

**STOCK PRICE BEHAVIOUR OF LIFE-INSURANCE COMPANIES  
LISTED IN NEPSE**

A Dissertation submitted to the Office the Dean, Faculty of Management in  
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(MBS)

By

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## **CERTIFICATE OF AUTHORSHIP**

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

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## REPORT OF RESEARCH COMMITTEE

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## APPROVAL - SHEET

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## ABBREVIATIONS

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

## ABSTRACT

This study is examined to Stock price behavior of life-insurance companies listed in NEPSE. The main objectives of this study are to identify factor affecting the stock price in NEPSE focus to insurances companies listed at Nepal Stock Exchange, to examine the relationship of price of share in Nepalese insurance companies with size of the companies and to analyze the effect of EPS, P/E ratio and DPS to the movement price of share of insurance companies listed at Nepal Stock Exchange. DPS, EPS, D/Y, P/E Ratio and Size are the independent variables and MPS and M/B Ratio are the dependent variable in this study. Only ten-years data taken in this study to analysis. Mean, standard deviation, correlation and multiple regression models are taken to present data. The major finding of this study was DPS, EPS and Size are significant impact on MPS and D/Y and P/E Ratio are not significant impact on MPS. The relationships between various predictors and MPS. It provides information about the significance and direction of these relationships, aiding investors and analysts in understanding the factors influencing market prices per share. DPS, D/Y and Size are the significant impact on M/B Ratio and EPS and P/E Ratio are not significant impact on M/B Ratio. The relationships between various predictors and the M/B ratio. It provides information about the significance and direction of these relationships, aiding investors and analysts in understanding the factors influencing market valuations of companies

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

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study

Due to political instability, unplanned economic activities and geographical situation the economic growth is very sluggish. However, financial institutions and economic activity have proliferated throughout the nation's cities and metropolitan areas following the implementation of appropriate financial policies and the application of economic liberalization Ministry of Finance Economic Survey (2016). The nation's economy is mostly reliant on capital mobilization and resource exploitation. It is recognized as a broad indicator of the appropriate gathering and mobilization of savings from the sector that generates income and is productive. One common way to measure an economy is through the stock market index. Growth in the stock index is typically regarded as positive because it indicates investors' optimism about the state of the economy going forward. On the other hand, a sharp rise or fall in the stock market index is cause for concern. If the fundamentals do not justify a price increase or drop in the index. Therefore, it is imperative that policymakers monitor the performance of the stock market and be prepared to take necessary action. should the necessity arise, to stop bubbles from forming and the market from collapsing. Thus, it is essential to comprehend how the stock market index and its influencing components relate to one another (Shrestha & Subedi, 2014).

Mukherjee and Naka (1995) discovered a positive correlation between the Tokyo Stock Exchange's stock price and the money supply, industrial production, and exchange rates. According to Zhao (1999) and Udegbumam and Eriki (2001), inflation significantly affects how stock prices behave. Similarly, Joshep and Vezos (2006) demonstrated that financial deregulation, GDP, interest rates, money stock, and other economic factors all influence stock prices. However, according to Husain and Mahmood (2001), financial ratios can be utilized to predict stock price.

Market capitalization, the price-earnings ratio, and the market price to book value ratio were found to be the factors influencing stock price by Mehta and Turan (2005). According to Zulkarnaen, Syamsun, and Maulana (2016), return on assets also contributes significantly to

the explanation of price fluctuations in stocks. Similar to this, Haque and Faruquee (2013) came to the conclusion that key business metrics like earnings per share, dividend per share, return on equity, return on assets, and the ratio of fixed assets to total assets have a significant impact on the market price of pharmaceutical companies listed on the Dhaka Stock Exchange.

Hutabarat and Flora (2015) found that financial ratios had a big impact on stock price. Conversely, Sharif, Purohit, and Pillai (2015) noted that the most important firm-specific determinants affecting the share price of the Bahrain market are firm size, return on equity, book value per share, dividend per share, dividend yield, and price earnings ratio.

Al Qaisi, Tahtamouni, and Al-Qudah (2016) examined the impact of return on asset (ROA), return on equity (ROE), debt ratio, age, and size of the company on stock market price in the context of the Jordan stock market. Twenty insurance businesses listed between 2011 and 2015 on the Amman Stock Exchange were chosen for the study. By employing multiple regression analysis, they discovered that while ROE had no effect on stock market price, ROA, debt ratio, firm age, and company size all had a substantial impact.

The hub that offers the ability to buy and sell financial claims and services is known as the financial market. The money market and the capital market are two categories of the financial market. The capital market deals with long-term financial markets, whereas the money market deals with short-term ones. The capital market is made up of primary and secondary markets. The primary market is where new securities issued by governments and organizations are traded. The secondary market is where the government and corporation purchase and sell newly issued shares (Shrestha & Subedi, 2014).

The securities exchange statute of 1983 allowed for the creation of SEBON and NEPSE in 1993, and since then, Nepal's capital market has been gradually developing. The SEBON is a front-line regulator that uses several act rules to both support and oppose investor interests. The Securities Board has designated policy creation, legal and regulatory reform, standardizing disclosure, bringing enforcements to assure compliance, and promoting board-based market as priority areas to reform SEBON Journal (2017), in addition to the regulatory role. Stock is exchanged by registered brokers on NEPSE, the only structured stock exchange, in accordance with a set of rules and regulations (Pandak, 2017).

The insurance businesses had given Nigerians the confidence to engage in a business without worrying about losing out, even after the federal government made insurance mandatory for all Nigerians. Furthermore, the majority of financial organizations might be reluctant to grant a loan to a person unless they support an insurance policy (Iyodo, Samuel & Inyada 2018). The nation's expansion of trade and economic growth depend heavily on the securities market's ability to mobilize savings and direct them toward profitable investments. The Nepalese market is still growing, nevertheless. The security market is essential to the healthy growth of any economy because it serves as a reliable source of long-term capital for businesses, a practical means of saving money for the general public, and an effective instrument for allocating resources (Pandak,2017).

The stock market offers developing businesses a low-cost means of raising cash, which can stimulate economic growth. Businesses typically take out bank loans to cover their short-term liquidity needs. They may, however, use ordinary and preferred stock to sell their ownership stake in the business if they require long-term financing. The stock exchange fulfills two essential purposes. It serves as a vital conduit between investors with extra capital and businesses in need of funding to expand operations or start new ventures. It also offers a regulated share market where supply and demand decide the price of shares.

Economists lead us to assume that supply and demand dynamics in a free market determine stock prices. The macro and microeconomic perspectives have an impact on both the primary and secondary markets in the securities industry. Microeconomic factors include earnings per share, return on assets, dividend per share, dividend payout ratio, dividend yield, investor reaction to rumors, government regulations, dividend and right share declaration, etc. Macroeconomic factors include politics and overall economic conditions.

The price of stocks fluctuates daily on the market instead of remaining constant. The market price of a stock differs from its book value and par value. The nature of stock price movement is not independent, and it has been shown that both intrinsic and extrinsic factors can affect price fluctuations (Tandon & Malhotra, 2013). It is anticipated that the study's findings would offer some insightful understanding of the factors influencing the performance of the Nepalese stock market, which will be beneficial to investors and policymakers alike.

## 1.2 Problem Statement

Nepal Stock market is small as comparison to other developed and efficient market of the other world. There is limited broker limited no of listed companies and very few no of transaction. Stock price is determined by demand and supply. Both the qualitative and quantitative factor determines the stock price, to specify exactly what factors to determine the stock is a controversial/ unpredictable issue. The stock price fluctuates time to time and stock exchange reacts with the environmental changes.

Karki (2018) examined the variables influencing Nepalese commercial banks' stock prices in that country. For the years 2000 to 2014, Karki (2018) employed firm-specific variables as explanatory variables, including earnings per share, book value per share, cash dividend per share, stock dividend per share, price earnings ratio, and firm size. The study discovered that the two most important variables affecting the stock price of Nepalese commercial banks were earnings per share and dividend per share. Ghimire and Mishra (2018) conducted an examination of the factors that influence the stock market value of Nepali businesses. They sampled 11 financial and non-financial companies between 2012 and 2017. Employing both multiple and basic regression analysis Ghimire and Mishra (2018) discovered that the price earnings ratio and market to book value are the two main important factors influencing Nepalese companies' stock prices. In a similar vein, they discovered a strong positive correlation between stock price and book value and dividends per share. Therefore, the purpose of this research is to examine how firm-specific factors affect market price of share in the Nepalese environment. Although there are many firm-specific factors that affect the market price per share, this paper only looks at the firm size as determined by the following factors: book value per share (BVPS), earnings per share (EPS), divided per share (DPS), dividend yield (DY), return on assets (ROA), return on equity (ROE), and equity market capitalization (ME).

In actuality, the Nepalese stock market's issue has not been effectively searched. The decision-makers are unable to create policies that are appropriate for the growth of the stock market. Only in the early 1990s, following economic reform and liberalization, did the majority of government efforts toward the development of the stock market since 1976 make a significant contribution; however, the government's reforms to the capital market under the Extended

Structural Adjustment Program (ESAP) have had some positive effects on the growth of the stock market. But this endeavor has also not been sustained due to the policy's improper implementation.

Similarly, Joshi (2012) examined how dividends affected Nepal's banking and non-banking sectors' stock prices. Joshi employed the stock's current market price as the dependent variable and the lagged market price per share, dividend per share, retained earnings per share, and price earnings ratio as the explanatory variables. Joshi came to the conclusion that dividends have a greater influence on the stock price of Nepalese companies than retained earnings through the use of multivariate regression analysis. Joshi also discovered that dividends significantly boost the stock market prices of Nepal's banking and non-banking sectors.

Similarly, the effect of dividend policy on the stock price of Nepalese commercial banks has also been examined by Baral and Pradhan (2018). Ten commercial banks listed on the Nepal Stock Exchange between 2012–2013 and 2016–17 have been chosen by Baral and Pradhan. Based on their success in the stock market, they have listed the top gainers and top losers among their bank. Baral and Pradhan came to the conclusion that the stock prices of the top-performing commercial banks are significantly positively impacted by earnings per share and price earnings ratio. Conversely, they came to the conclusion that the stock prices of the top loser commercial banks are significantly positively impacted by earnings per share, price earnings ratio, and dividend per share.

A few studies have been carried out in the Nepalese environment to examine the stock price behavior of listed companies. However, these studies do not fully examine all of the qualitative and quantitative elements that play a large role in determining stock price. Because of symmetrical information, the study's findings may vary, and given the significant volatility of stock prices, it is inappropriate to generalize the findings. Therefore, this study is directed to resolve the following issues in the context of Nepal:

- i. What are the major determinants of stock price in NEPSE?
- ii. Does any relationship exist at size with market price of share of Nepalese listed insurance companies?
- iii. What is the effect of EPS, P/E ratio and DPS on the movement price of share of listed insurance companies in Nepal?

### **1.3 Objectives of the study**

The primary aim of this research is to assess how financial metrics (such as dividend per share, dividend yield, earnings per share, price-earnings ratio, and company size) relate to the stock prices of companies listed on the Nepal Stock Exchange (NEPSE). More specifically, this study seeks to analyze the correlations between these financial factors and stock prices within the NEPSE market context.

- i. To identify factor affecting the stock price in NEPSE focus to insurances companies listed at Nepal Stock Exchange.
- ii. To examine the relationship of price of share in Nepalese insurance companies with size of the companies.
- iii. To analyze the effect of EPS, P/E ratio and DPS to the movement price of share of insurance companies listed at Nepal Stock Exchange.

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

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

The analysis sheds light on NEPSE's capitalization status and financial standing. In order to make the required improvements, management might examine the stock's performance and financial standing. Because the study offers broad overviews of the current share market, it is important for policy-making organizations and government representatives to draft and amend policies in a timely way to ensure the smooth operation, expansion, and development of the stock market.

The study would also be helpful to academics, bankers, stock analysts, and students who are interested in learning more about the NEPSE's stock price behavior as well as those who wish to pursue careers in banking or the share market.

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

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

- i. This research is concentrated at 6 sampled listed insurance companies only so, the conclusion derived thereof cannot be generalized on the total capital market.
- ii. The study only examines the effect of internal factors (EPS, P/E, DPS, SIZE& Dividend Yield). The study doesn't examine external factor affecting the share price behavior such as inflation, interest rate, macro-economic factors, etc.
- iii. The topic stock price behavior of listed companies is much more dynamic and it stakes huge resources including human and financial to cover the whole aspects of this research.
- iv. There might be various technique and method to perform the study on the stock price behavior, but the study is focused the correlation coefficient and regression analysis.

## **CHAPTER II**

### **LITERATURTE REVIEW**

This chapter has three sections. The first section is theoretical reviews and identify and discuss the theoretical frameworks or models that researchers have used to study this topic. Explain different perspectives and any debates or controversies in the field. The second section is empirical review of the many articles related in this topic and third one research gap.

#### **2.1 Theoretical Review**

In the current environment, the investment sector has grown recently along with other economic sectors. With the help of the investment sector, the majority of developing nations today are accelerating their economic growth. Business cycle theorists believed that tracking the changes in a number of economic variables over time would shed light on and enable predictions about how the economy would develop during a boom. The classical theory and the efficient market theory are the two theories that explain the behavior of stock prices. Technical analysis theory and fundamental analysis theory are examples of classical or convectional theory. There are various types of efficient market hypothesis under theories of efficient markets. While the efficient market theory contends that the market is efficient, the classical approach views the market as inefficient. Investors were typically classified as either fundamentalists or technicians prior to the development of the efficient market theory (Alexander, Sharpe, & Bailey, 2018).

