

**STOCK PRICE BEHAVIOUR OF INSURANCE COMPANIES IN
NEPAL**

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

By

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May, 2024

CERTIFICATE OF AUTHORSHIP

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

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REPORT OF RESEARCH COMMITTEE

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ACKNOWLEDGEMENT

This study entitled “**Stock Price Behaviour of Insurance Companies in Nepal.**” has been conducted to satisfy the partial requirements for the degree of Master of Business Studies, Tribhuvan University. A study of this kind would not have been possible without the help of all those who contributed in diverse ways towards its success. Without the continued emotional support provided by my family, I may have not reached the end of this journey. During my studies there were times when work commitments and intermittent stress made me believe that I would not be able to see this journey through. It was during these times, and many others, that their words of encouragement and confidence in my ability gave me the motivation to persist. No words of thanks can adequately express the depth of my appreciation. I would like to extend my immense gratitude to my supervisor Jhabindra Pokharel for his valuable supervision and guidance in completing this study. I cannot express the extent to which his patience and understanding allowed me to reach the end of this journey. His encouragement, support, and, above all, his prompt, constructive and greatly appreciated criticism and feedback, were invaluable to the research, writing, and completion of this study. I wish to acknowledge all lecturers and facilitators of Central Department of Management for the various roles each one of them played towards the successful completion of this thesis. I am grateful to Asso. Prof. Krishna Prasad Acharya, Camus Chief, and Asso. Prof. Dr. Sajeeb Kumar Shrestha, Research Committee Head, for timely supervision and guidance to complete this work.

I gratefully acknowledge the staff members of Shanker Dev Campus, Kathmandu who provided the assistance to make the dissertation report possible. I would like to express my sincere thanks to my parents, family members and friends who always encouraged and inspired me continuously in whatever way it is possible.

Saru Simkhada

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ABBREVIATIONS

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

ABSTRACT

This study is examined to stock price behavior of insurance companies in Nepal. The main objectives of this study are to analyze the effects of insurance companies on their share price, to examine the dividend policy that any effects on share price of insurance companies, to examine the capital leverage that any effects on share price of insurance companies and to assess the size and growth that any effects on share price of insurance companies. EPS, P/E, DPS, Size, DY are the independent variables and MPS is the dependent variable in this study. Mean, standard deviation, correlation and multiple regression analysis are taken to present data. The major finding of this study were Market Price per Share increases, Dividends Per Share tend to decrease and vice versa. Such a substantial negative correlation suggests an inverse relationship between market valuation and dividend distribution. Continuing with DPS, the negative correlation with MPS is complemented by a negative correlation with EPS. This implies that companies with higher dividends per share might exhibit lower earnings per share and vice versa. There is negative relationship between D/Y and MPS after adjusting for the scale of the variables. The positive Beta coefficient of 0.248 indicates that the impact of Size on MPS is positive after adjusting for the scale of the variables. DPS, EPS and Size are the significant relationship between MPS. D/Y and P/E Ratio are the insignificant on MPS.

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

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Stock market index is taken as a barometer of an economy. Growth in the stock index is typically regarded as positive because it indicates investors' optimism about the state of the economy going forward. On the other hand, a sharp rise or fall in the stock market index is cause for concern. If the fundamentals do not justify a price increase or drop in the index. Therefore, it is imperative that policymakers monitor the performance of the stock market and be prepared to take necessary action. should the necessity arise, to stop bubbles from forming and the market from collapsing. Thus, it is essential to comprehend how the stock market index and its influencing components relate to one another (Shrestha & Subedi, 2020).

Stock market can be defined as the center which provides facility for buying and selling of financial claims and services. The money market and the capital market are two categories of the financial market. The capital market deals with long-term financial markets, whereas the money market deals with short-term ones. The capital market is made up of primary and secondary markets. The primary market is where new securities issued by governments and organizations are traded. The secondary market is where the government and corporation purchase and sell newly issued shares (Shrestha & Subedi, 2020).

The securities exchange statute of 1983 allowed for the creation of SEBON and NEPSE in 1993, and since then, Nepal's capital market has been gradually developing. The SEBON is a front-line regulator that uses several act rules to both support and oppose investor interests. In addition to its regulatory responsibilities, the Securities Board has recognized that it must formulate policies, revise laws and regulations, standardize disclosure, bring enforcement actions to guarantee compliance, and support board-based markets as priority areas for SEBON Journal reform (2017). Stock is exchanged by registered brokers on NEPSE, the only structured stock exchange, in accordance with a set of rules and regulations (Pandak, 2017).

The company CDS and Clearing, which was founded in accordance with the company act supported by NEPSE, handles securities in dematerialization form. The interplay of supply and demand forecasts by the market determines the floor price of shares. Market forces, both non-

economic and economic, account for the majority of the reasons why stock prices fluctuate in an upward or downward direction. The listed share price may rise or fall in response to government laws, rules, and regulations, firm dividend declarations, financial statements that are issued, interest rate fluctuations, business cycle trades, etc. While it is possible to foresee share price behavior using various methods, there is no software or instrument that can precisely predict share movement behavior. The nation's expansion of trade and economic growth depend heavily on the securities market's ability to mobilize savings and direct them toward profitable investments. However, the Nepalese market is still expanding. The security market is essential to the healthy growth of any economy because it serves as a reliable source of long-term capital for businesses, a practical means of saving money for the general public, and an effective instrument for allocating resources (Pandak, 2017).

Stock price in the market is not static rather it changes every day. The market price of a stock differs from its book value and par value. The nature of stock price movement is not independent, and it has been shown that both intrinsic and extrinsic factors can affect price fluctuations (Tandon & Malhotra, 2018). It is anticipated that the study's findings would offer some insightful understanding of the factors influencing the performance of the Nepalese stock market, which will be beneficial to investors and policymakers alike. An organization's initial public offering (IPO), or the first time it offers its shares on the market, sets the first price of its stock. Investment firms calculate the target price of a stock using a range of variables in addition to the total number of shares being offered. The share price will then fluctuate according to the many factors listed above, mostly influenced by the anticipated profits from the business (Shrestha & Subedi, 2020).

Insurance is defined as a co-operative device to spread the loss caused by the particular risk over a number of persons, who are exposed to it and who agree to ensure themselves against that risk. Insurance gives relief from the risk. It carries out the duty of providing financial loss compensation under the insurance policy in exchange for a small defined sum in the event that loss or damage occurs. In today's terms, insurance is a technique for transferring risks all or part of them to an insurer from the party who is exposed to them. According to Dinsdale, insurance serves as a way to distribute the numerous losses that would otherwise fall on the

one receiving it; it functions as a kind of pool to which numerous contributions are made, with the few who experience losses receiving compensation from (Dinsdale, 2018).

The insurer, a professional risk taker, creates insurance and takes on the financial risk that the insured transfers to it. Insurance can be a practical tool for managing the financial components of risk because it can pool individual risks into groups and use member funds to cover losses (Athenian, 2014).

Insurance is a collective decision taken by individuals who are all at risk of losses for which there is no known frequency and which, in the event that any one of them experiences a loss, will be shared by the entire group. Thus, its components include cooperation and foresight (Bhargave, 2076).

According to Shukla and Grewal (2017), insurance is a contract that has been agreed upon by two parties: an insured party who insures both his property and his life, and an insurance business. They have said that in exchange for a sum of money known as a premium, they agree to indemnify the other party, known as the insured, for losses incurred (as a result of specific cases). An insurance contract spreads the losses incurred by one person over a wide number of people because the premium is often little. Everybody pays a premium; those who do not suffer a loss are reimbursed for the premium paid; those who do suffer a loss are paid an amount equal to their loss (loss as defined by the terms of the contract). The protection against unforeseen events is purchased through a contract of insurance (Shukla and Grewal, 2017).

Based on the stock price behavior of insurance companies in Nepal, It may be inferred from the stock price behavior of Nepalese insurance companies that a number of trends and factors affect their stock prices. Overall, there is a good association between Nepal's economic development and growth and the stock values of insurance businesses. The demand for insurance services rises with economic expansion, which benefits these companies' stock prices. The profitability of these companies may be impacted by changes in the regulatory environment, which could have a detrimental effect on stock prices. Regulations pertaining to the insurance sectors, such as licensing requirements, premium rates, and claim settlement processes, can also have an impact. Intense price competition and pressure on margins may result from the existence of powerful rivals and a consolidated market. As a result, stock values could change based on how successfully businesses look into these competitive issues. The

country's economic growth, dividend price per share, earning per share, dividend yield P/E ratio size and MPS, macroeconomic conditions, and the companies' performance and financial health are some of the elements that affect the stock price behavior of insurance companies in Nepal. When making judgments about investments in insurance firms, investors ought to take these variables into account.

1.2 Problem Statement

Dividend decision being one of the important financial decisions of a corporate firm has been still a most debated issue across the world. For the purpose of assisting with dividend decisions, a wealth of literature, theories, and models exist. Every year, scholars and researchers produce new literature and models for the finance industry, either in the form of original works or expansions of pre-existing models. The nature of the relationship between a firm's choice of dividend policy and its market value has been the subject of extensive theoretical and empirical research after the Modigliani-Miller (1989) perspectives on businesses' dividend policy and their market values. The ideal dividend decision that impacts the firm's value and shareholder return has been the subject of debates on whether to choose a 100% dividend payment ratio, 100% retention ratio, or a combination of both.

Despite significant research efforts by various researchers to identify what appears to be an optimal dividend policy for firms, no widely recognized theory exists in the literature to explain enterprises' retention and payment decisions on dividends. However, throughout the past century, a number of theories have been developed to explain how companies choose to pay out dividends and how this affects their market prices. Among these views is the dividend irrelevance theory, which contends that dividends are meaningless since they have no bearing on the firm's value (Modigliani-Miller, 1989); on the other hand, the dividend relevance theory contends that payout policy has an impact on a firm's worth.

The value of the company is virtually always impacted by the dividend policies chosen (Walter, 1963). Even in cases where the rate of return is equal to the cost of capital, the dividend policy has an impact on a share's value (Gordon, 1962). Hence, the primary concerns may be to whether the MPS of publicly traded firms, particularly those that are chosen, accurately reflect the financial indicators such as DPS, EPS, DY, P/E ratio, Size, and MPS that influence fluctuations in the market value of insurance companies.

The overall state of the economy and consumer behavior can be used to understand the relationship between MPS and earnings. A higher MPS is typically the result of increased levels of saving after higher earnings. This is due to the fact that those who earn more typically have more disposable income, which enables them to set aside a greater percentage of their income for savings. There is a favorable association between MPS and earnings, according to empirical research. (Brumberg and Modigliani, 1954). Furthermore, other variables like interest rates and consumer confidence may also have an impact on the link between MPS and profits. Regardless of income, higher interest rates encourage people to save more, which raises the MPS.

Harlina and Khoiruddin (2018) studied the relationship between dividend policy and economic variables and stock price volatility, they discovered that earnings per share (EPS) had a negative effect on volatility, while Singh and Tandon (2019) found a positive correlation between EPS and MPS.

Several theories concerning the relationship of dividend policies and stock returns have been documented in the financial literature as share price maximization is the central focus in finance. The Dividend Irrelevance Theory was introduced by Miller and Modigliani (M&M) in 1961. It postulates that in an ideal world, there would be no corporate or personal taxes, no transaction or floatation costs, no one person with the ability to influence the price of a security through trading, everyone would have identical expectations for future investments and profits from a company, and the company would have a predetermined and planned investment policy. According to Ross et al. (1999), dividend payments have no impact on a company's worth or share prices.

Therefore, a company's worth is not influenced by how it divides its earnings stream between retained earnings and dividends, but rather only by its earning potential and the risk of its assets. Numerous scholars, including Black & Scholes (1974) and Chen et al. (2002), provide additional support for the dividend irrelevance argument. There is a connection between MPS and dividend policy, and different economic conditions have an impact. Dividend policies can affect investment levels, income distribution, spending and saving patterns, and overall economic growth depending on how they are specifically designed and implemented.

The relationship between MPS, capital, and leverage's might, to optimize growth and secure financial health, and navigate the dynamic landscape of wealth. Thus, it is evident how MPS and capital are related. Together, saving, investing, and borrowing can create a long and prosperous financial future when used wisely and with well-thought-out plans. Investment decisions can be understood in the context of the link between MPS and capital leverage (Joshi, 2012). A high MPS indicates a greater inclination to conserve money rather than spend it by individuals or corporations. Instead of borrowing money to finance investments in this scenario, they would be more inclined to invest their savings. As a result, there is less need to use debt to finance investments, which lowers capital leverage. Higher MPS levels are typically associated with lower capital leverage because people and businesses rely more on their own savings to fund investments; conversely, lower MPS levels are frequently associated with higher capital leverage because borrowing is required to make up for lower savings levels. (2010) Vijayakumar; (2017) Sattar et al.

The relationship between MPS and size or growth is complex and depends on various factors. Regardless of size or money, there are other factors that can affect the MPS. According to Miller and Scholes (1978), if the MPS stays the same or declines, people are saving less of their income and spending more. This rise in consumption may help the economy expand. MPS rises in tandem with income growth, as people save a larger share of their earnings. This can impede economic growth because it indicates that they are spending less. Increased savings can also be put toward profitable ventures that support sustained economic expansion. It is not easy to determine how MPS and size or growth are related. The link may be impacted by a number of variables, such as investment choices, income distribution, and consumption habits (Gordan, 1963).

According to research by Baral and Pradhan (2018), top losing commercial banks in Nepal have positive relationships with EPS, P/E, DPR, and MPS; top winning banks have negative relationships with DPR. As to Pradhan's (2003) findings, investors in Nepal attach greater significance to dividend income than to capital profits, meaning that the dividend payout takes precedence over retained earnings. Manandhar (1998) found that returns on equity and dividend per share had a positive effect on market capitalization, against earnings per share, price-earnings ratio, and dividend yield. Chhetri (2008) found a positive correlation between

stock prices and dividends. Dividends are greater than the earning return coefficient. Joshi (2012) found that returns on equity had less of an effect on a bank's performance measurement than dividends.

Many studies have been conducted on dividend policy and its impact on stock price in developed nations, but relatively few have been conducted in developing markets like Nepal. However, in recent times, researchers have begun to recognize the importance of studying dividend policy and its implications in both the financial and non-financial sectors. Because the Nepali market is unstable, a great deal of research needs to be done on the effects of factors like EPS, DPS, and PE ratio on stock price. Since the market is always changing, it is important to do thorough analysis in order to give investors the most recent information. Therefore, this study is directed to resolve the following issues in the context of Nepal:

- i. What is the effect of earnings of insurance companies on their share price?
- ii. Does dividend policy have any effects on share price of insurance companies?
- iii. Can capital leverage have any effects on share price of insurance companies?
- iv. How do size and growth effects on share price of insurance companies?

1.3 Objectives of the study

The primary aim of this research is to assess how financial metrics (such as dividend per share, dividend yield, earnings per share, price-earnings ratio, and company size) relate to the stock prices of firms listed on the NEPSE. The study is designed to investigate the specific connections between these financial factors and stock prices within this market.

- i. To analyze the effects of earnings of insurance companies on their share price.
- ii. To examine whether the dividend policy has any effects on share price of insurance companies.
- iii. To examine whether the capital leverage has any effects on share price of insurance companies.
- iv. To assess the effects of size and growth on share price of insurance companies.

1.4 Rationale of the Study

The study focuses on the stock price movement of listed companies in the NEPSE. As a result, the study is especially important for everyone with an interest in understanding share price behavior, including investors, managers, bankers, stock analysts, brokers, academics, government officials, and students. The goal of an investor's capital market investments is to generate high returns on their capital. The financial standing of the sample companies and the performance of their traded stock are examined in this study. The analysis sheds light on NEPSE's capitalization status and financial standing.

In order to make the required improvements, management might examine the stock's performance and financial standing. Because the study offers broad overviews of the current share market, it is important for policy-making organizations and government representatives to draft and amend policies in a timely way to ensure the smooth operation, expansion, and development of the stock market. The study would also be helpful to academics, bankers, stock analysts, and students who are interested in learning more about the NEPSE's stock price behavior as well as those who wish to pursue careers in banking or the share market.

1.5 Limitation of the Study

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

- i. This research is concentrated at 12 sampled listed insurance companies only so, the conclusion derived thereof cannot be generalized on the total capital market.
- ii. The study only examines the effect of interest factors (EPS, P/E, DPS, SIZE and D/Y). The study does not examine external factors affecting the share price behavior such as inflation, interest rate, macro-economic factors, etc.
- iii. The topic stock price behavior of listed companies is much more dynamic and it stages huge resources including human and financial to cover the whole aspects of this research. There might be various techniques and methods to perform the study on the stock price behavior, but the study is focused on the correlation coefficient and regression analysis.

