

**IMPACT OF PREMIUM AND INVESTMENT ON PROFITABILITY OF LIFE
INSURANCE COMPANIES IN NEPAL:**

With Reference to Asian Life Insurance Company Limited, Citizen Life Insurance
Company Limited and Reliable Nepal Life Insurance Company Limited

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

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Premium and Investment on Profitability of Life Insurance Companies in Nepal**”. The work of this dissertation has not been submitted previously for the propose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

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ABBREVIATIONS

&	:	that is
AD	:	Anno Domini
AEP	:	Premium on Anticipated Endowment
ALICL	:	Asian Life Insurance Company Limited
BFI	:	Banking and Financial Institutions
BS	:	Vikram Samvat
CAPM	:	Capital Assets Pricing Model
CEO	:	Chief Executive Officer
CLI	:	Citizen Life Insurance Company Limited
CV	:	Coefficient of Variation
DEB	:	Investment in Debentures
ECWLP	:	Premium on Endowment Cum Whole Life
EP	:	Premium on Endowment
EQI	:	Investment in Equity Instruments
FD	:	Investment in Fixed Deposit
i.e.,	:	that is
IBM	:	International Business Machine
NIA	:	Nepal Insurance Authority
NPM	:	Net Profit Margin
NPR	:	Nepalese Rupee
RNLI	:	Reliable Nepal Life Insurance Company Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
ROI	:	Return on Investment
S.N.	:	Serial Number
SD	:	Standard Deviation
SEBON	:	Securities Board of Nepal
SPSS	:	Statistical Package for the Social Sciences

ABSTRACTS

This study analyzes the impact of premium and investment on profitability of life insurance companies in Nepal. Secondary data was gathered from three samples using convenience sampling of life insurances for six years periods (2017/18-2022/23). This study has taken descriptive and causal relationship research design to analyze the impact of premium and investment on profitability of life insurance; and has employed descriptive analysis, correlation analysis and multiple regression analysis. It shows that Nepalese insurance companies have increased both premium collection and total investment and stable profitability with high premium collection on endowment, high investment in fixed deposit in recent years. The correlation analysis examined that the net profit margin (NPM) has significant negative relation with premium on endowment (EP), positive relationship with premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP) and investment in fixed deposit (FD) and negative relationship with investment in debentures (DEB) and investment in equity instruments (EQI). Return on assets (ROA) has significant negative correlation with EP and EQI, positive correlation with AEP, ECWLP, FD and DEB. Return on equity (ROE) has significant positive correlation with AEP, positive correlation with EP, DEB and EQI and negative correlation with ECWLP and FD. Return on investment (ROI) has significant negative correlation with EP and EQI, positive correlation with AEP, ECWLP, FD and DEB. The multiple regression analysis reveals a negative impact of EP on NPM, but positive impacts of AEP, ECWLP, FD, DEB, and EQI on NPM. Similarly, EP negatively affects ROA, while AEP, ECWLP, FD, DEB, and EQI positively influence ROA. However, EP and ECWLP negatively impact ROE, whereas AEP, FD, DEB, and EQI positively affect ROE. In contrast, EP negatively affects ROI, while AEP, ECWLP, FD, DEB, and EQI positively impact ROI.

Key Words: Impact, Premium policies, Investment sectors, Profitability, Life insurance

CHAPTER I

INTRODUCTION

1.1 Background of the study

Everybody wants a better, safer, and more comfortable life. To make this happen, companies create new things and offer services. But trying innovative ideas involves a lot of risk. People who produce these ideas carry a big responsibility. Even a small mistake could lead to serious problems, like accidents or injuries. This is where insurance comes in. Insurance is like a safety net for innovators. It helps them take risks without worrying too much about the consequences. Without insurance, many great inventions and advancements might never have happened. Because of this safety net, companies feel more confident trying new and advanced technologies. They can explore things like robots, space travel, computers, and medical breakthroughs. Insurance gives them the courage to push boundaries and make progress for everyone. In simple terms, insurance helps protect us from unexpected losses. When one buys insurance, it is transferring the risk of something bad happening to someone else, usually an insurance company, in exchange for paying them money. The insurance company then takes on the responsibility of covering those potential losses. For example, if you have car insurance that get into an accident, the insurance company will help cover the cost of repairing your car. You pay the insurance company a certain amount of money, called a premium, regularly to keep this coverage. The amount you pay depends on factors like how likely it is for something bad to happen (the risk) and how much coverage you want. People and businesses buy insurance to protect themselves from things like accidents, natural disasters, or health issues. This entire process is called risk management, which is all about understanding and controlling the chances of bad things happening, and insurance is one way to do that.

The insurance sector is widely recognized as a fundamental component of the financial industry and a driving force behind overall economic growth and development. Insurance involves the transfer of risk from individuals to insurance companies in exchange for a premium. This sector holds significant potential in facilitating financial mobility, fostering economic expansion, and advancing development. Within the insurance industry, there are two main categories: life insurance and non-life insurance. Life insurers offer a variety of products such as life policies, money-back plans,

endowment policies, as well as accident and health coverage. On the other hand, non-life insurers provide products including fire insurance, health and medical coverage, marine insurance, group accidental insurance, aviation insurance, and various miscellaneous policies. Insurance companies utilize their funds, comprising premiums, reserves, and capital, to cover claim payments and other expenses. Any remaining funds are invested in accordance with the investment guidelines set by the insurance board (Kharel, 2019 p. 54).

Insurance serves as a significant avenue for individuals seeking to accrue long-term returns, enjoy tax benefits, and obtain risk coverage. Individuals often plan for the future, aiming to provide security and prosperity for their families. Income earned is typically allocated towards immediate needs and future aspirations. Life insurance companies aim to address various aspects such as savings, risk protection, and investment, catering to the needs of individuals and families. With a growing middle class and salaried workforce, insurance is increasingly recognized as a preferred choice for long-term savings and risk management (Goet, 2022, p. 10).

Insurance plays a crucial role in financial services, stimulating economic growth by directing long-term savings towards productive endeavors and offering protection against various risks associated with productivity, assets, or life activities (Ghosh, 2013, p. 31).

Insurance is a significant and expanding component of the financial sector across numerous developed and some developing nations. Its fundamental role lies in offering compensation for risks encountered by individuals and businesses. Moreover, it fosters connections with various sectors of the economy, bolstering growth and stability while also exerting a substantial influence on a country's national income (Simpson and Damoah, 2008, p. 2).

Life insurance companies in Nepal play a significant role in enhancing the growth and stability of small business enterprises. These businesses are recognized as significant drivers of economic development, contributing to job creation, poverty alleviation, and increased productivity in the nation. As the number of small businesses continues to grow exponentially, the role of the life insurance companies becomes crucial in facilitating their success (Karki, 2021, as cited in Upadhyay & Dhaugoda, 2021, p. 12).

Life insurance is an agreement between an individual holding the policy and an insurance provider, wherein the insurer commits to providing a specified sum of money to a chosen beneficiary upon the occurrence of certain events such as the insured person's death or the maturity of the policy. Additional events like terminal illness or critical illness may also trigger payment according to the terms of the contract. The policyholder typically pays premiums either periodically or in a lump sum. In Nepal, various types of life insurance policies are prevalent:

Endowment life insurance: This policy covers risks throughout the insured period. The sum assured along with any policy bonuses are paid out upon maturity or in case of any incidents during the insurance term.

Whole life insurance: This policy covers risks for the duration of the policyholder's life. Premiums are payable until the maturity period, after which the policy continues until the policyholder's demise. Consequently, the insurer makes two payments under this policy: one at maturity and another upon the death of the insured after policy maturity.

Money back life insurance: With this type of policy, the insurance company disburses funds to the insured individual before the policy matures. This premium is paid in the form of yearly payments or at specific intervals such as 5, 10, or 15 years.

Term life insurance: This policy solely covers risks without an investment component. Premiums for these policies tend to be minimal. For example, FE employment is a term life insurance where the company only pays the sum assured if an accident occurs during the insurance term. No payments are made if the insured remains alive and in good health (Bista, 2022 p. 52-53).

Insurance companies evaluate firms' profitability to assess their financial performance. To analyze the factors influencing profitability, it's beneficial to break down Return on Equity (ROE) into its primary constituents. Profits are primarily shaped by two factors: underwriting performance, encompassing losses and expenses influenced by product pricing, risk assessment, claims handling, and operational costs; and investment performance, which hinges on asset allocation, management, and leverage. The initial aspect of this breakdown reveals that an insurer's ROE is determined by the net profits earned per unit of net premiums (or profit margin), along with the utilization of capital funds to support and secure each unit of premium against risk exposure (Kumar, 2010, as cited in Roy & Ibrahim, 2020, p. 2515). Profitability reflects how effectively a business manages its resources and the efficiency of its management. Like any other

business, the primary goal of insurance companies is to enhance shareholders' wealth. They aim to achieve this objective by maximizing profits, thereby satisfying stakeholders, and ensuring sustainable growth. Determining the profitability of an insurance company is crucial as it guides decisions on setting appropriate premiums, optimizing asset management, investing in profitable projects, and meeting the needs of existing and prospective policyholders (Lalon & Rifat, 2021, p. 58).

Greene and Segal (2004) claimed that the performance of insurance companies is normally presented in net premium earned, profitability from underwriting, annual turnover, return on investment and return on equity (Tesfaye, 2018, p. 835).

The income earned by insurance companies through premiums isn't solely considered profit; it also constitutes a commitment towards fulfilling future obligations. To ensure readiness for potential claims, a portion of the premiums is set aside as reserves. Consequently, the inclusion of premium income in the income statement contributes to the profitability of insurance companies (Alamsyah & Wiratno, 2017, as cited in Riwayati & Natalia 2022, p. 50).

Investment in insurance refers to the allocation of funds by insurance companies into various financial instruments with the aim of generating returns to meet policyholder obligations and maximize shareholder value. These financial instruments typically include bonds, stocks, real estate, and other assets deemed suitable by the insurer's investment strategy. The primary objective of investing in insurance is to ensure the solvency of the insurance company while also providing adequate returns for policyholders and shareholders (Insurance Regulatory and Development Authority of India, 2017).

The history of the Nepalese insurance industry is relatively short. It began to take shape in 1947 AD, with the emergence of modern insurance companies in Nepal. However, there was a lack of awareness among the populace regarding the importance of insurance, leading to significant losses for individuals involved in accidents. The initial entity, "Maal Chalani ra Bima Company," which later underwent name changes to become "Nepal Insurance and Transport Company" in 1959 and eventually "Nepal Insurance Company Ltd," marked the pioneering efforts in the sector. In 1968, the government of Nepal established "Rastriya Bima Sasthan" under the Company Act, further formalizing the insurance landscape. The operation of the Beema Samiti

(Insurance Board) as an independent regulatory entity in 1992, as mandated by the Insurance Act, was intended to develop, organize, standardize, and oversee the insurance business in Nepal. In the private sector, the first life insurance company emerged in 1988. Over the subsequent 25 years (1988-2012), the number of private 3 sector life insurance companies grew to eight (Khanal, 2020, p. 240). As a separate regulator of the Insurance Sector, Beema Samitee established in 2026 BS for the first time which with the enactment of Insurance Act, 2079 BS has converted into Nepal Insurance Authority. There are fourteen life insurance companies, fourteen non-life insurance companies, 2 reinsurance companies and 4 micro insurances companies are operating in Nepal at the end of February, 2024 (Nepal Insurance Authority, 2024).

1.1.1 Profile of the study

1.1.1.1 Asian Life Insurance Company Limited

Asian Life Insurance Company Limited (ALICL) established as a life insurance according to the Company Act 2053 on February 27, 2008 (Falgun 15, 2064) and operated on April 3, 2008 (Chaitra 21, 2064). The company has an Authorized Capital of Rs. 5 billion with a paid-up capital of Rs. 2.9 billion (comprising 60 percent promoter and 40 percent public share). ALICL possesses a Life Fund amounting to Rs. 34 billion (as of the end of Paush, 2079-80). It boasts 93 promoters, including 2 institutional entities and 91 individual promoters. Notably, among the institutional promoters are distinguished BFIs and Corporate Houses. The board of directors and other individual investors encompass leaders from various professions and businesses, including banking, insurance, finance, private enterprises, and former government officials.

The promoters hold sixty percent and general public, and institutions hold forty percent ownership in the company. ALICL's extensive reach is evident through its network of 154 branches nationwide, contributing to its service to the nation. The company have issued a total 315,029 numbers of insurance policies and the premium earned mostly on endowment, child endowment, anticipated endowment, and endowment cum whole life policies till fiscal year 2022/23. The company also operating a subsidiary company “Asian Capital Limited” licensed by SEBON.

1.1.1.2 Citizen Life Insurance Company Limited

Citizen Life stands out as one of Nepal's rapidly expanding life insurance firms. It commenced operations on October 19, 2017 (Kartik 02, 2074) following the issuance

of its operational license by Nepal Beema Pradhikaran, the Insurance Regulatory Authority of Nepal, on August 23, 2017 (Bhadra 07, 2074). As a seventy percent promoter and thirty percent public ownership limited company, Citizen Life has an authorized capital of NPR 5 billion, with an issued capital matching NPR 5 billion and a paid-up capital of 3 billion 937 million and 500 thousand. The company is primarily promoted by different companies like Kantipur Media Group, Shikhar Insurance, renowned aviation industries, accomplished bankers, manufacturing industrialists, CEOs from various insurance companies, pharmaceutical firms, finance and investment entities, hospitality and tourism establishments, real estate enterprises, and numerous other esteemed representatives across diverse sectors. The company have issued a total 178,319 numbers of insurance policies and majority portion of premium income in endowment, anticipated endowment, and endowment cum whole life policies at the end of fiscal year 2022/23.

Presently, Citizen Life operates through a network of 140 branches/sub-branches across the nation, ensuring a robust and varied service delivery of a wide array of products. In adherence to regulatory standards, Citizen Life has established reinsurance arrangements with Nepal Reinsurance Co. Ltd. and engages a consulting actuary based overseas. The company is committed to integrating global best practices from successful enterprises into the local market, tailored to local needs, under the concept of Glocalization. Leveraging cutting-edge technology, Citizen Life endeavors to extend its reach to grassroots levels and provide support to families facing financial challenges following the loss of the primary breadwinner

1.1.1.3 Reliable Nepal Life Insurance Company Limited

Reliable Nepal Life Insurance Limited (RNLI) is a life insurance company authorized by the Insurance Board and the Government of Nepal. It is backed by a prominent group of economists, industrialists, bankers, and esteemed professionals and is led by a team of seasoned experts. The company is registered under the Companies Act 2053 with Registration No: 1036-064/065, RNLI was incorporated on 2064.08.18 BS and commenced operations on 2074.05.15 BS

The company has recently issued shares to the general public and the shareholding pattern is promoter seventy percent and thirty percent of general public. Among its major stakeholders are Global IME Bank Limited and Century Commercial Bank

Limited. RNLI endeavors to serve its customers by offering unique products, leveraging cutting-edge technology, and adopting a customer-oriented approach. RNLI operates with a core philosophy of customer-centricity, aiming to provide quality services and hassle-free claim settlements directly to customers. The company offers a variety of policies tailored for long-term savings and protection, addressing the diverse life stage requirements of its clientele. The company is offering services through 82 offices in Nepal. The company has issued a total 10,26,558 numbers of policies at the end of fiscal year 2022/23. The major premium income is from foreign investment term life. Other policies have also supported in back in total revenue from premium. It has a subsidiary company that is Reliable Investment and Merchant Capital licensed by SEBON to operate as a portfolio manager and underwriter.

1.2 Problem statement

The insurance industry plays a vital role in the financial system, acting as a bridge between individuals and businesses seeking protection against future risks. It serves a dual purpose: shielding against potential losses and uncertainties while also stimulating economic growth. This duality makes insurance a compelling area of study for both researchers and finance students, offering insights into its multifaceted impact on the economy. Premium and investment are the major sources of income of life insurance. The profitability of life insurance companies is increasing with premium and investment volume. Maintaining profitability, collecting premium and doing investment are related to perpetual succession of the companies.

Ramakrishnan (2010) examined the financial performance of the Indian insurance sector and found that the composition of investment portfolios was influenced by liquidity requirements, profitability, reinsurance agreements, leverage, and the flow of premiums. In many parts of the world, insurance companies typically establish the policies, goals, and objectives for their investment portfolios, along with setting internal limits. In Nepal, the Insurance Board, the apex regulatory authority for the insurance sector, recognized the increasing vulnerability in the financial sector. Consequently, the Board issued numerous guidelines and directives aimed at integrating the insurance sector into a regulatory framework, fostering a more systematic, rule-based, and transparent insurance industry. Life insurance firms play dual key functions in the economy. Initially, they offer financial security to both individuals and institutions, and secondly, they act as financial middlemen. Globally, these companies are recognized

as drivers of economic progress, effective avenues for savings and investments, alleviators of concerns and anxieties, and allies to governments in social security initiatives (Ghimire 2013).

Insurance companies are significantly contributing to bolstering the financial resources of policyholders and generating substantial assets in the capital market, potentially fueling economic expansion. Acting as a mechanism for transferring risk, insurance can further stimulate a country's economic growth by encouraging long-term investments with capital derived from aggregated individual savings (Kharel, 2019).

The primary revenue source for insurance companies stems from collecting premiums from policyholders. Functioning as institutional investors, they allocate these collections across various sectors (Gurung, 2010, as cited in Chapagain 2021).

Nasution and Nanda (2020) along with Maharani (2018) indicate a positive correlation between premium income and the profits of general insurance firms in Indonesia. However, Prahasti's (2020) research contrasts this, suggesting that premium income does not influence the profits of insurances (As cited in Riwayati & Natalia 2022).

There are numbers of previous research in the field of insurance analyzing financial performance, but it lacks the effect analysis between different variables of premium and investment with the overall profitability of insurance companies in Nepal. Insurance companies in Nepal are expanding quickly and showing strong operational performance. While previous studies have looked into their financial performance, risk and return, impact analysis on profitability using only investment sector as an independent variable.

This study aims to study the impact of the premium and investment on profitability of the listed insurance companies in Nepal. It is going to study the status, correlation as well as impact of premium and investment on profitability of an aged company operated from 3rd March, 2008 (Asian Life Insurance Company Limited) and emerging companies (Citizen Life Insurance Company Limited and Reliable Life Insurance Company Limited) which has got operation license from same fiscal year (2017/18).

The study looks at how was the premium and investment impact on profitability of the sample life insurance in Nepal was between fiscal years 2017/18 and 2022/23. The study seeks to address the following research questions:

- i. What is the status of policy-wise premiums, sector-wise investments, and profitability of the chosen life insurance companies?

- ii. What is the correlation between premium policies, investment sectors, and profitability of the chosen life insurance companies?
- iii. What is the impact between premium policies and investment sectors on the profitability of the chosen life insurance companies?

1.3 Objectives of the study

The main objective will be to examine the impact of premium policies and investment sectors on the profitability of insurance companies in Nepal. Accordingly, the specific objectives the research will be as follows:

- i. To analyze the status of policy-wise premiums, sector-wise investments, and profitability of the chosen life insurance companies.
- ii. To examine the correlation among premium policies, investment sectors, and profitability of the chosen life insurance companies.
- iii. To assess the impact of premium policies and investment sectors on profitability of the chosen life insurance companies.

1.4 Hypothesis

A hypothesis serves as a provisional solution to a research query, awaiting empirical verification. In order to offer such a preliminary solution in this study, it's essential for the researcher to propose a hypothesis (Riwayati & Natalia 2022, p. 51). Specifically, the hypothesis posits that factors such as premium and investment influence the profitability of insurance companies. This study aims to investigate the relationship between premium policies, investment sectors on profitability of life insurance companies in Nepal. This study revolves around examining the premium and investment and their relationship and impact with specific variables. In this investigation, four variables are considered dependent, while six others are regarded as independent as presented in research framework.

After conducting an initial review of existing literature, this study focuses on examining the hypothesis outlined below:

H₁: Premium policies (EP, AEP, and ECWLP) have a positive impact on the profitability (NPM, ROA, ROE, and ROI) of life insurances in Nepal.

H₂: Investment sectors (FD, DEB, and EQI) have a positive impact on the profitability (NPM, ROA, ROE, and ROI) of life insurances in Nepal.

1.5 Rationale of the study

The insurance companies have favorable market in Nepal. The development of the plan and policies require a systematic study in the related field. This study describes and relate the premium policies and investment sectors impact on profitability of life insurance companies in Nepal. This study also provides insight of the premium collection and investment sector analysis in detail than the previous study in that field. Analyzing financial statements and performance indicators helps investors make informed about investments decisions to identify companies with strong financial fundamentals and growth potential. The study of premium and investment helps to know about the major sources of premium and portion of investment. This research might be useful for theoretical and practical use. It is an addition to existing research in the field of impact analysis of profitability and investment on profitability. This study is also useful to university students for references. While fulfilling academic requirements, this study's relevance extends to academicians, students, researchers, finance professionals, and anyone involved in study on premium, investment, and profitability.

1.6 Limitations of the study

Every research project has its boundaries and challenges, called limitations. It is important to talk about these limitations openly to make sure and to understand the study's results properly. By doing this, the readers are able to know criteria and applicability of research. The study has limitations, outlined below:

- i. Among the fourteen life insurance companies, this study considered Asian Life Insurance Company Limited, Citizen Life Insurance Company Limited and Reliable Nepal Life Insurance Company Limited because of an unavailability of most recent data of other remaining companies.
- ii. This study considered only three policies namely premium on endowment (EP), premium on anticipated endowment (AEP) and Premium on endowment cum whole life (ECWLP) among various policies of premium.
- iii. This study considered only three sectors of investment namely investment in fixed deposit (FD), investment in debentures (DEB) and investment in equity instruments (EQI) among different sectors of investment.

- iv. This study used secondary data from annual reports of sample life insurance companies. The trustworthiness of secondary data relies heavily on the accuracy of the annual reports provided by the relevant insurance companies.
- v. Because of Citizen Life Insurance Company and Reliable Nepal Life Insurance Company got operating license in fiscal year 2017/18, the conclusions are drawn from data spanning six years (2017/18 to 2022/23) to match time period of all samples.

