DETERMINANTS OF LISTED INSURANCE COMPANIES IN NEPAL STOCK EXCHANGE

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

by

Santosh Kumar Yadav

Campus Roll No: 3141/076

Exam Roll No: 24013/20

T.U. Regd. No: 7-2-262-128-2012

Shanker Dev Campus

Finance

Kathmandu, Nepal

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CERTIFICATION OF AUTHORSHIP

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

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Santosh Kumar Yadav

Date:

REPORT OF RESEARCH COMMITTEE

Mr. Santosh Kumar Yadav has defended research proposal entitled **"Determinants of Listed Insurance Companies in Nepal Stock Exchange"** 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 Dr. Pitri Raj Adhikari Submit the dissertation for evaluation and viva-voce examination.

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Dr. Pitri Raj Adhikari
Dissertation Supervisor

Dissertation Proposal Defended Date:

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Dissertation Submitted Date :

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Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Determinants of Listed Insurance Companies in Nepal Stock Exchange"** presented by Santosh Kumar Yadav candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Dr. Pitri Raj Adhikari
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

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ABBREVIATIONS

AGM	:	Annual General Meeting
BODs	:	Board of Directors
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
FFT	:	Fast Fourier transforms
LIC	:	Life Insurance Co. Ltd.
LIC	:	Life Insurance Co. Nepal
NELIC	:	Nepal Insurance Co. Ltd.
NEPSE	:	Nepal Stock Exchange
NLICL	:	National Life Insurance Co. Ltd.
NRB	:	Nepal Rastra Bank
NSE	:	Nirobi Stock Exchange
NYSE	:	New York Stock Exchange
OTC	:	Over-the-counter
PE	:	Price Earnings
PICL	:	Prabhu insurance Co. Limited
PLIC	:	Prime Life Insurance Limited
ROA	:	Return on Assets
SEBON	:	Securities Board of Nepal
SEC	:	Security Exchange center
SEMH	:	Strong efficient market hypothesis
SLIC	:	Surya life Insurance Co. Ltd.
SPSS	:	Statistical Package for Social Scientists
STATA	:	Statistics and data
WEMH	:	Weak form efficient market hypothesis

ABSTRACT

This study attempt to analyze the fundamental values and their effect on stock price of listed insurance companies in Nepal stock exchange. The investigation and evaluation of the Fundamental values and their effect on stock price of listed insurance companies of six insurance firms was the study's main objective. Data for this study was gathered during a ten-year period, from 2013–14 to 2022–23, from Nepal Life insurance Co. Limited (NELIC), Life insurance Co. Nepal (LIC), Surya Life insurance Co. Limited(SLIC), Nepal insurance Co. Limited (NICL), Prabhu insurance Co. Limited (PICL) and Shikhar insurance Co. Limited (SICL). Descriptive and casual comparative research has been conducted to reach the study's objectives. To meet the desired objectives, the researcher identified the correlation of the quantitative factors DPR, EPS, PE and size with MPS by correlation and regression analysis of secondary data and also tests the significance of such relationship at 95% level of significance. From the secondary data analysis, it is known that there is not consistent performance in the relationship of MPS with DPR, EPS, P/E , size and D/Y for the six sampled insurance companies.

The result revealed that, the correlation coefficients of MPS with independent variables (DPR, EPS, PE and D/Y) are significantly positive at 5% level of significance. So, these all factors (DPR, EPS, PE and D/Y) are the determinants of the market price changes. It means P/E, DPS and EPS affects the MPS positively. Theoretically when earnings, dividend and PE increase, the market price of share also increases and vice versa. EPS, PE and DPR are the major determinants/fundamental values (impacting factors) of MPS.

*Key words**:** Stock Price, Earnings Per Share, Dividend Per Share, Price Earnings Ratio.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Stock market is one of the major economic reflectors. By encouraging capital formation and boosting economic growth, the stock market contributes significantly to economic development. This market's securities trading helps savers and capital users by transferring wealth, sharing risk, and pooling funds. Money can move from reserves to the most profitable investments to generate economic activity. Investors consider the share prices of firms when deciding which shares to purchase. There is theoretical support for the idea that shifts in financial basic factors and share prices are related (Nisa & Nishat, 2011).

Share price is defined as the firm's worth divided by the number of outstanding shares (Weston, 1989). It represents the cost of one share of a company's or financial institution's marketable stocks, derivatives, or other financial assets. The greatest price someone is willing to pay, or the lowest price at which it may be purchased, is the stock price.

Equity markets serve as a vital source of funding for long-term economic development, promote innovation, and increase business efficiency. Additionally, they offer governments a practical way to raise money by selling state-owned businesses. Furthermore, when governments move their pension systems closer to the private sector, equity market investments become an increasingly significant part of peoples' assets. In summary, it is evident that the global economy's equities market is becoming a more significant capital market (Mosley & Singer, 2008).

With stocks, investors can invest in a firm in the hopes of earning a better return than they would with bonds or a savings account. Stock markets act as a middleman by transferring wealth, sharing risk, and pooling funds between savers and capital users (Almumani, 2014). The economy depends heavily on the stock exchange. The stock exchange provides a regulated marketplace for the buying and sale of stocks at prices

determined by supply and demand, rather than other macroeconomic elements such as interest and inflation rates. It also serves as a vital conduit between investors with excess capital and companies in need of funding to launch new ventures or expand existing ones (Sanderson, 2009).

Srinivasan (2013) demonstrated that knowing how different basic factors affect stock price can greatly assist investors in making good investment choices. However, Shiller (1981) discovered that market irrationality is the main cause of stock prices' disproportionate fluctuations in response to news regarding fundamentals (such as dividends). The market's stock price fluctuates daily rather than remaining constant. According to Gompers et al. (2003), stock price can be significantly influenced by a number of micro environmental factors such as dividend per share, book value (asset value) of the firm, earnings per share, price earnings ratio, dividend ratio, etc.

According to Nepal Insurance Authority report 2023, there are 28 insurance companies have been operating in Nepal till fiscal year 2079/80. Only 21 insurance companies have been listed on the Nepal Stock Exchange (NEPSE), Nepal's the authority secondary or capital market, which is governed by the Securities Exchange Board of Nepal. The stock or share price of insurance companies that are listed is controlled by the demand and supply of specific insurance company shares, as well as daily secondary market transactions. For this stock market fair, many investors, securities brokers, and other interested parties engage in daily trading to maximize their returns.

1.2 Statement of the Problem

A person or entity may invest in equity shares of a company for a variety of reasons. It could be for control, cyclical cash demands, return on investment, influence, or as a safety cushion. For whatever reason, an investor carefully evaluates all of his or her financial choices before deciding to buy stock in a specific company. An efficient market's stock price gives investors a reliable indicator of the worth and performance of any company. Investors should therefore take great care to understand how different fundamental factors affect stock price, as this will enable them to make effective investing selections (Srinivasan, 2013). The founding of the Nepal Stock

Exchange (NEPSE) signified the start of a systematic financial market in Nepal. Common stocks make up the vast majority of Nepal's financial sector instruments listed on the Nepal Stock Exchange (NEPSE). Stock trading can take place on both primary and secondary markets. In the primary market, common stock is frequently traded at par value; in the secondary market, it can be traded at par value, underpriced, or overpriced. The secondary market's stock price fluctuates due to both internal and external factors. Furthermore, the NEPSE index is subject to both external and firm-specific factors (Nepal, 2016).

In terms of securities transaction volume, the secondary market in Nepal pales in comparison to global stock exchanges such as the New York Stock Exchange, Hong Kong Stock Exchange, Bombay Stock Exchange, and so on (Paudel, Baral, Gautam, & Rana, 2019). There are few investors in Nepal's secondary market due to a lack of knowledge and experience in stock trading and capital market investment. Thus, Nepal's stock market is inefficient. A tiny group of investors dominates Nepal's secondary market. There are no fixed and fair variables that cause price fluctuation in Nepal; instead, rumor dictates how much a stock is worth (Bam, Thagurathi, and Shrestha, 2018).

This study seeks to investigate how the market price of stock (MPS) fluctuates in Nepalese insurance companies using various measuring financial indicators such as dividend payout ratio (DPR), dividend yield ratio (DY), earnings per share (EPS), price earnings ratio (P/E ratio), and size. So, the following questions may arise:

i. What are the current fundamental values (MPS, DPR, DY, EPS, P/R ratio, and size) of insurance company listed on the Nepal stock exchange?

ii. Is there a relationship between MPS, DPR, DY, EPS, P/R ratio, and size of insurance companies listed on the Nepal stock exchange?

iii. How do DPR, DY, EPS, P/R ratio, and firm size affect the MPS of insurance companies listed on the Nepal stock exchange?

1.3 Objectives of the Study

The primary objective of the research is to investigate, evaluate, and understand the fundamental values and how they affect the share market value of Nepalese insurance companies that are listed on the Nepal Stock Exchange. For this research, following are the study's specific objectives:

a. To assess the state of the insurance companies' listed on the Nepal Stock Exchange's fundamental values, such as DPR, DY, EPS, P/R ratio, firm size, and MPS.
b. To examine the relationship between MPS with DPR, DY, EPS, P/R ratio, and selected Nepalese insurance companies listed on the Nepal Stock Exchange.
c. To analyze the impact of DPR, DY, EPS, P/R ratio and firm size on MPS of insurance companies listed in Nepal stock exchange.

1.4 Rationale of the Study

The study is especially important for investors, managers, bankers, stock analysts, brokers, government officials, academicians, students, and other stakeholders who are interested in understanding the share price behavior of the insurance companies. The stock price change analysis of the Nepalese insurance companies focuses on stock price fluctuation and determinant factors that changes price of share in the secondary market in Nepal.

The financial standing of insurance businesses and the performance of their shares on the financial market are examined in this study. In order to help the public and investors make wise choices when purchasing insurance company stock and receive reasonable returns on their investment, the study is important. Additionally, the analysis sheds light on the insurance businesses' capitalization status and financial standing. The management of the company can assess the performance and financial standing of its traded stock and take the required action to improve it. The study offers a broad overview of the current share market, therefore it is important for the government and organizations responsible for formulating policy to establish or update laws in a timely way to ensure the stock market operates effectively and

continues to expand. This study will help the stock market and insurance firms by highlighting the elements that investors believe influence share price. The insurance businesses might work hard to maximize the value of the aforementioned variables that are deemed significant for investment selections once these characteristics or variables have been recognized. The study would also be helpful to brokers, stock analysts, and other individuals who are actively involved in the stock market. Furthermore, the study is important for academics and students who wish to learn about the insurance companies' stock price behavior as well as for those who wish to work in the insurance or share industries. This study will examine the factors that influence the stock price of the listed insurance companies in Nepal while taking all of these concerns into account.

1.5 Limitations of the Study

The data and statements provided by the representative insurance companies play a significant part in establishing the degree of accuracy of this research. The following lists the study's main limitations covered only the relevant data of ten years i.e. from fiscal year 2014/15 to 2022/2023.

a. This dissertation is based on secondary materials. The source of data is determine its validity and reliability.
b. The focus of the study is the stock price volatility of the insurance industry, which is a part of the capital market as a whole. Therefore, it is not possible to extrapolate the conclusion to the entire capital market.
c. This research is limited to the specific factors that affect the stock price of insurance companies, such as DPR, DY, EPS, P/R ratio, and size.

