

# **IMPACT OF DIVIDEND ON SHARE PRICE OF INSURANCE COMPANIES**

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fulfilment of the requirements for the Degree of Masters of Business Studies

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## **CERTIFICATE OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Dividend on Share Price of Insurance Companies**” The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it 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**

Mr. Dilli Kuikel has defended research proposal entitled successfully. The “**Impact of Dividend on Share Price of Insurance Companies**” research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Teacher’s name and submits the thesis for evaluation and viva voce examination.

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# TABLE OF CONTENTS

	<b>Page No</b>
<i>Cover Page</i>	<i>i</i>
<i>Certificate of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>ix</i>
<i>List of Figures</i>	<i>x</i>
<i>Abbreviations</i>	<i>xi</i>
<i>Abstracts</i>	<i>xii</i>
<b>Table of Contents</b>	
<b>CHAPTER-I INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.2 Problem Statement.....	5
1.3 Objectives of the Study.....	6
1.4 Hypothesis.....	6
1.5 Rationale of the Study.....	6
1.6 Limitations of the Study.....	7
<b>CHAPTER II LITERATURE REVIEW.....</b>	<b>8</b>
2.1 Theoretical Review.....	8
2.2 Empirical Review.....	11
2.2.2 Review of Previous Thesis.....	27
2.3 Research Gap.....	30
<b>CHAPTER III RESEARCH METHODOLOGY.....</b>	<b>32</b>
3.1 Research Design.....	32
3.2 Population and Sample, and Sampling Design.....	33
3.3 Nature and Source of Data.....	33
3.4 Data Collection Procedure.....	33
3.5 Method of Analysis.....	34

3.6.1 Descriptive Statistics.....	36
3.6.2 Correlation Analysis.....	37
3.6.3 Regression Analysis.....	38
3.6.4 Regression Model.....	38
3.7 Research Ethics.....	39
3.8 Research Framework and Definition of Variables.....	39
<b>CHAPTER IV RESULTS AND DISCUSSION.....</b>	<b>43</b>
4.1 Data Presentation.....	43
4.1.1 Cash Dividend.....	43
4.1.2 Stock Dividend.....	44
4.1.3 Dividend Payout.....	46
4.1.4 Dividend Yield.....	47
4.1.5 Market Price per Share.....	48
4.2 Descriptive Statistics of all Variables.....	49
4.3 Correlation Analysis.....	50
4.4 Regression Analysis of Variables.....	51
4.5 Discussion.....	54
<b>CHAPTER V SUMMARY AND CONCLUSION.....</b>	<b>56</b>
5.1 Summary.....	56
5.2 Conclusion.....	57
5.3 Implications.....	58
<b>Reference</b>	
<b>Appendix</b>	

## LIST OF TABLES

Table 1 Cash Dividend.....	43
Table 2 Stock Dividend .....	45
Table 3 Dividend Payout .....	46
Table 4 Dividend Yield.....	47
Table 5 MPS .....	48
Table 6 Descriptive Statistics.....	49
Table 7 Correlation Analysis .....	50
Table 8 Model Summary of all Variables .....	52
Table 9 ANOVA of all Variables .....	53
Table 10 Coefficients of all Variables .....	53

## **LIST OF FIGURES**

Figure 3.1 Research Framework

39

## ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automated Tailor Machine
BS	:	Bikram Sambat
C.L	:	Current Liabilities
CA	:	Current Assets
e.g.	:	Example
F/Y	:	Fiscal Year
i.e.	:	That is
Ltd	:	Limited
NRB	:	Nepal Rastra Bank
SD	:	Standard Deviation
TU	:	Tribhuvan University

## ABSTRACTS

The portion of a company's overall net profit made during a certain time period is known as the dividend. Investors (the company's shareholders) split the net profit of a business based on their individual investment shares. The most crucial aspect of a company that has a direct impact on stock prices is its dividend policy. Regarding profit management, distributing profits to shareholders, and keeping a portion of profits in the business's account to take advantage of better investment possibilities down the road, the Board of Directors of the company develops and executes the dividend policy. The analysis of the effect of dividend policy on a company's stock prices is the main goal of this research. The banking industry companies were chosen in order to investigate how dividend policies affect stock prices. Three insurance businesses' ten-year (2013–2022) financial data was gathered from their websites and financial reports, as well as from the Nepal Stock Exchange website. The findings showed that a sensible dividend policy is crucial for drawing in respectable investors and significantly fortifying a company's capital structure. In order to raise knowledge of earlier research in the field, a literature survey of pertinent books and periodicals served as the foundation for the study. A significant amount of secondary data about capital structure and pertinent dividend policies of these businesses was collected in order to get a critical perspective on the dividend policies of various firms and their influence on stock prices. The internet was used extensively to get secondary data. The study's conclusions showed that if a company's dividend policies are developed and put into effect after a thorough analysis of the market's capital structure and the dividend policies of other companies, they may have a favourable and desired effect on the company's stock prices. It is anticipated that the study's findings will aid academics, business schools, and researchers in comprehending the clear relationship between a company's stock price and its dividend policy.

*Key words: Dividend practices, share price, dividend yield, dividend payout, cash dividend and stock dividend*



## CHAPTER-I

### INTRODUCTION

#### 1.1 Background of the Study

Dividends are considered a key component of shareholder returns and signal a company's financial health and stability. Recent studies have suggested that dividend announcements positively influence investor sentiment and, consequently, share prices, as they provide insights into a firm's profitability and future prospects (Kumar et al., 2023). In the context of insurance companies, dividend practices are particularly critical due to the nature of the industry, which relies on strong capital reserves and sound financial management to meet policyholder obligations. Insurance companies that consistently pay dividends are often perceived as financially robust, leading to increased investor confidence and a positive impact on their share prices.

The insurance sector has unique characteristics, such as strict regulatory environments and exposure to market risks, which further accentuate the relationship between dividend policies and share price movements. Recent empirical evidence suggests that insurance companies with stable and high dividend payouts tend to exhibit higher share price stability and investor attraction, as dividends serve as a signal of firm value (Cheng & Li, 2024). The fluctuating nature of insurance company profits, influenced by underwriting results and investment performance, makes dividend decisions even more crucial. These factors underline the importance of understanding the impact of dividend practices on share prices in the insurance industry, providing valuable insights for investors, policymakers, and company management.

The stock market is a common element that buyers and sellers of the market have in common, with institutions serving as a single area of focus in their transactions. This ensures a continuous flow of funds from one purchasing sector to another, facilitating financial mobility across the economy. The stock exchange's main purpose is to promote and facilitate the country's balanced economic growth in the fields of industry, trade, and commerce. The marketplace is the driving force behind the growth of industry and commerce in the country, since it plays a vital role in the development of the country's industrial sector. That being said, stock market has many other possibilities and functions as well, one of which is ,the amount of asset of

the company shows the value of each share after the shareholders invest in the business (Maharjan, 2024).

A national stock exchange is the main venue for a company to issue shares and raise funds for its operations. A public limited business can then sell shares on the stock market to raise money for operations and development. Companies that have yet to enter the stock market can do so by offering shares to the general public. The initial public offering (IPO) is the company's principal method of entering the market. The process by which institutions transition from the private to the public sector and sell stock and shares to the general public is known as an initial public offering. After the initial public offering is completed and shares are distributed, shareholders can simply and rapidly transfer ownership of their contribution certificate (share) to one another. In that respect, the stock price of any business fluctuates based on many variables such as demand and supply of the stock, the stockholder's expectation of return (long and short term), the company's future prospects in terms of growth, dividends, and earnings, and so on (Adegbe et, 2023).

So, stock market has become a primary market in any country, playing vital role in the economic prosperity that fosters capital formation and sustainable economic growth. It is so much more than a place to trade and barter securities. They act as a supporter and facilitator between the buyer and seller, the surplus holder and the deficit facers, the savers and the users of the capital by means of pooling resources and funds, sharing of risk and transferring of wealth as a whole. Thus, they are important also because they foster the productive investment opportunity and also facilitate the smooth flow of resources and funds in the economy (Aggreh, 2013).

In early corporate finance, dividend practices referred to a corporation's choice of whether to pay its shareholders a cash dividend or to retain its earnings. It addresses the frequency of such payments (whether annually, semiannually or quarterly) and how much the company should, if it decides to do so, pay.

The term "dividend practices" describes the procedures used by a business to decide how much money should be paid out in dividends and how much should be kept for future investments. Fama and French (2001) assert that a company's dividend policy continues to have a direct impact on share prices, either favorably or unfavorably. This has to do with allocating the company's profits between paying out dividends to

shareholders and reinvesting in new ventures. Investing in corporation stock is a common practice. The news media provides information on stock price changes to all kinds of investors, whether they are big institutional or individual investors. The most crucial factors that investors consider when deciding whether or not to purchase a specific share are share prices. Their primary goal when investing in the stock market is to minimize risk and maximize projected return. Price fluctuations or volatility might be attributed to psychological causes. These include fads or trends; waves of societal optimism or pessimism; and investor overreactions to profits, dividends, or other news. The source provided is invalid. When new information, whether positive or negative, becomes accessible to the public, it will impact and alter the share price of the firm, according to the efficient market hypothesis. However, since the news on fundamental values does not flow routinely throughout weekends, holidays, and other calendar periods, it is challenging to apply the patterns of stock returns during these times.

One of the main parts of stock returns to owners is dividend payments. According to Allen and Rachim (1996), stock prices and dividend policy are strongly correlated. However, Miller and Modigliani (1961) highlighted that since the share price and dividend announcement are interdependent, the investor is not thrilled about receiving the price and dividend advantages.

Investors get a signal from dividend payments that the business is adhering to sound corporate governance principles. A corporation might benefit from good corporate governance standards as they indicate that the company can obtain money on favorable conditions. It is possible to draw in investors and raise the share price of the firm indirectly by paying out dividends. This approach makes it simple to obtain money for growth by issuing additional shares, which improves earnings and the value of the company's stock (O.J. Ilaboya, 2013).

It has been determined that dividends act as a trigger for changes in the share prices of companies. There is a positive linear link between dividend payment and share price volatility, according to empirical studies and ideas pertaining to dividends and dividend practices. Scholars have expressed concern about stock price volatility. Investors may use stock return volatility, which is a measure of the unpredictability of stock price fluctuations, as an indicator of their level of risk. In financial markets,

volatility clustering arises when a high return (positive or negative) is more likely to be followed by another high return, or when a low return (positive or negative) is more likely to be followed by another low return. volatility-clustering is a natural result of a price formation process with heterogeneous beliefs across traders, and that volatility clustering is not attributable to an auto correlated news-generation process around public information such as macroeconomic news releases or firm's earnings releases (Godfrey, 2015).

In the other hand, the arguments between various hypotheses show that dividend practices has little influence on stock prices (Irrelevance hypothesis). The scope of dividend practices has expanded to include decisions about whether to distribute cash through share repurchases or specially designated dividends instead of regular dividends, in addition to the frequency of paying cash dividends to shareholders and whether to retain earnings (annually, semiannually, or quarterly). Dividend practices also take into account how to preserve and increase the market value of its shares and stocks while balancing the interests of highly taxed and comparatively untaxed investors. The volatility of the share price serves as a standard for assessing risk as it shows how quickly the price of the stock changes over a certain time period; the more volatility, the greater the short-term chance of profit or loss. As a result, the price of volatile stocks fluctuates a lot over time, and it is extremely hard to forecast their future value. However, despite years of theoretical and empirical study, including the connection between dividend practices and share price volatility, dividend practices continue to be controversial. Its share price could thus be more susceptible to shifting estimations of rates of return over extended periods of time. As a result, growing companies show price stability even if their payout ratio and dividend yield may be lower. This may be as a result of the payout ratio and dividend yields acting as stand-ins for the quantity of anticipated growth prospects. Businesses with low payout and low dividend yield may experience more price volatility if projections of returns on existing assets are more accurate than projections of earnings from expansion prospects (Bista, 2019).

Dividend policy is determined by financial factors such as profit trends, earned surplus, cash position, shareholder response, national economic policy, growth needs, business trade cycle nature, firm age, and government taxation policies. The price of the stock often rises after the announcement of a dividend. However, a stock dividend

dilutes the book value per common share, which lowers the stock price since it increases the number of shares outstanding while the company's value stays constant. According to the dividend discount model, the present value of all future dividend payments equals the stock price as of right now. Stock prices grow in tandem with the current value. Higher dividends thus immediately result in higher stock values. The findings show that although the Retention Ratio has a negative relationship with stock prices and mostly explains price fluctuations, Dividend Yield, Earnings per Share, Return on Equity, and Profit after Tax have positive relationships with stock prices (Chad, 2011).