##### **2.1.1 Arbitrage Pricing Theory**

Arbitrage Pricing Theory (1976) There are two versions of the APT: factor loading model and macro variable model. Factor loading model uses artificial variables created through the factor analysis technique. While macro variable model uses macroeconomic variables based on the economically interpretable effect on stock prices (Erdugan, 2012). Ross (1976) developed the APT and Roll and Ross (1995) provided a more intuitive explanation of the APT and discussed its merits for portfolio management. The APT is an alternative approach to the CAPM that has become the major analytic tool for explaining the phenomena observed in capital markets. The APT is an alternative asset-pricing model to the CAPM differing in its assumptions and explanation of risk factors associated with the risk of an asset. The CAPM specifies returns as

a linear function of only systematic risk. The APT specifies returns as a linear function of more than a single factor. It predicts a relationship between the returns of portfolio and the returns of a single asset through a linear combination of variables. The APT approach moved away from the risk versus return logic of the CAPM, and exploited the notion of "pricing by arbitrage" to its fullest possible extent. As Ross (1976) has noted, arbitrage-theoretic reasoning is not unique to his particular theory but is in fact the underlying logic and methodology of virtually all of finance theory. There are many multifactor assets pricing models developed in the literature. According to Sinclair (1984), all of the multifactor asset pricing models developed in the literature can be treated as special theoretical cases of the APT. The APT has been empirically investigated in the US and elsewhere. Examples are: Roll and Ross (1980), Chen (1983), Chen et.al (1986), Priestly (1996), Clare and Thomas (1994), Cheng (1995 and 1998), Chen and Jordan (1993), Merville et al. (2001), Chen et al. (1997), Beenstock and Chan (1986) and Cho et al. (1984). There are a number of empirical studies of APT using Australian data, such as: Sinclair (1984); Groenewold and Fraser (1997), Faff and Chan (1998).

Groenewold and Fraser (1997) compared the factor loading model and the macro variable model of the APT and the CAPM. Both versions of the APT were found to clearly outperform the CAPM, but neither version of the APT was clearly superior to the other in terms of both within and out-of-sample explanatory power. The factor loading model uses factor analysis technique based on artificial factors to identify the number of factors and their significance in estimating the responsiveness of individual securities to different systematic risk factors. The macro variable model uses an alternative methodology avoiding artificial factors. The macro variable model is based on economic interactions and it tries to explain the relationship between the stock market and the economy in terms of what economic theory suggests.

Roll and Ross (1980), as suggested by Ross (1976) tested the APT using the factor analysis technique with artificial variables. It has become a classic article on testing the APT. They found that there are at least three and probably four significant factors. However, they could not determine which macroeconomic variables were significantly priced. Beenstock and Chan (1986), using the factor analytic technique similar to Chen (1983), found results similar to Dhrymes et al. (1984) in the UK stock market. They described 20 risk factors in the UK stock

market. Furthermore, they reported that the number of factors is proportionate to the sample size.

### **2.1.2 Net Income Theory**

Net income theory suggests that value of the firm can be increased by decreasing the overall cost of capital through higher debt proportion. According to Net Income approach, if the financial leverage increases, the weighted average cost of capital decreases and the value of the firm and the market price of the equity shares increases. Net Income Theory to valuation is based on three assumptions. First, there are no taxes; second, the cost of debt is less than of equity. Capitalization votes on the cost of equity: found that the use of debt doesn't change the risk perception of investors. That the financial risk perception of the investors doesn't change with the introduction of debtor change in leverage implies that due to change in leverage, there is no change in either the cost of debt or the cost of equity. The implication of the three assumptions under laying the Net Income Theory is that as the degree of leverage Increases, the proportion of a cheaper source of funds that is debt in the capital structure increases. As a result, the weighted average cost of capital tends to decline, leading to an increase in the total value of the firm.

Thus, with the cost of debt and cost of equity being constant, the increased use of debt (increase in leverage), will magnify the shareholder's earning and thereby, the market value of the underway shares (Pandey, 1992). The financial leverage is, according to the Net Income Theory, an important variable to the capital structure of a firm. With a judicious mixture of debt and equity, firms can evolve the highest and the overall cost of capital is the lowest. At that structure, the market price per share would be maximums. If the firm uses no debt or if the financial leverage is in zero, the overall cost of capital will be equal to the equity capitalization vote. The weighted average cost of capital will decline. Capital Structure policy includes a trade-off between risk and return, using more debt raises the riskiness of the firms' earning stream, but it also raises the expected vote of return on equity. Higher risk tends to lower the stock's price, but a higher expected rate of return raises it. The optimal capital structure strikes that balance between risk and return which maximizes the price of the stock. Optimal capital structure also minimizes the firm's overall cost of Capital.

### 2.1.3 Efficient Market Theory

Among the various theories on stock market behavior, another theory is the efficient market hypothesis. The efficient market hypothesis asserts that securities are normally in equilibrium, or fairly priced. Efficient markets eliminate all unused profit opportunities, so current security prices fully reflect all available information. Efficient market theory assumes that market prices fully and reliably reflect all available information. In this sense, stock prices are considered to be correct and price-accurate signals for resource allocation. The concept of market efficiency was hotly debated in the 1960s and 1970s and continues to this day. May has raised significant doubts from professional and amateur investors. However, empirical evidence clearly supports market efficiency and it can now be considered an accepted model for stock price movements (Firth & Khane, 1986).

Capital market efficiency was visualized at three levels: –

#### i. **Weak form efficiency**

Market efficiency because once statistical independence is established (if price changes are random), it means that profitable investment trading strategies cannot be developed based on past market price dependencies. evidence is obtained. In an efficient market, the current stock price is the best fair estimate of a security's value. These prices will only change as new information arrives. Because new information is by definition unpredictable, stock price changes are unpredictable and behave as if they were generated by a random process. Strictly speaking, you're right to think that the stock price will rise slightly over time as future dividends approach. A stock's expected return typically includes both dividend income and stock price appreciation. This is because some statistical dependence may be expected. Efficiency weaknesses depend on the ability to exploit price dependence to achieve excess returns. If there is a heavy reliance on price movements, this suggests that excess profits may be possible by applying simple trading rules. Initial tests of weak form markets have failed to find evidence that trading component price information as usual can be profitable. In other words, knowledge of past security price developments cannot be translated into accurate predictions of future security prices. These tests generally concluded that technical analysis that relies on determining security prices based on historical prices is ineffective. However, recent research suggests that investors can overreact to certain types of information, causing security prices to

temporarily move away from the value of their investments. As a result, you may be able to make a normal profit by buying "oversold" securities or selling overpriced securities. However, it should be noted that these observations are controversial and not widely accepted. (Sharp, Alexander, & Bailey, 1996).

**ii. Semi strong efficient market hypothesis**

In semi-strong efficiency, stock prices adjust immediately and unbiasedly in response to available new information, so no excess profits are achieved by trading on that information. The hypothesis is that markets are efficient so that prices reflect all publicly available information, or that all publicly available information influences market prices. Only insiders with access to valuable information can earn profits greater than those achievable with a simple buy-and-hold strategy, and this is a semi-efficient market. "The results of tests on the market efficiency of semi-strength molds have been mixed. Most event studies have failed to demonstrate that they are sufficient to overcome transaction costs. However, with certain characteristics Various market anomalies have been discovered when securities or securities have abnormally high returns over a particular period of time (Sharpe, Alexander, and Bailey, 1996). Semi-strong-form efficiency requires that stock prices fully and immediately reflect all publicly available information. Publicly available information includes not only historical stock prices (as examined using weak-form tests), but also the full range of economic data that influences price movements. Examples of data examined include merger announcements, new stock issues, stock splits, earnings, large stock transactions, discount rate changes, etc. Most tests of semi-strong form measured stock price adjustments to the release of information. The stock price adjustment, measured in semi-strong form, is the difference between the actual stock price and the stock price that would have been observed if no new information had arrived (Firth & Keane, 1986).

**iii. Strong form efficient market hypothesis**

A leading hypothesis about efficient markets is that stock prices reflect all information that is not publicly available. Personal information, called insider information, is disclosed to ensure rational and competitive behavior in the stock market with strong market efficiency. The efficient market hypothesis assumes that all information is reflected in security prices. It is said that no one can buy and hold strategies through trading securities or short-term price

fluctuations. When markets are highly efficient, even those with inside information do not have valuable investment information. Stock markets would be highly efficient if the rate of change in stock prices were independent random variables and none of the market participants used inside information. Strong market efficiency means that all information, whether public or not, is immediately reflected in stock prices, and market participants cannot achieve excess profits by chance. Therefore, if the efficiency of the form is high, we cannot expect to find investors who consistently generate excess returns over long periods of time, and similarly, investors who are informed in advance will not generate excess returns. . The main research studies on improving efficiency examine the investment performance of managed funds (mutual funds, pension funds, etc.) and investors with access to ex-ante or non-public information. If a fund can consistently generate excess returns, the market will be less efficient. Excess returns mean that the fund manager is better skilled at interpreting existing knowledge or has excess knowledge and is using it. Disclosure and monitoring of insider trading limits the use of prior knowledge by insiders.

One might expect that investors who have more private information would have an advantage over investors who trade solely on publicly available information. Generally, company insiders and stock market experts have been found to be able to generate unusually high returns, even though their information is not readily available to ordinary investors. What is less clear is whether securities analysts are capable of making such profits. In some cases, these analysts have direct access to personal information and, in a sense, create their own personal information through their research efforts. Some research suggests that certain analysts have the ability to identify misguided securities. However, whether this ability is due to skill or chance is an open question (Sharpe, Alexander & Bailey 2000). This strong form suggests that security prices reflect all available information, including private information. Strong form doesn't work in a world where the playing field is uneven. EMH is a semi-strong form of assets whose security prices reflect all publicly available information. Trading rules cannot generate higher profits because there is no such thing as an undervalued or overvalued security. When new information is released, it will be reflected in prices relatively quickly. Efficient market theory means that the market price of a security represents its fair value. Some argue that this cannot be the case because prices go up and down, and that fair value should change little even

if new information about the security's future cash flows becomes available. This means that the portfolio manager is working in a highly competitive market with little or no additional advantage over the next portfolio manager. They yield few exceptional profits, not because they are idempotent, but because the market is so competitive that there are few easy wins (Will, 1999).

## **2.2 Empirical Review**

This section of the literature review is devoted to a detailed review of significant earlier research on stock price. Although there is a positive correlation between the development of the stock market and economic growth, the empirical evidence supporting this relationship has been inconclusive. Numerous studies have been conducted in both foreign and Nepalese contexts; a brief summary of these studies is provided below.

### **2.2.1 Empirical review at international context**

Khan and Amanullah (2012) investigated the various determinants of the stock price of Karachi Stock Exchange (KSE) 100 index. With the help of multiple linear regression model, it was found that the dividend per share is an important determinant of the stock price and the yield is also a very important factor as it is negatively related to the market price of the stock. It turned out to be. The main result of this study was that the book value coefficient was consistently positive and highly significant except for his 1977–1978 period. The decomposition of stock price movements relies heavily on assumptions about whether there are persistent changes in either real dividend growth or excess stock returns.

Nasif (2014) examined the determinants of stock price fluctuation variables such as book value per share, dividend per share, earnings per share, loan interest rate, inflation rate, gross domestic product, and net worth from 2005 to 2026. It was to analyze. 2008. Stock prices, loan interest rates, inflation rates, gross domestic product, and net worth are independent variables. EPS and BVPS are dependent variables. Multiple panel data regressions were used: pooled regression and fixed effects models. The main finding of this study was that EPS, BVPS, and dividends per share have a significant impact on the market price of a stock. Furthermore, the study results showed that DPS and EPS are the strongest determinants of market price.

Therefore, this result supports liberal policies and recommends that companies pay regular dividends.

Challa and Chalam (2015) analyzed the market share prices of selected steel companies listed on the Bombay Stock Exchange. Book value, dividend per share, earnings per share, and firm size are independent variables. Dividend payout ratio and PER are dependent variables. We used multiple regression. As a result of my research, I was able to learn how various financial factors affect stock market prices. This study analyzed the impact of selected accounting variables such as book value, dividend per share, earnings per share, firm size, dividend payout ratio, P/E on the stock price of listed companies on Bombay Stock Exchange.

Robert and Nardin (2015) analyzed commonalities in the determinants of expected stock returns. Liquidity, price level, growth potential, and stock price are independent variables. Market per share is the dependent variable. Hypothesis was used. First, we find that stocks with high expected and realized returns are significantly less risky than stocks with lower returns. Second, we find that the key determinants of expected stock returns are strikingly similar across the world's major stock markets. They found that for the chemical industry, the signs of the estimated coefficients were correct and the coefficients of determination for all equations were very high. This means that changes in stock prices and dividend supply can be explained by those independent variables. However, in case of sugar industry, the sign of retained earnings is found to be negative in both the years.

Qaisi, Tahatmout and Oudah (2016) studied the effect on market price such as Return on Assets (ROA), ROE debt ratio, the age of company, the size of company. The major study that covered 20 insurance companies listed on the Amman Stock Exchange from 2011 to 2015. As a result of data analysis using simple regression method and multiple regression method, it was found that there is an influence among ROA, debt ratio, company age, company size, and market stock price, but for ASE-listed insurance companies, ROE and market stock price There is no effect.

Saldani, Axdin and Bektas (2017) examined the causality relationship of the stock price of 10 deposit banks traded in Borsa Istanbul with industrial production index. The major objective of the study is to focus on the period from June 2007 to October 2016, using monthly observations to analyze the stock prices and industrial production index of 10 depository institutions traded in Borsa Istanbul. The purpose was to investigate the causal relationship between the exchange rate and the money supply. Panel causality tests are used to examine causal relationships between variables. The research results showed that the industrial production index is not one of the determinants of the stock prices of the studied banks.