CHAPTER II

LITERATURE REVIEW

This chapter describes with the different theoretical aspects of the topic, review of articles and previous thesis impact of premium and investment on profitability in more detail and descriptive manner. Main purpose of reviewing the literature is to develop an area of study to see what new contribution can be made and to receive some idea for developing a research design. Thus, the precious studies cannot be ignored because they provide the foundation and ideas to the present study Exploring existing literature helps researchers understand their study better and gain deeper insights into the subject. This literature review gathers information from journal articles, textbooks, and websites relevant to the impact analysis on profitability and of life insurance companies in Nepal particularly different journals, article, annual reports, and some researcher paper related with this topic. Research never ends and is a continuous process. The procedures and the findings may change but research continues.

2.1 Theoretical review

2.1.1 Premium theories

Premium in finance refers to the additional amount paid or received over the nominal or intrinsic value of an investment (Damodaran, 2012). It plays a crucial role in various financial transactions and asset pricing models. Several theoretical frameworks help explain the concept of premium:

- i. **Risk Premium Theory:** According to the Risk Premium Theory, investors demand compensation for bearing risk (Sharpe, 1964). This theory posits that assets with higher levels of risk should offer higher expected returns to attract investors. The risk premium reflects the excess return required by investors to compensate for the uncertainty associated with an investment. For instance, the Capital Asset Pricing Model (CAPM) quantifies the risk premium as the difference between the expected return on a risky asset and the risk-free rate, multiplied by the asset's beta.
- ii. **Liquidity Premium Theory:** Liquidity Premium Theory suggests that investors demand compensation for investing in assets that lack liquidity or are difficult to convert into cash without significant price discounts (Pastor & Stambaugh, 2003). Illiquid assets typically carry higher liquidity premiums to compensate

investors for the inconvenience and risk of holding such assets. This premium reflects the cost associated with the inability to quickly sell an asset at its fair market value.

- iii. **Time Value of Money Theory:** The Time Value of Money Theory asserts that a premium exists for the time value of money (Brealey, Myers, & Allen, 2014). Investors prefer to receive payment sooner rather than later due to the opportunity cost of delaying consumption or investment. Therefore, assets that offer earlier cash flows typically command a premium over those with deferred payments or cash flows in the distant future.
- iv. **Default Risk Premium Theory:** Default Risk Premium Theory suggests that investors demand compensation for the risk of issuer default (Merton, 1974). Bonds issued by entities with higher default risk carry higher yields to entice investors to bear the additional credit risk. The default risk premium reflects the incremental yield investors require to hold bonds of lower credit quality relative to risk-free bonds.

In summary, premium in finance encompasses various theoretical perspectives, including risk premium, liquidity premium, time value of money, and default risk premium. These theories provide insights into the factors influencing the pricing of assets and the compensation demanded by investors for assuming different types of risk.

2.1.2 Investment theories

Investment theory encompasses various principles guiding the allocation of funds to generate returns and achieve financial goals. Key theoretical considerations include:

- i. **Modern Portfolio Theory (MPT):** Developed by Harry Markowitz, MPT emphasizes diversification to optimize risk-adjusted returns (Markowitz, 1952, p. 77). Investors seek to construct portfolios that maximize expected returns for a given level of risk by allocating assets across different asset classes.
- ii. **Efficient Market Hypothesis (EMH):** Proposed by Eugene Fama, EMH suggests that asset prices reflect all available information, making it impossible to consistently outperform the market (Fama, 1970, p. 383). Investors rely on this theory to guide passive investment strategies such as index investing.
- iii. **Capital Asset Pricing Model (CAPM):** Developed by William Sharpe, CAPM provides a framework for pricing assets based on their risk and expected return

(Sharpe, 1964, p. 425). According to CAPM, the expected return of an asset is determined by its beta, representing its sensitivity to market movements, and the risk-free rate.

- iv. **Behavioral Finance:** Behavioral finance incorporates psychological insights into investment decision-making, recognizing that investors' emotions and biases influence their choices (Kahneman & Tversky, 1979, p. 263). This theory explores phenomena such as loss aversion, overconfidence, and herd behavior.
- v. **Real Options Theory:** Real options theory extends financial option pricing principles to investment decisions, considering the flexibility to adapt and revise investment strategies over time (Dixit & Pindyck, 1994, p. 1). It recognizes that investment projects often entail embedded options to defer, expand, or abandon investments based on future uncertainties.

This overview provides a glimpse into the diverse theoretical frameworks that inform investment decisions, ranging from portfolio diversification and market efficiency to behavioral biases and real options analysis.

2.1.3 Profitability theories

Profitability refers to a company's ability to generate earnings relative to its expenses and investments. Several theories underpin the concept of profitability:

- i. **Traditional Economic Theory:** According to traditional economic theory, profitability is influenced by the interplay of supply and demand in the market (Mankiw, 2014, p. 297). In competitive markets, firms earn normal profits, which cover the costs of production. Excess profits attract new entrants, increasing competition and driving profits down.
- ii. **Agency Theory:** Agency theory examines the relationship between principals (shareholders) and agents (managers) within a company (Jensen & Meckling, 1976, p. 308). Managers are entrusted to make decisions on behalf of shareholders but may prioritize their own interests. Agency costs, such as managerial compensation and monitoring expenses, can affect profitability.
- iii. **Resource-Based View (RBV):** The RBV emphasizes the role of internal resources and capabilities in determining profitability (Barney, 1991, p. 101). Firms achieve sustainable competitive advantages and superior profitability by leveraging unique, valuable, rare, and non-substitutable resources and capabilities.

- iv. **Transaction Cost Economics (TCE):** TCE focuses on the costs associated with transactions between economic agents (Williamson, 1975, p. 21). Firms aim to minimize transaction costs, including those related to information asymmetry, negotiation, and monitoring, to improve profitability.
- v. **Stakeholder Theory:** Stakeholder theory posits that firms have obligations to a broader set of stakeholders, not just shareholders (Freeman, 1984, p. 46). Considering the interests of all stakeholders can lead to improved long-term profitability by fostering relationships, enhancing reputation, and reducing risks associated with conflicts.

This overview illustrates the various theoretical perspectives that contribute to understanding profitability, encompassing economic principles, organizational behavior, resource-based perspectives, transaction costs, and stakeholder interests.

2.2 Conceptual review

2.2.1 Meaning of premium

The premium in insurance can be operationally defined as the monetary amount paid by an insured individual or entity to an insurance company in exchange for coverage against specified risks. This payment is typically made periodically, such as monthly or annually, and is based on various factors including the type and level of coverage, the insured's risk profile, and the insurance company's pricing models (Harrington & Niehaus, 2003). The premium represents a fixed payment made by the insured to the insurer in exchange for assuming uncertain risks, perils, or hazards. Typically, premiums are determined through various methods considering different influencing factors. As Robinson and Wrightsman (1980) suggest, one method involves a numerical rating system that assesses each factor's merits and assigns corresponding marks based on their impact on risk. Insurers adjust premiums according to the nature of the risk, with judgment and personal evaluation playing crucial roles in rate determination. Factors such as management and ownership significantly influence risk evaluation for premium setting. In general, insurers charge higher premiums for riskier insurance and lower premiums for policies with lower risk levels. Premium amounts are directly affected by factors like office expenses, other overheads, and the policy's duration. Premiums serve as a primary source of funds for insurers, highlighting the importance of sound management in calculating premium amounts and overseeing the collection process. Different insurers may charge varying premiums to policyholders based on

their specific objectives, goals, and risk assessments in line with their policies and uncertainties (Shakya, 2021).

2.2.2 Types of insurance premiums

There are various types of insurance premiums associated with different insurance policies, including but not limited to:

- i. **Life:** Life insurance premiums are calculated based on personal factors like age, health, and medical history. Lifestyle habits like smoking or alcohol consumption also influence the premium amount.
- ii. **Health:** Health insurance premiums may be covered by employers for some individuals, but those without employer coverage must pay premiums. Lower premiums mean higher out-of-pocket medical expenses.
- iii. **Auto:** Auto insurance premiums are determined by factors like driving record, including violations, tickets, suspensions, and accidents. Clean records result in lower premiums compared to records with accidents and violations.
- iv. **Homeowners:** Homeowners' insurance premiums depend on factors such as property age, size, value, and location. Properties in areas prone to extreme weather typically have higher premiums.
- v. **Renters:** Renters' insurance premiums vary based on coverage, deductible, location, credit score, and past insurance claims. More coverage translates to higher premiums.

These above are the general types of insurance premium (Corporate Finance Institute, 2023).

2.2.3 Determining insurance premium

Insurance premiums are determined by various factors such as the type and extent of coverage, insurance history including past claims, and individual personal details. Actuaries, employed by insurance companies, utilize statistics and mathematical models to assess the probability of you needing coverage due to an event or accident. They calculate associated costs and determine an appropriate premium price ensuring that the company receives more in premiums than it pays out in claims. Actuaries compile this data into actuarial tables, which are then used by underwriters to set premium prices (Corporate Finance Institute, 2023).

2.2.4 Overview of investment

Investment is an act of allocating resources with the anticipation of earning returns over time. Several key aspects define the investment process:

- i. **Goal Setting:** Investors typically begin by setting specific investment goals, such as wealth accumulation, retirement planning, or funding education expenses (Bodie et al., 2014, p. 13). Clear goals help investors determine their risk tolerance, time horizon, and investment strategy.
- ii. **Asset Allocation:** Asset allocation involves dividing investment funds across different asset classes, such as stocks, bonds, real estate, and cash equivalents (Brinson et al., 1991, p. 132). The allocation decision is based on factors like risk tolerance, investment objectives, and market conditions.
- iii. **Diversification:** Diversification is a risk management strategy that involves spreading investments across various assets to reduce portfolio risk (Markowitz, 1952, p. 89). By investing in different asset classes or securities with low correlation, investors can minimize the impact of adverse events on their portfolios.
- iv. **Risk Management:** Investors assess and manage various types of risks associated with investments, including market risk, credit risk, inflation risk, and liquidity risk (Bodie et al., 2014, p. 21). Risk management strategies may involve diversification, hedging, and asset-liability matching.
- v. **Portfolio Monitoring and Rebalancing:** Investors regularly monitor their investment portfolios to ensure alignment with their objectives and risk preferences (Bernstein, 2001, p. 193). Periodic rebalancing involves adjusting asset allocations to maintain the desired risk-return profile in response to changing market conditions.

This overview provides a glimpse into the fundamental aspects of investment, including goal setting, asset allocation, diversification, risk management, and portfolio monitoring, drawing from established literature in finance and investment theory.

2.2.5 Meaning of profitability

Profitability reflects how effectively a business manages its resources and the efficiency of its management. Like any other business, the primary goal of insurance companies is to enhance shareholders' wealth. They aim to achieve this objective by maximizing profits, thereby satisfying stakeholders, and ensuring sustainable growth. Determining

the profitability of an insurance company is crucial as it guides decisions on setting appropriate premiums, optimizing asset management, investing in profitable projects, and meeting the needs of existing and prospective policyholders (Lalon & Rifat, 2021, p. 58). Profitability is a key measure of a company's financial performance and is essential for assessing its ability to generate earnings relative to expenses and investments. Several factors contribute to profitability:

- i. **Revenue Generation:** Profitability begins with the company's ability to generate revenue from its products or services (Ross et al., 2019, p. 27). Higher sales volumes, favorable pricing strategies, and effective marketing efforts contribute to revenue growth, which is a fundamental driver of profitability.
- ii. **Cost Management:** Controlling costs is crucial for enhancing profitability (Hilton et al., 2015, p. 87). Companies strive to minimize expenses related to production, distribution, marketing, and administration while maintaining product quality and customer satisfaction. Efficient cost management improves profit margins and overall profitability.
- iii. **Operational Efficiency:** Operational efficiency refers to the ability to utilize resources effectively to maximize output while minimizing input costs (Chase et al., 2019, p. 112). Streamlining processes, optimizing supply chain management, and reducing waste contribute to improved operational efficiency, leading to higher profitability.
- iv. **Asset Utilization:** Maximizing the utilization of assets, such as machinery, equipment, and inventory, is essential for profitability (Brigham & Houston, 2019, p. 112). Efficient asset utilization ensures that resources are deployed effectively to generate revenue, minimize idle capacity, and avoid unnecessary expenses.
- v. **Profit Margin Management:** Profit margins, such as gross margin, operating margin, and net margin, are key indicators of profitability (Gitman & Zutter, 2019, p. 186). Companies aim to increase profit margins by optimizing pricing strategies, reducing production costs, and improving operational efficiency.

Profitability is a multifaceted aspect of corporate performance, influenced by revenue generation, cost management, operational efficiency, asset utilization, and profit margin management, as supported by scholarly literature in finance and business management.

2.3 Empirical review

2.3.1 Review of previous studies

Shrestha (2011) examined the premium collection, investment position, and returns of Nepal Life Insurance Co. Ltd. It has the objective of identifying situation, exploring trend of premium, investment and return and analyzing the related policies using descriptive and analytical research methodology and data from annual reports. The financial as well as descriptive statistics were used to analyze data. During the study period, the total premium collection experienced an increasing trend. The finding was the major portion of investment made in fixed deposit, second priority for government bond and equity shares and debentures at last. It found that the company investment return was increased in to policyholders.

Further, Ghimire (2013) also analyzed of the current investment portfolio structures and practices implemented by both life and non-life insurance companies. The study purpose was to finds out deviation with the directive Insurance Board was compared against regulatory directives. The descriptive and analytical research design was and analyzed 237 cases of 25 insurances using different ratio analysis. Regulatory authorities not only have the power to issue regulations but also bear the responsibility of monitoring and supervising whether these regulations are adhered to by companies. This study focused on the investment ceiling of insurance compared with the regulatory standard and found insurance companies had invested more than required in secured sectors and less than required in unsecured sectors.

Njiri (2015) aimed to understand how investments affect the financial performance of insurance companies in Kenya. The purpose of the study was to set of the relationship between investment and financial performance. Using descriptive study, it looked at 45 insurance companies in the country. All 45 were part of the study, and data was collected from 32 of them. The researchers used regression analysis and correlation analysis to see how investments relate to financial performance. The study found that Kenyan insurance companies mainly invest in three areas: real estate, deposits in other financial institutions, and Government securities. Real estate investments were the largest. These investments, along with others like certificates of deposit, Government securities, corporate bonds, and stocks, significantly influenced the companies' financial performance. They explained over 50% of the changes in financial performance.

However, there are other factors beyond the scope of this study that affect about 47.6% of the remaining changes in financial performance.

Risal (2016) conducted a comparative study of premium, investment position and investment return of life insurance in Nepal. It has a purpose to know how life insurance companies in Nepal collected premiums, invested their money, and earned returns on those investments. Descriptive and causal comparative research design are followed, and five samples are selected using purposive sampling. Statistical methods like calculating averages, correlation coefficients, and F-tests were used to analyze the data. In the end, the study found that there was a positive connection between collecting premiums and making investments, as well as between collecting premiums and paying claims. It discovered that most companies had similar total investment amounts, except for ALICO.

Ombima and Njiru (2018) studied the impact of investment portfolios on the financial performance of life insurance companies in Kenya to determine the mortgage, bond and equity investment effect on financial performance. A descriptive survey research design was employed for this investigation, encompassing all insurance companies operating within Kenya. The target population comprised 26 life insurance companies in Kenya, with a focus on 113 senior managers from finance and investment departments within these companies. A proportionate stratified random sampling was used to select a sample of 75 senior. It found that mortgage, bond, and equity investments positively influenced financial performance. The correlation analysis showed that equity investment had the most significant impact on financial performance. The findings recommended that life insurance companies in Kenya should diversify their investment portfolios to improve financial performance. Additionally, insurance companies in Kenya should allocate sufficient financial resources to portfolio investment within their budgets. Overall, the study concluded that a careful selection of the right combination of stocks with minimal risks can enhance financial performance in the insurance sector.

Tabe (2019) examined the effect of premium on profit of life insurance companies in Sharia Units of PT Panin dai-Ichi Life Indonesia. The main objective of the study was whether premiums effect on profit of insurance in Indonesia from 2012-2016. The quantitative method of analysis using financial report using normality tests, hypothesis tests, and T tests using linear regression analysis. The finding of the study was that

premium income has an effect on profits. The conclusion of the problem formulation in this research was found that the premium income variables have a significant effect on profit at the Sharia Unit of PT Panindai-IchiLife Indonesia.

Uddin et al., (2020) conducted a comparative study on different types of premiums in Life Insurance policies. It stated that the Life Insurance Company determined policy prices to cover anticipated claims, administrative expenses, and generate profits. The study exercised descriptive and analytical research design. Insurance costs were calculated based on Mortality Tables prepared by Actuaries. Insurance companies collected premiums from policyholders, investing them to establish a fund for covering claims and sustaining their operations. Premium rates for life insurance policies increased with the age of the insured, reflecting the higher statistical likelihood of mortality as individuals aged. This paper examined various types of insurance policies and their impacts on individuals' lives, along with discussing the annual premium rates for endowment plans, three-payment plans, and six-payment plans.

In a contradict, Upadhyay and Dhaugoda, (2021) examined the impact of premium collection on investment strategies and profitability specifically within the realm of life insurance companies. The objectives of study were to examine the premium collection and investment pattern and to assess impact of premium on profitability. Out of the nineteen life insurance companies in Nepal, a subset of four companies was selected using a simple random sampling technique for analysis. The data of five fiscal years were used to generate the result. The study conducted as a descriptive and causal-comparative study. Both primary and secondary data were utilized in this endeavor. Descriptive statistical tools including mean, standard deviation, and coefficient of variation were employed, while inferential statistics such as correlation and regression analysis were applied to examine secondary data variables. The findings expressed positive and significant correlation between total investment and premium collection in the life insurance sector. Moreover, premium collection displays noteworthy positive associations with metrics like earnings per share and net profit. However, the research also highlights an insignificant correlation between premium collection and indicators like return on assets (ROA) and return on equity (ROE).

As stated by Wahyuddin and Mauliyana (2021), conducted a study on effect of premium income, underwriting results, investment returns, and risk-based capital on the profits

of insurance companies listed on the Indonesia Stock Exchange. The objectives were to determine effect of premium income, underwriting, investment returns and risk-based capital on profits. The data from 11 insurance companies are taken and analyzed using multiple regression analysis. The study found that premium income, underwriting results, investment returns, and risk-based capital have adverse effects on profits in insurance companies from 2017-2019. Profit planning is crucial for companies to achieve their profit targets. The study also highlighted the importance of maintaining premium income, underwriting results, investment returns, and risk-based capital to increase company profits. Additionally, the research concluded that there is no multicollinearity between the independent variables in the regression model. There were 16 insurance companies involved in the research.

Chapagain (2021) studied the premium structure and its impact on profitability of life insurance companies. The objectives were to study profit and premium and comparative position of two giant insurances of Nepal. Two companies were chosen from nine life insurance companies: Nepal Life Insurance Company (NLIC) from 100 percent domestic equity companies, and Life Insurance Corporation Nepal (LIC) from foreign joint venture companies. The research primarily focused on secondary data from fiscal year 2008/09 to fiscal year 2012/14, emphasizing quantitative data analysis. The study compared various metrics such as Gross Premium, Net Premium, Renewal Premium, First Premium, Term Premium, Renewal Premium to Gross Premium Ratio, First Premium to Gross Premium Ratio, and Term Premium to Gross Premium Ratio. Correlation coefficients were calculated to examine the impact of premium on profitability. The research concluded that Nepal Life Insurance was able to collect higher Gross Premium, Net Premium, Renewal Premium, Term Premium, and First Premium compared to Life Insurance Corporation Nepal. Additionally, it found that in Nepal Life Insurance Company, Term Premium and Renewal Premium had a significant influence on Net Income, whereas premium showed insignificance in Life Insurance Corporation. Moreover, the study concluded that the majority of the premium was collected from Renewal Premium.

To analyze investment choice and impact on performance, Theuri Kiboi and Bosire (2022) aimed to see if the investment decisions made by management affect how well insurance companies perform financially. Specifically, it looked at four types of investments: Government securities, real estate, quoted ordinary shares, and money

market securities. These were considered as factors that could predict the financial performance of the companies studied. Data was collected from 37 general insurance 23 companies in Kenya that operated between 2013 and 2019. Information about their financial performance and investment choices was gathered from various sources like annual reports, publications from the Insurance Regulatory Authority, and the companies' websites. Return on Equity was measuring tool of financial performance. The data was analyzed using correlation and simple regression to test hypotheses. The results showed that all four types of investments had a positive and significant impact on the return on equity for the companies studied.

Shrestha (2022) studied the impact of premium and investment on profitability of insurance in Nepal. The research objectives were to examine the present premium and investment, relationship between premium, investment and profitability and impact of premium and investment on profitability. The three samples among the nineteen insurance companies were taken for the study with ten years data span. The secondary data used to analyze through annual report using correlation and regression technique. The independent variables taken for the study were investment in fixed deposit, bonds, and shares, return on investment and return on premium. The return on assets was the dependent variables. The findings showed that the positive significant relationship between return on premium and return on assets. The study concludes that there are significant relationships between return on assets and return on premium, but insignificant relationships with investment on fixed deposits and shares.

Adeel et al., (2022) conducted study on impact of premium on profit of insurance companies in Pakistan. It focused on the impact of life insurance premiums on profitability in Pakistan using that data spanning from 2015 to 2020 from secondary sources. The study used regression analysis to analyze data from the State Bank of Pakistan. The study found that there was a significant relationship between premium earned and underwriting profit. The study also concluded that the premium earning is increasing but the profit was decreasing during the period. The COVID-19 pandemic has created challenges and opportunities for the sector.

Marwini and Lestari (2022) studied the topic of analysis of the influence of investment, premium income, and tabarru' funds on profits of Sharia insurance company. The study focused on analyzing investment, premium and tabarru' funds on profit. The study

design was qualitative. The data collected were from financial service authority (OJK) website for the 2016-2020 period of six companies out of 24 using purposive sampling. The multiple regression of the study. The study found that the investment and premium income impact on profit were found positive and significant. It also found the negative and significant impact of tabarru funds with profit. The research concluded the investment and premium income had positive and significant impact on profit on Sharia insurance in Indonesia.