### **1.2 Problem Statement**

In today's market, dividends in general serve as a key catalyst for investors to define the prospects of any given firm. This is one of the several reasons why companies with large dividends or returns are valued highly since they are seen to be secure. However, the historical dividend trend is just as important as the dividend estimate for the future. Having said that, there are a number of dividend-related policies and features that really shape investors' perceptions of the business. Gitman and Chad (2011) state that dividends are often paid out in cash to a company's stockholders after being authorized by the board of directors. Other payment methods or stock dividends could also be included. A distribution of extra shares to common shareholders is known as a stock dividend. Everything in the modern world is digital and linked to the information highway. In only a few minutes, readers may uncover any information that has been left behind. Given that everyone is so interconnected and information-connected, the stock price should be somewhat predictable based on the company's dividend declaration, trend, and assumption.

Thus, this research study focuses on comprehending and evaluating different claims on the influence of dividend policies on the stock's market price. The following areas need some of these analyses.

- i. Whether there is uniformity in dividend payout among insurance companies listed in the stock Exchange?
- ii. What is the relationship between cash dividend, stock dividend, dividend payout and dividend yield with market stock price in insurance companies listed on Nepal Stock Exchange?

- iii. What is the impact of dividends distributed on the stock price of insurance companies listed on Nepal Stock Exchange?

To summarize the overall, statement of the problem is to understand the relation between the dividend practices of the company and the price of the stock. The research tries to relate the factors to the value of the stock of insurance companies in the secondary market.

### **1.3 Objectives of the Study**

The main objectives of this study to investigate if there is an effect between factors (dividend cash and stock) on the industry and market stock price in Nepalese insurance company listed in NEPSE. So the objectives are

- i. To assess current situation of dividend practices on insurance companies listed on Nepal Stock Exchange
- ii. To examine the relationship among cash dividend, stock dividend, dividend payout and dividend yield with market stock price in insurance companies listed on Nepal Stock Exchange
- iii. To analyze the impact of dividend distribution on market stock price in insurance companies listed on Nepal Stock Exchange

### **1.4 Hypothesis**

The research will be done via the secondary data extracted from related journals, articles, research papers. The study will collect secondary data through visiting the websites of the firm.

Hypothesis

The following are the hypothesis set test in this study:

- H1: There is significant impact of cash dividend on share price of the firm.
- H2: There is significant impact of stock dividend on share price of the firm.
- H3: There is significant impact of dividend pay-out ratio on share price of the firm.
- H4: There is significant impact of dividend yield on share price of the firm.

### **1.5 Rationale of the Study**

In general sense, market is always in a self-correcting state. In other words it integrates the information available in the market emerged through the micro or macro factor and adjusts to itself in a proper format. The constantly emerging ideas

and information in the market directly or indirectly affects the industry and so the price may change positively or negatively. However, the company's performance and prospects presented in the annual report and statement relating to dividend payment, its retention and investor's perception towards it plays a vital role in determining the price of stock to a level. This research then tries to understand the relationship between all these cash, stock, dividend payment ratio and yield by the company on the stock price. It tries to relate and show the importance of this very variable as one of the importance determinants of the stock price.

### **1.6 Limitations of the Study**

This research undertakes a vision to understand the impact of dividend practices prevalent in Nepalese insurance (non life insurance) companies on the price determination. It supports the idea of dividend discounting model and tries to relate the idea that dividend has certain impact on the price of the stock. This research helps the investors get some idea about the trend of price when a firm declares sock or cash dividend or when the dividend yield is calculated for the company. This study gives certain edge to the investors about the trend, effect and impact of dividend and its prevalent practices in Nepalese insurance companies.

In such research there is bound to be several constraints to be encountered. Following are the limitations of the study:

- i. As the study primarily focuses on the secondary data, it fails to obtain the views from individual and corporate investors who play major role in price determination.
- ii. The result obtained cannot be generalized entirely for all the firms in the industry as it takes in consideration of only 3 firms 10 years data.
- iii. The study concerns with only insurance companies and cannot be used to justify any other industry.

## CHAPTER II

### LITERATURE REVIEW

This chapter focuses on the review of literature and analyses of past studies related to Impact of Dividend policy on share Price of the firm. After reviewing the related literature, it became clear what has been done in the past and what must be done now. This chapter has dealt with the related articles, journals and other materials in more detailed and descriptive manner.

#### 2.1 Theoretical Review

The purpose of non-life insurance is to compensate the losses to the insured that are incurred from a specific financial event. General insurance, property insurance and casualty insurance are other names of non-life insurance. It can be defined as any insurance that is not related to life insurance. People, legal liabilities and properties are covered under a non-life insurance policy.

#### MM Theory

Many ideas, including those by Gordon (1962), Walter (1963), and Puckett (1964), have been developed since Modigliani and Miller (MM) published the dividend irrelevance hypothesis in 1961. While the majority of the hypotheses disagreed with MM's notion of dividend irrelevance, several did. As with the capital-structure irrelevance hypothesis with no taxes or bankruptcy costs, MM postulated that the dividend policy is meaningless. The so-called "dividend-irrelevance theory" holds that dividends have no effect on a company's stock price or capital structure. According to MM, a company's worth is determined by its fundamental earning capacity and business risk, not by how it pays out profits to shareholders. According to the dividend preference hypothesis, a high dividend payout ratio would optimize the firm's value since investors see cash payouts as less risky than possible capital gains. A higher payout ratio results in a lower cost of capital and a rise in company value. This theory's common presumptions are described below.

- A ideal capital market exists when all investors act sensibly.
- Since there is no corporation tax, the tax rates on dividends and capital gains are the same.

- Securities' flotation charges are disregarded.
- The company does not have a consistent dividend policy that would alter the risk profile or the rate of return, even when retained profits are used to finance the investments.

Miller and Modigliani have argued why the dividend policy is irrelevant by using the arbitrage process. When it comes to using their post-tax profits, businesses may either (i) keep the money and use it for investments or (ii) pay out cash dividends. The company will need to obtain money to finance its investment plans by selling additional shares if it chooses the second option and declares a dividend. By issuing more shares, the arbitrage process will offset the rise in share value brought on by the cash dividends. Because the firm's share value is more dependent on its future profits than on its dividend policy, this renders the investor apathetic toward both capital gains and dividend earnings. Therefore, despite having differing payout percentages, the market value of two companies' shares will be comparable provided their risk and return profiles are equal. In order to determine the impact of dividend policy on share prices, Black and Scholes (1974) investigated the connections between dividend yield and stock returns in accordance with the dividend irrelevance hypothesis. Their findings demonstrated that the anticipated return for companies with high and low yields is the same. Thus, Black and Scholes came to the conclusion that stock prices seemed to be unaffected by a company's high-yield or low-yield dividend strategy.

#### **Gordon Growth Model (Dividend Discount Model)**

Gordon (1962) emphasized the relevance of the company's dividend policy. Gordon investigated the impact of the company's dividend policy on the stock price using the dividend capitalization technique. The following presumptions form the foundation of Gordon's model:

- The company does not have access to outside funding, and growth would be financed by retained profits. The cost of equity capital ( $k_e$ ) and return on investment ( $r$ ) don't change.
- The firm has an endless lifespan.
- Since the retention ratio stays constant, the growth rate ( $g=br$ ) thus stays constant.
- $k > g$ , meaning that the cost of equity capital exceeds the rate of growth.

Gordon came to the conclusion that a company's dividend policy influences its worth. The study's conclusion is that investors place a higher value on current dividends than they do on potential capital gains. Because investors see the dividend yield ( $D1/P_0$ ) as less hazardous than the anticipated capital gain, this reasoning maintained that a rise in the dividend payout ratio raises the company price.

### **Walter's Model**

According to James E. Walter (1963), dividends are significant and have an impact on the share price. In order to provide a dividend policy that optimizes shareholder value, he demonstrated the link between the firm's cost of capital ( $k$ ) and internal rate of return ( $r$ ). The following presumptions form the basis of Walter's model.

- The company does not employ outside financing or new stock; its sole source of funding is retained profits.
- Since  $r$  and  $k$  are considered to remain constant, the firm's risk and return profiles won't alter as a result of further investments.
- The firm has an endless lifespan.
- The dividend per share and profits per share stay the same for a certain corporate valuation.

In the three scenarios (a)  $r > k_e$ , (b)  $r < k_e$ , and (c)  $r = k_e$ , the model examined the dividend policy's applicability. Since the company has better and more lucrative investment alternatives than the investors, it may keep the profits when the return on investment exceeds the cost of equity capital. It suggests that the return on investment from reinvesting profits is greater than the return from investing dividend income. In the latter scenario, investors will have a greater investment opportunity than the company as the return on investment is lower than the cost of equity capital. This implies that a 100% payment is the ideal dividend policy.

### **The Signaling Theory**

Investors trust management to provide information via the company's announced dividends. By calling the information provided by dividends ambiguous and so irrelevant, it minimizes the significance of the signaling impact.

Investors may interpret the dividends as an indication that the business is doing well on its equity and that "an increase in return on investment" is occurring. Most significantly, dividends convey management's anticipation that the company's retained

profits would increase. Declared dividends may be a potent instrument for conveying a company's growth estimates and future prospects. Declaring dividends is thought to send a clear message that the business has cash on hand. The informational advantage managers have over the free cash flow method was also covered by this hypothesis.

The efficient market hypothesis, in contrast to the signaling theory, asserted that all information is equally accessible to all investors and shareholders and that the price of a share already takes into account all available information (Bartlett et al. 2014). Because it is claimed that all information is easily accessible and therefore dividends cannot be utilized as a tool to indicate anticipated performance to investors, the EMH hence makes the dividend relevance hypothesis, including signaling, meaningless. Nonetheless, when using the EMH, dividend yield is thought to affect share prices (Malkiel 2005). Furthermore, it is thought that a market will never be completely efficient and that certain information is always not instantly reflected in a share's price. Therefore, dividends may have informational value and cause share price volatility even in an efficient market.

Additionally, the idea that the clientele effect is a flaw in the market that is shown by irrational investment behavior. When investors are lured to a particular share due to their needs, this is known as the clientele effect. Investors with varying demands will be drawn to shares that prioritize capital development above monthly dividends (Erasmus 2013; Michaely et al. 1995; Miller & Modigliani 1961; Wolmarans 2003). For some investors, consistent dividend payments are essential to meeting their demands. In order to achieve its goal of generating shareholder value and establishing the dividend policy, the firm must carefully take into account the characteristics and expectations of investors.

## **2.2 Empirical Review**

The Dividend Policy and its Effect on Price: Empirical Insights from Nepalese Life Insurance Companies was examined by Aryal & Maharjan (2024). The purpose of this study is to assess the relationship and investigate the effects of the explanatory factors, namely EPS, DPS, PE ratio, management expenses to premium collected, capital to total assets, efficiency ratio, firm age, and profitability, on market price per share. Nine of Nepal's fourteen life insurance providers were selected for the research. The impact of predictor factors on MPS is investigated using the ordinary least square

(OLS) approach. The results show that the share price (MPS) is positively and significantly correlated with the EPS, DPS, and PE ratios. Additionally, this research finds a negative relationship between MPS and profitability. The management costs have a negative and statistically significant impact on MPS when compared to the premium received and capital to total assets. By showing that the price-to-earnings (PE), earnings per share (EPS), and dividend per share (DPS) ratios have a statistically significant and positive impact on the share price as determined by the market price per share (MPS), this study supports the dividend relevancy theory. However, by emphasizing that a company's market value is based on its operational income rather than its capital structure or dividend distribution policy, this approach refutes the dividend irrelevancy argument. Consequently, the dividend relevancy argument is supported by this study. For investors looking to increase their profits and wealth via investments in profitable sectors, the study's conclusions may be helpful.