CHAPTER II

LITERATURE REVIEW

Reviewing the literature entails looking at research studies of other pertinent theories in the study's field so that all previous studies, their conclusions, and their shortcomings can be identified and new research can be carried out. The study's foundational body of knowledge—the body of currently available literature on the subject is highlighted in this section. Examining existing literature in one's field of study is known as stock thinking. This chapter provides an overview of previous research on stock price fluctuation. Results from several studies conducted in various markets over various time periods have varied. The stock market has not received nearly enough attention in the context of the Nepalese financial system. Nonetheless, a few stock market-related articles and magazines are examined and consulted.

2.1 Conceptual Review

Conceptual review of capital market and market price per share as follows.

2.1.1 Financial Market in Nepal

Selling shares to the general public on the financial or capital markets is one way for any business to raise capital. Financial markets: places where funds are transferred from people who have extra money to people who don't. Any place where people conduct financial transactions is called a financial market. A financial market is an exchange platform where investors and sellers transact in financial products like stocks, bonds, mutual funds, and other securities (Nepal, 2016). A financial market is a system that facilitates trading by connecting buyers, sellers, and financial assets. The demand for and availability of securities to be exchanged, as well as the willingness of buyers and sellers to come to an agreement on sales, are all factors that contribute to the financial market, which is a place where securities are purchased and sold. The financial market functions as an active marketplace where savers lend their capital to users in exchange for users using their savings in the hopes of receiving magnified returns from savers within a set time frame (Nepal, 2016).

Nepal's financial market is still in its infancy. In a developing nation such as Nepal, where resources abound but capital for investments across many sectors is scarce, the financial market assumes a critical role in the effective allocation and utilization of resources. Since ancient times, Nepal has had a widespread unorganized lending and borrowing system. Even now, the unorganized sector provides a sizable share of rural lending (Donkor, 2023).

With the founding of Nepal Bank Limited in 1994 B.S., the organized sector's deposit collection and loan-making mechanism was established. The financial liberalization process is causing significant changes in Nepal's financial sector. The amount of business activity is rising quickly. In the Nepalese financial system, the monopoly era has ended and a new era of competition has begun. To meet the credit needs of individuals and business firms, numerous commercial banks, finance businesses, microfinance, cooperatives, and development banks have been founded. These days, insurance companies have a significant presence in Nepal's financial sector (Donkor, 2023).

2.1.2 Classification of Financial Market

Money market and capital market are the two types of financial market.

2.1.2.1 Money Market

Only short-term financial products with maturities of less than a year are traded on the money market. The short-term financial market is another name for the money market. The money market is the segment of the financial system where short-term loans are made. Typically, the money market is used to exchange government Treasury bills, commercial papers, certificates of deposit, and short-term bonds (Dangaura 2018).

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2.1.1.1 Capital Market

Only long-term financial securities with maturities longer than a year are traded on the capital market. The capital market is used to trade a wide range of assets and securities, including mutual fund units, stocks, bonds, and debentures. For a company to grow quickly, the capital market must be developed and expanded. The securities market and the non-securities market make up the capital market. The term "non-securities market" describes how financial institutions mobilize their financial resources through loans and deposits (Dangaura, 2018).

In case of capital market there are the two categories: primary market and secondary market. They are describe below:

Primary Market

In primary market, the flotation of shares and their distribution to the general public are the main markets' concerns. It is made up of businesses that sell new securities to buyers and different middlemen who assist in the selling of new securities. The key players in the new issue market are issue managers, underwriters, stockbrokers, stock exchanges, etc. Trading services for listed securities are offered by stock exchanges. This market is where different securities are bought and sold for trading purposes or as a means of speculation. That raises questions regarding the market's sale of recently issued securities. However, it is among the most crucial components of the new issue market, and any changes to one would undoubtedly have an impact on the others (Geetha, & Swaaminathan, 2015).

Secondary Market

The secondary market is the marketplace where securities that have already been issued are traded. In a nutshell, secondary markets are places where investors, or buyers and sellers, transact in already-issued assets. Investors who already hold securities can purchase and sell them on the secondary market. It is what most people consider to be the "stock market," It is what most people refer to as the "stock market," despite the fact that initially issued stocks are also offered for sale on the

main market. National exchanges, such the Nepal Stock Exchange in Nepal and the New York Stock Exchange (NYSE) in the USA, are examples of secondary markets. Supply and demand typically affect prices in secondary markets. A stock's price will usually rise if most investors rush to buy it because they think it will improve in value. A company's stock price drops when demand for that security wanes if it doesn't make enough money or loses the favor of investors. Secondary markets are divided into two categories: structured security exchanges and over-the-counter trades (Geetha, & Swaaminathan, 2015).

Organized Stock Exchange/Registered Stock Market.

The government has formal recognition for this type of market. The Nepal Stock Exchange (NEPSE) is the only registered stock exchange in the country's securities sector. It deals with the public's securities from listed firms. Transactions involving only listed firms take place here. The ability to trade securities is provided by an established security exchange, and only exchange members are permitted to trade there. Brokerage businesses are among the members; these companies charge institutional and individual investors commissions for handling trade execution on their behalf. Other exchange members take on the role of dealers or market makers, determining the prices at which they are ready to buy, sell, or swap goods for their own account (Fama, 1965). Through the following functions, exchanges play a critical role in contemporary economies:

a. Trade supervision to guarantee efficiency and transparency.

b. Creating an environment that facilitates the efficient and distortion-free formation of securities pricing.

Over the Counter Market/ OTC Market.

The market where shares of companies that are not registered on a stock exchange or have been delisted from it are traded is known as the "Over-The-Counter Market". Such securities transactions are overseen by authorized dealers and intermediaries. The original owners of the securities receive the proceeds from the sale of those

securities in secondary markets rather than the organizational issuer. An official exchange does not exist in the over-the-counter (OTC) sector. Numerous brokers register on the OTC as dealers, and there are no membership criteria. In addition, hundreds of securities are traded on the OTC market with no listing requirements. Because OTC stocks are those that are deemed too small or unstable to trade on a major exchange, they are typically regarded as extremely dangerous (Fama, 1965).

2.2 Theoretical Review

Regarding the pricing behavior and valuation of securities, there are essentially three theories. These include random walks or efficient market analysis, technical analysis, and fundamental analysis.

Fundamental analysis

Analyzing a company's financial accounts and overall health is part of its fundamental analysis. Its competitors, markets, management, and competitive advantages. When used with FX and futures. Its concentration is on the economy as a whole. Interest rates, earnings from manufacturing, and management. Intrinsic value theory is another name for this approach. It asserts that personal security has intrinsic value at all times. This ought to be the same as the security's future cash flow present value. At the right risk, discounted. This value is as important to the nation as a person's brain or an engine's fundamental force. It is also thought that financial data analysis can be used to find inherent value. The security should be sold before its price declines if its intrinsic value is less than the market price. Stocks that are undervalued are bought until their price is raised to reflect their true worth. Additionally, when overpriced stocks are sold, their price drops until it is equivalent to their worth. By taking into account economic and financial factors, fundamentalists attempt to determine the true value of an asset. Based on whether the actual price of the security is above or below its intrinsic value, they then determine what course of action to take when making an investment (Paudel, 2019).

Fundamental analysis uses corporate, industry, and economic data to forecast the stock market. In the end, earnings and dividends serve as the primary deciding factors. The fundamentalist evaluates companies using a risk-return framework by taking into account the nation's economic conditions and earnings power (Kurihara, 2006). The following might be one approach to taking the fundamental analysis further:

Top-Down vs. Bottom-Up Forcasting

Forecasts are created for the economy, industry, and businesses under the top-down analytical methodology. The economy's forecast drives the industries' forecasts, and the company's forecasts are based on the economy's forecast. Similarly, in bottom-up forecasting, the prospects for the companies are estimated to be lower, the prospects for the industries are estimated to be lower, and finally, the prospects for the economy are estimated (Kurihara, 2006).

a. Probabilistic Forecasting

Economic forecasts are often the focus of probabilistic forecasting because the degree of uncertainty at which projections are generated is critical in assessing the risk and expected return of a well-diversified portfolio. A few different economic scenarios could be predicted, along with the likelihood that each will materialize. Subsequent forecasts regarding the future of businesses, sectors, and stock values are provided. This type of study, commonly known as "what if analysis," gives investors a sense of how different stocks would react to unexpected changes in the economy (Kurihara, 2006).

b. Financial Statement Analysis

The financial statement of a business can be thought of as the result of a firm model. A lot of analysis looks at financial statements to make future projections. An analyst can gain insight into a company's current state, potential future direction, influencing variables, and interaction between these aspects by analyzing financial statements. It is necessary to thoroughly examine a company's financial accounts and compare them with other financial statements in order to ascertain the firm's worth. The ratio of

earnings after taxes to equity book value can be used to assess the price of a share (Paudel, 2019).

Technical Analysis

The goal of technical analysis is to forecast future movement by analyzing stock market prices. In order to find recurrent patterns in price fluctuations, historical prices are analyzed. The price trend of a single common stock is examined using a number of crucial instruments, including charts, moving averages, relative strengths, and opposing viewpoints. Conversely, instruments such as the Confidence Index, Breath the Market, and Dow Theory are employed to examine the stock market holistically (Geetha, and Swaaminathan, 2015).

Technical analysis is a specialty within security analysis that forecasts price direction by analyzing historical market data, mainly volume and price. Finding and tracking the recurring trend in security prices is essentially its focus. It is predicated on the idea that supply and demand for securities determine security prices (Geetha, and Swaaminathan, 2015). Technical analysts, often known as technicians, chart previous asset prices and then look for patterns in price movement that can be used to predict future prices. The underlying presumptions of technical analysis are as follows:

a. The interplay of supply and demand determines market value.
b. A wide range of factors, both logical and irrational, control supply and demand.
c. Despite market swings, security prices typically follow patterns that last for a sizable amount of time.
d. Variations in supply and demand are what lead to trend changes.
e. Supply and demand variations, for whatever reason, can eventually be seen in market activity charts;
f. Certain chart patterns have a tendency to repeat, and these patterns can be utilized to predict changes in price.

Technical analysts, also known as chartists, think they can identify patterns in price or volume movements. They also think that by looking at and analyzing the historical

performance of a particular company, they can use the theoretical knowledge they have gathered to forecast future price movements in the asset. Technical analysts accept that patterns and chart formation have a historical basis. They looked for "head and shoulders" formations in charts, reading them much like ancient astrologers read the stars. When there are more sellers than buyers of a stock, the trend is downward; As buyers "bid up" the price when there is an excess of supply, the market moves higher; conversely, when supply and demand are almost equal, the market moves sideways and forms a "Trading Range." The market will ultimately get new information, and its tendency will either begin to increase or decline (Geetha and Swaaminathan, 2015).

Depending on whether or not the new informant is viewed favorably. Little trends are those that endure only a few days, intermediate trends are those that last a few weeks, and significant trends are those that last for several months. It enables us to trade in both bull and bear markets. Prices follow trends. A pattern suggests that the forces of supply and demand are not evenly distributed. The market's activity, as seen in the pricing, usually makes these shifts in the dynamics of supply and demand easy to identify (Paudel, 2019).