CHAPTER II

REVIEW OF LITERATURE

2.1. Theoretical Review

In present context, the investment sector is getting flourished in recent years as other economic sectors. With the help of the investment sector, the majority of emerging nations today are accelerating their economic growth. Business cycle theorists believed that tracking the changes in a number of economic factors over time would shed light on and enable predictions about how the economy would develop during a boom.

There are two theories of stock price behavior i.e. classical theory and efficient market theory. Technical analysis theory and basic analysis theory are examples of classical or convectional theory. There are various types of efficient market hypothesis under theories of efficient markets. While the efficient market theory contends that the market is efficient, the classical approach views the market as inefficient. Investors were typically classified as either fundamentalists or technicians prior to the introduction of the efficient market hypothesis (Alexander, Sharpe, & Bailey, 2018).

2.1.1. Gordon's Theory on Dividend Policy

Gordon (1962) in his study on the intriguing relationship between the firm's market value and dividend policy. He discovered that, in an uncertain environment, investors strongly choose current dividends above potential capital gains. The Walter's model and this hypothesis are comparable. "The investors prefer present dividend rather than future capital gains" is the explanation given in this study. He holds that the present value of an endless stream of dividends that shareholders will receive determines the market value of a share. Among the dividend theories that support the idea of the "relevance of dividends" is Gordon's theory on dividend policy. Also known as the "Bird-in-the-hand" theory, it asserts that the firm's value is largely based on its current dividend payments. One of the most often used mathematical methods for determining a company's market value based on its dividend policy is Gordon's model. According to Gordon's dividend policy theory, the market price per share of a firm is influenced by its dividend payout policy as well as the relationship between its rate of return (r) and cost of capital (k).

According to Gordon's dividend policy theory, the market price per share of a firm is influenced by its dividend payout policy as well as the relationship between its rate of return (r) and cost of capital (k). According to Gordon's model, the dividend policy affects the business in the following ways:

Growth Firm

Internal rate of return (r) of a growing company $>$ cost of capital (k). If the corporation chooses to reinvest dividends rather than distribute them, shareholders will gain more. Therefore, zero is the ideal payout ratio for growing companies.

Normal Firm

The internal rate of return (r) of a typical business equals the cost of capital (k). Therefore, it makes no difference whether the dividends are distributed to shareholders or reinvested by the corporation. Therefore, for typical enterprises, there is no ideal dividend payment ratio.

Declining Firm

In decreasing enterprises, the internal rate of return (r) is less than the cost of capital (k). If the corporation distributes the dividends instead of reinvesting them, the shareholders will benefit more. Thus, 100% is the ideal dividend payout ratio for businesses that are in decline. Gordon's dividend policy theory is a well-known hypothesis in the field of business valuation. It is a commonly used approach to calculate the market price of the share using the anticipated dividends, notwithstanding its drawbacks.

2.1.2. Walter's Theory on Dividend Policy

The relevance of a dividend is a concept that Walter's dividend policy model supports. This idea states that a company's decision to pay out dividends has an impact on its valuation. This idea is further explained in a mathematical model by Walter's theory. According to Prof. James E. Walter's share value model, a company's dividend policy influences its valuation. He distinguished between two elements that affect share price: the company's dividend payout ratio and the connection between the internal rate of return and the cost of capital.

Walter's theory states that the value of the company will be impacted by the dividend distribution in relation to the internal rate of return (r) and the cost of capital (k). The company's initial profits and dividends are constant. Even though the model may utilize different values for EPS and DPS, these values are expected to stay constant when calculating a value. It is believed that the corporation incurs no expenses in issuing the security, investors incur no expenses in purchasing or selling a security, and there is no corporate dividend tax. Since these factors vary for different organizations and this theory should be applied to all of them, they have all been eliminated.

According to Walter's (1963) research on dividend policy and stock prices, the firm's worth is impacted by the dividend decision. He stated that the internal rate of return and the firm's cost of capital determine the dividend policy. He clarifies that the internal rate of investment and the market rate that the investor firm can only have equity finance for have a strong relationship. It consists of surplus, equity share capital, and reserves. There is no funding source comparable to debentures or preference share capital. Preference share capital combines elements of debt and equity, making it a hybrid form of financing. Thus, by assuming this, it is eliminated. Additionally, there is a possibility of trading on equity in the case of debt financing, so the company will continue to change at that earning rate. Thus, it is likewise removed. Trading equity is taking out loans at a reduced interest rate and making more money. As outlined below, Walter's model has significant ramifications for businesses at different stages of development:

Growth Firm: Growth firms are defined by an internal rate of return ($r > k$) greater than the cost of capital. These businesses will have an abundance of lucrative investment prospects. As a result, businesses that are expanding are able to generate higher returns for their investors than they would be able to if they were to reinvested dividends. Therefore, 0% is the ideal payout ratio for growing companies.

Normal Firm: Internal rate of return = cost of capital, or $r = k$, is the case for normal enterprises. During the typical phase, the returns to shareholders will be the same for the enterprises. Therefore, in this case, the dividend policy is meaningless. It has no effect on the share's market price. Therefore, for businesses in the regular period, there is no ideal payout ratio. Any amount paid out is ideal.

Declining Firm: A declining firm's internal rate of return ($r < k$) is equal to the cost of capital. Additionally, the profits they generate on investment fall short of what stockholders can get. Therefore, it makes no sense to return the company's profits. In actuality, giving shareholders their complete earnings are the best way to increase the share price. In these kinds of circumstances, a 100% dividend payout ratio is ideal. Walter's theory is based on the idea that a company's dividend policy influences the market price of its shares, despite some irrational assumptions. It determines the share value and provides a quantitative explanation of the impact.

2.1.3 Efficient Market Theory

The efficient market hypothesis is one more explanation explaining the behavior of the stock market among the many others. According to the efficient market concept, stocks are usually priced fairly or in balance. Since all untapped profit potential are eliminated in an efficient market, current security prices accurately reflect all available information. According to the efficient market theory, market prices accurately and completely represent all available information.

Share prices are considered to be accurate and fairly priced signals for allocating resources in this way. The idea of an efficient market generated a great deal of debate in the 1960s, 1970s, and even now. Professional and amateur investors in May voiced a good deal of uncertainty. However, empirical data strongly supports market efficiency, and this model of share price behavior is currently recognized (Firth & Khane, 1986). Three levels of capital market efficiency have been identified: -

Weak form efficiency

If statistical independence (random price changes) is discovered, this indicates that no effective trading strategy for investments can be developed based on historical market price dependencies, supporting the idea of market efficiency. The most accurate and impartial way to determine a security's value in an efficient market is to look at its current share price. These prices will only fluctuate in response to the arrival of new information, and as fresh information is by its very nature unpredictable, share price fluctuations will also exhibit random behavior.

Strictly speaking, as future dividends get closer, we should anticipate seeing a slight increase in share values over time. A share's expected returns typically included both dividend income and share price growth. because a slight degree of statistical reliance might be expected. The key consideration for weak form efficiency is if price dependencies may be taken advantage of to generate excess returns. If price fluctuations are significantly correlated, this implies that applying a straightforward trading rule could potentially generate excess returns. Early attempts to assess weak-form market efficiency produced no proof that trading on part price information might yield a profit as usual. This means that making precise predictions about future asset prices based on historical security price movements is not possible. The results of these studies typically indicated that technical analysis was useless since it bases the price of assets on historical prices.

However, more recent research has shown that investors may overreact to some information, which could cause the price of a security to momentarily deviate from its investment worth. Thus, purchasing stocks that have been "oversold" and selling securities whose price has been artificially bid up may yield profits as usual. However, it should be noted that these conclusions are controversial and have not gained widespread acceptance. Sharpe, Bailey, and Alexander, 1996).

Semi strong efficient market hypothesis

The semi-strong efficient, in which trading on newly available information would not result in any extra returns being made, the share price would instantly and impartially adapt. According to this hypothesis, a market is only considered semi-efficient if its prices accurately reflect all information that is available to the public or if all information has an impact on market prices. Insiders who possess important information, however, stand to gain more than those who adopt a naive buy and hold strategy. The semi-strong form market efficiency test produced a varied set of results.

The majority of event studies have not been able to show that they are adequate to offset transaction costs. But a number of "anomalies" in the market have been identified, wherein some securities or certain times of the year seem to yield abnormally large returns (Sharpe, Alexander & Bailey, 1996). Share prices must immediately and completely represent all information that is available to the public in order to achieve semi-strong form efficiency.

Accessible data encompasses not just historical share prices (analyzed through weak form tests) but also an extensive range of economic indicators that impact price fluctuations. Announcements of mergers, new share issues, stock splits, earnings, major share deals, and changes in the discount rate were among the examples of data that were studied. The majority of the experiments conducted under the semi-strong form umbrella have measured how the share price changes in response to information releases. The difference between actual share prices and share prices that would have been observed in the absence of new information is the share price adjustment measured in the semi-strong form by the research (Firth & Keane, 1986).

Strong form efficient market hypothesis

Stock prices, according to the strong form efficient market theory, reflect all information not available to the general public. Insider knowledge, also referred to as private information, is disclosed to the public in order to maintain the stock market's competitive and logical behavior under severe market efficiency. According to the strongly efficient market theory, the price of a security reflects all available information. It says that no one may trade or follow the short-term price movements of securities in order to purchase and hold approach. Even people with inside knowledge would not have any useful investment information if markets are very efficient. If there is no insider trading and stock price fluctuations are random factors, securities markets have the potential to be very efficient. Overperformance indicates either that fund managers have more advanced information than others or that they are better at interpreting what is already known. The degree to which insiders use advance knowledge is lessened by the public disclosure of and oversight of insider transactions. It seems sense that investors who have access to more private information will trade at a benefit over those who rely solely on information that is made public.

Corporate insiders and stock market experts have typically been demonstrated to be able to generate abnormally large profits since they possess knowledge that the investing public does not. The capacity of security analysts to generate such profits is less certain. These analysts sometimes have direct access to confidential material, and via their investigation, they also create some of their own confidential information. Studies have shown that some analysts can

identify securities that have been misruled, although it is unclear if this ability is the result of skill or luck (Sharpe, Alexander & Bailey 2000).

According to strong form, the price of securities should take into account all information, especially confidential information. When there are unequal opportunities in the world, the strong form is not applicable. The security price of an EMH asset in semi-strong form reflects all information that is available to the public. Since there isn't a security that is overvalued or undervalued, trading rules can't generate higher returns. New information is promptly incorporated into the price as it becomes available. Prices on the security market are said to reflect fair value according to the efficient market theory. Some contend that since prices fluctuate and fair market value should only slightly alter in response to fresh facts regarding a security's expected future cash flow, this cannot be the case. It suggests that portfolio managers have little to no advantage over the next portfolio manager in a highly competitive market. Their exceptional gains are not due to idempotence, but rather to the intense competition in the markets and the scarcity of easy money (Will, 1999).

2.3 Empirical Review

This section of the literature review focuses on examining previous studies that extensively discuss the relationship between stock prices and economic factors. The empirical findings regarding the correlation between stock market development and economic growth have been mixed, although the majority of evidence supports a positive association between the two. Numerous studies, both foreign and Nepalese, have explored this topic, although only a select few are summarized briefly below.

Empirical review at international context

Khan and Amanullah (2012) studied on the determinants of share prices of Karachi Stock Exchange (KSE) 100 index. Examining several factors that influence the share prices of the Karachi Stock Exchange (KSE) 100 index was one of the study's main goals. With the aid of numerous linear regression models, it was discovered that yield, with its negative correlation with share market price, also emerged as a highly significant determinant of share price, with dividend per share emerging as a substantial determinant of share price. The study's main conclusions were that, with the exception of 1977–1978, the coefficient of book value was

positive and extremely significant throughout. What an actual dividend growth or excess stock return is assumed to persist over time has a significant impact on how stock price fluctuations are decomposed.

Shubiri (2014) studied on the determinants of market stock price movement. The major objectives of the study were to examine the factors that influence market stock price movement, including net worth, lending interest rates, inflation rates, book value per share, dividend per share, earning per share, and gross domestic product, during the years of 2005 and 26 2008. The independent variables are net worth, inflation rate, lending interest rate, and stock price. These are dependent variables: EPS and BVPS. A fixed effect model, namely pooled regression, was applied to multiple panel data regression. The study's main conclusions were that the market price of shares is significantly influenced by EPS, BVPS, and dividend per share. Additionally, the study's findings showed that the two biggest factors influencing market price were DPS and EPS. Thus, the outcome encourages businesses to pay dividends on a regular basis and promotes liberal policies.

Challa and Chalam (2015) studied on the determinants of market share price of selected steel companies listed in Bombay Stock Exchange. The major objectives of the study were factors that affect the market share price of particular steel businesses that are listed on the Bombay Stock Exchange. The independent variables are book value, earnings per share, dividend per share, and business size. The dependent variables are the P/E ratio and the dividend payout ratio. Regression with many variables was employed. The study's goal was to determine how different financial conditions affected stock market values. The study examined the effects of a number of chosen accounting factors on the equity price of companies listed on the Bombay Stock Exchange, including book value, dividend per share, earning per share, company size, dividend payout ratio, and P/E ratio.

Robert and Nardin (2015S) analyzed the commonality in the determinants of expected stock returns. The major objectives of the study were to examine the similarities among the factors that influence predicted stock returns. The independent factors are the stock price, growth potential, price level, and liquidity. One of the dependent variables is market share. A hypothesis was applied. Initially, it was clear that the stock with a greater predicted and actual rate of return was less risky than the stock with a lower return. Second, they discovered that

the key factors influencing predicted stock returns were very similar throughout the world's largest equities markets. They discovered that all of the equations' coefficients of determination were extremely high and that the projected coefficients in the chemical sector had the right sign. It suggests that the independent variables of stock price and dividend supply can account for the change in each. However, they discovered that in the instance of the sugar business, the retained earnings sign is negative in both years.

Qaisi et al. (2016) studied the effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. Twenty insurance businesses that were listed between 2011 and 2015 on the Amman Stock Exchange were considered in the study. The findings of the data analysis, which used both simple and multiple regression methods, showed that, among insurance businesses listed on ASE, there is no relationship between ROE and market stock price, but there is one between ROA, debt ratio, company age, and company size.

Saldani et al. (2017) studied the causality relationship of the stock price of 10 deposit banks traded in Borsa Istanbul with industrial production index. The major objectives of the study were Using monthly observations with a focus on the months of June 2007 through October 2016, the study investigated the causal relationship between the money supply, exchange rate, and industrial output index and the stock prices of ten deposit banks trading on Borsa Istanbul. The causal relationship between variables is examined using the panel causality test. The study's conclusions demonstrated that the bank's stock price is not determined by the industrial production index.

Ahmed and Javid (2018) examine the effect of earning per share, price to book value, dividend payout, and net profit margin on the stock price in Indonesia Stock Exchange. The major objectives of the study were to investigate the relationship between the stock price on the Indonesia Stock Exchange and earnings per share, price to book value, dividend payout, and net profit margin. Two independent factors are share price and firm size. Two dependent variables are dividend yield and payout ratio. In order to test hypotheses, data analysis using bootstrapping employed statistical equation modeling, or SEM. The study's conclusions supported the notion that EPS, PBV, and DPR have a major impact on stock prices. With an

alpha significance of 5%, the NPM did not, however, substantially impact stock price during the study period.

Singh and Tandon (2019) conducted an article on the topic, the effect of dividend on market price of share of listed companies on National Stock Exchange. The major objectives of the study were to assess the impact of dividends on the market value of listed companies' shares on the National Stock Exchange. The three independent variables are assets growth, stock price per share, and earnings per share. The dependent variables are BVS and ROA. Pooled regression, fixed effect model, and random effect model are three types of multiple panel data regression. Pooled regression, fixed effect model, and random effect model are three types of multiple panel data regression. The study's main conclusion was that the random effect model explained the link between the variables better than any other model. The appropriate dividend policy methods were supported by the results of the random effect regression model. It came to the conclusion that dividend policies had a big impact on company stock prices.

Alajekwu and Ezeabasili (2020) analyzed the effect of dividend policy on the volatility stock prices of firms quoted on the Nigerien Stock Exchange. The major objectives of the study were to examine the how the volatility of stock prices of companies listed on the Nigerien Stock Exchange is affected by dividend policies. The independent variables include dividend price, business size, asset growth, and DPR. Regression analysis using panel data was applied. Results showed that the dividend payout ratio had a positive but not statistically significant impact on non-financial companies' stock market volatility and a positive but not statistically significant effect on financial firms. Both financial and non-financial service firms experienced a negligible decline in stock market volatility as a result of dividend yield. The study's main conclusion was that the random effect model explained the link between the variables better than any other model. The appropriate dividend policy methods were supported by the results of the random effect regression model. It came to the conclusion that dividend policies had a big impact on company stock prices.