Adegbie Folajim et al. According to a study by Al (2023), the Dividend Policy and Market Performance of Nigerian Listed Insurance Firms For many years, experts have disagreed and debated the topic of dividend policy, especially in relation to its effect on market performance. On the basis of signaling theory, some contend that dividend policy influences market performance, whereas others contest this assertion. Therefore, this research looked at how dividend policies affected the market performance of Nigerian listed insurance companies that had and did not have control over return on assets. This study analyzed data collected for ten chosen businesses between 2008 and 2020 using pooled ordinary least squares and an ex-post facto research design technique. All of the employed are favorably associated, according to the study's early analysis. According to the results of the pooled regression, market price per share (MSP) was negatively but not significantly impacted by dividend payment (DVP), but MSP was positively and significantly impacted by dividend yield (DVY) and dividend per share (DPS). Additionally, the findings indicated that the market price per share (MSP) was negatively but marginally impacted by return on assets, and the modified R-squared results showed that dividend policy accounts for almost 82% of the variations in the market performance of the chosen insurance companies. The analysis came to the conclusion that, whether or not return on assets is taken into consideration, dividend policy significantly affects market performance. Based on the findings, the research advised shareholders and management to pay

attention to the business's operational requirements and comprehend how dividend policies and profit maximization are related.

Researchers have been attempting to comprehend and develop relationships between the many aspects impacting the market price of stocks, as shown by Maskey's (2022) study, *Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange*. In Nepal, comparable research has solely looked at the banking industry. Nonetheless, the purpose of this article is to examine the variables that influence the market share values of life insurance firms that are listed on the Nepal Stock Exchange (NEPSE). For the research, a sample of all life insurance firms having panel data from 2012–13–2017–18 that were listed on the Nepal Stock Exchange was chosen. Descriptive and inferential statistics were used to evaluate the data, and the regression coefficients derived from the multiple regression model's findings were used to test the hypothesis. According to the research, the primary factors influencing share price are profits per share, dividends per share, price-earnings ratio, firm age, and dividend yield. According to the study's findings, dividends are a significant factor for Nepalese investors. Additionally, it was shown that the firms' dividend policies significantly influence the choices made by investors in Nepal.

*Dividends, profits, and stock prices: a case of Nepalese insurance firms* Lamichhane & Rai (2021) This research looks at the connection between Nepalese insurance companies' stock prices, earnings, and dividends. The dependent variables are stock return and market price per share. Earnings per share, dividend per share, return on equity, return on assets, dividend payout ratio, and PE ratio are the independent variables. The secondary data used in this research comes from 105 observations made by 15 insurance firms during 2011–12 and 2017–18. The information was gathered from the chosen insurance firms' annual reports. The relevance and importance of dividends, profits, and stock prices in Nepalese insurance businesses are tested using estimated regression models. The outcome demonstrates that market price per share and stock returns are positively impacted by earnings per share. It demonstrates that rising profits per share cause market prices per share and stock returns to rise as well. In a similar vein, market price per share and stock returns are positively impacted by the PE ratio. It demonstrates how rising market prices per share and stock returns are correlated with rising PE ratios. Similarly, market price

per share and stock returns are positively impacted by return on equity. The market price per share and stock returns would also increase with a larger return on equity. The outcome also demonstrates that the market price per share is positively impacted by dividends per share. It suggests that a rise in dividends per share causes the market price per share to rise as well. Likewise, the market price per share is positively impacted by the dividend payment ratio. It demonstrates how a higher dividend payment ratio raises the market price per share. Similarly, stock performance is positively impacted by return on assets. It demonstrates that stock returns would increase in proportion to the return on assets. Nevertheless, the dividend payout ratio has a negative effect on stock return, meaning that the greater the ratio, the worse the stock return. The stock return is also negatively impacted by dividends per share, indicating that a larger payout per share would result in a poorer stock return. Similarly, market price per share is negatively impacted by return on assets, indicating that a greater return on assets would result in a lower market price per share.

In their article "The Impact of Dividend Policy on Kuwaiti Insurance Companies Share Prices," AlAli, Al-Yatama, AlShamali, and AlAwadhi (2020) explained that the goal of the study was to investigate how dividend policies affected the market value of common stocks of insurance companies listed on the Kuwait Stock Exchange between 2009 and 2017. The unresolved dividend policy problem in the literature on financial management serves as the impetus for the investigation. Dividend yield, dividend payout ratio, earnings per share, book value per share, and market price to book value ratio are independent factors in this research, whereas share prices are the dependent variable. The regression model's findings showed that while earnings per share, book value per share, and the market price to book value ratio had statistically significant positive effects on share prices, dividend yield and dividend payout ratio had statistically significant negative effects. The study's findings are consistent with the dividend irrelevance hypothesis.

In order to investigate the connection between dividend policy and share price volatility in insurance firms listed on the Amman Stock Exchange, Almanaseer (2019) wrote in the paper "Dividend policy and share price volatility: evidence from Jordan." Twenty of the twenty-three insurance businesses that are listed on the Amman Stock Exchange were chosen as a sample. Using multiple linear regressions, the present research used two primary metrics for dividend policy, payout ratio, and dividend

yield over the years 2008–2017. Control factors such as business size, earnings volatility, financial leverage, and asset growth were included to the main regression model. According to the analysis, there is a substantial inverse association between dividend yield and payout ratio and share price volatility. However, dividend yield had the most influence on share price volatility. Additionally, the dividend policy may be used by the company's management to influence share price volatility. The study's limitations include the fact that it only looked at Jordanian insurance companies that were listed on the Amman Stock Exchange between 2008 and 2017. As a result, the findings cannot be applied to examine the share price volatility behavior of other companies in the Amman Stock Exchange's various sectors.

In their study "The effect of dividend policy on share price volatility: an analysis of Mediterranean banks' stocks," Camilleri, Grima, and Grima (2019) examined the connection between dividend payments and share price volatility in the context of Mediterranean banks. In order to predict share price volatility, we regress the dividend yield and payout ratios together with other control variables. These ratios serve as stand-ins for dividend policy. By creating sub-samples using a clustering approach and reusing a data set that excludes the outliers associated with the 2007 financial crisis, the findings' robustness is evaluated. Our findings demonstrate that conclusions may vary across samples and rely on how outlier data are handled. In addition to providing fresh empirical data, our findings help scholars, stock market participants, and business executives get a better understanding of how dividend policies impact share price volatility and the associated dangers and possibilities.

In their article "The Relationship of Dividend Policy and Share Price Volatility: A Case in Vietnam," Nguyen, Bui, and Do (2019) explained that, in order to address the limitations of the statistical model used in earlier papers in the context of Vietnam and to take the initiative to test the controversial relationship between dividend policy and share price volatility practically, some variables were also controlled. A sample of 141 non-financial firms listed between 2011 and 2016 on the Ho Chi Minh Stock Exchange was used. After carefully examining the dataset's multiple collinearity, endogeneity, and causality issues, the study used a fixed effect model. It demonstrates that share price volatility is statistically strongly impacted negatively by dividend distribution and yield.

According to Wanjohi (2017), in the paper *Effects of dividend policy on shareholders wealth: Evidence from insurance businesses in Kenya*, a company's earnings may either be reinvested in the company or distributed as dividends to its investors. Managers focus on how to increase the firm's worth in order to maximize shareholder wealth while deciding which dividend policy to implement. Determining the impact of dividend policy on business value was, thus, the aim of this research. More precisely, the research aims to assess how the share price of Kenyan insurance companies that are registered is affected by regular, irregular, and nondividend distribution policies. All 49 of Kenya's registered insurance companies made up the population of interest. The NSE, IRA, and publicly available financial statements from the firms' websites were the sources of secondary data. In this study, secondary data was used, and the regression model was run using panel data. In all, nine insurance firms were included in the sample, which was conducted between 2008 and 2015. The random effect technique was the model used. Regression analysis revealed a significant correlation between dividend policy and profits per share, with regular dividend paying companies having the most impact and nondividend paying companies having the least. Based on the findings, we concluded that retained earnings significantly reduce the value of owners. Furthermore, the researchers advise business executives to explicitly outline the dividend policies they want to see their organizations adhere to. Since dividend policy affects business value, choices on payouts should be carefully examined rather being made on the spur of the moment. Furthermore, as the impact of a company's dividend policy on share prices varies depending on whether it pays, does not pay, or partly pays dividends, these judgments should not be generalized.

In their study "Relationship between dividend policy and share price," Kawiche and Godfrey (2015) examined the connection between the two on the Dar Es Salaam Stock Exchange (DSE). In order to ascertain the link between dividend policy and share price, the analysis is based on 17 firms that have been listed on the DSE during a five-year period. The data is taken from the companies' annual reports. Dividend policy, operationalized by four variables, including D, is used to measure this. yield, P/E ratio, E.vol, and dividend payout ratio. The research is quantitative in nature, and the SPSS is used as an analytical tool to measure relationships utilizing the descriptive, regression, and correlation methods. The findings demonstrated that the

P/E ratio is the best dividend policy, as indicated by the lowest P value, and that there is a positive correlation between the P/E ratio and share price, whereas there is a negative correlation between the other variables, including dividend yield, dividend payout ratio, earnings per share, and price earnings ratio.

In their article "Impact of fundamental factors on share price movements-A study on select listed companies of Indian manufacturing industries in Bombay Stock Exchange," Rajesh and Bhaskar (2015) noted that stock market performance is typically regarded as a reflection of a nation's financial and economic circumstances. Numerous macroeconomic and industry-related variables may have an impact on changes in the firms' share prices. Examining the share price variance in relation to certain macroeconomic factors is the main goal of this research. Market Price of Share (MPS), Purchasing Power Parity (PPP), GDP, Inflation (INFL), Money Supply (M2), and Industrial Production (INP) are among the macroeconomic indicators included in the research. The goal of the research is to identify which macroeconomic factors, if any, may be used to explain the fluctuations in the share prices of certain Indian companies listed on the Bombay Stock Exchange. Businesses from five distinct industries were chosen for this research based on their performance on the Bombay Stock Exchange, profitability, and data accessibility. These industries include cotton, tires, pesticides, two-wheelers, and tiles. Data on economic factors and share prices for the chosen companies were gathered over a maximum of five years.

In their work "Dividend Policy and Share Price Volatility," Ilaboya & Aggreh (2013) explored the connection between share price volatility and dividend policy for businesses that are listed on the Nigerian Stock Exchange Market. Using a basic random sampling approach, 26 sampled enterprises from various industries were chosen throughout the period of 2004–2011. Their model specification included firm size (size), long-term debt (Debt), earnings volatility (E.vol), and asset growth rate (AsGRt) as control variables, and share price volatility (P.vol) as the dependent variable and dividend yield (Dyld) and payout ratio (Payout) as the independent variables. The pooled OLS and Panel EGLS were used for the regression analysis in order to ensure robustness, and Eviews 7.0 was used for a number of tests, including the Multicollinearity, Heteroskedasticity, Autocorrelation, and Model Specification tests. The results showed that although dividend payment has a negative and negligible impact on share price volatility, dividend yield has a positive and

considerable impact on businesses' share price volatility. The report also suggested that businesses should deliberately consider how to maximize shareholder wealth while still satisfying their financial obligations to support investments.

The aim of this study was to investigate the relationship between dividend policy and share price volatility with a focus on consumer product companies listed in the Malaysian stock market, according to Ardekani & Younesi (2012) in their article *The Impact of Dividend Policy on Share Price Volatility in the Malaysian Stock Market*. For this purpose, 84 companies were chosen from 142 consumer product companies listed on Bursa Malaysia's main market. Using multiple regression, the relationship between share price volatility and the two primary measures of dividend policy—payout and dividend yield—was investigated over a six-year period, from 2005 to 2010. Size, leverage, growth, earning volatility, and debt were included as control factors to the largely regression model. The study's empirical findings demonstrated a strong inverse correlation between share price volatility and dividend yield and payout, the two primary indicators of dividend policy. Furthermore, there is a strong inverse correlation between size and share price volatility. According to the study's results, the two predictor factors that have the most effects on share price volatility are dividend yield and size.

The aim of this study is to investigate the relationship between the ROA, ROE, and ROI ratios jointly and separately with the share prices of Jordanian insurance public companies during the period (2002-2007), according to Kabajeh, Al Nu'aimat, and Dahmash (2012) in their article "the relationship between the ROA, ROE, and ROI ratios with Jordanian insurance public companies market share prices." The empirical data demonstrated a favorable correlation between the share prices of Jordanian insurance public businesses and the ROA, ROE, and ROI ratios. The findings also indicated a weak but favorable correlation between the share prices of Jordanian insurance public businesses and the ROA and ROI ratios individually. Nevertheless, the findings revealed no connection between the market share prices of Jordanian insurance public businesses and the ROE ratio alone.

