variables and financial performance), the financial performance determinants have also been discussed, the empirical studies, the conceptual framework and research gap.

2.2 Common Stock

"The common stock represents equity, or an ownership position in a corporation. It is a residual claim in the sense that creditors and preferred stockholders must be paid as scheduled before common stockholders can receive any payments. In bankruptcy, common stockholders are in principle entitled to any value remaining after all other claimants have been satisfied. However, in practice courts sometimes violate this principle (Sharpe, et al., 2000).

The great advantage of the corporate firm of organization is the limited liability of its owners. Common stocks are generally "fully paid and non-assessable," meaning that common stock holders may lose their initial investment but not more. That is, if the corporation fails to meet its obligations, the stockholders cannot be forced to give the corporation the funds that are needed to pay off the obligations. However, as result of such a failure, it is possible that the value of corporations share will be negligible. This outcome will result in the stockholders having lost an amount equal to the price paid to buy the shares (Sharpe, et al., 2000).

Common stock is “finance an equity share is the ownership of a company that gives the owner the right to participate in electing the board of directors and voting on other matter brought before the stockholders, in proportion to the number of shares hold”.

2.2.1 Stock Certificates

The ownership of a firm’s stock has typically been represented by a single certificate, with the number of shares held by the particular investor noted on it. Such a stock certificate is usually registered, with the name, address and holding of the investor included on the corporation’s books. Dividend payments; voting material, annual and quarterly reports and other mailings are then sent directly to the investor, taking into account the size of his or her holdings.

Shares of stock held by an investor may be transferred to a new owner with the assistance of either the issuing corporation or, more commonly, its designated transfer agent. This agent will cancel the old stock certificate and issue a new one in its place, made out to the new owner. Frequently, a register will make sure that this canceling and issuing of certificate has been done properly. Usually, banks and trust companies act as transfer agents and registrars. Many stockholders have chosen to avoid these rather cumbersome procedures. Instead, depository trust companies are used, which substitute computerized records for embossed certificates” (Sharpe, et al., 2000).

2.2.2 Securities

When an individual borrows money from a pawnbroker, they are required to provide an item of value as collateral. If the loan (along with interest) is not repaid, the pawnbroker has the right to sell the pawned item to recoup the loan amount and potentially make a profit. This agreement is documented through pawn tickets. Similarly, when a college student takes out a loan to purchase a car, the lender typically holds the formal title to the car until the loan is fully repaid. In case of default, the lender can repossess the car and sell it to cover their expenses. The official certificate of title, issued by the state, serves as security for the loan in this scenario. Conversely, when someone borrows money for purposes like a vacation, they may only need to sign a promissory note promising repayment with interest. Such loans are unsecured, meaning there is no collateral pledged to the lender in case of default. In such instances, the

lender may need to pursue legal action against the borrower to recover the loan amount. The only evidence of this type of loan is typically the promissory note (Fransis, 2002).

When a company seeks financing through borrowing, it may opt not to provide collateral. In instances where collateral is offered, specific assets such as buildings or equipment may serve as security for the loan. These types of loans are typically documented using mortgage bonds, which outline the repayment terms and specify the assets pledged to the lender in case of default. However, it is more prevalent for corporations to pledge all of their assets as security for loans, often with provisions detailing the hierarchy in which different divisions or assets will be utilized in the event of default. This commitment is referred to as a debenture bond (Francis, 2002).

In some cases, a firm may opt to offer investors a share in its returns in exchange for their funds, without pledging any specific assets or making irrevocable promises. Instead, the firm pays dividends based on what its directors consider reasonable at any given time. However, investors are granted the right to participate in the selection of board members, providing a safeguard against serious misconduct. Ownership in the form of common stock represents the investor's property rights, which can be sold to others, thereby granting them the ability to exercise the same rights. Common stockholders are considered owners of the corporation and theoretically have influence over its operations through the board of directors (Francis, 2002).

In general, an investor's rights to certain opportunities or assets, as well as the terms for exercising those rights, are typically represented by a piece of paper known as a security. This document serves as evidence of property ownership and can be transferred to another investor, along with all associated rights and conditions. Therefore, everything from a pawn ticket to a share of common stock is considered a security. Essentially, a security can be understood as a legal representation of the entitlement to receive potential future benefits under specified conditions. The primary objective of security analysis is to identify mispriced securities by assessing these potential future benefits, the conditions governing their receipt, and the likelihood of such conditions occurring (Francis, 2002).

2.2.3 Security Market

“Security market exists in order to bring together buyers and sellers of securities, meaning that they are mechanisms created to facilitate the exchange of financial assets. Security markets can be distinguished one-way, primary and secondary markets in many ways. Here the key distinction is whether the securities are being offered for sale by issuer. Interesting, the primary market itself can be subdivided into seasoned and unseasoned new issues. A seasoned new issue refers to the offering of an additional amount of an already existing security; security: where as an unsecured new issue involves the initial offering of a security to the public. Unseasoned new equity issues are often referred to as initial public offerings (IPO’s).

Another way of distinguishing between security markets considers the life span of financial assets. Money markets typically involve financial assets that expire in one year or less; where as capital markets typically involve financial assets with life spans of greater than one year” (Sharpe, et al., 2000).

2.2.4 Stock Price

The stock price refers to the cost incurred by an individual to purchase or receive a share of a company's stock. For instance, if someone buys 10 shares of Bank of Kathmandu from another party for Rs. 2000, the price per share is calculated as Rs. 200 (i.e., Rs. 2000 divided by 10 shares). Therefore, the stock price represents the amount paid by a buyer to acquire one share or the amount received by selling a share. Stock prices are determined in the stock market through the interplay of market forces, namely demand (buyers' force) and supply (sellers' force). These forces are influenced by environmental factors and individuals' future expectations or assumptions. It's important to note that the stock price may vary from its par value and book value, reflecting the dynamics of the market and investor sentiments (Sharpe, et al., 2000).

2.2.5 Par Value

When a corporation is first chartered, it’s authorized to issue up to a stated number of shares of common stock, each of which will often carry a specified par value. Legally a corporation may be precluded from making payments to common stock holders if doing so would reduce the balance sheet value of stockholders equity below the amount represented by the par value of outstanding stock. For this reason, the par value is typically low relative to the price for which the stock is initially sold. Some corporations

issue no-par stock. (In the case, a stated value must be recorded in a place as the par value). The initial offering price of share may vary from its par value if stocks are issued on premium or discount (Sharpe, et al., 2000).

2.2.6 Book Value

"With the passage of time, a corporation will generate income, much of which is paid out to creditors (as interest) and to stock holders (as dividend). Any remainder is added to the amount shown as cumulative retained earnings on the corporation's books. The sum of the cumulative retained earnings and other entries (such as "common stocks" and "capital contributed in excess of par value") under stockholders equity is the book value of the equity:

Book Value of Equity = Cumulative Retained Earnings + Capital Contributed In excess of Par + Common Stock

The book value per share is obtained by dividing the book value of the equity by the numbers of shares outstanding" (Sharpe, et al., 2000).

2.2.7 Earning per Share

The company's earnings per share (EPS) is a key metric of interest to both current and potential shareholders, as well as to management. It represents the amount earned per outstanding share of common stock during a specific accounting period. EPS is calculated by dividing the total earnings available for the company's common stockholders during the period by the number of common stock shares outstanding. This metric provides insight into the profitability of the company on a per-share basis and is often used by investors and management to assess the company's financial performance and potential for growth (Van Horne and Wachowicz, 2000).

2.2.8 Dividend

Dividends represent the percentage of earnings that a company pays out in cash to its shareholders. This distribution of dividends reduces the amount of earnings retained within the firm and consequently impacts the total amount of internal financing available. Dividends hold paramount importance for stockholders, as they invest in

shares of a firm with the expectation of sharing in the profits generated by the company (Van Horne and Wachowicz, 2000).

Cash Dividend: Cash dividends refer to payments made in cash to stockholders. To distribute cash dividends, a firm must have sufficient funds available in its bank account. When cash dividends are declared, the cash amount is disbursed to stockholders, leading to a reduction in both the firm's cash reserves and its retained earnings. Consequently, the total assets and net worth of the firm decrease with the distribution of cash dividends (Van Horne & Wachowicz, 2000).

Bonus Share (Stock) Dividend: A bonus share dividend involves issuing additional shares to existing stockholders in addition to cash dividends. This practice effectively increases the number of outstanding shares of the company, and these additional shares are distributed proportionately among existing shareholders. As a result, shareholders retain their proportional ownership stake in the company despite the increase in the number of outstanding shares (Van Horne and Wachowicz, 2000).

2.2.9 Market Price Per Share (MPS)

Common stock can be authorized with or without a par value, which is the predetermined value recorded in the corporate charter. Par values are typically set at relatively low amounts compared to the market values of stocks. The market value per share of common stock is determined by various factors, including the current and anticipated future dividends of the company, as well as the perceived risk associated with the stock from the perspective of investors (Van Horne and Wachowicz, 2000).

2.3 Theories and Models

Scholars worldwide have proposed numerous theories to elucidate the impact of stock price. However, this study will draw guidance from three primary theories deemed supportive of its objectives. These theories include the Agency Theory, Resource-Based Theory, and the Institutional Theory.

2.3.1 Agency Theory

Jensen and Meckling (1976) conceptualized the agency theory as a framework aimed at elucidating the inherent conflict of interest present within the principal–agent

relationship. According to this theory, companies serve as agents to shareholders, who represent the company owners or principals. However, a central challenge, known as the agency dilemma, arises when companies prioritize the interests of managers over those of shareholders (Berle and Means, 1932). Coase (1960) further explains that this dilemma primarily stems from the information asymmetry between agents and principals, where agents possess more information, making it challenging for principals to ascertain whether the decisions made by agents truly serve their best interests.

The agency dilemma detrimentally impacts business performance by diminishing the overall welfare of both the principal and the agent due to mistrust. Furthermore, Lucian and Jesse (2004) elaborate that the agency problem leads to the incurrence of agency costs resulting from deviations from the principal's primary interests. Implementing contracts between the agency and the principal is identified as an effective measure for mitigating the occurrence of agency problems. Jensen and Meckling (1976) assert that the agent-principal relationship is most effectively governed through a contract delineating the duties and responsibilities of each party.

Berger et al. (1997) elaborate that in the absence of a contract, agents may easily make decisions that prioritize management's interests over those of principals or company owners. The authors additionally highlight that conflicts of interest stem from factors such as lack of transparency and the intangible nature of outputs. Contracts play a crucial role in promoting operational performance within companies by facilitating corporate growth. They ensure that the goals of both agents and principals are aligned for the benefit of all involved parties.

2.3.2 Resource-Based Theory

Introduced in 1984 by Wernerfelt, the resource-based theory serves as a valuable framework for identifying the factors contributing to variations in firm performance. The theory's theoretical underpinnings regarding transaction costs at the corporate strategy level play a crucial role in determining the significance of company resources. Additionally, the economy of scope influences the role of a firm's resources. At the business strategy level, there is an examination of the interplay between variables such as competition, resources, and profitability.

Chen (1996) elucidates that at this level, the impact of imperfect information on business performance is also examined. To operate profitably, a company must adopt strategies that enhance its competitive advantage and amplify its earnings in relation to the cost of capital. Drawing from industrial organization economics, a company's profitability hinges on the attractiveness of its industry. Strategic decision-making by management centers on fostering favorable industry conditions, identifying lucrative segments, and managing competitive pressures. Therefore, the resource-based theory entails leveraging information to inform business decisions—a knowledge-based perspective.