Hafeez et.al (2018) investigated the impact of earnings per share, price-to-book ratio, dividends and net profit margin on the stock price of Indonesia Stock Exchange. Firm size and stock price are independent variables. Dividend payout ratio and dividend yield are dependent variables. Bootstrapping data analysis used SEM (Statistical Equation Modeling) to test the hypotheses. The research results confirmed that EPS, PBV, and DPR have a significant impact on stock price. On the other hand, NPM did not have a significant impact on stock prices during the sample period, with an alpha significance of 5%.

Singh et.al (2019) analyzed the impact of dividends on the stock market prices of listed companies on the National Stock Exchange. Earnings per share, stock price per share, and asset growth are independent variables. ROA, BVS are dependent variables. Multi-panel data regression, i.e., pooled regression, fixed effects model, random effects model. The main finding of this study was that random effects models are more appropriate for describing the relationships between given variables. The results of the random effects regression model supported the association approach to dividend policy. It was concluded that dividend policy has a significant impact on a company's stock price.

Ezeabasili et.al (2020) investigated the impact of dividend policy on stock price fluctuations of companies listed on the Nigerian Stock Exchange. Dividend price, firm size, asset growth rate, and DPR are independent variables. A panel data regression technique was used. The results show that dividend payout ratio has a significant positive impact on stock market volatility for non-financial companies, and a small but positive impact on financial companies.

However, for both financial services and non-financial services companies, dividend yield had only a small negative effect on stock market volatility. The main finding of this study was that random effects models are more appropriate for describing the relationships between given variables. The results of the random effects regression model supported the association approach to dividend policy. It was concluded that dividend policy has a significant impact on a company's stock price.

Bustani et.al (2021) analyzed the impact of EPS, PBV, DPR, and NPM on stock prices. Stock price, net profit margin, and dividend payout ratio are independent variables. EPS and PBV are the dependent variables used. Bootstrapping data analysis used SEM (Statistical Equation Modeling) to test the hypotheses. The researchers' results confirmed the significant impact of EPS, PBV and DPR on stock prices. On the other hand, NPM did not have a significant impact on stock prices during the sample period, with an alpha significance of 5%. The results showed that a random-effects model was more appropriate for describing the relationships between the given variables. The results of the random effects regression model supported the association approach to dividend policy. It was concluded that dividend policy has a significant impact on a company's stock price.

Abdullah et.al (2022) examined the relationship between Corporate Governance Dimensions and Financial Performance of Listed Insurance Companies in Muscat Securities. The major objectives of the study were to examine the Relationship between Corporate Governance Dimensions and Financial Performance of Listed Insurance Companies in Muscat Securities Market, Sultanate of Oman. Board size, board independence, audit committee are the independent variables. ROA and ROE are the dependent variables that were involved. Correlation and regression analysis was used. This study performed in the insurance industry has provided more avenues for wider investigations in the financial sector in general. Determining the factors of corporate governance to assess the financial performance reflects the important role of attaining good corporate governance to ensure a successful financial operation. The data from 2004 to 2018 has been considered as an acceptable trend of data as indicated in this study that may have implications towards current conduct and operations of the insurance industry. Based on the findings, board size affects ROA but not on ROE; FBM affects ROE but has no effect

on ROA; BI has no influence.

Driver et.al (2023) examined a dividend pay-out relationship for South Africa. Estimated results are obtained for separate panels of listed and unlisted non-financial firms. Dividend cash, size, age, MBF, profitability, market to book ratio or assets growth rate are the independent variables. Dividend payout ratio, dividend yield and EPS are the dependent variables. Correlation, least square, ANOVA and regression model was used. We found that a higher proportion of independent directors increased the effect of size in the dividend decision. Foreign ownership had the same effect. However, find any significant effects for ownership concentration. There was also some weak evidence that the proportion of independent directors was associated with attention to investment opportunity, as measured by the market-to-book ratio.

Table 1

*Summary and Empirical Review at International Context*

<b>S.N</b>	<b>Authors</b>	<b>Variables</b>	<b>Methodology</b>	<b>Major Finding</b>
1.	Khan and Amanullah (2012)	GDP, dividend and P/E ratio are the independent variables. B/M ratio and interest rate are dependent variables.	linear Multiple Regression model was used.	To rises in GDP, dividend and P/E ratio leads to rise in share prices but B/M ratio and interest rate are negatively related to share prices.
2.	Nasif Al-shubiri (2014)	Stock price, lending interest rate, inflation rate, gross domestic product and net worth are the independent variables. EPS and BVPS are the dependent variables.	Multiple panel data regression namely pooled regression, fixed effect model was used.	EPS, BVPS, dividend per share has significant impact on the market price of share. Furthermore, result of the study indicated that DPS, EPS, being strongest determinants of market price. So the Result supports liberal policy and suggests companies to pay regular dividend.
3.	Challa and Chalam (2015)	Book value, dividend per share, earning per share, size of the firms are the independent variables. Dividend payout ratio and P/E ratio are the	Multiple regression was used.	The influences of the various financial factors on stock market prices. The study was analyzed the impact of the selected accounting variables like book value, dividend per share, earning per share, size of the firms, dividend payout ratio and P/E ratio on the equity price of listed companies in Bombay Stock Exchange.

- |    |                                   |                                                                                                                                    |                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                   | dependent variables.                                                                                                               |                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 4. | Robert and Nardin (2015)          | liquidity, price level, growth potential and stock price are the independent variables. Market per share is dependent variables.   | Hypothesis was used.                                               | First, the stock with higher expected and realized rate of return was unambiguously of lower risk than the stocks with lower returns. Second, they found that the important determinants of expected stock returns were strikingly common to the major equity markets of the world.                                                                                                                                                                                |
| 4. | Qaisi, Tahatmout and Oudah (2016) | Debt Ratio, Company age and Company size and market stock price are independent variables. ROA and ROE are the dependent variables | simple and multiple regression method was used.                    | The findings of the study was that there is effect between ROA, Debt Ratio, Company age and Company size and market stock price and there is no effect of ROE and market stock price in insurance companies listed on ASE.                                                                                                                                                                                                                                         |
| 5. | Markvicka (2016)                  | share price, dividend and retained earnings are the independent variables. price earning's ratio is dependent variables.           | Correlation. Coefficient of determination and regression was used. | The researcher found that in the case of chemical industry the estimated coefficients had the correct sign and the coefficient of determination of all the equations were very high. It implies that the stock price and dividends supply variation can be explained by their independent variables. But in case of sugar industry, they found that the sign for the retained earnings is negative in both years.                                                  |
| 6. | Ullah et al. (2016)               | Stock price was dependent variable while dividend payout ratio the independent variable                                            | Correlation, and regression model was used.                        | The major findings of the study was that dividend payout ratio and its impact on stock price have been proved to be influential for the time period of 2003-2008. This suggests that dividend payout ratio have a significant impact on stock price. Moreover, among the control variables; earning volatility and growth were also found significant in some of the regression models.                                                                            |
| 7. | Hooi et al. (2017)                | Firm size and share price are independent variables. Dividend payout ratio and dividend yield are dependent variables.             | Hypothesis, correlation, relapse model was used.                   | The findings of the study was that dividend yield and dividend payout has negatively relationship with share price and were significant. Firm size and share price were also related. Positive and significant relationship between growth in assets and market price of share were distinguished as hypothesized. Be that as it may, there was no critical relationship found between development in resources and price unpredictability in the Malaysian market |

- |     |                                  |                                                                                                                                  |                                                                                                      |                                                                                                                                                                                                                                                                                                                                             |
|-----|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8.  | Saldani, Axdin and Bektas (2017) | Dividend per share, earnings per share, P/E ratio are dependent variables. Market per share is the dependent variables.          | Multiple regression was used.                                                                        | The finding of the study that the industrial production index is not one of the determinants of the stock price of the bank examined.                                                                                                                                                                                                       |
| 9.  | Saldani, Axdin and Bektas (2017) | DPS, DY, EPS are the independent variables and MPS is the dependent variables.                                                   | Hypothesis test and lest square was used.                                                            | The finding of the study showed that the industrial production index is not one of the determinants of stock price of the bank examined. The panel causality test is used to examine the causality relationship between variables.                                                                                                          |
| 10. | Hafeez (2018)                    | Firm size and share price are independent variables. Dividend payout ratio and dividend yield are dependent variables.           | Data analysis with bootstrapping used SEM (Statistical Equation Modeling) in hypothesis testing      | The research findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5%.                                                                                                                             |
| 11. | Singh et.al (2019)               | Earnings per share, stock price per share and assets growth are the independent variables. ROA, BVS are the dependent variables. | Multiple panel data regression namely pooled regression, fixed effect model and random effect model. | The result indicated that random effect model was more relevant in describing the relationship among the given variables. The result of random effect regression model supported the relevant approaches of dividend policy. It concluded that there was significant effect of dividend policy on the stock price of firms.                 |
| 12. | Ezeabasili (2020)                | Dividend price, firm size, assets growth, DPR are the independent variables.                                                     | The panel data regression technique                                                                  | The findings revealed that dividend payout ratio had significant positive effect on stock market volatility of non-financial firms, and positive but insignificant effect for the financial firms. However, dividend yield had insignificant negative effect on stock market volatility for both financial and non-financial service firms. |
| 13. | Bustani et.al (2021)             | Stock price, net profit margin, dividend payout ratio are the independent variables. EPS and PBV are the dependent variables.    | Data analysis with bootstrapping used SEM (Statistical Equation Modeling) in hypothesis testing      | The research findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5%.                                                                                                                             |
| 14. | Noha et.al (2022)                | Board size, board independence, audit                                                                                            | Correlation and regression                                                                           | The major findings of the study was to performed in the insurance industry has                                                                                                                                                                                                                                                              |

	committee are the independent variables. ROA and ROE are the dependent variables.	analysis was used.	provided more avenues for wider investigations in the financial sector in general. Determining the factors of corporate governance to assess the financial performance reflects Based on the findings, board size affects ROA but not on ROE; FBM affects ROE but no effect on ROA; BI has no influence
15. Driver et.al (2023)	Dividend cash, size, age, MBF, profitability, market to book ratio or assets growth rate are the independent variables. Dividend payout ratio, dividend yield and EPS are the dependent variables.	Correlation, least square, ANOVA and regression model was used	A Researcher found that found that a higher proportion of independent directors increased the effect of size in the dividend decision. Foreign ownership had the same effect. We did not, however, find any significant effects for ownership concentration. There was also some weak evidence that the proportion of independent directors was associated with attention to investment opportunity, as measured by the market-to-book ratio.

### 2.2.2 Empirical Review at National context

Upadhyaya (2014) analyzed the impact of stock price movements of companies listed on NEPSE with reference to five years of commercial banking data. The authors found that in all sample banks, the market price per share (MPS) has a highly positive relationship with his earnings per share, and that MPS is highly dependent on his earnings per share. I discovered that there is. Risks associated with EPS dividend growth rates and company information reveal political instability. These are the main factors that affect the price of NEPSE. Additionally, interest rates, retained earnings, cost of equity, market liquidity, and management changes do not have a material impact on NEPSE's stock price.

Regmi (2014) investigated the capital market practices in Nepal implemented by the Nepal Securities Commission, mainly focusing on the basic level of corporate governance practices in Nepal. The main finding of this study was that business leaders and some of them are already doing so. Both leaders agreed on the need to introduce a code of ethics for good governance and avoidance of political interference in the corporate sector. It also proposes strengthening the responsibilities of the board of directors and making them more accountable. It also called on regulators to cooperate in improving corporate governance.

Upreti (2015) examined corporate governance law and practice in Nepal submitted by organized by SEBON Nepal. The major objective of the study published by SEBON Nepal in 2004 was to investigate corporate governance laws and practices in Nepal. The report highlights various aspects of Nepal's corporate governance and related laws and practices with respect to securities market regulation, and highlights the need to educate directors and CEOs about good corporate governance and make them understand its importance. It was concluded that there is. Management, regulators, stakeholders and the implementation of corporate governance codes. Furthermore, the internal governance of regulatory authorities should also be reformed. The study examined capital market regulation and investor protection in Nepal and was published in SEBON. It discussed the regulatory aspects of the existing legal framework and also highlighted serious deficiencies in the existing provisions and proposed suggestions for further improvements. The study calls for stock exchanges and relevant authorities to carry out limited-time refresher courses with the aim of professionalizing existing SEBON members, and those involved in corporate finance, capital markets, economics and financial engineering. It was concluded that it is necessary to have sufficient knowledge about such matters.

Poudel (2016) analyzed the determinants of stock price in NEPSE, with special focus to private commercial banks. Arithmetic mean, correlation and regression analysis, t- test is the major statistical tools that have been used for the study. In order to conduct this study, descriptive research design has been adopted. SPSS tool was used to organize the data, determine significant relationships and identify difference or similarities with & between different variables under study. The major findings of the study were to from Z test showed that there is statistically significant relationship between the variables or not. Even though DPS, BVPS and EPS affect the MPS positively, there is several other factors i.e. internal as well as external environment that affects the market price of stock. Theoretically, when earnings, dividends and book value per share increases, the market price per share also increases and vice versa. But in the case of NEPSE, this theory does not seem to be true hundred percent. Meaning that there are various other factors too that affects the share price.

