

# **FINANCIAL PERFORMANCE ANALYSIS OF NEPALESE LIFE INSURANCE COMPANIES**

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

**By**

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## **Certification of Authorship**

I affirm that I have thoroughly researched and submitted the conclusive version of my dissertation titled "**Financial Performance Analysis of Nepalese Life Insurance Companies**". This dissertation has not been previously presented for degree conferral, nor has it been suggested or showcased for any other academic purposes. I acknowledge the support and collaboration I received during the research process. Furthermore, I confirm that all information sources and literature utilized in the dissertation are appropriately cited in the reference section.

Laxmi Khadka

May, 2024

## Report of Research Committee

Mrs Laxmi has defended her research proposal entitled "**Financial Performance Analysis of Nepalese Life Insurance Companies in Nepal**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of Supervisor **Prakash Kumar Gautam** and submit the thesis for evaluation and viva voce examination.

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## Approval Sheet

We, the undersigned, have examined the thesis entitled "**Financial Performance Analysis of Nepalese Life Insurance Companies in Nepal**" presented by Laxmi Khadka a candidate for the degree of Masters of Business Studies and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ABBREVIATIONS

BVPS	= Book Value per Share
CDR	= Credit to Deposit Ratio
CV	= Coefficient of Variation
GDP	= Gross Domestic Product
GPTA	= Gross Insurance Premium/ Total Assets
EPS	= Earning Per Share
DV	= Dependent Variable
FY	= Fiscal Year
GON	= Government of Nepal
IV	= Independent Variable
MBS	= Master of Business Studies
NRB	= Nepal Rastra Bank
NPGP	= Net Profit/ Gross Insurance Premium
PER	= Price Earning P/E Ratio
RLI	= Return on Loans and Investment
ROA	= Return on Assets
ROE	= Return on Equity
SM	= Solvency Margin
SPSS	= Statistical Package for Service Solution

## ABSTRACTS

This dissertation explores the financial performance of life insurance companies in the Nepalese market, focusing on the relationship between financial performance and its determinants. Employing both descriptive and causal comparative research designs, the study analyzes key financial metrics—Return on Assets (ROA) and Return on Equity (ROE)—to understand their correlation with underlying factors. The research covers 14 life insurance companies in Nepal, selecting five major firms—Asian Life Insurance, National Life Insurance, Life Insurance Corporation, Citizen Life Insurance, and IME Life Insurance—for detailed analysis using secondary data from fiscal years 2018/19 to 2021/22. Findings reveal a significant positive relationship between financial performance and its determinants, offering valuable insights for industry stakeholders, policymakers, and investors aimed at enhancing the robustness and sustainability of Nepal's insurance sector. This thesis contributes to a deeper understanding of the financial dynamics in the industry, providing a comprehensive guide for improving financial performance and resilience in Nepal's insurance market.

*Keywords: Insurance Companies, Financial Markets, Financial Performance*

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study

The financial system is the cornerstone of every nation's economic growth. It consists of institutional arrangements that facilitate the transfer of financial surpluses from surplus units to deficit units within the economy. This system includes financial institutions, markets, products, rules, and laws (Mayo, 2004). By modifying the size, maturity, and risk characteristics of assets, it balances investors' short-term perspectives. Consequently, the financial system fosters economic growth by increasing savings rates, reducing capital output costs, lowering transaction expenses, and promoting trade, which in turn encourages production specialization (Turgaeva et al., 2020). Examples of financial institutions that play intermediary roles in this system include investment banking houses, commercial banks, financial services corporations, savings and loan associations, mutual savings banks, credit unions, life insurance companies, and mutual funds (Brigham & Earnhardt, 2014). Among non-banking financial entities, the insurance industry is particularly significant. Insurance offers protection against monetary losses and serves as a form of risk management primarily used to safeguard against potential losses. Both businesses and individuals value insurance firms for their ability to cover losses and restore people to their pre-loss condition.

Insurers provide businesses with both economic and social benefits, including the reduction of worry and prevention of losses (Derbali & Jamel, 2018). Insurance can be described as a service that delivers a benefit when a risk occurs, typically providing financial compensation to individuals, associations, or businesses in exchange for premiums (Morara & Sibindi, 2021). Therefore, the insurance sector encompasses the design, production, and marketing of such services. The human instinct to seek safety and protection against threats to property and personal well-being has driven the flow of goods and services in the economy through insurance (Zouhaier, 2014). Investments, which are crucial for economic development, are derived from savings. Insurance facilitates the channeling of these savings into investment projects, which are the primary drivers of a country's development. The economic activities

within a country support its overall economy (Ungur, 2016). Insurance companies provide unique financial services that are vital for the growth and improvement of any economy.

Specialized financial services provided by insurance companies include risk underwriting for organizations with inherent risks and mobilizing substantial sums through premiums for long-term investments. As such, insurance companies are crucial tools for enabling consumers to mobilize their savings, which are then invested to boost the economy. According to Rao and Srinivasulu (2013), insurance undertakes a variety of significant economic activities that distinguish it from other types of financial intermediaries. Therefore, strong performance in the insurance sector is vital for both the nation and individual companies. The success of any organization heavily relies on its performance, which stems from the company's ability to acquire and manage resources effectively to create competitive advantages (Mawad et al., 2022). A company's financial performance is measured by metrics such as earnings, profit growth, and increased share value. Standard metrics for assessing insurance performance include net premiums earned, underwriting profitability, annual turnover, returns on investment, and return on equity. The Nepalese insurance market has faced challenges and has not always been successful or efficient (Nepal, 2012). However, the market's growth over the past two decades is considered satisfactory compared to the previous four decades. Factors such as premium collection, investments, and tax revenue to the government are used to gauge the expansion of insurance activities (Ghimire, 2013).

Insurance companies in Nepal face intense competition due to the rapid expansion of the country's financial industry. Traditional performance management methods seem inadequate for addressing the needs of financial institutions engaged in strategic development. While many industries, including banking, have performed well, the insurance industry has not responded to the country's economic growth as effectively as the banking sector. Aside from a few organizations that have achieved some income, the overall financial performance of Nepalese insurance companies remains somewhat subpar (Kassamany et al., 2023). The financial success of an insurance firm can be evaluated through various factors and projections. Nepal's economy is characterized by low income per capita, a high population growth rate, and inadequate infrastructure for development. The study empirically investigates the impact of specific variables on the financial performance of Nepalese life insurance companies.

## **1.2 Problem Statement**

Insurance companies provide long-term funding for development, and a mature, well-developed insurance industry is beneficial for economic growth (Ahmed, Ahmed, & Ahmed, 2010). Modern insurance companies in Nepal began in 1947 A.D. Initially, a lack of awareness about the importance of insurance led to people suffering heavy losses during accidents (Iswantia & Anshoria, 2007). With the rapid development of Nepal's financial sector, insurance businesses now face intense competition. Traditional performance management methods are proving insufficient for meeting the strategic development needs of financial organizations. While sectors like banking have performed well, the insurance sector has not responded to economic expansion as effectively as the banking sector in Nepal. Apart from a few organizations that have achieved notable revenue, the overall financial performance of Nepalese insurance companies remains subpar (Kumar, 2013). The financial performance of an insurance firm can be measured using various variables and perspectives. Given these circumstances, the purpose of this study is to empirically analyze the financial performance of insurance companies in Nepal. Based on the above problem statement, following research questions have been set.

- i. What are the determinants factors of financial performance of the Nepalese life insurance companies in Nepal?
- ii. Is there any relationship between determinants factors and financial performance of the Nepalese life insurance companies in Nepal?
- iii. How do these factors impact on the financial performance of the Nepalese life insurance companies in Nepal?

## **1.3 Objective of the Study**

- i. To identify the determinants factors of financial performance of the Nepalese life insurance companies in Nepal.
- ii. To examine the relationship between determinants factors and financial performance of the Nepalese life insurance companies in Nepal.
- iii. To analyze the impact of determinants factors on the financial performance of the Nepalese life insurance companies in Nepal.

#### **1.4 Rationale of the Study**

This study aims to benefit multiple stakeholders, including insurance businesses, clients, scholars, students, policymakers, and other interested parties, by providing a detailed understanding of the financial status and performance of these companies. By analyzing the financial performance of life insurance companies, this research seeks to offer valuable insights into the sector's health and sustainability. Financial performance is a key indicator of an insurance company's ability to meet its obligations to policyholders and investors, and it reflects the overall stability of the financial system. The research highlights the strengths and weaknesses of the insurance companies, providing a clear picture of their financial viability. Recommendations derived from this study can assist companies in maintaining a strong financial position, enabling them to compete effectively in the global and competitive insurance industry. This aspect is particularly crucial as Nepalese insurance companies strive to meet international standards and expand their market presence. Additionally, this study lays the groundwork for future academic research, allowing researchers to build on the findings and explore new dimensions of financial performance and risk management within the industry.

#### **1.5 Limitation of the Study**

- i. The study utilizes data covering a period of 5 years, from FY 2018/19 to 2021/22.
- ii. It primarily relies on secondary data sourced from the published annual reports of selected life insurance companies.
- iii. The study faces constraints due to the limited availability of various references and sources.
- iv. The sample size is small, which means that the findings may not be generalizable to all listed companies.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

#### **2.1 Theoretical Review**

This section reviews several theories related to the financial performance of insurance companies. These theories are as follows:

##### **2.1.1 Miller & Orr Model**

The Miller & Orr Model, developed in 1966, is a demand for money model. According to this model, a company engages in buying and selling marketable securities only when its cash balance falls between an upper and a lower control limit. The model assumes that net cash flows follow a normal distribution with a mean of zero and a standard deviation of one. It includes a return point and two control limits: an upper and a lower control limit. When the cash balance reaches the upper limit, the company sells enough securities to bring it back to the return point. Conversely, when the cash balance nears the lower limit, the company purchases enough securities to return it to the return point.

##### **2.1.2 Pecking Order Theory of Liquidity**

The Pecking Order Theory, proposed by Myers & Majluf in 1984, posits that managers prefer to address capital deficits by issuing safer securities first. According to this theory, if internal financing sources such as retained earnings are insufficient, managers will opt for debt over equity and only consider issuing lower-quality debt if absolutely necessary. This theory is grounded in the concept of asymmetric information, where managers have more insight into their company's health than external investors. Consequently, due to information asymmetries, newly issued securities may be undervalued, particularly newly issued stocks. The Pecking Order Theory highlights a beneficial relationship between liquid assets and financial performance, contrasting with the Tradeoff Theory, which suggests an inverse relationship between profitability and liquidity by weighing the advantages and disadvantages of each financial choice.