Subedi (2022) studied the investment impact on profitability of the life insurance companies in Nepal. The study focused on the insurance industry in Nepal, specifically on premium collection, investment patterns, and profitability of selected life insurance companies. The independent variables of the study were short-term and long-term investment and dependent variable was return on equity. It used four samples using judgmental sampling in the study and examined the relationship between profitability and short-term and long-term investments, as well as the impact of investments on profitability using descriptive and causal comparative research design. The study analyzed data using descriptive statistics, correlation and regression. The study had also reviewed literature on investment policies of life insurance companies in Nepal and identified factors influencing financial performance. The study concluded the positive and significant relationship of return on equity with both short-term and long-term investment. Notably, Asian Life Insurance Company Limited and LICN had shown fluctuating states, while Surya Life Insurance Company Limited and American Life Insurance Company Limited are increasing short-term investments.

Riwayati and Natalia (2022) conducted the study on impact of premium, underwriting, return on investment and return on equity on profit of insurance. It observed that the insurance industry in Indonesia had experienced significant growth, with premium income affecting the profits of general insurance companies using descriptive and inferential statistics. The research conducted to determine the impact of premium income, underwriting ratios, return on investment, and return on equity on insurance company profits. Employing associative research with a quantitative approach, the study examined 11 general insurance companies listed on the Indonesia Stock Exchange. The findings indicated that factors such as high premium income, underwriting ratio, and return on investment influenced profit growth, while return on equity did not.

Also, Hissiyah and Meylianingrum (2023) disclosed on the impact of premium income, investment returns, claim expenses, and operating of net profit on sharia life insurance company in Indonesia. The study examines the impact of premium income, investment returns, claim expenses, and operating expenses on net profit in Sharia life insurance using descriptive approach with quantitative tools. The data from two consecutive fiscal year is taken as a sample using purposive sampling through annual reports of companies. The results show that these factors collectively have a significant effect on net profit. Premium income partially affects profit, while operating expenses do not impact profit decline. The adjusted R-squared value indicates that these variables explain 88.46% of the variation in net profit. This research found that the premium and investment variable partially affect profit and claims and operating expenses did not have a significant effect on net profit but all variable together or simultaneously significant effect on profit.

Table 1
Summary of Literature Review Table

S.N.	Author(s)	Variables	Methodology	Major findings
1.	Shrestha (2011)	Premium collection, investment positions and returns	The study is used descriptive and analytical research design and data analyzed using ratio analysis and descriptive statistics.	The finding was the major portion of investment made in fixed deposit, second priority for government bond and equity shares and debentures at last and return as well as premium were in increasing trend.
2.	Ghimire (2013)	Independent: statutory investment sector, voluntary investment sector Dependent: Investment portfolio	The is based on secondary data used descriptive and analytical research design and data analyzed using ratio analysis.	The study found that the insurance companies had invested more than required in secured sectors and less than required in unsecured sectors.
3.	Njiiri (2015)	Independent: real estate, government securities, CDs stocks and corporate bonds Dependent: return on assets	The study collected secondary data, descriptive and causal comparative research design Correlational analysis, and regression analysis for analysis.	The study found that Kenyan insurance companies mainly invest in three areas: real estate, deposits in other financial institutions, and Government securities. Real estate investments were the largest and significantly influenced financial performance.

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|----|------------------------------|---|--|--|
| 4. | Risal (2016) | Premium collection, investment position and investment return | The study adopted descriptive and causal comparative design, used five samples through purposive and stratified technique, and Trend analysis, Descriptive statistics, F-test tools. | The study has found no significant difference in the total investment but significant different in total premium collection made in different periods fiscal years by life insurance companies. |
| 5. | Ombima & Njiru (2018) | Independent: Investment portfolio (bond, mortgage, equity)
Dependent: Financial performance | This study used descriptive research design using primary data from 113 respondent using stratified sampling, and Descriptive survey, descriptive and inferential statistics to analyze. | The study derived that life insurance companies in Kenya should be concentrate on diversifying investment portfolios to increase financial performance. |
| 6. | Tabe (2019) | Independent: premium
Dependent: return on asset and return on equity. | This study adopted quantitative method of study, using annual report data of Sharia business units for the period 2012-2016, using linear regression model. | The finding stated premium of Sharia life insurance companies significantly affect to profit. |
| 7. | Uddin et al., (2020) | Life insurance policies | This study used descriptive approach of research design | This paper examined various types of insurance policies and their impacts on individuals' lives, along with discussing the annual premium rates for endowment plans, three-payment plans, and six-payment plans. |
| 8. | Upadhyay & Dhaugoda, (2021) | Independent: premium collection
Dependent: investment pattern, EPS, ROE, and ROA | The study adopted descriptive and causal comparative, used four samples using simple random sampling, primary and secondary data used and correlation and regression used to analyze data. | This study shaded light on the significance of premium collection in investment pattern and profitability. |
| 9. | Wahyuddin & Mauliyana (2021) | Independent: premium revenue, underwriting results, investment results, and risk-based capital
Dependent: income | The study used 11 insurance companies as a sample and analyzed using multiple linear regression analysis. | The study also highlighted the importance of maintaining premium income, underwriting results, investment returns, and risk-based capital to increase company profits. |

10.	Chapagain (2021)	Independent: premium Dependent: net income	The study used secondary data of quantitative nature and analyzed data using correlation coefficient.	The study found that there was significant influence of term premium and renewal premium on net income in NLIC but insignificant in LICN.
11.	Theuri Kiboi & Bosire (2022)	Independent: Investment portfolio (government securities, real state, quoted shares and money market securities) Dependent: return on equity	The secondary data of 37 insurance was analyzed using correlation and simple regression.	The results showed that all four types of investments had a positive and significant impact on the return on equity for the companies studied.
12.	Shrestha (2022)	Independent: Investment on fixed deposits, Investment in bond, investment in shares, return on investment and return on premium Dependent: return on assets	The descriptive and analytical research design with secondary data of three samples used and data analyzed using correlation and regression.	The study found that the investment in indifferent sectors, return on investment and return on premium had positive significant impact on profitability.
13.	Adeel et al., (2022)	Independent: premium Dependent: profit	The study used secondary data from differences sources and analyzed using regression analysis	According to the study's findings, there is a significant relationship between earned premium and underwriting profit.
14.	Marwini & Lestari (2022)	Independent: investment, premium income and tabarru funds Dependent: corporate profits.	The study design was quantitative method. The data collected from annual report and Beema Samiti using purposive sampling and analyzed using multiple regression model using SPSS.	The study found that the investment and premium income impact on profit were found positive and significant. It also found the negative and significant impact of tabarru funds with profit.
15.	Subedi (2022)	Independent: long-term investment and short-term investment Dependent: return on equity	The study design was descriptive and causal comparative. The data collected from four samples of ten years span and analyzed using descriptive statistics, correlation and regression.	The correlation between long term investment and return on equity is found positive and insignificant whereas positive and significant between short term investment and return on equity.

16.	Riwayati & Natalia (2022)	Independent: premium income, underwriting ratio, return on investment and return on equity Dependent: profit	The study used 10 sample insurance using purposive sampling and analyzed secondary data using descriptive and inferential statistics	The analysis revealed that premium income, underwriting ratio, and return on investment positively and significantly affected insurance profit, while return on equity did not demonstrate a significant impact, exhibiting some signs of negativity.
17.	Hissiyah and Meylianingrum (2023)	Independent: premium income, investment returns, claim expenses and operating expenses Dependent: net profit	The research used descriptive approach with quantitative data using purposive sampling technique and analyzed using descriptive statistical analysis.	The study found that premium income, investment returns, claim expenses, and operating expenses to net profit have significant effect on net profit.

2.3.2 Review of other related literature

This section describes the policy, regulations other relevant aspects of provisions about the investment and premium. It states the different regulations and directives through government to the insurance sectors. Here, the act and directives are stated as follows:

2.3.2.1 Insurance Act 2079 (2022)

(Act No. 27 of 2079 BS) passed through legislative assembly and published in 2079.06.23 BS (09 October 2022). This act merged all previous acts and revisions made earlier in insurance. The clauses related to premium, and investment are enlisted below:

Section: 64

Rate of Premium (1): An insurer shall calculate the insurance premium based on insurance rate determined by Nepal Insurance Authority.

Restriction to issue policy without receiving full premium (2): An insurer shall not issue insurance policy without receiving full insurance premium.

Notwithstanding anything contained in sub-section (2), in case lump sum amount has not been fully paid up by any reason, insurance premium shall be deemed to have been received if the insurance policy has been issued under the guarantee of any bank or the GON stipulating the time period of payment. Provided, insurance policy shall not be issued under the bank guarantee for a period longer than 30 days.

Premium may be received in installment in case of life insurance (3): There shall be no prohibition to issue insurance policy receiving payments in installment in case of life insurance and partial payment for some specified non-life insurance.

Section: 73

Approval of Insurance authority is required (1): Insurer may establish its own subsidiary company or make investment in such company after taking approval from Insurance Authority.

Authority may specify certain terms and conditions while granting approval (2):

The insurance authority may prescribe necessary terms and conditions while granting approval to establish a subsidiary company or make investment in such company.

It shall be the duty of the concerned insurer to follow such terms and conditions.

Strict prohibition to establish subsidiary company to operate same type of business

(3): The insurer may not establish subsidiary company or make investment in such company to operate same type of insurance business which has been operated by insurer itself.

2.3.2.2 Insurance Rules, 2049 (1993)

The clauses related to premium, and investment are enlisted below:

Section: 4

Life insurance business (1): The insurer under life insurance business shall do following:

- i. Whole life insurance
- ii. Endowment life insurance
- iii. Term life insurance

(2) Whatever mentioned in clause (1), Nepal Insurance Authority may prescribe other categories of Life Insurance Business as required.

(3) The terms and conditions of the insurance policy issued under this section are as determined by Nepal Insurance Authority.

Section:12

Approval of Nepal Insurance Authority is compulsory upon investment in sector other than predetermined.

Section: 13

The insurer shall not provide loans and invest in the organization that has the same person as the insurer in board of directors of another company or having conflict of interest.

2.3.2.3 Life Insurer's Investment Directives, 2080

Directive no.: Life Insurance/01 (issued on 2079/08/20)

The Nepal Insurance Authority has recently revised Investment Directives of Life Insurers (Second Amendment) 2080. According to this, life insurers must invest at least 25 percent fund of total investment in government savings bonds, Nepal Rastra Bank savings bonds, and bonds guaranteed by the Nepal Government, state government, or local government. If the 25% threshold cannot be met, investments can be made in fixed deposits of licensed commercial banks or infrastructure development banks. The 30% threshold of total investment must be invested in fixed deposit of commercial bank and infrastructure development bank. The insurers must invest 10% threshold of total investment on fixed deposit on development banks and 5% threshold of fixed deposit on finance companies. The 30% limit on investment in bonds, debenture and promoter share of commercial banks, development banks and finance companies. The 20% limit of total investment on bond and debenture and 10% limit on common stock of listed companies. The ceiling on investment in Citizen Investment Trust and Mutual Funds is 5% and limit of 10% in real state of total investment. The 10% limit of total investment in agriculture, renewable energy, roads, transmission lines, health, and education. The insurance company can invest up to 5% in shares of the investment company.

Amendment made on Directive no.: Life Insurance/01 (issued on 2080/09/05)

In the private equity fund and venture capital established under approval of SEBON as per the Specialized Investment Fund Rules, insurance shall invest up to 5% of total investment and up to 1% of total investment in same fund.

2.4 Research gap

The aforementioned review provides an initial exploration of the pertinent issue. From this review, it becomes evident that there remain unresolved research questions regarding the proposed subject matter. Additionally, there is a shortage of studies utilizing recent data. Many researchers have underscored the importance of

understanding premium collection and investment sectors more descriptively to know the effect on profitability empirically in various country contexts. Consequently, there exists a gap in research, which this study aims to address by contributing to the current understanding of the subject using up-to-date data. However, it is important to acknowledge the significance of previous studies as they form the basis for the present investigation. This study studies three life insurance companies and six years' data, which are selected different from previous researchers. Previous study did not focus on comparable tools like to return on equity, return on investment and net profit margin as a dependent variable. Hissiyah and Meylianingrum (2023) used only net profit in study, Wahyuddin & Mauliyana (2021) only showed the relationship with income with independent variables. Chapagain (2021) only considered the different aspects of premium rather focusing on different premium policies. Theuri Kiboi and Bosire (2022) have used other sources ignoring investment in fixed deposit. The previous thesis of Shrestha (2022) only examined the impact on ROA and the different premium policies are ignored. Previous studies focused on premium collection and investment patterns while this study based on policies analysis under premium and investment of life insurance companies. Previous studies used only financial tools and ignored statistical tools, but this study used both financial and statistical tools. Previous studies were based on descriptive way only, but this study used descriptive and causal comparative basis. Therefore, there is a research gap, as no previous studies examined in detail policies under premium and different sectoral investment with four variables in profitability measured in terms of ROE, ROA, NPM and ROI, and it gives insight view in Nepalese insurance sector.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology refers to the systematic approach used to address research questions, encompassing the entire research process from conceptualization to data collection and analysis. The methodology chapter outlines the research design, sources of data, and the procedures for data collection and analysis, providing a structured framework for conducting the study.

3.1 Research design

This study focused on analyzing quantitative phenomena regarding the premium, investment, and profitability of three life insurance companies in Nepal: Asian Life Insurance Company Limited, Citizen Life Insurance Company Limited, and Reliable Nepal Life Insurance Company Limited. The objectives are formed according to research question to analyze status of premium, investment and profitability, correlation between them and impact of premium and investment on profitability based on available information, considering the annual reports of these selected life insurance companies. The study has adopted a causal comparative and descriptive approach of research design.

3.2 Population and sample, and sampling design

The population under consideration comprises insurance companies regulated by Nepal Insurance Authority, with a specific concentration on life insurance firms. There are 37 insurance companies in Nepal including 14 life insurance companies. This study focused on study based on status, relationship, and impact of the premium and investment on profitability of 3 life insurance companies listed on the Nepal Stock Exchange for 6 consecutive fiscal year starting from 2017/18 to 2022/23. The study is specifically focused on Asian Life Insurance Company Limited (ALICL), Citizen Life Insurance Company Limited (CLI) and Reliable Nepal Life Insurance Company Limited (RNLI). The convenience sampling method is used to select samples.

3.3 Nature and sources of data, and the instrument of data collection

The study relies on information from quantitative data from secondary sources. The data are collected from the annual reports of sample life insurance companies through balance sheets, profit and loss accounts, and notes to the account. Additional

information about sample companies is gathered from publications and websites of these insurance companies and Nepal Insurance Authority as per needs.

3.4 Method of analysis

The research has utilized financial and statistical techniques such as ratio analysis, standard deviation, coefficient of variation, correlation coefficient, regression model using SPSS 29 and Microsoft Excel to examine data gathered from secondary sources. The findings are displayed in tables, figures, with a straightforward interpretation. Information about raw data has been provided in appendices.

3.4.1 Financial tools

In essence, financial analysis tools were utilized to evaluate the status of premium collection, investment sectors and profitability of sample insurance companies. This study specifically employed ratio analysis to achieve the objective. Indeed, ratio analysis provided insights into premium collection, investment sectors, and profitability. The term "ratio" denotes a numerical connection between various components or variables. Ratios can take forms such as percentages, fractions, or comparisons between numbers. In this context, ratio analysis is employed to analyze product-wise premium collection, sector-wise investment, and profitability in comparison among sample insurance companies. The different ratios are calculated using following formulas:

$$\text{Net Profit Margin (NPM)} = \frac{\text{Net Income}}{\text{Total Income}}$$

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Asset}}$$

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Equity}}$$

$$\text{Return on Investment (ROI)} = \frac{\text{Net Income}}{\text{Total Investment}}$$

$$\text{EP to Gross Premium Earned} = \frac{\text{Premium on Endowment}}{\text{Gross Premium Earned}}$$

$$\text{AEP to Gross Premium Earned} = \frac{\text{Premium on Anticipated Endowment}}{\text{Gross Premium Earned}}$$

$$\text{ECWLP to Gross Premium Earned} = \frac{\text{Premium on Endowment Cum Whole Life}}{\text{Gross Premium Earned}}$$

$$\text{Investment in Fixed Deposit to Total Investment} = \frac{\text{Investment in Fixed Deposit}}{\text{Total Investment}}$$

$$\text{Investment in Debentures to Total Investment} = \frac{\text{Investment in Debentures}}{\text{Total Investment}}$$

$$\text{Investment in Equity to Total Investment} = \frac{\text{Investment in Equity Instruments}}{\text{Total Investment}}$$

3.4.2 Statistical tools

Statistical tools encompass the methods or instruments utilized to examine data gathered from secondary sources. Within statistics, there exists a different tool tailored for analyzing data of differing characteristics. In this research, different statistical tools including mean, standard deviation, coefficient of variation, correlation coefficient (r), regression analysis, analysis of variance have been employed, selected based on their relevance to the study's objectives.

3.4.2.1 Descriptive statistics

The descriptive statistic includes mean, standard deviation, and coefficient of variation under the study of impact analysis of premium and investment on profitability of Nepalese life insurance companies.

Mean (\bar{x})

The average rate of return is the average annualized profit or loss from an investment, reflecting its performance over a specific period, usually expressed as a percentage.

$$\text{Mean} = \frac{\sum R_j}{N}$$

R_j = Return of asset j

N = No. of observation

Standard deviation (SD)

Standard deviation is a statistical measure that quantifies the average distance of data points from the mean, revealing the spread or dispersion of a dataset. It provides a concise insight into how much individual data points deviate from the average, thus depicting the variability within the dataset.

$$\text{Standard Deviation (SD)} = \sqrt{\frac{(\sum R_j - \bar{R}_j)^2}{N-1}}$$

Where,

R_j = Return of asset j

\bar{R}_j = Average rate of return on asset j

N = No. of observation

Coefficient of variation (CV)

The coefficient of variation is a statistical measure that expresses the degree of variation in relation to the mean of a dataset, providing insight into the relative dispersion of values. It serves as a standardized measure, facilitating comparison between datasets of differing scales by expressing variability as a percentage of the mean.

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{R}}$$

Where,

σ = Standard deviation

\bar{R} = Average rate of return

3.4.2.2 Correlation of coefficient (r)

The correlation of coefficient is a measure that tells us how closely two variables move together. It quantifies the strength and direction of the relationship between them. A high positive correlation means that as one variable increases, the other tends to increase as well, while a high negative correlation indicates that as one variable increases, the other tends to decrease.

$$\text{Correlation coefficient (r)} = \frac{COV_{AB}}{\sigma_A \sigma_B}$$

Where,

COV_{AB} = Covariance between return from assets A and B

σ_A = Standard deviation of asset A

σ_B = Standard deviation of asset B

3.4.2.3 Multiple regression analysis

Regression analysis allows us to assess the relative movements of variables. In regression analysis, variables are categorized into dependent and independent variables. The dependent variable is the one being influenced or predicted, while the independent variable influences or aids in prediction. In multiple regression analysis, the method involves using two or more independent variables to forecast the value of a dependent variable, extending beyond the simplicity of single-variable regression. Essentially, this means that instead of relying on just one independent variable, multiple independent variables are employed to predict the value of the dependent variable. In the context of this study, profitability indicators like NPM, ROA, ROE and ROI serve as the dependent variables, while EP, AEP, ECWLP, FD, DEB and EQI are independent variables. The process of determining how the dependent variables are influenced by the independent variables is termed model specification.

Model I:

$$NPM = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

This model I help to predict in what extent premium on endowment (EP), premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD). Investment in debentures (DEB) and investment in equity instruments (EQI) affect net profit margin (NPM).

Model II:

$$ROA = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

This model II help to predict in what extent premium on endowment (EP), premium on anticipated endowment (AEP), premium on endowment cum whole life (EWCLP), investment in fixed deposit (FD). Investment in debentures (DEB) and investment in equity instruments (EQI) affect return on assets (ROA).

Model III:

$$ROE = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

This model III help to predict in what extent premium on endowment (EP), premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD). Investment in debentures (DEB) and investment in equity instruments (EQI) affect return on equity (ROE).

Model IV:

$$ROI = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

This model IV help to predict in what extent premium on endowment (EP), premium on anticipated endowment (AEP), premium on endowment cum whole life (EWCLP), investment in fixed deposit (FD). Investment in debentures (DEB) and investment in equity instruments (EQI) affect return on investment (ROI).