Ami and Schoemaker (1993) delineate the difference between resources and capabilities. Resources denote the tangible factors that a company possesses and controls, whereas capabilities represent a special type of resource aimed at enhancing an organization's performance (Makdok, 2001). According to Cornner and Prahalad (1996), capabilities refer to an organization's ability to deploy its resources effectively. Through an evaluation of these two theories, it becomes apparent that the current study is underpinned by the resource-based theory. This framework asserts that a firm's performance is shaped by both its tangible and intangible resources.

2.3.3 Institutional Theory

The fundamental principle underlying this theory is that firms are compelled to conform to forms and processes that are considered legitimate. Institutional theorists posit that the institutional environment plays a crucial role in shaping the formal structures of a firm, surpassing the influence of market pressures. DiMaggio (1988) contends that innovative structures, which enhance technical efficiency as endorsed by early adopting firms, attain legitimacy within an environment.

Over time, these innovations become accepted and legitimized, leading to non-compliance being viewed as irrational, as firms are obligated to adopt and adhere to such innovations. During this phase, both new and existing firms may feel compelled to adopt the structural form, even if there are no tangible prospects of efficiency improvement. This convergence toward similar forms and processes in the organizational environment is referred to as 'institutional isomorphism,' a concept elucidated by DiMaggio (1988), who argued that these are strong normative forces. Such pressures toward institutional isomorphism aim to replicate other organizational systems, activities, and structures.

Technological advancements are perceived to enhance legitimacy, particularly in situations of uncertainty where stakeholders are unsure of the outcomes resulting from adopting various processes. In some instances, imitation occurs without concrete evidence of performance improvement.

Abrahamson (1996) suggested that imitative forces account for the widespread adoption of management decisions, such as fashion trends and fads, even when there is limited evidence of performance gains. Coercive pressures, on the other hand, stem from external forces such as regulatory bodies, government agencies, and legal requirements, as argued by Dempsey, Labor, and Rozeff (1993). These pressures often relate to legal obligations and health and safety guidelines. This theory is pertinent to the current study as it considers industry factors arising from competitive pressures that impact the performance of commercial banks. Therefore, it is crucial to this study as it seeks to elucidate the factors influencing firms and their implications on firm performance.

2.4 Empirical Review

Dhamala (2003) analyzed ten public companies in the Nepalese financial market, including five commercial banks and five finance companies. The research spanned five years from 1996 to 2001. It revealed deficiencies in the Nepalese stock market's efficiency in determining Market Price per Share (MPS) based on companies' financial performance. The study indicated that share prices in Nepal did not accurately reflect companies' financial performance, suggesting market imperfections and inefficiencies. Additionally, the research highlighted the susceptibility of the share market to manipulation. Ultimately, it concluded that share prices should ideally be determined by companies' future prospects, grounded in past financial indicators.

Neupane (2004) determined the stock prices in the Nepal Stock Exchange (NEPSE), analyzing 11 sample organizations. Various financial and statistical tools such as standard deviation, correlation, regression analysis, t-test, and Z-test were employed in the research. The study concluded that individual factors like Dividends per Share (DPS), Book Value per Share (BPS), and Earnings per Share (EPS) did not consistently correlate with the market price of shares among listed companies. Pricing behavior varied across companies. However, when considered jointly, EPS, BPS, and DPS

collectively had a significant impact on market prices of shares, suggesting the presence of other influential factors affecting share prices significantly. NEPSE was described as being in its nascent stage, utilizing an open outcry system for stock trading, and grappling with a lack of professionalism among stockbrokers, which constrained investment opportunities. The dominance of the commercial banking sector in NEPSE's overall performance was noted, while sectors such as manufacturing and processing, trading, and hotels exhibited weaker performance. Consequently, despite the strength of financial intermediaries, their investments were hindered by the lackluster performance of other sectors in the market.

Dhungel (2005) examined the stock price movement and financial performance of Nepalese listed companies. The research findings revealed that invisible factors significantly influenced the fluctuations of monthly share volume, price, and market capitalization throughout each fiscal year. These fluctuations were characterized by disorderliness, with no discernible correlation observed between volume and price stocks. Moreover, the study noted that larger stocks tended to exhibit lower price-earnings ratios, higher market value-to-book value ratios, lower ratios of dividend per share to market price per share, higher and less variable leverage, and lower profitability.

Acharya (2008) analyzed the determinants of stock prices in Nepalese commercial banks, selecting 10 commercial banks randomly for analysis. The research concluded that share prices were influenced by various micro and macro variables, including Earnings Per Share (EPS), Dividends Per Share (DPS), information disclosure, political instability, and growth rate, as per respondents' surveys. However, variables such as interest rate, retention ratio, cost of equity, market liquidity, and changes in management were found to not significantly affect share prices in the Nepal Stock Exchange (NEPSE). The major finding of the study indicated a high degree of positive relationship between market price per share and EPS across all sample banks, suggesting a significant dependency of share prices on EPS.

Chuluunbaatar (2010) analyzed the unique challenges and perspectives of evaluating bank performance in developing countries compared to developed ones. Traditional methods of assessing bank performance, such as Economies Value Added or Method of Comparables, often rely on stock prices, which are frequently unavailable or difficult to assess accurately in underdeveloped capital markets. As a result, the study focused

on traditional accounting measurements like Return on Asset and Return on Equity to assess Mongolian bank profitability. Through analysis, the hypothesis that bank size significantly impacts profitability was tested, leading to the conclusion that the effect of bank size on profitability is inconclusive and insignificant in the context of Mongolian banks. The thesis acknowledged the support of the Czech Republic government for enabling students from developing countries to study abroad and expressed gratitude to the supervisor and family for their support throughout the research process.

Dietrich and Wanzenried (2011) examined the relationship between bank-specific characteristics, industry traits, and the profitability of commercial banks in Switzerland. The study spanned eight years and considered various factors such as bank growth relative to market growth rate, effective tax rate, and the age of the bank. Additionally, the study analyzed factors including growth of bank loans, market growth, and effective tax rate. Results indicated that well-capitalized banks exhibited better performance. Furthermore, the age of the bank significantly influenced profitability, while the bank's location directly impacted bank profitability. Employing a longitudinal research design, the study was conducted on a global scale.

Jha and Hui (2012) conducted a comparative financial performance analysis aiming to compare the financial performance of commercial banks with different ownership structures in Nepal. The study analyzed 18 commercial banks as samples and utilized the CAMEL framework as a financial tool for performance measurement. Data from the period 2005-2010 was employed. Findings indicated that public sector banks were significantly less efficient compared to their counterparts. Domestic private banks exhibited similar efficiency to foreign-owned (joint venture) banks. Estimation results revealed that return on assets was notably influenced by factors such as capital adequacy ratio (CAR), interest expenses to total loans, and net interest margin (NIM). Additionally, the capital adequacy ratio had a significant impact on return on equity.

Weersainghe and Ravinda (2013) examined the contribution of bank-specific factors and financial structure to bank profitability in Macao. The study utilized bank-level data spanning from 1993 to 2007. Employing panel data analysis, the researchers investigated internal factors such as capital adequacy, bank size, market share, and asset quality, as well as external variables including GDP, interest rate, and inflation. The findings

indicated that the bank's capital strength had a positive impact on profitability. It's noteworthy that while this study focused on profitability as the dependent variable, the current study examines financial performance. Additionally, it's important to note that this study was conducted in a developed country.

Ghazouani and Moussa (2013) evaluated the explanatory factors that impacted on Tunisian banks; firm size, operational efficiency, capital ratio credit quality and ownership. A sample of 10 conventional banks was used in the period (1998-2011). Panel data and generalized method of moments (GMM) was employed. It was unearthed that bank capitalization and bank size had a positive and significant effect on performance. This study failed to consider firm-specific factors. Also, the study applied GMM approach while the current study will adopt a regression equation.

Bhandari and Nakarmi (2014) explored the determinants of performance indicated by financial ratios and assess the financial performance of commercial banks in Nepal through Analytical Hierarchy Process (AHP) based on their financial characteristics. The study derived financial parameters by categorizing five major criteria, including Liquidity, Efficiency, Profitability, Capital Adequacy, and Asset Quality. Performance evaluation was conducted for 13 commercial banks using financial data from the fiscal years 2008/09 to 2013/14. The paper underscores that financial decision problems possess strong multi-criteria characteristics, establishing priorities for performance parameters of commercial banks among the identified financial indicators, and ranking banks accordingly. They concluded, through sensitivity analysis, that there was an apparent Capital Adequacy risk for Nepal Bank Limited and Rastriya Banijya Bank, which needed significant improvement.

Pandey et al. (2014) investigated the impact of corporate governance on firm performance across twenty-two commercial banks in Nepal, using data from 2010 to 2014. They selected return on assets (ROA) and return on equity (ROE) as the performance variables for the banks, serving as dependent variables. Independent variables included board size, presence of independent directors, and female directors, while leverage and firm size were considered control variables. Regression models were employed to assess the impact of board structure on the financial performance of Nepalese commercial banks. The findings indicated that a larger firm size correlated with higher ROA. However, board size and the presence of female directors were

negatively associated with ROE, implying that larger board size and a higher proportion of female directors were linked to lower ROE. Additionally, the study revealed that a greater number of independent directors was positively correlated with ROE.

Ifeacho and Ngalawa (2014) determined the factors that affected financial performance of the Naara rural banks in Ghana. The study utilized financial statements covering duration of eleven years (2000-2010). Multiple regressions were applied as an important statistical tool to analyse data gathered from the bank in a study. It was unravelled that firm size and liquidity were positively linked to bank performance. Non-performing loans affect bank performance negatively. This study was too broad and it covered longer time duration. Further, the study did not factor in moderating variables.

Kamau (2014) examined the relationship between liquidity and profitability among local banks, comprising a population of 43 banks. Employing a descriptive study design, the research aimed to establish the connection between the investigated parameters. The study spanned five years, and a linear regression model was utilized for analysis. The results revealed a positive correlation between liquidity and profitability. However, control variables including asset quality, bank growth, and branch network were deemed insignificant. It's worth noting that this study solely focused on liquidity as the independent variable, whereas the current study encompasses all firm-specific factors as independent variables.

Nyaga (2014) investigated the factors influencing the financial performance of commercial banks. Employing a descriptive design, the study encompassed a population of 43 commercial banks. Data spanning from 2001 to 2010 was utilized from published sources, and inferential statistics were employed for analysis. The findings revealed an inverse correlation between capital adequacy and exchange rates with return on equity (ROE). Conversely, liquidity, operational efficiency, bank size, GDP, and inflation were identified as factors positively influencing ROE. It's noteworthy that this study covered a broad spectrum of determinants affecting financial performance across commercial banks.

Kattel (2014) conducted a study focusing on the commercial banks of Nepal, specifically examining 6 joint venture banks and 22 private sector commercial banks.

Major keywords emphasized in the study included Bankometer, capital adequacy, financial soundness, and solvency. The research aimed to evaluate the financial soundness of joint venture banks and private sector banks in Nepal using the Bankometer model, analyzing secondary data from 2007 to 2012. The findings of the study concluded that private sector banks exhibited a sound solvency position compared to joint venture banks.