Bustani et al. (2021) examine the effect of EPS, PBV, DPR, and NPM on the stock price. The major objective of the study were to investigate how the stock price is impacted by EPS, PBV, DPR, and NPM. The independent variables are the stock price, net profit margin, and dividend payout ratio. The dependent variables that were collected were PBV and EPS. In order to test

hypotheses, data analysis using bootstrapping employed statistical equation modeling, or SEM. The results of the study supported the importance of EPS, PBV, and DPR in relation to stock prices. With an alpha significance of 5%, the NPM did not, however, substantially impact stock price during the study period. The outcome showed that the random effect model explained the connection between the variables more accurately. The appropriate dividend policy methods were supported by the results of the random effect regression model. It was determined that dividend policy had a major impact on the stock price of firms.

Riyami and IJSRM (2022) examined the Relationship between Corporate Governance Dimensions and Financial Performance of Listed Insurance Companies in Muscat Securities. The major objectives of the study were to investigate the relationship between the financial performance of listed insurance companies on the Muscat Securities Market in the Sultanate of Oman and the dimensions of corporate governance. The independent variables are the audit committee, board independence, and board size. The dependent variables that were considered were ROA and ROE. Regression analysis and correlation were applied. More opportunities for broader inquiries in the financial sector as a whole have been made possible by this study conducted in the insurance industry. Determining the corporate governance variables to evaluate the financial performance highlights how crucial it is to have strong corporate governance in order to guarantee a profitable financial operation. According to this study, the data from 2004 to 2018 has been deemed to represent an acceptable trend that could have an impact on the way the insurance industry operates and conducts business today. The results show that BI has no effect, board size affects ROA but not ROE, and FBM affects ROE but not ROA.

Driver et al. (2023) analyze the estimates a dividend pay-out relationship for South Africa. The major objectives of the study were to examine the South Africa's dividend payout relationship. For distinct panels of listed and unlisted non-financial enterprises, estimated findings are produced. The independent variables include dividend cash, size, age, market to book ratio, profitability, and assets growth rate. The dependent variables are EPS, dividend yield, and payout ratio. Regression modeling, ANOVA, correlation, and least squares were employed. It was observed that an elevated percentage of independent directors amplified the impact of size on the dividend determination. The outcome was the same for foreign ownership. Find any

noteworthy effects on ownership concentration, though. Additionally, there was a tenuous correlation between the percentage of independent directors and the market-to-book ratio, which gauges investment opportunities.

Table 1: Summary and Empirical Review at International Context

S.N	Authors	Objectives	Variables	Research methodology	Finding
1.	Khan and Amanullah (2012)	To investigated different determinants of share prices of Karachi Stock Exchange (KSE) 100 index.	GDP, dividend and P/E ratio are the independent variables. B/M ratio and interest rate are dependent variables.	linear Multiple Regression model was used.	The major findings of the study were to rises in GDP, dividend and P/E ratio leads to rise in share prices but B/M ratio and interest rate are negatively related to share prices.
2.	Nasif Al-shubiri (2014)	To analyzed the determinants of market stock price movement variables such as book value per share, dividend per share, earning per share, lending interest rate, inflation rate, gross domestic product, net worth for the period 2005 to 26 2008.	Stock price, lending interest rate, inflation rate, gross domestic product and net worth are the independent variables. EPS and BVPS are the dependent variables.	Multiple panel data regression namely pooled regression, fixed effect model was used.	The result revealed that EPS, BVPS, dividend per share has significant impact on the market price of share. Furthermore, result of the study indicated that DPS, EPS, being strongest determinants of market price. So the Result supports liberal policy and suggests companies to pay regular dividend.
3.	Challa and Chalam (2015)	To determinants of market share price of selected steel companies listed in Bombay Stock Exchange.	Book value, dividend per share, earning per share, size of the firms are the independent variables. Dividend payout ratio and P/E ratio are the dependent variables.	Multiple regression was used.	The finding of the study was to know the influences of the various financial factors on stock market prices. The study was analyzed the impact of the selected accounting variables like book value, dividend per share, earning per share, size of the firms, dividend payout ratio and P/E ratio on the equity price of listed companies in Bombay Stock Exchange.
4.	Robert and Nardin (2015)	To analyzed the Commonality in the Determinants	liquidity, price level, growth potential and stock price are the	Hypothesis was used.	First, the stock with higher expected and realized rate of return was unambiguously of lower risk than the stocks with

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|----|-----------------------------------|--|--|--|---|
| | | of Expected Stock Returns. | independent variables. Market per share is dependent variables. | | lower returns. Second, they found that the important determinants of expected stock returns were strikingly common to the major equity markets of the world. |
| 4. | Qaisi, Tahatmout and Oudah (2016) | To studied the effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. | Debt Ratio, Company age and Company size and market stock price are independent variables. ROA and ROE are the dependent variables | simple and multiple regression method was used. | The findings of the study was that there is effect between ROA, Debt Ratio, Company age and Company size and market stock price and there is no effect of ROE and market stock price in insurance companies listed on ASE. |
| 5. | Markvicka (2016) | To examine the impact of dividend and retention on share price.
To estimate a model to explain share price, dividend and retained earnings relationship. | share price, dividend and retained earnings are the independent variables. price earning's ratio is dependent variables. | Correlation. Coefficient of determination and regression was used. | The researcher found that in the case of chemical industry the estimated coefficients had the correct sign and the coefficient of determination of all the equations were very high. It implies that the stock price and dividends supply variation can be explained by their independent variables. But in case of sugar industry, they found that the sign for the retained earnings is negative in both years. |
| 6. | Ullah et al. (2016) | To investigated the relationship between dividend payout and the share price as well as the impact of dividend payment on share price of listed organizations in Karachi Stock Exchange. | Stock price was dependent variable while dividend payout ratio the independent variable | Correlation, and regression model was used. | The major findings of the study were that dividend payout ratio and its impact on stock price have been proved to be influential for the time period of 2003- 2008. This suggests that dividend payout ratio have a significant impact on stock price. Moreover, among the control variables; earning volatility and growth were also found significant in some of the regression models. |
| 7. | Hooi et al. (2017) | To examined the relationship between stock price volatility and dividend policy instruments in the Malaysian market taking a sample of | Firm size and share price are independent variables. Dividend payout ratio and dividend yield are dependent variables. | Hypothesis, correlation, relapse model was used. | The findings of the study were that dividend yield and dividend payout has negatively relationship with share price and were significant. Firm size and share price were also related. Positive and significant relationship between growth in assets and market price of |

- 319 companies from Kuala Lumpur Stock Exchange
8. Saldani, Axdin and Bektas (2017) To examined the causality relationship of the stock price of 10 deposit banks traded in Bursa Istanbul with industrial production. Dividend per share, earnings per share, P/E ratio are dependent variables. Market per share is the dependent variables. Multiple regression was used. The finding of the study that the industrial production index is not one of the determinants of the stock price of the bank examined.
9. Saldani, Axdin and Bektas (2017) examined the causality relationship of the stock price of 10 deposit banks traded in Bursa Istanbul with industrial production. DPS, DY, EPS are the independent variables and MPS is the dependent variables. Hypothesis test and lest square was used. The finding of the study showed that the industrial production index is not one of the determinants of stock price of the bank examined. The panel causality test is used to examine the causality relationship between variables.
10. Hafeez Ahmed & Attiya Y. Javid (2018) To examined that the Effect of Earning Per Share, Price to Book Value, Dividend Payout, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange Firm size and share price are independent variables. Dividend payout ratio and dividend yield are dependent variables. Data analysis with bootstrapping used SEM (Statistical Equation Modeling) in hypothesis testing. The research findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5%.
11. Narinder Pal Singh & Aakarsh Tandon (2019) To evaluate the effect of dividend on market price of share of listed companies on National Stock Exchange. Earnings per share, stock price per share and assets growth are the independent variables. ROA, BVS are the dependent variables. Multiple panel data regression namely pooled regression, fixed effect model and random effect model. The result indicated that random effect model was more relevant in describing the relationship among the given variables. The result of random effect regression model supported the relevant approaches of dividend policy. It concluded that there was significant effect of dividend policy on the stock price of firms.
12. Dr. Udoka Bernard Alajekwu & Prof. Vincent N. Ezeabasili (2020) To examine the effect of dividend policy on the volatility stock prices of firms quoted on the Dividend price, firm size, assets growth, DPR are the independent variables. The panel data regression technique. The findings revealed that dividend payout ratio had significant positive effect on stock market volatility of non-financial firms, and positive but insignificant effect for the financial firms. However,

		Nigerien Stock Exchange.			dividend yield had insignificant negative effect on stock market volatility for both financial and non-financial service firms.
13.	Bustani, Kurniaty & Rahmi Widyanti (2021)	To examine the effect of EPS, PBV, DPR, and NPM on the stock price.	Stock price, net profit margin, dividend payout ratio are the independent variables. EPS and PBV are the dependent variables.	Data analysis with bootstrapping used SEM (Statistical Equation Modeling) in hypothesis testing	The research findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5%.
14.	Noha Yahya Abdullah Al-Riyami, and IJSRM (2022)	To examined the Relationship between Corporate Governance Dimensions and Financial Performance of Listed Insurance Companies in Muscat Securities Market, Sultanate of Oman	Board size, board independence, audit committee are the independent variables. ROA and ROE are the dependent variables.	Correlation and regression analysis was used.	The major findings of the study was to performed in the insurance industry has provided more avenues for wider investigations in the financial sector in general. Determining the factors of corporate governance to assess the financial performance reflects Based on the findings, board size affects ROA but not on ROE; FBM affects ROE but no effect on ROA; BI has no influence
15.	Driver et al.	To estimates a dividend pay-out relationship for South Africa. Estimated results are obtained for separate panels of listed and unlisted non-financial firms.	Dividend cash, size, age, MBF, profitability, market to book ratio or assets growth rate are the independent variables. Dividend payout ratio, dividend yield and EPS.	Correlation, least square, ANOVA and regression model was used	A Researcher found that found that a higher proportion of independent directors increased the effect of size in the dividend decision. Foreign ownership had the same effect. We did not, however, find any significant effects for ownership concentration.

Empirical Review at Nepalese Context

Upadhyaya (2014) studied on the impact of stock price behavior of firms listed in NEPSE, with reference to commercial bank. The major objectives of the study were to examine the effects of the stock price behavior of companies listed on the NEPSE, using data from commercial banks spanning five years. The market price per share (MPS) and earnings per share (EPS) in all sample banks were shown to have a strong positive correlation by the author, and MPS is heavily dependent on EPS. The primary factors influencing the price of NEPSE are the growth rate of the EPS dividend payout and the risk related to disclosing political instability in corporate information. Furthermore, the share price of NEPSE is not greatly impacted by changes in the interest rate, retention ratio, cost of equity, market liquidity, or management.

Regmi (2014) studied on capital market practices in Nepal conducted by Securities Board, Nepal mainly given focus on basic level of corporate governance practices in Nepal. The major objectives of the study where The Securities Board of Nepal undertook a study on capital market practices in Nepal, with a primary focus on the fundamentals of corporate governance in Nepal. The study's key result was that corporate directors, some of whom have already started working, exist. They concurred that establishing a code of ethics for effective governance and shunning political interference in business were essential. They have also recommended giving the board of directors more authority and making them accountable. They also requested the assistance of authorities in their efforts to enhance corporate governance.

Upreti (2015) examined corporate Governance Law and Practice in Nepal submitted by organized by SEBON Nepal. The major objectives of the study were to examined various aspects of corporate governance as well as related laws and practices pertaining to the regulation of the securities markets in Nepal. It came to the conclusion that the introduction of a corporate governance code and the explanation to directors, CEOs, managers, regulators, and stakeholders of the significance of good corporate governance are necessary. Additionally, the regulator's internal governance needs to be changed. examined the protection of investors and the regulation of the Nepalese capital market, and the findings were published in SEBON. The discussion focused on the regulatory aspects of the current legislative frameworks, pointing out significant shortcomings in the present rules and making recommendations for

improvements. The study came to the conclusion that in order to professionalize the current SEBON members, the Stock Exchange and relevant authorities needed to arrange for them to take periodic refresher courses. Additionally, those in charge needed to have a solid foundation in corporate finance, capital markets, economics, financial engineering, etc.

Poudel (2016) studied on the determinants of stock price in NEPSE, with special focus to private commercial banks. The major objectives of the study were Regarding factors that affect NEPSE stock price, with an emphasis on private commercial banks in particular. The principal statistical instruments employed in this investigation include the t-test, regression analysis, correlation analysis, and arithmetic mean. A descriptive research design has been used for this investigation. The data was arranged, significant correlations were found, and differences and similarities with and between the various variables under research were found using the SPSS tool. The Z test revealed whether or not there is a statistically significant association between the variables, which was one of the study's main conclusions. The market price of stock is influenced by a number of different elements, including the internal and external environments, even though DPS, BVPS, and EPS have a favorable impact on the MPS. The market price per share should theoretically rise in tandem with growth in earnings, dividends, and book value per share. However, this theory does not appear to be entirely accurate in the instance of NEPSE. indicating that the share price is influenced by a number of other things as well.

Adhikari (2017) studied on securities markets development in Nepal. The major objectives of the study were raised concerns about the growth of the securities industry and discussed potential preventative actions. The independent variables are the P/E ratio, earning per share, and dividend per share. The dependent variable is the change in MPS. and regression analysis were employed to display the data. The main conclusion is that the legal framework is inadequate, the regulator has insufficient resources, the market is not sufficiently developed in Nepal, there is a lack of accounting and auditing standards, poor liquidity, corporate governance and disclosure practices, institutional investor participation, high public issue and transaction costs, and so on. In closing remarks, the author stated that new laws should be introduced and successfully put into operation in order to improve the current state of the securities market and establish it as a significant source of long-term funding.

Pradhan and Poudel (2017) examined the impact of fundamental factors on stock price of Nepalese commercial banks. The major objectives of study were to investigate how basic elements affect Nepalese commercial banks' stock prices. The independent variables are earnings per share, dividends per share, net profit margin, return on equity, and return on assets. The dependent variables are the market price per share and the change in the market price per share. Data are gathered from annual reports of the chosen commercial banks as well as the Banking and Financial Statistics and Bank Supervision Report issued by Nepal Rastra Bank. Based on data from 13 Nepalese commercial banks between 2007 and 2014, 104 observations in all were used for the study. The significance and impact of fundamental determinants on the stock price of Nepalese commercial banks are investigated by regression model estimate. According to the study, there is a substantial correlation between the market price per share and changes in market price per share (EPS), dividend per share (DPS), and return on assets (ROA) and the stock price. The results of the regression show that the beta coefficients for DPS and EPS are positively impacted by market price per share at the 5% level of significance.

Kafle (2018) studied on the Challenges showed the primary market scenario, relevant issues in the primary market and envisioned reforms. The major objectives of the study were to examine Nepal's primary market development and make the case that its problems and obstacles illustrated the country's primary market situation, pertinent problems in the primary market, and proposed solutions. The independent variables are dividend per share, DY, and size. The dependent variables are the market share. The tools utilized to present the data were regression, correlation, and standard deviation. It was discovered that the Securities Ordinance, which was just issued, is significant for enabling capital market reform and strengthening the regulator. Furthermore, the Ordinance's intended execution will provide challenges.

Shrestha (2018) examined the stock price behavior of Nepalese commercial banks. The major objectives of the study were to examine the stock price behavior of 10 Nepalese commercial banks over a five-year period as a sample. The market price of NEPSE shares is influenced in this study by the risk attached to the company, dividend payments, and book values of earnings. Regression analysis and correlation were employed to display the data. The study's main conclusions were that NEPSE is still in its infancy and that retention has no appreciable impact on equity costs or management changes. The majority of banks are unaware of the laws and

regulations pertaining to the share market, yet the Nepalese capital market suffers from a lack of rules and regulations as well as an ineffective regulatory framework for market makers.

Khadka (2018) studied on the determinant of share price of commercial bank in Nepal. The major objectives of the study were to examine the factors that affected Nepal's commercial bank's share price between 2012–13 and 2016–1. MPS is a dependent variable, and EPS, BVPS, DPS, and P/E Ratio are independent variables. A descriptive research design was used to accomplish the goals of this study. Out of the 28 commercial banks in the population, 4 are selected as a sample and are listed and actively trading shares on NEPSE. The method of sampling that was selected was convenience sampling. Multiple regression and simple correlation models have been used to examine the relationship between share price and other variables. The study's main conclusions were that, whereas DPS significantly lowers the share prices of some banks, EPS, BVPS, and P/E ratios significantly raise them. Changes in share price have little effect on EPS, DPS, or BVPS, but they have a major effect on NSBI, NBBL, and their P/E ratios. This conclusion aligns with earlier studies conducted in the Nepalese context.