**Table 1****Emperical Review table**

<b>Author (Date)</b>	<b>Article</b>	<b>Objectives</b>	<b>Methodology</b>	<b>Findings</b>
Aryal & Maharjan (2024)	Dividend Policy and its Impact on Price: Empirical Insights from Nepalese Life Insurance Companies	To evaluate the correlation and examine the impact of EPS, PE ratio, management expenses to premium collected, capital to total assets, efficiency ratio, age of firm, and profitability on market price per share (MPS).	9 life insurance companies in Nepal were analyzed using the Ordinary Least Square (OLS) method to examine the effect of predictor variables on MPS.	EPS, DPS, and PE ratios have positive and significant effects on MPS. Profitability, management expenses to premium collected, and capital to total assets show a negative and significant impact on MPS. Supports the dividend relevancy theory, highlighting the importance of operational income in market value.
Folajim Adegbe et al. (2023)	Dividend Policy and Market Performance of Nigerian Listed Insurance Firms	To examine the impact of dividend policy on the market performance of listed Nigerian insurance firms, with and without controlling for return on assets.	Ex-post facto research design with pooled OLS analysis. Data from 10 firms (2008-2020).	Dividend payout (DVP) negatively and insignificantly impacts MPS. Dividend yield (DVY) and dividend per share (DPS) positively and significantly impact MPS. Return on assets negatively and insignificantly affects MPS. Dividend policy explains 82% of

				changes in market performance.
Maskey (2022)	Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in NEPSE	To investigate factors affecting the market share prices of life insurance companies in Nepal, focusing on the dividend policy as a major determinant.	Data from all listed life insurance companies in NEPSE (2012/13–2017/18) analyzed using descriptive and inferential statistics, with regression coefficients tested via multiple regression models.	EPS, DPS, PE ratio, age of the company, and dividend yield are major determinants of share price. Dividends significantly influence investor decisions in Nepal. Dividend policy is crucial in shaping investment choices.
Lamichhane & Rai (2021)	Dividends, Earnings, and Stock Prices: A Case of Nepalese Insurance Companies	To examine the relationship among dividends, earnings, and stock prices in Nepalese insurance companies.	Regression models applied to secondary data of 15 insurance companies (2011/12–2017/18). Data collected from annual	EPS, DPS, PE ratio, and return on equity positively influence MPS and stock returns. ROA positively impacts stock returns but negatively affects MPS. Higher dividend payout ratio reduces stock returns. The dividend policy plays

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				reports of a nuanced role in selected influencing market firms. price and stock returns.
AlAli, Al-Yatama, AlShamali & AlAwadhi (2020)	The Impact of Dividend Policy on Kuwaiti Insurance Companies Share Prices	The purpose of this research is to look at the impact of dividend policy on the market value of common stocks of insurance companies listed on the Kuwait stock exchange from 2009 to 2017.	The primarily regression model was expanded by adding control variables including size, earning volatility, leverage, debt and growth.	The empirical results of this study showed significant negative relationship between share price volatility with two main measurements of dividend policy which are dividend yield and dividend payout.
O.J. ILABOYA and M. AGGREH (2013)	Dividend Policy and Share Price Volatility	The purpose of this study was to examine the relationship between dividend policy and share price volatility in companies listed in the Nigerian stock market.	The regression analysis was conducted using the pooled OLS and Panel EGLS. They also conducted various tests (i.e. Multicollinearity, Heteroskedast	The findings indicated that dividend yield exerts a positive and significant influence on share price volatility of firms while dividend payout exerts a negative and insignificant influence on share price volatility.

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Kawiche Prosper and Godfrey Samwel (2015)	Relationship between dividend policy and share price	The aim of this study was to study the relationship between dividend policy and share price volatility during five years for 17 companies listed in the DarEs Salaam Stock Exchange (DSE).	icity, Autocorrelation and Model specification tests) using Eviews 7.0. The study is quantitative in nature where the SPSS is applied as tool of analysis by using descriptive, regression and correlation method for measuring relationship.	The results showed that the best dividend policy PE ratio as indicated by the lowest P value and relationship between dividend policy and share price is that PE ratio has positive relationship while other variables namely dividend yield, dividend payout ratio, earnings per share are negatively correlated.
Almanaseer (2019)	Dividend policy and share price volatility: evidence from Jordan	The aim of this study was to study the relationship between dividend policy and share price volatility in insurance companies listed in the Amman	To examine the relationship between dividend yield and payout ratio with share price	According to the findings, there is a considerable negative correlation between share price volatility and dividend yield and payout ratio. Dividend yield, on the other hand, had the greatest

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		Stock Exchange	volatility, Multiple Linear Regression was conducted during the period 2008- 2017, then the equation was expanded by adding the control variables: Firm Size, Earning Volatility, Financial Leverage, and Growth.	impact on share price volatility.	
Camilleri, Grima and Grima (2019)	“The effect of dividend policy on share price volatility: analysis of Mediterranean banks’ stocks	In the case of Mediterranean Banks, the study explores the relationship between share price volatility and dividend distributions. We model share price volatility using the dividend yield and payout as	In the case of Mediterranean Banks, the study explores the relationship between share price volatility and dividend distributions. We model share price volatility using regressions to check whether we	The study splits the sample into two groups using a two- step cluster analysis procedure and re-estimated various regressions to check whether we	The dividend yield (DY) and dividend payout ratio (DP) as proxies of dividend policy, and investigated their effects on share price volatility through a sample of Mediterranean region bank stocks which were publicly traded during the period 2001

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		proxies for obtain the to 2016 dividend policy, same and we regress inferences for these ratios with the sub-other control groups. factors.		
Nguyen, Bui and Do (2019)	The Relationship Of Dividend Policy and Share Price Volatility: A Case in Vietnam”	The relationship between dividend policy and share price volatility and addressing the limitation of statistical model of the previous papers in the context of Vietnam, this paper conducted to practically test that relationship by additionally controlling some variables.	The papers sample consists of 141 firms listed in Ho Chi Minh Stock Exchange (HOSE) over 6-year period from 2011-2016.	The dividend yield is the most important determinant of the volatility of share price. The paper also takes advantage of statistical model in comparison with other previous studies in the same context by employing fixed effect model for panel data after thoroughly examining multicollinearity, endogeneity and causality problems
Wanjohi (2017)	Effects of dividend policy on shareholders wealth: Evidence from insurance firms in the Kenya	To determine the effect of a regular dividend payout policy on shareholders’ wealth on insurance firms in Kenya. To determine the	The research design used is descriptive survey since it sorts to establish the relationship between dividend	It was found that there is a positive association between earnings per share and dividend policy, with the regular dividend paying corporations having the most impact and the non-

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effect of an policy and dividend paying firms irregular dividend share price. having the least. We payout policy on This study discovered that shareholders used multiple retained earnings have wealth on regression a negative significant insurance firms in analysis to impact on shareholder Kenya determine the wealth based on the To determine the relationship findings. effect of a non- between the dividend payout dependent policy on and shareholders' independent wealth on variables. insurance firms in Kenya.

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Rajesh and Bhaskar (2015)	Impact of fundamental factors on share price movements-A study on select listed companies of Indian manufacturing industries in Bombay Stock Exchange	The objective of the research is to study the external factors like Change in Market Price of Share (MPS), Purchasing Power Parity (PPP), GDP, Inflation (INFL), Money Supply (M2) and Industrial Production (INP) that affects the select listed companies in Bombay Stock	This research is theoretical and descriptive nature. For the collection of data, researchers used questionnaire, phone, email and interview etc.	The stock returns behave differently at the firm and industry level. The impact of changes in economic factors on stock returns is more significant and strong at the industry level than firm level. Therefore, industry stock returns are subject to larger variation against economic variables than firm level stock returns
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			Exchange of Indian manufacturing industries.		
Mahdavi & Younesi (2012)	The impact of dividend policy on share price volatility in the Malaysian stock market	The purpose of this study was to examine the relationship between dividend policy and share price volatility with a focus on consumer product companies listed in Malaysian stock market	By applying correlation analysis and multiple least square regressions, the association between share price volatility and dividend policy is analyzed.	The empirical results of this study showed significant negative relationship between share price volatility with two main measurements of dividend policy which are dividend yield and dividend payout. Moreover, a significant negative relationship between price volatility and size is found. Based on findings of this study, dividend yield and size have most impact on share price volatility amongst predictor variables	
Kabajeh, Al Nu'aimat and Dahmash (2012)	The relationship between the ROA, ROE and ROI ratios with Jordanian insurance public companies share market	The purpose of this study is to examine the relationship between the ROA, ROE and ROI ratios together and separately	The population of this study consisted of all the Jordanian insurance public	The pooled analysis of the three ratios of ROA, ROE and ROI together showed a strong and positive relationship with share prices, and a strong explanatory power.	

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prices”	with Jordanian insurance public companies share prices during the period (2002-2007)	companies listed in Amman Security Exchange from the period between 2002 and 2007 which were (28) public companies.	Second, the separated pooled analysis showed a positive but low relationship between each of ROA and ROI ratios with market share prices of Jordanian insurance public companies
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### 2.2.2 Review of Previous Thesis

The elements influencing the share price of Nepalese non-life insurance firms were identified by Gautam and Bista (2019) in their research "Factors Affecting Share Price of Nepalese Non-Life Insurance Companies." The secondary data used in this research comes from 105 observations made by 15 non-life insurance firms throughout the fiscal years 2011–12 and 2017–18. The findings indicate a favorable correlation between business size and both the market price of shares and the price-to-earnings ratio. It suggests that a greater company size raises the market price of shares and the price-to-earnings ratio. Nonetheless, the analysis demonstrates a negative correlation between inflation and the market price of shares and the price-to-earnings ratio. The analysis also demonstrates that the market price of shares and the price-earnings ratio have a negative relationship with dividends per share and return on assets. In a similar vein, the market price of shares and the price-earnings ratio are negatively correlated with earnings per share. The analysis comes to the conclusion that the variance in stock prices of Nepalese non-life insurance businesses cannot be explained by the rise in return on assets and profits per share. The variables revealed will help prospective investors understand the major elements influencing share prices in Nepal, one of the growing economies, and help them optimize their investing plan. Understanding the elements and how they could affect share prices is very valuable as it would allow businesses to increase their market value and assist investors in making informed investment choices. Furthermore, businesses are concentrating their efforts

on generating value for shareholders in order to withstand the fierce rivalry brought on by the growing global competitiveness. Because of this, it is becoming more and more crucial for businesses to gauge the value they provide for their investors. Companies may assess prior choices and make actions that will increase shareholder value by monitoring the value generated year over year. The research demonstrates that the market price of shares of Nepalese non-life insurance businesses is negatively impacted by return on assets, dividends per share, earnings per share, firm size, and inflation. Nonetheless, the market price of shares is positively impacted by the size of the company. In a similar vein, the price-earnings ratio is negatively impacted by return on assets, dividends per share, earnings per share, business size, and inflation. The research comes to the conclusion that a variety of macroeconomic and bank-specific factors affect the share price of non-life insurance businesses rather than relying just on one. The research also finds that, for Nepalese non-life insurance businesses, return on assets is the most important factor influencing share price, followed by profits per share.

In their study "Impact of Dividend Policy on Share Price of Commercial Bank in Nepal," Baral and Pradhan (2018) aimed to investigate the correlation between dividend policy and the market share price of ten chosen commercial banks in Nepal, as well as the degree to which these factors influenced the share price over the study period. The study's findings show that a number of factors are taken into account before paying dividends to shareholders. These include the amount in the reserve fund, the dividends paid in prior years, the dividends to be paid to preferred shareholders, the net profits for the period, the amount paid by competing banks, and the investment opportunities. The research, which used regression, correlation analysis, and the Wilcoxon Sign Rank Test, discovered that there was a negative link with DPR in the top gainer banks and a positive relationship with EPS, P/E, DPR, and MPS in the top losing commercial banks in Nepal. With the exception of two banks, all five commercial banks in the selected top five gainers and top five losers demonstrated that their market prices responded to the dividend announcement, according to the data analysis and interpretation. This indicates that 80% of the banks in the sample agree that the declaration of a dividend affects the market price of their shares. As a result, the market share price of Nepalese commercial banks is significantly impacted by dividends. Additionally, the study uses descriptive statistics,

correlation and regression, ANOVA, and the Wilcoxon Signed Rank Test to examine the impact of dividend announcements, EPS, P/E ratios, and DPR on stock price. The articles conclude that, with the exception of DPR, all of the other factors—EPS, P/E ratio, and so on—have a positive relationship with stock price. In the case of top-performing commercial banks, P/E has the strongest effect on share price, while DPR, EPS, and P/E ratio all have positive effects on stock price. In the case of top-performing banks, however, DPR has the strongest effect on share price.