2.1.2 Random Walk-Efficient Market Theory

The study of efficient or random walk markets is the core of random walk efficient market theory. A 1900 scholarly study by French mathematician Louis Bachelor proposed that daily fluctuations in asset prices were random. The Random Walk Theory is the name given to his concept. The term "random walk theory of stock prices" was once applied to these experiments designed to determine if stock prices move randomly. The technical and basic examination fundamentally contradicts the random walk efficiency theory. The random walk efficient market model has been tested empirically on a variety of data sets over a range of time periods in order to describe share price behavior.

a. The Random Walk Hypothesis (RWH)

A financial theory known as the "random walk hypothesis" contends that stock market prices move in an unpredictable way, much like a random walk. It aligns with the theory of efficient markets. The efficient market hypothesis states that there is no information in past price and volume data for securities that can be used to generate trading profits above those that might be obtained by using a buy-and-hold investing strategy. The data from the previous price movement is precisely reflected in the present price, as per the random walk principle. The order in which prices change or the previous prices are arbitrary. The random walk hypothesis states that it is impossible to anticipate the future trajectory of a security's price level with any more degree of accuracy than the accumulation of random numbers. There is no memory in the price sequence, which suggests that it is not possible to meaningfully predict the future from the past. This suggests that the current price changes' amount and direction are a fair and independent outcome of past price changes (Fama, 1965).

b. The Efficient Market Hypothesis (EMH)

A totally efficient market is one where news libraries that are relevant to the stock market are easily accessible and where all investors have rapid access to all relevant information. When security prices accurately represent all publicly accessible information about the financial and economic markets as well as the particular company in question, an efficient financial market is present (Van Horn, 2000).

In order to examine and appraise the efficient market model in a thorough analysis of the theoretical and empirical work conducted in the capital market, Fama (1965) provided three information subsets. These three information subsets are classified as semi-strong, strong form, and weakly efficient. According to the weak form efficient market hypothesis (WEMH), security prices take historical data into account. The price of historical data has already been discounted in this market, so an investing strategy based on historical data cannot result in extra profit. The market is semi-strongly efficient if the stock prices as of right now accurately represent all information that is currently available to the public, including historical prices,

volume information, and published accounting information. Because participants would have promptly and accurately discounted the published accounting information each year when it is given, even a basic study of the data has no value in that market. Furthermore, the strong efficient market hypothesis (SEMH) postulates that security prices reflect all information, public and private, that influences stock prices. Therefore, even individuals with access to private information cannot consistently generate excess return in such a setting. The idea of efficiency originated with the idea of perfect competition, which assumes immediate and free information availability, rational investors, and the absence of taxes and transaction costs (Fama, 1965).

2.2 Empirical Review

This empirical review section is the detailed evaluation of earlier research on the stock price. Numerous studies have been conducted in both national and international contexts; a quick summary of these studies is provided below:

Donkor (2023) analyzed the effects of financial factors on Ghanaian listed businesses' stock price drivers between 2006 and 2021. The convenience sampling technique was used to select a sample of twenty-eight (28) enterprises based on several criteria, including stock price (price earnings ratios), non-performing loans, core liquid asset to total assets, and core liquid asset to short-term liabilities. The statistical method used to ascertain the short- and long-term effects is the vector error correction model, which is used to data taken from the Bank of Ghana database covering the years 2006 to 2021. The research concluded that there are short- and long-term effects between the independent and dependent variables. It also suggested that policymakers concentrate their efforts on developing and putting into action the required policies to raise stock prices.

Sharma (2022) examined the correlation between equity share prices and explanatory factors, including book value per share, profits per share, dividend payout, price-earnings ratio, dividend yield, dividend payout, size in terms of sales, and net worth, from 2015–16 to 2020–21. The data were examined using a variety of statistical techniques, including regression analysis and correlation analysis. Per share earnings,

dividends, and book value all had a substantial effect on the market price of shares, according to the findings. A liberal dividend policy and the frequent payment of dividends by corporations are recommended by the study's conclusions, which also showed that earnings per share and dividend per share were the top factors influencing market price.

Almashaqbeh, Islam and Bakar (2021) highlighted the important elements that influence share prices on stock markets around the world. The goal of this study has been met by reviewing a large number of earlier investigations. This study reviews earlier research on the variables influencing share prices in established and emerging nations conducted by a variety of researchers. These researchers examined the connections between certain internal and external elements that influence a company's share price and stock prices. "Developed and developing economies can both benefit from some of the variables influencing share prices. According to certain research, institutional considerations and the company's overall business model are important determinants of stock price. Other research, however, suggested that the most important variables affecting stock prices were the firm's borders, structure, ownership structure, governance, auditing, and the importance of accounting information. Furthermore, several researches have addressed the impact of interrelated elements. This study, as a revisit, was based on secondary sources. By reducing the time and effort required to gather pertinent information and improving comprehension of the various factors influencing share prices, this review offers scholars and practitioners access to the most recent advancements in methodology and highlights particular areas in need of additional study. The analysis of ownership structures, audit quality, and the value and relevance of accounting information, as well as the relationships between them, is crucial elements in determining share prices, according to this result.

Nelson and Rosinta (2020) analyzed the influence of variables that affect the price of shares in the mining sub-sector of oil and gas that are listed in the Indonesia Stock Exchange (IDX) with the National Stock Exchange of India (NSE) in the period 2009-2015. These factors include company size, EPS, ROE, PER, and DER.

Secondary data from the financial statements of the companies listed on the Stock Exchange and NSE are used in the study. The Chow, Hausman, and Lagrange test is run using the e-Views software. Six subsector mining companies—oil and gas—on the Stock Exchange and ten on the NSE comprise the samples used for purposeful sampling. Only PER had a substantial impact on share prices on the Stock Exchange; the other variables have little effect on stock prices. The only factor that affects stock prices in the NSE is EPS; the other factors had no effect on stock prices.

The impact of accounting indicators on the market price per share for Jordanian commercial banks listed on the Amman Stock Exchange (ASE) between 2006 and 2017 was examined by Almaaiteh and Alsaraireh (2019). The study employed the Random Effect Regression Model to investigate the relationship, and the STATA software was used to handle the data. The empirical results of the study demonstrate a robust and favorable relationship between the market price of shares, EPS, DPS, BVPS, and P/E ratio. The regression findings also showed that the rate of return on equity and profits per share were the most important factors affecting the market price per share for commercial banks. In a similar vein, the regression analysis shows a negative and substantial correlation between share market price and retained earnings per share. A positive but negligible association exists between the share market price and the current ratio variable, whereas a negative relationship is observed between the financial leverage variable and the market price. The report recommended Amman Stock Exchange investors to closely monitor accounting data in order to make an educated investing decision.

Ali and Waheed (2017) analyzed the relationship between share price and divident policy volatility by focusing on all of the listed businesses on the Pakistan Stock Exchange and used the top 10 companies as a sample between 2007 and 2016. Regression analysis was used to analyze the data using the least squares model method. Every independent variable had a significant impact on the volatility of the share price, indicating that a company whose stock price is more stable is one that distributes regular dividends to its owners. The share price is significantly inversely

correlated with growth, company size, dividend yield and payout, and earnings volatility and leverage, but positively correlated with share price otherwise.

Aveh and Awunyo-Vitor (2017) examined the major elements influencing the market price of shares traded on the Ghana Stock Exchange by looking at the firm-specific determinants of stock prices on the exchange following the introduction of IFRS. The market capitalization, ROE, EPS, and BMVS have a positive and substantial association with each other, according to the empirical data obtained by panel regression analysis. This suggests that these variables are important factors that influence the market price of shares on GSE. Dividend decisions do not appear to have a major impact on the market price of shares, as evidenced by the significant negative association that was discovered between the market price of shares and dividend yield. Potential investors on the Ghana Stock Exchange were advised by the study to consider the aforementioned aspects while making investing selections. According to the study, before deciding to increase the size of their portfolio, investors who are interested in stocks listed on the GES should keep an eye on the performance of a few key variables. Additionally, the listed corporations want to concentrate on enhancing the data pertaining to the important factors influencing share market price.

Velankar, Chandani, and Ahuj (2017) investigated how EPS and DPS affected the stock price of a few public sector banks in India. The time series data on the different variables, such as EPS, DPS, and stock price, were made available on the Money Control and NSE websites, for a nine-year period from 2006–07 to 2014–15. The regression model's stationarity was confirmed by the ARCH LM test, and the effect of DPS and EPS on stock price was investigated. The results of the hypothesis test indicated that DPS and EPS had a significant effect on stock price and suggested that other factors affecting stock price be considered.

Geetha and Swaaminathan (2015) examined the relationship between the market price of the share and book value, earnings per share (EPS), and price earnings ratio utilizing ratio analysis methodologies. This study aims to analyze the influencing elements that impact the upward or downward trending movement of stock prices.

According to the research, market price is significantly impacted by EPS. However, the dividend per share has no effect on market pricing, and it is advised to collaborate with other businesses to assess the system and identify any unresolved aspects by utilizing alternative validating methodologies.

Sharif, Purohit, and Pillai (2015) identifined the primary factors influencing Bahrain's financial market's share values. The study used the POLS, FE, and RE regression models to investigate a panel data set of 41 companies listed between 2006 and 2010 on the Bahrain Stock Exchange. The primary goal of the study was to determine how the market price of shares related to other variables. In order to determine their influence on the market price of shares in the relevant market, the study examined eight firm-specific variables: return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, and debt to assets, all of which were controlled by firm size. The variables return on equity, book value per share, dividend yield, price earnings, and business size are found to be major predictors of share prices in the Bahraini market, according to the findings. According to this study, investors can make decisions about their investments and be guaranteed reasonable returns by taking into account factors that significantly affect share market price. According to this study, investors who take into account factors that significantly affect share market price can make investment decisions with fair returns guaranteed.

Almumani (2014) determined the quantitative determinants influencing share prices for the listed banks on the Amman Stock Exchange between 2005 and 2011 with the using a linear multiple regression model. The MPS of the listed banks in Jordan has a strong positive correlation with EPS. Furthermore, BVPS and MPS, the banks' respective relationships, are highly crucial. Regression analysis also reveals an additional empirical finding that the P/E ratio and MPS are positively correlated. The actual findings of the regression analysis suggest that there is an inverse association between SIZE and MPS. Not to mention, other variable DPS seldom affects MPS. Iyappan and Ganesamoorthy (2017) looked at the factors that influence share price changes using data from past research. Thirty articles from a variety of journals,

periodicals, and newspapers were evaluated for the study. The study looked at several important factors that affect share prices, including book value per share, dividend yield, price earnings ratio, and earnings per share.

Malhotra & Tandon (2013) identified the variables that affect stock prices within the framework of the 100 companies listed on the National Stock Exchange (NSE). For the years 2007–2012, a sample of 95 businesses was chosen, and a linear regression model was applied. The results demonstrated that book value, earnings per share, and price-earnings ratio all had a large positive correlation with the firm's stock price, despite the fact that dividend yield had a substantial adverse association with the market price of the company's stock.

Sharma (2011) examined the association between equity share prices and explanatory variables from 1993–1994 to 2008–2009, including book value per share, dividend per share, earning per share, price–earnings ratio, dividend yield, dividend payout, and size in terms of sales. The data were analyzed using a variety of statistical techniques, including regression analysis and correlation. The findings showed that the market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that earnings per share and dividend per share were the two factors that most strongly influenced market price. For these reasons, the study's findings support a liberal dividend policy and advise businesses to pay dividends on a regular basis.