### **2.1.3 Dynamic Theory of Profit**

Clark (1902) proposed that profit arises because society is inherently dynamic. Given the uncertainty of future outcomes due to society's ever-changing nature, any action with future consequences involves some level of risk. Thus, profit represents the cost of bearing and managing this risk. In a static society, where no changes occur, risk—and consequently profit—ceases to exist. Dynamic societies, characterized by changes in population, preferences, capital holdings, and entrepreneurial activity, experience profit as a result of these ongoing changes. When all elements are constant, the future becomes predictable, and the risk element disappears.

### **2.1.4 Theories Related to Financial Variables**

**2.1.4.1 Earnings Per Share (EPS)** Earnings Per Share (EPS) is a crucial financial metric used by analysts, investors, and companies to evaluate a company's profitability on a per-share basis. It provides insight into the profit margin earned on each outstanding common share.

**2.1.4.2 Market Price Per Share** A company's stock price is influenced by multiple factors and the dynamic interplay between supply and demand in the stock market. Various theories and concepts help analyze and understand the elements affecting a company's stock price.

**2.1.4.3 Price-to-Earnings (P/E) Ratio** The Price-to-Earnings (P/E) Ratio is a commonly used financial indicator that compares a company's share price to its earnings per share (EPS). It provides insights into a company's growth potential, risk level, and market expectations.

**2.1.4.4 Solvency Margin** In the insurance and financial sectors, the solvency margin (also known as the Solvency Capital Requirement or SCR) is a crucial concept. It represents an insurance company's ability to meet its obligations to policyholders and indicates its financial stability.

**2.1.4.5 Net Profit/Gross Insurance Premium** The net underwriting margin, which is the ratio of net profit to gross insurance premiums, is an important financial metric for insurance companies. It measures profitability from underwriting activities, including premium collection and claims settlement.

2.1.4.6 Gross Insurance Premium/Total Assets Gross insurance premium refers to the total premiums collected by an insurance firm from policies sold over a specific period, typically a year. It represents the primary income source for an insurance company.

2.1.7 Return on Loans and Advances Return on loans and advances is a key metric for evaluating the performance and profitability of financial activities. It helps assess the effectiveness of capital allocation decisions and compare the returns from various investment opportunities.

## **2.2 Empirical Review**

Kassamany et al. (2023) investigated the impact of risk disclosure on the volatility, liquidity, and performance of insurance companies in the UK and Canada. Their study compares the financial performance of these companies before and after the adoption of International Financial Reporting Standards (IFRS), focusing on the effects of various risk disclosure practices, including voluntary and mandatory disclosures, as well as risk disclosure indices. The panel data analysis covers a six-year period—three years prior to and three years following the adoption of IFRS—and involves 14 insurance firms in the UK and 12 in Canada. The authors manually collected risk disclosure data from annual reports and analyzed it using QSR NVivo software for each country. Additional variables were obtained from secondary sources, including DataStream and Thomson Reuters Eikon. The findings reveal that, for UK insurers, mandatory risk disclosure standards positively affect stock return volatility, while this is not the case for Canadian insurers. Furthermore, both required and voluntary risk disclosures enhance market liquidity for UK insurers. However, the study also highlights a negative impact of risk disclosure policies on the financial performance of insurers in both the UK and Canada. The implementation of IFRS has amplified the effects of risk disclosure standards on market liquidity and financial performance in both countries.

Azizah et al. (2023) conducted a detailed study to evaluate the financial performance of the tempe cracker home industry in Matang Munye, Syamtalira Aron sub-district. This research was performed in June 2022, aiming to provide a comprehensive analysis of the industry's financial health, including cost management, revenue generation, and overall profitability. The study utilized primary data collected through on-site observations and interviews with industry owners to gather information about various cost components such as raw materials, labor,

marketing expenses, and other operational costs. Additionally, secondary data were collected from the tempe cracker industry itself, which included historical financial records and business performance metrics. The research employed purposive sampling to select participants and found that several factors could enhance profitability and industry growth. Recommendations included increasing production efficiency, hiring additional employees, improving packaging methods, and seeking financial and business support to bolster the industry's financial performance.

Kajwang (2022) conducted an in-depth analysis to understand how ethical practices influence the performance of insurance firms in Kenya. The study focused on evaluating how implementing ethical standards affects various performance metrics within the insurance sector. By examining the financial performance indicators of 17 general insurance companies over the period of 2019 to 2020, the research revealed that ethical practices have a positive effect on financial performance. These practices improved customer loyalty, product quality, and operational efficiency. The study's findings indicated that while ethical practices positively impacted financial leverage ratios, they did not show a significant effect on other performance ratios, suggesting that ethical considerations are crucial but not universally impactful across all financial metrics.

Khresat and Sadiq (2022) conducted a detailed analysis of how profits affect financial performance indicators among Jordanian insurance companies, particularly focusing on the period during the COVID-19 pandemic. The researchers aimed to compare the financial metrics from two distinct time frames: the pre-pandemic year of 2019 and the pandemic year of 2020. By examining financial data from a range of insurance companies, the study revealed that profit levels had a significant impact on certain financial performance indicators, such as financial leverage ratios, which measure the degree of a company's financial risk and ability to meet its long-term obligations. However, the study found that other performance ratios, such as profitability or operational efficiency metrics, did not show substantial changes due to variations in profit during the pandemic. This suggested that while profit was a critical factor in financial performance, the pandemic's impact on different financial metrics varied, and the broader economic and operational challenges posed by the pandemic influenced these metrics in different ways.

Kajwang (2022) explored the factors that enable capacity building within the insurance sector, with a particular focus on how these factors affect life and non-life insurance premiums. The research involved an extensive review of existing literature on capacity building, which is crucial for understanding how insurance companies expand and improve their operational capabilities. The study identified several key factors influencing insurance premiums, including per capita income, which reflects the average income of individuals and affects their ability to purchase insurance; demographic structures, such as age distribution and population growth, which influence the demand for different types of insurance products; and the availability of private credit, which can impact the financial stability and growth potential of insurance companies. The findings indicated that these structural and demographic variables play a significant role in shaping insurance premiums and contribute to the overall development and capacity expansion of the insurance sector.

Mawad et al. (2022) investigated how financial literacy, financial self-control, and various demographic factors influenced individual financial performance and behavior during the Lebanese economic crisis from 2019 to 2021. The study involved surveying 328 individuals and used logistic regression analysis to determine the effects of these variables on financial outcomes. The research found that higher levels of financial literacy—knowledge about managing and investing money—along with better financial self-control—ability to manage spending and saving habits—positively impacted individuals' financial performance and behavior. Additionally, favorable demographic factors such as higher education levels and higher income were associated with better financial outcomes. This study highlighted the critical role of financial education and personal self-control in maintaining financial stability, especially during times of economic hardship and crisis.

Zelalem, Abebe, and Bezabih (2022) examined the relationship between corporate governance and financial performance within Ethiopian insurance companies. The research utilized econometric panel data from nine insurance companies spanning from 2012 to 2020. The study assessed the influence of various governance factors, including board size, the soundness of managerial practices, and the transparency of financial disclosures, on the financial performance of these companies. The findings revealed that while high levels of debt and significant dividend payouts had a negative impact on financial performance, factors such as

larger board sizes, effective management practices, and transparent financial reporting contributed positively to the financial health of the companies. This study underscored the importance of strong corporate governance in enhancing financial performance and stability within the Ethiopian insurance sector.

Morara and Sibindi (2021) Morara and Sibindi (2021) explored the determinants of financial performance in Kenyan insurance companies using a panel data approach. The research analyzed data from 16 life insurance companies and 37 general insurance companies over a period from 2009 to 2018. By employing various analytical models, including pooled Ordinary Least Squares (OLS), fixed effects, and random effects models, the study examined how different factors affected financial performance. The results indicated that larger companies generally performed better financially, suggesting a positive relationship between company size and financial performance. Conversely, the study found that older companies tended to have a negative impact on financial performance, with companies exhibiting higher leverage showing better financial outcomes. These findings provided valuable insights into how size, age, and leverage affect financial performance in the insurance industry.

Olarewaju and Msomi (2021) investigated the impact of intellectual capital on the financial performance of general insurance companies within the South African Development Community (SADC) from 2008 to 2019. Utilizing the Value Added Intellectual Coefficient (VAIC) Model, the study analyzed data from 56 insurance companies to assess the effect of various components of intellectual capital, including human capital (knowledge, skills, and competencies of employees) and structural capital (organizational infrastructure and processes). The results indicated that both human and structural capital had a positive influence on return on assets (ROA), which is a key indicator of financial performance. However, the impact of capital employed, which measures the amount of physical and financial assets used in generating income, was found to be insignificant and negative. This study highlighted the importance of intellectual capital in improving financial performance, suggesting that human and structural capital are crucial for enhancing financial metrics in the insurance sector.

Turgaeva et al. (2020) conducted a study on the financial security of insurance companies, focusing specifically on internal control mechanisms. The research used determinative factor analysis and an indicative method to evaluate the financial security of various insurance

companies. The study resulted in the development of a new algorithm for internal control, aimed at modernizing and enhancing economic control methods to better ensure financial security and stability within insurance companies. The research emphasized the need for updated and effective internal control practices to safeguard against financial risks and ensure long-term stability and security within the insurance sector.

Birhanie (2020) carried out a comparative analysis of the financial performance of private commercial banks in Ethiopia using the CAMEL model. The study examined annual reports from five major banks over the period from 2017 to 2019. The research found that Addis International Bank demonstrated exceptional performance in terms of capital adequacy, indicating strong financial stability compared to other banks. In contrast, Awash International Bank was noted for its superior performance in asset quality and earning capacity. These findings highlighted the variability in financial performance among Ethiopian private banks and provided insights into the strengths and weaknesses of individual banks in terms of their financial metrics.

Shawar and Siddiqui (2019) explored the factors influencing the financial performance of insurance companies in Pakistan. The study analyzed data from five major insurance companies from 2013 to 2017, using panel regression analysis to identify key determinants of financial performance. The research revealed that gross written premiums had a significant positive impact on profitability measures, indicating that higher premiums contribute positively to financial performance. However, the study also found that company size had a negative effect on sales and investment profit, suggesting that larger firms might face challenges in maintaining profitability. These findings provided a deeper understanding of how premiums and company size influence financial performance in the Pakistani insurance sector.

Suvvari and Goyari (2019) assessed the financial performance of 24 Indian life insurance companies using Grey Relational Analysis (GRA). The study analyzed 14 financial indicators over the period from 2013 to 2016 to evaluate overall financial performance. The results ranked Shriram Insurance as the top performer based on profitability metrics. The study highlighted the significant impact of profitability ratios on evaluating the financial health of insurance companies in India, providing a comprehensive assessment of financial performance and identifying key indicators that influence the success of insurance companies.