Adhikari (2017) examined the survey was to ask questions regarding the development of securities markets and the treatment of possible stimulus measures. Dividend per share, earnings per share, and P/E ratio are independent variables. Change in MPS is the dependent variable. Regression method was used to display the data. The key findings are that Nepal's securities market is affected by legal deficiencies, legal resources of regulators, poor liquidity, poor corporate governance practices, poor disclosure practices, legal involvement of institutional investors, It is said that it has not developed sufficiently due to the high cost of public offering and high transaction volume. Costs, accounting deficiencies, examination standards, etc. In his concluding remarks, the author stated that through the introduction of new laws and their effective implementation, the current situation of the securities market should be improved and developed as an important source of long-term financing.

Pradhan and Poudel (2017) examined the impact of fundamental factors on stock price of Nepalese commercial banks. The major objective of this study was to investigate the impact of fundamental factors on the stock price of Nepal Commercial Bank. Return on assets, return on equity, net profit margin, earnings per share, and dividends per share are independent variables. The market price per share and the change in the market price per share are then the dependent variables. The data is derived from the Banking and Financial Statistics and Banking Supervision Report published by Nepal Rastra Bank and the annual reports of selected commercial banks. The study is based on 13 commercial banks in Nepal from 2007 to 2014, resulting in a total of 104 observations. We use regression model estimation to examine the importance and impact of fundamental factors on the stock price of Nepal Commercial Bank. This study examines stock price, dividend per share (DPS), return on assets (ROA), and earnings per share (EPS) (market price per share and change in market price per share). It was found that there was a significant relationship between According to the regression results, the market price per share has a positive effect on the beta coefficients of DPS and EPS at the 5% significance level.

Kafle (2018) examined the development of primary market in Nepal and argue that its problems and challenges highlight the scenario of primary market, related issues in primary market and proposed reforms. Ta. Size, DY, and dividend per share are independent variables. Market per share is the dependent variable. Standard deviation, correlation, and regression

tools were used to display the data. It was noted that the recent introduction of securities regulations was important in strengthening regulatory powers and promoting capital market reform. Furthermore, systematic implementation of regulations will be difficult.

Shrestha (2018) examined the stock price trends of commercial banks in Nepal over a five-year period using a sample of 10 commercial banks. In this study, the market price of NEPSE stock is influenced by the book value of earnings, dividends, and risks associated with the company. Correlation and regression methods were used to present the data. The main finding of this study was that NEPSE is at a primitive stage and commitment does not have a significant impact on cost of equity or management change. Although most banks are not aware of the laws and guidelines governing the stock market, poor rules and regulations of market makers and contagious regulatory mechanisms are the problems of Nepal's capital market.

Khadka (2018) analyzed the determinants of stock prices of commercial banks in Nepal from 2012/13 to January 2016. EPS, BVPS, DPS, and P/E are independent variables, and MPS is dependent variable. The objectives of this study were achieved by using a descriptive research design. From the population of 28 commercial banks, four commercial banks listed on NEPSE and having stock trading are selected as a sample. Convenience sampling was chosen as the sampling method. Multiple correlation models, simple regression models, and multiple regression models were selected to analyze the relationship between stock prices and other variables. The main findings of this study were that DPS has a significant negative impact on the stock prices of selected banks, whereas EPS, BVPS, and P/E ratio have a significant positive impact. EPS, DPS, and BVPS are not significantly affected by stock price fluctuations, but NSBI, NBBL and its P/E ratio are significantly affected. This conclusion is consistent with previous studies conducted in the Nepali setting.

Sharma (2019) examined the relationship between stocks and stock prices and explanatory variables such as book value per share, dividend per share, earnings per share, price-to-earnings ratio, dividend yield, dividends, and sales. The purpose was to investigate the empirical relationship. Net worth for the period 1993-1994 to 2018-19. The results show that earnings per share, dividends per share, and book value per share have a significant impact on the market price of a stock. A key finding of this study was that dividends per share and

earnings per share are the strongest determinants of market price. Therefore, the findings support a generous dividend policy and recommend that companies pay regular dividends.

Paudel (2020) analyzed the monthly closing prices of commercial banks in NEPSE of six listed commercial banks for three consecutive years from 2012 to 2020 using correlation coefficient, regression analysis, running test and autocorrelation. The purpose was to analyze stock price trends. In this study, researchers found that successive price changes are correlated with previous price series. Researchers also found that most stocks do not follow the random walk hypothesis. Current stock prices depend on past stock prices. The most important factor in stock price fluctuations was earnings per share. Most of the investors preferred to invest in commercial bank stocks as the fluctuations in NEPSE index were due to trading in commercial bank stocks. This study had important limitations. The data used in this study is not sufficient to predict stock price movements.

Chundali (2020) investigated the public opinion on the variables that influence stock price movements in Nepal. This study used both primary and secondary data from various sources to identify the impact of each variable on Nepal's stock price fluctuations and to determine the impact of the variables. Descriptive research was used to design the study. Convenience sampling method was used for the study. The questionnaire used to collect data from the respondents in this study served as the main source of secondary data for the study which was collected from the annual reports of the sample banks used in this study. The data in this study were analyzed using mean, standard deviation, coefficient of variance, and correlation coefficient. As a result, majority of the respondents believed that the country's political situation, earnings per share, dividend payout pattern, high book value, stock price, Nepal Rastra Bank rules and regulations, and financial aspects all influenced the stock price fluctuation. Many respondents still hold to this belief, although they agree that it affects people. The study also found that the stock prices of commercial banks in Nepal are highly volatile. The study also showed that the stock prices of commercial banks in Nepal have fluctuated widely. It is interesting to identify the factors that influence the stock prices of commercial banks. Most investors' portfolios are dominated by commercial bank stocks.

Karki (2021) investigated the macroeconomic factors that influence the development of stock market in Nepal. Net assets per share, dividends per share, earnings per share, price-to-earnings ratio, dividend yield, dividend payout ratio, and size are independent variables. Sales and net worth are the dependent variables. Standard deviation, correlation, and regression tools were used to display the data. The main results of this study were that there is a positive relationship between market prices and real GDP, inflation and money supply, and a negative relationship with interest rates. It was also found that Nepal's stock price movements cannot be explained by macroeconomic variables. Recent studies have demonstrated that stock markets exhibit long-term equilibrium relationships with many macroeconomic variables. This study found a significant positive relationship between referrals and the NEPSE index by applying Johannes's co-integration research and using monthly data from 2013 to 2021.

Agrawal (2022) examined the determinants of stock price fluctuations in Nepal and find that there are differences between the key signaling factors and the NEPSE index before the important signaling factors such as It turns out. Public Monument 2078/79, Peace Maoist-government agreement, political demonstration. As part of the correlation test, a test was conducted between his EPS and DPS using MVPS. Paired test correlation analysis and regression analysis were performed to calculate the value of the given hypothesis. The main result of this study was the analysis of financial indicators (EPS and DPS) which showed that Nepal's stock market is still in its nascent stage. EPS and DPS are not very stable. Potential investors are strongly attracted to the banking industry and financial companies.

Table 2

*Summary and Empirical review of literature review at National Context*

S.N	Authers	Variables	Methodology	Major Findings
1.	Upadhyaya (2014)	Interest rate, retention ratio, cost of equity, market liquidity, change in management are the independent variables. MPS and EPS are the dependent variables.	Multiple regression was used.	The major findings of the study were to that market price per share (MPS) had high degree of positive relationship with EPS in all sample banks and MPS largely depend on EPS. EPS dividend payout growth rate, and risk associated with company information disclose political instability are the major factors affecting the shareprice in NEPSE.
2.	Regmi (2014)	Dividend per share, earning per share, P/E ratio are the independent	Mean, standard deviation, correlation and	This study revealed that corporate directors and some of them are already in practice. They agreed to the necessity of adopting code of ethics on

		variables. Change in MPS is the dependent variables.	regression analysis was used.	good governance and avoiding political influence in the corporate sector.
3.	Upreti (2015)	DPS, DY, P/E ratio and size are the independent variables. MPS is the dependent variables.	Multiple regression was used.	The findings were of the study to professionalizing the existing members of SEBON, Stock Exchange and concerned authorities must conduct from them to time refresher course and concerned persons should have reasonable background in corporate finance, capital market, economics and financial engineering, etc.
4.	Adhikari (2017)	Dividend per share, earning per share, P/E ratio are the independent variables. Change in MPS is the dependent variables.	Correlation and regression method was used.	Nepalese securities market does not adequately develop due to legal inadequacy, law resource to regulator, poor liquidity, poor corporate governance practices, poor disclosure practices, law involvement of institutional investors, high cost of public issue, high transaction cost and lack of accounting and auditing standard, etc.
5.	Pradhan and Poudel (2017)	Return on assets, return on equity, net profit margin, earning per share and dividend per share are the independent variables. And market price per share and change in market price per share are the dependent variables.	regression models was used.	The researcher found that there is significant relationship between the stock price and dividend per share (DPS), return on assets (ROA), and earnings per share (EPS) (market price per share and change in market price per share).
6.	Poudel (2016)	DPS, BVPS and EPS affect the MPS are the variables.	Arithmetic mean, correlation and regression analysis, t- test were used.	The major findings of the study were to from Z test showed that there is statistically significant relationship between the variables or not. Even though DPS, BVPS and EPS affect the MPS positively, there is several other factors i.e. internal as well as external environment that affects the market price of stock.
7.	Kafle (2018)	Size, DY, and dividend per share are the independent variables. Market per share are the dependent variables.	Standard deviation, correlation and regression was used.	It found that the recent issuance of Securities Ordinance is important in terms of empowering the regulator and facilitating capital market reform. More over the planned implementation of Ordinance will emerge as challenge
8.	Khadka (2018)	EPS, BVPS, DPS, and P/E Ratio are independent variables, and MPS is a dependent variable were used.	Multiple correlation and simple and multiple regression models were used.	The empirical result showed that, while DPS has a significant negative impact on the share prices of selected banks, EPS, BVPS, and P/E Ratio have a significant positive impact. While EPS, DPS, and BVPS are not significantly impacted by share price changes, NSBI, NBBL, and their P/E ratios are significantly affected.
9.	Shrestha (2018)	earnings book values, dividend payment and risk are the independent variables. MPS is the dependent variables.	Correlation and regression method was used.	The major findings of the study were to NEPSE is in primitive stage and it doesn't have significant effect of retention on cost of equity and change in management. Most banks are unknown about laws and policies regarding share market but poor rules and regulation as well as ineffective regulatory mechanism of market makers are the problem of Nepalese capital market.

- |     |                    |                                                                                                                                                                                                             |                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10. | Sharma<br>(2019)   | book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout, size are the independent variables. of sale, and net worth are the dependent variables. | Multiple regression was used.                                                             | The Results revealed that earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the result of study supports liberal dividend policy and suggests companies to pay regular dividends. |
| 11. | Paudel<br>(2020)   | EPS, DY, P/E ratio and size are the independent variables. MPS is the dependent variables.                                                                                                                  | Correlation Coefficient, Regression Analysis                                              | The researcher also found that most of the stocks did not follow random walk hypothesis. The present stock price was dependent to the historical prices. The EPS was the most affecting factor for the price change of the stock. Most of the investors wanted to invest in the shares of commercial banks.                                                                                          |
| 12. | Chundali<br>(2020) | earnings per share, dividend distribution patterns, higher book value, share price variables were used.                                                                                                     | Mean, standard deviation, coefficient of variance, and correlation coefficients was used. | The findings showed that while a majority of respondents agreed that the political situation of the nation, earnings per share, dividend distribution patterns, higher book value, share price.                                                                                                                                                                                                      |
| 13. | Karki<br>(2021)    | book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout, size are the independent variables. of sale, and net worth are the dependent variables. | Standard deviation, correlation and regression was used.                                  | In this study researcher found that there is significant positive relationship between remittance and NEPSE index applying Johannes's co-integration method study employed monthly data from 2003 to 2012.                                                                                                                                                                                           |
| 14. | Ojha<br>(2021)     | Payout ratio, dividend yields, dividends paid and stock prices are the independent variables. Net worth per share and common stock price are the dependent variables.                                       | Correlation coefficient and regression model was used.                                    | It found that the issuance bonus shares and right shares, which actually decrease the net worth per share, there is significant positive correlation between the dividends paid and stocks prices of banking and manufacturing industries. All other industries have not a perfect correlation between the dividends paid and stock prices.                                                          |
| 15. | Agrawal<br>(2022)  | EPS and DPS are the independent variables. MVPS is the dependent variables.                                                                                                                                 | Hypothesis, paired- test correlation and regression analysis was used.                    | The major findings of the study were to analysis of financial indicators (EPS and DPS) has shown that Nepalese stock market is still on infancy stage. EPS and DPS are not much stable. Potential investors are highly attracted by banking industry and financial company.                                                                                                                          |
-

## 2.3 Research Gap

Previous studies and research on NEPSE stock price movements are based on an obvious approach that ignores the most popular indicators. While reviewing previous papers, it was found that very little research has been done on these sample companies selected by the researchers in this study and it was found that there is a research gap in these time periods as well. The researchers sampled only top-tier commercial banks that could predict sensitive periods for stock prices. Additionally, researchers investigated price trends related to stock market efficiency using stock brokers, market analysts, and individual investors as the main sources of information. We needed to conduct a survey among the key stakeholders in the stock market: stock brokers, market analysts, and individual investors. Furthermore, it also shows that there is very little research work on various aspects of securities pricing of insurance companies in the field of stock markets. Research conducted in developed security markets may not be fully relevant to security markets in less developed countries like Nepal.

