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Abstract The major objectives of this research were to analyze the elements influencing the profitability of insurance companies in Nepal, specifically NLIC, ALICL, NLICL, SICL, SIC, and SIL, and to assess the trends in dividend distribution and its impact on share prices within the insurance industry. The research adopted a quantitative research approach and utilized financial data from the aforementioned insurance companies spanning a ten-year period from 2012/13 to 2021/22. The population in focus was the financial data of NLIC, ALICL, NLICL, SICL, SIC, and SIL operating within Nepal's insurance sector. A sample of these companies' financial data was collected and analyzed to draw conclusions regarding their profitability and dividend patterns. The research duration encompassed the ten-year period mentioned above, offering a comprehensive perspective on the trends and patterns within the insurance industry during this time frame. Quantitative techniques, including mean, median, standard deviation, and correlation coefficients, were employed to analyze the financial data and draw conclusions. The findings indicated that the insurance companies under study consistently demonstrated strong financial performance, with EPS, DPS, MPS, PE Ratio and Dividend payout ratio surpassing national averages, signifying their robust capitalization. Furthermore, positive correlations were established between EPS, DPS, PE Ratio, and DPR, revealing that these variables had a positive relationship with MPS, suggesting that profitability and dividend patterns significantly influenced share prices within the Nepalese insurance industry. **Keywords:** Market Price Per Share, Earnings Price Per Share, Dividend Per Share, Dividend Payout Ratio, PE Ratio

ii Chapter I Introduction 1.1 Background of the study Stock price volatility refers to the fluctuations in stock prices over time, often due to instability, unpredictability, and risk. These fluctuations affect investors, leading to variations between buying and selling prices. Managing this volatility is crucial for successful investment (Beg & Anwar, 2012). The impact of dividend policies on stock price changes is a key concern for business leaders, policymakers, and investors who make decisions about future investments. Additionally, it's a significant topic for academics studying capital market performance (Miller & Modigliani, 1961). Dividends are payments a company makes to its investors as a reward for their investment. The decision to pay dividends isn't solely based on financial outcomes and cash flow distribution. Sometimes, managers decide on dividend payments to safeguard funds during economic downturns, when profits are unpredictable, external financing is limited, or