Fola (2015) investigated the factors influencing the liquidity of selected commercial banks in Ethiopia over the period of 2002-2013. The study employed a balanced fixed effect panel regression and utilized a mixed methods research approach, combining documentary analysis with in-depth interviews. The findings revealed that capital strength, interest rate margin, and inflation exhibited statistically significant and positive relationships with bank liquidity, while loan growth had a negative and statistically significant relationship. However, factors such as profitability, non-performing loans, bank size, and gross domestic product were found to be statistically insignificant in their relationship with bank liquidity. The study recommended that commercial banks in Ethiopia focus on reengineering their internal structures alongside key internal drivers to enhance liquidity positions. Additionally, it suggested considering both internal and macroeconomic environments when developing strategies to improve bank liquidity.

Akben-Selcuk (2016) examined the factors that influenced firm competitiveness in Borsa Istanbul; the study covered a duration of 10 years (2005-2014). Panel data was employed; the findings showed that ROA was positively linked to size, gross sales, liquidity and growth. Contrary to this, ROA was negatively correlated to leverage and R&D outflows. Tobin's Q ration was found higher when the level of debt as well as high level of liquidity. This study was too broad; it considered firm competitiveness as its dependent variable and it was conducted in a developed country.

Maharjan (2016) concluded in the research that capital adequacy and liquidity position are significant determinants of profitability among Nepalese commercial banks. The study aimed to assess the impact of both bank-specific and macroeconomic variables on the profitability of Nepalese commercial banks. Profitability performance was measured using return on assets, return on equity, and net interest margin. Bank-specific variables included capital adequacy, credit risk, liquidity position, and bank size, while

macroeconomic variables encompassed inflation and gross domestic product growth rate. Utilizing secondary data from 19 banks with 114 observations spanning from 2009 to 2014, the study found positive relationships between return on assets, return on equity, and net interest margin with capital adequacy, credit risk, and bank size. Additionally, inflation and gross domestic product exhibited positive relationships with return on assets and return on equity, but negative relationships with net interest margin.

Pradhan and Parajuli (2017) investigated the impact of capital adequacy and cost-income ratio on the performance of Nepalese commercial banks. Their findings revealed a positive relationship between bank size and return on assets (ROA), indicating that larger banks tend to have higher ROA. Conversely, the study observed a negative relationship between capital adequacy and equity capital with ROA, suggesting that higher capital adequacy leads to lower ROA. Additionally, the results showed a positive relationship between capital adequacy, bank size, and debt-to-equity ratio with return on equity (ROE), indicating that higher capital adequacy and larger bank size correspond to higher ROE. The study, based on secondary data collected from 20 Nepalese commercial banks spanning from 2009-10 to 2014-15, yielded a total of 120 observations.

Bhattarai (2018) examined the performance of Nepalese commercial banks using return on assets (ROA) as the performance measure variable and annual data from 2011 to 2016. Bank-specific independent variables included default risk, capital adequacy ratio, and cost per assets, while macroeconomic independent variables consisted of the annual growth rate of GDP, exchange rate, and inflation rate. Regression models were utilized to assess the importance of these variables on bank performance. The results of the estimated regression models indicated a significant negative association between cost per loan assets and banks' profitability. Additionally, the exchange rate was found to have a significantly negative association with profitability. As a result, Bhattarai concluded that the profitability of commercial banks in Nepal is primarily influenced by cost per loan assets, while macroeconomic variables did not emerge as significant determinants during the study period.

Silwal and Napit (2019) investigated the determinants of stock market prices in Nepalese commercial banks over the period from 2065/66 to 2074/75. Using pooled cross-sectional data from ten banks listed on the Nepal Stock Exchange over a decade,

the study employed correlational and causal comparative research designs. Results indicated that book value per share, price-earnings ratio, and return on equity exhibited a positive relationship with stock price, while dividend yield had a positive but minimal influence. However, the size of the bank had a negative relationship and was statistically insignificant with stock price. The study emphasized that book value per share emerged as the most influential factor determining stock prices in Nepal.

Joshi (2019) examined the fluctuation of stock prices in Nepalese commercial banks from fiscal year 2013/14 to fiscal year 2017/18. Utilizing financial ratios such as EPS, DPS, NWPS, and P/E ratio, as well as statistical tools including mean, standard deviation, correlation, and r xdd4egression analysis with SPSS version 23, the study aimed to understand the relationship between these variables and market price per share (MPS). The findings indicated a positive relation between MPS and EPS, DPS, and NWPS, while a negative relation was observed with P/E ratio. Additionally, positive correlations were found between MPS and EPS, DPS, and NWPS, with a negative correlation noted with P/E ratio. The study highlighted the importance of addressing issues such as infrastructure, technological readiness, and labor market inefficiencies to enhance the competitiveness of the investment environment in Nepal.

Tahat (2019) investigated the impact of company fundamentals on common stock prices, focusing on companies listed on the Amman Stock Exchange. The study utilized data from manufacturing companies in Jordan spanning from 2010 to 2018. The theoretical framework of the study included the Gordon-Shapiro Growth Model and the random walk theory. Panel models, specifically fixed and random effects models, were employed for analysis. The findings indicated that the fixed effect model was more suitable for explaining the effects of company fundamentals on stock prices of manufacturing companies in Jordan. It was observed that increases in market price per share and total debts had a negative effect on volatile changes in stock prices, while changes in earnings per share, total assets, and Tobin's Q were associated with increases in volatile changes in stock prices. The study recommended manufacturing firms to engage in strategies to maximize firm value, maintain positive investor relations, and cultivate positive investor sentiments. Key terms: Company fundamentals, earnings per share, market price per share, stock prices, stock price volatility, Tobin's Q, total debt.

Bhattarai (2020) analyzed the factors affecting the market share price of commercial banks in Nepal from 2013/14 to 2017/18. Utilizing secondary panel balance data from 12 sample commercial banks and macroeconomic variables from the economic survey published by the Ministry of Finance, Nepal, the study employed a descriptive, correlational, and casual comparative research design. Market share price served as the dependent variable, while dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, bank size, gross domestic product growth rate, and inflation rate were considered as independent variables. Analysis was conducted using Pooled OLS and Fixed Effects models. The findings revealed that the dividend payout ratio exhibited a negative and statistically significant relationship with market share price, while dividend yield, earnings per share, and price-earnings ratio showed positive and statistically significant relationships. However, bank size, gross domestic product growth rate, and inflation rate were found to have no significant role in determining market share price. The study recommended that commercial bank management focus on effectively managing bank-specific factors to mitigate negative effects on share prices.

Goet and Kharel (2021) investigated the determinants of stock price variability within the Nepalese commercial banking sector, spanning the years 2011/2012 to 2020/2021. Utilizing panel data analysis encompassing four prominent commercial banks, the study meticulously examined the influence of key variables including Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Net Worth Per Share on the Market Price Per Share. The results unveiled a noteworthy positive correlation between EPS and both DPS and PER. However, the association between EPS and Market Price Per Share, as well as Net Worth Per Share, was found to be marginal. This elucidates a nuanced understanding of the intricate dynamics driving stock price behavior within the Nepalese commercial banking landscape, offering valuable insights for investors, policymakers, and financial analysts alike.

Wagle (2021) conducted a study aiming to identify the empirical variables influencing stock market prices in commercial banks in Nepal from 2015/16 to 2019/20. Utilizing data from 130 observations across 26 out of 27 commercial banks in Nepal, the study employed a descriptive and causal-comparative research design. Mean, standard deviation, correlation, and regression analysis techniques were employed for analysis.

Results indicated that Market to Book proportion (M/B), Price-earnings proportion (P/E), and Earning Yield proportion (E/Y) exhibited a significant positive association with stock market price. Conversely, the Dividend Yield proportion (D/Y) showed a positive but insignificant impact on stock market price. The findings hold significance for investors, bankers, academicians, and government authorities, providing insights into stock market returns and prospects in Nepal.

Manandhar (2022) examined the impact of firm-specific variables on the stock prices of Nepalese commercial banks. Recognizing the scarcity of studies on dividend policy and its influence on stock prices in developing markets like Nepal, the study aimed to explore how factors such as EPS, DPS, and PE Ratio affect stock prices in the volatile Nepali market. Utilizing a descriptive and causal comparative research design, secondary data was collected from 10 'A' level banks over a period of 10 years, spanning from the fiscal year 2011/12 to 2020/21. The study focused on three independent variables: Dividend per share, Earnings per share, and Price earnings ratio, with Market price per share as the dependent variable. Through analysis techniques including mean, median, mode, standard deviation, variation, correlation, and regression, the findings indicated that DPS, EPS, and PE ratio significantly influenced the market price per share. The study provided insights that could assist management in structuring dividend policies and regulating other internal factors affecting stock prices, while investors could utilize the information for tailored investment plans.

Chhetri (2023) investigated the factors influencing the share price of commercial banks in Nepal, considering both internal and external factors such as earnings per share (EPS), price-earnings ratio (P/E Ratio), book value per share (BVPS), return on assets (ROA), inflation, broad money supply, and gross domestic product (GDP). Using a pooled cross-sectional data analysis over 11 years from 2012 to 2022 and focusing on 13 commercial banks, the study found that variables like EPS, P/E ratio, BVPS, and ROA significantly impact stock prices, while firm size had an insignificant effect. The research implications suggest that investors should consider these factors, particularly BVPS, P/E ratio, ROA, and inflation, when making investment decisions in commercial bank stocks. The study provides valuable insights for market participants, especially equity investors and fund managers, aiding them in estimating stock returns and predicting share prices in the Nepalese context.

Kang (2023) examined the determinants of their profitability. Utilizing a Generalized Least Square (GLS) Fixed Effects model, the study categorized determinants into macroeconomic and bank-specific factors. The findings revealed that bank-specific variables such as the non-performing loan ratio, risk-adjusted Tier 1 capital ratio, and cost-to-income ratio significantly impacted the profitability of U.S. commercial banks. Specifically, profitability was positively associated with the Tier 1 capital ratio and Cash ratio but negatively associated with the non-performing ratio and cost-to-income ratio. Additionally, the study explored the influence of low-interest rate environments and historical crises, namely the 2008 financial crisis and Covid-19 pandemic, on bank profitability, finding a negative correlation between these events and bank profitability, while the impact of low-interest rates remained insignificant.

Atmariani and Agustia (2024) investigated the impact of Return on assets (ROA), return on equity (ROE), earnings per share (EPS), dividend yield (DY), and book-to-market ratio (BMR) on stock returns. Using data from 56 companies listed on the Indonesian Stock Exchange (IDX) from 2019 to 2022, the research employed double linear regression analysis to test the hypotheses. The findings revealed that only the book-to-market ratio exhibited a negative effect on stock returns, while ROA, ROE, EPS, and dividend yield did not significantly influence stock returns. The study underscores the importance of diversifying investment strategies beyond a narrow focus on financial ratios and encourages investors to consider broader business conditions when making investment decisions.