There is little research on this topic in Nepal. By mainly focusing on selected insurance companies that were established in different eras, this study has so far discussed the stock price trends of selected insurance companies listed in his NEPSE analysis of these six insurance companies. aims to fill the research gap. The study included only eight years of his data, which may have made the results inaccurate. In this study, he evaluated the profitability of three banks using various indicators and trend analysis. Determination of the relationship between a particular insurance company's risk content and his EPS, DPS, MPS. Most of the above-mentioned studies use technical and statistical methods such as regression analysis, correlation coefficient, NEPSE trend, etc. for analytical purposes, but the studies that use basic analytical tools for their research work Almost none. Additionally, there are some studies that deal with his financial metrics such as EPS, DPS, and MPS, which have the most impact on MVPS. Therefore, this study attempts to analyze the factors that influence the market price of stocks as well as the relationship between these factors.

Thus, this study has been advantageous to all interested parties, including individuals, academics, professors, students, and businesspeople, from both an academic and policy perspective. In the future, I hope that this research will be helpful to others studying related topics.

## CHAPTER III

### RESEARCH METHODOLOGY

Research methodology is the systematic way to solve the research problem with the certain objectives. The purpose of this study is to evaluate the stock price behavior of selected insurance companies listed in NEPSE with reference to SLICL, NLIC, NLICL, SIC, NICL and PRINC. Research methodology adopted in this includes research design, population and sample, sources of data, data collection procedure and data analysis tools and techniques.

#### **3.1 Research Design**

A research design is the setup of parameters for data collection and analysis in a way that seeks to integrate procedure economy with pertinent to the study goal. The conceptual framework that the research is carried out within is known as the research design. Both an analytical and descriptive design were used in this research project. Descriptive research design is the research that has been modified for this study's objectives. Regression analysis, correlation, and descriptive and analytical research designs have all been modified to ascertain the impact of book value, dividends, and earnings on stock price. Using a descriptive research design and casual comparative research design were used in this study.

#### **3.2 Population and Sample**

The factors that affect an insurance company's share price in Nepal have been investigated in this study. Descriptive and causal comparative research designs were used in this study. Six insurance companies were chosen as a sample using a judgmental sampling method for the study, out of the 28 listed insurance companies, both life and non-life. Using judgmental sampling method Sub Nepal life insurance company limited, Nepal life insurance company limited, National life insurance company limited, Shikhar insurance company limited, Nepal insurance company limited and Prabhu insurance company limited are the considered to taken as sample of the study.

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

The secondary data used in this study. Secondary sources have provided the quantitative data that have been extracted. The company's yearly financial statements have provided the information needed to determine the stock price. The study basically focuses on the secondary data. The secondary data are taken from annual report, auditor's reports, balance sheet, profit and loss account, respective website, unpublished / published thesis, financial performance of banks, newspaper, journal, magazines etc., along with other information such as earnings, dividends, book value, and market price, have been heavily utilized as secondary sources of data.

### **3.4 Data Collection Procedure**

This research is based on various data which are published by banks, their financial performance reports, articles, journals, references, annual reports and respective websites will be considered for the needed observation. Supplementary information is collected from different institution and authorities like NRB, Nepal stock exchange and Ministry of finance. Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents from various sources for needed observation. Some review materials are mainly collected from central library, TU Kirtipur, Shanker Dev Campus.

### **3.5 Data Processing Procedure**

Firstly, data were extracted from the annual reports of the bank and put them in a sheet. Then data were entered into the spreadsheet to work out the financial ratios and prepare necessary figures, according to the need and requirement of this study. For this purpose, gathered data have been processed using computer programs like Microsoft Excel, Microsoft Word.

### **3.6 Method of Analysis**

Under this, various profitability measurement tools and techniques are applied to gain the fact result. The data which are collected and arranged in a systematic form are analyzed and presented through financial and statistical tools via ratio analysis, Karl Pearson's correlation coefficient and multiple regression model were used to present data.

### 3.6.1 Financial Tools

Calculated between any two items of financial statements. A financial ratio is the relationship between two accounting figures, expressed mathematically or the term ratio refers to the numerical or quantitative relationship between two items/variables. Ratio helps to summarize the large quantities of financial data to make qualitative judgments so ratio is regarded as the best indicator to any business to know the performance. There are numerous ratios to analyze and interpret the financial performance of the enterprise or firm. However, for our purpose, only important and relevant ratios are evaluated. Some of the important ratios for evaluating the company's performance.

### 3.6.2 Statistical Tools

Statistical tools perform very important role in business activity. Each and every performance should be calculated in business world to know the exact profit/loss. Here are some mathematical tools which are widely in practice. The following mentioned statically tools well be used interpret data.

#### 1. Arithmetic Mean

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

$$\bar{X} = \frac{\sum X}{N}$$

Where,

$\bar{X}$  = Arithmetic Mean

$\sum X$  = Sum of Elements

N = Number of Observations

## 2. Standard Deviation

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation.

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

## 3. Coefficient of Variation

Standard deviation is the absolute measure of dispersion. The relative measure of dispersing based on the standard deviation is known as the measurement of coefficient of standard deviation. The percentage of measure of coefficient of s.d is called coefficient of variation less c.v is more uniformity and consistency vice versa. Only standard deviation is not appropriate to compare two pairs of variables but cv is capable to compare two variables independently in terms of their variability. It is calculated as under.

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

## 4. Coefficient of Correlation

The correlation coefficient is a statistical measure that calculates the strength of the relationship between the relative movements of the two variables. It is a useful statistical tool for measuring the intensity of the magnitude of linear relationship between two variables. The most important method of measuring the correlation between the two variables is “Karl Pearson’s coefficient of correlation. “If the values of the variables are directly proportional then the correlation is said to be positive. On the other hand, if the values of the variables are inversely proportional, then the correlation is said to be negative. The correlation coefficient always remains within the limit of +1 to -1. The correlation coefficients (r) between two variables X and Y can be obtained by using following formula.”

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

Where,

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

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

## 5. Multiple Regression

Multiple linear regressions is most common form of linear regression is used to explain the relationship between one continuous dependent variable and two or more independent variables. The independent variables can be continuous or categorical. Multiple linear regression (MLR), also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of multiple linear regression (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable. In essence, multiple regressions is the extension of ordinary least-squares (OLS) regression that involves more than one explanatory variable.

Study Model

$$\text{Market price per share (Y)} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots \dots \dots (i)$$

$$\text{Market to Book Ratio (Y)} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \dots \dots \dots (ii)$$

Where,

$X_1$  = Dividend Per Share

$X_2$  = Earnings Per Share

$X_3$  = Dividend Yield

$X_4$  = P/R Ratio

$X_5$  = Size or Total Assets

### 3.7 Research Framework and Definition of Variables

#### 3.7.1 Conceptual Framework

The conceptual framework of this research is presented in graphic form which reflects the variables selected in research. It is presented below:

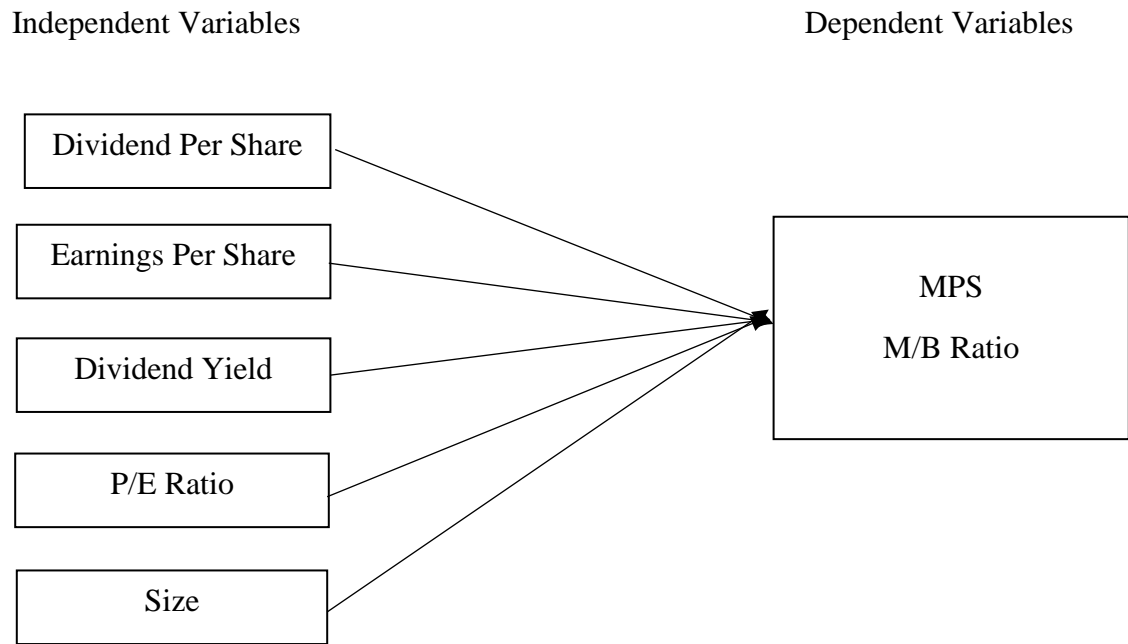


Figure: The Conceptual Framework

Source: *Silwal & Napit (2019)*.

#### 3.7.2 Definition of Variables

In research, a variable is basically any individual, location, thing, or phenomenon that you are trying to measure in some manner. Thinking about what the words say about the variable in question will help you understand the difference between a dependent and independent variable the easiest way possible.

## **Dependent Variables**

### **Market Price Per Share**

The market price per share, also known simply as the market price, is the current price at which a single share of a publicly traded company's stock is being bought and sold on the open market. It is determined by the forces of supply and demand in the stock market, reflecting investors' perceptions of the company's value, future prospects, and overall market conditions. The market price per share can fluctuate throughout the trading day as investors buy and sell shares. Factors influencing the market price include the company's financial performance, industry trends, macroeconomic conditions, news and events related to the company or the market, and investor sentiment. It's important to note that the market price per share may not always accurately reflect the intrinsic value of a company. Intrinsic value is an estimate of the true worth of a company's stock based on its fundamentals, such as earnings, growth potential, and other financial metrics. Investors often analyze both the market price and intrinsic value to make informed investment decisions.

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

### **M/B Ratio**

The M/B ratio, or Market-to-Book ratio, is a financial metric used to evaluate the relationship between a company's market value (the price investors are willing to pay for its stock) and its book value (the value of its assets minus liabilities, as recorded on the balance sheet). A high M/B ratio suggests that the market values the company's potential for future earnings growth and profitability, often indicating investor confidence in its performance. Conversely, a low M/B ratio may indicate that the market perceives the company as undervalued or potentially facing challenges. It's an essential tool for investors to assess a company's financial health and growth prospects relative to its intrinsic value.

$$\text{M/B} = \frac{\text{Market Capitalization}}{\text{Total Book Value}}$$

## **Independent Variables**

In experimental research, an independent variable is one that you manipulate, control, or modify to investigate its effects. It is referred to be "independent" since it is unaffected by any other factors in the research. They are as follows:

### **Dividend Per Share**

Dividend Per Share (DPS) is a financial metric that represents the portion of a company's earnings allocated to each outstanding share of its common stock. It is a measure of the cash distribution a company pays to its shareholders in the form of dividends. Dividend Per Share is expressed in terms of currency per share (e.g., dollars per share, euros per share) and is a key indicator for investors who are interested in income-generating investments. It provides insight into how much cash a shareholder would receive for each share they own. Additionally, DPS is often used in financial analysis to assess a company's dividend-paying ability and sustainability. Investors may compare the Dividend Per Share of a company with its earnings per share (EPS) to evaluate the company's dividend payout ratio, which is the proportion of earnings paid out as dividends. A sustainable and healthy dividend-paying company typically maintains a reasonable payout ratio, balancing the distribution of profits with the reinvestment needed for growth and financial stability.

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

### **Earnings Per Share**

Earnings Per Share (EPS) is a financial metric that represents the portion of a company's profit allocated to each outstanding share of its common stock. It is a widely used indicator of a company's profitability and is a key element in financial statements. EPS is expressed in terms of currency per share (e.g., dollars per share, euros per share). It is a crucial metric for investors, analysts, and financial professionals, as it provides insight into a company's profitability on a per-share basis. Investors often use EPS to assess a company's financial health, growth potential, and overall performance. Investors often look at both basic and diluted EPS to gain a comprehensive understanding of a company's earnings potential and the potential impact of

securities that could affect the share structure. EPS is also a key component in various financial ratios and valuation metrics used to evaluate investment opportunities.

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

### **Dividend Yield**

Dividend Yield is a financial ratio that indicates the annual dividend income a shareholder can expect to receive relative to the current market price of a company's stock. The resulting percentage represents the yield on investment from dividends alone, without considering potential capital gains or losses. A higher dividend yield may be attractive to income-focused investors seeking regular income from their investments. Investors use the dividend yield as a tool for assessing the income potential of a particular stock and comparing it to other investment opportunities. It's important to note that a high dividend yield can be a sign of an attractive income-generating investment, but it can also indicate that the market has priced the stock lower due to concerns about the company's financial health or future prospects. It's crucial to consider other factors, such as the company's dividend history, payout ratio, and overall financial health, in conjunction with dividend yield when evaluating an investment opportunity. Companies with a consistent and sustainable dividend payment history may be more appealing to investors looking for reliable income streams. It is expressed as a percentage and is calculated using the following formula:

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

### **P/E Ratio**

The Price-to-Earnings ratio (P/E ratio) is a financial metric that compares a company's current market price per share to its earnings per share (EPS). It is a widely used valuation ratio that provides insight into how the market values a company's stock in relation to its earnings. The P/E ratio is expressed as a multiple, indicating how many times the market price per share is in relation to the earnings per share. For example, a P/E ratio of 15 means that investors are

willing to pay 15 times the company's current earnings per share for a single share of its stock. While a high P/E ratio can indicate positive market sentiment, it also carries the risk of higher expectations, making the stock more vulnerable to disappointments. A low P/E ratio may signal undervaluation but could also reflect market concerns. Investors should consider the P/E ratio in conjunction with other financial metrics, the company's growth prospects, and the overall economic and industry conditions to make informed investment decisions.