Where,

NPM = Net profit margin

ROA = Return on assets

ROE = Return on equity

ROI = Return on investment

EP = Premium on endowment

AEP = Premium on anticipated endowment

ECWLP = Premium on endowment cum whole life

FD = investment in fixed deposit

DEB = investment in debentures

EQI = investment in equity investment

ε = Epsilon

3.5 Research framework and definition of variables

Based on the objective of the dissertation, the study is based on schematic diagram as presented as follows:

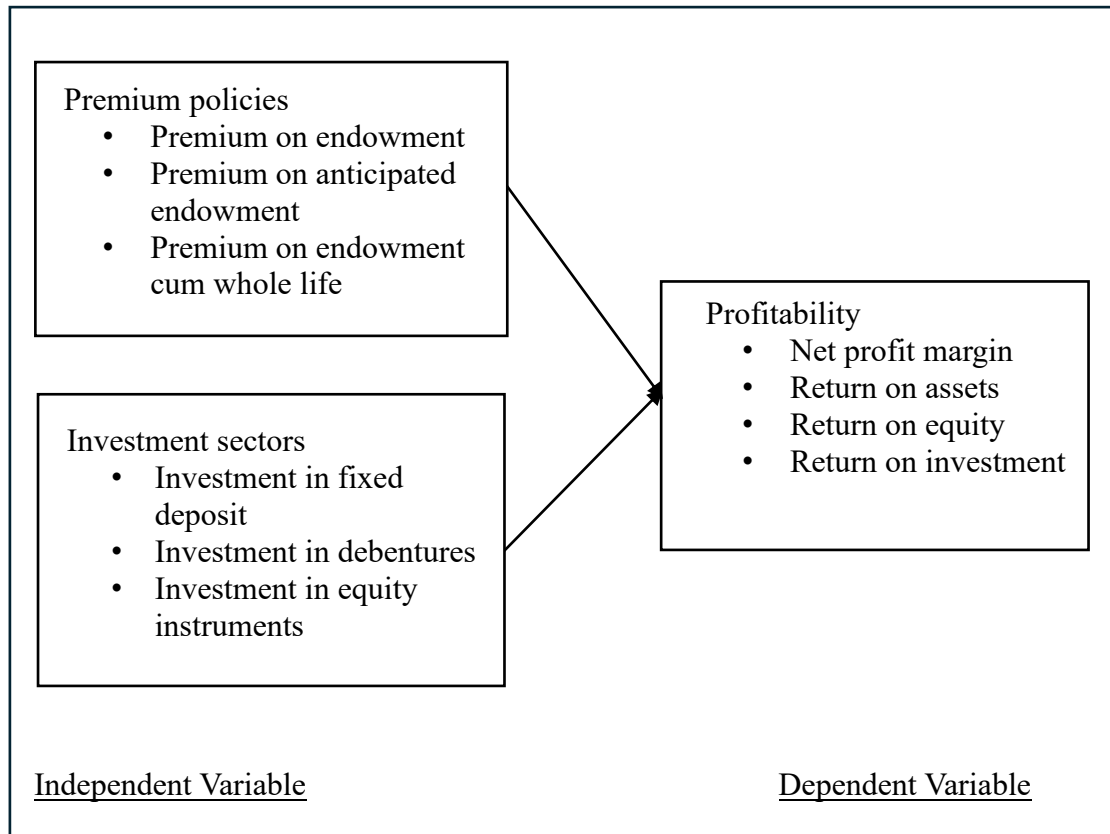


Figure 1
Research framework of the study

Independent variables

The variables used to measure premium, and investment serve as independent variables.

Premium on endowment (EP): It is the payment made by a policyholder for an endowment insurance policy, where a lump sum is paid out upon the policy's maturity or the insured's death, whichever occurs first. It refers to the amount paid periodically to maintain an endowment policy, combining life insurance coverage and an investment component that matures after a specified term (Black & Skipper, 2000, p. 97).

Premium on anticipated endowment (AEP): It means the payment made by a policyholder for an endowment insurance policy that anticipates a specific maturity date for the policy's payout, typically providing a lump sum at a predetermined future date. It denotes the payments made towards an endowment insurance policy designed to provide benefits before the policy's maturity, often for future needs like education or marriage (Life Insurance Association of India, 2019, p. 45).

Premium on endowment cum whole life (ECWLP): It signifies a policy that combines features of both endowment and whole life insurance, offering both a savings component and lifelong coverage with a death benefit payout. It is a hybrid policy where the premium covers an endowment policy up to a specific term, converting to a whole life policy thereafter (Singh & Dhillon, 2018, p. 112).

Investment in fixed deposit (FD): The amount of funds allocated to fixed deposit accounts, typically with a financial institution, for a specified period at a fixed interest rate. It is a placing a sum of money with a financial institution for a fixed period at a predetermined interest rate (Khan, 2017, p. 210).

Investment in debentures (DEB): It is the debt securities issued by commercial bank and other listed company in Nepal Stock Exchange. It is the purchasing debt instruments issued by a company that pay a fixed interest rate over a specified period, without collateral security (Fabozzi, 2016, p. 333).

Investment in equity instruments (EQI): It means the financial resources allocated to purchasing stocks of companies. It means the buying shares of a company, representing ownership interest and entitling the investor to a proportion of the company's profits (Reilly & Brown, 2012, p. 150).

Dependent variables

The variables used to measure profitability serve as dependent variables.

Net profit margin (NPM): NPM reflects a financial metric representing the percentage of revenue that remains as profit after all expenses are deducted (Brigham & Ehrhardt, 2013, p. 94).

Return on assets (ROA): It measures a profitability ratio indicating how efficiently a company utilizes its assets to generate profit, calculated as net income divided by total assets (Higgins, 2012, p. 58).

Return on equity (ROE): It is a financial performance metric that shows how efficiently a company is using its shareholders' equity to generate profits, calculated by dividing net income by shareholders' equity (Ross, Westerfield, & Jaffe, 2013, p. 87).

Return on investment (ROI): It is a metric used to assess how effectively an investment generates returns, determined by dividing the profit earned from the investment by its initial cost (Garrison, Noreen, & Brewer, 2015, p. 34).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter entails the analysis and interpretation of gathered data as a result. Its purpose is to analyze the collected data and present the outcomes to match the objectives. Presenting involves structuring data into tables and arranging it in a coherent manner. Analysis, on the other hand, aims to represent financial data either in tables or graphs to facilitate recommendations for corrective action. It utilizes a range of financial and statistical methods to meet the objectives of the study. The chapter then reveals the results and findings derived from both descriptive and inferential analysis.

4.1 Results

4.1.1 Financial analysis

It is a signal of evaluating premium, investment, and profitability position of sample insurance companies. In this stage, the premium collection and total investment and profitability of sample insurance companies are presented and interpreted.

4.1.1.1 Status of premium collection

Premium collection is a major source of income for insurance companies. Premium collection status of sample insurance companies is presented through table and figure.

Table 2
Status of Premium Collection

<i>(Rs. In Million)</i>			
Fiscal Year	ALICL	CLI	RNLI
2017/18	3,019.11	402.05	426.77
2018/19	4,220.17	1,164.98	1,370.93
2019/20	4,590.79	1,857.97	1,621.91
2020/21	5,919.71	3,556.71	3,072.37
2021/22	6,912.88	4,953.86	4,044.09
2022/23	7,016.66	5,893.27	3,795.87
Average	5,279.89	2,971.47	2,388.66

Source: From Appendix v

Additionally, Table 2 is also shown using Figure 2 to present the premium collection trend among the sample insurance companies.

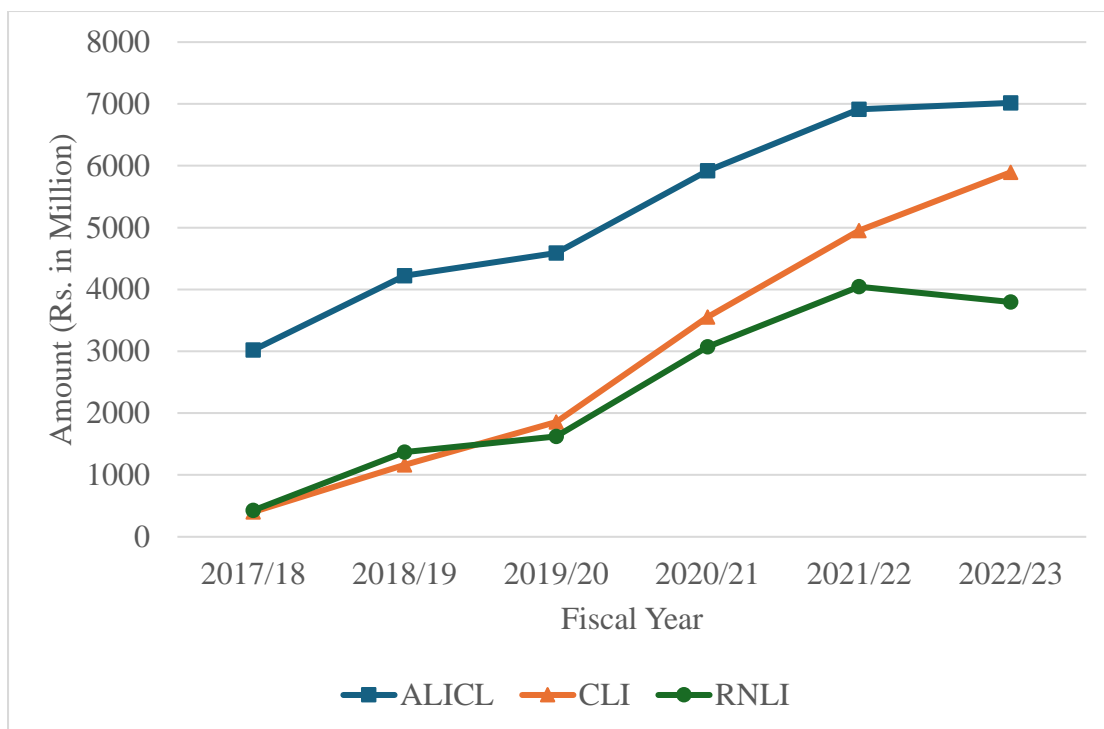


Figure 2
Status of Premium Collection

Table 2 and Figure 2 show the sum of premium collection status during the six consecutive fiscal years of sample insurance companies. The premium collection amount of insurance companies was in increasing trend beside the RNLI only has decreasing trend. The Premium collected by ALICL in fiscal year 2017/18 was Rs. 3019.11 million and increased after that and reached Rs. 7016.66 million in fiscal year 2022/23. The premium collection of CLI was Rs. 402.05 million and reached Rs 5893.27 million in fiscal year 2022/23. The RNLI collected Rs. 426.77 million in fiscal year 2017/18 and increased to Rs. 4044.09 million in fiscal year 2021/22 but declined in fiscal year 2022/23 to Rs. 3795.87 million. Thus, the ALICL has collected more premium than CLI and RNLI with average premium as presented in Table 2. ALICL is the leader among the sample companies in premium collections.

4.1.1.2 Status of total investment

Investment in insurance companies is a major asset to generate income in future years. The premiums collected through different policies are invested in different sectors to aid the inflation rate and to pay future claims and dividends to policyholders. The investment in insurance companies increase with the increase in premiums. In this section, the total investment status of the sample insurance companies is presented using a table and figure.

Table 3
Status of Total Investment

<i>(Rs. In Million)</i>			
Fiscal Year	ALICL	CLI	RNLI
2017/18	12,048.24	2,008.15	1,592.01
2018/19	16,248.74	2,632.4	2,627.2
2019/20	19,671.26	3,750.53	3,550.34
2020/21	27,805.02	5,272.57	5,130.73
2021/22	31,038	8,456.65	7,107.97
2022/23	34,484.33	12,127.15	10,426.87
Average	23,549.27	5,707.91	5,072.52

Source: From Appendix iv

Table 3 is also plotted in Figure 3 to present the investment trend of different sample companies in six consecutive fiscal years.

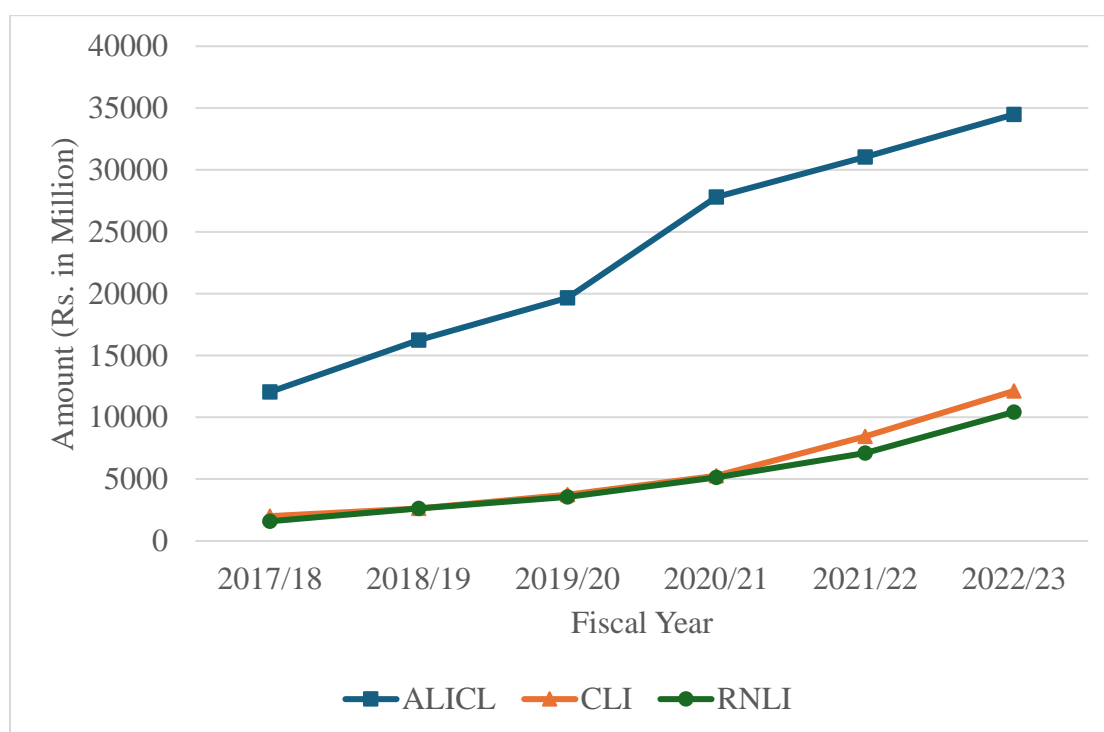


Figure 3
Status of Total Investment

Table 3 and Figure 3 shows the investment in total invested by the sample companies during the six consecutive year of the study period. The investment of the three sample companies had increased during the study duration. The ALICL was investing Rs. 12048.24 in fiscal year 2017/18 and it increased to Rs. 34484.33 in fiscal year 2022.23.

The CLI invested Rs. 2008.15 million in fiscal year 2017/18 and the investment increased and reached to Rs. 12127.15 million in fiscal year 2022/23. Moreover, the investment of RNLI was Rs. 1795.01 million in fiscal year 2017/18 and it increased to Rs. 10426.87 million in fiscal year 2022/23. From the perspective of average investment referring to Table 3, ALICL had higher average investment during the study period. ALICL is the leader among the sample companies in total investment volume.

4.1.1.3 Net profit margin

The ratio is related to net profit after tax and total income of the selected companies. The net profit margin (NPM) is calculated by dividing net profit after tax by total income of the insurance companies in different year. The net profit margin ratios of ALICL, CLI and RNLI for the period of fiscal year 2017/18 to 2022/23 are presented.

Table 4
Net Profit Margin

(In %)			
Fiscal Year	ALICL	CLI	RNLI
2017/18	2.19	18.53	6.42
2018/19	4.04	16.45	3.66
2019/20	4.17	12.3	12.75
2020/21	3.98	7.59	7.39
2021/22	4.26	6.51	7.72
2022/23	3.46	1.54	7.36
Mean	3.68	10.49	7.55
SD	0.78	6.45	2.95
CV	0.21	0.61	0.39
Minimum	2.19	1.54	3.66
Maximum	4.26	18.53	12.75

Source: From Appendix i

Table 4 is also plotted using Figure 4 to present the net profit margin of the sample insurance companies for the study duration of six years.

Table 4 and Figure 4 show the net profit margin of ALICL, CLI and RNLI during six fiscal years. The maximum net profit margin ratio was in fiscal years 2021/22, 2017/18 and 2019/20 of ALICL, CLI and RNLI are 4.26 percent, 18.53 percent, and 12.75 percent respectively.

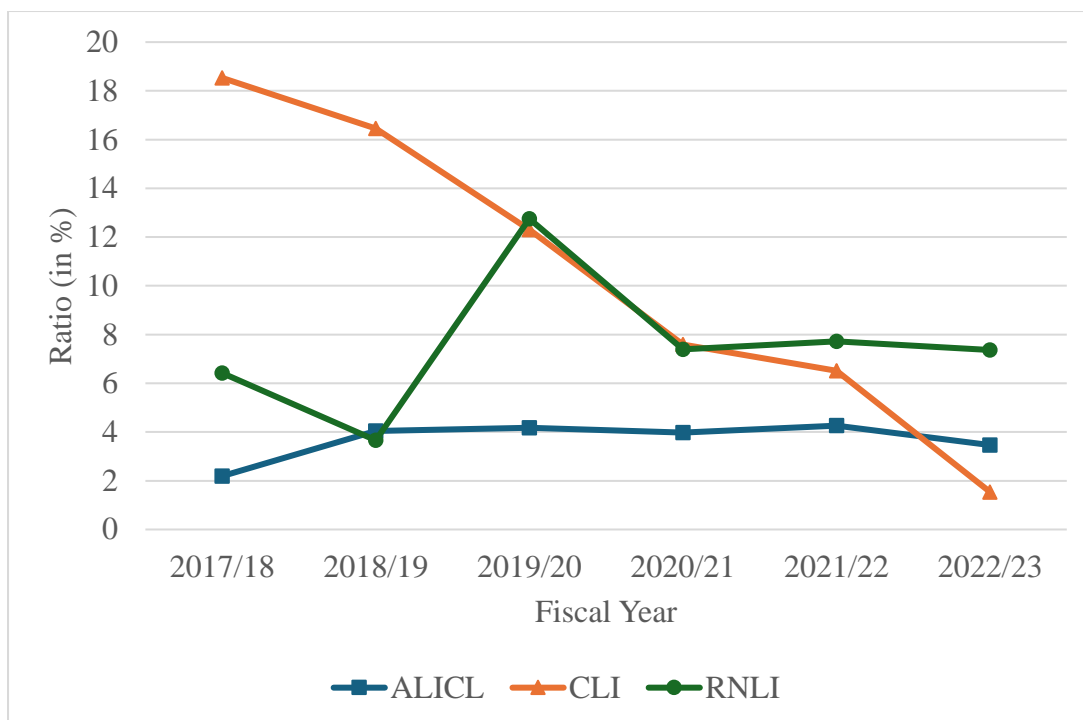


Figure 4
Net Profit Margin

Further, the minimum net profit margin ratio was in fiscal years 2017/18, 2022/23 and 2018/19 of ALICL, CLI and RNLI are 2.19 percent, 1.54 percent, and 3.66 percent respectively. The average ratio of ALICL, CLI and RNLI are 3.68 percent, 10.49 percent, and 7.55 percent respectively. The average net profit margin of CLI is far greater than ALICL and RNLI because of the initial year's higher net profit margin. The CLI is less risky i.e., 0.78 percent than CLI with 6.45 percent and RNLI with 2.95 percent. The ALICL is also more consistent with lower CV of 0.21 than 0.61 of CLI and 0.39 of RNLI. Among the three companies, the CLI had a fluctuating net profit margin compared to ALICL and RNLI. According to NPM analysis, the average NPM of all sample insurance companies is positive. Except CLI, others NPM are consistent.

4.1.1.4 Return on assets

The ratio of return on assets is determined by dividing the net profit after tax by total assets of the company. The return on assets shows the firm's capability, which shows how efficiently the firm is able to generate profit using its assets. This measure provides insight into the use of assets in generating profit. Return on assets ratio of ALICL, CLI and RNLI for the period of fiscal year 2017/18 to 2022/23 is presented in Table 5 and Figure 5.

Table 5
Return on Assets

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	0.61	4.75	1.80
2018/19	1.15	7.22	1.84
2019/20	1.09	5.67	5.90
2020/21	1.00	4.23	4.07
2021/22	1.08	3.57	4.09
2022/23	0.88	0.70	2.80
Mean	0.97	4.36	3.42
SD	0.20	2.19	1.58
CV	0.21	0.5	0.46
Minimum	0.61	0.7	1.8
Maximum	1.15	7.22	5.9

Source: From Appendix ii

Table 5 is also presented in Figure 5 to show the return on assets more precisely for ALICL, CLI and RNLI during the six consecutive year of the study.

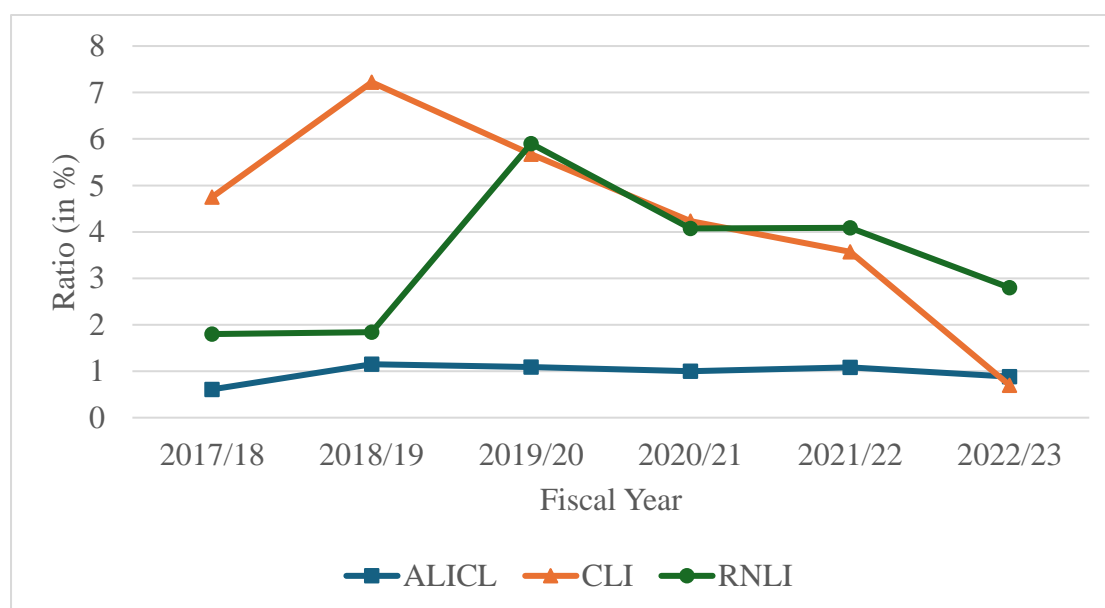


Figure 5
Return on Assets

Table 5 and Figure 5 represent the return on assets of ALICL, CLI and RNLI for the study period. The maximum return on assets ratio was in fiscal years 2018/19, 2018/19 and 2019/20 of ALICL, CLI and RNLI are 1.15 percent, 7.22 percent, and 5.9 percent respectively. Further, the minimum return on assets ratio was in fiscal years 2017/18, 2022/23 and 2017/18 of ALICL, CLI and RNLI are 0.61 percent, 0.7 percent, and 1.8 percent respectively. The average ratio for return on assets is 0.97 percent, 4.36 percent, and 3.42 percent for ALICL, CLI and RNLI respectively. This shows that the performance of ALICL is relatively weaker than others with 0.97 percent. The CLI has a higher average ratio with 4.36 percent and RNLI is following it with 3.42 percent. The risk of CLI is also higher with 2.19 percent and ALICL has 0.20 percent and RNLI has 1.58 percent. The CV of ALICL shows more consistent with CV 0.21 percent than CLI with 0.5 and RNLI with CV 0.46 percent. Among the return on assets of sample companies, it seems the CLI utilize its resources effectively with a higher average return on assets of 4.36 percent.