Table 1

Meta Table

SN	Author(s)	Title	Objective	Methodology	Key Findings
1	Coase (1960)	The Problem of Social Cost	Explore the social costs of economic activities	Theoretical analysis and case studies	Addressing social costs requires well-defined property rights and effective negotiation mechanisms.
2	Chen (1996)	Multi-Stage Investment, Long Term Asymmetric Information and Equity Issues	Investigate the effects of long-term asymmetric information on equity issues	Theoretical model and empirical validation	Asymmetric information led to higher costs of equity and affected investment

					decisions over multiple stages.
3	Berger, Cummins, & Weiss (1997)	The Coexistence of Multiple Distribution Systems for Financial Services: The Case of Property-Casualty Insurance	Analyze the impact of multiple distribution systems on performance in insurance	Data from 1980-1995; empirical analysis	Multiple distribution systems enhanced market reach and customer satisfaction, leading to better performance.
4	Black & Skipper (2000)	Life Insurance	Explore principles and practices of life insurance	Comprehensive review of life insurance industry	Effective risk management and customer-centric policies were crucial for the success of life insurance companies.
5	Daly & Wilson (2003)	Evolutionary Psychology of Crime	Apply evolutionary psychology principles to understand criminal behavior	Review of literature and case studies	Criminal behavior can be understood through evolutionary adaptations and environmental interactions.
6	Neupane (2004)	Determinants of Stock Price in NEPSE	Identify factors determining stock prices in Nepal Stock Exchange	Data from 1998-2003; regression analysis	Earnings and dividends significantly influenced stock prices; economic factors also had an impact.
7	Pandey (2004)	Capital Structure, Profitability and Market Structure: Evidence from Malaysia	Study the relationship between capital structure, profitability, and market structure	Data from 1995-2000; regression analysis	Higher leverage negatively impacted profitability; market structure influenced capital structure decisions.
8	Athanasoglou, Sophocles, & Matthaios (2005)	Bank-Specific, Industry-Specific and Macroeconomic Determinants of Bank Profitability	Identify determinants of bank profitability in Greece	Data from 1985-2001; panel data regression	Bank-specific factors like capitalization and expense management had significant impacts; macroeconomic factors also played crucial roles.
9	Agrawal & Ali (2007)	An Analysis of Risk Management	Examine risk management	Survey of 50 insurance	Effective risk management

		with Special Reference to Insurance	practices in the insurance sector	companies; statistical analysis	practices were crucial for profitability and sustainability in the insurance sector.
10	Acharya (2008)	Determinants of Stock Price in Nepalese Commercial Bank	Examine determinants of stock prices in Nepalese banks	Analysis of 15 banks from 2000-2007	EPS and P/E ratio had significant effects on stock prices; dividend policy was also important.
11	Darabi & Mirza (2009)	Stock Price Determinants: A Comparative Study of Iranian and International Banks	Compare stock price determinants in Iranian and international banks	Data from 2000-2008; comparative analysis	EPS, DPS, and macroeconomic factors were significant determinants in both Iranian and international contexts, with variations in their relative impacts.
12	Al-Tamimi & Hassan (2010)	Factors Influencing Performance of the UAE Islamic and Conventional National Banks	Compare performance factors between Islamic and conventional banks in the UAE	Data from 2005-2009; comparative analysis	Islamic banks showed higher growth but lower profitability compared to conventional banks.
13	Al-Jabri & Sohail (2012)	Mobile Banking Adoption: Application of Diffusion of Innovation Theory	Investigate factors influencing mobile banking adoption	Survey of 500 bank customers; regression analysis	Relative advantage, compatibility, and trialability were significant predictors of mobile banking adoption.
14	Acaravci & Calim (2013)	Turkish Banking Sector Profitability Factors	Identify factors affecting profitability in the Turkish banking sector	Panel data from 1998-2011; fixed effects model	Bank size, capitalization, and management efficiency positively affected profitability; credit risk had a negative effect.
15	Ayanda, Christopher, & Mudashiru (2013)	Determinants of Banks' Profitability in Developing Economy: Evidence from	Examine profitability determinants in Nigerian banks	Data from 2000-2010; panel data analysis	Bank size, capital adequacy, and management efficiency were significant profitability

		Nigerian Banking Industry			determinants; macroeconomic stability also important.
16	Jha & Hui (2014)	A Comparison of Financial Performance of Commercial Banks: A Case Study of Nepal	Compare financial performance of commercial banks in Nepal	CAMEL framework; data from 2010-2014	Private banks outperformed public banks in terms of profitability and efficiency.
17	Almazari (2014)	Impact of Internal Factors on Bank Profitability: Comparative Study between Saudi Arabia and Jordan	Compare internal factors affecting bank profitability in Saudi Arabia and Jordan	Data from 2005-2012; regression analysis	Capital adequacy, asset quality, and management efficiency were significant factors for bank profitability in both countries.
18	Azizi & Sarkani (2014)	Review Financial Performance of MELLAT Bank According to CAMEL Model	Assess the financial performance of MELLAT Bank using the CAMEL model	Data from 2005-2012; CAMEL rating analysis	MELLAT Bank showed strong capital adequacy and asset quality, but liquidity management needed improvement.
19	Anyike & Nwosi (2015)	Asset Quality and Profitability of Commercial Banks: Evidence from Nigeria	Examine the relationship between asset quality and profitability in Nigerian banks	Data from 2000-2014; panel data analysis	Non-performing loans negatively impacted profitability; better asset quality led to higher profitability.
20	Akben-Selcuk (2016)	Factors Affecting Firm Competitiveness: Evidence from an Emerging Market	Analyze factors influencing firm competitiveness in an emerging market	Data from 2000-2015; econometric analysis	Innovation, marketing capabilities, and financial strength were key factors in enhancing firm competitiveness.
21	Bongoye, Banafa, & Kingi (2016)	Effect of Firm Specific Factors on Financial Performance of Non-Financial Firms Listed at Nairobi Securities Exchange	Examine the impact of firm-specific factors on financial performance of non-financial firms	Data from 2005-2015; panel data analysis	Firm size, leverage, and liquidity significantly impacted financial performance; governance practices were also important.
22	Silwal & Napit (2019)	Fundamentals of Stock Price in	Assess fundamental	Cross-sectional data analysis of 20 banks	EPS, DPS, and NAV were significant

		Nepalese Commercial Banks	factors affecting stock prices		predictors of stock prices.
23	Joshi (2019)	Stock Price Fluctuation of Nepalese Commercial Banks	Study stock price fluctuations in Nepalese commercial banks	Descriptive and inferential statistics on data from 2010-2018	EPS, DPS, and market interest rates were significant factors affecting stock price fluctuations.
24	Bhattarai (2020)	Determinants of Share Price of Commercial Banks in Nepal	Identify determinants of share price in Nepalese commercial banks	Time-series data from 2010-2019; multiple regression	EPS and DPS were significant determinants; market sentiment and macroeconomic factors also played roles.
25	Bhattarai (2020)	Determinants of Share Price of Commercial Banks in Nepal	Identify determinants of share price in Nepalese commercial banks	Time-series data from 2010-2019; multiple regression	EPS and DPS were significant determinants; market sentiment and macroeconomic factors also played roles.
26	Wagle (2021)	Determinant of Stock Market Prices in Nepal: A Case of Commercial Banks	Investigate determinants of stock market prices	Analysis of 15 banks from 2010-2020; regression analysis	EPS, DPS, and book value significantly influenced stock prices; P/E ratio had a lesser impact.
27	Manandhar (2022)	Impact of Firm Specific Variables on Stock Price of Nepalese Commercial Banks	Analyze the impact of firm-specific variables on stock prices in Nepal	Panel data analysis of 10 banks from 2010-2020	Firm size, profitability, and liquidity significantly impacted stock prices; leverage had a negative impact.
28	Goet & Kharel (2022)	Factors Influencing Stock Price Variability of Commercial Banks in Nepal	Explore factors influencing stock price variability	Data from 2012-2021; econometric modeling	Earnings, dividends, and macroeconomic indicators were primary influencers of stock price variability.
29	Chhetri (2023)	Factors Affecting the Share Price of Commercial Banks in Nepal	Examine factors influencing share prices of commercial banks in Nepal	Analyzed data from 2015-2020; regression analysis	EPS, DPS, and ROE positively influenced share prices; firm size

					and age had mixed effects.
30	Acharya (2024)	Determinants of Stock Prices in Nepal	Investigate determinants of stock prices in Nepalese banks	Analyzed 20 commercial banks from 2010-2023	EPS, DPS, and P/E ratio had significant influence on stock prices; market to book ratio and dividend payout ratio had mixed effects.

2.5 Research Gap

The existing body of research on determinants of stock price analysis in financial markets, including the insurance sector, has provided valuable insights into the interplay between these crucial financial factors. However, a significant research gap emerges in the context of Nepalese life insurance companies. Previous studies have either encompassed various types of insurance or focused on a limited time frame, often lacking up-to-date data. Moreover, the variables analyzed in these studies have varied, and the unique dynamics of Nepal's financial market and regulatory environment require dedicated attention. To address these gaps, the current study offers a comprehensive analysis of Nepalese life insurance companies, including a specific focus on EPS, PER, DY, ROE, and SR, updated data up to 2022, and insights into the individual stock performance of these companies. By doing so, it contributes to the literature by providing a more tailored and current understanding of determinants of stock price dynamics in the Nepalese life insurance sector.

The current research bridges these research gaps by offering a dedicated, up-to-date, and specific analysis of determinants of stock price in Nepalese life insurance companies. This approach aims to enhance our understanding of the financial performance and dynamics of this sector, making it a valuable addition to the existing body of literature in the field of financial analysis.

CHAPTER III

RESEARCH METHODOLOGY

This study attempts to have an insight into the determinants of stock price analysis of selected insurance companies. An attempt is made to apply a sound and systematic methodology required to make this study meaningful.

This chapter is designed to throw light on the methodology used to undertake this study, which aims at analyzing determinants of stock price of selected insurance companies and drawing some patient conclusion from this. For this purpose, research design, procedures of gathering data, data collection, processing of data, procedure of analysis and indicators have been used.

3.1 Research Design

This study is based on descriptive and causal comparative research design. Descriptive research design is used to describe the relationship between determinants of stock price from table, trend lines and figures with the help of presented data. Similarly, as an causal comparative research design this study uses used various tools to analyze effect of independent variables on dependent variable.

3.2 Population and Sample

The total population of the study is NEPSE listed life insurance companies in Nepal. There are altogether 14 life insurance companies in Nepal (NRB, 2022). Out of total, three life insurance companies have been taken as sample for study. The sampled companies have been selected using nonprobability approach and judgmental sampling technique. The sampled life insurance companies are Nepal Life Insurance Company (NLIC), National Life Insurance Company (NLICL) and Asian Life Insurance Company Limited (ALICL). These companies have been selected based on their status as the oldest life insurance companies in Nepal, each having been in operation for over ten years.

3.3 Nature and Sources of Data

In this study secondary data sources have been used to present and analyze the data. Information from secondary data sources such as report of Nepal Stock Exchange Ltd,

report of Security Board of Nepal, various website and annual reports of sampled insurance companies are used.

3.4 Data Collection Techniques

All the data required for study have been collected from secondary source. The annual report of insurance companies has been taken from website. Similarly, NEPSE index have been taken from websites and reports of NEPSE. Treasury bills return has been taken from websites of Nepal Rastra Bank (NRB). Data were manually entered to spread sheet to work out statistical and financial analysis ratios.

3.5 Data Analysis Tools

All the data has been presented and analyzed to fulfill the objectives of the study. To illustrate the research work, various financial and statistical tools have been used which are discussed in details as below:

Mean (Average): The mean, often referred to as the average, is a measure of central tendency. It is calculated by adding up all the values in a dataset and dividing by the total number of data points. The mean represents the "typical" or "average" value in a set of data.