Modiglani and Miller (1961) studied the dividend discount model, researchers examined dividend policy, growth, and share value and concluded that neither the firm's share price nor the wealth of its owners were impacted by the dividend payout ratio, or dividend policy; their fundamental claim was that the value of the company was established by making the best possible investments. The discrepancy between earnings and investments was known as the net payout, or residual. Given that the net payout consists of both dividends and share repurchases, a company can modify its dividend policy to any amount by altering the number of shares outstanding. From the standpoint of investors, the dividend policy was meaningless because any desired payment stream could be achieved by making the right 14 stock purchases and sales.

According to Modigliani and Miller, a company's dividend policy and best investment choices have little bearing on the wealth of its owners. It was maintained that the earning potential of the company's assets or its investment strategy determines the firm's worth and that the distribution of earnings between dividends and retained earnings is irrelevant. The study, however, was predicated on the following assumptions: perfect capital markets with rational investors; instantaneous transaction costs; infinitely divisible securities; no investors with sufficient size to influence market prices; no flotation costs on firm-issued securities; and a fixed investment policy that the firm is not subject to change.

Table 1

Summary of Review

S.N.	Authors	Methodology	Major Findings
1	Maskey (2023)	Multiple regression model	According to the study, the price-earnings ratio, age of the firm, dividend yield, earning per share, and price-earnings ratio are the primary determinants affecting share price. According to the report, dividends have a big role in Nepalese investors' decision to make an investment. It was also shown that the dividend policies of the firms had a big impact on Nepali investors' decisions.
2	Donkor, (2023)	Vector error correction model as the statistical technique to determine the short and long run effects	The research concluded that there are short- and long-term effects between the independent and dependent variables. It also suggested that policymakers concentrate their efforts on developing and putting into action the required policies to raise stock prices.
3	Sharma (2022)	Correlation and Regression Analysis	The findings showed that the market price of a share is significantly influenced by earnings per share,

			dividends per share, and book value per share. Additionally, the study's findings showed that the two biggest factors influencing market price were earnings per share and dividend per share.
4	Almaaiteh and Alsaraireh (2019)	Data Processing and Random Effect Regression Model	The study's empirical findings show a strong and positive correlation between market price of shares, EPS, DPS, BVPS, and P/E ratio. According to the regression analysis, the two factors that had the biggest effects on the market price per share for commercial banks were profits per share and the rate of return on equity.
5	Thapa (2019)	Correlation Analysis	According to the work's conclusions, share price is significantly positively correlated with earnings per share, dividends per share, efficient rules and regulations, market whims and rumors, company profiles, and luck of the draw. In contrast, interest rates and the price to earnings ratio significantly negatively correlated with share price.
6	Dangaura (2018)	Regression and Correlation Analysis	The findings of the empirical analysis indicate that the variables DPS and B/M ratio significantly influence the share prices of all the banks that are taken into consideration, whereas the GDP, interest rate, and PE ratio have both an insignificant inverse and positive relationship with the banks' share prices.

7	Dhakal (2018)	Correlation and Regression Analysis	The study conducted over five years utilizing secondary data analysis showed that there is a substantial positive correlation between share price and book value per share, earnings per share, and dividend per share. Government instability, the NRB's policies, SEBON performance, and political pressures are examples of environmental factors, as well as the banks' paid-up capital, book value, dividend payment, price-earnings ratio, and profits per share. The primary determinants influencing the share price of NEPSE, as reported by the survey respondents, are earnings, book value, and dividend payment, paid up capital, price - earnings ratio, and political stability.
8	Ghimire and Mishra (2018)	Simple and Multiple Regression Analysis	The study's findings show that the two factors that significantly influence stock price and have a direct impact on it are price earnings ratio and market to book value. Similarly, book value and dividends per share have a major positive impact on stock price, whereas earnings per share has little to no impact.
9	Sharma (2011)	Correlation and Regression Analysis	The findings showed that the market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that the two biggest factors influencing market price were earnings per share and dividend per share.

10	Malhotra and Tandon (2013)	Correlation and Linear Regression Model	The findings showed that while dividend yield has a substantial inverse relationship with the market price of the firm's stock, book value, earnings per share, and price-earnings ratio had a large positive link with the firm's stock price.
11	Ali and Waheed (2017)	Fixed Effect Regression Model	The research examined the significant influence of all independent variables on the volatility of share prices. While there is a strongly positive correlation between share price and leverage and earnings volatility, there is a significantly negative correlation between share price and dividend yield and payout, firm size, and growth.
12	Aveh and Awunyo-Vitor (2017)	Panel Regression Analysis	The empirical results showed that market capitalization, ROE, EPS, and BMVS had a positive and substantial association with one another, indicating that these factors are important factors that influence the market price of shares on the Ghana Stock Exchange. The market price of shares and dividend yield were found to be significantly inversely correlated, indicating that dividend decisions may not have a major impact on market price.
13	Ayer (2017)	Correlation and Regression Analysis	The study found a positive correlation between MPS and EPS, BPS, and DPS, which are the main factors influencing the stock price. Other factors that affect the movement of stock prices in Nepalese commercial banks include the political climate, the annual general

			meeting, the assets structure, the taxation policy, and the capital structure of the company.
14	Velankar, Chandani, and Ahuj (2017)	Stationarity test, Regression Model and ARCH LM Test	At the end of the study, the hypothesis that EPS and DPS have a considerable impact on the stock price of particular public sector banks in India was tested.
15	Pradhan and Dahal (2016)	Correlation Analysis and Regression Analysis	The study makes the assumption that a number of macroeconomic and bank-specific factors affect MPS. The market price per share is mostly determined by factors that have relatively little influence, such as book value per share, earnings per share, and price earnings ratio.
16	Poudel (2016)	Regression Analysis	According to the study's findings, when book value per share, earnings, and dividends rise, so does the market price per share and vice versa.
17	Geetha and Swaaminathan (2015)	Ratio Analysis Techniques	The study made an effort to examine the determining factors that impact an upward or downward trend in stock price movement. According to the research, market price is significantly impacted by EPS. However, there is no discernible impact of the dividend per share on the market price, either good or negative.
18	Sharif, Purohit, and Pillai (2015)	POLS,FE and RE Regression Model	According to the findings, there are several important factors that influence share prices in the Bahraini market, including return on equity, book value per share, dividend yield, price earnings, and company size.

19	Almumani (2014)	Linear Multiple Regression Model	According to the analysis, there is a noteworthy positive correlation between the MPS and EPS of Jordan's listed banks. Additionally, there is a strong correlation between banks' MPS and BVPS. According to the empirical results of the regression study, MPS and P/E ratio are positively correlated, but MPS is not significantly impacted by DPS.
20	Bhattarai (2014)	Regression Model	According to this study, the price-earnings ratio and earnings per share have a substantial positive correlation with share price, however the dividend yield has a large negative correlation with bank share prices.

2.1.5 Review of National Studies

There are few research examining the relationship between stock price and fundamental characteristics, and the Nepalese capital market is still in its early stages of development. This is an overview of research from Nepalese viewpoints:

Kattel and Pradhan (2023) examined the impact of firm-specific factors on Nepalese insurance companies' stock prices. The 140 secondary data observations that were gathered from 20 insurance companies between the study years of 2014–15 and 2020–21 form the basis of the analysis. The annual reports of a few Nepalese insurance companies, NEPSE reports, and Rastriya Beema Samiti annual reports provided the information. Using regression models, it is anticipated that the significance and effect of firm-specific determinants on the stock price of insurance companies in Nepal would be examined. The analysis discovered a favorable correlation between earnings per share and stock return as well as market price per shareIt implies that rising market share prices and stock returns are caused by greater earnings per share. The study also showed that the price-earnings ratio has a beneficial effect on market price

per share. It illustrates how a higher market share price might follow from a higher price-to-earnings ratio.

Maskey (2023) analyzed elements influencing the market share values of life insurance companies registered on the Nepal Stock Exchange (NEPSE). The study used panel data for all life insurance businesses listed on the Nepal Stock Exchange between 2012/13 and 2017/18 as a sample. Data were assessed using descriptive and inferential statistics based on the results of the multiple regression model employed in this study, and regression coefficients were then utilized to test the hypothesis. Per the study, the price-earnings ratio, age of the company, dividend yield, profits per share, and dividends per share are the main determinants of share price. Dividends have a big influence on investments made by Nepalese investors, according to the study. Furthermore, it was shown that investors in Nepal are heavily influenced by the dividend policies of the corporations. The analysis also shows that market price per share is positively impacted by a company's size. It implies that as a company's size expanded so will the market price per share. Return on equity also has a favorable effect on market price per share and stock return. This claim is true for increasing return on equity, market price per share, and stock return.

Kathayat (2023) analyzed the variables influencing Nepalese non-life insurance businesses' stock price fluctuation. The study's objective was to look into and assess the variables influencing the stock values of five non-life insurance businesses. The experiment's effectiveness and instructional value were enhanced by the researcher's use of financial strategies. Data for this study was submitted by five insurance companies over a ten-year period, from 2014–15 to 2020–21. Research using both casual and descriptive comparisons was done in order to achieve the study's objectives. By using regression analysis and correlation between secondary data, the researcher was able to ascertain the relationship between the quantitative components DPS, EPS, PE, and BVPS and MPS and assess the significance of this association at the 95% level of significance. The analysis of secondary data showed that the MPS linkages between the five sampled insurance companies and DPS, EPS, PE, and BVPS did not function consistently. The findings showed that, at the 5% level of significance, the correlation coefficients between the MPS and the independent

variables (DPS, EPS, PE, and BVPS) are significantly positive. Consequently, the market price is influenced by each of these factors (DPS, EPS, PE, and BVPS). It implies that MPS is positively impacted by EPS, DPS, and P/E. It makes sense for a share's market price to increase in tandem with rising earnings, dividends, and PE. The three main factors (impacting factors) that determine MPS are EPS, PE, and DPS. interest rates and dividends have a big impact on the stock market.

Joshi (2022) examined the relationship between dividends and stock price in Nepal and found that payouts had a greater impact than retained earnings. The study examined the consequences, particularly for the banking and non-banking industries, and examined whether or not it made sense in Nepal's context. It was determined whether dividends had an impact on stock prices with the use of secondary data. Four variables served as the explanatory factors in the multivariate linear regression analysis: the terms lagged price earnings ratio, lagged market price per share, lagged dividend per share, and retained earnings per share are all used. The analysis used the current market stock price as the dependent variable. Retained earnings are not as significant in the Nepali context as dividends, according to the report. Both the banking and non-banking sectors' market stock values were significantly impacted by dividends..

Adhikari (2021), examine variables influencing Nepalese life insurance firms' share prices. The data came from the annual reports of a few chosen life insurance companies. Several regression and correlation models were computed to ascertain the effect of firm-specific factors on the share price of Nepalese life insurance companies. The primary factors influencing stock price in the context of life insurance companies in Nepal are company-specific variables like earnings per share, divided per share, price earnings ratio, dividend payout ratio, and dividend yield ratio, according to an analysis of data from four insurance companies listed on NEPSE for the years 2012–2013 to 2018–2019. The relationships between MPS and EPS (0.654), DPS (0.538), DPR (0.225), PER (0.486), and DYR (0.256) are all deemed to be somewhat favorable. The market price per share exhibits a positive correlation with various dividend parameters, including earnings per share, dividend per share, price earnings ratio, dividend yield ratio, and dividend payout ratio. Based on multiple regression

analysis, the R-square value is 0.498, indicating that 49.8% of the variation in the market price per share of insurance companies in Nepal can be attributed to the independent variables. The remaining 51.2%, however, remains unexplained by this study. A self-administrative questionnaire has been distributed to investors in an attempt to gauge their degree of awareness regarding the impact of dividends on share price. The positive response from the responder suggests that investors are aware of the factors influencing share market price.