Sharma (2019) studied on the empirical relationship between equity and share prices and explanatory variables. The major objectives of the study were to investigate the empirical relationship between equity and share prices and explanatory variables from 1993 to 1994 to 2018–19, including book value per share, dividend per share, earning per share, price–earnings ratio, dividend yield, dividend payout, and size in terms of sales. The market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share, according to the results. The study's key findings showed that earnings per share and dividend per share were the best indicators of market price; as a result, the study's conclusion supports a generous dividend policy and advises businesses to pay dividends on a regular basis.

Paudel (2020) conducted research to determine the stock price behavior of commercial banks in NEPSE. The major objectives of the study were to examine correlation coefficients, regression analyses, run tests, and autocorrelation to study the stock price behavior of commercial banks in NEPSE of the monthly closing price of six listed commercial banks over the course of three consecutive years, from 2012 to 2020. In the investigation, the researcher discovered a correlation between subsequent price fluctuations and earlier price series. The

majority of the stocks did not fit the random walk concept, the researcher also discovered. The prior prices influenced the current stock price. The most significant element influencing the stock's price fluctuation was the EPS. Because the NEPSE index fluctuated as a result of transactions involving the shares of commercial banks, the majority of investors desired to invest in commercial bank shares. The study had significant limitations. The monthly closing price of stocks, which was the data employed in this study, was insufficient to forecast share price behavior.

Chundali (2020) analyzed the factors affecting the fluctuation of the share price in Nepalese commercial banks. The major objectives of study were to find out what the general population believed about the factors influencing Nepal's share price movement. In order to determine the effects of the numerous variables and their effects on the movement of share prices in Nepal, this study used both primary and secondary data from a variety of sources. The design of the study made use of descriptive research. Convenience sampling was used during the investigation. The primary source of secondary data for this study was the set of questionnaires used to collect data from respondents. The secondary data came from the yearly reports of the sample banks that were used in this research. The mean, standard deviation, coefficient of variance, and correlation coefficients were used to examine the study's data. The results demonstrated that even though most respondents agreed that the country's political climate, earnings per share, dividend distribution patterns, higher book value, share price, Nepal Rastra Bank policies and procedures, and financial factors all affect share price movements, a significant number of respondents continue to hold this belief. The study also showed how erratic the share prices of Nepal's commercial banks are. The research also revealed that Nepal's commercial banks' share prices are highly erratic. Determining the variables influencing commercial banks' share prices is an interesting topic. Most investors' portfolios are dominated by shares of commercial banks.

Karki (2021) examined the macro-economic factors on the stock market performance in Nepal. The major objectives of the study were to investigate the impact of macroeconomic conditions on Nepal's stock market performance. The independent variables are size, book value per share, dividend per share, earning per share, price-earnings ratio, dividend yield, and dividend payment. net worth and the number of sales is the dependent variables. The tools utilized to

present the data were regression, correlation, and standard deviation. The study's main conclusions were that market pricing had a negative correlation with interest rates and a positive correlation with real GDP, inflation, and money supply. Furthermore, it is discovered that macroeconomic factors do not account for the movement of stock prices in Nepal. A more recent analysis found that there is a long-term equilibrium relationship between the stock market and a number of macroeconomic indicators. Using Johannes' co-integration method and monthly data from 2013 to 2021, he discovered a substantial positive association between remittances and the NEPSE index in this study.

Agrawal (2022) studied on the determinants of stock prices fluctuation in Nepal and found that there was difference between NEPSE Index. The major objectives of the study were to investigate the elements that influence Nepalese stock price fluctuations, it was discovered that the NEPSE index differed from significant signaling indicators including the Maoist peace accord, public monuments 2078–79, and political demonstrations. A test of the association between EPS and DPS using MVPS has been conducted. Regression analysis and paired-test correlation have been used to calculate the value of the preset hypothesis. The research of financial indicators (EPS and DPS) revealed that the Nepalese stock market is still in its infancy, which was one of the study's main conclusions. The DPS and EPS are not very steady. The banking sector and financial companies have a strong draw for potential investors.

Table 2. Summary and Empirical review at National Context

S.N	Authers	Objectives	Variables	Research methodology	Findings
1.	Upadhya ya (2014)	To analyzed on impact of stock price behavior of firms listed in NEPSE, with reference to commercial bank for 5 years data.	Interest rate, retention ratio, cost of equity, market liquidity, change in management are the independent variables. MPS and EPS are the dependent variables.	Multiple regression was used.	The major findings of the study were to that market price per share (MPS) had high degree of positive relationship with EPS in all sample banks and MPS largely depend on EPS. EPS dividend payout growth rate, and risk associated with company information disclose political instability are the major factors affecting the share price in NEPSE.
2.	Regmi (2014)	To studied on Capital market practices in Nepal conducted by Securities Board, Nepal mainly given focus on basic level of corporate governance practices in Nepal.	Dividend per share, earning per share, P/E ratio are the independent variables. Change in MPS is the dependent variables.	Mean, standard deviation, correlation and regression analysis was used.	This study revealed that corporate directors and some of them are already in practice. They agreed to the necessity of adopting code of ethics on good governance and avoiding political influence in the corporate sector. Further, they have suggested increasing the responsibility of the board of directors and making hem responsible. They asked for the cooperation of regulators to work for the improvement of corporate governance as well.
3.	Upreti (2015)	To studied regulation of Nepalese capital market and investor's protection and published in SEBON improvement.	DPS, DY, P/E ratio and size are the independent variables. MPS is the dependent variables.	Multiple regression was used.	The findings were of the study to professionalizing the existing members of SEBON, Stock Exchange and concerned authorities must conduct from them to time refresher course and concerned persons should have reasonable background in corporate finance, capital market, economics and financial engineering, etc.
4.	Adhikari (2017)	To analyze that on securities markets development in Nepal and highlighted issues	Dividend per share, earning per share, P/E ratio are the independent variables. Change in MPS is the	Correlation and regression method was used.	The major finding is that Nepalese securities market does not adequately developed due to legal inadequacy, law resource to regulator, poor liquidity, poor corporate governance practices, poor disclosure practices, law

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|----|-------------------------|---|---|---|---|
| | | regarding development of securities market and dealt possible suggestive measures. | dependent variables. | | involvement of institutional investors, high cost of public issue, high transaction cost and lack of accounting and auditing standard, etc. |
| 5. | Pradhan & Poudel (2017) | To examine the impact of fundamental factors on stock price of Nepalese commercial banks. | Return on assets, return on equity, net profit margin, earning per share and dividend per share are the independent variables. And market price per share and change in market price per share are the dependent variables. | regression models was used. | The researcher found that there is significant relationship between the stock price and dividend per share (DPS), return on assets (ROA), and earnings per share (EPS) (market price per share and change in market price per share). According to the regression's findings, market price per share at a 5% level of significance has a favorable impact on the beta coefficients for DPS and EPS. |
| 6. | Poudel (2016) | To determinants of stock price in NEPSE, with special focus to private commercial banks. | DPS, BVPS and EPS affect the MPS are the variables. | Arithmetic mean, correlation and regression analysis, t-test were used. | The major findings of the study were to from Z test showed that there is statistically significant relationship between the variables or not. Even though DPS, BVPS and EPS affect the MPS positively, there is several other factors i.e. internal as well as external environment that affects the market price of stock. |
| 7. | Kafle (2018) | To analyzed primary market development in Nepal and argued that its issues and Challenges showed the primary market | Size, DY, and dividend per share are the independent variables. Market per share are the dependent variables. | Standard deviation, correlation and regression was used. | It found that the recent issuance of Securities Ordinance is important in terms of empowering the regulator and facilitating capital market reform. More over the planned implementation of Ordinance will emerge as challenge |
| 8. | Khadka (2018) | To analyzed the determinant of share price of commercial bank in Nepal over the period 2012/13 to 2016/1. | EPS, BVPS, DPS, and P/E Ratio are independent variables, and MPS is a dependent variable were used. | Multiple correlation and simple and multiple regression models were used. | The empirical result showed that, while DPS has a significant negative impact on the share prices of selected banks, EPS, BVPS, and P/E Ratio have a significant positive impact. While EPS, DPS, and BVPS are not significantly impacted by share price changes, NSBI, NBBL, and their P/E ratios are significantly affected. |

- | | | | | | |
|-----|-----------------|--|---|---|--|
| 9. | Shrestha (2018) | To analyzed on stock price behavior of Nepalese Commercial banks taking 10 commercial banks as sample over the period of 5 years. | earnings book values, dividend payment and risk are the independent variables. MPS is the dependent variables. | Correlation and regression method was used. | The major findings of the study were to NEPSE is in primitive stage and it doesn't have significant effect of retention on cost of equity and change in management. Most banks are unknown about laws and policies regarding share market but poor rules and regulation as well as infective regulatory mechanism of market makers are the problem of Nepalese capital market. |
| 10. | Sharma (2019) | To examined the empirical relationship between equity and share prices and explanatory variables for the period 1993-94 to 2008-09 | book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout, size are the independent variables. of sale, and net worth are the dependent variables. | Multiple regression was used. | The Results revealed that earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the result of study supports liberal dividend policy and suggests companies to pay regular dividends. |
| 11. | Paudel (2020) | To examine on stock price behavior of commercial banks in NEPSE of monthly closing price of 6 listed commercial banks | EPS, DY, P/E ratio and size are the independent variables. MPS is the dependent variables. | Correlation Coefficient, Regression Analysis | The researcher also found that most of the stocks did not follow random walk hypothesis. The present stock price was dependent to the historical prices. The EPS was the most affecting factor for the price change of the stock. |
| 12. | Chundali (2020) | To determine the general public thought about the variables that influenced share price movement in Nepal. | earnings per share, dividend distribution patterns, higher book value, share price variables were used. | Mean, standard deviation, coefficient of variance, and correlation coefficients was used. | The findings showed that while a majority of respondents agreed that the political situation of the nation, earnings per share, dividend distribution patterns, higher book value, share price, rules and regulations of Nepal Rastra Bank, and financial aspects all influence share price movements, many respondents still hold this belief. |
| 13. | Karki (2021) | To empirically examined the macro-economic factors on the | book value per share, dividend per share, earning per share, price earnings ratio, | Standard deviation, correlation and | In this study researcher found that there is significant positive relationship between remittance and NEPSE index applying Johannes's co-integration method |

		stock market performance in Nepal .	dividend yield, dividend payout, size are the independent variables. of sale, and net worth are the dependent variables.	regression was used.	study employed monthly data from 2003 to 2012.
14.	Ojha (2021)	To examine the administrated research on financial performances and common stock pricing.	Payout ratio, dividend yields, dividends paid and stock prices are the independent variables. Net worth per share and common stock price are the dependent variables.	Correlation coefficient and regression model was used.	It found that the issuance bonus shares and right shares, which actually decrease the net worth per share, there is significant positive correlation between the dividends paid and stocks prices of banking and manufacturing industries. All other industries have not a perfect correlation between the dividends paid and stock prices.
15.	Agrawal (2022)	To examined determinants of stock prices fluctuation in Nepal and found that there was difference between NEPSE index.	EPS and DPS are the independent variables. MVPS is the dependent variables.	Hypothesis, pared- test correlation and regression analysis was used.	The major findings of the study were to analysis of financial indicators (EPS and DPS) has shown that Nepalese stock market is still on infancy stage. EPS and DPS are not much stable. Potential investors are highly attracted by banking industry and financial company.

2.4 Research Gap

In reviewing prior thesis, it was observed that only a limited number of studies have been conducted using the same sample companies selected for this research. Furthermore, a research gap during this period has been identified within the chosen sample companies.

Studies focusing on the behavior of stock prices in Nepal, particularly concerning selected insurance companies listed on the NEPSE. This study aims to address this research gap by analyzing twelve chosen insurance companies established across different periods. The research is based on ten years of data, potentially leading to inaccuracies in the findings. Various financial ratios and trend analyses were employed to assess the profitability of three banks and to examine the risk and relationships between EPS, DPS, and BVPS in a specific insurance company. Most prior studies utilized technical and statistical methods like regression analysis and correlation coefficients, with only a few employing fundamental analysis tools. Furthermore, limited studies have specifically explored the impact of financial indicators such as EPS, DPS, and BVPS on MVPS. This study endeavors to investigate the relationship of these factors and their influence on stock market prices.

Therefore, from both an academic and a policy standpoint, this study has proven beneficial to all interested parties, individuals, academics, professors, students, and businesspeople. I hope this research will be useful to others in a relevant subject in the future.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis data in a manner that aims to combine relevant to the research purpose with economy in procedure. Research design is the conceptual structure within which the research is conducted. This research study has applied descriptive and analytical design. The research adapted for this purpose of the study is descriptive research design. To determine the effect of book value, dividend and earning on stock price descriptive and analytical research design has been adapted along with correlation and regression analysis. To identify the qualitative factors affecting stock price, descriptive research design has been adopted.

3.2 Population and Sample

Among total 34 insurance companies listed in Nepal, 12 companies including life and non-life insurance companies are taken as sample for this study. This study aims to determine the stock price behavior in insurance companies in Nepal using convenient sampling method for study taking latest 10 years data.

3.3 Nature and Sources of Data

This study is based on secondary data. The quantitative data have been extracted from secondary sources. Company's annual financial statements have served the data required to capture the stock price of the firm. Company's balance sheet, income statement, financial ratio providing, information like dividend, earning, book value and market price etc. have been excessively employed as a secondary source of data. Secondary data were collected from annual reports of the selected insurance companies for the years 2014/15 to 2021/22.

3.4 Data Collection Procedure

The financial performance reports, publications, journals, references, annual reports, and corresponding websites of the banks that provide the data used in this study will all be taken into consideration for the necessary observation. Additional data is gathered from many

agencies and institutions, including the Ministry of Finance, the Nepal Stock Exchange, and the NRB. Similarly, a variety of facts and information are gathered for necessary observation from many sources, including economic journals, periodicals, bulletins, magazines, and other published and unpublished reports and papers. The primary sources of review materials include Shanker Dev Campus, TU Kirtipur, and the central library.

3.5 Data Processing Procedure

First, information was taken out of the bank's annual reports and entered into a spreadsheet. Then, in accordance with the needs and requirements of this study, data were loaded into the spreadsheet to calculate the financial ratios and generate the required statistics. Microsoft Word and Excel are two examples of the computer programs that were used to process the collected data for this purpose.

3.6 Data Analysis Tools and Techniques

The logical conclusion is reached by the collection of secondary evidence from several sources, provided that the relevant tools and methodologies are employed. The following financial and statistical tools have been utilized to analyze the data.

3.6.1 Statistical tools.

The measures or instruments used to analyze data gathered from various sources are known as statistical tools. There are many different types of statistical tools available in statistics to analyze data. The data in this study were analyzed using the statistical methods listed below.

1. Arithmetic means

The number that is obtained by adding the varied numbers of each item in a series and dividing the total by the number of items is known as the arithmetic mean. In statistical analysis, the arithmetic mean is a helpful tool. The most basic and commonly used way to measure a mean, or average, is the arithmetic mean. It just entails adding up all of the numbers in a group and dividing that total by the total number of numbers in the series.

$$\bar{X} = \frac{\Sigma x}{N}$$

Where,

\bar{X} = Arithmetic Mean

$\sum X$ = Sum of Elements

N = Number of Observations

2. Standard Deviation

The square root of the variance is used to compute the standard deviation, a statistic that expresses how dispersed a dataset is in relation to its mean. By calculating the variance between each data point and the mean, it can be expressed as the square root of variance. Larger deviation within the data set results from data points that deviate from the mean; so, the more dispersed the data, the larger the standard deviation.

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

3. Coefficients of Variation

The standard deviation represents the dispersion in absolute terms. The measurement of the coefficient of standard deviation is the relative measure of dispersing depending on the standard deviation. Less c.v. is more consistency and uniformity, and vice versa. The coefficient of variation is the percentage measure of the s.d. coefficient. CV can compare two variables separately in terms of their variability, but just standard deviation is inappropriate for comparing two pairs of variables. The calculation is as follows.