4.1.1.5 Return on equity

Return on equity is expressed in percentage value and is calculated by dividing the net income of the company by the total equity of the company. The return on equity ratio of ALICL, CLI and RNLI for the time horizon of six years is presented.

Table 6
Return on Equity

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	6.52	5.72	2.33
2018/19	8.92	10.92	3.63
2019/20	9.47	11.42	13.83
2020/21	10.07	11.3	12.52
2021/22	11.17	12.46	15.07
2022/23	10.25	2.56	8.32
Mean	9.4	9.06	9.28
SD	1.6	3.98	5.4
CV	0.17	0.44	0.58
Minimum	6.52	2.56	2.33
Maximum	11.17	12.46	15.07

Source: From Appendix iii

Table 6 is also presented in Figure 6 to show the line of return on equity of ALICL, CLI and RNLI during the six years of the study period.

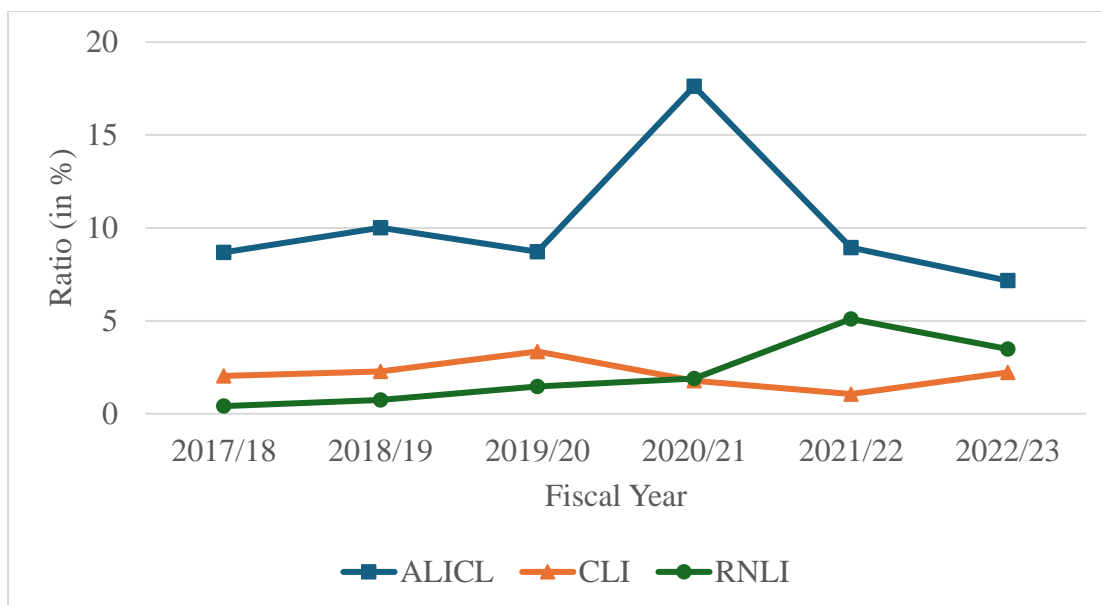


Figure 6
Return on Equity

Table 6 and Figure 6 shows the return on equity ratio of ALICL, CLI and RNLI for the six years period. The maximum return on equity ratio of ALICL was 11.17 percent in fiscal year 2021/22, CLI was 12.46 percent in fiscal year 2021/22 and RNLI was 15.07 percent in fiscal year 2021/22. Further the minimum return on equity ratio of ALICL was 6.52 in fiscal year 2017/18, CLI was 2.56 percent in fiscal year 2022/23 and RNLI was 2.33 in fiscal year 2017/8. The average ratio for return on equity ratio of ALICL is 9.4 percent, CLI is 9.06 percent and RNLI is 9.28 percent. The average ratio of all three sample companies is in equal line. From the perspective of risk measure, the CLI has higher SD with 3.98% and ALICL with 1.6 percent and RNLI with 5.5 percent. The CV of ALICL is 0.17 that shows more consistent that CLI having 0.44 and RNLI having 0.58. ALICL is performing better in terms of average ratio, SD, and CV than CLI and RNLI.

4.1.1.6 Return on investment

Return on investment is a financial measure that calculate the profitability of an investment relative to its cost, usually expressed as a percentage form. Return on investment ratio of ALICL, CLI and RNLI for the time horizon of six years is presented. Table 7 and Figure 7 represent the return on investment of ALICL, CLI and RNLI for the study period. The minimum return on equity ratio of ALICL was 0.76 in fiscal year 2017/18, CLI was 0.85 percent in fiscal year 2022/23 and RNLI was 2.06 percent in fiscal year 2018/19.

Table 7
Return on Investment

(In %)			
Fiscal Year	ALICL	CLI	RNLI
2017/18	0.76	5.29	2.1
2018/19	1.42	8.67	2.06
2019/20	1.37	7.17	6.73
2020/21	1.22	5.7	4.82
2021/22	1.3	4.45	4.82
2022/23	1.09	0.85	3.21
Mean	1.19	5.36	3.96
SD	0.24	2.67	1.83
CV	0.2	0.5	0.46
Minimum	0.76	0.85	2.06
Maximum	1.42	8.67	6.73

Source: From Appendix iv

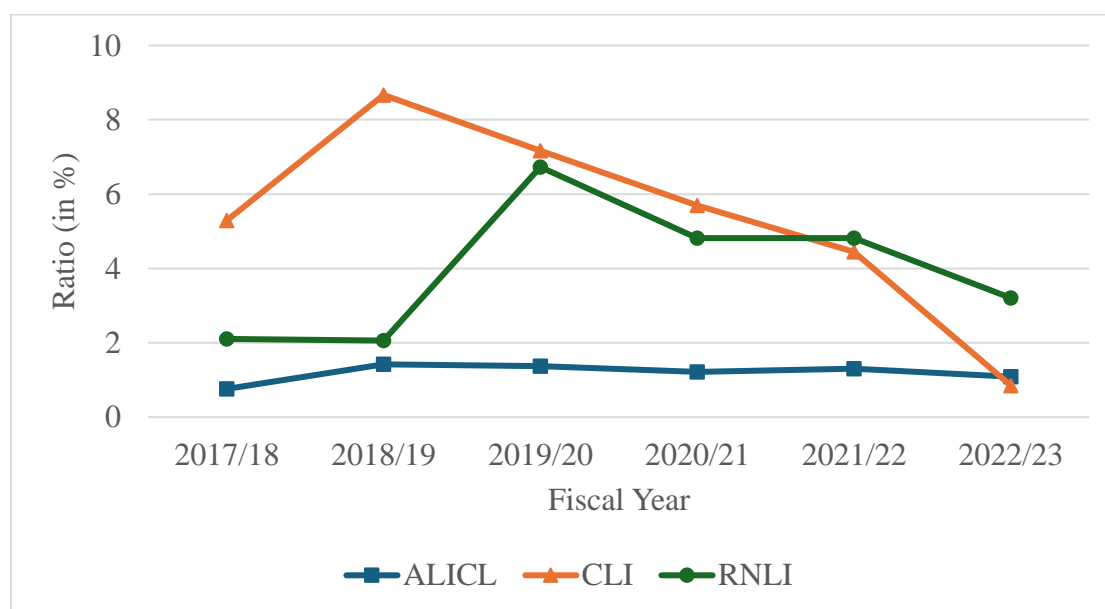


Figure 7
Return on Investment

Further, the maximum return on equity ratio of ALICL was 1.42 percent in fiscal year 2018/19, CLI was 0.85 percent in fiscal year 2022/23 and RNLI was 2.06 percent in fiscal year 2018/19. The average ratio for return on investment is 1.19 percent, 5.36 percent, and 3.96 percent for ALICL, CLI and RNLI respectively. This shows that the

performance of ALICL is relatively weaker than others with an average ratio of 1.19 percent. The CLI has a higher average ratio with 5.36 percent and RNLI is following it with 3.96 percent. The risk of CLI is also higher with 2.67 percent and ALICL has 0.24 percent and RNLI has 1.83 percent. The CV of ALICL shows more consistent than CLI with CV 0.2 percent and CLI with 0.5 percent and RNLI with CV 0.46 percent. Among the return on investment of sample companies, it seems the CLI utilize its investment effectively to generate an average return on investment of 5.36 percent.

4.1.1.7 Premium on endowment to gross premium earned

Premium on endowment to gross Premium Earned refers to the excess revenue generated from endowment policies in relation to the total revenue acquired from all types of insurance premiums is presented.

Table 8

Premium on Endowment to Gross Premium Earned

(In %)			
Fiscal Year	ALICL	CLI	RNLI
2017/18	71.42	19.73	23.13
2018/19	70.42	22.04	41.57
2019/20	71.43	30.81	39.79
2020/21	65.96	33.49	37.75
2021/22	63.24	44.56	39.42
2022/23	63.79	44.9	49.06
Mean	67.76	32.59	38.45
SD	3.87	10.73	8.49
CV	0.06	0.33	0.22
Minimum	63.24	19.73	23.13
Maximum	71.43	44.9	49.06

Source: From Appendix v

Table 8 is also presented in Figure 8 to show the status of premium on endowment to gross premium earned of ALICL, CLI and RNLI during the six years of the study period.

Table 8 and Figure 8 represent the decreasing trend of endowment premium of ALICL and increasing trend of endowment premium of CLI and RNLI. The endowment premium of ALICL in fiscal year 2017/18 was 71.42 percent of gross premium earned. Continuing the same ratio, it decreased to 63.79 percent in fiscal year 2022/23. The endowment premium of CLI was 19.73 percent in fiscal year 2017/18 and it increased

to 44.9 percent in fiscal year 2022/23. The RNLI also increased its endowment premium portion from 23.13 of fiscal year 2017/18 to 49.06 percent of fiscal year 2022/23. The maximum EP ratio of ALICL was 71.43 percent in fiscal year 2017/18, CLI was 44.9 percent in fiscal year 2022/23 and RNLI was 49.06 percent in fiscal year 2022/23. Further, the minimum EP ratio of ALICL was 63.24 percent in fiscal year 2021/22, CLI was 19.73 percent in fiscal year 2017/18 and RNLI was 23.13 percent in fiscal year 2017/18. The average endowment premium to gross premium earned ratio of ALICL, CLI and RNLI are 67.76 percent, 32.59 percent, and 23.23 percent respectively. The ALICL has a higher average ratio of endowment premium. The SD of CLI is higher with 10.73 percent where ALICL has 3.87 percent and RNLI has 8.49 percent.

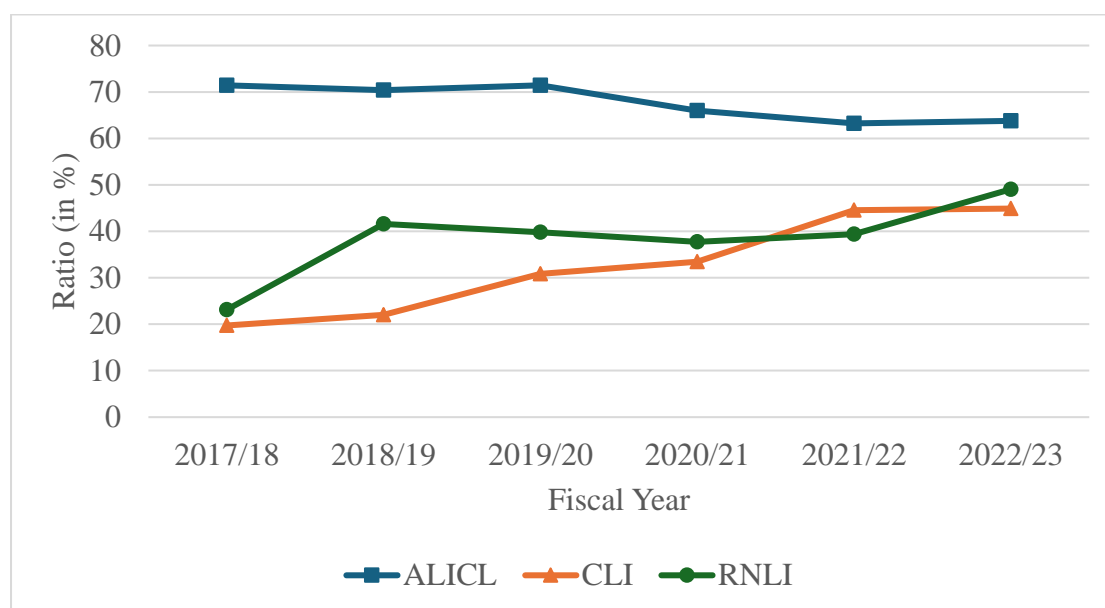


Figure 8

Premium on Endowment to Gross Premium Earned

The CV of ALICL shows more consistent with 0.06 where CLI has 0.33 and RNLI has 0.22 CV per unit.

4.1.1.8 Premium on anticipated endowment to gross premium earned

Premium on anticipated endowment to gross premium earned represents the excess income derived specifically from anticipated endowment policies when compared to the entirety of gross premiums earned. The ratio of anticipated endowment premium to gross premium earned is presented using table and figure.

Table 9 is also presented in Figure 9 to show the status of premium on anticipated endowment to gross premium earned of ALICL, CLI and RNLI during the six years of the study period.

Table 9
Premium on Anticipated Endowment to Gross Premium Earned

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	7.92	6.25	0.68
2018/19	6.61	19.18	0.27
2019/20	7.52	33.68	9.44
2020/21	16.31	37.83	21.9
2021/22	19.58	30.89	30.31
2022/23	18.56	26.68	33.79
Mean	12.75	25.75	16.07
SD	6.02	11.48	14.71
CV	0.47	0.45	0.91
Minimum	6.61	6.25	0.27
Maximum	19.58	37.83	33.79

Source: From Appendix vi

Table 9 and Figure 9 represent the decreasing trend of anticipated endowment premium of ALICL and CLI in recent year and increasing trend of anticipated endowment premium of RNLI throughout the year. The anticipated endowment premium of ALICL in fiscal year 2017/18 was 7.92 percent of gross premium earned. Continuing the increasing ratio till fiscal year 2021/22 of 19.58 percent, it decreased to 18.56 percent in fiscal year 2022/23. The anticipated endowment premium of CLI was 6.25 percent in fiscal year 2017/18 and it increased to 30.89 percent in fiscal year 2021/22 and decreased to 26.68 percent in fiscal year 2022/23. The RNLI also increased its anticipated endowment premium portion from 0.68 of fiscal year 2017/18 to 33.79 percent of fiscal year 2022/23. The maximum AEP ratio of ALICL was 19.58 percent in fiscal year 2021/22, CLI was 37.83 percent in fiscal year 2020/21 and RNLI was 33.79 percent in fiscal year 2022/23. Further, the minimum AEP ratio of ALICL was 6.61 percent in fiscal year 2018/19, CLI was 6.25 percent in fiscal year 2017/18 and RNLI was 0.27 percent in fiscal year 2018/19. The average anticipated endowment premium to gross premium earned ratio of ALICL, CLI and RNLI are 12.75 percent, 25.75 percent, and 16.07 percent respectively. The CLI has a higher average ratio of anticipated endowment premium. The SD of RNLI is higher with 14.71 percent where ALICL has 6.02 percent and CLI has 11.48 percent. The CV of CLI shows more consistent with 0.45 where ALICL has 0.47 and RNLI has 0.91 CV per unit.

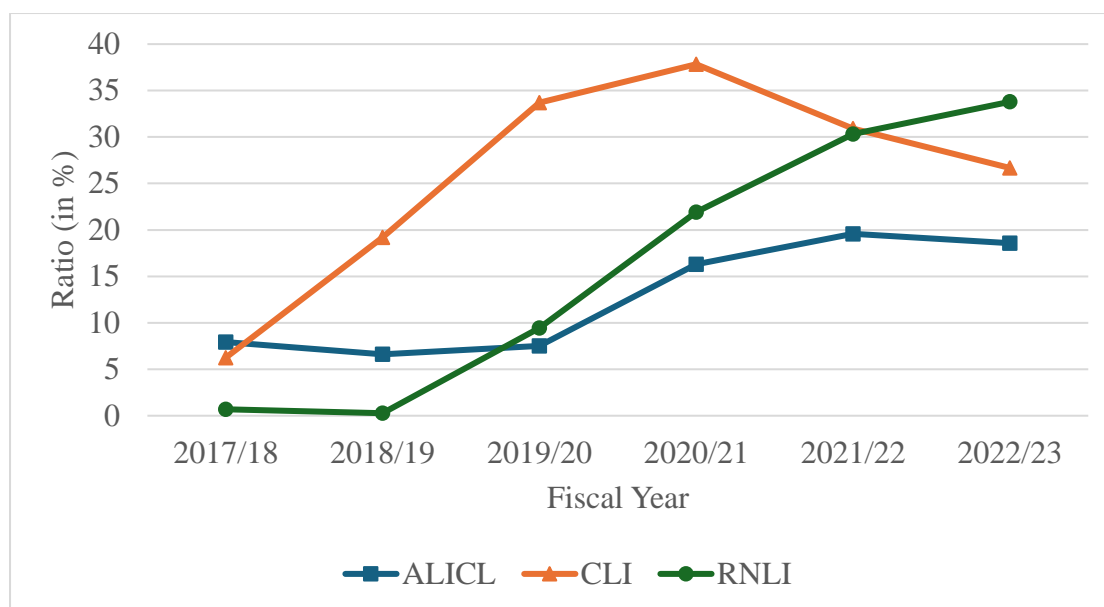


Figure 9

Premium on Anticipated Endowment to Gross Premium Earned

4.1.1.9 Premium on endowment cum whole life to gross premium earned

The Premium on endowment cum whole life to gross premium earned is the portion of additional revenue from endowment cum whole life insurance policies compared to total gross premiums earned. Ratio of endowment cum whole premium are presented using table and figure.

Table 10 and Figure 10 represent the decreasing trend of endowment cum whole life premium of ALICL, CLI and RNLI throughout the year. The endowment cum whole life premium of ALICL in fiscal year 2017/18 was 20.6 percent of gross premium earned. Continuing the increasing ratio till fiscal year 2018/19 of 22.33 percent, it decreased to 14.97 percent in fiscal year 2022/23. The endowment cum whole life premium of CLI was 18.19 percent in fiscal year 2017/18 and it increased to 40.62 percent in fiscal year 2018/19 and decreased to 14.4 percent in fiscal year 2022/23. The RNLI also increased its endowment cum whole life premium portion from 9.71 of fiscal year 2017/18 to 10.7 percent of fiscal year 2018/19 and decreased to 3.21 in fiscal year 2022/23. The maximum ECWLP ratio of ALICL was 22.33 percent in fiscal year 2018/19, CLI was 40.62 percent in fiscal year 2018/19 and RNLI was 10.7 percent in fiscal year 2018/19. Further, the minimum ECWLP ratio of ALICL was 14.97 percent in fiscal year 2022/23, CLI was 14.4 percent in fiscal year 2022/23 and RNLI was 3.21 percent in fiscal year 2022/23.

Table 10
Premium on Endowment Cum Whole Life to Gross Premium Earned

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	20.6	18.19	9.71
2018/19	22.33	40.62	10.7
2019/20	20.52	31.16	6.08
2020/21	17.33	19.85	3.99
2021/22	15.52	15.82	3.24
2022/23	14.97	14.4	3.21
Mean	18.55	23.34	6.16
SD	3.03	10.34	3.32
CV	0.16	0.44	0.54
Minimum	14.97	14.4	3.21
Maximum	22.33	40.62	10.7

Source: From Appendix vii

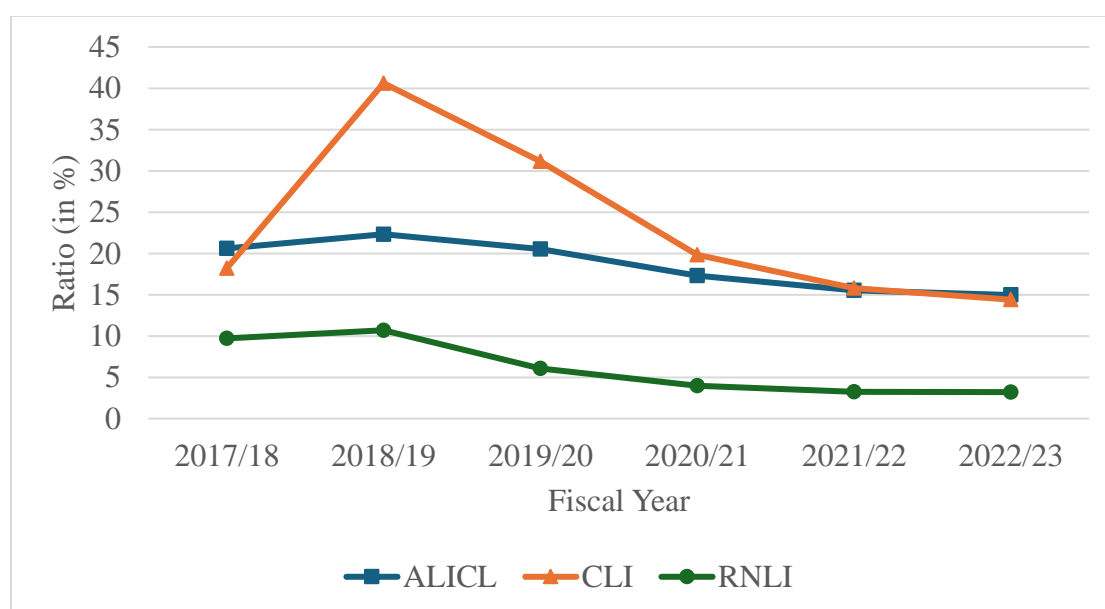


Figure 10
Premium on Endowment Cum Whole Life to Gross Premium Earned

The average endowment cum whole life premium to gross premium earned ratio of ALICL, CLI and RNLI are 18.55 percent, 23.34 percent, and 6.16 percent respectively. The CLI has a higher average ratio of endowment cum whole life premium. The SD of CLI is higher with 10.34 percent where ALICL has 3.03 percent and RNLI has 3.32 percent. The CV of ALICL shows more consistent with 0.16 where CLI has 0.44 and RNLI has 0.54 CV per unit.