Deshar (2021) examined the elements that affect Nepalese life insurance companies' stock market price from 2014/15 to 2018/19. Based on data from five life insurance companies whose stocks are quoted on the Nepal Stock Exchange, it is a five-year pooled cross-sectional analysis. It was discovered that while DY has a negative relationship with stock price, P/E ratio, ROE, and BVPS had positive relationships using descriptive statistics, regression analysis, and correlation.

Acharya (2020) conducted a study on the behavior of joint venture commercial banks' stock prices in Nepal. The primary objective of the study was to evaluate the sample banks' market positions in terms of price per share, earnings per share, dividend yield, payout ratio, and market price. A judgmental selection approach was used to choose five commercial banks as the study's sample, and secondary data were employed. The results of the analysis showed a statistically significant positive correlation between earnings per share and the dependent variable, market price per share. The dividend yield is statistically significant despite having a negative association with market share price; this is because its significance value is less than 0.000>0.05. Although there is a positive correlation between the market price per share and the dividend payout ratio, the significance level is less than 0.05, therefore the link is not statistically significant. Although there is a positive correlation between the market price per share and the dividend payout ratio, the significance level is less than 0.05, therefore the link is not statistically significant. This variable has a statistically significant positive correlation with market price per share because its p value is less than 0.05. Given that the p value for this variable is less than 0.05, price earnings ratio has a positive correlation with market price per share and is statistically significant.

Thapa (2019) examined the factors that influence Nepalese stock prices for commercial banks listed on the Nepal Stock Exchange Ltd. between 2008 and 2018 AD. Analyzing the information obtained from the financial statements and surveys of the pertinent businesses involved using a simple linear regression model. Findings from the study showed that, although interest rates and the price to earnings ratio showed a significant inverse relationship with share price, other factors that significantly positively correlated with share price included earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles, and success depends on luck. In addition, the availability of liquidity and the application of technical and fundamental analysis boost the Nepalese stock market's performance.

Pradhan and Dahal (2016) examined the connection between MPS in Nepal's banking industry and macroeconomic and bank-specific variables. The study's foundation was a pooled cross-sectional analysis employing regression and correlation analysis of secondary data from 14 commercial banks for the years 2002–2003. The market price per share is mostly determined by factors other than earnings per share, price earnings ratio, and book value per share. In the setting of an imperfect stock market like Nepal, the research study proposes that a rational investor should take into account signaling and asymmetric information, as well as dividend per share, business size, and money supply, before making an investment decision.

Poudel (2016) explored the factors influencing NEPSE stock price, paying particular attention to private commercial banks. The study's foundation was secondary data from eight commercial banks collected between 2011 and 2015. Various statistical and financial instruments are employed to assess the influence of distinct study variables, including DPS, BVPS, and EPS. These elements have a favorable impact on the MPS. The market price per share should theoretically rise in tandem with growth in earnings, dividends, and book value per share. However, this theory does not appear to be entirely accurate in the instance of NEPSE. indicating that the share price is influenced by a number of other things as well.

Dangaura (2018) analyzed the share price drivers for the listed banks in NEPSE from 2013 to 2018, focusing on both quantitative and qualitative elements. Regression and correlation analysis were used to determine these factors. The variables GDP, interest rate, and P/E ratio had an insignificant positive correlation and an inverse relationship with the share prices of the banks, while the variables DPS and B/M ratio were significant drivers of share prices for all the banks under consideration, according to the results of the empirical investigation. As a result, the study demonstrated that researching financial aspects is advantageous for investors in the Nepalese economy because these elements have a high explanatory power and may be used to predict stock prices accurately in the future. As a result, before making an investment, investors were advised to consider the company's accounting factors. Furthermore, finding the variables influencing share prices was a topic of great interest, particularly for the banking industry. Because commercial bank shares are traded more often on the market than other shares in the Nepalese context, they present investment opportunities to Nepalese investors.

Ghimire and Mishra (2018) analyzed the relationship between market to book value, book value, dividend per share, earnings per share, price-earnings ratio, and book value for the years 2012–2017. This study used descriptive statistics, simple and multiple regression analysis, and a sample size of 11 financial and nonfinancial enterprises in Nepal to evaluate the factors influencing the stock price. The findings showed that the market to book value and price earnings ratio variables were the important factors influencing the stock price directly. Similar to earnings per share, dividends per share and book value have a minimal impact on stock price, but they have a significant positive influence.

Ayer (2017) examined the changes in commercial bank stock prices during the fiscal years 2006–07 and 2015–16 using secondary data from ten commercial banks. Multiple regression analysis was used to assess the results. Variables like market price per share, dividend per share, book value per share, and earnings per share were employed as independent and dependent variables in the study. The study discovered that the MPS of the majority of banks had a substantial correlation with other

individual financial indicators such as DPS, BPS, and EPS, indicating that each of these measures had a significant impact on share price both separately and collectively. The study came to the conclusion that EPS, BPS, and DPS have a positive association with MPS and are the main factors influencing the stock price. The report recommends taking into account the capital structure of the organization, taxation policy, annual general meetings, assets structure, and political climate while making investment decisions.

Shrestha and Subedi (2015) found a positive correlation between changes in stock prices and money supply increase and inflation. According to the report, the macroeconomic developments, particularly in the money sector, have not had much of an impact on the Nepalese stock market. Comparably, in the share market, which was mostly controlled by financial entities, an asset price bubble might be set off by a loose monetary policy. The primary conclusions of the research indicated that the share market has been positively impacted by the NRB's policy on loans secured by shares. The outcome also showed that investor speculation, news, and rumors have an impact on the share market. As a result, in order to reduce gossip and rumors in the market, authorities should improve communication and transparency in this market by making information about listed companies easily accessible.

Bhattarai (2014) examined the factors that affected the share prices of commercial banks that were listed between 2006 and 2014 on the Nepal Stock Exchange Limited. Regression analysis was performed on the data that came from the sampled banks' annual reports. The findings showed that while dividend yield shown a substantial adverse relationship with share price, earning per share and price-earnings ratios had a significant positive link with share price. The study's key finding was that the price-earnings ratio, dividend yield, and earnings per share were the key factors that affected share price. Investors and fund managers were advised to keep an eye out for these important factors when projecting stock price and estimating stock returns.

Baniya (2008) analyzed the effects of GDP, interest rate, and inflation rate on the NEPSE Index, as well as the trajectory and behavior of commercial banks' stock prices. FY 2001/02 to FY 2005/06 was the study's covered years. To examine the

impact of macroeconomic variables on the NEPSE, regression analysis was employed in the study. By using a volatility test and graphical analysis, it was shown that the sample commercial banks' stock price behavior was not uniform; some displayed a moderate trend, while others showed fluctuations. According to the run test results, the market overreacted to the information that was accessible since the market prices of the chosen commercial banks were not random. A larger yearly NEPSE index did not appear to have a positive link with GDP, as seen by the lack of a meaningful relationship between GDP and NEPSE. Likewise, there was insufficient proof to establish that the NEPSE Index may have been impacted by the shift in the market interest rate on deposit. There was no discernible relationship between the NEPSE index and the rate of inflation, as evidenced by the trajectory of the two measures not supporting one another. Ultimately, the research found that NEPSE should take important factors into account and was not affected by macroeconomic factors.

2.3 Research Gap

The literature review reveals that while numerous studies have been carried out in India and other countries on various aspects of market price per share and its determinants, there is a lack of research specifically examining the factors that influence share price in the insurance sector of Nepal. As a result, the current study empirically investigates the factors influencing the movement of share prices in insurance businesses in Nepal. This research has taken different five internal factors responsible for share price movement such as dividend payout ratio, dividend yield ratio, earning per share, Price earning ratio and size all together to determine the impact on MPS which previous research has not included.

Numerous studies on the fluctuations in share prices in the banking industry have been conducted, but there is a dearth of research in the insurance business. This study aims to bridge this gap in the literature. The research strategy employed in this study is distinct from other studies as it combines a descriptive and causal comparative approach.

Nepal Life insurance Co. Limited (NELIC), Life insurance Co. Nepal (LIC), Surya Life insurance Co. Limited (SLIC), Nepal insurance Co. Limited (NICL), Prabhu insurance Co. Limited (PICL), and Shikhar insurance Co. Limited (SICL) are the distinct sample utilized in this study as compared to existing research.

CHAPTER III

RESEARCH METHODOLOGY

This chapter is to provide an explanation of the research techniques employed to achieve the study's stated goals. Thus, information on study design, data sources, questionnaires, data collection techniques, demographic and sampling, instruments, instrument administration, and data analysis plans are included in this chapter.

3.1 Research Design

A research design is a comprehensive strategy that outlines the techniques and protocols for gathering and evaluating the required data. Research design is the conceptual structure within which research is conducted. It constitutes the blue print for the collection, measurement and qualities of data. Research design is also known as plan, structure and strategy of investigation conceived. This study is based on descriptive and causal comparative research design and has been quantitative of the research. The information was gathered in order to investigate the relationship between MPS and other financial variables, such as DPR, DY, EPS, P/R ratio, Size, and others, that affect how listed insurance firms' stock prices fluctuate on the NEPSE.

3.2 Population and Sample

The term "population" or "universe" describes the whole set of individuals, occasions, or subjects that the researcher wants to look at. A sample is a subset of the population that is representative and has every attribute found in the population.

There are various sectors in the stock market such as financial institutions, insurance companies, manufacturing and processing, trading, hydropower and others. But in this study, 21 insurance companies listed in NEPSE (2023) are taken as population. Out of total 21 life insurance companies 6 insurance companies taken as sample to represent the performance of the capital market. Among them three are life and three are non-life insurance companies. The samples have been selected has been taken by using simple random sampling techniques. Thus, it is based on the convenience sampling.

3.3 Source of data

For the effective and efficient findings, secondary data has been collected as source of data. Secondary data have been collected from the annual report of NEPSE, annual report of listed insurance along with these sources; some sources is also be the year-ended equity share data sheet showing MPS, DPR, DY, EPS, P/R ratio and Size, Balance Sheet etc. information relevant to study available in various web-sites, previous thesis and studies and relevant books, journals, magazines, reports, bulletins, etc.

3.4 Data collection procedure

This study is based on secondary data. This analysis is based on the objective of the study and has been done using statistical package for social sciences (SPSS) on collected data to draw meaningful interpretation and conclusion. The data have been collected from the above mentioned resources and analyzed by using statistical tools.

3.5 Tools of data Analysis

Data analysis is based on the objective of the study and have been done using statistical package for social sciences (SPSS) on collected data to draw meaningful interpretation and conclusion. The data have been collected from the above mentioned resources and analyzed by using statistical tools.

a) Statistical Tools

A logical analysis of the data is aided by statistical tools that measure the data and provide the conclusion in numerical form. The study has made use of the following statistical instruments.