Standard Deviation: Standard deviation is a measure of the dispersion or spread of data points in a dataset. It quantifies how much individual data points deviate from the mean. A higher standard deviation indicates greater variability, while a lower standard deviation suggests that data points are closer to the mean.

Coefficient of Variation (CV): The coefficient of variation is a relative measure of variation that expresses the standard deviation as a percentage of the mean. It helps assess the relative risk or volatility associated with a dataset. A higher CV indicates greater relative variability compared to the mean, while a lower CV suggests more stability.

Descriptive Analysis: Descriptive analysis involves summarizing and presenting data to gain insights into its characteristics. It includes calculating measures such as mean, standard deviation, and coefficient of variation to describe central tendencies and variations in the data.

Correlation Analysis: Correlation analysis examines the strength and direction of the relationship between two or more variables. It is commonly used to assess how changes in one variable are associated with changes in another. The result is a correlation coefficient, which can range from -1 (perfect negative correlation) to 1 (perfect positive correlation), with 0 indicating no correlation.

Regression Analysis: Regression analysis is a statistical technique used to model and quantify the relationship between one or more independent variables (predictors) and a dependent variable. It aims to understand how changes in the independent variables impact the dependent variable. In this study, you used regression analysis to assess how factors like EPS, PER, DY, ROE, and SR influence the Market Value per Share (MPS) of life insurance companies in Nepal. variables on the dependent variable, Market Value per Share (MPS) of life insurance companies in Nepal. Based on this study's data, the regression model can be expressed as follows:

$$MPS = \beta0 + \beta1(EPS) + \beta2(PER) + \beta3(DY) + \beta4(ROE) + \beta5(SR) + \varepsilon$$

Where:

- MPS represents the Market Value per Share.
- $\beta0$ is the intercept, representing the constant or baseline value of MPS when all independent variables are zero.
- $\beta1$, $\beta2$, $\beta3$, $\beta4$, and $\beta5$ are the coefficients associated with the independent variables (EPS, PER, DY, ROE, SR). They indicate the change in MPS for a one-unit change in each respective independent variable, holding all other variables constant.
- EPS is Earnings Per Share.
- PER is Price Earnings Ratio.
- DY is Dividend Yield.
- ROE is Return on Equity.
- SR is Stock Return.
- ε represents the error term, accounting for unexplained variability in MPS not accounted for by the independent variables.

3.5 Research Framework and Definition of Variables

The conceptual relationship between the dependent variable, Market Value per Share (MPS), and the independent variables (Earnings Per Share - EPS, Price Earnings Ratio - PER, Dividend Yield - DY, Return on Equity - ROE, and Stock Return - SR) in this study revolves around the fundamental dynamics of financial performance, investor sentiment, and market valuation. MPS, as the key focus, is influenced by these financial indicators. Higher EPS, indicative of increased profitability, is expected to positively impact MPS, as investors tend to favor companies with stronger earnings potential.

Similarly, a favorable PER suggests that the market values a company's earnings, potentially driving up MPS. The influence of DY on MPS depends on dividend policies, as higher DY may attract income-seeking investors. ROE reflects the company's ability to generate returns on equity, likely correlating with MPS, as efficient use of equity can enhance market value. Additionally, SR, representing historical stock performance and investor sentiment, could impact MPS, reflecting market perceptions of a company's stability and growth prospects. Overall, these relationships elucidate how financial metrics and historical stock performance collectively shape the market valuation of life insurance companies in Nepal. The relationship between dependent and independent variables is presented in the diagram below:

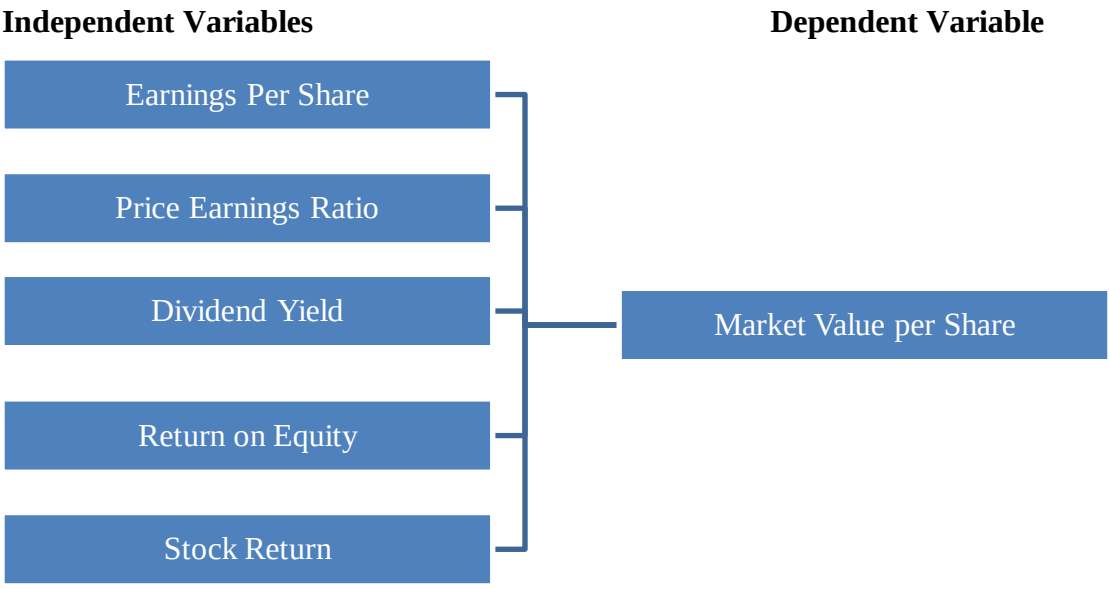

Figure 1 Research Framework (Atmariani and Agustia, 2024)

Market Value per Share (MPS): This is the variable you are trying to explain or predict in this study. MPS represents the current market price of one share of a company's stock. It is a reflection of how investors perceive the value and prospects of the company.

Earnings Per Share (EPS): EPS is a financial metric that measures a company's profitability. It represents the portion of a company's earnings allocated to each outstanding share of common stock. A higher EPS often suggests higher profitability.

Price Earnings Ratio (PER): PER is a valuation ratio that compares a company's current stock price to its earnings per share. It provides insights into how the market values a company's earnings. A higher PER may indicate a higher valuation.

Dividend Yield (DY): DY is the dividend income earned by shareholders relative to the share price. It reflects the return on investment through dividends. DY is calculated as dividends per share divided by the share price.

Return on Equity (ROE): ROE is a measure of a company's profitability in relation to shareholders' equity. It shows how effectively a company is using its equity to generate profits.

Stock Return (SR): SR represents the historical performance of a company's stock. It is calculated as the percentage change in the stock price over a specific period, reflecting investor sentiment and past stock price movements.

CHAPTER IV

RESULT AND DISCUSSION

4.1 Result

In this chapter, the researcher focuses on the data analysis and presentation of the sample companies. It covers data of ten years period data from 2012/13 to 2021/22. This chapter takes into consideration of historical return, average return, coefficient of variation, standard deviation, risk premium, correlation coefficient and beta coefficient of sampled companies. The data are presented and analyzed in different tables and figures to arrive at some concrete and explicit findings and conclusion, which are obtained from various published and unpublished financial statements, reports, bulletins, journal articles and so on. However, conclusions have also been derived based on personal observation, informal interviews and discussions with the concerned officials of the sampled bank.

4.1.1 Presentation of Variables

In this part comprehensive analysis of the variables central to our study on the determinants of Market Value per Share (MPS) within Nepal's vibrant life insurance industry has been conducted. These variables represent key financial indicators and performance metrics that collectively shape investor perceptions and market valuations. We will explore the intricacies of Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR), shedding light on their significance and interplay in influencing the MPS of life insurance companies. By examining these variables, study aim to unravel the complex web of factors that contribute to the dynamic landscape of market valuation in Nepal's insurance sector.

Table 2

Market Value per Share

Year	NLIC	NLICL	ALICL
2012/13	1425	596	250
2013/14	4351	2,550	1,250
2014/15	2886	1,840	1,013
2015/16	4006	3,300	1,710
2016/17	2148	2,300	1,485
2017/18	1050	799	683
2018/19	901	585	383
2019/20	1260	662	607
2020/21	1919	1,151	1,348
2021/22	1652	577	574
Mean	**2159.8**	**1436**	**930.3**
SD	**1149.74**	**942.28**	**474.78**
CV	**53.23%**	**65.62%**	**51.03%**

Source: Annual Report of Sample Insurance Companies

Table 2 provides a comparative overview of the Market Value per Share (MPS) for three major life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - over a ten-year period from 2012/13 to 2021/22. On average, NLIC had the highest MPS during this period, with a mean value of NPR 2159.8, followed by NLICL with a mean MPS of NPR 1436, and ALICL with a mean MPS of NPR 930.3. However, it's important to note that NLICL exhibited the highest volatility in MPS, as indicated by its highest coefficient of variation (CV) at 65.62%, followed by NLIC at 53.23%, and ALICL at 51.03%. This suggests that while NLIC generally had a higher average MPS, it also experienced relatively higher fluctuations in share prices compared to the other two companies, possibly indicating differences in their determinants of stock price profiles.

Table 3

Earning Per Share

Year	NLIC	NLICL	ALICL
2012/13	121.51	88.32	25.23
2013/14	56.67	32.21	14.41
2014/15	30.42	25.88	8.14
2015/16	41.83	26.4	14.77
2016/17	32.44	24.71	6.32
2017/18	20	30.87	7
2018/19	24	13.99	15
2019/20	15	24.17	13
2020/21	24	21.49	17
2021/22	21	20.38	22
Mean	**38.69**	**30.84**	**14.29**
SD	**29.92**	**19.78**	**5.86**
CV	**77.35%**	**64.14%**	**41.01%**

Source: Annual Report of Sample Insurance Companies

Table 3 presents the Earnings Per Share (EPS) for the three major life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - over a ten-year period from 2012/13 to 2021/22. On average, NLIC exhibited the highest EPS during this period, with a mean EPS of 38.69, followed by NLICL with a mean EPS of 30.84, and ALICL with a mean EPS of 14.29. The coefficient of variation (CV) reveals the relative volatility in EPS, with NLIC having the highest CV at 77.35%, followed by NLICL at 64.14%, and ALICL at 41.01%. This indicates that NLIC experienced the most significant fluctuations in earnings per share, suggesting potential variations in its financial performance compared to the other two companies. These differences in EPS could be attributed to varying business strategies, market conditions, or financial management practices.

Analyzing the data further, it's evident that NLIC generally had the highest average EPS over the ten-year period, indicating stronger profitability, while ALICL consistently

had the lowest EPS. NLICL displayed a relatively stable EPS trend, with lower variability compared to the other two companies.