4.1.1.10 Investment in fixed deposit to total investment

Investment in fixed deposit to total investment represents the proportion of funds allocated to fixed deposits relative to the overall investment portfolio. This metric reflects the strategic balance between stability and potential returns within an investment strategy, as fixed deposits typically offer a lower but assured rate of return compared to other investment avenues. It serves as an indicator of risk management and liquidity preference within an investment portfolio, highlighting the extent to which investors prioritize capital preservation and steady income generation over higher-risk, potentially higher-yield investment options. Ratio of fixed deposit to total investment is presented.

Table 11
Investment in Fixed Deposit to Total Investment

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	83.93	99.59	99.59
2018/19	81	90.72	91.83
2019/20	71.09	68.16	85.26
2020/21	66.03	64.5	75.39
2021/22	75.05	63.18	74.82
2022/23	72.69	66.88	79.66
Mean	74.97	75.51	84.43
SD	6.59	15.58	9.82
CV	0.09	0.21	0.12
Minimum	66.03	63.18	74.82
Maximum	83.93	99.59	99.59

Source: From Appendix viii

Table 11 is also presented in Figure 11 to show the status of investment in fixed deposit to total investment of ALICL, CLI and RNLI during the six years of the study period.

Table 11 and Figure 11 show both increasing and decreasing trends of fixed deposit investment of ALICL, CLI and RNLI during the study period. The ratio of ALICL was 83.93 percent of total investment made into fixed deposit in fiscal year 2017/18 and it decreased to 66.03 percent in fiscal year 2020/21 and increased to 75.05 percent in fiscal year 2021/22 and again decreased to 72.69 in fiscal year 2022/23. The CLI also invested 99.59 percent of its total investment in fixed deposit in fiscal year 2017/18 and it decreased to 63.18 in fiscal year 2021/22 and increased to 66.88 percent in fiscal year 2022/23. Likewise, the RNLI also invested 99.59 percent of its total investment in fixed

deposit in fiscal year 2017/18 and it decreased to 74.82 in fiscal year 2021/22 and increased to 66.88 percent in fiscal year 2022/23. The maximum FD ratio of ALICL was 83.93 percent in fiscal year 2017/18, CLI was 99.59 percent in fiscal year 2017/18 and RNLI was 99.59 percent in fiscal year 2017/18. Further, the minimum FD ratio of ALICL was 66.03 percent in fiscal year 2020/21, CLI was 63.18 percent in fiscal year 2021/22 and RNLI was 74.82 percent in fiscal year 2021/22. The average fixed deposit investment ratio of ALICL, CLI and RNLI are 74.97 percent, 75.51 percent, and 84.43 percent respectively. The risk (SD) of CLI is higher than ALICL and RNLI with 15.58 percent where ALICL has 6.59 percent and RNLI has 9.82 percent. It seems the ALICL is more consistent in measures of CV with 0.09 per unit where CLI has 0.21 and RNLI has 0.12 per unit variation.

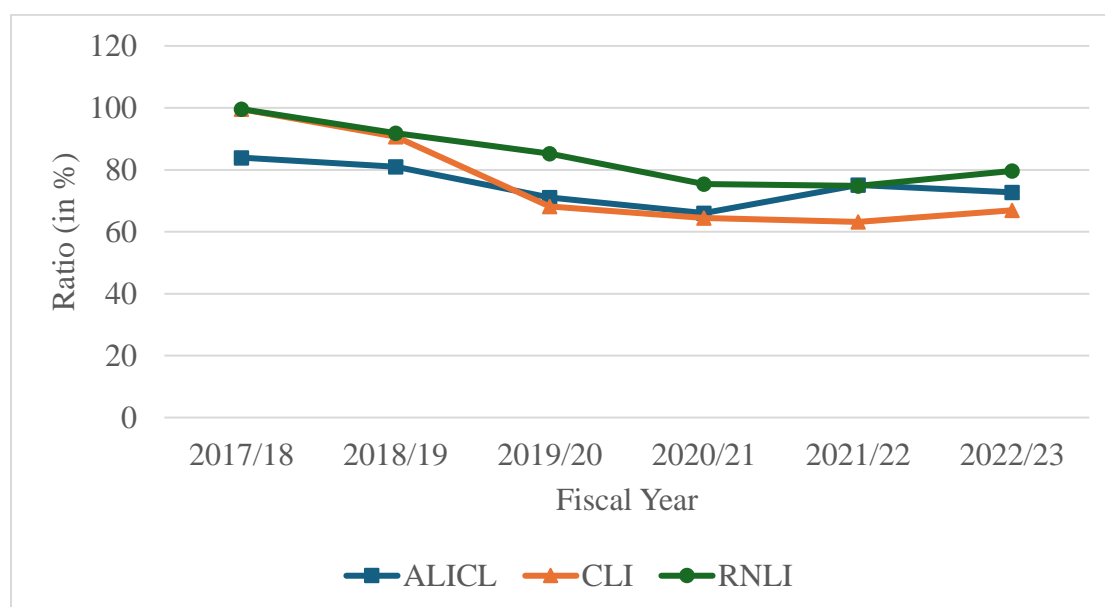


Figure 11
Investment in Fixed Deposit to Total Investment

4.1.1.11 Investment in debentures to total investment

Investment in debentures to total investment is a financial metric representing the proportion of a portfolio allocated specifically to debentures compared to the entire investment portfolio. It reflects the extent to which funds are allocated to debentures relative to other investment avenues. This ratio provides insight into the diversification strategy and risk exposure of an investment portfolio. A higher ratio suggests a heavier reliance on debentures, potentially indicating a preference for fixed income securities. Conversely, a lower ratio may signal a more diversified investment approach across

various asset classes. Ratio of investment in debentures to total investment is presented using table and figure.

Table 12
Investment in Debentures to Total Investment

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	4.83	0	0
2018/19	8.25	7.45	7.42
2019/20	20.19	28.49	13.27
2020/21	16.35	33.74	22.71
2021/22	16	35.76	20.08
2022/23	18.33	30.89	16.85
Mean	14	22.72	13.39
SD	6.06	15.11	8.47
CV	0.43	0.67	0.63
Minimum	4.83	0	0
Maximum	20.19	35.76	22.71

Source: From Appendix ix

Table 12 and Figure 12 show both increasing and decreasing trends of debentures investment of ALICL, CLI and RNLI during the study period. The ALICL had a ratio of 4.83 percent of total investment made into debentures in fiscal year 2017/18 and it increased to 20.19 percent in fiscal year 2019/20 and decreased to 16 percent in fiscal year 2021/22 and again increased to 18.33 in fiscal year 2022/23. The CLI also hadn't invested any money of its total investment in debentures in fiscal year 2017/18 but later its investment increased and reached 35.76 in fiscal year 2021/22 and decreased to 30.89 percent in fiscal year 2022/23. Likewise, the RNLI also had zero investment in debentures in fiscal year 2017/18 and it increased to 22.71 in fiscal year 2020/21 and later decreased to 16.85 percent in fiscal year 2022/23. The maximum DEB ratio of ALICL was 20.19 percent in fiscal year 2019/20 CLI was 35.76 percent in fiscal year 2021/22 and RNLI was 22.71 percent in fiscal year 2020/21. Further, the minimum DEB ratio of ALICL was 4.83 percent in fiscal year 2017/18, CLI and RNLI was null in fiscal year 2017/18. The average debentures investment ratio of ALICL, CLI and RNLI are 6.06 percent, 15.11 percent, and 8.47 percent respectively. The risk (SD) of CLI is higher than ALICL and RNLI with 15.11 percent where ALICL has 6.06 percent and RNLI has 8.47 percent. It seems the ALICL is more consistent in measures of CV with 0.43 per unit where CLI has 0.67 and RNLI has 0.63 per unit variation.

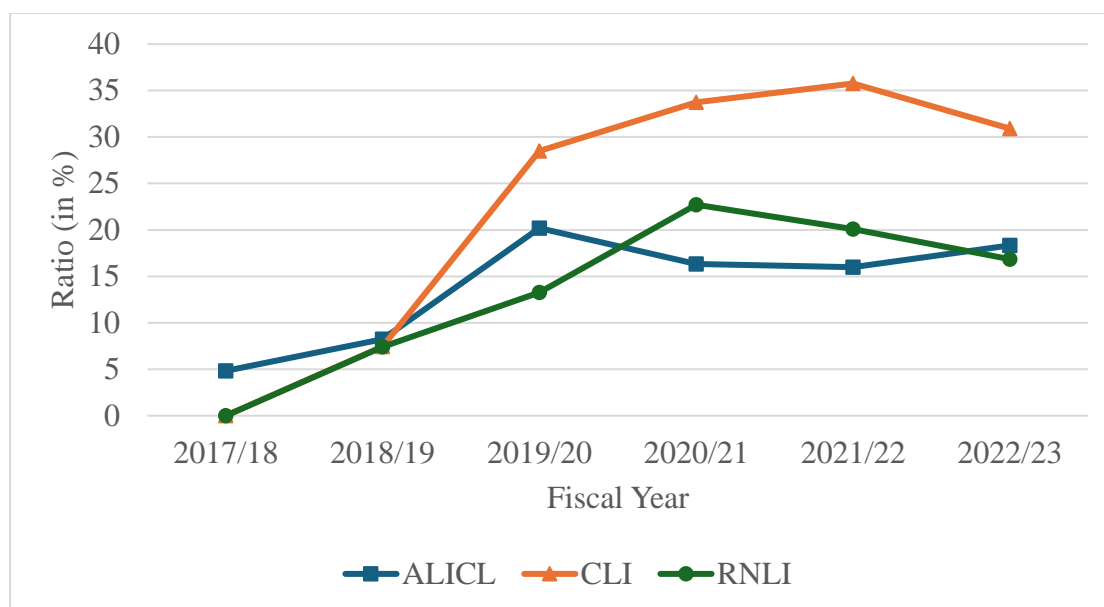


Figure 12

Investment in Debentures to Total Investment

4.1.1.12 Investment in equity instruments to total investment

Investment in equity instruments to total investment represents the proportion of a portfolio allocated specifically to equity instruments compared to the entire investment portfolio. It delineates the extent to which an investor's funds are deployed in stocks or equity-related assets relative to the overall investment strategy.

Table 13

Investment in Equity Instruments to Total Investment

	(In %)		
Fiscal Year	ALICL	CLI	RNLI
2017/18	8.69	2.04	0.41
2018/19	10.01	2.27	0.75
2019/20	8.72	3.35	1.47
2020/21	17.62	1.77	1.89
2021/22	8.95	1.06	5.1
2022/23	7.16	2.23	3.49
Mean	10.19	2.12	2.19
SD	3.75	0.75	1.79
CV	0.37	0.35	0.82
Minimum	7.16	1.06	0.41
Maximum	17.62	3.35	5.1

Source: From Appendix x

Table 13 is also presented in Figure 13 to show the status of investment in equity instruments to total investment of ALICL, CLI and RNLI during the six years of the study period.

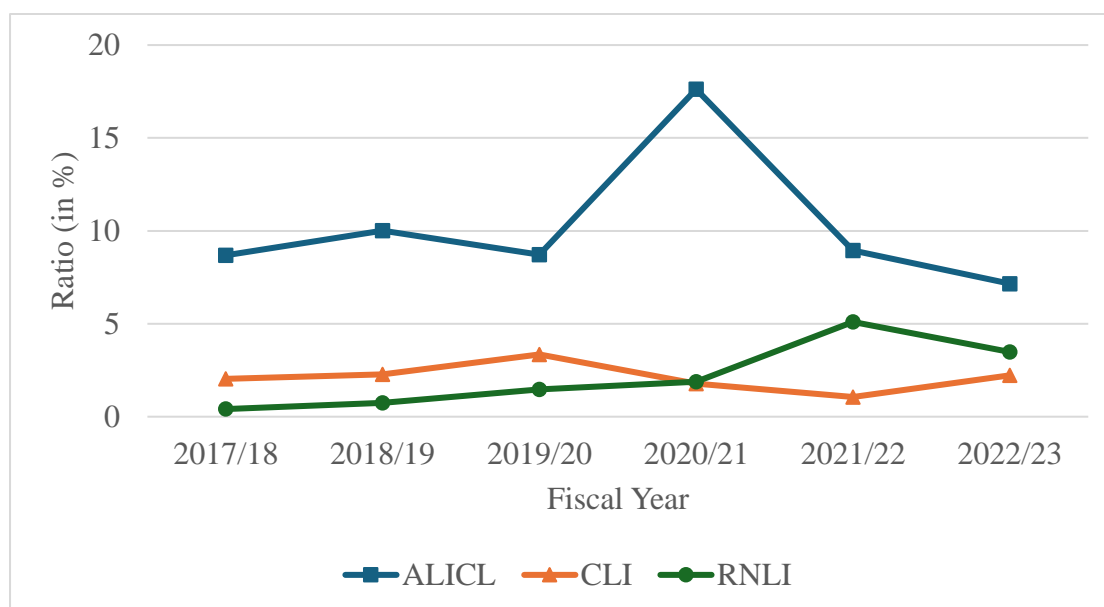


Figure 13

Investment in Equity Instruments to Total Investment

Table 13 and Figure 13 show fluctuating both increasing and decreasing trends equity instruments investment of ALICL, CLI and RNLI during the study period. The ratio of ALICL was 8.69 percent of total investment made in equity instruments in fiscal year 2017/18 and it increased to 10.01 percent in fiscal year 2018/19 and decreased to 8.72 percent in fiscal year 2019/20 and again increased to 17.62 in fiscal year 2020/21. Finally, the ratio of ALICL decreased to 7.16 percent in fiscal year 2022/23. The CLI also invested 2.04 percent of its total investment in equity instruments in fiscal year 2017/18 and it increased and reached 3.35 in fiscal year 2019/20 and later decreased to 2.23 percent in fiscal year 2022/23. Likewise, the RNLI also invested 0.41 percent of its total investment in fixed equity instruments in fiscal year 2017/18 and it increased to 5.1 in fiscal year 2021/22 and decreased to 3.49 percent in fiscal year 2022/23. The maximum EQI ratio of ALICL was 17.62 percent in fiscal year 2020/21, CLI was 3.35 percent in fiscal year 2019/20 and RNLI was 5.1 percent in fiscal year 2021/22. Further, the minimum DEB ratio of ALICL was 7.16 percent in fiscal year 2022/23, CLI was 1.06 percent in fiscal year 2021/22 and RNLI was 0.41 percent in fiscal year 2017/18. The average fixed deposit investment ratio of ALICL, CLI and RNLI are 10.19 percent, 2.12 percent, and 2.19 percent respectively. The risk (SD) of ALICL is higher than CLI and RNLI with 3.75 percent where CLI has 0.75 percent and RNLI has 1.79 percent. It

seems the CLI is more consistent in measures of CV with 0.35 per unit where ALICL has 0.37 and RNLI has 0.82 per unit variation.

4.1.2 Statistical analysis

Only use of financial tools is not sufficient to fulfil the objectives of this research. So, the different statistical tools like descriptive statistics, correlation coefficient and regression are performed to derive the tendency, relation, and impact between dependent and independent variables. For this purpose of the analysis, the following methods are performed.

4.1.2.1 Descriptive statistics

The premium and investment impact on profitability with several dependent and independent variables. The descriptive statistics includes mean, standard deviation, coefficient of variation, minimum and maximum values of ALICL, CLI and RNLI from fiscal year 2017/18 to 2022/23 are presented in Table 14.

Table 14
Descriptive Statistics of Variables of Sample Insurances

Variables	N	Minimum	Maximum	Mean	Standard Deviation	Coefficient of Variation
NPM	18	1.54	18.53	7.24	4.81	0.66
ROA	18	0.61	7.22	2.91	2.08	0.71
ROE	18	2.33	15.07	9.25	3.74	0.4
ROI	18	0.76	8.67	3.5	2.5	0.71
EP	18	19.73	71.43	46.25	17.58	0.38
AEP	18	0.27	37.83	18.19	12.05	0.66
ECWLP	18	3.21	40.62	16.01	9.64	0.6
FD	18	63.18	99.59	78.3	11.51	0.15
DEB	18	0	35.76	16.7	10.88	0.65
EQI	18	0.41	17.62	4.83	4.52	0.94

Note. NPM = Net Profit Margin, ROA = Return on Assets, ROE = Return on Equity, ROI = Return on Investment, EP = Premium on Endowment, AEP = Premium on Anticipated Endowment, ECWLP = Premium on Endowment Cum Whole Life, FD = Investment in Fixed Deposit, DEB = Investment in Debentures, and EQI = Investment in Equity Instruments.

Source: From SPSS using data from Appendix xi

Table 14 presents that the net profit margin ranges from 1.54 percent to 18.53 percent leading to an average of 7.24 percent with total variation of 4.81 percent and CV of 0.66 per unit variation. The average return on assets of the insurance companies during

the study period is 2.91 with minimum 0.61 percent to maximum 7.22 percent with total variation of 2.08. The CV of the insurance companies is 0.71 in return on assets. Likewise, return on equity has a minimum of 2.33 percent and maximum of 15.07 with mean 9.25 percent and standard deviation 3.74 percent and with CV of 0.4 per unit variation. The return on investment has a minimum value of 0.76 percent and a maximum of 8.67 percent with a mean of 3.5 percent with the standard deviation of 2.5 percent and CV of 0.71 per unit variation.

The premium on endowment to gross premium earned has a minimum value of 19.73 percent and maximum value of 71.43 percent with mean of 46.25 percent with SD of 17.58 percent variation and per unit variation of 0.38 as per coefficient of variation. The premium on anticipated endowment to gross premium earned has a minimum ratio of 0.27 percent and maximum ratio of 37.83 percent with average of 46.25 percent with SD of 17.58 percent and with CV of 0.38 per unit variation measure. The minimum ratio of 3.21 percent and maximum ratio of 40.62 percent of premium on endowment cum whole life to gross premium earned with average of 16.01 with standard deviation of 9.64 and coefficient of variation of 0.6. The investment in fixed deposit to total investment has minimum ratio of 63.18 percent and maximum ratio of 99.59 percent with 78.3 percent mean with 11.51 percent total variation and 0.15 per unit variation. The investment in debentures to total investment has maximum ratio of 17.62 percent and minimum value zero with total variation 10.88 percent with average of 16.7 percent and CV of 0.65 represent per unit variation. The minimum ratio of 0.41 percent and maximum ratio of 17.62 percent with average of 4.83 percent and total variation of 4.52 percent and per unit variation of 0.94.

4.1.2.2 Coefficient of correlation

A coefficient of correlation is a statistical measure used to assess the strength and direction of the relationship between two variables. It measures how much changes in one variable correspond to changes in another variable. This measurement helps determine how closely the variables move together: whether they move in the same direction (positive correlation), in opposite directions (negative correlation), or show no apparent relationship. Among the different methods of computing correlation coefficient, Karl Pearson's method is applied. The correlation coefficient always computes the relation between variables between -1 and +1. The value of r equals +1 represents perfectly positive relationship between two variables and vice versa. The

value of r equals to 0 represents absence of relationship and the value of r equals to -1 represents perfectly negative relationship between variables.

Table 15
Pearson Correlation Analysis of Study Variables

Variables	NPM	ROA	ROE	ROI	EP	AEP	ECWLP	FD	DEB	EQI
NPM	1									
ROA	.888**	1								
	0.000									
ROE	0.259	.482*	1							
	0.300	0.043								
ROI	.862**	.996**	.500*	1						
	0.000	0.000	0.035							
EP	-.739**	-.753**	0.070	-.743**	1					
	0.000	0.000	0.781	0.000						
AEP	0.064	0.314	.499*	0.365	-0.158	1				
	0.802	0.205	0.035	0.136	0.531					
ECWLP	0.307	0.253	-0.006	0.292	-0.057	0.007	1			
	0.215	0.310	0.980	0.239	0.822	0.978				
FD	0.426	0.180	-0.463	0.118	-0.410	-.705**	-0.024	1		
	0.078	0.476	0.053	0.640	0.091	0.001	0.926			
DEB	-0.224	0.076	0.430	0.135	0.058	.811**	-0.039	-.906**	1	
	0.372	0.764	0.075	0.592	0.819	0.000	0.878	0.000		
EQI	-0.426	-.541*	0.146	-.533*	.779**	-0.140	0.154	-0.328	-0.097	1
	0.078	0.020	0.563	0.023	0.000	0.580	0.542	0.184	0.701	

Note. NPM = Net Profit Margin, ROA = Return on Assets, ROE = Return on Equity, ROI = Return on Investment, EP = Premium on Endowment, AEP = Premium on Anticipated Endowment, ECWLP = Premium on Endowment Cum Whole Life, FD = Investment in Fixed Deposit, DEB = Investment in Debentures, and EQI = Investment in Equity Instruments. * Indicates $p < .05$. ** Indicates $p < .01$.

Source: From Appendix xii

Table 15 indicates the relationship between independent variables and dependent variables. The independent variables are EP, AEP, ECWLP, FD, DEB and EQI whereas dependent variables are NPM, ROA, ROE, and ROI.

The correlation coefficient value of the NPM with ROA, ROE, ROI, EP, AEP, ECWLP, FD, DEB and EQI are 0.888**, 0.259, 0.862**, (-0.739**), 0.064, 0.307, 0.426, (-0.224)

and (-0.426) respectively. The NPM has positive correlation with ROA, ROE, ROI, AEP, ECWLP, and FD. Among them, the NPM has significant positive correlation with ROA (Pearson's $r = 0.888$, $p < 0.01$) and ROI (Pearson's $r = 0.862$, $p < 0.01$). The NPM has a significant negative correlation with EP (Pearson's $r = (-0.739)$, $p < 0.01$). NPM has a negative relationship with DEB and EQI.