The stock market is all about dynamics, which is why investors and fund managers have repeatedly struggled to predict stock prices accurately in order to generate respectable returns, according to Ghimire and Mishra (2018) in their article "Determinants of Stock Price in Nepalese Market." Purchasing shares gives you the chance to beat the market and generate large gains in addition to the advantage of liquidity. However, forecasting share prices is a very difficult undertaking. Both intrinsic and extrinsic variables have been shown to have impact on stock price movement, and share price movement is not dependant in nature. This research examines the factors influencing the stock price using descriptive statistics and multiple regression analysis. With a sample size of 11 financial and nonfinancial enterprises, the research has selected DPS, EPS, P-E ratio, BV, and market to BV as the primary variables of stock price. Furthermore, the outcome shows that the factors Market to BV and P-E ratio are the important factors that determine the stock price and have a direct impact on it. Similarly, DPS and BV have a significant positive impact on the stock price, whereas EPS has little effect. The majority of the many researchers who have studied this issue have discovered a favorable correlation between EPS and market price, while the current researchers have shown that EPS has no effect on stock price. It is impossible to study EPS in isolation. For example, a rise in EPS indicates that companies are likely to pay dividends soon, but in the present, the NRB, which oversees banking institutions, has put restrictions in place to increase the capital of these institutions. Because banks are more inclined to keep their profits for themselves in such circumstances rather than paying out dividends to shareholders, fund managers and other investors are not taking EPS into account when making investment decisions. Therefore, even if the EPS has increased, it is not influencing the market price in this case. As a result, this latest study found little relationship between these elements, and it is likely that similar results will be found

in subsequent studies until the bank's capital issue is resolved. Lastly, the study's findings revealed fresh data from a Nepalese viewpoint that is thought to be helpful to market players. Because they can keep an eye out for these important indicators when evaluating stock returns and forecasting share prices, the study's results seem to be especially helpful for investors, fund managers, and the economy as a whole.

In the article *Determinants of Share Price of Nepalese Commercial Banks*, Bhattarai (2014) identified the factors that influenced the share prices of commercial banks that were listed between 2006 and 2014 on the Nepal Stock Exchange Limited. Regression analysis was used to examine the data, which came from the selected banks' annual reports. The findings indicated that dividend yield had a substantial negative relationship with share price, whereas earnings per share and price-to-earnings ratios had a significant positive link with share price. The study's main finding is that the price-earnings ratio, dividend yield, and profits per share have the greatest effects on the share price of Nepalese commercial banks. Furthermore, there is now a lot of interest in researching the factors that influence equity share values. Finding the elements that affect share prices is also a topic of great interest, particularly in the banking industry. Because commercial bank shares are traded on the market more regularly than other shares in the Nepalese context, they provide investment possibilities for Nepalese investors. This research specifically looked at how the share price of banks listed on the Nepal Stock Exchange Limited was affected by the dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, and size. The study's results from 2006 to 2014 indicated that although dividend yield had a strong adverse relationship with bank share price, earnings per share and the price-earnings ratio had a substantial positive link with share price. The research comes to the conclusion that the main factors influencing the share price of Nepalese commercial banks are dividend yield, earnings per share, and price-earnings ratio. The study's findings revealed fresh data from a Nepalese viewpoint, which is thought to be beneficial to market players. Because they can keep an eye out for these important indicators when assessing stock returns and forecasting share prices, the study's results seem to be especially helpful for equities investors and fund managers.

### **2.3 Research Gap**

The apparent gap in this research has been described in this section. Here are also the dividend-related problems and other pertinent aspects that were discovered

throughout the variable analysis. Every effort has been made to examine potential reasons for this disparity. There are no laws requiring businesses to pay dividends on a yearly basis. The majority of businesses lack a defined dividend policy, and the government similarly lacks a clear dividend policy.

The Company Act of 2074 and other governing acts include no provisions pertaining to dividend payments. The dividend payout ratio exhibits neither stability nor variable coordination. There is no strategic dividend policy in place for these firms. Cash and equity dividends are paid out without prudent management choices. The corporations' dividend payments seem to be erratic and inconsistent. The risk-free rate of return should be taken into account when paying out dividends, but often, only a tiny portion of dividends are handed out without taking this into account.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The aim of the study was to investigate the Impact of Dividend practices on share Price of the insurance company. This chapter is designed to explain the research methods used to meet the stated objectives of the study, which includes the sampling process, sample characteristics, instrument development, content reliability, pretest, statistical analysis plan, data and overall methodology undertaken for the purpose of this research. The objective of this chapter is to highlight the methods and procedure utilized to get the most accurate result following the set objective of the research and testing the hypothesis.

#### **3.1 Research Design**

Using a descriptive and causal comparative research approach, the study seeks to comprehend how dividend policies affect the firm's share price. As a result, both descriptive and causal research were conducted for this study. The study is descriptive in nature as it uses statistics alone, without any kind of modification, to explain the facts and features of the population under study. Since the purpose of the study was to determine the degree and kind of cause-and-effect linkages between the independent and dependent variables, the research is also causal.

The initial survey served as the foundation for this study's conclusions. The websites of Shikhar Insurance, NLG Insurance, and Neco Insurance were used to gather the data. The conclusions are entirely supported by the information and facts found on these insurance firms' websites. Numerous statistical tests and analyses form the basis of the research. The quantitative data was analyzed and interpreted for this purpose using Microsoft Excel and the Statistical Package for Social Science (SPSS) program. The mean and standard deviation were calculated using descriptive statistics according to the respondent profile. The research procedure included hypothesis testing, regression analysis, and correlation analysis. When reliability was required, the results, interpretation, and analysis were shown using various tables.

#### **3.2 Population and Sample, and Sampling Design**

The research's population consists of all non-life insurance businesses registered on the Nepal Stock Exchange, however only those that are listed and trading shares on the NEPSE until June 2024 are included in the analysis. Due to their convenience

sample approach, only three of the twelve non-life insurance firms are considered to be the selling non-life insurance businesses. In this research, non-life insurance businesses in Nepal are chosen based on their establishment priority. The sample is described in detail in the table below.

Table 2

*Population and Sample*

S.N.	Name of Bank	Symbol	Year of establishment
1	Neco Insurance	NIL	1991
2	Shikhar Insurance	SLIC	2004
3	NLG Insurance	NLG	2005

### 3.3 Nature and Source of Data

The study is based on secondary data, secondary data are used to analyze the historical trend in dividend practices and primary data are used to find the factor affecting the share price of non-life insurance companies. The source of secondary data are AGM reports of non-life insurance, NRB websites, bulletins publications of different authorities, researchers, journals, unpublished thesis reports, newspaper etc. The learners and practitioners and non-life insurance professionals of this sector are major source of primary information of this study.

### 3.4 Data Collection Procedure

The methods of collecting data completely depend upon the sources of data collection which is secondary sources of data. The data for this study was collected through secondary source. Secondary data refers to data that is collected by someone other than the primary user. Common sources of secondary data for social science include censuses, information collected by government departments, organizational records and data that was originally collected for other research purposes.

The data of this research was collected through published source. They were collected from the correspondent offices and their respective websites. Apart that the historical price from nepsewebsite, different share and finance related websites were also used in the study. The annual report of Shikhar insurance, Neco and NLG insurance for the period of 10 years were obtained from the websites of selected insurance companies. After the collection of data, as necessarily required, they were separated and analyzed

presentation and analysis of the collected data is the main theme of the research work. Collected raw data were first presented in the systematic manner in tabular forms and then analyzed by applying different financial and statistical tools to achieve the research objective.

### **3.5 Method of Analysis**

To determine how many independent factors affect dependent variables, multiple regressions are used.

Only when the proper instruments and methods are modified for the analysis of secondary data gathered from diverse sources does the logical conclusion follow. The data in this research has been analyzed using a variety of statistical techniques. Regression analysis, standard deviation, coefficient of variation, correlation coefficient, and average/arithmetic mean are the statistical methods used.

### **Dividend Payout Ratio**

The Dividend Payout Ratio is a financial metric that shows the proportion of a company's earnings paid out to shareholders as dividends. It indicates how much profit is being returned to investors versus how much is retained for business reinvestment. A higher ratio suggests that a company is distributing a significant portion of its profits as dividends, which can be attractive to income-focused investors. Conversely, a lower ratio may imply that the company is retaining more earnings to fuel growth and expansion. This ratio is crucial for assessing the sustainability of a company's dividend policy and its approach to shareholder returns.:

$$\text{Dividend Payout Ratio (DPS)} = \frac{\text{Dividends paid}}{\text{Net Income}}$$

### **Market Price per Share**

The most recent price of a single share of a publicly traded stock is specified by the market price per share. The market price varies throughout the course of the trading day. Both supply and demand have an impact on it. The market price of a stock will increase when more individuals are attempting to purchase it than sell it. The market price will drop when there are more attempts to sell a stock than to purchase it. The market price fluctuates according to supply and demand. A market price is created

when the buyer and seller give the bid price at which they are willing to purchase and the seller offers the ask price at which they are prepared to sell.

### **Cash Dividend:**

A company's distribution to its shareholders in cash, usually from retained earnings or profits, is known as a cash dividend. It is a means for businesses to provide shareholders a return on their investment and to share their profits with them. The board of directors typically announces and distributes cash dividends on a per-share basis. Depending on the company's policy, these payments may be sent on a quarterly or yearly basis. Retained profits and cash reserves are decreased when cash dividends are distributed. The following formula and equation are employed:

$$\text{Cash Dividend} = \text{Dividend per Share (DPS)} \times \text{Number of Shares Outstanding}$$

### *Stock Dividend:*

When a business gives its owners more shares instead of cash, it's known as a stock dividend. Each shareholder now owns more shares as a result of this kind of dividend, but the aggregate worth of their holdings stays the same since the company's total value stays the same. Typically, stock dividends are stated as a percentage. For example, a 10% stock dividend indicates that stockholders would receive 10% more shares than they already possess. To save money or reinvest earnings back into the company, companies may pay out stock dividends. The market's share liquidity may also be improved by this strategy.

$$\text{Stock Dividend} = \text{Number of Shares Owned} \times \text{Stock Dividend Percentage}$$

### **Dividend Yield:**

A financial statistic called dividend yield shows how much a corporation pays out in dividends annually in relation to the price of its shares. It is a percentage that shows the return on investment for shareholders from dividends alone, without taking stock price growth into consideration. Income-seeking investors may find a stock more appealing if it offers a larger dividend yield, but this also relies on the stability and potential for future development of the firm. This indicator aids investors in evaluating a stock's capacity to generate revenue in relation to other stocks in the market. A extremely high dividend yield, nevertheless, might also be a sign of impending danger or a drop in the stock price.

$$\text{Dividend Yield} = \frac{\text{Annual Dividend Per Share}}{\text{Current Stock Dividend}}$$

### 3.6.1 Descriptive Statistics

Some statistical tools have also been used in the study. Following descriptive statistics tools are used to analyze the relationship between two variables.

#### Arithmetic Mean

The mean is the value that symbolizes the set of values and shows how concentrated the values are in the middle of the distribution. The position that is most reflective of the data is what an average gives us. It depicts all of the data representative's features. Between the two extreme observations of all the data is the arithmetic mean value. The bulk homogenous data is sent by it. All of the things are added together, and the sum is then divided by the number of items to get the AM's worth.

Most individuals with even a basic understanding of math and finance can compute the arithmetic mean since it is straightforward. Because it consistently yields valuable findings, especially when dealing with big numerical groups, it is also a helpful indicator of central tendency.

Mathematically, Arithmetic Mean (AM) is given by,

$$\text{Mean}(\bar{X}) = \frac{\sum X}{n}$$

Where,

$$\bar{X} = \text{Mean}$$

$$\sum X = \text{Sum of variables}$$

$$n = \text{Number of values}$$

#### Standard Deviation( $\sigma$ )

Investors may use the standard deviation of a stock as a useful tool to choose the best stock. While some investors choose to adopt a more riskier approach, others prefer a risk-free method. They are guided in the correct path by the standard deviation.