Habibu et al. (2019) examined the effects of financial performance, capital structure, and firm size on the value of insurance companies in Nigeria between 2012 and 2017. The research utilized financial performance metrics and capital structure data to analyze how these factors influenced firm value. The findings revealed that short-term debt had a positive effect on firm value, whereas long-term debt had a negative impact. This indicated that the type of debt, whether short-term or long-term, plays a crucial role in determining the value of insurance companies. The study provided insights into how different aspects of capital structure can affect firm value and overall financial performance in the Nigerian insurance sector.

Batool and Sahi (2019) analyzed the determinants of financial performance in insurance companies in the USA and the UK during the global financial crisis. The study compared various internal and external factors affecting profitability across both countries. The research found that insurance companies in the USA generally performed better compared to their UK counterparts during the crisis. Factors such as firm size, liquidity, and asset turnover were identified as having a positive effect on financial performance, highlighting differences in performance drivers between the two regions. The study provided valuable insights into how different factors influenced financial performance in insurance companies during a period of global economic instability.

Kapadia and Vaghela (2018) studied the impact of internet banking on the financial performance of five private sector banks in India over the period from 2011 to 2017. The study used indicators such as Return on Assets (ROA) and Return on Equity (ROE) to measure financial performance. The findings revealed mixed effects of internet banking on these performance metrics. While internet banking offered potential benefits, such as improved customer access and operational efficiency, its impact on financial performance varied among different banks. This variability suggested that the influence of internet banking on financial performance depends on various factors, including the specific strategies and implementations of individual banks.

Abbasa, Afshanb, and Mustifa (2022) conducted a comprehensive study on the impact of financial development on economic growth and income distribution, presenting empirical evidence from lower-middle and upper-middle-income countries. The primary focus of this investigation was to explore the intricate relationships between financial development and

economic growth, as well as their effects on economic inequality. Data from 42 middle-income countries were utilized for analysis, employing a panel Autoregressive Distributed Lag (ARDL) model over a 23-year period spanning from 1995 to 2018. The findings of the study indicate that financial development significantly contributes to economic growth across both lower-middle and upper-middle-income countries in the long run. However, it is noteworthy that the impact of financial development on economic growth is more pronounced in the context of upper-middle-income countries. Moreover, a Granger causality test, based on Vector Error Correction (VEC), revealed a two-way relationship between financial development and economic growth. This implies that there is a mutual causal relationship between the two variables, highlighting the dynamic interplay between financial development and economic growth in the studied countries. The results of this study provide valuable insights into the nuanced connections between financial development, economic growth, and income distribution, emphasizing the importance of these factors in shaping the economic landscape of middle-income countries.

Akoley, Wahid and Kulo (2022) conducted a research study on Public finance management and economic growth: A case study of Ghana. This research examines the influence of public financial management on the economic growth of Ghana, a developing country in Africa. Specifically, it investigates government expenditures, government revenue, and exchange rates in relation to GDP growth. Time series data from 2000 to 2019 is utilized for analysis. The Ordinary Least Squares (OLS) technique is employed to assess the impact of government expenditures, government revenues, and exchange rates on GDP growth. Additionally, the Augmented Dickey-Fuller (ADF) unit root test is conducted in the regression analysis, indicating that both public financial management and economic development proxies exhibit first-order integration and necessitate first differencing for stationarity. The findings reveal a significant positive correlation between government expenditures, government revenues, exchange rates, and GDP growth in Ghana.

Dhungel (2022) conducted study on Government Expenditure and Economic Growth of Nepal. This study investigates the effect of public spending on GDP growth in Nepal from the fiscal years 1990–1991 to 2019–2020. Utilizing the Stationary Test and the Ordinary Least Squares method, the study assessed the influence of various explanatory variables on Nepal's GDP

growth. Public spending encompasses investments in transportation, communication, health, education, and agriculture. Each explanatory variable demonstrated a positive effect on Nepal's GDP growth. The multivariate regression analysis confirms that public expenditure in education and health sectors enhances human capital, which subsequently positively influences the nation's economic growth. The results indicate that the average government expenditure on agriculture is 6.544%, with a minimum of 5.301% and a maximum of 8.081%. The standard deviation of government expenditure on agriculture is 0.636, signifying high variability in public spending in this sector. The Jarque-Bera statistic is 1.204, suggesting that the data on public expenditure in agriculture do not suffer from non-normality issues. The mean values for LnGDP, LnPEed, LnPEhe, and LnPEtc are 10.827%, 7.028%, 5.888%, and 6.352 respectively, with standard deviations of 0.853%, 1.358%, 1.337%, and 0.521%. Finally, Table I presents the Jarque-Bera values, indicating that all variables related to GDP and public expenditure are normally distributed.

Upadhyaya and Pun (2022) conducted a study on Public Debt and Economic Growth of Nepal. *Journal of Financial Risk Management*. The objective of this study was to analyze the impact of public debt on the economic growth of Nepal. The examination utilizes yearly time-series information spanning from 1978 to 2020. The analysis relies on an unrestrained Vector Auto Regression (VAR) model, designed to encapsulate Multivariate Granger Causality relationships among the variables under study. The examination utilizes yearly time-series information spanning from 1978 to 2020. The analysis relies on an unrestrained Vector Auto Regression (VAR) model, designed to encapsulate Multivariate Granger Causality relationships among the variables under study. The analysis's conclusion shows that there is no conclusive link between Nepal's public debt and its economic expansion.

Dangal and Gajurel (2021) conducted a study on Public Expenditure and Economic Growth of Nepal. This study was conducted with the aim of examining public expenditure patterns and revealing the linkage between public expenditure and economic growth in case of Nepal. The study employed chart, correlation, and regression by using time series data sets from 1974/75 to 20108/19. Real Gross Domestic Product with base as 2009/10 and Recurrent Expenditure, Capital Expenditure, Expenditure on Education, Expenditure on Health, Expenditure on Transportation and Communication, for RE, CE, EE, HE and TCE respectively, were proxies

as dependent variable and public expenditure . The findings indicated that dependent and proxy variables are positively correlated. Regression results also found that there is a positive association between public expenditure and economic growth in case of Nepal.

Upadhyaya (2021) conducted a research study on Public debt of Nepal: It's effect on economic growth. This article's primary goal is to clarify the relationship between public debt and economic growth from 1992–1993 to 2018–19. Studying the effect of public debt on Nepal's economic growth is another goal. This has led to an investigation of the relationship between the multiple regression model and the simple linear regression model. Four equations make up the regression model. According to the study's findings, the regression model's overall P-value is virtually zero and its R<sup>2</sup> is greater than 90%. This indicates that governmental debt and economic growth in Nepal are positively correlated. Even with these favorable relationships, the public debt has been rising rapidly and our growth rate has not been consistent. However, Nepal's economic development still need both local and external resources.

Ndoricimpa (2020) conducted a research study entitled Threshold effects of public debt on economic growth in Africa: a new evidence. The aim of this research is to reevaluate the impact of public debt on economic growth in Africa, focusing on threshold effects. Employing the panel smooth transition regression method pioneered by González et al. (2017), this study accommodates both heterogeneity and smooth transitions of regression coefficients between different states. Results indicate a debt threshold ranging from 62% to 66% for the entire sample, beyond which higher public debt negatively affects growth, while low debt exhibits a neutral impact. For middle-income and resource-intensive nations, the estimated debt threshold falls within 58% to 63%. To address endogeneity concerns related to debt, a dynamic panel threshold model was employed as part of robustness checks, revealing a higher threshold at 74.3%. Across analyses, low public debt either remains neutral or stimulates growth, whereas high levels consistently impede economic expansion.

Yusuf and Mohd (2020) conducted a research study on the impact of government debt on economic growth in Nigeria. This research delved into the impact of government debt on the economic growth of Nigeria, utilizing annual data spanning from 1980 to 2018 and employing the Autoregressive Distributed Lag (ARDL) technique. The findings of the study revealed that

external debt acted as a hindrance to long-term economic growth, albeit exerting a positive influence in the short term. Conversely, domestic debt exhibited a noteworthy positive effect on long-term growth, while its short-term impact was adverse. Moreover, the analysis indicated that debt service payments resulted in a slowdown in growth, confirming the phenomenon of debt overhang. Consequently, it was recommended that the government channel borrowed funds towards fostering diversification within the economy's productive framework.

Ashfaq and Padda (2019) conducted a research study entitled *Estimating the optimal level of public debt for economic growth: An evidence from Pakistan*. This research aims to determine the ideal threshold of public debt conducive to economic growth, specifically examining the dynamics within Pakistan's economy through the analysis of time series data. Employing the ARDL bound test technique, this study delves into both the short-term and long-term ramifications of public debt on economic progress. Additionally, it endeavors to pinpoint the optimal level of debt that maximizes growth potential. The findings suggest that maintaining public debt at approximately 60% of GDP is optimal for Pakistan's economic prosperity. Moreover, the analysis reveals that while an uptick in government borrowing tends to stimulate long-term economic growth, its immediate impact is subject to a nuanced trajectory. Initially, a surge in public debt could bolster economic expansion, yet beyond a certain threshold, it may trigger a downturn in growth rates.

Rasaily and Paudel (2019) conducted a study on *Impact of Government Expenditures on Economic Growth: Case of Nepal*. The purpose of the article is to investigate how government spending affects Nepal's economic expansion. The annual time series data for the fiscal years 1974/1975 through 2017/2018 were tested utilising the Granger Causality test, the Vector Error correction model, and the Johansen Cointegration technique in order to achieve this goal. The outcome demonstrated that there is a logrun link between government spending and economic expansion and discovered a short-term correlation in Nepal between the factors. Strong evidence, however, was discovered to refute any causal relationship between the individual levels of any variable. It was discovered that there was only unidirectional causation between capital and current expenditures, and no causal relationship between the other variables. These findings imply that for Nepal's economy to expand, current and capital expenditures need be made together.

Gupata (2018) conducted a research study on the impact of government expenditure on economic growth in Nepal. The primary aim of this study is to investigate the impact of various components of government expenditure on economic growth within the context of Nepal. Economic growth serves as the dependent variable, while independent variables include total capital expenditure, total recurrent expenditure, agriculture, non-agriculture, industry, service, and inflation. Data were sourced from the economic survey of Nepal. Analysis tools employed encompass regression models, the Durbin-Watson (DW) Test to assess autocorrelation, and the Variance Inflation Factor (VIF) Test to evaluate multicollinearity. The empirical findings indicate a positive correlation between economic growth and predictor variables such as agriculture, non-agriculture, industry, and service sectors. Conversely, total current and recurrent expenditures, along with inflation, exhibit a negative relationship with economic growth. The beta coefficient demonstrates significant positive relationships for agriculture, non-agriculture, industry, and service sectors, suggesting that increased investment in these sectors corresponds to higher economic growth. Specifically, higher investments in agricultural and non-agricultural sectors are associated with increased economic growth, as are investments in industry and service sectors. Moreover, the calculated D-W value of 1.301 indicates the absence of autocorrelation among the variables.