The correlation coefficient value of the ROA with ROE, ROI, EP, AEP, ECWLP, FD, DEB and EQI are 0.482^* , 0.996^{**} , (-0.753^{**}) , 0.314 , 0.253 , 0.180 , 0.076 and (-0.541^*) respectively. The ROA has a positive relationship with ROE, ROI, AEP, ECWLP, FD and DEB. Among them, ROA has significant positive correlation with ROE (Pearson's $r = 0.482$, $p < 0.05$) and ROI (Pearson's $r = 0.996$, $p < 0.01$). ROA has significant negative correlation with EP (Pearson's $r = -0.753$, $p < 0.01$) and EQI (Pearson's $r = -0.541$, $p < 0.05$).

The correlation coefficient value of the ROE with ROI, EP, AEP, ECWLP, FD, DEB and EQI are 0.500^* , 0.070 , 0.499^* , (-0.006) , (-0.463) , 0.430 , and 0.146 respectively. ROE has a positive correlation with ROI, EP, AEP, DEB and EQI and a negative correlation with ECWLP and FD. Among them, ROE has significant positive relationship with ROI (Pearson's $r = 0.500$, $p < 0.05$) and AEP (Pearson's $r = 0.499$, $p < 0.05$).

The correlation coefficient value of the ROI with EP, AEP, ECWLP, FD, DEB and EQI are (-0.743^{**}) , 0.365 , 0.292 , 0.118 , 0.135 , and (-0.533^*) respectively. ROI has a positive correlation with AEP, ECWLP, FD and DEB. ROI has significant negative relationship with EP (Pearson's $r = -0.743$, $p < 0.01$) and EQI (Pearson's $r = -0.533$, $p < 0.05$).

4.1.2.3 Regression analysis

The researcher endeavored to construct a regression model in this study and there are four models under multiple regression analysis considering four dependent variables: NPM, ROA, ROE, and ROI.

Model I: NPM as dependent variable and EP, AEP, ECWLP, FD, DEB and EQI as independent variables.

Table 16 shows the relationship between dependent variable (NPM) and independent variables (EP, AEP, ECWLP, FD, DEB and EQI) of the sample insurance companies during the study period. The R column has value of R that expresses independent

variables' quality to predict dependent variable. The value of R is 0.857 that represents a strong linear relationship between variables. The coefficient of determination (R square) value is 0.734. It means that independent variable (NPM) explained by dependent variable (EP, AEP, ECWLP, FD, DEB and EQI) is 73.4 percent and remaining 26.6 percent by other factors. Similarly, after adjusting the degree of freedom, adjusted R square is 0.589, indicating that the different behavioral factors explain 58.9 percent of the variation of NPM. The standard error of estimate is 3.085, indicating that the variability of the observed value of NPM from the regression line is 3.085.

Table 16
Model Summary of Net Profit Margin

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 ^a	0.734	0.589	3.085

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xiii

Table 17
Analysis of Variance (ANOVA) of Net Profit Margin

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	289.428	6	48.238	5.068	.010 ^b
	Residual	104.689	11	9.517		
	Total	394.117	17			

a. Dependent Variable: NPM

Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xiii

The result of the analysis of variance presented in Table 17 shows the P-value is 0.010^b, which is less than 0.05. There is a significant impact on NPM by EP, AP, ECWLP, FD, DEB and EQI as a predictor with 95 percent confidence interval. The ANOVA table indicates that the fitted model or R square is significant (F (6,11) = 5.068, p = 0.010). It means that the model is fit. The F-value illustrates the strong correlation between NPM and influencing variables.

In Table 18, NPM is the dependent variable and EP, AEP, ECWLP, FD, DEB and EQI are the dependent variable. The study developed the regression equation using the data of Table 18.

$$\hat{Y} = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

Therefore,

$$\hat{Y} = -185.227 - 0.097 * EP + 0.154 * AEP + 0.137 * ECWLP + 1.964 * FD + 1.735 * DEB + 1.895 * EQI + \varepsilon$$

Table 18
Regression Coefficients Analysis of Net Profit Margin

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-185.227	131.837		-1.405	0.188
	EP	-0.097	0.112	-0.352	-0.864	0.406
	AEP	0.154	0.124	0.386	1.240	0.241
	ECWLP	0.137	0.084	0.274	1.635	0.130
	FD	1.964	1.290	4.694	1.522	0.156
	DEB	1.735	1.251	3.919	1.388	0.193
	EQI	1.895	1.180	1.780	1.607	0.136

a. *Dependent Variable: NPM*

Source: From Appendix xiii

Table 18 shows that NPM is negatively affected by EP with beta coefficient of -0.097 and positively affected by AEP, ECWLP, FD, DEB and EQI with beta coefficient 0.154, 0.137, 1.964, 1.735, 1.895 respectively. The analysis results present that the EP has negligible negative impact on NPM and negligible positive impact of AEP, ECWLP, FD, DEB and EQI on NPM. The p value of all variables individually is greater than 0.05 that shows the relation insignificant at 95 percent confidence level and the variables are not the significant predictor of net profit margin. Since, the first hypothesis is rejected that the EP has negative impact on NPM. The second hypothesis is accepted that the FD, DEB and EQI have positive impact on NPM.

Model II: ROA as dependent variable and EP, AEP, ECWLP, FD, DEB and EQI as independent variables.

Table 19 shows the relationship between dependent variable (ROA) and independent variables (EP, AEP, ECWLP, FD, DEB and EQI) of the sample insurance companies during the study period. The value of R is 0.813 that represents expresses independent variable's strong linear relationship with dependent variables. The coefficient of determination (R square) value is 0.661. It means that independent variable ROA explained by dependent variable (EP, AEP, ECWLP, FD, DEB and EQI) is 66.1 percent

and the remaining 33.9 percent by other factors. Similarly, after adjusting the degree of freedom, the adjusted R square is 0.476, indicating that the different behavioral factors explain 47.6 percent of the variation of ROA. The standard error of estimate is 1.51, indicating that the variability of the observed value of ROA from the regression line is 1.51. As a result, the researcher noted that the independent factors impacted the profitability.

Table 19
Model Summary of Return on Assets

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813 ^a	0.661	0.476	1.50563

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xiv

Table 20
Analysis of Variance (ANOVA) of Return on Assets

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	48.590	6	8.098	3.572	.033 ^b
	Residual	24.936	11	2.267		
	Total	73.526	17			

a. Dependent Variable: ROA

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xiv

The result of the analysis of variance presented in Table 20 shows the P-value is 0.033^b, which is less than 0.05. There is a significant relationship between ROA and predictors (EP, AP, ECWLP, FD, DEB and EQI) with 95 percent confidence interval. The ANOVA table indicates that the fitted model or R square is significant (F (6,11) = 3.572, p = 0.033). It means that the model is fit. The F-value illustrates the strong correlation between ROA and influencing variables.

Table 21 estimated equation can be explained by taking the values from the model II:

$$\hat{Y} = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

Therefore,

$$\hat{Y} = -22.158 - 0.063 * EP + 0.061 * AEP + 0.049 * ECWLP + 0.269 * FD + 0.234 * DEB + 0.226 * EQI + \varepsilon$$

Table 21
Regression Coefficients Analysis of Return on Assets

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-22.158	64.343		-0.344	0.737
	EP	-0.063	0.055	-0.529	-1.147	0.276
	AEP	0.061	0.061	0.353	1.003	0.337
	ECWLP	0.049	0.041	0.228	1.203	0.254
	FD	0.269	0.630	1.488	0.427	0.677
	DEB	0.234	0.610	1.225	0.384	0.708
	EQI	0.226	0.576	0.492	0.393	0.702

a. Dependent Variable: ROA

Source: From Appendix xiv

Table 21 shows that ROA is negatively affected by EP with beta coefficient of -0.063 and positively affected by AEP, ECWLP, FD, DEB and EQI with beta coefficient 0.061, 0.049, 0.269, 0.234, 0.226 respectively. The analysis results present that the EP has negligible negative impact on ROA and negligible positive impact of AEP, ECWLP, FD, DEB and EQI on ROA. The p value of all variables individually is greater than 0.05 that shows the relation insignificant at 95 percent confidence level and the variables are not the significant predictor of return on assets. Since, the first hypothesis is rejected that the EP has negative impact on ROA. The second hypothesis is accepted that the FD, DEB and EQI have positive impact on ROA.

Model III: ROE as dependent variable and EP, AEP, ECWLP, FD, DEB and EQI as independent variables.

Table 22 shows the relationship between dependent variable (ROE) and independent variables (EP, AEP, ECWLP, FD, DEB and EQI) of the sample insurance companies during the study period. The value of R is 0.551 that expresses independent variable's moderate linear relationship with dependent variables. The coefficient of determination (R square) value is 0.304. It means that independent variable ROE explained by dependent variable (EP, AEP, ECWLP, FD, DEB and EQI) is 30.4 percent and the remaining 69.6 percent by other factors. Similarly, after adjusting the degree of freedom, the adjusted R square is -0.076, indicating that model is not fit. The standard error of estimate is 3.88, indicating that the variability of the observed value of ROE from the regression line is 3.88.

Table 22
Model Summary of Return on Equity

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.551 ^a	0.304	-0.076	3.88122

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xv

Table 23
Analysis of Variance (ANOVA) of Return on Equity

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	72.365	6	12.061	0.801	.589 ^b
	Residual	165.703	11	15.064		
	Total	238.068	17			

a. Dependent Variable: ROE

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xv

The result of the analysis of variance presented in Table 23 shows the P-value is 0.589^b, which is greater than 0.05. There is an insignificant relationship between ROE and predictors (EP, AP, ECWLP, FD, DEB and EQI) with 95 percent confidence interval. The ANOVA table indicates that the fitted model or R square is insignificant (F (6,11) = 0.801, p = 0.589). It means that the model of ROE is not fit.

Table 24 estimated equation can be explained by taking the values from the model III:

$$\hat{Y} = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

Therefore,

$$\hat{Y} = 4.773 - 0.026 * EP + 0.134 * AEP - 0.024 * ECWLP + 0.017 * FD + 0.057 * DEB + 0.283 * EQI + \varepsilon$$

Table 24 shows that ROE is negatively affected by EP, ECWLP with beta coefficient of -0.026, -0.024 and positively affected by AEP, FD, DEB and EQI with beta coefficient 0.134, 0.017, 0.057, 0.283 respectively. The analysis results present that the EP and ECWLP has negligible negative impact on ROE and negligible positive impact of AEP, FD, DEB and EQI on ROE. The p value of all variables individually is greater than 0.05 that shows the relation insignificant at 95 percent confidence level and the variables are

not the significant predictor of return on equity. Since, the first hypothesis is rejected that the EP and ECWLP have negative impact on ROE. The second hypothesis is accepted that the FD, DEB and EQI have positive impact on ROE.

Table 24
Regression Coefficients Analysis of Return on Equity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.773	165.864		0.029	0.978
EP	-0.026	0.141	-0.120	-0.182	0.859
AEP	0.134	0.156	0.430	0.854	0.411
ECWLP	-0.024	0.105	-0.061	-0.226	0.825
FD	0.017	1.623	0.051	0.010	0.992
DEB	0.057	1.573	0.165	0.036	0.972
EQI	0.283	1.484	0.342	0.191	0.852

a. Dependent Variable: ROE

Source: From Appendix xv

Model IV: ROI as dependent variable and EP, AEP, ECWLP, FD, DEB and EQI as independent variables.

Table 25
Model Summary of Return on Investment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 ^a	0.682	0.508	1.75441

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Source: From Appendix xvi

Table 25 shows the relationship between dependent variable (ROI) and independent variables (EP, AEP, ECWLP, FD, DEB and EQI) of the sample insurance companies during the study period. The value of R is 0.826 that expresses independent variable's strong linear relationship with dependent variables. The coefficient of determination (R square) value is 0.682. It means that independent variable ROI explained by dependent variable (EP, AEP, ECWLP, FD, DEB and EQI) is 68.2 percent and the remaining 31.8 percent by other factors. Similarly, after adjusting the degree of freedom, the adjusted R square is 0.508, indicating that the different behavioral factors explain 50.8 percent of the variation of ROI. The standard error of estimate is 1.75, indicating that the variability of the observed value of ROI from the regression line is 1.75.

Table 26
Analysis of Variance (ANOVA) of Return on Investment

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	72.562	6	12.094	3.929	.024 ^b
	Residual	33.858	11	3.078		
	Total	106.420	17			

a. *Dependent Variable: ROI*

b. *Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD*

Source: From Appendix xvi

In Table 26, the result of the analysis of variance presented in 26 shows the P-value is 0.024^b, which is less than 0.05. There is a significant relationship between ROI and predictors (EP, AP, ECWLP, FD, DEB and EQI) with 95 percent confidence interval. The ANOVA table indicates that the fitted model or R square is significant (F (6,11) = 3.929, p = 0.024). It means that the model is fit.

Table 27
Regression Coefficients Analysis of Return on Investment

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-15.745	74.975		-0.210	0.838
	EP	-0.080	0.064	-0.563	-1.262	0.233
	AEP	0.073	0.071	0.350	1.027	0.327
	ECWLP	0.069	0.048	0.264	1.440	0.178
	FD	0.212	0.734	0.975	0.289	0.778
	DEB	0.186	0.711	0.808	0.261	0.799
	EQI	0.173	0.671	0.312	0.258	0.801

a. *Dependent Variable: ROI*

Source: From Appendix xvi

Table 27 estimated equation can be explained by taking the values from the model IV:

$$\hat{Y} = b_0 + b_1EP + b_2AEP + b_3ECWLP + b_4FD + b_5DEB + b_6EQI + \varepsilon$$

Therefore,

$$\hat{Y} = -15.745 - 0.080 * EP + 0.073 * AEP + 0.069 * ECWLP + 0.212 * FD + 0.186 * DEB + 0.173 * EQI + \varepsilon$$

Table 27 shows that ROI is negatively affected by EP with beta coefficient of -0.080 and positively affected by AEP, ECWLP, FD, DEB and EQI with beta coefficient 0.073,

0.069, 0.212, 0.186, 0.173 respectively. The analysis results present that the EP has negligible negative impact on ROI and negligible positive impact of AEP, ECWLP, FD, DEB and EQI on ROI. The p value of all variables individually is greater than 0.05 that shows the relation insignificant at 95 percent confidence level and the variables are not the significant predictor of return on investment. Since, the first hypothesis is rejected that the EP has negative impact on ROI. The second hypothesis is accepted that the FD, DEB and EQI have positive impact on ROI.

Thus, from the all three model, the NPM, ROA and ROI model are fit but ROE model is not fit. From the individual variable perspective, the p value is greater than 0.05 that express the analyzed variables are individually not the significant predictor of the profitability. The H_1 hypothesis is rejected and H_2 hypothesis is accepted. There is a negative impact of EP and ECWLP and positive impact of AEP, FD, DEB and EQI on profitability.

4.2 Discussion

This research aimed to assess the impact of premium products and investment sectors on the profitability of life insurance companies in Nepal using secondary data analysis. It analyzed the premium, investment and profitability positions and examined and assessed correlation and regression models to understand their relationship. Unlike prior studies, which mainly concentrated on specific premium policies and investment sectors like endowment, anticipated endowment, endowment cum whole life, fixed deposit, debentures, and equity instruments.

The findings revealed increasing premium and investment over years, fluctuating profitability over the past decade among the companies studied, with occasional increases and decreases but no consistent trend. The study concluded that the insurance companies collected a larger portion of premium from endowment plan and invested more fund in fixed deposit.

The correlation of correlation revealed that the relationship between premium on endowment (EP) and net profit margin (NPM) was found to be negative and significant, whereas it was positive but insignificant for premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP) and investment in fixed deposit (FD)

and negative relationship with investment in debentures (DEB) and investment in equity instruments (EQI).

The relationship of premium on endowment (EP) and investment in equity instruments (EQI) with return on assets (ROA) was found to be negative and significant, whereas it was positive but insignificant for premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD) and investment in debentures (DEB).

The relationship between premium on anticipated endowment (AEP) and return on equity (ROE) was found to be positive and significant, whereas it was positive but insignificant for premium on endowment (EP), investment in debentures (DEB), investment in equity instruments (EQI) and negative relationship with premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD).

The relationship of premium on endowment (EP) and investment in equity instruments (EQI) with return on investment (ROI) was found to be negative and significant, whereas it was positive but insignificant for premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD) and investment in debentures (DEB).

The multiple regression analysis shows that there is negative impact of premium on endowment (EP) on net profit margin (NPM) but positive impact of premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD), investment in debentures (DEB) and investment in equity instruments (EQI) on net profit margin (NPM). This model is fit but the relation of all variables individually is insignificant at 95 percent significant level.

Similarly, there is negative impact of premium on endowment (EP) on return on assets (ROA) and positive impact of premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD), investment in debentures (DEB) and investment in equity instruments (EQI) on return on assets (ROA). This model is fit but the relation of all variable individually is insignificant at 95 percent significant level.

However, there is negative impact of premium on endowment (EP) and premium on endowment cum whole life (ECWLP) on return on equity (ROE) but positive impact of premium on anticipated endowment (AEP), investment in fixed deposit (FD), investment in debentures (DEB) and investment in equity instruments (EQI) on return on equity (ROE). This model is not fit and the relation of all variables individually is insignificant at 95 percent significant level.

In contract, there is negative impact of premium on endowment (EP) on return on investment (ROI) and positive impact of premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP), investment in fixed deposit (FD), investment in debentures (DEB) and investment in equity instruments (EQI) on return on investment (ROI). This model is fit but the relation of all variable individually is insignificant at 95 percent significant level.

The study concludes that the negative impact of endowment and whole life premium on profitability. The result from the study concludes the positive impact of investment in fixed deposit, debentures and equity instruments on profitability. The result of the study is consistent with Ghimire (2013), Njiiri (2015), Theuri Kiboi and Bosire (2022). Shrestha (2022) and Subedi (2022) in the perspective of positive impact on investment sectors on profitability. The significant impact is not observed might be because of relatively lower number of observation and data pattern of the sample companies.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides an overview of the study in summarized form along with major findings, conclusion, and implications of the study. Accordingly, it is organized in mainly three sections:

5.1 Summary

Insurance is playing vital role in compensating risk in society by engaging in loss prevention programs, fostering new research and innovation and creating a pathway for investible funds. Insurance has come into practice as a solution of unforeseen events by guaranteeing payment in the event of disaster. Selecting three sample life insurance companies out of fourteen, the study aimed to analyze current status of premium, investment and profitability, to examine the relation among premium plans, investment sectors and profitability and to assess the impact of premium plans and investment sectors on profitability. EP, AEP, ECWLP, FD, DEB and EQI were used as independent variables and NPM, ROA, ROE and ROI were used as dependent variables. Two alternative hypotheses were formulated to test positive relation of premium plans with profitability and investment sectors with profitability. The descriptive and causal comparative research design were followed in this study. The data were collected from secondary source i.e., extracted from annual reports of respected insurance companies six consecutive fiscal year from fiscal year 2017/18 to fiscal year 2022/23. The sample has been selected using convenience sampling method. It used financial tools, descriptive statistics, correlation and multiple regression analysis by using IBM SPSS software. The dissertation is divided in five chapter where first chapter contains introduction, second chapter contains literature review, third chapter contains research methodology, fourth chapter contains results and discussion and fifth chapter includes summary, conclusion and implication. The study found that the premium collection and total investment are in increasing trend and fluctuating profitability ratios over a year. The study concluded that the insurance companies collected a larger portion of premium from endowment plan and invested more fund in fixed deposit. The profitability ratios of all sample companies are found nearly in same line. The correlation analysis examined that the NPM has significant negative relation with EP, positive relationship with AEP, ECWLP and FD and negative relationship with DEB and EQI. ROA has

significant negative correlation with EP and EQI, positive correlation with AEP, ECWLP, FD and DEB. ROE has significant positive correlation with AEP, positive correlation with EP, DEB and EQI and negative correlation with ECWLP and FD. ROI has significant negative correlation with EP and EQI, positive correlation with AEP, ECWLP, FD and DEB. The multiple regression analysis reveals a negative impact of EP on NPM, but positive impacts of AEP, ECWLP, FD, DEB, and EQI on NPM, all significant at 95 percent. Similarly, EP negatively affects ROA, while AEP, ECWLP, FD, DEB, and EQI positively influence it, also significant at 95 percent. However, EP and ECWLP negatively impact ROE, whereas AEP, FD, DEB, and EQI positively affect it, though the relationship lacks significance at 95 percent. In contrast, EP negatively affects ROI, while AEP, ECWLP, FD, DEB, and EQI positively impact it, all significant at 95 percent. The hypotheses are partially accepted in this study. The first hypothesis is rejected and second hypothesis is accepted. There is a negative impact of EP and ECWLP and positive impact of AEP, FD, DEB and EQI on profitability.

5.2 Conclusion

The study's objective was to analyze into the premium and investment and its influence on profitability. During the study, it concluded that premium collection and total investment of ALICL, CLI and RNLI are in increasing trend over a year. The insurance companies in Nepal are in high competition but the premium collection is increasing. The insurance companies are investing high portion of their investment in fixed deposits but the current lower rate of interest in fixed deposits will lead to lower profit in this fiscal year. The insurance companies are less investing in debenture and government bonds. The insurance companies are collecting huge premium from foreign employment term insurance. It's a short-term source of premium. The premium on anticipated endowment and endowment cum whole life is not performing well. The net profit margin is in decreasing trend and highly fluctuated of CLI and RNLI because of the implementation of life insurance fund later by those companies. Return on assets (ROA) is also in decreasing trend. Return on equity and return on investment (ROI) of ALICL are less decreased than CLI and RNLI in recent years. The correlation analysis shows significant negative relationship of EP on NPM, ROA and ROI. Likewise, the EQI has also significant negative relationship with ROA and ROI. The ROE has significant positive correlation with AEP. There is positive relationship of AEP, ECWLP and FD with NPM and negative correlation with DEB and EQI. The positive correlation

of AEP, ECWLP, FD and DEB with ROA. The correlation of ROE with EP, DEB and EQI is positive and negative with ECWLP and FD. The correlation of ROI with AEP, ECWLP, FD and DEB are positive. The multiple regression analysis shows that there is negative impact of EP on NPM ROA, ROE and ROI is negative. The impact of ECWLP on ROE also negative. But the AEP, ECWLP, FD, DEB and EQI has positive impact on NPM, ROA and ROI. The AEP, FD, DEB and EQI has positive impact on ROE. The study considered only six years data in study and only three companies. The results of this study may not be significant with other future study because of limited variables and limited time horizon. The study only considered only limited variables under premium plans and investment sectors. The further research on premium and investment considering all plan of premium and all sectors of investment to see the relationship and impact more accurately using more sample with large data span.