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

4. Coefficient of Correlation

One statistical metric used to determine the strength of the association between the relative movements of two variables is the correlation coefficient. For determining the strength and size of a linear relationship between two variables, it is a helpful statistical technique. The "Karl person's coefficient of correlation" is the most significant technique for calculating the

correlation between the two variables. A positive correlation is one when there is a direct proportionality between the variables' values. Conversely, the correlation is considered to be negative if the values of the variables are inversely proportionate. The range of +1 to -1 is where the correlation coefficient is always found. The following can be used to find the correlation coefficients (r) between two variables, X and Y.

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

Where,

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

- a) It lies between -1 and +1
- b) If r = +1, then there is perfect positive correlation.
- c) If r = -1, then there is perfect negative correlation.
- d) If r = 0, then there is no correlation.
- e) If r = 0.7 to 0.99 (or- 0.7 to -0.99) then there is high degree positive or negative correlation.

4. Multiple Regression Analysis

Multiple regression is to explain the link between one continuous dependent variable and two or more independent variables, multiple linear regressions are the most popular type of linear regression. Either continuous or categorical independent variables are acceptable. A statistical method called multiple linear regression (MLR), or just multiple regression, makes use of many explanatory variables to forecast the value of a response variable. Modeling the linear relationship between the explanatory (independent) factors and the response (dependent) variable is the aim of multiple linear regression (MLR). several regressions are essentially the expansion of ordinary least-squares (OLS) regressions with several explanatory variables.

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip}$$

Where, for i = n observation

y_i =dependent variable

x_i =explanatory variables

β_0 =y-intercept (constant term)

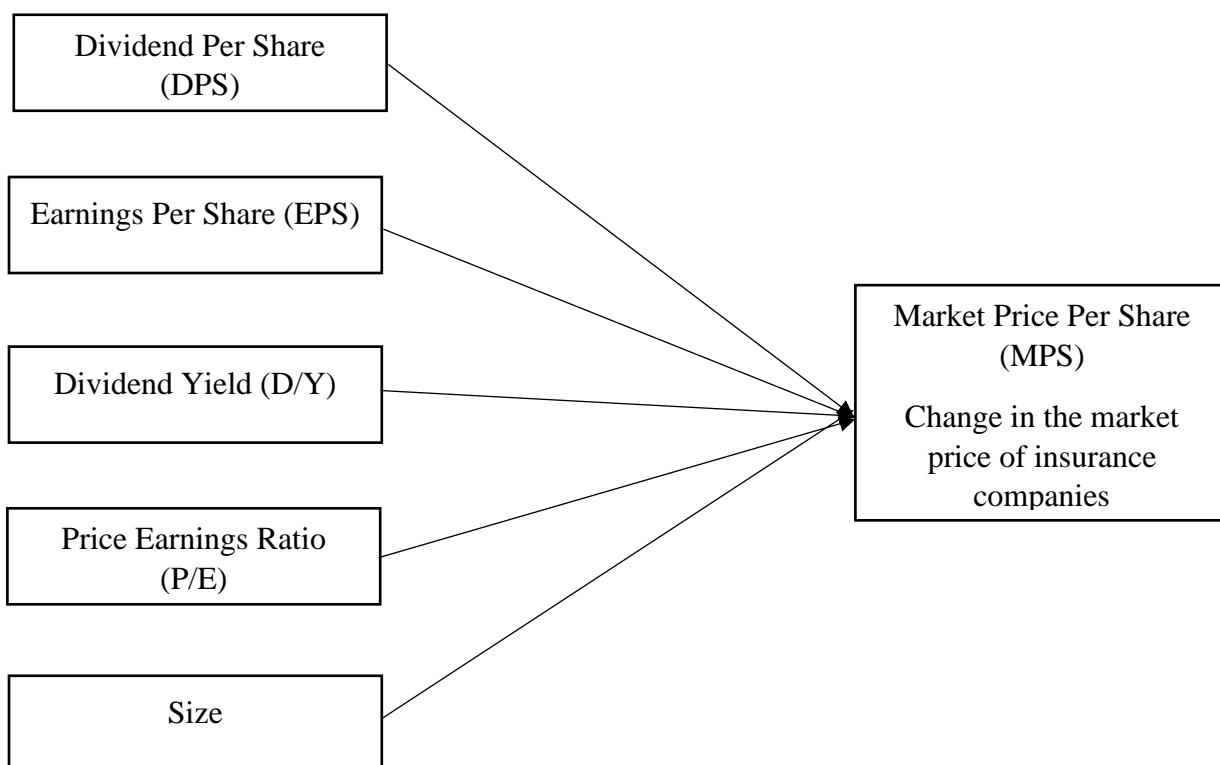
β_p =slope coefficients for each explanatory variable

3.6.2 Financial Tools

Apart from statistical tools, this research also employed various financial tools to analyze the data. Key financial tools utilized in this study include.

3.7 Conceptual frameworks

Based on the literature review the major factor affecting stock prices considered in this study are: Dividend per share (DPS), Earning per share (EPS), Dividend Yield (DY), price earnings ratio(P/E), Paid up capital (SIZE).



Source: Silwal & Napit (2019).

Figure: The Conceptual Framework

Definition of Variables

A variable in research is essentially any person, place, object, or phenomenon that you are attempting to quantify in some way. The simplest method to distinguish between a dependent and independent variable is to consider what the words actually indicate about the variable in question.

Dependent Variables

Market Price Per Share

Market Price Per Share is a fundamental financial metric that represents the current price at which a single share of a company's stock is trading in the market. It is calculated by dividing the market capitalization of the company by the total number of outstanding shares. MPS is a crucial indicator used by investors to assess the valuation of a company's stock and to make investment decisions. Fluctuations in MPS can reflect changes in market sentiment, company performance, industry trends, or broader economic conditions. The Market Price Per Share (MPS) provides valuable insights into the market's perception of a company's worth at a given point in time. A rising MPS typically indicates positive investor sentiment and confidence in the company's future prospects, whereas a declining MPS may signal concerns or uncertainties. MPS is often compared with other financial metrics such as earnings per share (EPS), book value per share (BVPS), and dividend yield to assess a company's relative valuation and investment attractiveness. Additionally, changes in MPS can influence a company's ability to raise capital through equity offerings and impact shareholder returns.

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

Independent Variables

An independent variable in experimental research is one that is changed, adjusted, or controlled in order to examine its effects. Being "independent" means that it is not impacted by any other research-related aspects. They are listed in the following order:

Dividend Per Share

Dividend Per Share (DPS) is a financial ratio that represents the portion of a company's earnings distributed to each outstanding share of its common stock as dividends. It is calculated by dividing the total dividends paid out by the company in a given period by the total number of outstanding shares. DPS is an important metric for investors as it indicates the cash flow they receive per share from their investment in the company. The Dividend Per Share (DPS) reflects a company's dividend policy and its commitment to sharing profits with shareholders. A higher DPS suggests that the company is distributing a larger proportion of its earnings to shareholders, which may be attractive to income-oriented investors seeking regular dividend income. Companies with consistent or increasing DPS over time often signal financial stability and strong performance. However, a declining DPS may indicate financial challenges or a shift in the company's dividend policy. DPS is also compared with other financial metrics such as earnings per share (EPS) and dividend yield to assess the sustainability and attractiveness of dividends relative to the company's financial health and market conditions.

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

Earnings Per Share

Earnings Per Share (EPS) is a key financial ratio that measures the profitability of a company on a per-share basis. It is calculated by dividing the company's net earnings (after taxes and preferred dividends) by the total number of outstanding shares. EPS is an important indicator for investors as it provides insight into how much profit a company is generating for each share of its common stock. The Earnings Per Share (EPS) metric is widely used to evaluate a company's financial performance and profitability over time. A higher EPS generally indicates that a company is generating more earnings per share, which can be perceived positively by

investors. However, it is important to consider the quality and sustainability of earnings contributing to EPS, as one-time gains or accounting adjustments can distort this metric. EPS is often compared with historical EPS figures, industry peers, and analyst estimates to assess growth trends and relative valuation. Investors may use EPS as part of their investment analysis to gauge the efficiency and profitability of a company before making investment decisions.

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

Dividend Yield

Dividend Yield is a financial ratio that measures the annual dividend income received by an investor relative to the market price of the company's stock. It is calculated by dividing the annual dividend per share by the current market price per share and multiplying the result by 100 to express it as a percentage. Dividend Yield provides valuable information to investors seeking income from their investments and helps assess the return on investment based on dividend payments. The Dividend Yield metric is used by investors to compare the dividend-paying ability of different stocks and make informed investment decisions. A higher Dividend Yield is generally attractive to income-oriented investors as it signifies a higher return relative to the stock price. However, a very high Dividend Yield could also signal potential risks, such as an unsustainable dividend payout ratio or a declining stock price. Investors typically consider other factors alongside Dividend Yield, such as the company's financial stability, growth prospects, and dividend history, to evaluate the overall attractiveness and sustainability of the dividend payments. Dividend Yield is particularly relevant in income-focused investment strategies and can vary across different sectors and market conditions.

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

P/E Ratio

The Price-Earnings (P/E) Ratio is a widely used financial metric that evaluates the valuation of a company's stock relative to its earnings. It is calculated by dividing the current market price per share of the stock by its earnings per share (EPS). The P/E Ratio indicates how much investors are willing to pay for each dollar of a company's earnings and provides insights into market expectations and investor sentiment. The P/E Ratio is an important tool for investors to assess the relative attractiveness of a stock's valuation. A higher P/E Ratio suggests that investors are willing to pay a premium for the company's earnings potential, indicating optimism about future growth prospects. Conversely, a lower P/E Ratio may indicate that the stock is undervalued or that market expectations for future earnings growth are modest. It's important to consider industry norms and historical P/E ratios of comparable companies when interpreting this metric. A high P/E Ratio alone does not necessarily mean a stock is overvalued; other fundamental factors such as growth prospects, industry conditions, and market sentiment should also be taken into account to make informed investment decisions.

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

Size or Total Assets

Total Assets provide insights into the overall size and complexity of a company's operations. Larger companies typically have greater resources and market presence compared to smaller counterparts, which can influence their ability to withstand economic fluctuations and pursue strategic initiatives such as expansion or acquisitions. Investors often consider company size when evaluating investment opportunities, as larger companies may offer more stability but potentially lower growth prospects, while smaller companies may be riskier but have higher growth potential. Size is also a key consideration in financial analysis and valuation models, where metrics like asset turnover and return on assets are used to assess efficiency and profitability relative to a company's size and asset base. Understanding the size of a company helps investors and analysts contextualize its financial performance and competitive position within the market.

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

CHAPTER -IV

RESULTS AND DISCUSSION

This chapter is dedicated to analyzing the relationships between dependent variables like market price per share and various independent variables such as earnings per share, dividend per share, dividend payments, and dividend yields across sampled insurance companies from 2012 to 2022. Raw data collected from diverse sources will be processed and presented in a clear manner using financial and statistical tools, accompanied by charts and graphs as outlined in the previous chapter. Through data transformation, we aim to provide a comprehensive review and interpretation of the findings, which will serve as the foundation for the study's results, conclusions, and implications. Thus, this chapter holds significant importance as it forms the basis for all subsequent analyses and insights derived from the data.

4.1 Analysis of Financial Indicators and Variables

In this section, we will assess the diverse independent and dependent variables employed in the study and their distribution among the sampled insurance companies. The focus will be on examining the presence and positioning of these variables within each company, aiming to understand their relevance to the research objectives. This analysis will help evaluate the comprehensiveness of the dataset and any potential variations across companies that could influence the study's outcomes.

4.1.1 Analysis of Dividend Per Share

Dividend per share (DPS) represents the aggregate dividend amount distributed by a company per outstanding common share. It is derived by dividing the total dividends disbursed by a company, including interim dividends, over a specified period, typically a year, by the total number of common shares outstanding. The following table displays the mean DPS values for the insurance firms included in the sample.

Table 3

DPS of sample insurance companies in Nepal

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	8.42	15	18.95	21.05	25.78	17	5.236	15	11	16	15.34	6.026
LICN	31.6	60	62	32	73.7	33	20	25	10.50	10.30	36.1	22.1
NLICL	28.42	15	21.05	42.11	31.58	26.32	15.79	22	20	26	24.83	8.06
ALICL	7	14.7	34.2	11.60	22.1	12.8	8.5	10.50	14	8.67	14.4	8.15
PLIC	60	65	65	36.84	45	48	34	34	35.26	38	46.11	12.798
SLICL	30	35	40	34.7	41	40	40	19	18.5	16	31.4	9.98
JLI	25	20	30	41.1	27	21.1	10	21.10	19	12	23.8	8.59
SLI	5.5	10.53	15.79	21.05	15.79	16	14	21.05	13.6	17.89	15.12	4.677
ULI	8.42	22.1	23.2	21.1	48.8	14	13.2	25.3	15	15	20.6	11.2
PLI	11.58	15	20	18.95	17.25	27	16	16	15	16	17.28	4.116
GLICL	17.5	20	22.1	28.4	29.5	16.3	15.8	16.8	9.47	5.31	18.1	7.49
RLI	60	50	51.5	44.2	35.1	105	17.5	22.5	11.8	13.1	41.1	28.4
Mean	5.57	7.32	1.93	74.96	13.93	1.66	22.47	9.18	12.63	2.38		
SD	3.13	2.95	0.99	6.10	4.65	0.58	8.13	6.42	3.83	0.43		

Source: Annual report of the insurance companies (2013 to 2022)

Table 3 presents data on the Dividend Per Share (DPS) of a selection of insurance companies in Nepal spanning from 2013 to 2022. The dataset includes Nepalese insurance companies. DPS signifies the dividend amount paid per share to shareholders. Throughout the analyzed period, the average DPS varied among the companies. Notably, ALICL reported the highest average DPS at 46.11 units (presumably in Nepalese Rupees), while NLIC reported the lowest at 15.34 units. The standard deviation (S.D) reflects the extent of variability in DPS within each company, with ALICL and JLI demonstrating relatively higher standard deviations, indicating more pronounced fluctuations in dividend payments. Additionally, the table provides insights into the maximum and minimum DPS recorded for each company over the period. For instance, NLICL recorded its highest maximum DPS in 2015/16 at 42.11 units, while NLIC reported its lowest minimum DPS in 2018/19 at 5.236 units. In summary, this

table offers a comprehensive depiction of DPS across various Nepalese insurance companies over a decade, highlighting average DPS, variability, and the range of DPS observed for each company. These metrics serve as valuable indicators for investors and analysts in evaluating the dividend distribution practices of these insurance firms and making informed investment decisions.

4.1.2 Analysis of Earning Per Share

Earnings per share (EPS) stands as a fundamental financial indicator, gauging a company's profitability on a per-share basis. It quantifies the earnings attributable to common shareholders and is computed by dividing the net income allocated to common shareholders by the total count of common shares outstanding.

Table 4

Earnings per share of insurance companies in Nepal.

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	10.7	19.66	23.7	30.94	35.25	20.27	15.37	17.49	13.88	17.35	20.461	7.621
LICN	88.55	91.88	86.04	78.04	65.97	32.48	32.78	38.05	29.71	19.91	56.341	28.366
NLICL	39.94	34.19	33.1	33.37	43.03	35.15	23.11	31.44	27.6	28.07	33	5.8361
ALICL	17.18	18.17	18.69	16.24	26.53	13.29	14.54	14.81	12.08	14.2	16.573	4.089
PLIC	83.23	95.14	83.68	57.24	59.27	59.86	51.84	50.57	36.16	33.57	61.056	20.425
SLICL	27.6	46.2	40.7	30.9	29.3	29.3	35.7	26.4	17	22	30.5	8.57
JLI	29.87	47.41	35.98	25.59	28.31	23.06	16.62	34.22	31.89	28.94	30.113	8.2526
SLI	6.04	15.13	19.28	24.47	32.55	26.31	21.22	28.22	20.18	23.94	21.734	7.385
ULI	20.4	29.8	38.6	37.8	41.5	26.6	26.5	23.1	19.6	26	29	7.79
PLI	12	18.55	20.97	23.74	30.11	23.21	21.49	23.6	16.1	20.32	21.009	4.8746
GLICL	22.93	32.75	34.83	34.84	34.29	30.61	25.16	27.13	17.23	10.15	26.99	8.309
RLI	72.6	65.7	65.47	57.38	45.96	35.49	27.33	30.24	24.81	16.32	44.15	20.01
Mean	25.91	8.37	1.38	59.77	30.14	1.69	18.47	6.64	7.57	2.54		
SD	18.17	5.62	0.16	7.41	6.68	0.61	6.84	2.05	2.04	0.45		

Source: Annual report of the insurance companies (2013 to 2022)

Table 4 presents data concerning the Earnings Per Share (EPS) of diverse insurance companies in Nepal over a ten-year timeframe, from 2013 to 2022. The dataset encompasses Nepalese insurance firms. EPS denotes the earnings generated per share of a company's stock. Throughout the analyzed period, the average EPS varied significantly among the companies, with ALICL reporting the highest average EPS at 61.056 units (presumably in Nepalese Rupees) and LICN reporting the lowest at 16.573 units. The standard deviation (S.D) quantifies the extent of dispersion in EPS within each company, with entities like ALICL and NLIC exhibiting relatively higher standard deviations, indicating more pronounced fluctuations in their earnings. Furthermore, the table includes details on the maximum and minimum EPS recorded for each company over the period. For instance, NLICN registered its highest maximum EPS in 2013/14 at 91.88 units, while ALICL reported its lowest minimum EPS in 2020/21 at 12.08 units.