Abbasa, Afshanb, and Mustifa (2022) conducted a comprehensive study on the impact of financial development on economic growth and income distribution, presenting empirical evidence from lower-middle and upper-middle-income countries. The primary focus of this investigation was to explore the intricate relationships between financial development and economic growth, as well as their effects on economic inequality. Data from 42 middle-income countries were utilized for analysis, employing a panel Autoregressive Distributed Lag (ARDL) model over a 23-year period spanning from 1995 to 2018. The findings of the study indicate that financial development significantly contributes to economic growth across both lower-middle and upper-middle-income countries in the long run. However, it is noteworthy that the impact of financial development on economic growth is more pronounced in the context of upper-middle-income countries. Moreover, a Granger causality test, based on Vector Error Correction (VEC), revealed a two-way relationship between financial development and economic growth. This implies that there is a mutual causal relationship

between the two variables, highlighting the dynamic interplay between financial development and economic growth in the studied countries. The results of this study provide valuable insights into the nuanced connections between financial development, economic growth, and income distribution, emphasizing the importance of these factors in shaping the economic landscape of middle-income countries.

Akoley, Wahid and Kulo (2022) conducted a research study on Public finance management and economic growth: A case study of Ghana. This research examines the influence of public financial management on the economic growth of Ghana, a developing country in Africa. Specifically, it investigates government expenditures, government revenue, and exchange rates in relation to GDP growth. Time series data from 2000 to 2019 is utilized for analysis. The Ordinary Least Squares (OLS) technique is employed to assess the impact of government expenditures, government revenues, and exchange rates on GDP growth. Additionally, the Augmented Dickey-Fuller (ADF) unit root test is conducted in the regression analysis, indicating that both public financial management and economic development proxies exhibit first-order integration and necessitate first differencing for stationarity. The findings reveal a significant positive correlation between government expenditures, government revenues, exchange rates, and GDP growth in Ghana.

Dhungel (2022) conducted study on Government Expenditure and Economic Growth of Nepal. This study investigates the effect of public spending on GDP growth in Nepal from the fiscal years 1990–1991 to 2019–2020. Utilizing the Stationary Test and the Ordinary Least Squares method, the study assessed the influence of various explanatory variables on Nepal's GDP growth. Public spending encompasses investments in transportation, communication, health, education, and agriculture. Each explanatory variable demonstrated a positive effect on Nepal's GDP growth. The multivariate regression analysis confirms that public expenditure in education and health sectors enhances human capital, which subsequently positively influences the nation's economic growth. The results indicate that the average government expenditure on agriculture is 6.544%, with a minimum of 5.301% and a maximum of 8.081%. The standard deviation of government expenditure on agriculture is 0.636, signifying high variability in public spending in this sector. The Jarque-Bera statistic is 1.204, suggesting that the data on public expenditure in agriculture do not suffer from non-normality issues. The mean values for

LnGDP, LnPEed, LnPEhe, and LnPEtc are 10.827%, 7.028%, 5.888%, and 6.352 respectively, with standard deviations of 0.853%, 1.358%, 1.337%, and 0.521%. Finally, Table I presents the Jarque-Bera values, indicating that all variables related to GDP and public expenditure are normally distributed.

Upadhyaya and Pun (2022) conducted a study on Public Debt and Economic Growth of Nepal. Journal of Financial Risk Management. The objective of this study was to analyze the impact of public debt on the economic growth of Nepal. The examination utilizes yearly time-series information spanning from 1978 to 2020. The analysis relies on an unrestrained Vector Auto Regression (VAR) model, designed to encapsulate Multivariate Granger Causality relationships among the variables under study. The examination utilizes yearly time-series information spanning from 1978 to 2020. The analysis relies on an unrestrained Vector Auto Regression (VAR) model, designed to encapsulate Multivariate Granger Causality relationships among the variables under study. The analysis's conclusion shows that there is no conclusive link between Nepal's public debt and its economic expansion.

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Iania et. al. (2023) conducted a research study entitled “The Impact of Uncertainty in Macroeconomic Variables on Stock Returns in the USA”. The impact of macroeconomic uncertainty on stock returns in the United States of America is examined. A survey of Consensus Economics was conducted with data spanning from 1989 to 2019 in order to quantify this macroeconomic uncertainty. The study includes monthly predictions for a variety of macroeconomic factors across numerous nations. Based on the interquartile range, high-minus-low, standard deviation, and an AR- and GARCH model, four uncertainty metrics were created. Economic theory is supported by the finding that, on average, 13 out of 49 sectors showed a positive association between macroeconomic uncertainty and stock returns as a result of using linear regressions. Additionally, a regression analysis of macroeconomic uncertainty was done on the standard deviation of stock returns. 41.7 out of 49 sectors, on average, had a positive connection. The findings are examined broadly, in terms of macroeconomic variables, and in terms of sectors.

Hassan et al. (2022) conducted a research study entitled “The Effect of Macro Economy Variables on Stock Market Performance during Pandemic”. This study attempted to examine how the global pandemic affected the FTSE Bursa Malaysia KLCI (KLCI), Malaysia's stock market index, in connection to macroeconomic variables. The KLCI of the stock market served as the dependent variable, while the selected macroeconomic variables were the gross domestic product, inflation rate, exchange rate, interest rate, and industrial output index. The pandemic period was used as a dummy variable. A time series analysis of the monthly data from the years 2002 to 2020 was carried out to fully capture the fluctuation in the stock market. SARS

(Severe Acute Respiratory Syndrome), H1N1 (H1N1), MERS (Middle East Respiratory Syndrome), and COVID-19 (Coronavirus Disease 2019) were the pandemic occurrences that could have an impact on Malaysia's stock market. In this study, multiple linear regression analysis was utilized to examine the statistical relationship and assess the hypothesis. The findings indicated a statistically significant positive association between the gross domestic product and industrial production as well as a statistically significant negative relationship between the exchange rate and both. The dummies for a pandemic, interest rate, and inflation, on the other hand, are statistically insignificant.

Salma et. al. (2021) conducted a research study entitled “The impact of macroeconomic variables on Stock market in United Kingdom”. The primary objective of this research is to clarify how the stock market and macroeconomic variables (interest rate, consumer price index, and exchange rate) in the UK interacted from 1999 to 2007 before the Global Financial Crisis (GFC). There is no co-integration between variables, no causal relationship is found between macro factors and stock return, and a unidirectional causal relationship is shown between exchange rate and stock price, according to the results of the Granger and Toda Yamamoto (TY) and Johansen Cointegration tests, respectively. Both inflation (INF) and exchange rate growth (EXCG) Granger cause the UK stock market return, according to the results of the VAR Granger non Causality/Block Exogeneity Wald Tests. In addition, the results of the ARDL specification show a stable long-run effect of all considered macroeconomic factors on the UK stock price. More specifically, the results of the ECM show that all considered macroeconomic factors drives UK stock price toward long-run equilibrium at a fast rate.

Kratzer (2021) conducted a research study entitled “Impact of macroeconomic variables on stock prices in Austria”. The purpose of this dissertation is to analyze the effect of macroeconomic variables on stock prices in Austria. The ATX index and 10 different equities are used as the response variables in this thesis, while two macroeconomic indicators—unemployment and inflation—serve as the explanatory variable. Data for a monthly time series were gathered for the months of January 2015 through December 2019. This data set is an example of secondary data, which denotes that none of the information was really gathered by the researcher but rather came from a dependable data source. Each variable's specific

description highlights the data sources that were used to create it. Additionally, the descriptive statistics and separate charts for each variable will be covered in this chapter. A separate chart must be created for each variable by graphing the data and plotting it across time. To determine whether there is a relationship between these variables over the long and short terms, a correlation analysis, time-series analysis, and Granger causality study have all been carried out. According to statistics, inflation and female unemployment have a long-term impact on stock prices.

Sahoo et. al. (2020) conducted a research study entitled “Impact of macroeconomic variables on stock market: A study between India and America”. The objective of this study is to figure out the relationship between macroeconomic factors and the stock market, identify the macroeconomic variables that have a significant impact on the stock market, compare how macroeconomic variables affect the stock markets of India and America, and determine how macroeconomic factors in the two countries are related to one another. In this study, economic factors like GDP, GDP PER CAPITA, interest rate, and inflation rate are taken into account. By using correlation and regression analysis, all these macroeconomic variables' effects on the Indian stock market and the American stock market are determined. The performance of the stock markets in both countries is gauged using the BSE SENSEX and the DOW JHONS. The market performance is calculated using the annual market capitalization. On the basis of yearly data provided by the World Bank and Yahoo Finance, inflation, interest rates, the gross domestic product, and GDP per capita are also interpreted. In addition, a variety of journals, papers, blogs, and economic websites were used to find related information and earlier studies for the current study. Simple linear approaches are employed in the current investigation. The purpose of using this model is to determine how the dependent variable (SENSEX) and independent variable (macro-factors) relate to one another. The study's findings showed that the Indian stock market and GDP and GDP per capita have a substantial negative relationship. In contrast, a significantly positive correlation has been discovered between India's inflation rate and the stock market. The findings of the correlation between inflation and the interest rate.

Kandari and Abul (2019) conducted a research study entitled “The Impact of Macroeconomic Variables on Stock Prices in Kuwait”. With this study, we hope to provide new information

about how macroeconomic issues affect the Kuwait Stock Exchange. It investigates empirically the dynamic relationship between the main macroeconomic variables and the Kuwaiti Stock Exchange Index. These factors included M2, the interest rate on three-month deposits, oil prices, the exchange rate between the US dollar and the Kuwaiti dinar, and the inflation rate. The study discovered that there is a long-run unidirectional relationship between the Kuwaiti Stock Exchange Index and the aforementioned macroeconomic variables by using the Johansen cointegration test and the Var Error Correction Model (VECM). This investigation also verified that there is a short-term correlation between Kuwaiti stock prices and oil prices.

Khan and Khan (2018) conducted a research study entitled “The Impact of Macroeconomic Variables on Stock Prices: A Case Study of Karachi Stock Exchange”. The article makes a contribution by examining monthly data from May 2000 to August 2016 to ascertain the impact of various macroeconomic factors on Pakistani stock prices. The ideal ARDL approach of bound testing is used to examine the short- and long-term cointegration of macroeconomic variables on stock prices because all of the variables are stationary at first difference. The results indicate that the money supply, exchange rate, and interest rate have a considerable long-term impact on the stock values of the Karachi Stock Exchange. Except for the currency rate, which has a negative cointegration with stock prices, other factors are negligible over the near term. The central bank must exercise caution when adjusting the money supply in the market since an excessive rise could have a negative impact on investments and the stock market. In order to promote economic activity, enhance the external economic environment through rule-based exchange rate management, and minimize discretionary actions, the regulator should maintain interest rates at relatively low levels.