Average/ Mean

By adding up each observation's number and dividing the result by the total number of observations, the average is determined. Actually, it is a value that is used to symbolize the whole group of which it is a part and is representative of every value in the group.

$$\text{Mean} = \frac{\sum X}{n}$$

Where,

X = Number in X-series

n = Number of Observations in a sample

Standard Deviation

An additional metric for assessing investment risk is the standard deviation (σ). These measurements of dispersion are absolute. The stock's level of risk will decrease as the standard deviation decreases. Put another way, a small standard deviation indicates both high levels of observational uniformity and series homogeneity, and vice versa. The following formula may be used to get the standard deviation:

$$\sigma = \sqrt{\frac{\sum (X - \overline{X})^2}{n}}$$

Where,

σ = Standard Deviation

X = Number in X-series

X = Mean

n = Number of Observations in a sample

Coefficient of Variation

The other practical risk indicator is the coefficient variation, or CV. Risk per unit of return is calculated by dividing the standard deviation by the expected return. When there are differences in the projected returns between two options, it offers a more

relevant foundation for comparison. If investors think that as risk increases, so too should the rate of return, then the coefficient of variation offers a rapid summary of the relative trade-off between expected return and risk.

$$CV = \frac{\sigma}{\overline{X}}$$

Where,

CV = Coefficient of Variation

X = Mean

σ = Standard Deviation

Correlation Coefficient

A definition of correlation is the strength of the linear link that exists between two or more variables. When one variable changes along with another, two variables are said to be correlated. Positive relationships are defined as existing when there is an average rise or decrease in the value of one variable that is linked to an increase or decrease in the value of another variable. If there is a negative correlation between an increase or decrease in one variable and the value of another, the connection will be negative. However, the correlation coefficient consistently stays between +1 and -1. Karl Pearson determined that the basic correlation coefficient, say, between two variables, X and Y, is equal to:

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

Where,

r : Correlation between X and Y

n : Number of observations in series X and Y

∑X : Sum of observations in series X

∑Y : Sum of observations in series Y

∑X2 : Sum of square observations in series X

∑Y2 : Sum of squared observations in series Y

∑XY : Sum of product of observations in series X and Y

Regression Analysis

The basic linear regression analysis makes sense to be expanded upon by multiple regression analysis. The unknown values of a dependent variable are estimated using two or more independent variables as opposed to a single independent variable. That said, the analysis's basic idea doesn't alter. According to its definition, multiple regression is a statistical technique that uses the values of two or more independent variables that are known to estimate (or forecast) the most likely value of the dependent variable. The multiple regression equation that follows is examined.

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

Where,

Y = MPS (dependent variable)

X1 = DPR

X2 = DY

X3 = EPS

X4 = P/E ratio

X5 = firm size

α = Constant

β1, β2… β5 = Regression coefficients of Factor 1 to Factor 5 respectively

ei = Error term

3.6. Research framework and definition of variables

The theoretical framework for this research, which illustrates the many variables influencing the movement of market price per share, is presented in the following figure. In this paradigm, the market price per share is the dependent variable, while the business size, dividend payout ratio, dividend yield ratio, earning per share, and price earnings ratio are the independent variables that contribute. The factor diagram that directs our study topics is shown in the image below.

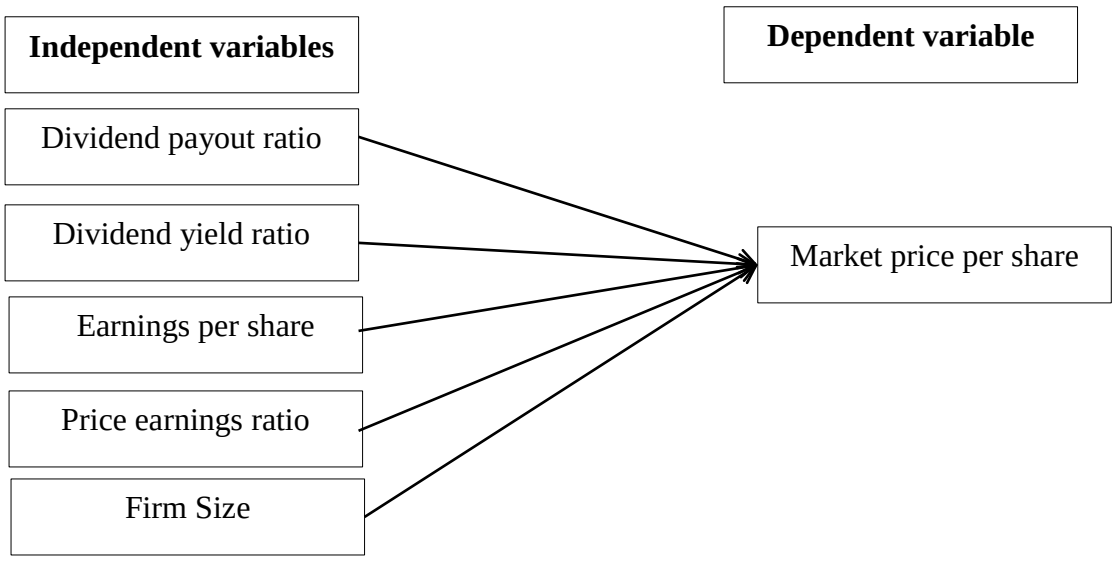

Figure 1 Theoretical framework

*(Source**:** Sharma, 2022).*

Definition of variables

Variable definitions for this study are as follows.

Market price per share (MPS)

Stock prices can change minute by minute due to changes in the buying and selling pressure. Choosing which market price to regress as a measure of independent variables becomes challenging as a result of these developments. The market price in

the current study is represented by the closing price of the bank's stock at the conclusion of its fiscal year. In this study, the market price is the dependent variable.

Dividend payout ratio (DPR)

A company's dividend payout ratio is the percentage of that company's earnings that it pays out to its investors as dividend income.

Dividend yield ratio (DY)

The dividend yield ratio is the ratio between the current dividend of the company and the company's current share price – this represents the risk inherently involved in investing in the company.

Earnings per share (EPS)

Earnings per share is a measure of a company's profitability. Earnings per share, or net income per share as it is commonly called, is a market prospect ratio that indicates how much net income was made per outstanding share of stock. The results of the study, according to Sharma (2011), show that market price of a share is highly influenced by profits per share. Bhatt and JK (2012) found a positive association between equity share price (EPS) and market value in the Indian environment.

Price earnings ratio (P/E ratio)

P/E ratio is a widely used metric to show how the market evaluates a company's share value assessment, according to Constand, Freitas, and Sullivan (1991). It calculates how much each rupee of revenue generated by the company is worth to investors. Investor confidence increases with a higher P/E ratio.

Size of the company

Size is a crucial financial tool that is used to illustrate the bank's volume in a variety of ways. There are various ways to gauge a company's size, including turnover, paid-up capital, capital employed, total assets, net sales, market capitalization, and so on. The current study uses the natural logarithm of total assets to calculate the size of the bank. Ramzan (2011) found that there is a considerable positive correlation between the market price of shares and the size of the firm.

CHAPTER IV

RESULTS AND DISCUSSION

This is an analytical chapter, where an attempt has been made to analyze and evaluate the data collected. To analyze the data collected various presentation and interpretation is done in order to fulfill the objective of this study.

This chapter presents and compares the pertinent facts and information regarding the share price changes of the chosen companies while keeping the study's goal in mind. First, a review of the insurance businesses' basic principles and their current state is conducted. Using the statistical methods discussed in the chapter, the impact of fundamental metrics such as DPR, Size, DY, and EPS, among others, on market price of share and their relationship to other important variables are analyzed in the second half of the chapter. This is the main nerve system, which contributes to the study's conclusion with important discoveries, crucial problems, and suggestions. This chapter makes the proper linkage with other chapter.

4.1 Descriptive analysis of current condition of fundamental values

The market price per share, dividend payout ratio, dividend yield ratio, earning per share, price-earning ratio, and size of each sample insurance company for the years 2013–14 to 2022–23 are all included in the descriptive statistics used in this study and are displayed in a table. The sector-based comparison of insurance businesses and the classification of sample insurance companies are presented with the use of descriptive analysis. To compare sectors, the average value of a sample of insurance companies is calculated for each sector. The average of each sector is indicated by the mean value.

4.1.2 Analysis of mean and standard deviation of NELIC

The following lists the descriptive analysis of each variable for Nepal Life insurance company Ltd. from fiscal year 2013/14 to 2022/23: MPS, DPR, DY, EPS, P/E ratio, and Size;

Table 2

Mean and standard deviation of NELIC

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	770.00	0.00	0.00	2.00	458.00	8,926,338,052
2014/15	566.00	0.00	0.00	0.00	0.00	9,986,838,531
2015/16	785.00	0.75	0.16	167.00	13.00	13,495,589,680
2016/17	1425.00	0.81	0.07	122.00	12.00	18,905,089,640
2017/18	4351.00	1.19	0.02	57.00	77.00	25,650,026,722
2018/19	2886.00	0.87	0.01	30.00	95.00	34,638,264,105
2019/20	4006.00	0.71	0.01	42.00	96.00	47,308,314,682
2020/21	2148.00	2.22	0.03	32.00	66.00	5,430,851,282
2021/22	901.00	1.96	0.05	25.00	42.00	62,880,324,200
2022/23	1050.00	1.96	0.05	26.00	42.00	77,819,058,027
Mean	1888.80	1.16	0.04	50.30	90.10	30,504,069,492
SD	1403.21	0.74	0.05	53.45	133.73	24,830,564,080

Source: Annual Reports of NELIC from 2013/14 to 2022/23

Table 2 shows that the descriptive data of Nepal Life Insurance Company Ltd. The minimum MPS is 566 and the maximum market price per share (MPS) of NELIC is 4351. In 2016–17, the maximum EPS is 167. In 2020–2021, the dividend payout ratio is expected to be high. The average size is Rs. 30,504,069,492, MPS is 1888.80, EPS is 50.30, DPR is 1.16, PER is 90.10, and DYR is 0.04, in that order.

4.1.2 Analysis of mean and standard deviation of LIC

The descriptive analysis of Life Insurance Corporation Ltd's variables MPS, DPR, DY, EPS, P/E ratio, and Size from fiscal years 2013/14 to 2022/23;

Table 3

Mean and standard deviation of LIC

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	580.00	-0.02	0.01	-3.00	-231.00	5,089,423,166
2014/15	415.00	0.00	0.00	-10.00	-41.00	6,900,714,823
2015/16	870.00	5.00	0.07	69.00	13.00	9,314,919,122
2016/17	1320.00	3.47	0.05	68.00	19.00	12,453,124,362
2017/18	4095.00	0.23	0.01	30.00	138.00	16,526,611,101
2018/19	2799.00	0.27	0.01	29.00	96.00	21,507,537,088
2019/20	3580.00	0.22	0.01	30.00	119.00	28,051,066,106
2020/21	2151.00	0.06	0.01	10.00	213.00	35,252,815,528
2021/22	1622.00	4.88	0.05	101.00	16.00	38,182,160,377
2022/23	1600.00	0.18	0.01	21.00	77.00	47,092,370,436
mean	1903.20	1.43	0.22	34.50	41.90	22,037,074,221
SD	1248.28	2.13	0.26	34.92	129.10	14,529,429,074

Source: Annual Reports of LIC from 2013/14 to 2022/23

Table 3 according to the descriptive data of life insurance company limited, the minimum and maximum market prices per share of LIC are Rs. 415 and Rs. 4095, respectively. The highest EPS year is 2021–2022, while the lowest EPS year is 2013–2014. The greatest dividend payout ratio is recorded in 2020–2021; the lowest is recorded in 201/011. The price-earning ratio is low in 2013–14 and high in 2020–21. The average size is Rs. 22,037,074,221, MPS is 1903.20, EPS is 34.50, DPR is 1.43, PER is 41.90, and DYR is 0.26.