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

### **Size or Total Assets**

Total assets are the combined value of a company's resources, including both tangible and intangible assets. These assets are listed on the company's balance sheet, which is one of the fundamental financial statements. The balance sheet provides a snapshot of a company's financial position at a specific point in time. Total assets provide insights into the overall financial health of a company. A company with substantial total assets generally has a strong financial position, indicating its ability to cover liabilities and sustain operations. Total assets play a key role in assessing a company's solvency, which is its ability to meet its long-term obligations. Comparing total assets to total liabilities helps determine the company's leverage and financial risk. Investors often consider total assets when evaluating a company's valuation and financial stability. It can be part of various financial ratios, such as the asset turnover ratio, return on assets (ROA), and others. Changes in total assets over time can indicate a company's growth or contraction. Rapid growth in total assets may suggest expansion and positive business prospects.

Total Assets = Current Assets + Non-Current Assets

## CHAPTER IV

### RESULTS AND DISCUSSION

The gathered data are examined and interpreted in this chapter in accordance with the technique described in the preceding chapter. The study's findings were obtained with the aid of financial statements covering the period from FY 2012–13 to FY 2021/22. Financial ratios are used to analyze the data, which are shown in tabular and diagrammatic form. Moreover, statistical tools such as, mean, standard deviation, co-efficient of variation, and correlation co-efficient and regression have been utilized to analyze the data.

#### **4.1 Descriptive Analysis of the Variables**

In this descriptive analysis, several key financial variables are examined to provide insights into the company's financial health and market performance. The variables include the Dividends Per Share (DPS), Earnings Per Share (EPS), Debt-to-Equity (D/E) ratio, Price-to-Earnings (P/E) ratio, company Size, and Market Price per Share (MPS). DPS reflects the dividend distribution to shareholders, indicating the company's commitment to returning value to investors. EPS measures the company's profitability, illustrating the earnings generated per outstanding share. The D/E ratio assesses the company's leverage and financial risk, highlighting the proportion of debt to equity. The P/E ratio evaluates the market's perception of the company's future earnings potential. Size is a fundamental metric, providing an understanding of the company's scale and operations.

### 4.1.1 Pattern of Dependent Variables

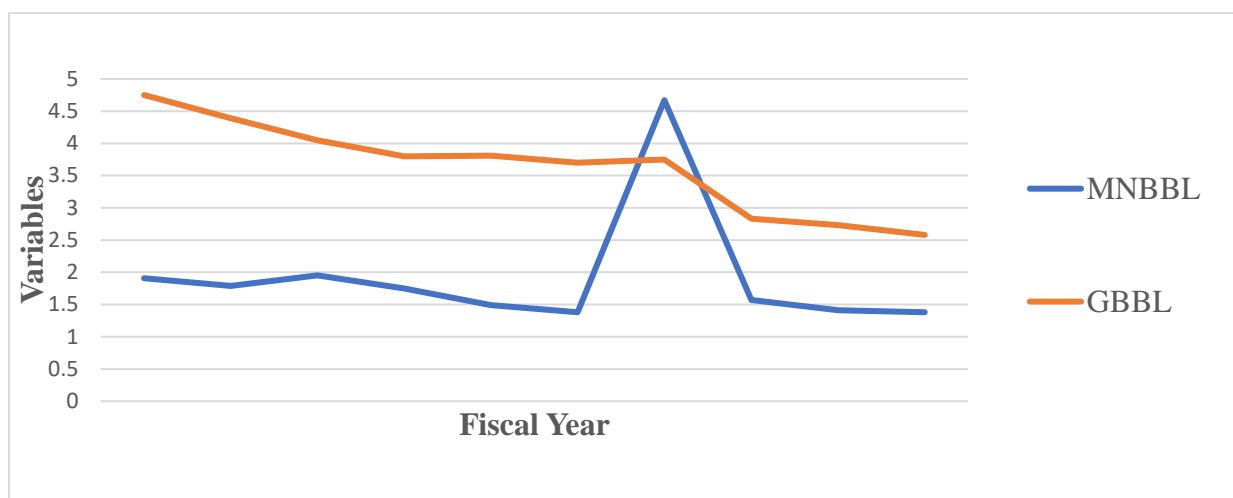


Figure: Patterns of Dividend Variables

**Table 3**

*Descriptive Statistics*

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

No/e. N = 60

Table 3 presents a comprehensive set of descriptive statistics for six key financial variables—Dividends Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, Size, and Market Price per Share (MPS). These statistics provide a detailed overview of the central tendencies and variations within the dataset, shedding light on the distribution and characteristics of each variable. Starting with DPS, the minimum value of 0.23 and the maximum value of 126.32 indicate a considerable range in dividend payouts per share. The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21

reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies.

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

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

In conclusion, Table 3 provides a nuanced and detailed examination of key financial variables, revealing the diversity and dispersion within the dataset. These statistics offer valuable insights for investors, analysts, and stakeholders seeking to understand the financial landscape and market dynamics of the companies under consideration.

## 4.2 Correlation Analysis

Correlation analysis is a statistical technique employed to measure the degree and direction of the relationship between two or more variables. It provides insights into the extent to which changes in one variable are associated with changes in another, aiding in the identification of patterns and dependencies within a dataset. The correlation coefficient, typically ranging from -1 to +1, quantifies the strength and direction of this relationship. A positive correlation close to +1 implies a direct relationship, indicating that as one variable increases, the other tends to increase as well. Conversely, a negative correlation close to -1 suggests an inverse relationship, indicating that as one variable increases, the other tends to decrease. A correlation coefficient near 0 indicates a weak or no linear relationship. While a significant correlation indicates an association, it does not establish a cause-and-effect relationship between the variables.

**Table 4**

*Correlation Matrix*

	MPS	DPS	EPS	D/Y	P/E Ratio	Size
MPS	1					
DPS	.000	1				
EPS	-.781**	.000	1			
D/Y	.671**	-.766**	.000	1		
P/E Ratio	-.492**	.325	.665**	.000	1	
Size	.226	.350**	.368**	.357**	.000	1
	.063	.000	.000	.000	.000	
	.900**	.875**	-.332	.612**	.299**	
	.000	.000	.059	.000	.000	

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

Table 4 presents a comprehensive correlation matrix among six key financial variables: Market Price per Share (MPS), Dividends Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, and Size. The matrix showcases the strength and direction of linear relationships between these variables, offering valuable insights into the interdependencies within the dataset. Starting with MPS, the correlation coefficient of 1 along the diagonal signifies perfect positive correlation with itself, which is expected. Moving to the off-diagonal elements, the strong negative correlation between MPS and DPS (-.781\*\*) is noteworthy. This indicates that as the Market Price per Share increases, Dividends Per Share tend to decrease and vice versa. Such a substantial negative correlation suggests an inverse relationship between market valuation and dividend distribution.

Continuing with DPS, the negative correlation with MPS is complemented by a negative correlation with EPS (-.766\*\*). This implies that companies with higher dividends per share might exhibit lower earnings per share and vice versa. Additionally, the positive correlation between DPS and D/Y (.325) suggests a potential relationship between dividend distribution and dividend yield, indicating that as dividends per share increase, the dividend yield may also rise. For EPS, a strong positive correlation with MPS (.671\*\*) is observed, indicating that companies with higher earnings per share tend to have higher market prices per share. The negative correlation with DPS (-.766\*\*) reinforces the inverse relationship between dividends and earnings, suggesting that companies emphasizing dividends may experience lower earnings per share.

Examining the correlation of Dividend Yield (D/Y) with other variables, a negative correlation with MPS (-.492\*\*) and a positive correlation with EPS (.665\*\*) are identified. The negative association with MPS suggests that as dividend yield increases, market price per share may decrease. Meanwhile, the positive correlation with EPS implies that companies with higher earnings per share may have higher dividend yields. Moving to the P/E Ratio, the positive correlation with EPS (.368\*\*) and DPS (.350\*\*) indicates that as earnings per share and dividends per share increase, the Price-to-Earnings Ratio tends to rise as well. This suggests that investors may value companies with higher earnings or dividends more favorably in terms of market valuation. Finally, the correlation of Size with other variables reveals a strong positive correlation with MPS (.900\*\*) and DPS (.875\*\*), indicating that larger companies

tend to have higher market prices per share and pay higher dividends per share. The negative correlation with EPS (-.332) suggests that larger companies may, on average, experience lower earnings per share. Additionally, a positive correlation with D/Y (.612\*\*) suggests that larger companies may have higher dividend yields.

In conclusion, Table 4 illuminates the intricate web of relationships among financial variables. The identified correlations provide crucial insights for investors, analysts, and decision-makers, allowing them to discern patterns and anticipate the potential impact of one variable on another within the dataset. These findings contribute to a comprehensive understanding of the financial dynamics and market behavior reflected in the correlation matrix.

### 4.3 Regression Analysis

Regression analysis serves as a statistical technique employed to examine the connections between variables by constructing an estimated functional relationship among them. This method is valuable for assessing the robustness of relationships between two or more variables.

#### 4.3.1 The Multiple Regression of MPS

The regression analysis investigates the influence of liquidity variables, such as Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings ratio (P/E ratio), and Size, on the changes in market price per share (MPS) for the chosen insurance companies. The equation for this regression model is outlined below:

$$MPS = \beta_0 + \beta_1DPS + \beta_2EPS + \beta_3D/Y + \beta_4P/E \text{ Ratio} + \beta_5Size + E$$

Where,  $a_1$  = Constant,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$  and  $b_5$  = Regression coefficient

**Table 5**

*Regression of MPS*

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.4701	.221	.133	.52999

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

b. Dependent Variables: MPS

Table 5 presents the results of a regression analysis for the Market Price per Share (MPS) based on the specified predictors: Dividends Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, and Size. The Model Summary section provides key metrics to assess the overall performance of the regression model. The R Square value of .221 indicates that approximately 22.1% of the variance in the MPS can be explained by the included predictors. The Adjusted R Square of .133 considers the number of predictors in the model and suggests that 13.3% of the variance is explained after accounting for the number of variables. The Std. Error of the Estimate, with a value of .52999, reflects the standard deviation of the residuals, providing a measure of how well the model predicts the observed values. The R value of .4701 signifies the correlation between the predicted and actual MPS values. In summary, the regression model, including DPS, EPS, D/Y, P/E Ratio, and Size as predictors, explains a modest proportion of the variance in MPS, as indicated by the R Square and Adjusted R Square values.

**Table 6**

*Analysis of Variance of MPS*

<b>ANOVA</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.376	5	.675	2.866	0.024
	Residual	11.897	44	2.70		
	Total	15.273	49			

a. Dependent Variable: MPS

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

Table 6 presents the Analysis of Variance (ANOVA) for the regression model assessing the relationship between the Market Price per Share (MPS) and the selected predictors: Dividends Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings (P/E) Ratio, and Size. The ANOVA table is pivotal in evaluating the overall significance of the regression model and the individual contributions of the predictors.

The ANOVA table is divided into three main components: Regression, Residual, and Total. The Regression section provides insights into the variability explained by the model, while the

Residual section represents the unexplained variability or the residuals. The Total section encompasses the overall variability in the dependent variable, MPS. Beginning with the Regression section, the Sum of Squares (SS) is 3.376, indicating the total explained variability by the predictors. The degrees of freedom (df) for the regression model are 5, representing the number of predictors included in the model. The Mean Square (MS) is calculated by dividing the Sum of Squares by the degrees of freedom, resulting in .675. This metric represents the average amount of variability explained by each predictor.

The F-statistic of 2.866 is derived by dividing the Mean Square for Regression by the Mean Square for Residual, providing a ratio that helps assess whether the regression model is statistically significant. The associated p-value (Sig.) of .024 is below the conventional significance level of .05, suggesting that at least one of the predictors in the model significantly contributes to the variability in MPS. Moving to the Residual section, the Sum of Squares for residuals is 11.897, representing the unexplained variability in MPS. The degrees of freedom for residuals (df) are 44, and the Mean Square for Residual is 2.70. This metric provides an indication of the average amount of unexplained variability in MPS. The Total Sum of Squares is 15.273, and the Total degrees of freedom are 49. This represents the overall variability in the dependent variable, MPS.

In summary, the ANOVA table for the regression model of MPS reveals that the predictors collectively contribute to explaining a statistically significant amount of variability in MPS. The F-statistic and associated p-value support the conclusion that at least one of the predictors is significantly related to the variability in MPS.

**Table 7***Correlation Coefficient*

Model		Unstandardized Coefficients		Standardized	t-value	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	0.614	0.584		1.052	0.298
	DPS	0.055	0.027	0.469	2.065	0.044
	EPS	-0.048	0.040	0.217	1.205	0.034
	D/Y	-0.002	0.009	-0.036	0.188	0.852
	P/E Ratio	0.052	0.059	-0.132	0.869	0.389
	Size	2.725	1.547	0.248	1.761	0.015
	Adjusted R Square					0.133
	F-Statistic					2.866
	Sig(F-Stat)					0.024

Dependent Variable: MPS

Table 7 provides correlation coefficients and associated statistics for a regression model analyzing the relationship between various predictor variables and the Market Price per Share (MPS). Each row in the table represents a predictor variable, including a constant term, and presents information about its unstandardized coefficients, standardized coefficients (Beta), t-values, and significance levels. The constant term represents the intercept of the regression equation, indicating the expected value of MPS when all predictor variables are zero. In this case, the constant term has a coefficient of 0.614 with a standard error of 0.584 and a t-value of 1.052, which is not statistically significant with a p-value of 0.298.