5.3 Implications

This study also has several implications which is discussed under it.

5.3.1 General Implication

The study has been conducted in the Nepalese insurance environment to examine the impact of premiums and investment on profitability. The study concluded that the endowment premium and investment in fixed deposits are major variables in the field of premium and investment, which are useful in further research. The insurance can make a portfolio of risk management with equal focus on all policies. Due to high competition in the market, the company should focus on plan differentiation considering NIA regulations.

5.3.2 Implication for future studies

- i. The study might be useful for an individual to know the insights of premiums and investment in insurance.
- ii. The results of the study are derived from secondary data. Future research with both sources of data could present better results.
- iii. The study might be an addition to existing research to use as literature.
- iv. The study might help in a bachelor and a master's program thesis to select samples, data and methods of analysis for future research.
- v. The study will be helpful for researchers to select different variables in future work. Foreign employment term life is also important in premium analysis.

- vi. The study might be helpful to compare the firm's performance in terms of profitability with other life insurance companies for researchers.
- vii. The future research should continue to keep pace with emerging trends and phenomena.

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APPENDICES

Appendix: i Net Profit Margin

Fiscal Year	ALICL			CLI			RNLI		
	Net Profit (Rs.)	Total Income (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Income (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Income (Rs.)	Ratio (%)
2017/18	91,397,347	4,170,877,506	2.19	106,220,521	573,184,373	18.53	33,460,282	521,211,069	6.42
2018/19	230,063,196	5,700,505,158	4.04	228,148,431	1,386,649,108	16.45	54,090,433	1,476,405,110	3.66
2019/20	269,098,690	6,454,901,141	4.17	269,044,499	2,187,998,674	12.30	238,830,346	1,873,684,114	12.75
2020/21	337,839,720	8,483,322,714	3.98	300,506,291	3,959,869,210	7.59	247,210,194	3,345,222,091	7.39
2021/22	403,428,595	9,478,694,126	4.26	376,071,909	5,781,141,463	6.51	342,498,185	4,434,786,453	7.72
2022/23	376,769,045	10,897,987,576	3.46	102,596,173	6,668,748,158	1.54	334,215,152	4,541,034,390	7.36

Appendix: ii Return on Assets

Fiscal Year	ALICL			CLI			RNLI		
	Net Profit (Rs.)	Total Assets (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Assets (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Assets (Rs.)	Ratio (%)
2017/18	91,397,347	14,886,416,183	0.61	106,220,521	2,236,440,227	4.75	33,460,282	1,856,811,831	1.80
2018/19	230,063,196	20,076,526,152	1.15	228,148,431	3,158,042,032	7.22	54,090,433	2,938,225,895	1.84
2019/20	269,098,690	24,701,411,868	1.09	269,044,499	4,744,284,986	5.67	238,830,346	4,046,708,114	5.90
2020/21	337,839,720	33,800,383,709	1.00	300,506,291	7,108,471,466	4.23	247,210,194	6,069,055,213	4.07
2021/22	403,428,595	37,483,293,916	1.08	376,071,909	10,545,627,510	3.57	342,498,185	8,369,044,411	4.09
2022/23	376,769,045	42,744,437,288	0.88	102,596,173	14,728,223,146	0.70	334,215,152	11,924,829,330	2.80

Appendix: iii Return on Equity

Fiscal Year	ALICL			CLI			RNLI		
	Net Profit (Rs.)	Total Equity (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Equity (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Equity (Rs.)	Ratio (%)
2017/18	91,397,347	1,401,212,854	6.52	106,220,521	1,857,697,003	5.72	33,460,282	1,433,668,824	2.33
2018/19	230,063,196	2,580,583,453	8.92	228,148,431	2,090,045,201	10.92	54,090,433	1,489,289,418	3.63
2019/20	269,098,690	2,841,077,010	9.47	269,044,499	2,355,007,155	11.42	238,830,346	1,726,413,446	13.83
2020/21	337,839,720	3,354,731,832	10.07	300,506,291	2,659,010,664	11.30	247,210,194	1,974,482,335	12.52
2021/22	403,428,595	3,611,364,723	11.17	376,071,909	3,017,605,741	12.46	342,498,185	2,272,117,438	15.07
2022/23	376,769,045	3,675,940,919	10.25	102,596,173	4,012,004,492	2.56	334,215,152	4,016,254,219	8.32

Appendix: iv
Return on Investment

Fiscal Year	ALICL			CLI			RNLI		
	Net Profit (Rs.)	Total Investment (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Investment (Rs.)	Ratio (%)	Net Profit (Rs.)	Total Investment (Rs.)	Ratio (%)
2017/18	91,397,347	12,048,244,654	0.76	106,220,521	2,008,150,877	5.29	33,460,282	1,592,014,389	2.10
2018/19	230,063,196	16,248,736,755	1.42	228,148,431	2,632,404,924	8.67	54,090,433	2,627,195,301	2.06
2019/20	269,098,690	19,671,259,410	1.37	269,044,499	3,750,529,506	7.17	238,830,346	3,550,337,295	6.73
2020/21	337,839,720	27,805,024,066	1.22	300,506,291	5,272,572,903	5.70	247,210,194	5,130,725,767	4.82
2021/22	403,428,595	31,038,004,564	1.30	376,071,909	8,456,650,290	4.45	342,498,185	7,107,974,411	4.82
2022/23	376,769,045	34,484,325,250	1.09	102,596,173	12,127,149,590	0.85	334,215,152	10,426,873,605	3.21

Appendix: v
Premium on Endowment to Gross Premium Earned

Fiscal Year	ALICL			CLI			RNLI		
	Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)
2017/18	2,156,142,866	3,019,113,009	71.42	79,334,496	402,050,918	19.73	98,730,185	426,771,400	23.13
2018/19	2,984,438,229	4,220,166,912	70.72	256,818,538	1,164,983,547	22.04	569,846,463	1,370,934,951	41.57
2019/20	3,279,352,490	4,590,793,625	71.43	572,418,926	1,857,970,532	30.81	645,329,425	1,621,908,632	39.79
2020/21	3,904,366,418	5,919,712,399	65.96	1,191,084,371	3,556,708,601	33.49	1,159,973,232	3,072,372,506	37.75
2021/22	4,371,615,592	6,912,879,579	63.24	2,207,643,041	4,953,855,649	44.56	1,594,294,636	4,044,094,016	39.42
2022/23	4,476,241,694	7,016,658,157	63.79	2,646,350,337	5,893,266,051	44.90	1,862,210,790	3,795,867,870	49.06

Appendix: vi
Premium on Anticipated Endowment to Gross Premium Earned

Fiscal Year	ALICL			CLI			RNLI		
	Anticipated Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Anticipated Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Anticipated Endowment Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)
2017/18	239,238,943	3,019,113,009	7.92	25,147,943	402,050,918	6.25	2,913,807	426,771,400	0.68
2018/19	279,081,577	4,220,166,912	6.61	223,495,850	1,164,983,547	19.18	3,704,995	1,370,934,951	0.27
2019/20	345,044,533	4,590,793,625	7.52	625,694,486	1,857,970,532	33.68	153,104,742	1,621,908,632	9.44
2020/21	965,606,970	5,919,712,399	16.31	1,345,368,352	3,556,708,601	37.83	672,924,641	3,072,372,506	21.90
2021/22	1,353,348,243	6,912,879,579	19.58	1,530,472,372	4,953,855,649	30.89	1,225,647,318	4,044,094,016	30.31
2022/23	1,302,228,621	7,016,658,157	18.56	1,572,214,551	5,893,266,051	26.68	1,282,797,388	3,795,867,870	33.79

Appendix: vii
Premium on Endowment Cum Whole Life to Gross Premium Earned

Fiscal Year	ALICL			CLI			RNLI		
	Endowment Cum Whole Life Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Endowment Cum Whole Life Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)	Endowment Cum Whole Life Premium (Rs.)	Gross Premium Earned (Rs.)	Ratio (%)
2017/18	621,901,100	3,019,113,009	20.60	73,132,294	402,050,918	18.19	41,459,571	426,771,400	9.71
2018/19	942,260,728	4,220,166,912	22.33	473,165,455	1,164,983,547	40.62	146,662,871	1,370,934,951	10.70
2019/20	942,168,196	4,590,793,625	20.52	578,899,854	1,857,970,532	31.16	98,541,153	1,621,908,632	6.08
2020/21	1,025,965,868	5,919,712,399	17.33	705,982,362	3,556,708,601	19.85	122,508,187	3,072,372,506	3.99
2021/22	1,072,545,130	6,912,879,579	15.52	783,570,461	4,953,855,649	15.82	130,864,211	4,044,094,016	3.24
2022/23	1,050,629,706	7,016,658,157	14.97	848,527,442	5,893,266,051	14.40	121,688,565	3,795,867,870	3.21

Appendix: viii
Investment in Fixed Deposit to Total Investment

Fiscal Year	ALICL			CLI			RNLI		
	Investment in Fixed Deposit (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Fixed Deposit (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Fixed Deposit (Rs.)	Total Investment (Rs.)	Ratio (%)
2017/18	10,112,500,000	12,048,244,654	83.93	2,000,000,000	2,008,150,877	99.59	1,585,500,000	1,592,014,389	99.59
2018/19	13,162,000,000	16,248,736,755	81.00	2,388,200,000	2,632,404,924	90.72	2,412,500,000	2,627,195,301	91.83
2019/20	13,985,000,000	19,671,259,410	71.09	2,556,200,000	3,750,529,506	68.16	3,027,050,000	3,550,337,295	85.26
2020/21	18,359,000,000	27,805,024,066	66.03	3,400,700,000	5,272,572,903	64.50	3,868,300,000	5,130,725,767	75.39
2021/22	23,294,900,000	31,038,004,564	75.05	5,342,700,000	8,456,650,290	63.18	5,318,100,000	7,107,974,411	74.82
2022/23	25,067,800,000	34,484,325,250	72.69	8,110,700,000	12,127,149,590	66.88	8,305,600,000	10,426,873,605	79.66

Appendix: ix
Investment in Debentures to Total Investment

Fiscal Year	ALICL			CLI			RNLI		
	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)
2017/18	581,577,000	12,048,244,654	4.83	0	2,008,150,877	0.00	0	1,592,014,389	0.00
2018/19	1,340,044,000	16,248,736,755	8.25	196,171,000	2,632,404,924	7.45	195,000,000	2,627,195,301	7.42
2019/20	3,971,137,000	19,671,259,410	20.19	1,068,656,000	3,750,529,506	28.49	471,105,000	3,550,337,295	13.27
2020/21	4,546,489,000	27,805,024,066	16.35	1,778,708,000	5,272,572,903	33.74	1,165,243,000	5,130,725,767	22.71
2021/22	4,965,592,000	31,038,004,564	16.00	3,024,189,000	8,456,650,290	35.76	1,427,182,000	7,107,974,411	20.08
2022/23	6,320,833,000	34,484,325,250	18.33	3,745,601,000	12,127,149,590	30.89	1,757,051,000	10,426,873,605	16.85

Appendix: x
Investment in Equity Instruments to Total Investment

Fiscal Year	ALICL			CLI			RNLI		
	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)	Investment in Debentures (Rs.)	Total Investment (Rs.)	Ratio (%)
2017/18	581,577,000	12,048,244,654	4.83	0	2,008,150,877	0.00	0	1,592,014,389	0.00
2018/19	1,340,044,000	16,248,736,755	8.25	196,171,000	2,632,404,924	7.45	195,000,000	2,627,195,301	7.42
2019/20	3,971,137,000	19,671,259,410	20.19	1,068,656,000	3,750,529,506	28.49	471,105,000	3,550,337,295	13.27
2020/21	4,546,489,000	27,805,024,066	16.35	1,778,708,000	5,272,572,903	33.74	1,165,243,000	5,130,725,767	22.71
2021/22	4,965,592,000	31,038,004,564	16.00	3,024,189,000	8,456,650,290	35.76	1,427,182,000	7,107,974,411	20.08
2022/23	6,320,833,000	34,484,325,250	18.33	3,745,601,000	12,127,149,590	30.89	1,757,051,000	10,426,873,605	16.85

Appendix: xi
Descriptive Statistics

(In %)

Year	Company Name	NPM	ROA	ROE	ROI	EP	AEP	ECWLP	FD	DEB	EQI
2017/18	ALICL	2.19	0.61	6.52	0.76	71.42	7.92	20.6	83.93	4.83	8.69
2018/19	ALICL	4.04	1.15	8.92	1.42	70.42	6.61	22.33	81	8.25	10.01
2019/20	ALICL	4.17	1.09	9.47	1.37	71.43	7.52	20.52	71.09	20.19	8.72
2020/21	ALICL	3.98	1	10.07	1.22	65.96	16.31	17.33	66.03	16.35	17.62
2021/22	ALICL	4.26	1.08	11.17	1.3	63.24	19.58	15.52	75.05	16	8.95
2022/23	ALICL	3.46	0.88	10.25	1.09	63.79	18.56	14.97	72.69	18.33	7.16
2017/18	ALICL	18.53	4.75	5.72	5.29	19.73	6.25	18.19	99.59	0	2.04
2018/19	CLI	16.45	7.22	10.92	8.67	22.04	19.18	40.62	90.72	7.45	2.27
2019/20	CLI	12.3	5.67	11.42	7.17	30.81	33.68	31.16	68.16	28.49	3.35
2020/21	CLI	7.59	4.23	11.3	5.7	33.49	37.83	19.85	64.5	33.74	1.77
2021/22	CLI	6.51	3.57	12.46	4.45	44.56	30.89	15.82	63.18	35.76	1.06
2022/23	CLI	1.54	0.7	2.56	0.85	44.9	26.68	14.4	66.88	30.89	2.23
2017/18	RNLI	6.42	1.8	2.33	2.1	23.13	0.68	9.71	99.59	0	0.41
2018/19	RNLI	3.66	1.84	3.63	2.06	41.57	0.27	10.7	91.83	7.42	0.75
2019/20	RNLI	12.75	5.9	13.83	6.73	39.79	9.44	6.08	85.26	13.27	1.47
2020/21	RNLI	7.39	4.07	12.52	4.82	37.75	21.9	3.99	75.39	22.71	1.89
2021/22	RNLI	7.72	4.09	15.07	4.82	39.42	30.31	3.24	74.82	20.08	5.1
2022/23	RNLI	7.36	2.8	8.32	3.21	49.06	33.79	3.21	79.66	16.85	3.49

Appendix: xii
Correlation coefficient
Correlations

		NPM	ROA	ROE	ROI	EP	AEP	ECWLP	FD	DEB	EQI
NPM	Pearson Correlation	1	.888**	0.259	.862**	-.739**	0.064	0.307	0.426	-0.224	-0.426
	Sig. (2-tailed)		0.000	0.300	0.000	0.000	0.802	0.215	0.078	0.372	0.078
	N	18	18	18	18	18	18	18	18	18	18
ROA	Pearson Correlation	.888**	1	.482*	.996**	-.753**	0.314	0.253	0.180	0.076	-.541*
	Sig. (2-tailed)	0.000		0.043	0.000	0.000	0.205	0.310	0.476	0.764	0.020
	N	18	18	18	18	18	18	18	18	18	18
ROE	Pearson Correlation	0.259	.482*	1	.500*	0.070	.499*	-0.006	-0.463	0.430	0.146
	Sig. (2-tailed)	0.300	0.043		0.035	0.781	0.035	0.980	0.053	0.075	0.563
	N	18	18	18	18	18	18	18	18	18	18
ROI	Pearson Correlation	.862**	.996**	.500*	1	-.743**	0.365	0.292	0.118	0.135	-.533*
	Sig. (2-tailed)	0.000	0.000	0.035		0.000	0.136	0.239	0.640	0.592	0.023
	N	18	18	18	18	18	18	18	18	18	18
EP	Pearson Correlation	-.739**	-.753**	0.070	-.743**	1	-0.158	-0.057	-0.410	0.058	.779**
	Sig. (2-tailed)	0.000	0.000	0.781	0.000		0.531	0.822	0.091	0.819	0.000
	N	18	18	18	18	18	18	18	18	18	18
AEP	Pearson Correlation	0.064	0.314	.499*	0.365	-0.158	1	0.007	-.705**	.811**	-0.140
	Sig. (2-tailed)	0.802	0.205	0.035	0.136	0.531		0.978	0.001	0.000	0.580
	N	18	18	18	18	18	18	18	18	18	18
ECWLP	Pearson Correlation	0.307	0.253	-0.006	0.292	-0.057	0.007	1	-0.024	-0.039	0.154
	Sig. (2-tailed)	0.215	0.310	0.980	0.239	0.822	0.978		0.926	0.878	0.542
	N	18	18	18	18	18	18	18	18	18	18
FD	Pearson Correlation	0.426	0.180	-0.463	0.118	-0.410	-.705**	-0.024	1	-.906**	-0.328
	Sig. (2-tailed)	0.078	0.476	0.053	0.640	0.091	0.001	0.926		0.000	0.184
	N	18	18	18	18	18	18	18	18	18	18
DEB	Pearson Correlation	-0.224	0.076	0.430	0.135	0.058	.811**	-0.039	-.906**	1	-0.097
	Sig. (2-tailed)	0.372	0.764	0.075	0.592	0.819	0.000	0.878	0.000		0.701
	N	18	18	18	18	18	18	18	18	18	18
EQI	Pearson Correlation	-0.426	-.541*	0.146	-.533*	.779**	-0.140	0.154	-0.328	-0.097	1
	Sig. (2-tailed)	0.078	0.020	0.563	0.023	0.000	0.580	0.542	0.184	0.701	
	N	18	18	18	18	18	18	18	18	18	18

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

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

Appendix: xiii
Regression (Model I)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 ^a	0.734	0.589	3.08500

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	289.428	6	48.238	5.068	.010 ^b
	Residual	104.689	11	9.517		
	Total	394.117	17			

a. Dependent Variable: NPM

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-185.227	131.837		-1.405	0.188
	EP	-0.097	0.112	-0.352	-0.864	0.406
	AEP	0.154	0.124	0.386	1.240	0.241
	ECWLP	0.137	0.084	0.274	1.635	0.130
	FD	1.964	1.290	4.694	1.522	0.156
	DEB	1.735	1.251	3.919	1.388	0.193
	EQI	1.895	1.180	1.780	1.607	0.136

Appendix: xiv
Regression (Model II)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813 ^a	0.661	0.476	1.50563

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.590	6	8.098	3.572	.033 ^b
	Residual	24.936	11	2.267		
	Total	73.526	17			

a. Dependent Variable: ROA

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-22.158	64.343		-0.344	0.737
	EP	-0.063	0.055	-0.529	-1.147	0.276
	AEP	0.061	0.061	0.353	1.003	0.337
	ECWLP	0.049	0.041	0.228	1.203	0.254
	FD	0.269	0.630	1.488	0.427	0.677
	DEB	0.234	0.610	1.225	0.384	0.708
	EQI	0.226	0.576	0.492	0.393	0.702

a. Dependent Variable: ROA

Appendix: xv
Regression (Model III)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.551 ^a	0.304	-0.076	3.88122

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.365	6	12.061	0.801	.589 ^b
	Residual	165.703	11	15.064		
	Total	238.068	17			

a. Dependent Variable: ROE

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	4.773	165.864		0.029	0.978
	EP	-0.026	0.141	-0.120	-0.182	0.859
	AEP	0.134	0.156	0.430	0.854	0.411
	ECWLP	-0.024	0.105	-0.061	-0.226	0.825
	FD	0.017	1.623	0.051	0.010	0.992
	DEB	0.057	1.573	0.165	0.036	0.972
	EQI	0.283	1.484	0.342	0.191	0.852

a. Dependent Variable: ROE

Appendix: xvi
Regression (Model IV)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 ^a	0.682	0.508	1.75441

a. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.562	6	12.094	3.929	.024 ^b
	Residual	33.858	11	3.078		
	Total	106.420	17			

a. Dependent Variable: ROI

b. Predictors: (Constant), EQI, DEB, ECWLP, EP, AEP, FD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-15.745	74.975		-0.210	0.838
	EP	-0.080	0.064	-0.563	-1.262	0.233
	AEP	0.073	0.071	0.350	1.027	0.327
	ECWLP	0.069	0.048	0.264	1.440	0.178
	FD	0.212	0.734	0.975	0.289	0.778
	DEB	0.186	0.711	0.808	0.261	0.799
	EQI	0.173	0.671	0.312	0.258	0.801

a. Dependent Variable: ROI

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ABSTRACTS This study analyzes

the impact of premium and investment **on profitability** of **life insurance companies** in Nepal. **Secondary data**

was gathered from three samples using convenience sampling of life insurances for six years periods (2017/18-2022/23).

This study has taken descriptive and causal relationship research design to

analyze the impact of premium and investment **on profitability of life insurance**

; and has employed descriptive analysis, correlation analysis and multiple regression analysis. It shows that Nepalese insurance companies have increased both premium collection and total investment and stable profitability with high premium collection on endowment, high investment in fixed deposit in recent years. The correlation analysis examined that the net profit margin (NPM) has significant negative relation with premium on endowment (EP), positive relationship with premium on anticipated endowment (AEP), premium on endowment cum whole life (ECWLP) and investment in fixed deposit (FD) and negative relationship with investment in debentures (DEB) and investment in equity instruments (EQI). Return on assets (ROA) has significant negative correlation with EP and EQI, positive correlation with AEP, ECWLP, FD and DEB. Return on equity (ROE) has significant positive correlation with AEP, positive correlation with EP, DEB and EQI and negative correlation with ECWLP and FD. Return on investment (ROI) has significant negative correlation with EP and EQI, positive