The absolute dispersion is measured by the standard deviation. The size of the values' departures from their mean will increase with the standard deviation. High levels of

homogeneity and uniformity of observations are indicated by a small standard deviation, and vice versa.

Mathematically,

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

### **Coefficient of Variation**

A relative indicator of risk is the coefficient of variation, or CV. It calculates risk per unit of return by dividing the standard deviation by the anticipated return. CV is a better statistical technique to compare the variability between two or more series. In terms of mathematics,

$$\text{C.V.} = \frac{\sigma}{\bar{x}} \times 100$$

### **3.6.2 Correlation Analysis**

The correlation coefficient is the most effective mathematical tool for identifying, quantifying, and communicating quantitative relationships. A positive correlation exists when the values of the variables are exactly proportionate. Conversely, when the variables' values are inversely proportionate, the correlation is considered to be negative; yet, the correlation coefficient always stays between +1 and -1. Karl Pearson defined the simple correlation coefficient as follows:  $r(x, y)$  is the correlation between two variables, X and Y, for example.

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

When,  $r = +1$ , there is perfect positive correlation.

$r = -1$ , there is perfect negative correlation.

$r = 0$ , there is no correlation.

$r$  lies between 0.7 to 0.999 (or -0.7 to -0.999) there is high degree of positive or negative correlation.

r lies between 0.5 and 0.699, there is a moderate degree of correlation.

r is less than 0.5, there is low degree of correlation.

### 3.6.3 Regression Analysis

The statistical method known as regression analysis may forecast an unknown variable's value based on the known value of any other variable. The independent variable is the one whose value is known, while the dependent variable is the one whose value has to be predicted. It is used to ascertain whether or not the specified independent variable has an impact on the dependent variable. Market price per share is the dependent variable in this research, whereas book value per share, profits per share, dividend per share, and price earnings-ratio are the independent variables. The regression

### 3.6.4 Research Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where,

Y = Price of stock

$\beta_0$  = Constant

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Regression coefficient

$X_1$  = Cash dividend

$X_2$  = Stock dividend

$X_3$  = Dividend payout

$X_4$  = Dividend yield

e = Error of variables

The same model will be applicable in all three companies to understand the impact of variable on price of the stock.

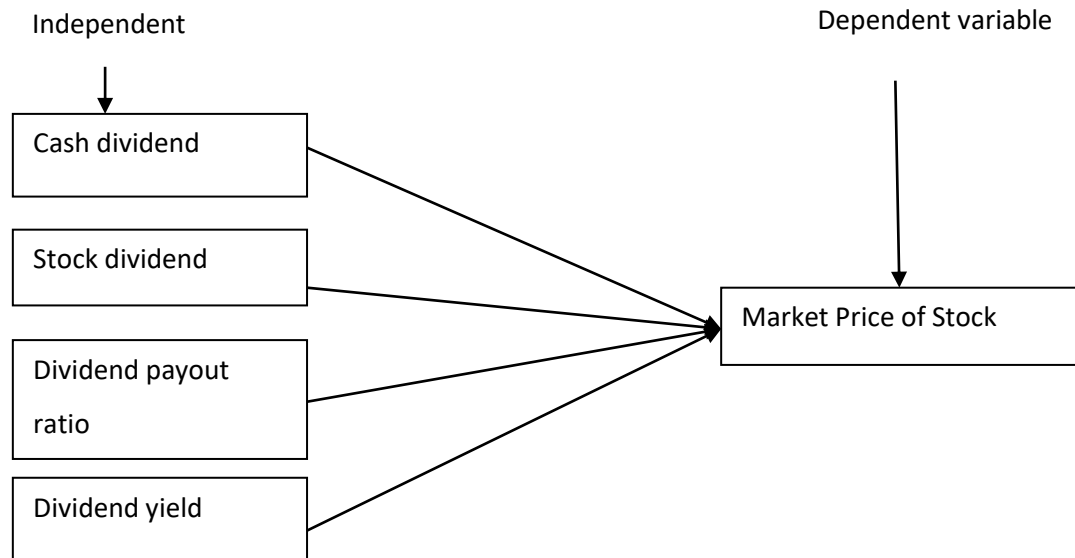
### 3.7 Research Ethics

The following things were considered to meet the research ethics:

All research data are based on facts, no manipulation is done in data.

Data is used for academic purpose only and ensures no over exaggeration for own or other benefits.

### 3.8 Research Framework and Definition of Variables



Source : Camilleri, Grima & Grima (2019)

Figure 3.1 Research Framework

The following relationship of independent variables with dependent variable is formed:

$$MP = f (CD, SD, DPR, DY)$$

Where, MP = Market Price of the equity share,

CD = Cash dividend

SD = Stock dividend,

DPR= Dividend payout ratio

DY= Dividend yield

#### **Market Price (MP)**

Price of stock is constantly changing. This is due to reflection of available information in the market. So the price marked as market price is the average price of the share derived from the financial year high and low market price. It is simply the market price (current) at which an asset or service can be bought or sold.

$$MP = \frac{\text{High Price} + \text{Low Price}}{2} \text{ or average price of 1 year.}$$

Where,

High Price = Highest market price during the financial year,

Low Price = Lowest market price during the financial year.

#### **Cash Dividend (CD)**

The transfer of monies to investors, often from the company's current earnings or accumulated profits, is known as a cash dividend. In contrast to stock dividends or other forms of value, cash dividends are paid out in cash. To put it simply, it is a payment provided to shareholders as a return on their investment in the company's stock. After taking into account the firm's future, it is seen as a reward for the investors.

The company's net profits for the fiscal year are used to pay the cash dividend. A firm is not required to pay out dividends; alternatively, the money might be reinvested in the company's various growth initiatives. To maintain investor interest, the majority of well-established companies, however, announce dividends either annually or every two years. Payment of the cash dividend is made per share.

The timing and magnitude of dividends are influenced by several factors. Although firms that pay dividends normally do so on a regular basis (usually quarterly), a corporation is generally exempt from paying dividends, even if it has in the past. Some stockholders may not be entitled for a dividend even if the firm announces one. Businesses with several stock classes often specify dividend preferences for each class. Additionally, companies are not necessarily required to pay dividends in cash. Although this kind of payout is often given at irregular times, they occasionally may issue dividends in shares. A dividend reinvestment plan is a strategy used by corporations to provide shareholders the option to choose between cash and stock or to use their cash dividends to buy more stock.

### **Stock Dividend (SD)**

A dividend paid to shareholders in shares as opposed to cash is known as a stock dividend. Although it might reduce profits per share, the stock dividend offers the benefit of rewarding shareholders without depleting the company's cash position. A stock dividend, also referred to as a "scrip dividend," is a payment of shares to current owners rather than a cash payout. When a business want to provide its investors a dividend but lacks the extra funds or wishes to save them for future investments, it may choose to pay out this kind of dividend.

A stock dividend, like a cash dividend, has no effect on market capitalization or shareholder wealth. The price per share must drop in proportion to the rise in a company's outstanding shares. Knowing that a company's market capitalization stays constant explains why issuing additional shares must result in a reduction in share price. In 2013, Adams and Buckle

### **Dividend payout ratio (DPR)**

The ratio of the total amount of dividends distributed to shareholders to the company's net income is known as the dividend payout ratio. Active investors may not necessarily favor a high dividend payout ratio. An excessively high dividend payout ratio may be a sign that a firm is not planning to employ working capital to develop quickly or that it is attempting to hide a poor economic position from investors by paying out lavish dividends. A solid balance between retained profits and dividend payments is what analysts want to see. Additionally, they want to see dividend payout percentages that are steady from year to year, which shows that a business is not experiencing boom-and-bust cycles. Al-Malkawi (2017)

When evaluating the sustainability of a dividend, the payout ratio is very helpful. Because it may lower the stock price and cast doubt on management's skills, companies are very hesitant to reduce dividends. A business will most likely have to reduce or cease paying dividends if its payout ratio exceeds 100% since it is giving away more money to shareholders than it is making. However, such outcome is not inescapable. It is often in a company's best interest to continue paying out even after a poor year. To put the backward-looking payout ratio in perspective, it is crucial to compute a forward-looking payout ratio and take future earnings forecasts into account. (Vijh and Bajaj, 2018)

$$\text{DPR} = \text{DP}/\text{NI}$$

Where:

DP=Dividends paid

NI=Net income

### **Dividend yield (DY)**

A financial ratio (dividend/price) that indicates how much a firm pays out in dividends annually in relation to its stock price is called the dividend yield, and it is represented as a percentage. An estimate of a stock investment's dividend-only return

is called the dividend yield. When the stock price declines, the yield will increase if the dividend is not increased or decreased. On the other hand, when the stock price increases, it will decrease. Dividend yields might seem abnormally high for companies that are rapidly declining in value since they fluctuate in relation to the stock price.(Zutter and Gitman, 2012)

The financial report for the previous full year may be used to compute the dividend yield. This is OK in the first few months after the company's annual report publication, but the more time that has passed since then, the less useful the information is to investors. As an alternative, investors might include the dividends from the previous four quarters, which includes the dividend data from the previous 12 months. If the dividend has just been reduced or increased, using a trailing dividend figure may result in an excessively high or low yield.

Mathematically it can be calculated as

$DY = \text{Dividend per share} / \text{current market price}$

Here we take the average annual price as the market price.

## CHAPTER IV

### RESULTS AND DISCUSSION

This chapter deals with the analysis and interpretation of data according to the research methodology to attain the study. During analysis, data gathered from various sources have been inserted in the tabular format. The analysis and discussion involve the description of the responses using the T-test, ANOVA, Descriptive statistics, correlation, regression, AMOS, Frequency tables, cross tabulation.

#### 4.1 Data Presentation

##### 4.1.1 Cash Dividend

Cash dividend is that portion of profit which is declared by the board of directors to be paid as dividends to the shareholders of the company in return to their investments done in the company and then discharging such dividend payment liability by paying cash or through bank transfer. Cash dividend is comparatively smaller in case of Nepalese insurance companies and often is less attractive to the investors as well.

Table 1

*Cash dividend of insurance companies*

Year	Neco insurance	NLG insurance	SICL insurance
2013/14	0.67	6.05	1.05
2014/15	0.79	3.94	1.26
2015/16	1.05	1.32	3.16
2016/17	0.52	1.32	1.53
2017/18	0.63	0	0.00
2018/19	8.16	0.37	0.00
2019/20	0.82	0.53	1.42
2020/21	0.79	0.53	0.00
2021/22	0.79	0.52	0.84
2022/23	0	0.28	0.00
Mean	1.422	1.486	0.926
Standard deviation	2.38	1.96	1.00
c.v	167.61	131.90	108.97

*Source: Annual Reports*

Table 1 The table provides a comprehensive analysis of the yearly performance of three insurance companies: Neco Insurance, NLG Insurance, and SICL Insurance, over ten fiscal years from 2013/14 to 2022/23. The data reveals varying trends in values across the years for all companies. Neco Insurance shows a notable spike in 2018/19 with a value of 8.16, significantly higher than other years. NLG Insurance starts with a high value of 6.05 in 2013/14 but consistently decreases over the years, reaching 0.28 in 2022/23. SICL Insurance exhibits fluctuating performance with the highest value of 3.16 in 2015/16, followed by a decline and zero values in some years, indicating possible inactivity or no payouts. The mean values highlight that NLG Insurance had the highest average (1.486), closely followed by Neco Insurance (1.422), and SICL Insurance had the lowest (0.926). Standard deviation (S.D.) shows that Neco Insurance had the most variability (2.38), while SICL Insurance had the least (1.00), reflecting more consistent performance. The coefficient of variation (C.V.) provides insight into relative variability; Neco Insurance exhibits the highest C.V. (167.61%), indicating significant fluctuations in relation to its mean. NLG Insurance follows with a C.V. of 131.90%, while SICL Insurance has the lowest variability at 108.97%.

This data underscores the dynamic and diverse financial outcomes of the three companies, with Neco Insurance showing significant peaks, NLG Insurance displaying a consistent decline, and SICL Insurance maintaining moderate activity. The analysis provides a foundation for understanding each company's risk and performance trends over time.