4.1.3 Analysis of mean and standard deviation of SLIC

The descriptive analysis of Surya Life insurance company Ltd.'s variables MPS, DPR, DY, EPS, P/E ratio, and Size from fiscal years 2013/14 to 2022/23; which are presented below:

Table 4

Mean and standard deviation of SLIC

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	0.00	0.00	0.00	3.00	0.00	854,762,155
2014/15	127.00	0.00	0.00	5.00	27.00	1,009,521,221
2015/16	144.00	0.00	0.00	8.00	18.00	1,112,856,645
2016/17	166.00	0.00	0.00	10.00	17.00	1,412,256,645
2017/18	750.00	0.00	0.00	9.00	86.00	1,830,526,657
2018/19	709.00	1.25	0.01	4.00	162.00	2,427,286,012
2019/20	856.00	0.42	0.02	26.00	32.00	3,465,223,807
2020/21	1070.00	0.67	0.02	21.00	52.00	5,430,851,282
2021/22	600.00	0.81	0.01	16.00	36.00	5,650,196,844
2022/23	456.00	0.48	0.02	23.00	23.00	7,937,802,262
Mean	487.80	0.36	0.01	12.50	45.30	3,113,128,353
SD	364.49	0.44	0.01	8.40	47.16	2,443,696,762

Source: Annual Reports of SLIC from 2013/14 to 2022/23

Table 4 represent the descriptive data of Surya Life Insurance Company Ltd. indicate that the highest market price per share of SLIC is 1718. 2019–20 has the highest earnings per share for SLIC, while 2013–14 has the lowest earnings per share. For a number of years, including 2018–19, the maximum dividend payout ratio is zero. 2018/19 is a year with a high price-earning ratio, while 2013–14 had a zero ratio. MPS, EPS, Size, DPR, PER, and DYR are average at 487.80, 12.50, 3,113,128,353, and 0.01 correspondingly.

4.1.4 Analysis of mean and standard deviation of NLIC

The descriptive study of each variable MPS, DPR, DY, EPS, P/E ratio and Size from fiscal year 2013/14 to 2022/23 of Nepal insurance company Ltd is shown below;

Table 5

Mean and standard deviation of NLIC

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	486.00	1.91	0.04	11.00	45.00	5,313,831,563
2014/15	334.00	0.89	0.10	36.00	9.00	6,294,051,845
2015/16	529.00	1.08	0.05	24.00	22.00	7,686,335,471
2016/17	596.00	0.83	0.12	88.00	7.00	9,130,747,866
2017/18	2250.00	1.19	0.02	32.00	79.00	11,099,944,639
2018/19	1840.00	1.23	0.02	26.00	71.00	13,385,034,833
2019/20	3300.00	1.00	0.01	26.00	125.00	16,113,670,925
2020/21	2300.00	0.56	0.01	25.00	93.00	22,684,641,632
2021/22	799.00	0.93	0.03	29.00	28.00	27,418,564,483
2022/23	585.00	0.92	0.02	12.00	50.00	34,957,960,764
Mean	1301.90	1.05	0.04	30.90	52.90	15,408,478,402
SD	1035.06	0.36	0.04	21.54	38.72	9,924,930,012

Source: Annual Reports of NLIC from 2013/14 to 2022/23

Table 5 shows the minimum market price per share (MPS) is 334 and the maximum MPS is 3300 for Nepal Insurance Company Ltd., according to descriptive statistics. The NICL had its highest earnings per share in 2016–17 and lowest earnings per share in 2013–14. The years 2014–15 and 2020–21 saw the greatest and lowest dividend payout ratios, respectively. 2016–17 is a high year for the price–earnings ratio, whereas 2015–16 is a low year. For the year 2016–17, the highest dividend yield is 0.12. In terms of MPS, EPS, and company size, the average values are as follows: DYR is 0.04, PER is 52.90, DPR is 1.06, and company size is Rs. 15,408,478,402.

4.1.5 Analysis of mean and standard deviation of PICL

The descriptive study of each variable MPS, DPR, DY, EPS, P/E ratio and Size from fiscal year 2013/14 to 2022/23 of Prabhu insurance company Ltd is shown below;

Table 6

Mean and standard deviation of PICL

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	257.00	0.47	0.03	17.00	15.00	989,442,952
2014/15	173.00	0.42	0.03	12.00	14.00	1,810,317,566
2015/16	189.00	0.28	0.05	32.00	6.00	2,778,925,817
2016/17	250.00	0.40	0.04	25.00	10.00	3,877,284,713
2017/18	1250.00	0.43	0.00	14.00	87.00	5,272,762,948
2018/19	1013.00	0.00	0.00	8.00	124.00	6,741,411,983
2019/20	1710.00	0.36	0.00	14.00	116.00	8,728,718,095
2020/21	1458.00	0.33	0.00	6.00	231.00	11,032,834,477
2021/22	683.00	0.00	0.00	-2.00	278.00	14,886,446,183
2022/23	383.00	0.45	0.01	11.00	35.00	20,076,546,152
Mean	736.60	0.31	0.02	13.70	91.90	7,620,371,089
SD	579.28	0.18	0.02	9.56	97.14	6,166,504,356

Source: Annual Reports of PICL from 2013/14 to 2022/23

Table 6 present the Prabhu Insurance Company Ltd's descriptive statistics, the minimum market price per share (MPS) is 173 and the maximum MPS is 1710. The PICL's earnings per share is at its highest in 2015–16 and at its lowest, in negative, in 2021–2022. The greatest dividend payout ratio was recorded in 2013–14, while the lowest was recorded in 2019–20. The price-to-earnings ratio is zero in 2021–2022 and high in 2018–19. In 2015–16, the highest dividend yield is 0.05. The average MPS is 736.60, EPS is 13.70, DPR is 0.31, PER is 91.90, DYR is 0.02, and the company size is Rs. 7,620,381,089, correspondingly.

4.1.6 Analysis of mean and standard deviation of SICL

The descriptive study of each variable MPS, DPR, DY, EPS, P/E ratio and Size from fiscal year 2013/14 to 2022/23 of Shikhar insurance company Ltd is shown below;

Table 7

Mean and standard deviation of SICL

Year	MPS	DPR	DY	EPS	P/E Ratio	Size
2013/14	257.00	0.47	0.03	17.00	15.00	989,542,952
2014/15	163.00	0.42	0.03	12.00	14.00	1,810,317,566
2015/16	189.00	0.28	0.06	32.00	6.00	2,768,925,817
2016/17	250.00	0.40	0.04	25.00	10.00	3,897,284,713
2017/18	1250.00	0.43	0.00	14.00	87.00	5,272,62,948
2018/19	1013.00	0.00	0.00	8.00	124.00	6,740,411,983
2019/20	1720.00	0.36	0.00	14.00	116.00	8,728,98,095
2020/21	1458.00	0.33	0.00	6.00	231.00	11,032,84,477
2021/22	683.00	0.00	0.00	-2.00	278.00	14,886,416,183
2022/23	383.00	0.45	0.01	11.00	35.00	20,76,526,152
Mean	746.60	0.30	0.02	12.70	92.80	7,540,381,089
SD	579.28	0.18	0.02	9.56	97.14	6,116,524,356

Source: Annual Reports of SICL from 2013/14 to 2022/23

Table 7 shows the minimum market price per share (MPS) for Shikhar Insurance Company Ltd. is 163, and the maximum MPS is 1720, according to descriptive statistics. The highest earnings per share for the SICL is in 2015–16, and the lowest is in 2021/22, both of which are negative. The years with the greatest and lowest dividend payout ratios are 2013–14 and 2019–20, respectively. In 2018–19, the price–earnings ratio is high, while in 2020–21, it is zero. For the 2015–16 fiscal year, the highest dividend yield is 0.06. The company size is Rs. 7,520,381,089, the average MPS is 746.60, the average EPS is 12.70, the average PER is 92.80, and the average DYR is 0.02.

4.2 Inferential analysis of fundamental values and variables

This section aims to demonstrate the approach for examining the empirical data and verifying the impact or assumption made in the preceding chapter. Researchers can draw conclusions or extrapolate findings from sample data to the entire population by using techniques known as inferential statistics. It permits the inference of population

values from one or more observational samples. By drawing assumptions and generalizations from samples, it generates new knowledge. The two analysis tools in this section are as follows:

4.2.1 Correlation analysis

To ascertain the relationship between the several independent and dependent variables related to the research, correlation analysis is utilized. The linear correlation between any two variables is measured. When two variables rise in response to each other's increase, there is a positive correlation, indicating that the link is positive in direction. The opposite of the aforementioned is revealed by a negative correlation, which shows that one increases as the other falls. Six variables are studied in connection to one another using a statistical technique called correlation analysis. The association between MPS, DPR, DY, EPS, P/E ratio, and Firm size is determined via correlation analysis, which also reveals if the relationship is significant or not.

Table 8

Correlation among financial indicators of sample insurance companies

		DPR	D/Y ratio	EPS	P/E ratio	Size	MPS
DPR	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	60					
D/Y ratio	Pearson Correlation	.606**	1				
	Sig. (2-tailed)	.000					
	N	60	60				
EPS	Pearson Correlation	.590**	.284**	1			
	Sig. (2-tailed)	.000	.000				
	N	60	60	60			
P/E ratio	Pearson Correlation	.430**	.338**	.512**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	60	60	60	60		
Size	Pearson Correlation	.387**	.213**	.276**	.578**	1	
	Sig. (2-tailed)	.000	.005	.000	.000		
	N	60	60	60	60	60	
MPS	Pearson Correlation	.529**	.499**	.419**	.670**	.548**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	60	60	60	60	60	60

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

Sources: SPSS results

Table 8 shows the data reflects significant correlation with market price per share of all other dimensions like dividend payout ratio, dividend yield ratio, earning per share, Price earning ratio and size are each other. The market price per share has a positive correlation of 0.529 with the dividend payout ratio; similarly, there is a positive correlation of 0.499 between the market price per share and dividend yield ratio, 0.419 between the market price per share and earning per share, 0.670 between the market price per share and price earning ratio, and 0.548 between the market price per share and size.

The market price per share is positively correlated with earnings per share, dividend yield ratio, payout ratio, price-earnings ratio, and size, among other characteristics. This indicates that the market price per share of Nepalese insurance businesses is positively impacted by all of these independent variables.

4.2.2 Regression analysis

Finding out more about the link between a number of independent or predictor variables and a dependent or criterion variable is the main goal of multiple regression analysis. Regression analysis is a statistical method used in statistical modeling to estimate the relationships between variables. Only the presence or absence of a strong relationship between two variables may be determined by a correlation study. However, even if a correlation coefficient shows that two variables have a strong association, it is impossible to pinpoint the precise nature of that relationship.