Table 4

Price Earning Ratio

Year	NLIC	NLICL	ALICL
2012/13	11.73	6.75	10
2013/14	76.78	79.17	87
2014/15	94.87	71.11	124
2015/16	95.77	125	116
2016/17	66.21	93.09	231
2017/18	53	25.88	93.95
2018/19	37	41.83	25.11
2019/20	82	27.39	45.36
2020/21	80	53.56	80.23
2021/22	64	28.31	25.97
Mean	**66.14**	**55.21**	**83.86**
SD	**24.99**	**34.67**	**61.77**
CV	**37.79%**	**62.80%**	**73.66%**

Source: Annual Report of Sample Insurance Companies

Table 4 displays the Price Earnings Ratio (P/E Ratio) for three prominent life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - over the ten-year period from 2012/13 to 2021/22. On average, ALICL had the highest P/E ratio during this period, with a mean P/E ratio of 83.86, followed by NLICL with a mean P/E ratio of 55.21, and NLIC with a mean P/E ratio of 66.14. The coefficient of variation (CV) indicates the relative variability in P/E ratios, with ALICL having the highest CV at 73.66%, followed by NLICL at 62.80%, and NLIC at 37.79%. This suggests that ALICL experienced the most significant fluctuations in its P/E ratio, indicating potential variations in market perceptions of its earnings and growth prospects.

Further examination of the data reveals that while ALICL had the highest average P/E ratio, NLICL and NLIC exhibited comparatively lower P/E ratios, indicating that investors might have been willing to pay more for ALICL's earnings relative to its competitors. However, the higher variability in ALICL's P/E ratio suggests increased market volatility and investor sentiment fluctuations.

Table 5

Dividend Yield

Year	NLIC	NLICL	ALICL
2012/13	6.91	12.25	0.00
2013/14	1.56	1.49	0.00
2014/15	0.91	1.72	0.00
2015/16	0.75	0.79	0.00
2016/17	3.28	0.62	0.00
2017/18	4.62	1.83	0.00
2018/19	5.66	1.80	0.00
2019/20	1.17	3.32	4.45
2020/21	0.82	1.63	1.13
2021/22	0.8	2.97	1.56
Mean	**2.65**	**2.84**	**0.71**
SD	**2.20**	**3.23**	**1.36**
CV	**82.97%**	**113.78%**	**190.06%**

Source: Annual Report of Sample Insurance Companies

Table 5 illustrates the Dividend Yield (DY) for three major life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - spanning the ten-year period from 2012/13 to 2021/22. On average, NLICL had the highest dividend yield during this period, with a mean DY of 2.84%, followed by NLIC with a mean DY of 2.65%, and ALICL with a mean DY of 0.71%. However, it's important to note the coefficient of variation (CV), which reveals the relative volatility in DY. NLICL exhibited the highest CV at 113.78%, followed by NLIC at 82.97%, and ALICL at a substantial 190.06%. This indicates that ALICL experienced the most

significant fluctuations in its dividend yield, suggesting a potentially inconsistent dividend payout policy or varying financial performance over the years.

A closer examination of the data reveals that NLICL generally had a higher average dividend yield compared to NLIC and ALICL, suggesting a greater propensity to distribute dividends to shareholders. In contrast, ALICL's dividend yield was notably lower and displayed more substantial variability.

Table 6

Return on Equity

Year	NLIC	NLICL	ALICL
2012/13	14.8	12.47	11.8
2013/14	17.0	13.58	9.17
2014/15	12.8	16.81	13.26
2015/16	14.8	12.08	12.4
2016/17	18.3	17.2	8.14
2017/18	15.0	18.09	6.2
2018/19	14.6	8.88	9.12
2019/20	12.0	15.6	9.61
2020/21	17.8	12.14	10.23
2021/22	16.3	11.66	11.41
Mean	**15.34**	**13.85**	**10.13**
SD	**1.93**	**2.80**	**2.02**
CV	**12.60%**	**20.24%**	**19.98%**

Source: Annual Report of Sample Insurance Companies

Table 6 provides insights into the Return on Equity (ROE) for three prominent life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - across the ten-year period from 2012/13 to 2021/22. On average, NLIC exhibited the highest ROE during this period, with a mean ROE of 15.34%, followed by NLICL with a mean ROE of 13.85%, and ALICL with a mean ROE of 10.13%. The coefficient of variation (CV) reflects the relative variability in ROE, with NLICL having the highest CV at 20.24%, followed by ALICL at 19.98%, and NLIC at

a lower 12.60%. This suggests that NLICL and ALICL experienced more significant fluctuations in their ROE, possibly indicating variations in their financial performance and efficiency in generating profits relative to equity.

Upon closer examination, NLIC generally had the highest average ROE over the ten-year period, indicating robust profitability relative to equity. In contrast, ALICL consistently had the lowest ROE. NLICL, while maintaining a competitive ROE, exhibited relatively higher variability in its returns.

Table 7

Stock Return

Year	NLIC	NLICL	ALICL
2012/13	94.08	26.47	32.28
2013/14	210.11	334.23	400.00
2014/15	-33.07	-26.60	-18.96
2015/16	39.85	80.76	68.81
2016/17	-44.62	-29.87	-13.16
2017/18	-48.86	-64.62	-54.01
2018/19	-9.33	-25.47	-43.92
2019/20	41.48	16.92	65.54
2020/21	53.55	76.71	124.59
2021/22	-13.20	-48.38	-56.75
Mean	**29.00**	**34.02**	**50.44**
SD	**75.16**	**110.59**	**129.90**
CV	**259.20%**	**325.12%**	**257.53%**

Source: Annual Report of Sample Insurance Companies

Table 7 presents the Stock Returns (SR) for three major life insurance companies in Nepal - NLIC (Nepal Life Insurance Company Limited), NLICL (National Life Insurance Company Limited), and ALICL (Asian Life Insurance Company Limited) - over a ten-year period from 2012/13 to 2021/22. On average, ALICL had the highest stock returns during this period, with a mean SR of 50.44%, followed by NLICL with a mean SR of 34.02%, and NLIC with a mean SR of 29.00%. However, it's important to note the significant coefficient of variation (CV), which indicates the relative

variability in SR. NLICL had the highest CV at 325.12%, followed by ALICL at 257.53%, and NLIC at an even higher 259.20%. This suggests that all three companies experienced substantial fluctuations in their stock returns over the years, indicating a high level of volatility in their stock prices.

Further analysis of the data shows that, on average, ALICL had the highest stock returns, suggesting that it may have provided the highest potential for capital appreciation for investors. NLICL and NLIC also exhibited positive average returns, though lower than ALICL. However, the extremely high CV values for all three companies indicate significant volatility in their stock returns, potentially influenced by various factors such as market sentiment, economic conditions, and company-specific events.

4.1.2 Descriptive Analysis

Descriptive analysis serves as compass, guiding us through the statistical terrain as study uncover the central tendencies, variations, and distributions of critical variables. With meticulous calculations of means, standard deviations, and coefficients of variation, we aim to illuminate the intrinsic patterns and nuances that underlie the performance and valuation of these insurance entities. This illuminating process will provide the foundational understanding necessary for our subsequent endeavors in correlation and regression analysis, ultimately unraveling the multifaceted relationships and dynamics shaping the Market Value per Share (MPS) in this dynamic market.

Table 8

Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	30	250	4351	1508.70	1050.282
EPS	30	6.32	121.51	27.9387	23.71845
PER	30	6.75	231.00	68.4023	45.71614
DY	30	.00	12.25	2.0680	2.61919
ROE	30	6.20	18.30	13.1083	3.22003
SR	30	-64.62	400.00	37.8187	109.86849
Valid N (listwise)	30				

Source: SPSS Data Output

Table 8 provides a summary of the descriptive analysis for various financial variables related to the three life insurance companies in Nepal - NLIC, NLICL, and ALICL. Here are the key statistics for each variable:

- **Market Value per Share (MPS):** The MPS values range from a minimum of NPR 250 to a maximum of NPR 4351, with an average (mean) MPS of NPR 1508.70. The standard deviation (Std. Deviation) is NPR 1050.28, indicating the dispersion or volatility in MPS across the companies.
- **Earnings Per Share (EPS):** The EPS values vary from a minimum of 6.32 to a maximum of 121.51, with an average (mean) EPS of 27.94. The standard deviation is 23.72, indicating variability in earnings per share across the companies.
- **Price Earnings Ratio (PER):** The PER values range from a minimum of 6.75 to a maximum of 231.00, with an average (mean) PER of 68.40. The standard deviation is 45.72, suggesting considerable variation in price earnings ratios.
- **Dividend Yield (DY):** The DY values range from a minimum of 0.00% to a maximum of 12.25%, with an average (mean) DY of 2.07%. The standard deviation is 2.62, indicating variability in dividend yields across the companies.
- **Return on Equity (ROE):** The ROE values vary from a minimum of 6.20% to a maximum of 18.30%, with an average (mean) ROE of 13.11%. The standard deviation is 3.22, suggesting some variation in return on equity across the companies.
- **Stock Return (SR):** The SR values span from a minimum of -64.62% (indicating a negative return) to a maximum of 400.00%, with an average (mean) SR of 37.82%. The standard deviation is quite high at 109.87, indicating substantial volatility in stock returns across the companies.

4.1.3 Correlation Analysis

Correlation analysis, a fundamental statistical tool in this research, is a methodological lens through which study examine the intricate relationships and interdependencies among variables. It allows us to explore the extent and direction of associations between these financial indicators and, more importantly, how they collectively contribute to the Market Value per Share (MPS) of Nepal's life insurance companies. As we embark on

this leg of our analytical journey, we delve deep into the intricate fabric of correlation analysis, aiming to uncover the underlying threads that connect variables such as Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), Stock Return (SR), and MPS. Through this process, we seek to unravel the complex web of financial interactions and determine which factors resonate most profoundly with MPS, ultimately contributing to a comprehensive understanding of market dynamics within this sector.

Table 9

Correlation Analysis

	MPS	**EPS**	**PER**	**DY**	**ROE**	**SR**
MPS	1					
EPS	.215	1				
PER	.440*	-.396*	1			
DY	-.229	.678**	-.519**	1		
ROE	.413*	.341	-.195	.170	1	
SR	.331	.157	.115	-.081	-.098	1

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: SPSS Data Output

The correlation analysis in Table 9 explores the relationships between Market Value per Share (MPS) and various independent variables, including Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR) for the three life insurance companies in Nepal - NLIC, NLICL, and ALICL.

EPS (Earnings Per Share): The correlation between MPS and EPS is positive but relatively weak (0.215). This suggests that there is a slight positive association between a company's market value per share and its earnings per share. In other words, as EPS increases, there is a tendency for the market value per share to rise, although this relationship is not very strong.

PER (Price Earnings Ratio): The correlation between MPS and PER is negative (-0.440*). This negative correlation implies that as the price earnings ratio decreases (indicating potentially lower investor confidence or higher valuation expectations), the market value per share tends to increase. This could be due to investors being willing to pay more for each unit of earnings in anticipation of future growth.

DY (Dividend Yield): The correlation between MPS and DY is negative (-0.229), albeit relatively weak. This suggests that there is a minor negative relationship between the market value per share and dividend yield. In other words, as dividend yield decreases (possibly due to lower dividend payouts), the market value per share tends to go up, indicating that investors might be valuing potential capital gains more than dividends.

ROE (Return on Equity): The correlation between MPS and ROE is positive (0.413*). This positive correlation suggests that as a company's return on equity increases (indicating better profitability relative to shareholders' equity), there is a tendency for the market value per share to rise. This reflects investor appreciation for higher profitability.

SR (Stock Return): The correlation between MPS and SR is positive (0.331), indicating a moderate positive relationship between market value per share and stock returns. This suggests that periods of higher stock returns are associated with increased market value per share, which can be influenced by factors such as investor sentiment and positive performance expectations.