In summary, this table furnishes a comprehensive snapshot of the Earnings Per Share (EPS) of various insurance companies in Nepal over a decade, illustrating average EPS, variability, and the range of EPS observed for each company. These metrics serve as crucial benchmarks for investors and analysts in evaluating the earnings performance of these insurance entities and making well-informed investment decisions.

4.1.3 Analysis of Dividend Yield

The dividend yield is a financial metric that assesses the proportion of dividends paid out by a company to its shareholders annually relative to its stock price. Expressed as a percentage, it is computed by dividing the dividend of a stock by its price per share. The following table illustrates the dividend yield of various sampled insurance companies. The dividend yield, a financial ratio, gauges the dividends disbursed by a company to its shareholders annually concerning its stock price. It is represented as a percentage and calculated by dividing the stock's dividend by its share price. The ensuing table showcases the dividend yield of different insurance companies sampled for analysis.

Table 5

Dividend yield of insurance companies in Nepal

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	3.661	5.618	3.516	4.305	3.791	4.218	2.219	6.696	5.851	4.145	4.402	1.309
LICN	3.06	3.77	2.36	1.65	2.18	2.44	3.02	3.75	1.56	1.4	2.52	0.86
NLICL	4.352	2.143	2.237	5.18	2.105	2.971	2.866	3.986	3.704	5.372	3.491	1.22
ALICL	2.89	5.67	6.38	3.05	6.28	3.9	4.27	4.79	7.53	2.34	4.71	1.72
PLIC	4.428	3.5813	2.5641	1.9288	1.9198	3.1517	3.6916	4.25	4.6092	2.7962	3.2921	0.9845
SLICL	5.87	4.46	4.17	4.93	3.94	5.19	6.44	3.66	4.29	3.48	4.64	0.96
JLI	5.34	3.61	3.09	6.65	3.38	4.73	3.16	4.7	3.44		4.23	1.21
SLI	2.444	4.05	2.474	3.792	3.103	3.717	4.399	6.0264	4.112	3.643	3.67	1.566
ULI	2.44	7.37	2.86	3.1	5.61	2.89	5.39	7.94	5.07	2.98	4.46	1.98
PLI	4.886	4.63	3.431	4.165	2.312	6.413	5.575	5.755	5.882	3.34	4.639	1.319
GLICL	2.76	2.35	1.72	3.2	1.57	1.77	3.16	3.59	2.18	1.3	2.36	0.79
RLI	3.34	2.75	1.84	2.28	0.97	4.59	2.32	3.3	1.84	2.21	2.54	1.01
Mean	9.18	12.63	2.38	82.60	20.10	1.29	12.21	5.57	7.32	1.93		
SD	3.40	4.22	0.33	6.42	3.83	0.43	4.29	3.13	2.95	0.99		

Source: Annual report of the insurance companies (2013 to 2022)

Table 5 displays dividend yield data for a selection of insurance companies in Nepal over a ten-year period from 2013 to 2022. These companies are all based in Nepal. Dividend yield represents the percentage of earnings distributed as dividends to shareholders. While the average dividend yield for the insurance companies during this period stood at 4.402%, there were variations among individual companies. ALICL recorded the highest average dividend yield at 4.71%, while LICN reported the lowest at 2.52%. The standard deviation (S.D) measures the extent of dispersion in dividend yields within each company, with ULI and PLI demonstrating relatively higher standard deviations, indicating more substantial fluctuations in their dividend payouts over time. Additionally, the table includes details on the maximum and minimum dividend yields recorded for each company during the period. For example,

ALICL reported the highest maximum dividend yield of 7.53%, while SLI recorded the lowest minimum at 2.103%.

In summary, this table provides a comprehensive overview of dividend yield performance among various insurance companies in Nepal over a decade, showcasing average dividend yields, variability, and the range of dividend yields for each company. These insights are invaluable for investors and analysts in assessing the dividend distribution practices of these insurance firms and making well-informed investment decisions.

4.1.4 Analysis of Dividend Payout Ratio

The dividend payout ratio (D/P ratio) signifies the proportion of a company's profits distributed to common shareholders in the form of dividends. It is computed by dividing dividends per share paid to common shareholders by earnings per share (EPS). Presented below is a table displaying the dividend payout ratios of the selected insurance companies in the sample. The dividend payout ratio (D/P ratio) reflects the percentage of a company's earnings allocated to common shareholders as dividends. It is determined by dividing the dividends per share distributed to common shareholders by the earnings per share (EPS). The subsequent table illustrates the dividend payout ratios of the surveyed insurance companies in the sample.

Table 6

Dividend payout ratio of insurance companies

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	78.691	76.29	79.958	68.035	73.135	83.868	34.066	85.763	79.251	92.219	75.128	15.904
LICN	35.663	65.303	72.06	44.849	111.78	101.6	61.013	65.703	35.443	51.833	64.525	25.616
NLICL	71.15	43.87	63.59	126.1	73.39	74.87	68.32	67.81	72.46	92.62	75.432	21.469
ALICL	40.745	81.123	182.83	71.305	83.302	95.937	58.459	71.101	115.89	61.056	86.175	39.812
PLIC	72.08	68.32	77.67	64.36	75.92	80.18	65.58	67.23	97.51	113.2	78.209	15.681
SLICL	108.69	75.75	98.28	112.29	139.93	136.91	112.04	71.96	108.82	72.72	103.70	24.40
JLI	83.696	42.185	83.38	160.41	95.373	91.284	60.168	61.514	59.58	11.02	81.955	34.283
SLI	91.05	69.59	81.89	86.02	48.50	60.81	65.97	74.59	67.39	74.72	72.05	12.52
ULI	41.254	74.195	59.953	55.732	117.39	52.632	49.754	109.49	76.726	57.604	69.473	25.519
PLI	96.5	80.863	95.374	79.823	57.29	116.33	74.453	67.797	93.168	78.74	84.034	16.789
GLICL	76.319	61.069	63.365	81.573	86.118	53.381	62.758	62072	54.962	52.315	65.393	11.905
RLI	82.645	76.104	78.662	77.048	76.349	296.59	64.032	74.038	47.723	80.025	95.321	71.447
Mean	9.18	12.63	2.38	82.60	20.10	1.29	12.21	7.32	1.93	74.96		
SD	3.40	4.22	0.33	6.42	3.83	0.43	4.29	2.95	0.99	6.10		

Source: Annual report of the insurance companies (2013 to 2022)

Table 6 presents data on the dividend payout ratio of a range of insurance companies in Nepal over a ten-year period, spanning from 2013 to 2022. These companies are all based in Nepal. The dividend payout ratio indicates the percentage of a company's earnings distributed as dividends to shareholders. While the average dividend payout ratio for the insurance companies during this period stood at 75.128%, there were significant variations among individual companies. ALICL recorded the highest average payout ratio at 86.175%, while NLIC reported the lowest at 75.128%. The standard deviation (S.D) measures the extent of dispersion in dividend payout ratios within each company, with ALICL and NLICL demonstrating relatively higher standard deviations, suggesting more substantial fluctuations in their dividend payout policies over the years. Additionally, the table includes details on the

maximum and minimum dividend payout ratios recorded for each company during the period. For instance, ALICL reported the highest maximum payout ratio of 182.83%, while NLICL recorded the lowest minimum at 40.745%.

In summary, this table provides a comprehensive overview of the dividend payout ratios of various insurance companies in Nepal over a decade, illustrating average payout ratios, variability, and the range of payout ratios for each company. These insights are invaluable for investors and analysts in evaluating the dividend distribution practices of these insurance firms and making well-informed investment decisions.

4.1.5 Total Assets (Size)

Total assets, often referred to as size in financial analysis, represents the aggregate value of a company's assets, including both tangible and intangible assets, such as property, equipment, investments, and intellectual property. Size serves as a crucial indicator of a company's scale, scope, and financial strength, influencing its ability to generate revenue and support operations. In the context of this study, total assets are an essential variable for assessing the financial health and stability of insurance companies in Nepal over the specified period. Companies with larger total assets may have greater capacity for growth, diversification, and risk management, while smaller firms may face limitations in terms of market presence and resources. Analyzing total assets allows for comparisons between companies of varying sizes and provides insights into their relative positions within the industry landscape.

Table 7

Analysis of Total Assets (size) of Insurance companies

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	235	260	539	490	700	432	236	224	200	388	370.40	1054.17
LICN	1030	1550	2650	2000	3380	1400	663	680	670	740	147.63	4621.79
NLICL	660	750	950	820	1550	890	600	570	535	490	761.50	2167.27
ALICL	250	280	550	480	380	340	200	250	210	380	376	1070.11
PLIC	1360	1820	2540	2000	2345	1525	950	820	780	1380	1552	4417.07
SLICL	511	784	960	704	1040	770	621	519	431	460	680	210
JLI	468	554	970	617	798	445	316	448	553	954	616.3	230.58
SLI	250	280	670	600	780	475	340	350	360	290	449.50	1279.30
ULI	360	350	825	690	900	505	350	347	220	515	506.20	1440.67
PLI	245	345	590	550	780	450	290	300	355	490	439.50	1250.84
GLICL	670	890	1310	890	1905	950	525	495	475	480	859	2444.76
RLI	1800	1850	3032	2043	3675	2305	855	725	835	685	1778.50	5061.70
Mean	25.91	8.37	1.38	59.77	30.14	1.69	18.47	13.64	90.05	12.10		
SD	18.17	5.62	0.16	7.41	6.68	0.61	6.84	2.79	1.83	0.43		

Source: Annual report of the insurance companies (2013 to 2022)

Table 7 presents data on the total assets of various insurance companies in Nepal over a ten-year period from 2013 to 2022. These companies are all based in Nepal. The average total assets for the insurance companies during this period stood at 75.128%, with notable variations among individual companies. RLI reported the highest total assets, while ALICL had the lowest. The standard deviation (S.D) measures the extent of dispersion in total assets within each company, with ALICL and NLICL demonstrating relatively higher standard deviations, suggesting more substantial fluctuations in their total asset values over the years. In summary, this table provides a comprehensive overview of the total assets of various insurance companies in Nepal over a decade, highlighting average total assets, variability, and the range of total assets for each company. These insights are valuable for investors and analysts in

assessing the financial strength and stability of these insurance firms and making well-informed investment decisions. It offers insights into the financial health and stability of these companies. The average total assets among the insurance companies during this period were 75.128%, but considerable disparities were observed across companies. RLI emerged with the highest total assets, whereas ALICL reported the lowest. The standard deviation (S.D) measures the dispersion in total assets within each company, with ALICL and NLICL showcasing relatively higher standard deviations, suggesting notable fluctuations in their total asset values over the years. This table furnishes valuable information for investors and analysts, aiding in the evaluation of the financial standing of these insurance firms and facilitating informed investment decisions.

4.1.6 Analysis of Market Price Per Share

The market price per share represents the cost of purchasing shares on the capital market and is determined by the interplay of supply and demand for a company's shares. In this research, MPS refers to the average closing price of a stock. The market price per share signifies the monetary value assigned to each share available for purchase on the capital market. This value is influenced by the dynamics of supply and demand for the company's shares within the capital markets. In this particular study, the market price per share (MPS) is defined as the average closing price of a stock. This metric serves as a crucial indicator of investor sentiment and market perception regarding the company's performance and potential. By analyzing MPS over the specified period, insights can be gleaned into the market's valuation of the company's shares and fluctuations in investor confidence.

Table 8

Market price per share of insurance companies in Nepal

YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mean	SD
NLIC	230	267	539	489	680	430	236	224	188	386	364.2	164.13
LICN	1033	1591	2631	2120	3385	1353	663	666	675	738	1485.5	949.86
NLICL	653	700	941	813	1500	886	551	552	540	484	762	302.871
ALICL	242	260	536	380	352	327	199	220	186	371	307.3	107.805
PLIC	1355	1815	2535	1910	2344	1523	921	800	765	1359	1532.7	618.88
SLICL	511	784	960	704	1040	770	621	519	431	460	680	210
JLI	468	554	970	617	798	445	316	448	553	954	616.3	230.58
SLI	225	260	638	555	750	431	324	348	330	285	434.6	170.94
ULI	345	300	810	678	869	485	300	318	296	504	491	222
PLI	237	324	583	455	746	421	287	278	255	479	406.5	164.49
GLICL	635	850	1280	887	1875	925	499	469	435	409	826.4	461.7
RLI	1799	1820	2799	1943	3600	2295	755	682	645	590	1693	1029
Mean	16.55	21.66	2.87	91.81	26.28	1.69	16.08	91.25	17.32	1.97		
SD	4.22	0.33	6.42	3.83	7.41	6.68	0.61	7.41	6.10	4.65		

Source: Annual report of the insurance companies (2013 to 2022)

Table 8 presents data on the market price per share of Nepalese insurance companies over a ten-year period from 2013 to 2022. Market price per share represents the current market value of a single share of a company's stock. Throughout this period, there was significant variability in the average market price per share among the insurance companies. ALICL recorded the highest average price at 1,485.5 units (presumably in Nepalese Rupees), whereas NLIC had the lowest at 364.2 units. The standard deviation (S.D) assesses the dispersion in share prices within each company, with ALICL and LICN displaying relatively higher standard deviations, indicating substantial price fluctuations in their stocks. In summary, this table offers a comprehensive overview of the market prices per share of various insurance companies in Nepal over a decade, providing insights into average share prices, variability, and the range of share prices observed for each company. These metrics are instrumental for investors

and analysts in evaluating the stock market performance of these insurance firms and facilitating well-informed investment decisions.

Market price per share represents the current market value of a single share of a company's stock. Across this timeframe, there was notable variation in the average market price per share among the insurance companies included in the dataset. ALICL boasted the highest average price at 1,485.5 units (presumably in Nepalese Rupees), while NLIC had the lowest at 364.2 units. The standard deviation (S.D) assesses the dispersion in share prices within each company, with ALICL and LICN exhibiting relatively higher standard deviations, indicating significant price fluctuations in their stocks. To summarize, this table provides a comprehensive overview of the market prices per share of various insurance companies in Nepal over a decade, offering insights into average share prices, variability, and the range of share prices observed for each company. These metrics are invaluable for investors and analysts in evaluating the stock market performance of these insurance firms and making well-informed investment decisions.

4.1.7 Descriptive Statistics of the Variables

Descriptive statistics offer valuable insights into the characteristics of various variables. For the variables EPS, DPS, D/Y (Dividend Yield), P/E Ratio (Price-to-Earnings Ratio), size, and MPS (Market Price per Share), descriptive statistics can provide a summary of their central tendency, variability, and distribution. Measures such as mean, median, standard deviation, minimum, and maximum values can help assess the typical values, dispersion, and range of these variables across the sampled insurance companies in Nepal over the specified period. Analyzing these descriptive statistics can aid in understanding the patterns and trends exhibited by these variables and their significance in financial analysis and decision-making processes. The P/E ratio evaluates the market's perception of the company's future earnings potential. Size is a fundamental metric, providing an understanding of the company's scale and operations. Lastly, MPS indicates the current market valuation of a single share. This comprehensive analysis allows stakeholders to gauge the financial stability, growth prospects, and market sentiment surrounding the company.

Table 9

Descriptive Statistics

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

Valid (Likewise N) 120

Source: Appendix

Table 9 presents a comprehensive set of descriptive statistics for six key financial variables—Dividends Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, Size, and Market Price per Share (MPS). These statistics provide a detailed overview of the central tendencies and variations within the dataset, shedding light on the distribution and characteristics of each variable. Starting with DPS, the minimum value of 0.23 and the maximum value of 126.32 indicate a considerable range in dividend payouts per share. The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21 reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies.

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

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

In conclusion, Table 9 provides a nuanced and detailed examination of key financial variables, revealing the diversity and dispersion within the dataset. These statistics offer valuable insights for investors, analysts, and stakeholders seeking to understand the financial landscape and market dynamics of the companies under consideration.