Chauque and Rayappan (2018) conducted a research study entitled “The Impact of Macroeconomic Variables on Stock Market Performance: A Case of Malaysia”. The current paper's goal is to look into how inflation and currency rates affect the performance of the Malaysian stock market. The study uses monthly time series data that were collected from January 2007 to December 2016. Basically, this is 120 observations from Thomson Datastream for each variable. All of the time series data was converted into logarithm form in accordance with prior studies. The Ringgit Malaysia/USD exchange rate, used as a stand-in for exchange

rate, and CPI, used as a stand-in for inflation rate, are among the macroeconomic indicators examined. Malaysia's stock market performance is gauged using the Kuala Lumpur Composite Index (KLCI) as a proxy. Kuala Lumpur Stock Exchange Composite Index (KLCI), according to Chong and Pua (2009), is a capitalization-weighted index that is utilized as. This study used a quantitative design approach to carry out the investigation. Any data that can be expressed numerically or mathematically, such as percentages, indices, and descriptive statistics, is used in the quantitative design method. This type of data allows researchers to test their hypotheses, quantify the data, and analyze it. The data is non-stationary at level and stationary at first difference for all three variables, according to the results of the ADF and PP tests. The model was appropriately described according to the Ramsey RESET test, which raises the possibility that all of the independent variables are crucial for illuminating the variation in the KLCI.

Sutrisno (2017) conducted a research entitled “Macroeconomic variables and sectorial indices: Case in the Indonesian stock exchange”. The objective of this study is to investigate how macroeconomic factors affect sectorial indices on the Indonesian Stock Exchange. Investigating this link in a developing market like Indonesia is intriguing since different industries are more or less responsive than others. This study uses monthly time-series data from January 2005 to December 2014 using the estimate technique of ordinary least square (OLS). The findings show that Indonesia's sectorial indices are significantly impacted by the interest rate, inflation rate, and exchange rate all at once. With the exception of basic industrial and chemical, finance, infrastructure, utilities, transportation, and miscellaneous industry sectors, the interest rate somewhat exhibits a strong negative influence on all sectors. All sectors are not significantly impacted by the inflation rate. All industries are partially negatively impacted by the exchange rate.

Mohammad et. al. (2017) conducted a research study entitled “Effect of macroeconomic variables on stock market performance of SAARC countries”. The objective of this research is to investigate how macroeconomic factors affect the performance of the stock markets in SAARC nations. The data for this study is a panel series, which includes observations from various fields collected across a range of time periods for the same nations. The time range for this case study is from 2005 to 2015 (eleven years of data), and the fields are macroeconomic

indicators and stock market indexes. Secondary sources were used to gather the information for this research work. The defined stock market index data was taken from the websites of the stock exchanges in each country. Given that each of these variables had a p-value that was less than the level of significance, or 0.1000, all three of them have significant and positive relationships with stock market performance, according to the hypothesis test using the multivariate regression model. In the regression equation, these factors likewise showed positive coefficients, indicating a favorable relationship with stock market success. The Z-test findings, however, did not uncover a statistically significant link between inflation, money supply, and stock market performance.

Barakat et. al. (2017) conducted a research study entitled “Impact of Macroeconomic Variables on Stock Markets: Evidence from Emerging Markets”. The purpose of this study is to define the type of link that exists between macroeconomic factors and the stock market. Deposit rate is used as a stand-in for interest rate, CPI is used as a stand-in for inflation, local currency per US dollar is used as a stand-in for exchange rate, M2 is used as a stand-in for money supply, and market index is used as a stand-in for the stock market. To examine the study's hypotheses, a quantitative research approach utilizing empirical analysis and statistical methods will be used. Secondary data that has been published in official databases will be used in this investigation. For Egypt and Tunisia, monthly data from the IMF (International Monetary Fund) database from January 1998 to January 2014 were chosen by Morley (2009) and El-Nader & Alraimony (2012). Similar to how nominal interest rates, inflation (measured by the consumer price index), nominal exchange rates, and money supply are used as indicators for macroeconomic factors, the market index will be used as a gauge for the stock market. In both Egypt and Tunisia, it has been discovered that all of the macroeconomic variables utilized in the study—interest rate, exchange rate, CPI, and money supply—have a relationship with the stock market that is either long-term or causal.

Table 1

*Meta Table*

Date	Author	Topic	Objectives	Methodologies	Findings
2023	Iania et al.	The Impact of Uncertainty in Macroeconomic Variables on Stock Returns in the USA	Examine the impact of macroeconomic uncertainty on stock returns in the USA	Survey of Consensus Economics data from 1989 to 2019. Four uncertainty metrics created using interquartile range, high-minus-low, standard deviation, AR- and GARCH models. Linear regressions and regression analysis on standard deviation of stock returns.	13 out of 49 sectors showed a positive association between macroeconomic uncertainty and stock returns. 41.7 out of 49 sectors had a positive connection between macroeconomic uncertainty and the standard deviation of stock returns.
2023	Kassamany et al.	Impact of risk disclosure on insurance companies in the UK and Canada	Investigate the impact of risk disclosure on volatility, liquidity, and	Panel data analysis over six years (three years before and after IFRS adoption),	Mandatory risk disclosure positively affects stock return volatility for UK insurers but not Canadian ones. Both

			performance of insurers	involving 14 UK and 12 Canadian insurance firms. Data collected from annual reports, analyzed using QSR NVivo, DataStream, and Thomson Reuters Eikon.	mandatory and voluntary disclosures enhance market liquidity for UK insurers. Negative impact on financial performance in both countries. IFRS amplifies these effects.
2023	Azizah et al.	Financial performance of the temperate cracker home industry in Matang Munye	Evaluate the financial health of the temperate cracker home industry	Primary data from on-site observations and interviews, secondary data from historical financial records. Purposive sampling used to select participants.	Recommendations for enhancing profitability include increasing production efficiency, hiring additional employees, improving packaging methods, and seeking financial and business support.
2022	Hassan et al.	The Effect of Macro Economy Variables on Stock Market Performance during Pandemic	Examine how the global pandemic affected Malaysia's stock market in relation to	Time series analysis of monthly data from 2002 to 2020. Multiple linear regression analysis. Pandemic	Positive association between GDP and industrial production with stock market. Negative relationship between exchange rate and stock market.

			macroeconomic variables	occurrences used as dummy variables.	Pandemic, interest rate, and inflation were statistically insignificant.
2022	Kajwang	Influence of ethical practices on the performance of insurance firms in Kenya	Understand how ethical practices influence performance metrics in the insurance sector	Analysis of financial performance indicators of 17 general insurance companies over 2019-2020.	Ethical practices positively affect financial performance, improving customer loyalty, product quality, and operational efficiency. Positive impact on financial leverage ratios, but not significant on other performance ratios.
2022	Khresat and Sadiq	Impact of profits on financial performance indicators among Jordanian insurance companies during COVID-19	Compare financial metrics from pre-pandemic (2019) and pandemic (2020) periods	Detailed analysis of financial data from various insurance companies.	Significant impact of profit on financial performance.
2021	Salma et al.	The impact of macroeconomic	Clarify the interaction	Granger and Toda	No co-integration between variables.

		variables on Stock market in United Kingdom	between stock market and macroeconomic variables in the UK from 1999 to 2007	Yamamoto (TY) and Johansen Cointegration tests. VAR Granger non Causality/Block Exogeneity Wald Tests. ARDL specification and ECM.	Unidirectional causal relationship between exchange rate and stock price. Inflation and exchange rate growth Granger cause UK stock market return. Stable long-run effect of macroeconomic factors on UK stock price.
2021	Kratzer	Impact of macroeconomic variables on stock prices in Austria	Analyze the effect of macroeconomic variables on stock prices in Austria	Monthly time series data from January 2015 to December 2019. Correlation analysis, time-series analysis, and Granger causality study.	Inflation and female unemployment have a long-term impact on stock prices.
2020	Sahoo et al.	Impact of macroeconomic variables on stock market: A study between India and America	Figure out the relationship between macroeconomic factors and the stock market	Correlation and regression analysis using GDP, GDP per capita, interest rate, and inflation rate. Data from World Bank and Yahoo Finance.	Indian stock market has a substantial negative relationship with GDP and GDP per capita, and a positive correlation with inflation rate.

2019	Kandari and Abul	The Impact of Macroeconomic Variables on Stock Prices in Kuwait	Provide new information about how macroeconomic issues affect the Kuwait Stock Exchange	Johansen cointegration test and Var Error Correction Model (VECM) using M2, interest rate on three-month deposits, oil prices, exchange rate, and inflation rate.	Long-run unidirectional relationship between the Kuwaiti Stock Exchange Index and the macroeconomic variables. Short-term correlation also verified.
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### 2.3 Research Gap

Most existing literature has focused broadly on the insurance industry as a whole or on other types of insurance such as health and property insurance, leaving a gap in our understanding of the unique financial dynamics and performance metrics of life insurance companies. This lack of focused research impedes stakeholders, including policymakers, investors, and company managers, from making fully informed decisions regarding the financial health and operational efficiency of life insurance providers. To address this gap, the current study aims to provide a comprehensive evaluation of the financial performance of life insurance companies. By utilizing secondary data from the official websites of life insurance companies over a five-year period, this research ensures the reliability and relevance of its findings. A representative sample of five out of fourteen life insurance companies was selected through a simple random sampling method, ensuring equal representation and minimizing selection bias. Descriptive research will outline the financial performance metrics, revealing trends and patterns, while causal-comparative research will investigate potential causal relationships between different financial variables. The use of SPSS software for data analysis, including descriptive statistics and correlation analysis, further enhances the robustness of the research.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

Research methodology is a systematic approach used to investigate and resolve unanswered questions by analyzing primary or secondary data. It provides a scientific method to identify and address issues effectively.

#### **3.1 Research Design**

This study aims to analyze the financial performance of Nepalese life insurance companies using descriptive and causal-comparative research designs.

#### **3.2 Population and Sampling**

The population of this study consists of 14 life insurance companies as of mid-March 2024. Five companies, namely Asian Life Insurance, National Life Insurance, Life Insurance Corporation, Citizen Life Insurance, and IME Life Insurance, were selected for comprehensive analysis.

#### **3.3 Nature and Sources of Data Collection**

Secondary data from fiscal year 2018/19 to fiscal year 2021/22 was collected from the official websites of the selected life insurance companies.

#### **3.4 Research Framework**

In this research framework, profitability (measured by ROA & ROE) is the dependent variable. Independent variables include EPS, PE Ratio, Solvency Margin, Operating Expenses Ratio, Net Profit/Gross Insurance Premium, Gross Insurance Premium/Total Assets, Income from Investment & Loan/Total Investment & Loan Amount, Liquidity Ratio, and Number of Renewed Policies/Last Year's Total Number of In-Force Policies. This framework aligns with the research questions and problem statement.

