DETERMINATS OF PROFITABILITY OF LIFE INSURANCE COMPANIES IN NEPAL

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

by

Amish Dahal

Campus Roll No: 555/074

Exam Roll No.: 5239/18

T.U. Reg. No:7-2-732-1-2013

Shanker Dev Campus

Kathmandu, Nepal

June, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of the dissertation entitled **"DETERMINANTS OF PROFITABILITY OF LIFE INSURANCE COMPANIES IN NEPAL"**. The work of this dissertation has not been submitted previously for conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

.....

Amish Dahal

Date: - June, 2024

REPORT OF RESEARCH COMMITTEE

Mr. AMISH DAHAL successfully defended the research proposal entitled **"DETERMINANT'S OF PROFITABILITY OF LIFE INSURANCE COMPANIES IN NEPAL"**. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per the suggestions and guidance of the supervisor Kapil Khanal and submit the thesis for the evaluation and viva voce examination.

Dissertation Proposal Defended Date:

.....

Asso. Prof. Dr.Kapil Khanal

Dissertation Supervisor

Dissertation Submitted Date:

.....

.....

.....

Dissertation Viva Voce Date:

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

June, 2024

APPROVAL SHEET

We have examined the dissertation entitled **"DETERMINANTS OF PROFITABILITY OF LIFE INSURANCE COMPANIES IN NEPAL"** presented by **Mr. AMISH DAHAL** for the Degree of **Master in Business Studies (MBS)**. We hereby certify that the dissertation is acceptable for the award of a degree.

.....

Asso. Prof. Dr.Kapil Khanal

Dissertation Supervisor

.....

.....

Internal Examiner

.....

.....

External Examiner

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

.....

Asso. Prof. Krishna Prasad Acharya

Campus Chief

June, 2024

ACKNOWLEDGEMENTS

This thesis is intended to meet a portion of the requirements for the Master of Business Studies degree at Tribhuvan University of Nepal. First of all, I would like to convey my sincere gratitude to my supervisor, Kapil Khanal for his insightful advice throughout the work. I also want to thank the head of the research departmentAsso. Prof. Dr. Sajeeb Kumar Shrestha and campus chief Asso. Prof.Dr. Krishna Prasad Acharya. I received a lot of advice and recommendations for this from my instructors, friends, family members, and other officials.

The sources of data and other information for this study, Nepal Insurance Authority, Asian Life Insurance Company, Life insurance Corporation of Nepal, Met Life Insurance, National Life Insurance Company and Nepal life Insurance Company are gratefully appreciated.

I would also like to thank my friend Mr. Sanjok Chongbang Limbu for his assistance and motivational advice in getting this assignment done. I am sincerely grateful to my family members for their assistance.

Amish Dahal

June,2024

TABLE OF CONTENTS

List of Tables

List of Figures

ABBREVIATIONS

ALICL	Asian Life Insurance Company
B.S.	Bikram Sambat
BODs	Board of Directors
CBS	Central Bureau of Statistics
FA	Fixed Assets
Fig	Figure
GDP	Gross Domestic Product
GR	Growth Rate
i.e	That is
LIC	Life Insurance Corporation of Nepal
Ltd	Limited
MBS	Master Business Studies
MET	Met Life Insurance Company
NaLICL	National Life Insurance Company
NLICL	Nepal Life Insurance Company
NGO	Non Government Office
ROA	Return on Assets
ROE	Return on Equity
VOC	Volume of Capital
VOL	Volume
Vs	Versus

ABSTRACTS

This research analyzes the determinants of profitability in five Nepalese life insurance companies—LIC, NLICL, MET, ALICL, and NaLICL—from 2013/14 to 2022/23, using secondary data from annual reports and the insurance authority's website. Key financial metrics considered include company size, liquidity, capital volume, growth rate, return on assets (ROA), and return on equity (ROE).

Key findings indicate that LIC and NaLICL show stable growth and larger sizes, while ALICL, MET, and NLICL exhibit more variability. ALICL maintains stable liquidity, whereas LIC and MET show high variability, suggesting a need for better liquidity management. LIC and ALICL have significant capital fluctuations, reflecting aggressive investment strategies, while MET is more conservative. ALICL leads in fixed asset investments but with high variability; LIC and MET show lower and stable figures.

NLICL has the highest growth potential but the most variability, indicating a high-risk, high-reward scenario. LIC and MET provide more stable growth. MET outperforms in ROA, indicating effective asset utilization, while LIC has the highest average ROE but significant fluctuations.