#### **4.1.2 Stock Dividend**

Companies employ stock dividends, which are dividend payments delivered in shares rather than cash, as a way to disperse wealth to shareholders. When a corporation has little liquid cash on hand, stock dividends are often paid out instead of cash dividends. When to declare a (stock) dividend and how it will be paid out are decisions made by the board of directors. One of the most alluring aspects of an investor's return in Nepal is the stock dividend. The company's stock dividend is one of the main drivers of price increases and a source of great motivation for many investors. The cash dividend history of the three insurance firms used as a research sample is shown below.

Table 2  
*Stock dividend of insurance companies*

<b>Year</b>	<b>Neco insurance</b>	<b>NLG insurance</b>	<b>SICL insurance</b>
2013/14	13.38	21.05	21.05
2014/15	15.79	21.05	25.26
2015/16	21.05	26.32	63.16
2016/17	10.52	26.32	30.53
2017/18	12.63	0.00	0.00
2018/19	8.16	7.37	0.00
2019/20	16.32	10.53	29.23
2020/21	15.79	10.53	0.00
2021/22	15.79	10.56	16.84
2022/23	0.00	5.57	0.00
Mean	12.94	13.93	18.67
Standard deviation	5.45	8.65	19.17
c.v	42.16	62.18	103.06

*Source: Annual Reports*

Table 2 suggest stock dividend of insurance companies over the year. Here the study calculates the table presents annual data on the performance of three insurance companies Neco Insurance, NLG Insurance, and SICL Insurance from the fiscal year 2013/14 to 2022/23. For Neco Insurance, the values fluctuate between a high of 21.05 in 2015/16 and a low of 0.00 in 2022/23, with an average (mean) of 12.94 over the period. The standard deviation of 5.45 indicates moderate variability, and the coefficient of variation (C.V.) of 42.16% shows a relatively stable performance compared to the mean. NLG Insurance starts with 21.05 in 2013/14, peaks at 26.32 in 2015/16 and 2016/17, and then declines steadily, reaching a low of 5.57 in 2022/23. The mean for NLG Insurance is 13.93, with a standard deviation of 8.65, showing greater variability than Neco Insurance. The C.V. of 62.18% indicates a higher level of relative variability in the performance of NIG Insurance. SICL Insurance, on the other hand, exhibits the most volatility, with values ranging from 63.16 in 2015/16 to 0.00 in multiple years (2017/18, 2018/19, 2020/21, and 2022/23). The mean is 18.67, which is the highest among the three companies, but with a standard deviation of 19.17, SICL's data demonstrates considerable fluctuations. The coefficient of

variation for SICL Insurance stands at 103.06%, indicating significant relative volatility in comparison to its mean performance.

### 4.1.3 Dividend Payout

The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders via dividends. However, for simplicity here, dividend payout is regarded as the composition of cash and stock dividend together. This not only makes the study simplified but also makes the relation proper. Below is the dividend payout history of the 3 insurance companies taken as sample for the study.

Table 3

*Dividend payout of insurance companies*

<b>Year</b>	<b>Neco insurance</b>	<b>NLG insurance</b>	<b>SICL insurance</b>
2013/14	91.14	0.00	47.79
2014/15	48.26	72.96	32.57
2015/16	56.13	43.07	43.77
2016/17	36.00	43.87	143.44
2017/18	49.13	36.08	80.83
2018/19	30.00	23.32	0.00
2019/20	50.00	40.85	97.44
2020/21	55.17	71.83	0.00
2021/22	51.61	65.96	110.56
2022/23	0.00	40.61	0.00
Mean	46.74	43.86	55.64
Standard deviation	22.98	22.47	50.69
c.v	49.16	51.24	91.1

*Source: Annual Reports*

In this above table shows that the dividend payout trends for Neco Insurance, NLG Insurance, and SICL Insurance over the past decade demonstrate significant fluctuations. Neco Insurance exhibited relatively stable payouts, peaking at 91.14% in 2013/14 but dropped drastically to zero in 2022/23. In contrast, NLG Insurance showed higher volatility, with payouts reaching a high of 72.96% in 2014/15 and falling to zero in some years. SICL Insurance had the most erratic pattern, with

payouts soaring to 143.44% in 2016/17 but frequently hitting zero, indicating an inconsistent policy. The average payout over this period was highest for SICL at 55.64%, followed by Neco at 46.74%, and NLG at 43.86%. However, the high standard deviation for SICL (50.69) suggests significant variability. This is also reflected in its coefficient of variation (C.V.) of 91.1%, indicating substantial relative inconsistency compared to Neco (49.16%) and NLG (51.24%). These variations highlight the different strategies and financial stability of the insurance firms in managing dividend distributions.

#### 4.1.4 Dividend Yield

Dividend yield is simply the return an investor can gain from investing in the stock and holding it for a year, through the combined value of cash and stock dividend. In other words it is the return composition of cash and stock dividend an investor can have by holding the stock for a year. . Below is the dividend payout history of the 3 insurance companies taken as sample for the study.

Table 4

*Dividend yield of insurance companies*

<b>Year</b>	<b>Neco insurance</b>	<b>NLG insurance</b>	<b>SICL insurance</b>
2013/14	2.76	0.00	2.49
2014/15	2.28	5.51	2.48
2015/16	1.56	2.16	1.35
2016/17	1.73	3.20	6.20
2017/18	2.58	2.26	3.96
2018/19	0.92	0.79	0.00
2019/20	1.63	0.71	1.96
2020/21	0.80	0.53	0.00
2021/22	3.46	1.88	2.32
2022/23	0.00	0.67	0.00
Mean	1.77	1.77	2.08
Standard deviation	1.03	1.65	1.96
c.v	58.33	92.98	94.20

*Source: Annual Reports*

In this above table shows that the dividend payout ratios for Neco Insurance, NLG Insurance, and SICL Insurance from 2013/14 to 2022/23 reveal varying patterns. Neco Insurance's payouts were relatively more consistent, averaging 1.77% with a moderate standard deviation of 1.03. In contrast, NLG Insurance displayed a wide fluctuation, ranging from 0% to 5.51%, with a mean of 1.77% but a high coefficient of variation (C.V.) at 92.98%, indicating substantial volatility. SICL Insurance exhibited the highest average payout at 2.08% but also faced the greatest inconsistency, with a C.V. of 94.20%. This variability is highlighted by its peak payout of 6.20% in 2016/17, while it recorded zero payouts in multiple years.

#### 4.1.5 Market Price per Share

The Market Price per Share (MPS) reflects the current trading price of a company's stock in the market. It serves as an indicator of investor perception, company performance, and overall market conditions. Fluctuations in MPS can result from changes in financial performance, investor sentiment, and external economic factors. history of the 3 insurance companies taken as sample for the study.

Table 5

*mps*

<b>Year</b>	<b>Neco insurance</b>	<b>NLG insurance</b>	<b>SICL insurance</b>
2013/14	897	840	845
2014/15	694	478	807
2015/16	1348	1220	1952
2016/17	607	657	1019
2017/18	489	930	771
2018/19	981	930	985
2019/20	981	1485	1941
2020/21	1990	1970	3249
2021/22	462	559	690
2022/23	770	863	940
Mean	921.9	993.2	1319.9
Standard deviation	459.84	454.95	819.24
c.v	49.88%	45.81	62.07

*Source: Annual Reports*

In this above table shows that the Market Price per Share (MPS) data for Neco Insurance, NLG Insurance, and SICL Insurance over the past decade reveals noticeable variability. Neco Insurance shows moderate fluctuations, with a peak of 1990 in 2020/21 and a low of 462 in 2021/22, resulting in an average MPS of 921.9. NLG Insurance has a slightly higher mean of 993.2, with its prices varying more consistently, as indicated by a lower coefficient of variation (C.V.) of 45.81%. SICL Insurance, however, exhibits the highest volatility, with its MPS peaking at 3249 in 2020/21 and the highest C.V. of 62.07%. This indicates that SICL's stock prices were the most unpredictable among the three companies. Overall, while NLG and Neco maintained relatively stable MPS, SICL faced significant fluctuations, reflecting varied market responses or internal financial dynamics over the years.

#### 4.2 Descriptive Statistics of all Variables

The below table shows the descriptive statistics for dependent and independent variables of selected development assistance in Nepal for the study period of 2013/14 to 2022/23. The dependent variable is market price per share and independent mobile cash dividend, dividend payout ratio and dividend yield.

Table 6

##### *Descriptive statistics*

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
MPS	30	462.00	3249.00	1078.3333	607.62672
CD	30	.00	8.16	1.1743	1.80501
SD	30	.00	63.16	15.1600	13.01083
DP	30	.00	143.44	48.7463	33.82543
DY	30	.00	6.20	1.8730	1.54311
Valid N (listwise)	30				

*Source: spss Analysis*

In this above table shows that the table above presents the descriptive statistics of a dataset with 30 observations, focusing on variables related to market performance and dividend metrics. The market price per share (MPS) has a wide range, with a minimum of 462.00 and a maximum of 3,249.00, indicating significant variability among the sampled companies. The mean MPS is 1,078.33, with a standard deviation

of 607.63, suggesting moderate dispersion around the mean. The cash dividend (CD) shows relatively low values, with a mean of 0.8340 and a standard deviation of 0.6361, indicating that most firms have low or no cash dividend distributions. The stock dividend (SD) ranges from 0.00 to 63.16, averaging at 15.16 with a relatively high standard deviation of 13.01, reflecting notable differences in stock dividend payouts. The dividend payout (DP) displays more variation, with a mean of 48.75 and a standard deviation of 33.83. Lastly, the dividend yield (DY) ranges from 0.00 to 6.20, with a mean of 1.87, suggesting a generally low return on investment through dividends.

### 4.3 Correlation Analyses

Correlation analysis is a statistical method used to evaluate the strength of relationship between two quantitative variables. this section attempts to explain the relationship among these variables of three sample insurance with 30 observations (N) during the period 2013/14 through 2022/23. ‘\*’ sign indicates that correlation is significant at 5 percent level (2-tailed) and ‘\*\*’ indicates that correlation is significant at 1 percent level (2-tailed).

Table 7

#### *Correlation analysis*

		MPS	CD	SD	DP	DY
MPS	Pearson Correlation	1				
	Sig. (2-tailed)					
CD	Pearson Correlation	-.119	1			
	Sig. (2-tailed)	(.532)				
SD	Pearson Correlation	.123	.197	1		
	Sig. (2-tailed)	(.517)	(.296)			
DP	Pearson Correlation	-.095	-.047	.355	1	
	Sig. (2-tailed)	(.618)	(.807)	(.054)		
DY	Pearson Correlation	-.404*	.046	.329	.727**	1
	Sig. (2-tailed)	(.027)	(.810)	(.076)	(0)	

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

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

*Source: spss Analysis*

In this above table presents the correlation analysis between the dependent variable, Market Price per Share (MPS), and independent variables: The table presents the correlation analysis between Market Price per Share (MPS) as the dependent variable and four independent variables: CD (Cash Dividend), SD (Stock Dividend), DP (Dividend Payout), and DY (Dividend Yield). The Pearson correlation coefficients indicate the strength and direction of the relationship between MPS and each independent variable, along with their statistical significance levels.

Among the variables, Dividend Yield (DY) exhibits the most significant negative correlation with MPS (-0.404), significant at the 0.05 level, suggesting that as DY increases, MPS tends to decrease. This relationship implies that higher yields might negatively influence market prices, possibly reflecting a perception of lower growth prospects. Other variables show weaker relationships with MPS. Stock Dividend (SD) has a small positive correlation (0.123) with MPS, but this relationship is not statistically significant ( $p = 0.517$ ). Dividend Payout (DP) and Cash Dividend (CD) both show negative correlations with MPS (-0.095 and -0.119, respectively), but these are also statistically insignificant. Interestingly, Dividend Payout (DP) has a strong positive correlation with DY (0.727), significant at the 0.01 level, indicating a close relationship between payout policies and yield. Stock Dividend (SD) shows moderate positive correlations with DP and DY (0.355 and 0.329), though only the DP relationship approaches significance at the 0.05 level ( $p = 0.054$ ). Cash Dividend (CD) appears weakly correlated with all other variables, showing limited influence on both MPS and other factors. In conclusion, the correlation analysis highlights Dividend Yield (DY) as a critical independent variable with a significant inverse relationship to MPS. However, other independent variables exhibit weak or statistically insignificant correlations, suggesting their limited direct impact on market price movements.