Moving on to the predictor variables, the table provides coefficients for each predictor along with their standard errors, standardized coefficients (Beta), t-values, and significance levels. These coefficients indicate the change in the dependent variable (MPS) for a one-unit change in the predictor variable, holding other predictors constant. For example, the coefficient for DPS (Dividends Per Share) is 0.055 with a standard error of 0.027 and a t-value of 2.065. This coefficient is statistically significant at the 0.05 level ( $p = 0.044$ ), suggesting that there is a positive relationship between DPS and MPS. It implies that an increase in dividends per share is associated with an increase in the market price per share, indicating that investors may perceive higher dividends positively.

Similarly, the coefficients for EPS (Earnings Per Share), D/Y (Dividend Yield), and Size are provided. While the coefficient for EPS is -0.048, it is statistically significant at the 0.05 level ( $p = 0.034$ ), indicating a negative relationship between EPS and MPS. This suggests that higher earnings per share may be associated with lower market prices per share, which could reflect investors' perceptions of future growth prospects or risk. Conversely, the coefficients for D/Y and P/E Ratio are not statistically significant at the 0.05 level, suggesting that there may not be robust relationships between these variables and MPS in this model. The standardized coefficients (Beta) provide a measure of the relative importance of each predictor variable in explaining the variability of the dependent variable (MPS), while accounting for differences in scale and units among the predictors.

In summary, Table 7 offers insights into the relationships between various predictors and MPS. It provides information about the significance and direction of these relationships, aiding investors and analysts in understanding the factors influencing market prices per share. Further analysis, such as diagnostic tests for regression assumptions and potential multicollinearity among predictors, would enhance the robustness of the findings presented in this table.

#### **4.3.2 The Multiple Regression of M/B**

The regression analysis investigates the influence of liquidity variables, such as Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), Price-to-Earnings ratio (P/E ratio), and Size, on the changes in market to book value (M/B) for the chosen insurance companies. The equation for this regression model is outlined below:

$$M/B = \beta_0 + \beta_1 \text{DPS} + \beta_2 \text{EPS} + \beta_3 \text{D/Y} + \beta_4 \text{P/E Ratio} + \beta_5 \text{Size} + E$$

Where,  $a_1$  = Constant,  $b_1$ ,  $b_2$ ,  $b_3$ ,  $b_4$  and  $b_5$  = Regression coefficient

**Table 8***Regression of M/B***Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.708	0.501	0.405	0.394646

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

b. Dependent Variables: M/B

Table 8 presents the results of a regression analysis examining the relationship between various predictors and the Market-to-Book ratio (M/B ratio). The model summary provides key statistics to evaluate the performance and significance of the regression model. The coefficient of determination (R-squared) is 0.501, indicating that approximately 50.1% of the variability in the M/B ratio can be explained by the predictors included in the model. This suggests a moderate level of explanatory power, implying that the selected predictors collectively have a meaningful influence on the M/B ratio. The adjusted R-squared, which accounts for the number of predictors and sample size, is 0.405, indicating that while the model fits the data well, there may be some limitations to its generalizability. The standard error of the estimate is 0.394646, representing the average difference between the observed values of the M/B ratio and the values predicted by the regression model. Lower values of the standard error indicate a better fit of the model to the data. The dependent variable in the regression analysis is MPS, which presumably stands for Market Price per Share. This variable represents the market value of a company's stock. By examining the relationship between MPS and the predictors (DPS, EPS, D/Y, P/E Ratio, Size), the regression analysis aims to understand how these factors collectively influence the M/B ratio, which compares a company's market value to its book value.

The results of the regression analysis provide insights into the factors driving variations in the M/B ratio. A significant coefficient for a predictor indicates that changes in that predictor are associated with changes in the M/B ratio. For instance, if the coefficient for EPS is positive and statistically significant, it suggests that higher earnings per share are associated with a higher M/B ratio, indicating investor optimism about the company's profitability and growth.

prospects. Conversely, a negative coefficient for a predictor such as P/E Ratio might suggest that a higher price-to-earnings ratio is associated with a lower M/B ratio, potentially indicating overvaluation relative to earnings.

Overall, Table 8 offers valuable insights into the determinants of the M/B ratio, helping investors and analysts understand the factors driving market valuations of companies and informing investment decisions. Further analysis, including diagnostic tests for the regression model's assumptions and potential multicollinearity among predictors, could provide additional insights and enhance the robustness of the findings.

**Table 9**

*Analysis of Variance of M/B Ratio*

<b>ANOVA</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.430	5	13.833	5.261	0.002
	Residual	68.624	44	2.639		
	Total	138.054	49			

a. Dependent Variable: M/B

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

Table 9 presents the Analysis of Variance (ANOVA) results for the regression model analyzing the Market-to-Book ratio (M/B) with various predictors. ANOVA is a statistical method used to partition the total variance in a dataset into components attributed to different sources, helping to assess the significance of the regression model and its predictors. The table consists of three main components: Regression, Residual, and Total.

The Regression component indicates the portion of the total variance in the M/B ratio that can be explained by the regression model. In this analysis, the sum of squares for Regression is 69.430, with 5 degrees of freedom (df) and a mean square of 13.833. The F-statistic, which tests the overall significance of the regression model, is 5.261, with an associated p-value (Sig.) of 0.002. This p-value suggests that the regression model as a whole is statistically significant

at a conventional significance level of 0.05. Thus, at least one of the predictors in the model significantly affects the M/B ratio.

The Residual component represents the unexplained variance in the M/B ratio after accounting for the predictors included in the regression model. It reflects the random error or noise in the data that the model does not capture. The sum of squares for Residual is 68.624, with 44 degrees of freedom and a mean square of 2.639. The Total variation in the M/B ratio is the sum of the Regression and Residual components. In this analysis, the Total sum of squares is 138.054, with 49 degrees of freedom.

Overall, the ANOVA results indicate that the regression model has a statistically significant impact on the M/B ratio, as evidenced by the significant F-statistic and associated p-value. This implies that the predictors collectively have explanatory power in understanding the variability in the M/B ratio. However, further analysis of individual predictor coefficients and their significance would provide deeper insights into the specific factors influencing the market-to-book ratio. Additionally, diagnostic tests for regression assumptions should be conducted to ensure the reliability and validity of the model results.

**Table 10**

*Correlation Coefficient*

Model		Unstandardized Coefficients		Standardized	t-value	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	6.649	1.118		5.595	0.000
	DPS	-0.001	0.013	-0.478	-2.885	0.008
	EPS	-0.291	0.147	-0.330	-1.981	0.058
	D/Y	0.433	0.169	0.480	2.568	0.016
	P/E Ratio	0.252	0.059	-0.132	0.869	0.329
	Size	0.277	0.096	0.193	2.878	0.005
	Adjusted R Square					0.405
	F-Statistic					5.261
	Sig(F-Stat)					0.002

Dependent Variable: M/B

Table 10 presents the correlation coefficients and associated statistics for the regression model examining the relationship between various predictors and the Market-to-Book ratio (M/B). Each row in the table represents a predictor variable, including a constant term, and provides information about its unstandardized coefficients, standardized coefficients (Beta), t-values, and significance levels.

Firstly, the constant term represents the intercept of the regression equation, indicating the expected value of the M/B ratio when all predictor variables are zero. In this case, the constant term has a coefficient of 6.649 with a standard error of 1.118 and a t-value of 5.595, which is highly significant with a p-value of 0.000. Moving on to the predictor variables, the table provides coefficients for each predictor along with their standard errors, standardized coefficients (Beta), t-values, and significance levels. These coefficients indicate the change in the dependent variable (M/B ratio) for a one-unit change in the predictor variable, holding other predictors constant.

For instance, the coefficient for DPS (Dividends Per Share) is -0.001 with a standard error of 0.013 and a t-value of -2.885. This coefficient is statistically significant at the 0.05 level ( $p = 0.008$ ). A negative coefficient suggests that an increase in DPS is associated with a decrease in the M/B ratio, indicating that investors may perceive higher dividends negatively in terms of future growth prospects or risk. Similarly, the coefficients for EPS (Earnings Per Share), D/Y (Dividend Yield), and Size are provided. While the coefficient for EPS is -0.291, it is not statistically significant at the 0.05 level ( $p = 0.058$ ). This implies that the relationship between EPS and the M/B ratio may not be robust in this model. Conversely, both D/Y and Size have statistically significant coefficients with positive values, indicating positive relationships with the M/B ratio. The standardized coefficients (Beta) provide a measure of the relative importance of each predictor variable in explaining the variability of the dependent variable (M/B ratio), while accounting for differences in scale and units among the predictors. These standardized coefficients allow for a comparison of the strength of the effects of different predictors on the M/B ratio.

In summary, Table 10 offers valuable insights into the relationships between various predictors and the M/B ratio. It provides information about the significance and direction of these relationships, aiding investors and analysts in understanding the factors influencing market

valuations of companies. Further analysis, such as diagnostic tests for regression assumptions and potential multicollinearity among predictors, would enhance the robustness of the findings presented in this table.

#### **4.4 Discussion**

From the above data analysis, the following major findings have been drawn.

DPS, the minimum value of 0.23 and the maximum value of 126.32 indicate a considerable range in dividend payouts per share. The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21 reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies.

Similarly, for EPS, the range from 4.54 to 166.85 signifies a broad spectrum of earnings per share. The mean EPS of 35.81 and the standard deviation of 35.60 illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of 0.16 and the maximum value of 16.08 indicate a substantial range in dividend yield percentages. The mean D/Y of 3.10, coupled with the standard deviation of 2.33, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean. The P/E Ratio statistics reveal a wide range from 3.00 to 366.10, indicating diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio of 58.05 and the relatively high standard deviation of 69.97 highlight the considerable dispersion in market valuation, emphasizing differences in investors' expectations and sentiments. Regarding Size, the minimum value of 12.12 and the maximum value of 549.62 reflect a substantial variation in the size of the companies within the dataset. The mean Size of 93.305, coupled with the standard deviation of 89.77, underscores the heterogeneity in company size, suggesting that the sample comprises a mix of small, medium, and large-sized firms. Lastly, MPS statistics show a broad range from 97.00 to 4351.00, indicating diverse market prices per share. The mean MPS of 1101.55 and the standard deviation of 1309.80 emphasize the significant variability in market valuations, suggesting that the observed companies have varying degrees of attractiveness to investors.

Market Price per Share increases, Dividends Per Share tend to decrease and vice versa. Such a substantial negative correlation suggests an inverse relationship between market valuation and dividend distribution. Continuing with DPS, the negative correlation with MPS is complemented by a negative correlation with EPS (-.766\*\*). This implies that companies with higher dividends per share might exhibit lower earnings per share and vice versa. Additionally, the positive correlation between DPS and D/Y (.325) suggests a potential relationship between dividend distribution and dividend yield, indicating that as dividends per share increase, the dividend yield may also rise. For EPS, a strong positive correlation with MPS (.671\*\*) is observed, indicating that companies with higher earnings per share tend to have higher market prices per share. The negative correlation with DPS (-.766\*\*) reinforces the inverse relationship between dividends and earnings, suggesting that companies emphasizing dividends may experience lower earnings per share.

Examining the correlation of Dividend Yield (D/Y) with other variables, a negative correlation with MPS (-.492\*\*) and a positive correlation with EPS (.665\*\*) are identified. The negative association with MPS suggests that as dividend yield increases, market price per share may decrease. Meanwhile, the positive correlation with EPS implies that companies with higher earnings per share may have higher dividend yields. Moving to the P/E Ratio, the positive correlation with EPS (.368\*\*) and DPS (.350\*\*) indicates that as earnings per share and dividends per share increase, the Price-to-Earnings Ratio tends to rise as well. This suggests that investors may value companies with higher earnings or dividends more favorably in terms of market valuation. Finally, the correlation of Size with other variables reveals a strong positive correlation with MPS (.900\*\*) and DPS (.875\*\*), indicating that larger companies tend to have higher market prices per share and pay higher dividends per share. The negative correlation with EPS (-.332) suggests that larger companies may, on average, experience lower earnings per share. Additionally, a positive correlation with D/Y (.612\*\*) suggests that larger companies may have higher dividend yields.

The Model Summary section provides key metrics to assess the overall performance of the regression model. The R Square value of .221 indicates that approximately 22.1% of the variance in the MPS can be explained by the included predictors. The Adjusted R Square of .133 considers the number of predictors in the model and suggests that 13.3% of the variance

is explained after accounting for the number of variables. The Std. Error of the Estimate, with a value of .52999, reflects the standard deviation of the residuals, providing a measure of how well the model predicts the observed values. The R value of .4701 signifies the correlation between the predicted and actual MPS values.

Correlation coefficient for DPS is 0.055, with a t-value of 2.065 and a significant p-value of 0.044. This implies that, holding other variables constant, a one-unit increase in Dividends Per Share is associated with a 0.055 increase in the Market Price per Share. The positive Beta coefficient of 0.469 indicates that the impact of DPS on MPS is positive after adjusting for the scale of the variables.

For EPS, the Unstandardized Coefficient is -0.048, with a t-value of 1.205 and a p-value of 0.034. This suggests that, holding other variables constant, a one-unit increase in Earnings Per Share is associated with a -0.048 decrease in the Market Price per Share. The negative Beta coefficient of 0.217 indicates that the impact of EPS on MPS is negative after adjusting for the scale of the variables. The Unstandardized Coefficient for D/Y is -0.002, with a t-value of 0.188 and a non-significant p-value of 0.852. This suggests that Dividend Yield is not statistically significant in predicting changes in Market Price per Share. The Beta coefficient of -0.036 indicates a weak negative relationship between D/Y and MPS after adjusting for the scale of the variables.