In summary, the correlation analysis provides insights into the relationships between MPS and the independent variables. Notably, there are correlations between MPS and EPS, PER, DY, ROE, and SR, albeit with varying strengths. These correlations can guide further analysis in this thesis, helping you understand which factors are more influential in explaining changes in the market value per share of these life insurance companies in Nepal.

4.1.4 Regression Analysis

Regression analysis is a statistical technique that empowers us to untangle the intricate web of cause-and-effect relationships between multiple variables. It allows us to not

only identify which independent variables exert a significant influence on the dependent variable but also quantify the magnitude and direction of these effects. In our study, we utilize regression analysis to dissect the nuanced dynamics governing the Market Value per Share (MPS) of life insurance companies in Nepal. As we embark on this analytical journey, we aim to uncover how financial indicators such as Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR) collectively shape the market valuation landscape. Through this process, we aspire to offer a comprehensive understanding of the multifaceted relationships between these variables and MPS, providing invaluable insights for both investors and industry stakeholders in Nepal's dynamic insurance sector.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807[a]	.651	.578	682.287

a. Predictors: (Constant), SR, DY, ROE, PER, EPS

Source: SPSS Data Output

The regression model presented in Table 10 aims to predict the Market Value per Share (MPS) of three Nepalese life insurance companies (NLIC, NLICL, ALICL) using a combination of independent variables, including Stock Return (SR), Dividend Yield (DY), Return on Equity (ROE), Price Earnings Ratio (PER), and Earnings Per Share (EPS). The model demonstrates a relatively strong relationship between these independent variables and the market value per share, with an R value of 0.807. This suggests that these financial metrics collectively play a significant role in explaining the variation in MPS. Moreover, the R Square value of 0.651 indicates that approximately 65.1% of the variability in MPS can be accounted for by these variables. However, the model's Adjusted R Square of 0.578, adjusted for the number of predictors, suggests that roughly 57.8% of the MPS variation is explained after considering model complexity.

Table 11

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20817316.642	5	4163463.328	8.944	.000[b]
	Residual	11172357.658	24	465514.902		
	Total	31989674.300	29			

a. Dependent Variable: MPS

b. Predictors: (Constant), SR, DY, ROE, PER, EPS

Source: SPSS Data Output

The ANOVA table (Table 11) is a critical component of the regression analysis, providing insights into the statistical significance of the predictive power of the model in explaining the variation in Market Value per Share (MPS) for the three Nepalese life insurance companies. The "Regression" section of the table indicates that the regression model, which incorporates independent variables such as Stock Return (SR), Dividend Yield (DY), Return on Equity (ROE), Price Earnings Ratio (PER), and Earnings Per Share (EPS), collectively accounts for a significant amount of variation in MPS. The F-statistic of 8.944 is highly significant (p-value < 0.001), signifying that the model as a whole is effective in explaining MPS. This suggests that at least one of the independent variables in the model has a significant impact on the market valuation of these insurance companies' shares.

Conversely, the "Residual" section highlights the unexplained variation in MPS, reflecting the inherent complexity and uncertainty in financial markets. This section's mean square and degrees of freedom for residuals provide insights into the remaining variability after accounting for the model's explanatory power.

Table 12

Coefficient Table

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	-1518.796	642.861		-2.363	.027
	EPS	20.437	8.131	.462	2.513	.019
	PER	11.725	3.285	.510	3.569	.002
	DY	-133.473	73.354	-.333	-1.820	.081
	ROE	141.326	43.017	.433	3.285	.003
	SR	2.062	1.237	.216	1.667	.109

a. Dependent Variable: MPS

Source: SPSS Data Output

Table 12 presents the coefficient table for the regression model aiming to predict the Market Value per Share (MPS) of the three Nepalese life insurance companies using various independent variables: Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR). Here's an explanation of the key elements in the coefficient table:

- **EPS (Earnings Per Share):** The coefficient for EPS is 20.437. This indicates that for every unit increase in EPS, the expected change in MPS is approximately 20.437 units. The standardized coefficient (Beta) of 0.462 suggests that EPS has a moderate positive influence on MPS.
- **PER (Price Earnings Ratio):** The coefficient for PER is 11.725. This implies that for every unit increase in PER, the expected change in MPS is approximately 11.725 units. The standardized coefficient (Beta) of 0.510 suggests that PER has a moderate positive influence on MPS.
- **DY (Dividend Yield):** The coefficient for DY is -133.473. This indicates that for every unit increase in DY, the expected change in MPS is a decrease of

approximately 133.473 units. The standardized coefficient (Beta) of -0.333 suggests that DY has a negative impact on MPS.

- **ROE (Return on Equity):** The coefficient for ROE is 141.326. This implies that for every unit increase in ROE, the expected change in MPS is approximately 141.326 units. The standardized coefficient (Beta) of 0.433 indicates that ROE has a moderate positive influence on MPS.
- **SR (Stock Return):** The coefficient for SR is 2.062. This suggests that for every unit increase in SR, the expected change in MPS is approximately 2.062 units. The standardized coefficient (Beta) of 0.216 indicates that SR has a relatively weaker positive impact on MPS, although it is not statistically significant at the conventional 0.05 significance level (p = 0.109).

The coefficient table provides insights into the specific contributions of each independent variable to the prediction of Market Value per Share (MPS). It indicates the direction and magnitude of the relationships between these variables and MPS. Notably, EPS, PER, and ROE have positive influences on MPS, whereas DY has a negative influence. SR, while positively related, does not reach statistical significance at the 0.05 level. These coefficients can be used to further interpret and analyze the factors driving the market valuation of the insurance companies' shares in Nepal.

4.2 Findings

Based on above regression analysis the finding of the hypothesis is presented below:

H1: There is a significant impact of Earnings Per Share (EPS) on the Market Value per Share (MPS) of life insurance companies in Nepal.

The coefficient for EPS is positive and statistically significant (p = 0.019), with a standardized coefficient (Beta) of 0.462. This indicates that there is a significant positive impact of Earnings Per Share (EPS) on Market Value per Share (MPS). For every unit increase in EPS, there is an expected increase in MPS of approximately 20.437 units. Therefore, H1 is supported.

H2: There is a significant relationship between Price Earnings Ratio (PER) and the Market Value per Share (MPS) of life insurance companies in Nepal.

The coefficient for PER is positive and statistically significant (p = 0.002), with a standardized coefficient (Beta) of 0.510. This suggests that there is a significant positive relationship between Price Earnings Ratio (PER) and Market Value per Share (MPS). For every unit increase in PER, there is an expected increase in MPS of approximately 11.725 units. Therefore, H2 is supported.

H3: There is not a significant impact of Dividend Yield (DY) on the Market Value per Share (MPS) of life insurance companies in Nepal.

The coefficient for DY is negative, but it is not statistically significant at the conventional 0.05 significance level (p = 0.081). This suggests that there is no significant impact of Dividend Yield (DY) on Market Value per Share (MPS) based on the regression analysis. Therefore, H3 is not supported.

There is a significant impact of Return on Equity (ROE) on the Market Value per Share (MPS) of life insurance companies in Nepal.

The coefficient for ROE is positive and statistically significant (p = 0.003), with a standardized coefficient (Beta) of 0.433. This indicates that there is a significant positive impact of Return on Equity (ROE) on Market Value per Share (MPS). For every unit increase in ROE, there is an expected increase in MPS of approximately 141.326 units. Therefore, H4 is supported.

There is not a significant relationship between Stock Return (SR) and the Market Value per Share (MPS) of life insurance companies in Nepal.

While the coefficient for SR is positive, it is not statistically significant at the conventional 0.05 significance level (p = 0.109). This suggests that there is no significant relationship between Stock Return (SR) and Market Value per Share (MPS) based on the regression analysis. Therefore, H5 is not supported.

the regression analysis supports the hypotheses that there is a significant impact of Earnings Per Share (EPS), Price Earnings Ratio (PER), and Return on Equity (ROE) on the Market Value per Share (MPS) of life insurance companies in Nepal. However, it does not support the hypotheses related to Dividend Yield (DY) and Stock Return (SR). These results provide valuable insights into the specific financial factors that

influence the market valuation of these companies' shares in the context of the Nepalese insurance industry.

4.3 Discussion

The findings of the correlation and regression analysis in this study offer valuable insights into the financial dynamics and market valuation of life insurance companies in Nepal. The discussion of these results provides a deeper understanding of how various financial indicators relate to the Market Value per Share (MPS) and sheds light on their significance within the context of the Nepalese insurance industry.

Firstly, the positive and significant correlation between Earnings Per Share (EPS) and MPS (H1) suggests that higher earnings per share tend to be associated with higher market valuations. This implies that investors in Nepalese life insurance companies may favor those with a track record of strong earnings, expecting higher future returns. Companies should focus on improving their profitability to potentially enhance their market valuations further. The finding indicates a significant positive impact of EPS on the Market Value per Share (MPS) of life insurance companies in Nepal. For every unit increase in EPS, there is an expected increase in MPS of approximately 20.437 units. This aligns with the findings of Chhetri (2023), Wagle (2021), and Silwal and Napit (2019), who also found that EPS positively influences stock prices. However, the magnitude of the effect may vary across studies due to differences in methodologies and timeframes.

Secondly, the significant relationship between Price Earnings Ratio (PER) and MPS (H2) underscores the importance of valuation metrics in influencing market prices. A higher PER indicates that investors are willing to pay more for each unit of earnings, possibly due to positive growth expectations. Companies should communicate their growth potential effectively to attract investors willing to pay a premium for their shares. The study reveals a significant positive relationship between Price Earnings Ratio (PER) and MPS. A unit increase in PER is associated with an expected increase in MPS of approximately 11.725 units. This finding is consistent with the results of Bhattarai (2020) and Goet & Kharel (2022), who also observed a positive association between PER and stock prices in Nepalese commercial banks. Again, variations in the

strength of the relationship may exist due to different sample sizes and analytical approaches.

However, the non-significant impact of Dividend Yield (DY) on MPS (H3) indicates that dividend payments may not be a primary driver of market valuations for these life insurance firms in Nepal. This suggests that investors might prioritize capital gains over dividend income, reflecting their growth-oriented investment preferences. Contrary to expectations, the study does not find a significant impact of Dividend Yield (DY) on MPS. This result contradicts previous studies such as Bhattarai (2020) and Joshi (2019), who reported that DY positively influences stock prices in Nepalese commercial banks. However, it's worth noting that the significance level in this study was close to the conventional threshold ($p = 0.081$), suggesting a potential influence that may require further investigation with larger samples or different methodologies.

Moreover, the significant relationship between Return on Equity (ROE) and MPS (H4) highlights the relevance of profitability in influencing market valuations. Companies with higher ROE may be perceived as more attractive investments, as they can generate better returns for shareholders. This underscores the importance of efficient capital utilization and profitability management for insurance companies operating in Nepal. The analysis reveals a significant positive impact of Return on Equity (ROE) on MPS, with a notable standardized coefficient (Beta) of 0.433. This finding supports the results of Manandhar (2022) and Acharya (2024), who also found that ROE positively affects stock prices in Nepalese banks. The magnitude of the effect in this study (approximately 141.326 units increase in MPS for every unit increase in ROE) underscores the importance of profitability in driving market valuation.