Relative market price per share of Nepalese insurance businesses is predicted by means of multiple linear regression analysis. This is the formula for the impact of independent factors on market price per share:

$MPS = \alpha + \beta 1DPR + \beta 2DY + \beta 3EPS + \beta 4PER + \beta 5SIZE + ei.$

Where,

EP	=	Market price per share (dependent variable)
DPR	=	Dividend payout ratio
DY	=	Dividend yield ratio

EPS	=	Earning per share
PER	=	Price earning ratio
SIZE	=	Size
α	=	Constant
β1, β2… β5	=	Regression coefficients of Factor 1 to Factor 5 respectively
ei	=	Error term

The results of model summary and beta coefficients of impact of independent variables on market price per share (MPS) are presented in the following tables respectively:

Table 9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760[a]	.577	.565	.25762

a. Predictors: (Constant), Size, Price earning ratio, dividend yield ratio, Price earning ratio, earning per share, dividend payout ratio.

Sources: *SPSS result*

Model summary indicates the R- square also known as coefficient of determination which can help in explaining variance. The value of R-square value as evident from Table no. 8 is 0.577 which means 57.5 % variation in market price per share (MPS) is explained by the independent variables. However, the remaining 42.3 % is still unexplained in this research.

ANOVA of impact of independent variables on market price per share (MPS)

Table 10

Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.658	5	2.532	44.829	.000b
	Residual	9.262	54	.056		
	Total	21.920	60			

a. Dependent Variable: Market price per share

b. Predictors: (Constant), Size, Price earning ratio, dividend yield ratio, Price earning ratio, earning per share, dividend payout ratio

Sources: *SPSS result*

ANOVA indicates that the p-value is 0.000, which is smaller than the alpha value of 0.01. As a result, the model accurately forecasts the correlation between the independent and dependent variables. Because of this, the market price per share can be explained by the independent variables (size, price earning ratio, dividend yield ratio, earning per share, dividend payout ratio). Stated differently, the market price per share is significantly influenced by at least one of the five independent factors.

Beta coefficients of impact of independent variables on Market price per share.

Table 11

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.458	.233		6.254	.000
	Dividend payout ratio	.092	.061	.119	1.500	.005
	Dividend yield ratio	.185	.050	.240	3.655	.000
	Earning per share	.012	.063	.013	.185	.003
	Price earning ratio	.324	.056	.410	5.766	.000
	Size	.185	.057	.210	3.261	.001

a. Dependent Variable: Market price per share

Sources: *SPSS result*

The values of the unstandardized beta coefficients (β1, β2,... β5) and the constant α, which may be used to write the estimated equation for the influence of independent factors on market price per share, are also summarized in Table 11's results. Utilizing the constant and unstandardized beta coefficient values, the estimated equation can be written as follows:

$MPS = \alpha + \beta 1DPR + \beta 2DY + \beta 3EPS + \beta 4PER + \beta 5SIZE + ei.$

$MPS = 1.458 + 0.185DYR + 0.324PER + 0.185SIZE + ei.$

The beta coefficients in the regression analysis are used to describe how much the independent variables contribute to the variance in the dependent variable, and in what proportion. The findings displayed in Table 4.10 indicate that the price-earnings ratio (β4=0.324, p=0.000) has the highest weight in relation to market price per share, with dividend yield ratio (β2=0.185, p=0.000) and size (β5=0.185, p=0.001) following closely behind. The findings demonstrated that, while holding all other factors equal, a percentage change in the price-earning ratio would result in a 0.324 percentage increase in the market price per share. Likewise, a 0.185 unit increase in market price per share would result from a level change in the dividend yield ratio factor. In conclusion; Price earning ratio, dividend yield ratio and firm size dimensions are significant. Other variables dividend payout ratio and earning per share are removed from regression model due to insignificant.

4.2 Discussion

This research demonstrated the interrelationships among fundamentals values like DPR, DY, EPS, P/R ratio and Size and market price per share insurance companies in Nepal. Because the stock market is all about dynamics, investors and fund managers have frequently faced the challenge of correctly anticipating stock prices in order to generate respectable returns. Liquidity and the potential to outpace the market and generate substantial profits are two advantages of investing in shares. However, it is not at all easy to predict share prices. It has been shown that both intrinsic and extrinsic factors can exert influence on changes in stock prices, and share prices do not move in a dependent manner. This study looks into what influences the

stock price using multiple regression analysis and descriptive statistics. The study has chosen DPR, DY, EPS, P/R ratio and Size as the major variable of stock price with the sample size of 6 insurance companies in Nepal.

The study's objective was to look into and assess the variables influencing the stock values of five non-life insurance businesses. The experiment's effectiveness and instructional value were enhanced by the researcher's use of financial strategies. By using regression analysis and correlation between secondary data, the researcher was able to ascertain the relationship between the quantitative components DPS, EPS, PE, and BVPS and MPS and assess the significance of this association at the 95% level of significance. The analysis of secondary data showed that the MPS linkages between the five sampled insurance companies and DPS, EPS, PE, and BVPS did not function consistently. The findings showed that, at the 5% level of significance, the correlation coefficients between the MPS and the independent variables (DPS, EPS, PE, and BVPS) are significantly positive (Kathayat, 2023)

A basic linear regression model was used to examine the data that was gathered from the financial statements and questionnaires of the relevant organizations. The study's conclusions demonstrated that while interest rates and the price to earnings ratio demonstrated a significant inverse association with share price, earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles, and success depends on luck had a significant positive association with share price. In addition, the availability of liquidity and the application of technical and fundamental analysis boost the Nepalese stock market's performance (Thapa, 2019).

This study used descriptive statistics, simple and multiple regression analysis, and a sample size of 11 financial and nonfinancial enterprises in Nepal to evaluate the factors influencing the stock price. The findings showed that the market to book value and price earnings ratio variables were the important factors influencing the stock price directly.

Similar to earnings per share, dividends per share and book value have a minimal impact on stock price, but they have a significant positive influence (Ghimire and Mishra, 2018).

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides an overview of the study's findings and methodology. Three parts provide a summary of the whole chapter. The study and a broad summary of the research findings are provided in the first one. The study's conclusion is derived in the second part, and some recommendations are made in the third.

5.1 Summary

This study's primary goal is to analyze how fundamentals affect Nepalese insurance firms' stock price fluctuations. As a result, six insurance firms that are currently listed on NEPSE are taken into account. Here, the market price of these banks has been thoroughly examined for comparison with other financial metrics, including company size, DPR, DY, EPS, and P/R ratios. Secondary data were obtained from various sources for analytical purposes, and the data of a sample of insurance firms was analyzed using various statistical methods. This study is fully based in secondary data and descriptive and causal comparative research design has been used.

The stock market in Nepal is still in its early stages of development. In general, the majority of citizens continue to lack knowledge about the stock market. Even though share markets are essential for raising capital for a country's economy, Nepal's share market is still stumbling in the right direction. Through the Primary and Secondary Markets, investors place their savings in the Common Stock of publicly traded corporations. The investors' general goal was to increase their return on investment. However, investors might not get the promised profits due to inadequate understanding and the Nepalese Capital Market's subpar regulatory performance. The definition of a share market and its regulatory framework are unknown to all save the most educated urbanites. Furthermore, the government has not prioritized the expansion of the capital market sufficiently.

This research has brought to light the crucial question of determining the relationship between business size, price earnings ratio, dividends per share, and earnings per

share in relation to share market price. Investigating market stock price affecting elements within the Nepali environment is the study's goal in an effort to address the aforementioned problem. LIC appears to have a strong MPS in this study, whereas SLIC has the lowest MPS among the sample insurance companies based on market pricing analysis. When looking at EPS, NELIC seems decent, and SLIC looks the least beautiful. Similarly, based on P/E ratio, it appears that PICL is the most appealing insurance firm while SLIC is the least appealing. Correlation analysis was used to examine the association between DPR, DY, EPS, P/R ratio, and Size with MPS, and regression analysis was used to predict the dependent variable. With a sample size of six insurance businesses in Nepal, the study selected DPR, DY, EPS, P/R ratio, and Size as the primary variables of stock price.

According to the result, the variables Size, P-E, and DY ratio are significant drivers of stock price that have a direct impact on it. Similarly, the stock price is significantly positively impacted by earnings per share and dividend yield.

5.2 Conclusion

Based on the study's aims and analysis, the following conclusions have been made for the fiscal years 2013–14 through 2022–23.:

The study reveal, the present state of basic values is as follows: SLIC's market price fluctuates the greatest, while LIC's fluctuates the least. While LIC has the least variable EPS, NLIC has the greatest, while other insurance companies' earnings are consistent. In a similar vein, LIC's earnings multiplier is consistent but NELIC's price-to-earnings ratio appears to be varying more. Ultimately, the analysis comes to the conclusion that during the study period of the Nepalese insurance businesses, MPS seems to move the most, while price earnings ratio swings the least.

Similarly, the results of the research period showed a significantly favorable association between the stock price of Nepalese insurance firms and earnings per share, dividend pay-out ratio, price earnings ratio, and company size. The share price of insurance businesses exhibits a large negative association with dividend per share, although earnings and book value per share show a positive relationship. Furthermore, the study demonstrates that investors in the Nepalese economy can benefit from

studying financial indicators since they have a high explanatory power and can be used to anticipate stock prices accurately in the future. It is therefore advised that before making an investment, investors consider the company's accounting factors. According to the results of the respondents' poll, the primary elements influencing the share price in NEPSE of Nepalese insurance firms are earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability. The study's findings revealed fresh data from a Nepalese viewpoint, which the industry's players value. The study's conclusions appear to be especially helpful for fund managers and equities investors, who may keep an eye out for these important variables when projecting share prices and evaluating stock returns.

5.3 Implications

The following suitable recommendations have been implemented in light of the study's findings and pertinent issues:

1. The market price of the chosen insurance companies stock fluctuates over the study period, it is advised that students keep track on stock-related concerns..
2. The research backs up the idea that a firms's profits position influences dividend decisions. Additional research found that a company's dividend announcement has an impact on valuing the business before purchasing shares on the open market. Because the firm's profits position will reflect the possibility of a dividend announcement and will raise the market price per share, investors are advised to consider the firms' profitability before purchasing company stock.
3. The analysis reveals that investors' options for investing sectors are restricted. Banks and other financial entities dominate the Nepalese stock market. Other large corporations do business in Nepal. A policy should be established by NEPSE and SEBON to encourage other industries, such as trading, real estate, and manufacturing and processing, to list on the NEPSE. The market would grow in size, and investors would have more sector-specific investing options.
4. An organized effort is required to educate the public about stocks and the stock market, as the general public is less knowledgeable about them.

5. It is advised that NEPSE establish a distinct department or independent organization that uses various methods, such as seminars, conferences, print media, and web media, to analyze, educate, and raise awareness among burgeoning potential investors about stocks and the stock market.

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ABSTRACT This study attempt to analyze the fundamental values and their effect on stock

price of insurance companies which are **listed on the** Nepalese **Stock Exchange** . For this, **the** investigation and evaluation **of the**

Fundamental values and their effect on stock price of listed insurance companies of six insurance firms was the study's main objective. Data for this study were collected over a ten-year period, from 2013-14 to 2022-23, from Nepal Life Insurance Co. Limited (NELIC), Life Insurance Co. Nepal (LIC), Surya Life Insurance Co. Limited (SLIC), Nepal Insurance Co. Limited (NICL), Prabhu Insurance Co. Limited (PICL), and Shikhar Insurance Co. Limited (SICL). Descriptive and casual comparative research has been conducted to reach the study's objectives. To meet the desired objectives, the researcher identified the correlation of the quantitative factors DPR, EPS, PE and size with MPS by correlation and regression analysis of secondary data and also tests the significance of such