4.2 Correlation Analysis

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

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

Table 10

Correlation Matrix

	MPS	DPS	EPS	D/Y	P/E Ratio	Size
MPS	1					
DPS	.759** (.000)	1				
EPS	.773** (.000)	.762** (.000)	1			
D/Y	.162 (.043)	.616** (.000)	.629** (.000)	1		
P/E Ratio	-.462** (.016)	.251 (.023)	.368** (.090)	.254 (.061)	1	
Size	-.446** (.010)	.816** (.000)	.749** (.000)	.612** (.000)	.588** (.000)	1

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

Source: SPSS Output

Table 10 presents a correlation matrix illustrating the relationships between six key financial variables: Market Price per Share (MPS), Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings Ratio (P/E Ratio), and Size. Each cell in the matrix contains the correlation coefficient between the corresponding pair of variables. The correlation coefficient ranges from -1 to 1, where 1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no correlation.

Starting with the correlation between MPS and other variables, we observe significant positive correlations with DPS (0.759) and EPS (0.773), indicating that as the market price per share increases, both dividend per share and earnings per share tend to increase as well. This suggests a potential relationship between market valuation and dividend and earnings performance. Moving to DPS, it exhibits a strong positive correlation with EPS (0.762), implying that companies with higher dividends per share also tend to have higher earnings per share. Furthermore, there is a moderate positive correlation between DPS and D/Y (0.616), indicating that companies with higher dividend payouts per share also tend to have higher dividend yields.

EPS demonstrates a similar pattern of correlation, with significant positive correlations observed with DPS (0.762) and MPS (0.773), reinforcing the notion that higher earnings per share are associated with higher dividend payments and market valuations. D/Y, representing the dividend yield, displays a weak positive correlation with EPS (0.629) and DPS (0.616). This suggests that companies with higher dividend yields may also have higher earnings and dividend payments per share. The P/E Ratio, a measure of valuation, exhibits a moderate negative correlation with MPS (-0.462). This indicates an inverse relationship between market price per share and the price-to-earnings ratio, implying that as market price per share increases, the price-to-earnings ratio tends to decrease.

Lastly, Size, representing the total assets or size of the company, displays significant positive correlations with DPS (0.816), EPS (0.749), D/Y (0.612), P/E Ratio (0.588), and MPS (-0.446). These correlations suggest that larger companies tend to have higher dividend payments, earnings, dividend yields, price-to-earnings ratios, and lower market prices per share.

In summary, the correlation matrix provides valuable insights into the relationships between key financial variables for the sampled insurance companies in Nepal. These relationships can inform investors and analysts about the interplay between market valuation, dividend policies, earnings performance, and company size, aiding in investment decision-making processes.

4.3 Regression Analysis

This statistical technique is employed to explore the association between the dependent variable MPS (Market Price per Share) and independent variables EPS (Earnings Per Share), DPS (Dividend Per Share), DPR (Dividend Payout Ratio), DY (Dividend Yield), and Size. In this study, panel data regression analysis is utilized, which allows for the examination of data over multiple time periods and across different entities. Among the available models—pooled OLS, fixed effects, and random effects—the pooled OLS method is considered unreliable. Therefore, the choice between fixed effects and random effects models is determined through the Hausman test. The table presented below showcases the regression outcomes achieved using the fixed effects model, offering insights into the relationships between MPS and the aforementioned independent variables.

4.3.1 Multiple Regression of MPS on Dividend

The regression analysis examines the relationship between MPS (Market Price per Share) and stock price variables including DPS (Dividend Per Share), EPS (Earnings Per Share), DPR (Dividend Payout Ratio), and P/E ratio (Price-to-Earnings Ratio) impact. The study investigates how changes in MPS are influenced by the stock price position of chosen insurance companies. The equation for this regression model is outlined as follows:

$$\text{MPS} = a_1 + b_1\text{DPS} + b_2\text{EPS} + b_3\text{DPR} + b_4\text{P/E Ratio} \dots \dots \dots (i)$$

Where, MPS = Market price per share, a_1 = Constant, b_1 , b_2 , b_3 , b_4 and b_5 = Regression

Table 11

Regression of MPS on Stock Price

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.819	0.671	0.133	5.1999

a. Predictors: (constant), DPS, EPS, D/Y, P/E and Size

b. Dependent Variables: MPS

Table 11 presents the results of the regression analysis examining the relationship between MPS (Market Price per Share) and stock price variables including DPS (Dividend Per Share), EPS (Earnings Per Share), D/Y (Dividend Yield), P/E (Price-to-Earnings Ratio), and Size. The table displays several important statistical measures for the regression model. The coefficient of determination (R Square) indicates the proportion of variance in the dependent variable (MPS) that is explained by the independent variables (DPS, EPS, D/Y, P/E, and Size). In this case, the R Square value is 0.671, implying that approximately 67.1% of the variance in MPS can be attributed to the independent variables included in the model. This suggests a moderately strong relationship between the independent and dependent variables.

The adjusted R Square takes into account the number of predictors in the model and adjusts the R Square value accordingly. In this regression model, the adjusted R Square is 0.133, indicating that approximately 13.3% of the variance in MPS is explained by the independent variables after adjusting for the number of predictors. This adjusted value helps to provide a more accurate assessment of the model's explanatory power, considering the complexity of the model. The standard error of the estimate provides a measure of the variability or dispersion of actual MPS values around the predicted values from the regression model. In this case, the standard error of the estimate is 5.1999 units. A lower value indicates that the regression model provides a better fit to the data, with less variability in the observed MPS values around the predicted values.

Additionally, the table includes information about the predictors (independent variables) and the dependent variable. The predictors listed are the constant term (representing the intercept), DPS, EPS, D/Y, P/E, and Size. These variables are used to predict the dependent variable, MPS. The inclusion of these predictors allows for a comprehensive examination of their individual contributions to the variation in MPS.

Overall, Table 11 provides valuable insights into the regression analysis of MPS on stock price variables, offering information about the model's explanatory power, the significance of the predictors, and the variability in MPS explained by the independent variables. These findings can inform further analysis and decision-making processes in the context of financial modeling and investment strategies.

Table 12

Analysis of Variance of MPS

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1677.966	5	798.269	52.394	.000
	Residual	1691.861	114	9.036		
	Total	3369.827	119			

a. Dependent Variable: MPS

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

Source: SPSS Output

Table 12 displays the results of the Analysis of Variance (ANOVA) for the regression model analyzing the relationship between MPS (Market Price per Share) and stock price variables, including DPS (Dividend Per Share), EPS (Earnings Per Share), D/Y (Dividend Yield), P/E Ratio (Price-to-Earnings Ratio), and Size. ANOVA assesses the significance of the regression model by comparing the variation explained by the model's predictors to the residual variation, which represents unexplained variability in the dependent variable. The "Regression" section provides information about the variation explained by the regression model. The "Sum of Squares" column indicates the total sum of squares attributed to the regression model, which represents the total variability in MPS explained by the predictors. In this case, the sum of squares for the regression model is 1677.966.

The "df" column represents the degrees of freedom associated with the regression model. It indicates the number of independent parameters estimated in the model, which is equal to the number of predictors plus the constant term (intercept). In this regression model, there are 5 degrees of freedom associated with the predictors. The "Mean Square" column shows the mean squares associated with the regression model, which is calculated by dividing the sum of squares by the degrees of freedom. The mean square reflects the average variation explained by each predictor in the model. In this case, the mean square for the regression model is 798.269.

The "F" column displays the F-statistic, which is the ratio of the mean square for the regression model to the mean square for the residual (unexplained variability). The F-statistic assesses whether the variation explained by the predictors is significantly greater than the unexplained variation. In this regression model, the F-statistic is 52.394, indicating a significant relationship between the predictors and MPS. The "Sig." column provides the p-value associated with the F-statistic. It indicates the probability of obtaining the observed F-statistic if the null hypothesis (no relationship between the predictors and MPS) were true. In this case, the p-value is 0.000, which is less than the conventional significance level of 0.05, suggesting strong evidence against the null hypothesis and indicating that the regression model is statistically significant. The "Residual" section of the table provides information about the unexplained variability in MPS that is not accounted for by the regression model. The "Total" section summarizes the total variability in MPS, including both the variability explained by the regression model and the residual variability.

In summary, Table 12 provides a comprehensive overview of the Analysis of Variance for the regression model examining the relationship between MPS and stock price variables. The results indicate that the regression model is statistically significant, suggesting that the predictors collectively explain a significant portion of the variability in MPS.

Table 13

Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t-value	
(Constant)	7.175	0.319		3.120	0.002
DPS	0.236	7.997	0.134	3.350	0.001
EPS	0.216	5.846	0.115	1.010	0.316
D/Y	-0.63	2.826	-0.273	0.020	0.987
P/E Ratio	2.136	26.107	0.864	-7.130	0.000
Size	0.023	0.014	0.331	1.632	0.010

Dependent Variable: MPS

Table 13 presents the results of the correlation coefficient analysis for the regression model examining the relationship between MPS (Market Price per Share) and stock price variables, including DPS (Dividend Per Share), EPS (Earnings Per Share), D/Y (Dividend Yield), P/E Ratio (Price-to-Earnings Ratio), and Size. The table provides information about the unstandardized coefficients, standardized coefficients (Beta), t-values, and significance levels associated with each predictor variable. The "Unstandardized Coefficients" column displays the regression coefficients (B) for each predictor variable. These coefficients represent the change in the dependent variable (MPS) for a one-unit change in the predictor variable, holding all other variables constant. For example, the unstandardized coefficient for DPS is 0.236, indicating that for every one-unit increase in DPS, MPS is expected to increase by 0.236 units.

The "Standardized Coefficients" column presents the standardized coefficients (Beta) for each predictor variable. These coefficients represent the change in the dependent variable (MPS) in standard deviation units for a one-standard deviation increase in the predictor variable. Standardized coefficients allow for a comparison of the relative importance of different predictor variables in explaining the variation in the dependent variable. For example, the standardized coefficient for DPS is 0.134, indicating the strength of the relationship between DPS and MPS after accounting for the variability in DPS and MPS. The "t-value" column displays the t-statistic associated with each predictor variable. The t-value assesses the significance of each predictor variable in the regression model. A larger absolute t-value indicates a more significant relationship between the predictor variable and the dependent variable. For example, the t-value for P/E Ratio is -7.130, indicating a significant negative relationship between P/E Ratio and MPS.

The "Sig." column provides the significance level (p-value) associated with each predictor variable. The significance level indicates the probability of obtaining the observed t-value if the null hypothesis (no relationship between the predictor variable and the dependent variable) were true. A smaller significance level (typically less than 0.05) indicates a significant relationship between the predictor variable and the dependent variable. For example, the p-value for P/E Ratio is 0.000, indicating a highly significant relationship between P/E Ratio and MPS.

In summary, Table 13 offers valuable insights into the correlation coefficient analysis for the regression model examining the relationship between MPS and stock price variables. The results provide information about the strength, direction, and significance of the relationships between each predictor variable and MPS, aiding in the interpretation of the regression model's findings.

4.3.2 Regression of Fixed Effect Model

The fixed effect model is a statistical approach in which the independent variables are presumed to remain constant, and any variations in the dependent variable occur solely due to changes in the values of the independent variables, while other factors remain unchanged. The table below presents the regression outcomes of independent variables, namely EPS, DPS, DPR, DY, and Size, with the dependent variable MPS under the fixed effect model.

Table 14

Regression results using fixed effect model

MPS	Coefficient	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS	5.888	5.846	1.01	.316	-5.707	17.482	
DPS	26.753	7.997	3.35	.001	10.893	42.613	***
DPR	.046	2.826	0.02	.987	-5.558	5.65	
DY	-186.24	26.107	-7.13	.000	-238.018	-134.462	***
Size	0.023	0.014	1.632	.010	26.107	12.864	***
Constant	621.196	199.3	3.12	.002	225.931	1016.462	***
R-squared		0.670	Number of obs			119	
F-test		52.394	Prob > F			0.000	

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 14 shows the outcomes of a regression analysis utilizing a fixed-effect model, commonly employed in econometrics to manage unobservable individual-specific effects. The table encompasses numerous vital variables and statistical metrics for a dataset comprising 119 observations. It presents estimated coefficients for independent variables, indicating the strength and direction of their association with the dependent variable. The standard errors of the coefficient estimates are depicted, indicating the precision of the estimates. Larger t-values,

calculated by dividing the coefficient by its standard error, imply more statistically significant results. The p-values, ranging from 0 to 1, signify the significance of each independent variable, with smaller values indicating higher significance, denoted by asterisks (*). The confidence interval furnishes a range within which the true population parameter is likely to fall with a specified level of confidence.

The R-squared value (0.670) denotes the extent to which the independent variables elucidate the variance in the dependent variable, with the model explaining approximately 67% of the variance. The F-test (52.394) and its associated p-value (0.000) assess the overall significance of the model, with a small p-value indicating statistical significance. Additionally, the Akaike Criterion (AIC) and Bayesian Criterion (BIC) are employed to evaluate the goodness of fit of the model, with lower values suggesting better model fit.

In summary, Table 14 furnishes comprehensive insights into the outcomes of a fixed-effect regression model, offering details about coefficients, their significance, the model's explanatory power, and various statistical metrics to evaluate the model's overall fit. Significant coefficients for variables like 'DPS,' 'DY,' and 'Size' are evident based on their p-values.

4.3.3 Hausman test for the selection of appropriate model for regression analysis

The Hausman test, developed in 1978, is utilized to detect potential misspecifications within econometric models, particularly between fixed effect and random effect models. It aids in determining the most suitable econometric model for regression analysis by examining discrepancies among variables. Should the null hypothesis be accepted, indicating agreement between the random effect model and observed data, the random effect model is deemed reliable. Conversely, if the null hypothesis is rejected, suggesting inconsistencies between the fixed effect model and observed data, the fixed model is considered more appropriate for regression analysis.

Table 15

Hausman (1978) specification test	
	Coef.
Chi-square test value	1.41
P-value	.842

Source: Stata

With a p-value of 0.842, exceeding the significance threshold of 0.05, we fail to reject the null hypothesis in the Hausman test. Consequently, we accept the null hypothesis, signifying that the random effect model is suitable for panel data regression analysis. This indicates that the random effect model is more relevant in describing the relationship among the given variables. The Hausman test yielded a p-value of 0.842, surpassing the conventional significance level of 0.05. As a result, we cannot reject the null hypothesis, necessitating its acceptance. Therefore, the random effect model stands as the appropriate choice for panel data regression analysis, indicating its greater relevance in elucidating the relationship among the specified variables.

4.3.4 Regression Analysis under Random Effect Model

The random effect model is a statistical framework that accounts for various forms of random variation in the systematic components. It effectively addresses correlations among unobserved heterogeneity variables, thereby yielding efficient results. Table 16 presents the regression outcomes of independent variables, such as EPS, DPS, DPR, DY, and Size, with the dependent variable MPPS under the random effect model.

Table 16

Regression result using random effect model

MPS	Coefficient	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS	5.788	5.445	1.06	.288	-4.884	16.46	
DPS	26.411	7.552	3.50	0	11.609	41.213	***
DPR	.516	2.681	0.19	.847	-4.739	5.771	
DY	-198.71	21.385	-9.29	0	-240.632	-156.804	***
Size	18.023	0.014	1.632	.010	26.107	12.864	***
Constant	642.61	186.41	3.45	.001	277.243	1007.981	***
Overall r-squared			0.825	Number of obs			119
Chi-square			538.331	Prob > chi2			0.000
R-squared within			0.670	R-squared between			0.975

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Stata

Based on table 16 results the following equation has been derived

$$\text{MPS} = 642.612 + 5.778\text{EPS} + 26.411\text{DPS} + 0.516\text{DPR} - 198.718\text{DY} + 18.023\text{Size} + e$$

Table 14 depicts the outcomes of the regression analysis concerning the dependent variable MPS and independent variables EPS, DPS, DPR, DY, and Size. Under the random effect model, it is observed that 82.5 percent of the total variance in MPS can be accounted for. Notably, the analysis reveals a positive but statistically insignificant relationship between EPS and MPS, with a p-value of 0.288, exceeding the 0.05 threshold at a 95% confidence level. Similarly, a positive yet insignificant correlation is noted between MPS and DPR.

Furthermore, DPS demonstrates a significant positive association with MPS, indicated by a p-value of 0.00, which falls below the 0.05 threshold at a 95% confidence level. Conversely, DY exhibits a significant negative relationship with market price per share, with a p-value also registering at 0.00, indicating significance at a 95% confidence level.

4.4 Discussion

From the above data analysis, the following major findings have been given:

The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21 reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies. Similarly, for EPS, the range from 4.54 to 166.85 signifies a broad spectrum of earnings per share. The mean EPS of 35.81 and the standard deviation of 35.60 illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of 0.16 and the maximum value of 16.08 indicate a substantial range in dividend yield percentages. The mean D/Y of 3.10, coupled with the standard deviation of 2.33, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean.