For the P/E Ratio, the Unstandardized Coefficient is 0.052, with a t-value of 0.869 and a non-significant p-value of 0.389. This implies that, holding other variables constant, a one-unit increase in the Price-to-Earnings Ratio is associated with a 0.052 increase in the Market Price per Share. The negative Beta coefficient of -0.132 suggests a weak negative relationship between P/E Ratio and MPS after adjusting for the scale of the variables. Lastly, Size has an Unstandardized Coefficient of 2.725, a t-value of 1.761, and a significant p-value of 0.015. This suggests that, holding other variables constant, a one-unit increase in Size is associated with a 2.725 increase in the Market Price per Share. The positive Beta coefficient of 0.248 indicates that the impact of Size on MPS is positive after adjusting for the scale of the variables.

For instance, the coefficient for DPS (Dividends Per Share) is -0.001 with a standard error of 0.013 and a t-value of -2.885. This coefficient is statistically significant at the 0.05 level ( $p = 0.008$ ). A negative coefficient suggests that an increase in DPS is associated with a decrease

in the M/B ratio, indicating that investors may perceive higher dividends negatively in terms of future growth prospects or risk. Similarly, the coefficients for EPS (Earnings Per Share), D/Y (Dividend Yield), and Size are provided. While the coefficient for EPS is -0.291, it is not statistically significant at the 0.05 level ( $p = 0.058$ ). This implies that the relationship between EPS and the M/B ratio may not be robust in this model. Conversely, both D/Y and Size have statistically significant coefficients with positive values, indicating positive relationships with the M/B ratio. The standardized coefficients (Beta) provide a measure of the relative importance of each predictor variable in explaining the variability of the dependent variable (M/B ratio), while accounting for differences in scale and units among the predictors. These standardized coefficients allow for a comparison of the strength of the effects of different predictors on the M/B ratio.

The researcher findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5%. The result indicated that random effect model was more relevant in describing the relationship among the given variables. The result of random effect regression model supported the relevant approaches of dividend policy Bustani, Kurniaty and Widyanti (2021). The research findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM did not significantly affect stock price in the study period, with an alpha significance of 5% Ahmed and Javid (2018). The major findings of the study were to that, while DPS has a significant negative impact on the share prices of selected banks, EPS, BVPS, and P/E Ratio have a significant positive impact. While EPS, DPS, and BVPS are not significantly impacted by share price changes, NSBI, NBBL, and their P/E ratios are significantly affected. This conclusion is consistent with previous research that was done in the Nepalese environment Khadka (2018).

## CHAPTER V

### SUMMARY AND CONCLUSION

The report's last chapter is this one. This chapter explains the study's findings and provides a summary of the entire report. This chapter will also provide a summary of the findings and a comparison with earlier research studies. It also shows the implications of the relationship between the variables and, if any, makes recommendations for improvement. Lastly, recommendations regarding the topics to be covered and studied in subsequent research will be made to the researchers.

#### 5.1 Summary

The rise in a study on stock price behaviour of selected insurance companies listed in NEPSE of insurance sectors around the world. The main objectives of the study are to examine the position of major determinants of stock price of selected insurance companies, to analyze the relationship between EPS, P/E, DPS, Size, DY and MPS of insurance companies in Nepal and analyze the effects of EPS, P/E, DPS, Size, DY and MPS of listed insurance companies listed at Nepal Stock Exchange. The limitation of this study are this research is concentrated at 6 sampled listed insurance companies out of 28 only so, the conclusion derived thereof cannot be generalized on the total capital market, the study covers 10 years data from 2013/14 to 2022/23, only secondary data is taken for the study and There might be various technique and method to perform the study on the stock price behavior, but the study is focused on limited statistical tools (correlation and regression) analysis only. The sample of the insurance company are Asian Life Insurance Company Limited (ALICL), Nepal Life Insurance Company Limited (NLIC), National Life Insurance Company Limited (NLICL), Sagarmatha Insurance company Limited (SIC), Nepal Insurance Company Limited (NICL) and Prabhu Insurance Limited (PRIN) are taken as sample study in this research. DPS, EPS, D/Y, P/E Ratio and Size are the independent variables and MPS is the dependent variable in this study.

The correlation between MPS and DPS is represented as  $-.764$  with two asterisks denoting significance at the 0.01 level, suggesting a strong negative correlation between Market Price per Share and Dividends per Share. Similarly, EPS and DPS exhibit a significant negative correlation of  $-.766$ . In contrast, EPS and MPS display a positive correlation of  $.675$ . The

correlation between D/Y and MPS is  $-.481$ , while Size has a noteworthy positive correlation with MPS (.936) and DPS (.816). Additionally, the P/E Ratio shows positive correlations with DPS (.487) and Size (.415), with the latter having a particularly strong association. Size also demonstrates a strong positive correlation with MPS (.936) and a negative correlation with EPS ( $-.332$ ). These correlations provide insights into potential patterns and dependencies among the financial variables, offering valuable information for financial analysis and decision-making. The inclusion of asterisks emphasizes the statistical significance of these correlations at the 0.01 level, highlighting the reliability of the observed relationships.

The results show that Dividends per Share (DPS) has a negative impact on MPS, with an unstandardized coefficient of  $-0.001$  and a significant t-value of  $-2.885$ . Earnings per Share (EPS) also exhibits a negative influence on MPS, as indicated by the unstandardized coefficient of  $-0.291$  and a marginal p-value of 0.058. On the other hand, Dividend Yield (D/Y) and Size have positive impacts on MPS, with unstandardized coefficients of 0.433 and 0.277, respectively, and both coefficients are statistically significant. The Price-to-Earnings Ratio (P/E Ratio) does not appear to have a statistically significant impact on MPS, as indicated by the non-significant p-value of 0.329. In summary, this table provides valuable insights into the strength, direction, and significance of each predictor variable's impact on MPS.

## **5.2 Conclusion**

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

DPS, the minimum value of 0.23 and the maximum value of 126.32 indicate a considerable range in dividend payouts per share. The mean DPS of 27.96 suggests a moderate average, but the standard deviation of 28.21 reveals notable variability around this mean, emphasizing potential dispersion in dividend distributions among the observed companies. Similarly, for EPS, the range from 4.54 to 166.85 signifies a broad spectrum of earnings per share. The mean

EPS of 35.81 and the standard deviation of 35.60 illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of 0.16 and the maximum value of 16.08 indicate a substantial range in dividend yield percentages. The mean D/Y of 3.10, coupled with the standard deviation of 2.33, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean. The P/E Ratio statistics reveal a wide range from 3.00 to 366.10, indicating diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio of 58.05 and the relatively high standard deviation of 69.97 highlight the considerable dispersion in market valuation, emphasizing differences in investors' expectations and sentiments. Regarding Size, the minimum value of 12.12 and the maximum value of 549.62 reflect a substantial variation in the size of the companies within the dataset. The mean Size of 93.305, coupled with the standard deviation of 89.77, underscores the heterogeneity in company size, suggesting that the sample comprises a mix of small, medium, and large-sized firms. Lastly, MPS statistics show a broad range from 97.00 to 4351.00, indicating diverse market prices per share.

The correlation between MPS and DPS is represented as  $-.764$  with two asterisks denoting significance at the 0.01 level, suggesting a strong negative correlation between Market Price per Share and Dividends per Share. Similarly, EPS and DPS exhibit a significant negative correlation of  $-.766$ . In contrast, EPS and MPS display a positive correlation of  $.675$ . The correlation between D/Y and MPS is  $-.481$ , while Size has a noteworthy positive correlation with MPS ( $.936$ ) and DPS ( $.816$ ). Additionally, the P/E Ratio shows positive correlations with DPS ( $.487$ ) and Size ( $.415$ ), with the latter having a particularly strong association. Size also demonstrates a strong positive correlation with MPS ( $.936$ ) and a negative correlation with EPS ( $-.332$ ). These correlations provide insights into potential patterns and dependencies among the financial variables, offering valuable information for financial analysis and decision-making. The inclusion of asterisks emphasizes the statistical significance of these correlations at the 0.01 level, highlighting the reliability of the observed relationships.

The results show that Dividends per Share (DPS) has a negative impact on MPS, with an unstandardized coefficient of  $-0.001$  and a significant t-value of  $-2.885$ . Earnings per Share

(EPS) also exhibits a negative influence on MPS, as indicated by the unstandardized coefficient of -0.291 and a marginal p-value of 0.058. On the other hand, Dividend Yield (D/Y) and Size have positive impacts on MPS, with unstandardized coefficients of 0.433 and 0.277, respectively, and both coefficients are statistically significant. The Price-to-Earnings Ratio (P/E Ratio) does not appear to have a statistically significant impact on MPS, as indicated by the non-significant p-value of 0.329. In summary, this table provides valuable insights into the strength, direction, and significance of each predictor variable's impact on MPS.

### 5.3 Implications

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

- i. The mean EPS of 35.81 and the standard deviation of 35.60 illustrate the diversity in profitability across the sample, with some companies reporting significantly higher or lower earnings per share than the average. Moving on to Dividend Yield (D/Y), the minimum value of 0.16 and the maximum value of 16.08 indicate a substantial range in dividend yield percentages. The mean D/Y of 3.10, coupled with the standard deviation of 2.33, suggests variability in dividend yield among the observed companies, with some exhibiting higher or lower yields relative to the mean. The P/E Ratio statistics reveal a wide range from 3.00 to 366.10, indicating diverse market perceptions regarding the earnings potential of the companies. The mean P/E Ratio of 58.05 and the relatively high standard deviation of 69.97 highlight the considerable dispersion in market valuation, emphasizing differences in investors' expectations and sentiments.
- ii. The correlation between MPS and DPS is represented as -.764 with two asterisks denoting significance at the 0.01 level, suggesting a strong negative correlation between Market Price per Share and Dividends per Share. Similarly, EPS and DPS exhibit a significant negative correlation of -.766. In contrast, EPS and MPS display a positive correlation of .675. The correlation between D/Y and MPS is -.481, while Size has a noteworthy positive correlation with MPS (.936) and DPS (.816). Additionally, the P/E Ratio shows positive correlations with DPS (.487) and Size (.415), with the latter having a particularly strong association. Size also demonstrates

a strong positive correlation with MPS (.936) and a negative correlation with EPS (-.332). These correlations provide insights into potential patterns and dependencies among the financial variables, offering valuable information for financial analysis and decision-making. The inclusion of asterisks emphasizes the statistical significance of these correlations at the 0.01 level, highlighting the reliability of the observed relationships.

- iii. The results show that Dividends per Share (DPS) has a negative impact on MPS, with an unstandardized coefficient of -0.001 and a significant t-value of -2.885. Earnings per Share (EPS) also exhibits a negative influence on MPS, as indicated by the unstandardized coefficient of -0.291 and a marginal p-value of 0.058. On the other hand, Dividend Yield (D/Y) and Size have positive impacts on MPS, with unstandardized coefficients of 0.433 and 0.277, respectively, and both coefficients are statistically significant. The Price-to-Earnings Ratio (P/E Ratio) does not appear to have a statistically significant impact on MPS, as indicated by the non-significant p-value of 0.329. In summary, this table provides valuable insights into the strength, direction, and significance of each predictor variable's impact on MPS.
- iv. This study may be helpful to fulfil the gaps of proper research about in analyze the relationship between EPS, P/E, DPS, Size, DY and MPS of insurance companies in Nepal. It may provide the knowledge about market share price in Nepalese insurance companies and their stock price behavior.
- v. This study reflects the relationship between Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Yield (D/Y), P/E Ratio, Total Assets on overall stock price as measured by market price per share (MPS) of six selected insurance companies only. Furthermore, researchers can be carried out using larges sampling other development banks, commercial banks, microfinance and other institutions too.

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## APPENDICES

### Descriptive Statistics

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

Valid (Likewise N) 60

### Correlation Metrix

	MPS	DPS	EPS	D/Y	P/E Ratio	Size
MPS	1					
DPS	-.781**	1				
	.000					
EPS	.671**	-.766**	1			
	.000	.000				
D/Y	-.492**	.325	.665**	1		
	.000	.092	.000			
P/E Ratio	.226	.350**	.368**	.357**	1	
	.063	.000	.000	.000		
Size	.900**	.875**	-.332	.612**	.299**	1
	.000	.000	.059	.000	.000	

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

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.4701	.221	.133	.52999

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

### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.376	5	.675	2.866	0.024
	Residual	11.897	44	2.70		
	Total	15.273	49			

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

### Correlation Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.614	0.584		1.052	0.298
	DPS	0.055	0.027	0.469	2.065	0.044
	EPS	-0.048	0.040	0.217	1.205	0.034
	D/Y	-0.002	0.009	-0.036	0.188	0.852
	P/E Ratio	0.052	0.059	-0.132	0.869	0.389
	Size	2.725	1.547	0.248	1.761	0.015
Adjusted R Square						0.133
F-Statistic						2.866
Sig(F-Stat)						0.024

Dependent Variable: MPS

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.708	0.501	0.405	0.394646

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

### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.430	5	13.833	5.261	0.002
	Residual	68.624	44	2.639		
	Total	138.054	49			

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

### Correlation Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.649	1.118		5.595	0.000
	DPS	-0.001	0.013	-0.478	-2.885	0.008
	EPS	-0.291	0.147	-0.330	-1.981	0.058
	D/Y	0.433	0.169	0.480	2.568	0.016
	P/E Ratio	0.252	0.059	-0.132	0.869	0.329
	Size	0.277	0.096	0.193	2.878	0.005
Adjusted R Square						0.405
F-Statistic						5.261
Sig(F-Stat)						0.002

Dependent Variable: M/B

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