Company-specific insights reveal strong correlations between financial determinants and profitability for all firms, with liquidity and fixed assets particularly influencing LIC and MET's performance. These insights have several implications:

Investors can assess risk-adjusted returns, with NLICL appealing to those seeking high returns and willing to tolerate fluctuations. ALICL and NaLICL offer balanced options, while MET represents a conservative choice. Regulators can evaluate financial stability and risk profiles to inform policies. Analysts can provide informed recommendations on financial health and investment potential. Competing companies can benchmark financial strategies for improvement or collaboration. The study underscores the importance of efficient management of size, capital, assets, liquidity, and growth in enhancing profitability, providing actionable insights for strategic decision-making and risk management in Nepal's life insurance sector.

Keywords: Determinants,Insurance Companies, Profitability

CHAPTER I

INTRODUCTION

1.1 Background of the study

The robustness of any organization is evidenced by its superior performance. Regardless of effective public relations, organizational performance is crucial for sustainable development, and the insurance sector is no exception. Certain metrics have been established to measure an organization's profitability. In this study, Return on Assets (ROA) and Return on Equity (ROE) are utilized to evaluate the returns of insurance companies on their total assets and total shareholder equity. Performance is influenced by numerous determinants. This study examines influencing factors such as company size, liquidity, capital volume, fixed assets, and growth rate.

Insurance is a sector that provides financial services akin to the banking industry; both sectors operate in the risk market and play a vital role in economic growth. The banking sector facilitates risk transfer by granting loans to economic agents and earning profits through interest rates. Meanwhile, the insurance industry absorbs that risk assumed by the bank with its lenders and also invests to maintain long-term financial stability. Additionally, the insurance industry manages other risks not directly related to the banking system but pertinent to firms and individuals seeking to mitigate various asset or health-related losses. This risk absorption role by insurers fosters stability in financial markets and provides reassurance to economic entities.

Life insurance offers unique services to individuals, the private sector, and the government. It collects resources and mobilizes them through different channels, while also sharing risks and providing financial compensation in case of unexpected events. The risk absorption role of insurers promotes financial stability in the financial market and provides peace of mind to economic entities. Although the methods of risk sharing, pooling, and compensation differ between life and non-life insurance, the common objective of both sectors is to earn profits. Income is fundamental for any business organization to achieve profitability. Life insurance

companies have multiple income sources and present their income statements according to prevailing accounting standards, local laws, and regulatory instructions. Life insurance collects substantial funds as premiums, representing a long-term liability to policyholders. The life premium amount includes a savings component, which is eventually returned to policyholders or beneficiaries, and a risk component. (Agrawal, 2010). The current business environment would be unstable without insurance companies, as businesses facing various risks often lack the capacity to manage all types of risks independently. This reality has enabled insurance firms to continue operating profitably by covering these risks for their clients. As noted by Hardwick and Adams (2002), the insurance industry has been operating in an increasingly competitive environment, driven by the World Trade Organization. Gradner and Grace (1993) highlight that the insurance industry's responses to this competition include innovations in product design, a shift from protection-oriented to investment-oriented products, increased merger and acquisition activity, the demutualization of several large insurers, and serious financial difficulties and insolvencies for some firms. A well-developed and evolved insurance industry is crucial for economic development, providing long-term funds for infrastructure projects and allowing businesses to operate without the constant worry of extraordinary events limiting their production capacity.

The history of insurance in Nepal is relatively short, with modern insurance companies starting in 1947 AD. Initially, due to a lack of awareness, people did not fully appreciate the importance of various aspects of insurance. Insurance companies are a critical part of the financial system and play a vital role in the growth and development of the economic sector.

Life insurance is a service that provides a benefit when a specified risk occurs. This service typically has a financial nature, favoring individuals, associations, or businesses in exchange for collected premiums or contributions. The life insurance sector encompasses the conception, production, and marketing of such services.

Rastriya Beema Corporation, established under the Insurance Act 2025, was the first public insurance company in Nepal. Before its establishment, Indian insurance companies were active in the Nepalese market. The first private sector life insurance company, National Life Insurance Company, was founded in 2043 under the Insurance Act 2025. Following the restoration of democracy and economic liberalization, a new Insurance Act was introduced

in 2049 BS, facilitating a liberalized market and leading to the establishment of several insurance companies. Before the insurance board decided to increase the paid-up capital of insurance companies to 5 billion, there were 41 insurance companies in Nepal, including life, non-life, and reinsurance companies. Recent activities have shown a surge in mergers, reducing the total number of insurance companies to 38, comprising 18 life insurance companies, 18 non-life insurance companies, and 2 reinsurance companies.