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

The correlation between MPS and other variables, we observe significant positive correlations with DPS (0.759) and EPS (0.773), indicating that as the market price per share increases, both dividend per share and earnings per share tend to increase as well. This suggests a potential relationship between market valuation and dividend and earnings performance. Moving to DPS, it exhibits a strong positive correlation with EPS (0.762), implying that companies with higher dividends per share also tend to have higher earnings per share. Furthermore, there is a

moderate positive correlation between DPS and D/Y (0.616), indicating that companies with higher dividend payouts per share also tend to have higher dividend yields.

EPS demonstrates a similar pattern of correlation, with significant positive correlations observed with DPS (0.762) and MPS (0.773), reinforcing the notion that higher earnings per share are associated with higher dividend payments and market valuations. D/Y, representing the dividend yield, displays a weak positive correlation with EPS (0.629) and DPS (0.616). This suggests that companies with higher dividend yields may also have higher earnings and dividend payments per share. The P/E Ratio, a measure of valuation, exhibits a moderate negative correlation with MPS (-0.462). This indicates an inverse relationship between market price per share and the price-to-earnings ratio, implying that as market price per share increases, the price-to-earnings ratio tends to decrease.

Lastly, Size, representing the total assets or size of the company, displays significant positive correlations with DPS (0.816), EPS (0.749), D/Y (0.612), P/E Ratio (0.588), and MPS (-0.446). These correlations suggest that larger companies tend to have higher dividend payments, earnings, dividend yields, price-to-earnings ratios, and lower market prices per share

The coefficients represent the change in the dependent variable (MPS) in standard deviation units for a one-standard deviation increase in the predictor variable. Standardized coefficients allow for a comparison of the relative importance of different predictor variables in explaining the variation in the dependent variable. For example, the standardized coefficient for DPS is 0.134, indicating the strength of the relationship between DPS and MPS after accounting for the variability in DPS and MPS. The "t-value" column displays the t-statistic associated with each predictor variable. The t-value assesses the significance of each predictor variable in the regression model. A larger absolute t-value indicates a more significant relationship between the predictor variable and the dependent variable. For example, the t-value for P/E Ratio is -7.130, indicating a significant negative relationship between P/E Ratio and MPS.

In this study, an examination is conducted on the influence of dividends on market price per share, alongside other variables including EPS, DPS, DPR, DY, and Size, utilizing econometric methods. The selection between fixed effects and random effects models is determined through the Hausman test, where the obtained p-value of 0.842 exceeds the significance threshold of 0.05. Consequently, the null hypothesis is accepted, leading to the

adoption of the random effects model for data analysis. Under the random effects model, the overall R-squared value stands at 82.5%, suggesting that the four independent variables investigated account for 82.5% of the total variation observed in market price per share.

In conclusion, the table provides a thorough insight into the market prices per share of numerous insurance companies in Nepal spanning a ten-year period. It showcases the average share prices, variability levels, and the range of share prices demonstrated by each company. These metrics serve as essential tools for investors and analysts in evaluating the stock market performance of these insurance firms, aiding in making well-informed investment choices.

According to the regression outcomes derived from the random effects model, a noteworthy positive association exists between dividend per share (DPS) and market price per share (MPPS). This finding aligns with Hasan et al.'s (2013) research findings, although it diverges from the conclusions drawn by other scholars such as Sharif et al. (2018), Singh and Tandon (2019), and Arsal (2021), who assert that DPS either has no impact or yields a negative influence on MPPS.

Moreover, dividend yield (DY) demonstrates a significant negative effect on market price per share (MPPS), consistent with the findings reported by Masum (2014), Nazir et al. (2012), Hunjra et al. (2014), and Singh and Tandon (2019). However, this outcome contradicts the conclusions reached by Hussainey et al. (2011), where a positive relationship between dividend yield and market price per share was observed.

Furthermore, earnings per share (EPS) exhibits a statistically insignificant positive correlation with market price per share (MPPS). This outcome mirrors the findings of several other researchers including Vijaykumar (2010), Masum (2014), Farrukh et al. (2017), Adesina et al. (2017), and Singh and Tandon (2019).

Similarly, the dividend payout ratio (DPR) is found to have an insignificant positive association with market price per share. This result is consistent with the conclusions drawn by renowned researchers such as Nishat and Irfan (2004), Hunjra et al. (2014), and Iftikhar et al. (2017). However, some scholars, including Lashgari and Ahmadi (2014) and Sattar (2017), argue that DPR exerts a negative impact on MPPS.

Hence, based on the regression analysis, it is determined that earnings per share (EPS) and dividend payout ratio (DPR) exhibit a statistically insignificant positive correlation with market price per share (MPS). Conversely, dividend per share (DPS) demonstrates a significant positive relationship with MPS, while dividend yield (DY) showcases a non-significant negative association with MPS. These findings diverge from those documented by prior researchers, which can be attributed to variations in sample size, sample composition, study location, and timeframe. Additionally, discrepancies in data analysis methodologies and models utilized in previous studies may contribute to biases in the study conclusions.

CHAPTER V

SUMMARY AND CONCLUSION

This concludes the report's chapter. The results of the study are explained in this chapter, which also offers an overview of the whole report. Additionally, a synopsis of the results and a comparison with past research projects will be included in this chapter. Additionally, it illustrates the consequences of the variables' link and, if any, offers suggestions for advancement. Finally, suggestions for the subjects to be covered and investigated in further research will be given to the investigators.

5.1 Summary

The rise in a study on stock price behaviour of selected insurance companies listed in NEPSE of insurance sectors around the world. The main objectives of the study are to analyze the effects of insurance companies on their share price, to examine the dividend policy that any effects on share price of insurance companies, to examine the capital leverage that any effects on share price of insurance companies and to assess the size and growth that any effects on share price of insurance companies. The limitation of this study are this research is concentrated at 12 sampled listed insurance companies out of 28 only so, the conclusion derived thereof cannot be generalized on the total capital market, the study covers 10 years data from 2013/14 to 2022/23, only secondary data is taken for the study and There might be various technique and method to perform the study on the stock price behavior, but the study is focused on limited statistical tools (correlation and regression) analysis only. The sample of the insurance company are NLIC, LICN, NLI, ALICL, PLIC, SLICL, JLI, SLI, ULI, PLI, GLICL and RLI are taken as sample study in this research. DPS, EPS, D/Y, P/E Ratio and Size are the independent variables and MPS is the dependent variable in this study.

The correlation between MPS and other variables, we observe significant positive correlations with DPS and EPS, indicating that as the market price per share increases, both dividend per share and earnings per share tend to increase as well. This suggests a potential relationship between market valuation and dividend and earnings performance. Moving to DPS, it exhibits a strong positive correlation with EPS, implying that companies with higher dividends per share also tend to have higher earnings per share. Furthermore, there is a moderate positive

correlation between DPS and D/Y, indicating that companies with higher dividend payouts per share also tend to have higher dividend yields.

EPS demonstrates a similar pattern of correlation, with significant positive correlations observed with DPS and MPS, reinforcing the notion that higher earnings per share are associated with higher dividend payments and market valuations. D/Y, representing the dividend yield, displays a weak positive correlation with EPS and DPS. This suggests that companies with higher dividend yields may also have higher earnings and dividend payments per share. The P/E Ratio, a measure of valuation, exhibits a moderate negative correlation with MPS. This indicates an inverse relationship between market price per share and the price-to-earnings ratio, implying that as market price per share increases, the price-to-earnings ratio tends to decrease.

The coefficients represent the change in the dependent variable (MPS) in standard deviation units for a one-standard deviation increase in the predictor variable. Standardized coefficients allow for a comparison of the relative importance of different predictor variables in explaining the variation in the dependent variable. For example, the standardized coefficient for DPS is the strength of the relationship between DPS and MPS after accounting for the variability in DPS and MPS. The "t-value" column displays the t-statistic associated with each predictor variable. The t-value assesses the significance of each predictor variable in the regression model. A larger absolute t-value indicates a more significant relationship between the predictor variable and the dependent variable. For example, the t-value for P/E Ratio is a significant negative relationship between P/E Ratio and MPS.

Hence, based on the regression analysis, it is determined that earnings per share (EPS) and dividend payout ratio (DPR) exhibit a statistically insignificant positive correlation with market price per share (MPS). Conversely, dividend per share (DPS) demonstrates a significant positive relationship with MPS, while dividend yield (DY) showcases a non-significant negative association with MPPS. These findings diverge from those documented by prior researchers, which can be attributed to variations in sample size, sample composition, study location, and timeframe. Additionally, discrepancies in data analysis methodologies and models utilized in previous studies may contribute to biases in the study conclusions.

5.2 Conclusion

The importance of stock price behavior significantly impacts a company's Market Price per Share (MPS). Stock prices, reflective of market sentiment and perceptions about a company, directly influence its MPS, which represents the current market valuation of each share. A positive stock price behavior, indicating investor confidence, often leads to an increase in the MPS, enhancing a company's market capitalization and overall financial strength. Conversely, negative stock price movements can erode investor trust, resulting in a lower MPS and potential challenges in raising capital market.

The mean DPS suggests a moderate average, but the standard deviation of reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies. Similarly, for EPS, the range signifies a broad spectrum of earnings per share. The mean EPS and the standard deviation illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of and the maximum value of indicate a substantial range in dividend yield percentages. The mean D/Y, coupled with the standard deviation, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean.

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

The coefficients represent the change in the dependent variable (MPS) in standard deviation units for a one-standard deviation increase in the predictor variable. Standardized coefficients

allow for a comparison of the relative importance of different predictor variables in explaining the variation in the dependent variable. For example, the standardized coefficient for DPS is the strength of the relationship between DPS and MPS after accounting for the variability in DPS and MPS. The "t-value" column displays the t-statistic associated with each predictor variable. The t-value assesses the significance of each predictor variable in the regression model. A larger absolute t-value indicates a more significant relationship between the predictor variable and the dependent variable. For example, the t-value for P/E Ratio is a significant negative relationship between P/E Ratio and MPS.

In this study, an examination is conducted on the influence of dividends on market price per share, alongside other variables including EPS, DPS, DPR, DY, and Size, utilizing econometric methods. The selection between fixed effects and random effects models is determined through the Hausman test, where the obtained p-value exceeds the significance threshold. Consequently, the null hypothesis is accepted, leading to the adoption of the random effects model for data analysis. Under the random effects model, the overall R-squared value stands at suggesting that the four independent variables investigated account for the total variation observed in market price per share.

5.3 Implications

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

- i. The P/E Ratio statistics reveal a wide range and diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio and the relatively high standard deviation of highlight the considerable dispersion in market valuation, emphasizing differences in investors' expectations and sentiments. Lastly, MPS statistics show a broad range, indicating diverse market prices per share. The mean MPS and the standard deviation emphasize the significant variability in market valuations, suggesting that the observed companies have varying degrees of attractiveness to investors.
- ii. The P/E Ratio statistics reveal a wide range, indicating diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio and the relatively high standard deviation of highlight the considerable dispersion in market

valuation, emphasizing differences in investors' expectations and sentiments. Regarding Size, the minimum value and the maximum value reflect a substantial variation in the size of the companies within the dataset. The mean Size of coupled with the standard deviation, underscores the heterogeneity in company size, suggesting that the sample comprises a mix of small, medium, and large-sized firms. Lastly, MPS statistics show a broad range, indicating diverse market prices per share. The mean MPS and the standard deviation emphasize the significant variability in market valuations, suggesting that the observed companies have varying degrees of attractiveness to investors.

- iii. Hence, based on the regression analysis, it is determined that earnings per share (EPS) and dividend payout ratio (DPR) exhibit a statistically insignificant positive correlation with market price per share (MPS). Conversely, dividend per share (DPS) demonstrates a significant positive relationship with MPS, while dividend yield (DY) showcases a non-significant negative association with MPPS. These findings diverge from those documented by prior researchers, which can be attributed to variations in sample size, sample composition, study location, and timeframe. Additionally, discrepancies in data analysis methodologies and models utilized in previous studies may contribute to biases in the study conclusions
- iv. This study may be helpful to fulfil the gaps of proper research about in analyze the relationship between EPS, P/E, DPS, Size, DY and MPS of insurance companies in Nepal. It may provide the knowledge about market share price in Nepalese insurance companies and their stock price behaviour.
- v. This study reflects the relationship between Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), P/E Ratio, Total Assets on overall stock price as measured by market price per share (MPS) of six selected insurance companies only. Furthermore, researchers can be carried out using larges sampling other development banks, commercial banks, microfinance and other institutions too.

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APPENDIX

Descriptive Statistics

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

Correlation Matrix

	MPS	DPS	EPS	D/Y	P/E Ratio	Size
MPS	1					
DPS	.759** (.000)	1				
EPS	.773** (.000)	.762** (.000)	1			
D/Y	.162 (.043)	.616** (.000)	.629** (.000)	1		
P/E Ratio	-.462** (.016)	.251 (.023)	.368** (.090)	.254 (.061)	1	
Size	-.446** (.010)	.816** (.000)	.749** (.000)	.612** (.000)	.588** (.000)	1

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

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.819	0.671	0.133	5.1999

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

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1677.966	5	798.269	52.394	.000
	Residual	1691.861	114	9.036		
	Total	3369.827	119			

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

Correlation Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.175	0.319		3.120	0.002
	DPS	0.236	7.997	0.134	3.350	0.001
	EPS	0.216	5.846	0.115	1.010	0.316
	D/Y	-0.63	2.826	-0.273	0.020	0.987
	P/E Ratio	2.136	26.107	0.864	-7.130	0.000
	Size	0.023	0.014	0.331	1.632	0.010

Dependent Variable: MPS

Regression results using fixed effect model

MPS	Coefficient	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS	5.888	5.846	1.01	.316	-5.707	17.482	
DPS	26.753	7.997	3.35	.001	10.893	42.613	***
DPR	.046	2.826	0.02	.987	-5.558	5.65	
DY	-186.24	26.107	-7.13	.000	-238.018	-134.462	***
Size	0.023	0.014	1.632	.010	26.107	12.864	***
Constant	621.196	199.3	3.12	.002	225.931	1016.462	***
Mean dependent var		798.269	SD dependent var			668.172	
R-squared		0.670	Number of obs			119	
F-test		52.394	Prob > F			0.000	
Akaike crit. (AIC)		1677.966	Bayesian crit. (BIC)			1691.861	

*** $p < .01$, ** $p < .05$, * $p < .1$

Hausman test for the selection of appropriate model for regression analysis

Coefficient	Fixed	Random	S.E	
	Difference			
	(b)	(B)	(b-B)	sqrt (diag (V_b- V_B))
DPS	5.8879	5.7878	.10011	2.1283
EPS	26.7529	26.4113	.3416	2.6291
D/Y	.0462	.5160	.4697	.8914
P/E	-186.2397	-198.7178	12.4781	14.9757
Size	0.023	0.331	.308	.2162

Source: Stata

Regression result using random effect model

MPS	Coefficient	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS	5.788	5.445	1.06	.288	-4.884	16.46	
DPS	26.411	7.552	3.50	0	11.609	41.213	***
DPR	.516	2.681	0.19	.847	-4.739	5.771	
DY	-198.71	21.385	-9.29	0	-240.632	-156.804	***
Size	18.023	0.014	1.632	.010	26.107	12.864	***
Constant	642.61	186.41	3.45	.001	277.243	1007.981	***
Mean dependent var			798.269	SD dependent var		668.172	
Overall r-squared			0.825	Number of obs		119	
Chi-square			538.331	Prob > chi2		0.000	
R-squared within			0.670	R-squared between		0.975	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Stata

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ABSTRACT This study is examined to stock price behavior of insurance companies in Nepal. The main objectives of this study are to analyze the effects of insurance companies on their share price, to examine the dividend policy that any effects on share price of insurance companies, to examine the capital leverage that any effects on share price of insurance companies and to assess the size and growth that any effects on share price of insurance companies. EPS, P/E, DPS, Size, DY are the independent variables and MPS is the dependent variable in this study. Mean, standard deviation, correlation and multiple regression analysis are taken to present data. The major finding of this study were Market Price per Share increases, Dividends Per Share tend to decrease and vice versa. Such a substantial negative correlation suggests an inverse relationship between market valuation and dividend distribution. Continuing with DPS, the negative correlation with MPS is complemented by a negative correlation with EPS. This implies that companies with higher dividends per share might exhibit lower earnings per share and vice versa. There is negative relationship between D/Y and MPS after adjusting for the scale of