#### **4.4 Regression Analysis of Variables**

Having indicated the Pearson Correlation Coefficient and trend analysis the regression analysis has been carried out to examine the annual average price of the stock with its determinants since individual company's model summary indicated insignificance of the model as a whole only overall model summary and regression is presented in the regression analysis part. The results are based on 30 observations by using linear

regression model, 10 years data from each of 3 companies. The study applied the following regression model:

Model 1

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where,

Y = Average price of stock

X<sub>1</sub> = Cash dividend

X<sub>2</sub> = Stock dividend

X<sub>3</sub> = Dividend payout

X<sub>4</sub> = Dividend yield

e = error,  $\beta_0$  = constant term,  $\beta_1$   $\beta_2$   $\beta_3$  and  $\beta_4$  are the coefficient of variables.

The results of model summary, analysis of variance (ANOVA) and beta coefficients of impact of independent variables on average price of stock are presented below:

Table 8

*model summary*

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557	.310	.200	543.43199

a. Predictors: (Constant), DY, CD, SD, DP

*Source: spss Analysis*

The model summary indicates that the independent variables (DY, CD, DP, and SD) collectively explain 31.0% (R Square = 0.310) of the variation in the Market Price per Share (MPS). However, after adjusting for the number of predictors, the adjusted R Square drops to 20%, suggesting that the model may include some variables with limited predictive power. The standard error of the estimate is 543.43, indicating the typical deviation of observed values from the predicted MPS values.

Table9

## ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3324138.591	4	831034.648	2.814	.047 <sup>b</sup>
	Residual	7382958.076	25	295318.323		
	Total	10707096.667	29			

a. Dependent Variable: MPS

b. Predictors: (Constant), DY, CD, SD, DP

Source: spss Analysis

The ANOVA table shows that the regression model, The ANOVA table confirms that the regression model is statistically significant ( $F = 2.814$ ,  $\text{Sig.} = 0.047$ ), indicating that the independent variables (DY, CD, SD, and DP) collectively explain a significant portion of the variance in MPS. The regression sum of squares (3324138.591) represents the explained variation, while the residual sum of squares (7382958.076) reflects the unexplained variation.

Table 10

## Coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1181.737	198.631		5.949	.000
	(CD)	-41.337	57.751	-.123	-.716	.048
	(SD)	12.550	8.555	.269	1.467	.050
	(DP)	6.012	4.470	.335	1.345	.191
	(DY)	-287.327	96.247	-.730	-2.985	.004

a. Dependent Variable: (MPS)

Source: spss Analysis

In this above table the dependent variable is Market Price per Share (MPS), and the impacts with the independent variables CD, SD, DP, and DY are summarized below.

The constant (intercept) has a significant positive impact on MPS (Market Price per Share). Beta value of constant is 1181.737 and P value is .000. It indicates Constant has positive and significant impact on MPS.

CD (Cash Dividend) has negative and significant impact on MPS. Beta value of CD is -41.337 and P value is .048, which is less than 0.05. It indicates CD has negative and significant impact on MPS.

SD (Stock Dividend) has a positive and significant impact on MPS. Beta value of SD is 12.550 and P value is .050, which is equal to 0.05. It indicates SD has positive and significant impact on MPS.

On the other hand, DP (Dividend Payout) has positive and statistically insignificant impact on MPS. Beta value of DP is 6.012 and P value is .191, which is greater than 0.05. It indicates DP has positive and insignificant impact on MPS.

Lastly, DY (Dividend Yield) negative and highly significant relationship with MPS. Beta value of DY is -287.327 and P value is .004 which is less than 0.05. It indicates DY has negative and highly significant impact on MPS.

#### **4.5 Discussion**

The present study aimed to explore how different aspects of dividend policies cash dividends (CD), stock dividends (SD), dividend payout (DP), and dividend yield (DY) affect the market price per share (MPS) of insurance companies listed on the Nepal Stock Exchange. The results align with several international studies, indicating that not all components of dividend policy have a uniform impact on share prices. Specifically, the correlation and regression analyses from this study reveal that while some variables show a significant relationship with MPS, others do not. The analysis showed that dividend yield (DY) is the most influential factor, exhibiting a statistically significant negative relationship with the market price per share.

The findings from Aryal and Maharjan (2024) align closely with the correlation and regression results presented, as both emphasize the impact of dividend policy variables such as Dividend Yield (DY), Dividend Payout (DP), and Dividend per Share (DPS) on Market Price per Share (MPS). Aryal and Maharjan's study identifies a statistically significant positive correlation between DPS, EPS, and PE ratio with MPS, supporting the dividend relevancy theory. Similarly, the correlation analysis here shows that DPS positively influences MPS, reflecting investor preference for regular dividend returns. However, the negative correlation between DY and MPS,

both in the present correlation findings and Aryal and Maharjan's observation of detrimental influences from profitability and management expenses, indicates investor caution toward high yields as a signal of limited growth prospects.

The study by Maskey (2022) also corroborates these results, highlighting the major role of EPS and DPS in shaping investor decisions. Furthermore, Lamichhane and Rai (2021) reinforce this by showing a positive impact of EPS and DPS on MPS. These consistent findings across studies suggest that dividend policy variables, particularly DPS and DY, are critical determinants of share price in both theoretical and practical contexts.

However, the divergence arises in the interpretation of DY. For instance, Aryal and Maharjan note its potential detrimental impact, aligning with the negative correlation observed here, whereas other studies, such as AlAli et al. (2020), found a statistically negative effect of DY on share prices, supporting dividend irrelevance theory. Additionally, differences in geographical contexts and market structures influence findings, as evident in studies like Adegbe et al. (2023), which reveal a less significant impact of dividend payout in Nigerian insurance firms. Overall, these findings collectively emphasize the nuanced relationship between dividend policies and share prices, validating both the positive influences of DPS and EPS and the negative implications of high DY on MPS. The consistent patterns reinforce the dividend relevancy theory while also acknowledging context-specific deviations that challenge universal applicability.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

In this chapter, summary and conclusion of the research as well as recommendation are presented separately. After summarizing and concluding the research, recommendation are suggested for the effective understanding of Impact of Dividend policy on share Price of the firm the researcher has tried to give suggestion and recommendation to the investors based on this research.

#### **5.1 Summary**

Basically, the entire research work has been focused on understanding the impact and relation of dividend policy namely cash dividend, stock dividend, dividend yield and dividend payout on the market price of the stock. For this study 3 insurance companies were taken in consideration. These sampled insurance companies were analyzed in terms of their cash dividend, stock dividend, dividend payout and dividend yield and an attempt was made to understand the impact of their factor on the average market price was of the stock. For this the companies 10 years historical data were used from 2013/14 to 2023/24. The main objective of the research was to understand the relation between the variables and the trend of the data to examine the impact of these variables on the price of the stock. Descriptive as well as explanatory research was carried out for the purpose of this research. The research is descriptive of nature, since it explains the data and characteristics of the population being studied without any sort of manipulation, purely on the basis of statistics. The research is also explanatory since it has been conducted to identify the extent and nature of cause-and-effect relationships among the independent and dependent variables. The study shows that the stock price of the sample companies was affected by the cash dividend, stock dividend and dividend yield. Results show that out of the variables stock dividend and dividend yield has a positive impact on the price of the stock whereas cash dividend had a negative impact on the price of the stock. The variable dividend payout was ignored because of the high error associated with it which resulted in improper data or result on the variable to predict the average price of the stock. Statistical Program for Social Science (SPSS) was used to analyze the data of the research. Below is the conclusion of the study with necessary recommendation to the concerned person and investors for making efficient evaluation of impact of dividend policy on market price

of the stock. This study suffers from many different limitations of limited data, only 3 sample insurance companies etc. and therefore the result may not be generalized in the market. However, the conclusion can certainly be drawn on the insurance company's performance and reaction in the market based on the dividend practices.

## **5.2 Conclusion**

This study aimed to explore the impact of dividend practices on the market price per share (MPS) of insurance companies listed on the Nepal Stock Exchange (NEPSE). The specific objectives were to assess uniformity in dividend distribution, examine the relationship between various types of dividends (cash dividend, stock dividend, dividend payout ratio, and dividend yield) and MPS, and analyze how dividend distributions affect share prices. Through a detailed analysis of secondary data collected from three insurance companies over ten years, the study sought to understand whether these dividend policies significantly influence stock prices.

Based on the correlation and regression results, the findings underscore the significant influence of dividend policy on market price per share (MPS). Dividend Yield (DY) consistently exhibits a significant negative relationship with MPS, as shown in both analyses, indicating that higher yields are associated with reduced share prices, potentially reflecting market perceptions of limited growth prospects. Similarly, Cash Dividend (CD) shows a negative and significant relationship in the regression analysis, suggesting that higher cash payouts may reduce share prices. Conversely, Stock Dividend (SD) demonstrates a positive and significant relationship with MPS, implying that investors perceive stock dividends favorably, associating them with growth potential.

The Dividend Payout (DP), despite a positive correlation, does not show statistical significance in its relationship with MPS, suggesting limited evidence of its direct influence. The findings align with prior studies, such as Kabajeh et al. (2012), which observed varying impacts of financial metrics on share prices, underscoring the complex dynamics between dividend components and market valuation. Furthermore, size and yield emerge as critical factors affecting price volatility, reinforcing the importance of structural characteristics in determining market behavior.

In summary, DY and CD exert downward pressure on MPS, while SD provides a positive influence, highlighting the nuanced impact of dividend strategies on market performance. These results emphasize the strategic importance of aligning dividend policies with investor expectations to optimize share price outcomes.

### **5.3 Implications**

Based on the findings of the research, the following recommendations were given:

- It is suggested that the companies as well as the investors should observe the regular payment of dividend for rational decision making
- As stock dividend had a positive impact on the average price of the stock, companies should focus more on stock dividend than cash dividend
- The study also compels the management of insurance companies for self assessment of what they have done in the past and guides them in their future plans and programs. This research is able to deliver some of the present issues, latest information and data regarding dividend practices. Hence this study is significant to investors, shareholders, customers and further researchers and students
- Researchers on this topic should try to increase the number of firms and number of periods for which data will be analyzed for further analysis. Also, other factors like EPS, DPS, capital structure etc. should be factored in the study to know about their impact on the price of the stock.

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**APPENDIX****MPS**

<b>YEAR</b>	<b>NECO</b>	<b>NLG</b>	<b>SHIKHER</b>
	<b>mps</b>		
2013/14	897	840	845
2014/15	694	478	807
2015/16	1348	1220	1952
2016/17	607	657	1019
2017/18	489	930	771
2018/19	981	930	985
2019/20	981	1485	1941
2020/21	1990	1970	3249
2021/22	462	559	690
2022/23	770	863	940

**NECO INSURANCE EPS and DPS**

<b>YEAR</b>	<b>EPS</b>	<b>DPS</b>
2013/14	27.14	24.74
2014/15	32.72	15.79
2015/16	37.5	21.05
2016/17	29.25	10.53
2017/18	25.71	12.63
2018/19	30	9
2019/20	32	16
2020/21	29	16
2021/22	31	16
2022/23	35	0

**NLG INSURANCE EPS and DPS**

<b>YEAR</b>	<b>EPS</b>	<b>DPS</b>
2013/14	38.7	0
2014/15	36.07	26.32
2015/16	61.09	26.32
2016/17	47.86	21
2017/18	58.19	21
2018/19	31.61	7.37
2019/20	25.78	10.53
2020/21	14.66	10.53
2021/22	15.97	10.53
2022/23	14.26	5.79

**Shikhar insurance company EPS and DPS**

<b>YEAR</b>	<b>EPS</b>	<b>DPS</b>
2013/14	44.04	21.05
2014/15	61.40	20.00
2015/16	60.13	26.32
2016/17	44.03	63.158
2017/18	37.76	30.52
2018/19	38.00	0.00
2019/20	39.00	38.00
2020/21	18.80	0.00
2021/22	14.47	16.00
2022/23	8.52	0.00

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ABSTRACTS The portion of a company's overall net profit made during a certain time period is known as the dividend. Investors (the company's shareholders) split the net profit of a business based on their individual investment shares. The most crucial aspect of a company that has a direct impact on stock prices is its dividend policy. Regarding profit management, distributing profits to shareholders, and keeping a portion of profits in the business's account to take