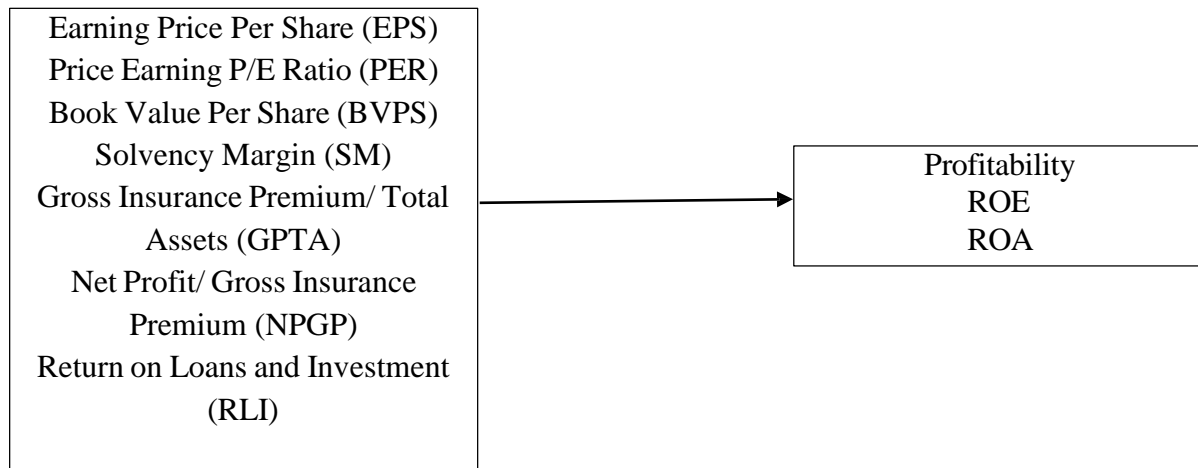
**Independent Variables (IV)****Dependent Variable (DV)**

Figure 1: Research Framework of Study

*Source: Batool and Sahi (2019).*

### 3.6 Methods of Analysis

This study employs a variety of methods to comprehensively analyze the financial performance of Nepalese insurance companies, drawing on data meticulously gathered from their annual reports. The analysis leverages several approaches, including quantitative, descriptive, ratio, and econometric methods, to ensure a robust and multi-faceted evaluation. Specifically, the study delves into profitability ratios, such as return on assets and return on equity, to assess how efficiently the companies are generating profits from their assets and equity. It also examines leverage ratios, like the debt-to-equity ratio and interest coverage ratio, to evaluate the companies' financial structure and their ability to meet long-term obligations. In addition to ratio analysis, the study applies regression analysis to explore the relationship between dependent and independent financial variables, providing insights into how changes in one variable might affect another. Correlation analysis is also utilized to measure the strength and direction of relationships between pairs of variables, helping to identify patterns and potential causations. By integrating these diverse methods, the study aims to offer a comprehensive and nuanced evaluation of the financial health and performance of Nepalese insurance companies, shedding light on their operational efficiency, financial stability, and overall economic impact.

### 3.6.1 Financial Tools

The financial ratios used in this study are presented below along with their respective formulas:

Earnings Per Share (EPS): This ratio measures the profitability of a company from the perspective of the shareholders.

$$\text{EPS} = (\text{Net Profit/No of Shares}) \times 100$$

Market Price Per Share (MPS): This ratio indicates the current market price of a company's share relative to the number of shares.

$$\text{MPS} = (\text{Market Price of Share/No of Shares}) \times 100$$

Price Earnings (P/E) Ratio (PER): This ratio helps to evaluate the market value of a share compared to its earnings.

$$\text{PER} = (\text{Price Per Share/Earnings Per Share}) \times 100$$

Solvency Margin (SM): This ratio measures a company's ability to meet its long-term obligations.

$$\text{SM} = (\text{Net Profit After Tax} + \text{Depreciation} / \text{Total Liabilities}) \times 100$$

Net Profit to Gross Insurance Premium (NPGP):

This ratio indicates the profitability of a company relative to its gross insurance premium.

$$\text{NPGP} = (\text{Net Profit} / \text{Gross Insurance Premium}) \times 100$$

Book Value Per Share (BVPS): This ratio represents the net asset value per share of the company.  $\text{BVPS} = (\text{Total Shareholders' Equity} / \text{Number of Outstanding Shares}) \times 100$

### 3.6.2 Statistical Tools

#### 3.6.2.1 Mean

The average value or total of all observations divided by the total number of observations is known as the mean. It displays the typical score a person received over a specific time period.

It can be calculated as follows  $\text{Mean (X)} = \frac{\sum X}{n}$

Where

$\bar{X}$  = Mean of the values,

$\sum X$  = Summation of the values

N = No. of Observations

### 3.6.2.2 Standard Deviation

The square root of the sum of the squared discrepancies between a collection of integers and their arithmetic mean, which is the measure of dispersion that is most frequently used, is what it represents. It is calculated as follows;

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

N = Number of items in the series,

$\bar{X}$  = Mean

X = Variable

### 3.6.2.3 Correlation Analysis:

The degree of association between two or more variables is indicated by correlation. Correlated variables are those that affect one another when two recognized variables increase or decrease and induce an increase or decrease in another. It is calculated as follows;

$$\text{Correlation Coefficient (r)} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \cdot \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

**3.6.2.4 Regression Analysis:** Regression is a statistical technique used in finance, investing, and other fields to assess the nature and strength of the relationship between a single dependent variable (often represented by Y) and a number of independent variables. Each sort of regression has the following general form:

$$ROA = \alpha + \beta_1 BVPS + \beta_2 EPS + \beta_3 MPS + \beta_4 PER + \beta_5 NGP + \beta_6 GTA + \beta_7 RLI + \beta_8 SM$$

$$ROE = \alpha + \beta_1 BVPS + \beta_2 EPS + \beta_3 MPS + \beta_4 PER + \beta_5 NGP + \beta_6 GTA + \beta_7 RLI + \beta_8 SM$$

Where;

$\alpha$ = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8$ = The regression coefficient which represents the degree with which life insurance companies profitability changes as the independent variable changes by one unit variable.

## CHAPTER IV

### RESULT AND DISCUSSION

#### 4.1 Result

In this section, i present the findings from my research, detailing the outcomes of the experiments and analyses conducted. The results are organized to highlight key trends and significant data points, providing a comprehensive overview of the study's discoveries. Through this detailed examination, I aim to answer the research questions and validate the hypotheses outlined in the earlier sections.

Table 2

*Descriptive Statistics of Life Insurance Companies*

	ROA	ROE	BVPS	EPS	PER	NGP	GTA	RLI	SM
N	25	25	25	25	25	25	25	25	25
Mean	2.74	12.18	147.87	20.28	74.51	8.17	28.12	9.39	3.58
Std. D.	2.20	4.66	26.44	19.03	57.87	5.76	11.77	1.86	2.51
Range	7.23	18.93	86.85	95.06	221.00	23.02	34.81	6.98	9.76
Mini	.51	5.71	106.15	5.75	10.00	2.00	17.00	6.89	1.00
Maxi	7.74	24.64	193.00	100.81	231.00	25.02	51.81	13.87	10.76

Table 2 provides descriptive statistics for various financial performance metrics across 25 observations. Return on Assets (ROA) measures the company's profitability relative to its total assets, with a mean of 2.74% and a range of 7.23%. Return on Equity (ROE) indicates the profitability of shareholder equity, averaging at 12.18%, with a range of 18.93%. Book Value per Share (BVPS) reflects the net asset value attributable to each outstanding share, averaging at NRS 147.87 and ranging from NRS 106.15 to NRS 193.00. Earnings per Share (EPS) signifies the portion of a company's profit allocated to each outstanding share, with a mean of NRS 20.28 and a range of NRS 95.06. Price-Earnings Ratio (PER) evaluates a stock's valuation relative to its earnings, with a mean of 74.51 and a range of 221. Net Gross premium (NGP) assesses the company's potential for future growth, with an average of 8.17% and a range of 23.02%. Gross premium to Total Assets (GTA) denotes the total value of a company's assets before any liabilities are deducted, with a mean of 28.12 million and a range of 34.81 million.

Return on loans and investment (RLI) measures the profitability of long-term investments, averaging at 9.39%, with a range of 6.98%. Lastly, Solvency margin (SM) signifies the performance of the overall stock market, with a mean of 3.58% and a range of 9.76%.

Table 3

*Correlation of Life Insurance Companies*

	ROA	ROE	BVPS	EPS	PER	NGP	GTA	RLI	SM
ROA	1								
ROE	-.233	1							
BVPS	-.459*	.678**	1						
EPS	-.231	.813**	.581**	1					
PER	.258	-.117	.204	-.288	1				
NGP	.747**	-.215	-.538**	-.014	-.170	1			
GTA	.531**	-.056	-.003	-.264	.794**	.018	1		
RLI	.598**	.076	.077	-.028	.477*	.325	.565**	1	
SM	-.469*	.208	.162	.130	-.217	-.370	-.294	-.311	1

The correlation table 3 illustrates the relationships between various financial performance metrics among the observed company, providing insights into potential associations and dependencies. Notable correlations include a strong positive correlation between ROA and NGP (Net Growth Premium) ( $r = 0.747$ ,  $p < 0.01$ ), suggesting that higher return on assets tends to coincide with greater potential for future growth. Additionally, there's a moderate positive correlation between ROA and GTA (Gross Total Assets) ( $r = 0.531$ ,  $p < 0.01$ ), indicating that higher return on assets tends to accompany larger total asset values. Conversely, there's a moderate negative correlation between ROA and BVPS (Book Value per Share) ( $r = -0.459$ ,  $p < 0.05$ ), implying that higher return on assets may coincide with lower net asset values per outstanding share. These correlations offer valuable insights for understanding the interplay between different financial metrics and can inform strategic decision-making and performance evaluation within the company.

Table 4

*Model Summary (ROA)*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924	.854	.793	1.00161

a. Predictors: (Constant), SM, EPS, RLI, NGP, GTA, PER, BVPS

The provided model summary presents statistics for a regression analysis, where the dependent variable, likely representing Return on Assets (ROA) given the table title, is modeled against several independent variables including SM, EPS, RLI, NGP, GTA, PER, and BVPS. The correlation coefficient (R) is 0.924, indicating a strong positive linear relationship between the independent and dependent variables. The coefficient of determination (R Square) stands at 0.854, implying that approximately 85.4% of the variability in ROA is explained by the independent variables. The adjusted R Square, adjusted for the number of predictors, is 0.793, suggesting a high level of predictive power while penalizing excessive predictors. Furthermore, the standard error of the estimate is 1.00161, reflecting the accuracy of the model's predictions, where a lower value denotes a better fit. Overall, these statistics collectively suggest that the model provides a robust representation of the relationship between the specified independent variables and ROA, with strong explanatory power and predictive accuracy.