Life insurance is a significant invention of human civilization. It is a contract in which the policy owner pays a premium to the insurer, who in turn provides a sum insured or benefit to the policy owner or a nominated person in the event of a specified condition, illness, injury, accident, disability, or death. The insured life event is the occurrence that entitles the claimant to receive the relevant and specified amount or benefit. The life insured is the person affected by the insured life event, although the policy owner is often, but not always, the life insured.

Profitability not only enhances the solvency of insurers but also plays a crucial role in attracting funds from policyholders and stakeholders. Without profit, no insurer can attract external capital to meet its objectives in a constantly changing and competitive global environment. Therefore, one of the key objectives of insurance company management is to achieve profitability, a fundamental requirement for conducting any insurance business. The profitability of insurance companies can be assessed at both the micro and macro levels, referring to the influence of support institutions and macroeconomic factors, respectively. At the micro level, profit is essential for the survival, growth, and competitiveness of insurance firms and is the cheapest source of funds. (Buyinza et al, 2010).

1.2 Problem Statement

The insurance industry is considered a financial intermediary within the financial system and functions as a double-edged sword. On one side, it provides financial security against future losses and uncertainties, and on the other, it acts as a catalyst for economic development. This makes insurance an intriguing research topic for researchers and finance students alike. In the Nepalese economy, insurance companies are experiencing rapid growth with strong

operational results. Despite various past studies on the financial performance of insurance companies, there is a need for further evaluation of the financial soundness of Nepalese life insurance companies to provide clear insights into this sector's performance and its contribution to the national economy.

Administrators can benefit by effectively utilizing all available resources in the market. Profitability is the ability of a given enterprise to generate a return from its utilization. However, the term 'profitability' is not synonymous with 'efficiency.' Profit is an indicator of efficiency and is regarded as a measure of effectiveness, leading to greater efficiency. Although profitability is a significant indicator for measuring efficiency, the level of profit alone cannot be taken as definitive proof of efficiency.

In general, this study aims to assess the financial performance of the Nepalese life insurance industry from FY 2069/70 to 2078/79, focusing on listed companies. The study also seeks to answer the following research questions:

1. What are the main determinants factors of insurance company's profitability?
2. What are the relationship between company specific determinants such as size of company, liquidity, volume of capital, fixed assets and growth rate with profitability?
3. Which company specific determinants effect most the profitability of selected Nepalese Life insurance?

1.3 Objectives of the study

The main objective of the study is to evaluate the factors that determine the profitability of life insurance companies in Nepal. The specific objectives of the study are as follows:

1. To understand the conditions of company-specific factors influencing the profitability of life insurance companies in Nepal.
2. To examine the relationship between company-specific determinants—such as company size, liquidity, capital volume, fixed assets, and growth rate—and profitability.
3. To identify the key company-specific factors influencing the profitability of selected

Nepalese life insurance companies.

1.4 Rationale of the study

This study aims to provide insight into the determinants of profitability for Nepalese life insurance companies. It is anticipated to be valuable for insurance companies, customers, scholars, students, and other interested parties in understanding the profitability status of Nepalese insurance companies. The researcher believes that this study will shed light on the use of various financial ratios in analyzing the financial performance of insurance companies. The research is expected to play a vital role in discussing these ratios and their use in identifying major factors contributing to poor financial performance, as well as offering suggestions for maintaining a sound profitability position to compete in the global and competitive insurance market. Additionally, this study should be helpful for future researchers who wish to further explore this topic.

1.5 Limitation of the Study

The proposed study has some limitations and they are as follows:

1. The study primarily relies on secondary data, sourced from reports and articles available through public sources such as the internet, journals, magazines, and annual reports.
2. Because of the small sample size used in this study, the results may not be applicable to a broader population.
3. This study has focused exclusively on a period spanning ten years.

CHAPTER II

LITERATURE REVIEW

A literature review is a comprehensive analysis that aims to examine the key aspects of current knowledge on a specific topic. This chapter explores previous studies conducted on the topic, examining their methodologies, conclusions, and major findings. Reviewing existing literature helps researchers draw conclusions and gain deeper insights into the subject matter. The literature reviewed includes journal articles, textbooks, and websites.

The review of literature involves studying past research, articles, or books in the relevant field to identify previous study conclusions and any shortcomings that could inform further research. This chapter also helps identify any overlap with the current study. By doing so, it bridges the gap between previous research and the current study.