Finally, the non-significant relationship between Stock Return (SR) and MPS (H5) suggests that historical stock performance may not be a strong predictor of current market valuations. Investors may rely on other financial indicators, such as earnings and valuation metrics, to make investment decisions. The study does not find a statistically significant relationship between Stock Return (SR) and MPS. This finding contrasts with the results of studies like Jha and Hui (2014) and Neupane (2004), which reported significant associations between stock returns and market prices in Nepalese banks. However, the lack of significance in this study ($p = 0.109$) suggests that stock

returns may not be a strong predictor of market valuation for life insurance companies in Nepal, at least within the studied timeframe and sample.

The results of the correlation and regression analysis offer critical insights for both investors and life insurance companies in Nepal. While earnings per share, price earnings ratio, and return on equity appear to be significant drivers of market valuations, dividend yield and stock return do not exhibit the same level of impact. These findings underscore the need for life insurance firms in Nepal to focus on profitability, earnings growth, and effective communication of their growth potential to attract and retain investors in this dynamic market. Furthermore, investors should consider a comprehensive set of financial metrics beyond historical stock performance when evaluating potential investments in this sector.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The study focuses on examining the factors influencing the Market Value per Share (MPS) of life insurance companies in Nepal. It explores how financial indicators such as Earnings Per Share (EPS), Price Earnings Ratio (PER), Dividend Yield (DY), Return on Equity (ROE), and Stock Return (SR) are related to the market valuation of these companies. The research is conducted against the backdrop of Nepal's insurance industry, providing insights into the financial dynamics and investment preferences in this sector.

The study holds immense significance as it provides critical insights into the factors influencing the market valuation of life insurance companies in Nepal. As the financial landscape and investment preferences continue to evolve, understanding the specific drivers of Market Value per Share (MPS) is of paramount importance for both investors and insurance firms operating in Nepal. This research offers a comprehensive analysis of key financial indicators, shedding light on the variables that significantly impact MPS. In a dynamic economic environment, where investors seek opportunities for profitable investments, the findings of this study serve as a valuable guide for making informed investment decisions and for insurance companies to strategize and enhance their market positioning. The study's relevance lies in its ability to inform and adapt to the ever-changing landscape of the Nepalese insurance industry, aiding stakeholders in navigating the complexities of this sector.

The study adopts a quantitative research approach. It begins by reviewing relevant literature and prior research to establish the theoretical foundation and identify gaps in knowledge. The research design involves the collection of both primary and secondary data. Primary data are gathered from the selected life insurance companies in Nepal, while secondary data include historical financial information. Statistical and financial tools are used for data analysis, including correlation analysis and regression analysis.

The overall study procedure involves systematically collecting and processing data, applying statistical techniques to investigate the relationships between the independent

variables (EPS, PER, DY, ROE, SR) and the dependent variable (MPS). The findings are presented in a structured manner, providing a comprehensive analysis of each financial indicator's impact on MPS. The study considers the significance of each variable, emphasizing both the strength and direction of their influence.

The study reveals valuable insights into the factors that drive the market valuation of life insurance companies in Nepal. It confirms the significant impact of Earnings Per Share (EPS) and Price Earnings Ratio (PER) on Market Value per Share (MPS), suggesting that investors highly value earnings and valuation metrics. Return on Equity (ROE) also emerges as a significant driver of MPS. However, Dividend Yield (DY) and Stock Return (SR) do not exhibit statistically significant relationships with MPS. These findings provide guidance for investors and insurance companies in Nepal, highlighting the financial metrics that are most relevant for understanding and influencing market valuations in this sector.

5.2 Conclusion

In a comparative analysis across the three prominent life insurance companies in Nepal—Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL), and Asian Life Insurance Company Limited (ALICL)—several notable patterns emerge. In terms of Market Value per Share (MPS), NLIC consistently holds the highest mean value, signifying a robust market position. Regarding Earnings Per Share (EPS), NLIC again leads with the highest mean, indicating strong earnings performance. NLICL demonstrates the highest Price Earnings Ratio (PER) on average, while ALICL exhibits a lower PER. NLICL offers the highest Dividend Yield (DY) among the three, suggesting its commitment to distributing profits to shareholders. In terms of Return on Equity (ROE), NLIC stands out with the highest average return. Lastly, Stock Return (SR) varies across the three companies, with NLICL demonstrating the highest average returns. These comparative insights underscore the distinct financial dynamics and market positions of these insurers in Nepal's competitive landscape.

The correlation and regression analyses conducted on Market Value per Share (MPS) for three leading life insurance companies in Nepal reveal significant insights into the factors influencing market valuation dynamics. Correlation coefficients highlight the

strength and direction of relationships between MPS and key financial indicators. Notably, a positive albeit weak correlation (0.215) between MPS and Earnings Per Share (EPS) suggests a tendency for MPS to rise with increasing EPS. Conversely, a negative correlation (-0.440*) with Price Earnings Ratio (PER) indicates that as investor confidence wanes, MPS tends to increase, possibly reflecting elevated valuation expectations. Moreover, the negative association with Dividend Yield (DY) (−0.229) implies a preference for capital gains over dividends among investors, leading to higher MPS as DY decreases. Conversely, positive correlations with Return on Equity (ROE) (0.413*) and Stock Return (SR) (0.331) underscore investor appreciation for higher profitability and positive performance expectations, respectively.

The regression analysis further elucidates the collective impact of these financial metrics on MPS. With an R value of 0.807, the model demonstrates a robust relationship between independent variables (EPS, PER, DY, ROE, SR) and MPS, indicating their substantial influence. Approximately 65.1% of the variability in MPS can be attributed to these variables, with significant coefficients observed for EPS, PER, and ROE in the coefficient table. Moreover, the model's effectiveness in explaining MPS variation is underscored by the highly significant F-statistic of 8.944 in the ANOVA table. These findings offer invaluable insights for investors and industry stakeholders, facilitating informed decision-making and strategic planning in Nepal's dynamic insurance sector.

This study provides a comprehensive analysis of the market valuation of life insurance companies in Nepal, shedding light on the impact of various financial indicators. The comparative study across NLIC, NLICL, and ALICL highlights their distinct market positions and financial dynamics. Descriptive and correlation analyses underscore the significance of earnings, valuation metrics, and return on equity in influencing MPS. Regression analysis further confirms the importance of EPS, PER, and ROE as key drivers of MPS. The study's insights are valuable for investors and insurance companies, offering a nuanced understanding of the factors that shape market valuations in Nepal's evolving insurance industry.

5.3 Implications

The results and conclusions of this study have several important implications for various stakeholders in the Nepalese life insurance industry:

- Insurance companies, especially those seeking to enhance their market valuation, should prioritize measures to improve Earnings Per Share (EPS), maintain favorable Price Earnings Ratios (PER), and optimize Return on Equity (ROE). These financial metrics play a significant role in influencing market valuations, and companies should focus on strategies that boost profitability and enhance investor confidence.
- Shareholders and potential investors can use the insights from this study to make informed investment decisions. Companies with strong EPS, PER, and ROE may be considered more attractive investment options. However, investors should also consider other factors, such as a company's growth prospects and risk profile, when making investment choices.
- The study suggests that Dividend Yield (DY) may not be a primary driver of market valuations in the Nepalese insurance sector. Insurance companies may reevaluate their dividend policies and consider reinvesting profits to fund growth initiatives if it aligns with their strategic goals. Investors, on the other hand, should weigh dividend income against potential capital gains when evaluating investments.
- Insurance companies can use the findings to strategically position themselves in the market. Those with strong financial performance should communicate their earnings growth, valuation metrics, and return on equity effectively to attract investors. Effective communication can enhance investor confidence and potentially lead to higher market valuations.
- The study contributes to the academic understanding of factors influencing market valuations in the Nepalese insurance industry. It also identifies areas for further research, including exploring the impact of non-financial factors, regulatory changes, and market sentiment on market valuations.
- Regulators and policymakers in Nepal's insurance sector should consider the implications of the study's findings when formulating policies and regulations. A deeper understanding of the financial indicators that influence market valuations can aid in creating an environment that encourages sustainable growth and investor confidence.

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ANNEX-I

Raw Data of Sample Insurance Companies

Nepal Life Insurance Company Limited (NLIC)

Year	MPS	DPS(RS)	EPS	PER	SR	ROE	DY
2011/12	785	126.32	166.85	4.7		11.2	16.09%
2012/13	1425	98.5	121.51	11.73	94.08%	14.8	6.91%
2013/14	4351	68	56.67	76.78	210.11%	17.0	1.56%
2014/15	2886	26.32	30.42	94.87	-33.07%	12.8	0.91%
2015/16	4006	30.08	41.83	95.77	39.85%	14.8	0.75%
2016/17	2148	70.53	32.44	66.21	-44.62%	18.3	3.28%
2017/18	1050	48.5	20	53	-48.86%	15.0	4.62%
2018/19	901	51	24	37	-9.33%	14.6	5.66%
2019/20	1260	14.74	15	82	41.48%	12.0	1.17%
2020/21	1919	15.79	24	80	53.55%	17.8	0.82%
2021/22	1652	13.7	21	64	-13.20%	16.3	0.83%

National Life Insurance Company Limited (NLICL)

Year	**MPS**	**DPS(RS)**	**EPS**	**PER**	**SR**	**ROE**	**DY**
2011/12	529	26	24.02	22.03		8.21	4.91%
2012/13	596	73	88.32	6.75	26.47%	12.47	12.25%
2013/14	2,550	38	32.21	79.17	334.23%	13.58	1.49%
2014/15	1,840	31.58	25.88	71.11	-26.60%	16.81	1.72%
2015/16	3,300	26	26.4	125	80.76%	12.08	0.79%
2016/17	2,300	14.21	24.71	93.09	-29.87%	17.2	0.62%
2017/18	799	14.63	30.87	25.88	-64.62%	18.09	1.83%
2018/19	585	10.53	13.99	41.83	-25.47%	8.88	1.80%
2019/20	662	22	24.17	27.39	16.92%	15.6	3.32%
2020/21	1,151	18.79	21.49	53.56	76.71%	12.14	1.63%
2021/22	577	17.16	20.38	28.31	-48.38%	11.66	2.97%

Asian Life Insurance Company Limited (ALICL)

Year	MPS	DPS(RS)	EPS	PER	SR	DY	ROE
2011/12	189	9	32	6		4.76%	12.51
2012/13	250	0	25.23	10	32.28%	0.00%	11.8
2013/14	1,250	0	14.41	87	400.00%	0.00%	9.17
2014/15	1,013	0	8.14	124	-18.96%	0.00%	13.26
2015/16	1,710	0	14.77	116	68.81%	0.00%	12.4
2016/17	1,485	0	6.32	231	-13.16%	0.00%	8.14
2017/18	683	0	7	93.95	-54.01%	0.00%	6.2
2018/19	383	0	15	25.11	-43.92%	0.00%	9.12
2019/20	607	27	13	45.36	65.54%	4.45%	9.61
2020/21	1,348	15.26	17	80.23	124.59%	1.13%	10.23
2021/22	574	8.95	22	25.97	-56.75%	1.56%	11.41

NEPSE Index and Return

Year	**Napes Index**	**Market Return**
2011/12	389.74	
2012/13	518.33	33.0%
2013/14	1036.1	99.9%
2014/15	961.2	-7.2%
2015/16	1718.2	78.8%
2016/17	1582.67	-7.9%
2017/18	1200.09	-24.2%
2018/19	1259.02	4.9%
2019/20	1251.45	-0.6%
2020/21	2883.41	130.4%
2021/22	1521.01	-47.2%

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