Table 5

*Anova Table (ROA)*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.527	7	14.218	14.172	.001
	Residual	17.055	17	1.003		
	Total	116.582	24			

a. Dependent Variable: ROA

b. Predictors: (Constant), SM, EPS, RLI, NGP, GTA, PER, BVPS

The ANOVA table summarizes the results of a regression analysis assessing the relationship between multiple predictors and a dependent variable. In this case, the regression model

accounts for a significant amount of variability in the dependent variable, as indicated by a highly significant F-statistic ( $F = 14.172, p < 0.001$ ). The regression model's ability to explain the variation in the dependent variable is reflected in the large proportion of the total sum of squares attributed to regression (99.527 out of 116.582). Conversely, the residual sum of squares (17.055) represents unexplained variability not accounted for by the predictors. Overall, these findings suggest that the regression model, which includes seven predictors, provides a statistically significant improvement in explaining the variance in the dependent variable compared to a model with no predictors. This ANOVA table underscores the importance of the predictors in elucidating the relationship with the dependent variable and highlights the overall significance of the regression model in predicting the outcome variable.

Table 6

*Coefficient (ROA)*

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	-2.164	2.335		-.927	.367
	BVPS	-.005	.015	-.060	-.325	.749
	EPS	-.010	.018	-.085	-.555	.586
	PER	-.005	.007	-.135	-.741	.469
	NGP	.231	.059	.603	3.929	.001
	GTA	.091	.033	.489	2.811	.012
	RLI	.208	.158	.175	1.312	.207
	SM	-.049	.093	-.056	-.529	.603

a. Dependent Variable: ROA

The coefficient table presents the results of a regression analysis examining the relationship between various predictors and the dependent variable, Return on Assets (ROA). Each row represents a predictor variable, including BVPS (Book Value per Share), EPS (Earnings per Share), PER (Price to Earnings Ratio), NGP (Net Growth Premium), GTA (Gross Total Assets), RLI (Return on Loans and Investment), and SM (Solvency Margin). The unstandardized coefficients (B) indicate the estimated change in ROA for a one-unit change in each predictor, holding other predictors constant. Standard errors provide an estimate of the variability in the coefficient estimates. The standardized coefficients (Beta) represent the

change in ROA in standard deviation units for a one-standard-deviation change in each predictor. The t-statistics assess the significance of each coefficient, with higher absolute t-values indicating stronger evidence against the null hypothesis that the coefficient is zero. The associated p-values (Sig.) indicate the probability of observing the given t-statistic under the null hypothesis. In this analysis, Net Growth Premium (NGP) and Gross Total Assets (GTA) exhibit significant positive coefficients ( $B = 0.231$  and  $B = 0.091$ , respectively), with corresponding t-values of 3.929 and 2.811 and p-values of 0.001 and 0.012, respectively, indicating that increases in NGP and GTA are associated with higher ROA. Conversely, BVPS, EPS, PER, RLI, and SM do not show significant relationships with ROA, as indicated by their non-significant coefficients and p-values above 0.05.

Table 7

*Model Summary (ROE)*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881 <sup>a</sup>	.777	.685	2.61428

a. Predictors: (Constant), SM, EPS, RLI, NGP, GTA, PER, BVPS

The model summary provides an overview of the regression analysis examining the relationship between several predictors and the dependent variable, Return on Equity (ROE). The R-squared value of 0.777 indicates that approximately 77.7% of the variance in ROE is accounted for by the predictors included in the model. The adjusted R-squared value of 0.685 adjusts for the number of predictors in the model, providing a more accurate estimate of the proportion of variance explained. The standard error of the estimate (2.61428) represents the average deviation of the observed values from the predicted values, providing a measure of the model's accuracy in predicting ROE. Overall, the model demonstrates a strong explanatory power, suggesting that the combination of predictors, including Solvency Margin (SM), Earnings per Share (EPS), Return on Loans and Investment (RLI), Net Growth Premium (NGP), Gross Total Assets (GTA), Price to Earnings Ratio (PER), and Book Value per Share (BVPS), effectively captures a substantial portion of the variation in ROE among the observed data.

Table 8

*Anova Table (ROE)*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	404.825	7	57.832	8.462	.001
	Residual	116.186	17	6.834		
	Total	521.012	24			

a. Dependent Variable: ROE

b. Predictors: (Constant), SM, EPS, RLI, NGP, GTA, PER, BVPS

The ANOVA table summarizes the results of a regression analysis examining the relationship between multiple predictors and a dependent variable. In this instance, the regression model significantly explains the variability in the dependent variable, as evidenced by the highly significant F-statistic ( $F = 8.462$ ,  $p < 0.001$ ). The regression model, comprised of seven predictors, accounts for a substantial portion of the total sum of squares, with 404.825 out of 521.012 attributed to regression. Conversely, the residual sum of squares (116.186) represents unexplained variability not accounted for by the predictors. Overall, these findings suggest that the regression model provides a statistically significant improvement in explaining the variance in the dependent variable compared to a model with no predictors. This ANOVA table underscores the importance of the predictors in elucidating the relationship with the dependent variable and highlights the overall significance of the regression model in predicting the outcome variable.

Table 9

*Coefficient table (ROE)*

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-2.811	6.094		-.461	.650
	BVPS	.053	.040	.303	1.323	.203
	EPS	.153	.046	.626	3.323	.004
	PER	-.023	.018	-.285	-1.265	.223
	NGP	-.071	.153	-.087	-.461	.651
	GTA	.126	.085	.319	1.487	.155
	RLI	.217	.413	.087	.524	.607
	SM	.192	.242	.104	.794	.438

a. Dependent Variable: ROE

The coefficient table provides crucial insights into the relationship between various predictor variables and the dependent variable, Return on Equity (ROE), derived from a regression analysis. Each row represents a predictor, such as Book Value per Share (BVPS), Earnings per Share (EPS), Price to Earnings Ratio (PER), Net Growth Premium (NGP), Gross Total Assets (GTA), Return on Loans and Investment (RLI), and Solvency Margin (SM). The "B" column displays unstandardized coefficients, indicating the estimated change in ROE for a one-unit change in each predictor, while keeping other predictors constant. Standard errors in the "Std. Error" column provide insights into the precision of these coefficient estimates. The "Beta" column presents standardized coefficients, offering a comparison of the relative importance of each predictor in influencing ROE. The "t" column contains t-statistics, which assess the significance of each coefficient, with higher absolute t-values indicating stronger evidence against the null hypothesis that the coefficient is zero. Finally, the "Sig." column provides p-values associated with each t-statistic, indicating the probability of observing the given t-statistic under the null hypothesis. In this analysis, only the coefficient for EPS is statistically significant ( $p = 0.004$ ), suggesting that changes in Earnings per Share have a significant impact on ROE, while coefficients for other predictors do not exhibit significant relationships with ROE.

## 4.2 Discussion

The financial performance of insurance companies in Nepal is significantly influenced by various determinants, as evidenced by the positive relationship observed between these factors and key performance metrics such as Return on Assets (ROA) and Return on Equity (ROE). The research findings indicate that higher levels of Solvency Margin, Net Profit to Gross Insurance Premium, Book Value Per Share, Gross Insurance Premium to Total Assets, Return on Loans and Investment, Price to Earning Ratio, and Earnings Per Share are associated with improved ROA and ROE. This suggests that healthier financial performance within the industry is driven by robust solvency, profitability, and asset management.

The alignment of these findings with certain previous studies and the divergence from others highlights the contextual specificity of financial performance determinants within the insurance sector in Nepal. This study's results corroborate the significant impact of these

determinants, consistent with the findings of Kajwang (2022), Mawad et al. (2022), Morara and Sibindi (2021), Olarewaju and Msomi (2021), Habibu et al. (2019), and Srinivasan and Britto (2017). These studies collectively reinforce the critical role of these financial metrics in driving the performance of insurance companies, suggesting a universal applicability of these determinants across different contexts. The agreement with these studies indicates that certain financial determinants have a consistent impact on insurance companies' performance regardless of regional differences. This consistency suggests that robust solvency, effective asset utilization, and efficient profit generation are universally beneficial for the financial health of insurance companies. Interestingly, the findings of this research deviate from those of several prior studies such as Kassamany et al. (2023), Birhanie (2020), Suvvari & Goyari (2019), Batool and Sahi (2019), and Kapadia and Vaghela (2018). These inconsistencies might be attributed to variations in the economic environments, regulatory frameworks, and market conditions in the respective regions where these studies were conducted. Such deviations underscore the importance of contextual factors in shaping the financial dynamics of the insurance sector.

For instance, economic stability and regulatory policies in different countries can significantly influence the effectiveness of certain financial determinants. In regions with stringent regulatory environments, the impact of solvency margins and capital adequacy might be more pronounced compared to regions with more lenient regulations. Similarly, market conditions, such as the level of competition and consumer behavior, can also affect how financial determinants influence performance. Furthermore, the contrast with studies like Azizah et al. (2023) and Turgaeva et al. (2020) emphasizes the unique dynamics of the insurance industry. While Azizah et al. (2023) focused on the production of tempeh chips and Turgaeva et al. (2020) explored different domains altogether, their conclusions differ significantly from those derived in this research, highlighting the sector-specific determinants of financial performance in insurance. This divergence underscores the need for industry-specific analyses when evaluating financial performance metrics. The unique regulatory environment, economic conditions, and market characteristics in Nepal create a distinct landscape for the insurance sector. Factors such as natural disaster risks, economic volatility, and the level of market penetration play critical roles in shaping financial performance.

## CHAPTER V

### SUMMARY, CONCLUSION AND IMPLICATION

This chapter synthesizes the key findings of the research, summarizing the study's objectives, methodologies, and results, and provides a conclusion addressing the initial hypotheses and research questions. Additionally, it discusses the broader implications of the findings, their significance within the academic field, and suggests areas for future research.

#### 5.1 Summary

The research conducted in this thesis delves into the intricacies of the financial performance of insurance companies operating within the Nepalese market. Specifically, it aims to elucidate the correlation between financial performance and the underlying determinants influencing it. To accomplish this, the study adopts both descriptive and causal comparative research designs, allowing for a comprehensive analysis of the relationship between financial metrics and their determining factors. Nepal's insurance landscape, as of mid-August 2023, comprises a total of 14 life insurance companies, which serve as the population for this investigation.

From this pool, a purposive sampling approach is employed, selecting five prominent life insurance companies for an in-depth examination. These companies include Asian Life Insurance, National Life Insurance, Life Insurance Corporation, Citizen Life Insurance and IME Life Insurance, chosen to represent the broader population and offer insights into their financial dynamics. To conduct the analysis, secondary data spanning from fiscal year 2018/19 to fiscal year 2021/22 is gathered. The data is meticulously collected from the official websites of the selected life insurance companies, ensuring reliability and accuracy. Key financial indicators, notably Return on Assets (ROA) and Return on Equity (ROE), are utilized as yardsticks to gauge the financial performance of these companies over the specified period.

Upon thorough examination and statistical analysis, the study uncovers a noteworthy positive relationship between the financial metrics (ROA and ROE) and the major determinants

influencing them. By shedding light on these intricate relationships, the study makes a significant contribution to understanding the dynamics shaping the financial health of insurance companies in Nepal. The insights gleaned from this research not only provide valuable knowledge for industry stakeholders, including insurers, regulators, and investors but also offer pertinent guidance for policymakers tasked with fostering a robust and sustainable insurance sector within the Nepalese economy. In essence, this thesis serves as a comprehensive guide, illuminating the path towards enhanced financial performance and resilience in Nepal's insurance industry.

## **5.2 Conclusion**

The regression models for both ROA and ROE demonstrate high levels of explanatory power, with R-squared values of .944 and .782, respectively. This indicates that a significant portion of the variability in both ROA and ROE can be accounted for by the predictors included in the models. Moreover, the adjusted R-squared values suggest that these models maintain their strong goodness of fit even after considering the number of predictors and sample size, indicating robustness against over fitting.

Regarding specific predictors, similarly, in the ROE model, while MPS does not show a statistically significant relationship with ROE, it still warrants attention due to its potential impact on market valuation and shareholder returns.

Net Growth Potential (NGP) also stands out as a significant predictor, displaying strong positive associations with both ROA and ROE. This suggests that companies with greater growth potential tend to generate higher returns on both assets and equity, highlighting the importance of growth prospects in driving financial performance.

Additionally, Gross Total Assets (GTA) and Book Value per Share (BVPS) demonstrate positive associations with ROA and ROE, albeit with varying levels of significance. GTA, in particular, shows a statistically significant positive relationship with ROA, emphasizing the role of asset base in generating returns. Meanwhile, BVPS exhibits a positive association with ROE, albeit not statistically significant, indicating that companies with higher book values per share may potentially lead to higher returns for equity investors.

On the other hand, variables such as Earnings per Share (EPS), Price-Earnings Ratio (PER), Return on Long-term Investment (RLI), and Stock Market (SM) do not show statistically significant associations with either ROA or ROE within the regression models, suggesting that their impact on financial performance may be less pronounced within the context of the examined dataset.

### 5.3 Implications

**Enhanced stakeholder decision-making:** The comprehensive insights provided by the descriptive data in Table 2 empower stakeholders, including investors, regulators, and management teams, to make informed decisions regarding investment, regulation, and strategic planning. Understanding key financial metrics such as ROA, ROE, EPS, PER, NGP, and GTA offers a holistic view of insurance companies' profitability, efficiency, and market valuation. This enables stakeholders to allocate resources effectively and prioritize initiatives that drive financial performance.

**Identification of Key Drivers:** The correlation analysis presented in Table 3 illuminates significant relationships between various financial metrics, highlighting the interplay among these indicators. For instance, the strong positive correlation between ROA and ROE underscores the importance of efficient asset utilization in driving overall profitability. Similarly, the positive correlation between NGP and ROA/ROE emphasizes the role of profitability relative to insurance premium growth in achieving financial success. These insights enable stakeholders to identify and prioritize key drivers of financial performance, facilitating targeted interventions for improvement.

**Robust Predictive Framework:** The significant relationship between predictors and ROA revealed by the regression model in Table 5 provides a robust framework for understanding and predicting financial performance among insurance companies. Factors such as solvency margin, market price per share, and earnings per share emerge as key determinants of variations in return on assets. The high F-value and low residual sum of squares underscore the model's effectiveness in explaining variability in ROA, offering stakeholders a reliable tool for financial forecasting and strategic planning.

**Effective Strategic Decision-Making:** The Anova table analysis in Table 8 confirms the overall significance of the regression model in explaining variance in financial performance. The model's ability to predict the dependent variable, as indicated by the significant F-statistic and large regression sum of squares, underscores its utility in guiding strategic decision making. This enables stakeholders to identify and prioritize interventions aimed at improving financial performance, thereby enhancing competitiveness and sustainability in the insurance industry.

**Strategic Resource Allocation:** The coefficient interpretation in the coefficients table highlights the impact of individual variables, such as EPS, on return on equity (ROE). Understanding the influence of each independent variable on financial performance enables stakeholders to strategically allocate resources and prioritize initiatives that maximize returns for shareholders. This facilitates efficient resource allocation and enhances the overall effectiveness of strategic decision-making processes.

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### **National Life Insurance Company**

Year	ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
2079/78	1.14	11.66	136.88	18.32	577	31.49	5.11	22.34	8.53	9.78
2078/77	1.23	12.14	150.56	20.25	1,151	56.84	5.53	22.25	8.30	10.76
2077/76	1.72	15.6	144.37	22.96	662	28.83	7.98	21.57	8.90	8.22
2076/75	1.10	8.88	125.57	11.67	585	50.11	4.79	23.03	8.69	2.45
2075/74	1.86	18.09	138.65	28.64	799	27.90	7.93	23.52	8.42	2.20

### **Asian Life Insurance Company**

Year	ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
2079/78	1.00	11.0	142	22.00	574	25.97	3.0	18.00	8.0	2.21
2078/77	1.00	10.0	168	17.00	1,348	80.23	5.0	18.00	7.0	4.47
2077/76	1.00	9.00	147	13.00	607	45.36	6.0	19.00	8.0	4.26
2076/75	1.00	9.00	128	15.00	383	25.11	6.0	21.00	8.0	3.83
2075/74	1.00	6.00	117	7.00	683	93.95	6.0	20.00	8.0	4.00

### **Life Insurance Corporation Nepal Ltd**

Year	ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
2079/78	1.01	19.24	188	29.26	1,415	48.0	4.0	17.0	9.05	4.58
2078/77	0.85	16.88	193	35.17	2,342	66.0	5.0	19.0	9.69	3.35
2077/76	0.98	19.85	173	35.85	1,330	37.0	5.0	20.0	8.91	3.50
2076/75	0.51	8.60	186	20.76	1,600	77.0	2.0	22.0	9.25	1.75
2075/74	2.98	24.64	188	100.81	1,622	16.0	13.0	22.0	9.26	3.86

### **Citizen Life Insurance**

Year	ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
2079/78	2.56	12.46	172.18	6.93	2151	213	2.28	51.77	9.75	3.49
2078/77	4.22	11.30	151.83	6.24	3680	119	3.10	50.10	10.49	3.00
2077/76	5.67	11.42	134.38	6.81	2799	96.0	6.08	41.90	10.18	2.39
2076/75	7.22	10.91	119.4	8.79	4095	138	13.21	36.89	10.92	2.12
2075/74	7.74	5.71	106.15	5.75	1320	19.0	25.02	17.93	13.34	1.00

## IME Life Insurance

Year	ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
2079/78	4.26	13.16	176.53	23.24	1458	231.0	9.17	46.50	13.16	2.33
2078/77	5.30	13.87	153.00	21.16	1710	116.0	10.22	51.81	13.87	1.91
2077/76	3.03	10.81	131.26	14.19	1013	124.0	14.17	37.60	10.81	1.51
2076/75	4.27	6.89	117.09	8.07	1250	87.00	13.26	32.21	6.89	1.45
2075/74	5.94	7.57	109.02	8.25	250	10.00	21.52	27.61	7.57	1.17

## Aggregate Insurance Companies

ROA	ROE	BVPS	EPS	MPS	PER	NGP	GTA	RLI	SM
1.14	11.66	136.88	18.32	577	31.49	5.11	22.34	8.53	9.78
1.23	12.14	150.56	20.25	1,151	56.84	5.53	22.25	8.30	10.76
1.72	15.6	144.37	22.96	662	28.83	7.98	21.57	8.90	8.22
1.10	8.88	125.57	11.67	585	50.11	4.79	23.03	8.69	2.45
1.86	18.09	138.65	28.64	799	27.90	7.93	23.52	8.42	2.20
1.00	11.0	142	22.00	574	25.97	3.0	18.00	8.0	2.21
1.00	10.0	168	17.00	1,348	80.23	5.0	18.00	7.0	4.47
1.00	9.00	147	13.00	607	45.36	6.0	19.00	8.0	4.26
1.00	9.00	128	15.00	383	25.11	6.0	21.00	8.0	3.83
1.00	6.00	117	7.00	683	93.95	6.0	20.00	8.0	4.00
1.01	19.24	188	29.26	1,415	48.0	4.0	17.0	9.05	4.58
0.85	16.88	193	35.17	2,342	66.0	5.0	19.0	9.69	3.35
0.98	19.85	173	35.85	1,330	37.0	5.0	20.0	8.91	3.50
0.51	8.60	186	20.76	1,600	77.0	2.0	22.0	9.25	1.75
2.98	24.64	188	100.81	1,622	16.0	13.0	22.0	9.26	3.86
2.56	12.46	172.18	6.93	2151	213	2.28	51.77	9.75	3.49
4.22	11.30	151.83	6.24	3680	119	3.10	50.10	10.49	3.00
5.67	11.42	134.38	6.81	2799	96.0	6.08	41.90	10.18	2.39
7.22	10.91	119.4	8.79	4095	138	13.21	36.89	10.92	2.12
7.74	5.71	106.15	5.75	1320	19.0	25.02	17.93	13.34	1.00
4.26	13.16	176.53	23.24	1458	231.0	9.17	46.50	13.16	2.33
5.30	13.87	153.00	21.16	1710	116.0	10.22	51.81	13.87	1.91
3.03	10.81	131.26	14.19	1013	124.0	14.17	37.60	10.81	1.51
4.27	6.89	117.09	8.07	1250	87.00	13.26	32.21	6.89	1.45
5.94	7.57	109.02	8.25	250	10.00	21.52	27.61	7.57	1.17

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ABSTRACTS This dissertation explores the financial performance of life insurance companies in the Nepalese market, focusing on the relationship between financial performance and its determinants. Employing both descriptive and causal comparative research designs, the study analyzes key financial metrics—Return on Assets (ROA) and Return on Equity (ROE)—to understand their correlation with underlying factors. The research covers 14 life insurance companies in Nepal, selecting five major firms—Asian Life Insurance, National Life Insurance, Life Insurance Corporation, Citizen Life Insurance, and IME Life Insurance—for detailed analysis using secondary data from fiscal years 2018/19 to 2021/22. Findings reveal a significant positive relationship between financial performance and its determinants, offering valuable insights for industry stakeholders, policymakers, and investors aimed at enhancing the robustness and sustainability of Nepal's insurance sector. This thesis contributes to a deeper understanding of the financial dynamics in the industry, providing a comprehensive guide for improving financial performance and resilience in Nepal's insurance market. Keywords: Insurance Companies, Financial Markets, Financial Performance

**CHAPTER-I INTRODUCTION 1.1 Background of the Study** The financial system is the cornerstone of every nation's