Investigating the determinants of profitability in the insurance industry is critical given the industry's current challenges, such as heightened competition, consolidation, solvency risks, and evolving regulatory frameworks. Understanding the profitability of firms within this context is crucial for predicting how the industry will navigate these challenges and which firms are likely to thrive. The objectives of the literature review are as follows:

- To define and limit the problem working on.
- To place the study in an historical perspective.
- To avoid unnecessary duplication.
- To evaluate promising research method.
- To relate the finding to previous knowledge and suggest further research.

2.1 Theoretical Review

A theoretical review involves a thorough and integrated overview of established theories and concepts relevant to a particular research topic. Its main objective is to offer a coherent grasp of the theoretical framework supporting the research question or issue at hand. Theoretical

reviews are crucial elements of academic research, providing the groundwork upon which new studies are constructed.

Risk Pooling Theory

Risk pooling is the practice of consolidating numerous individual risks into a single pool. The concept revolves around the notion that while individual risks can be unpredictable, the average loss across a large group can be forecasted more reliably. Life insurance companies gather premiums from a multitude of policyholders. By consolidating these premiums, they establish a fund from which claims can be reimbursed. The ability to foresee the pooled risk enables insurers to establish premiums that account for anticipated claims, operational expenses, and include a margin for profitability. Rejda, G. E. (2013)

Diversification Theory

Diversification entails distributing investments or risks across a range of assets or policyholders to lessen the impact of any single loss. The concept is based on the principle that not all risks will manifest simultaneously or to the same extent. Insurance companies achieve diversification by issuing policies across diverse demographics, geographical regions, and types of insurance products. This strategy ensures that losses in one area (such as increased mortality rates in a specific region) can be balanced out by gains in another. (e.g., lower claims in another region). Cummins, J. D. and Venard, B. (2008)

Capital management theory

Capital Management Theory encompasses the methods and procedures that organizations, especially financial institutions such as life insurance companies, employ to oversee their capital in order to uphold financial stability, solvency, and profitability. Effective capital management entails maintaining adequate reserves to mitigate risks, optimizing the distribution of capital across different investments, and complying with regulatory standards. Basel Committee on Banking Supervision (2010)

Economic Conditions Theory

The Economic Conditions Theory investigates how different macroeconomic elements such as interest rates, inflation, economic expansion, and conditions in financial markets impact the activities and profitability of enterprises, including life insurance firms. Grasping these

economic factors is essential for insurers to devise strategies that ensure financial stability and profitability across different economic conditions. Life insurers allocate a substantial portion of their assets to bonds. During periods of low interest rates, they may pursue investments with higher yields to counterbalance reduced returns from bonds. Fisher, I. (1930)

2.1.1 Determinants of Profitability

Profitability refers to how efficiently an organization generates profit relative to its expenditures. An organization that operates more efficiently will achieve higher profitability, producing more profit relative to its expenses compared to a less efficient organization, which may incur higher costs to achieve the same profit level. Profitability occurs when total revenue exceeds total expenses within a specific reporting period. It is typically assessed using metrics such as the net profit ratio, which compares after-tax profit to revenues, and the earnings per share ratio, which presents profit on a per-share basis.

Chen and Wong (2004) find that size, investment and liquidity are major determinants for profitability, Molyneux and Thornton (1992) identified a strong positive association between efficiency and profitability, Malik (2011) suggest that size and capital have strong positive association with insurers' profitability, loss ratio and leverage have strong inverse relationship with profitability.

Charumathi (2012)) finds in the context of Indian life insurance, research indicates that profitability is positively and significantly impacted by company size and liquidity. Conversely, factors such as leverage, premium growth, and the logarithm of equity capital have a negative and significant effect on profitability within the Indian life insurance sector. However, there is no observed evidence supporting a relationship between underwriting risk and profitability in this study.

BarNiv and Hershbarger (1990) Studies have demonstrated that in the cases of Japanese and Taiwanese insurance companies, significant impacts on the financial health of life insurers were observed from variables such as firm size and changes in asset mix.

Al-Shami (2008) has studies the profitability of twenty-five insurance companies listed in the

UAE stock market was analyzed using panel data from the years 2006 and 2007. The study found that firm size and capital volume positively and significantly influence profitability. Conversely, the leverage ratio and loss ratio were found to have significantly negative effects on profitability.

Malik (2011) conducted an analysis of the performance of life insurance companies in Pakistan from 2001 to 2007. The study's findings indicated that company size was the most influential factor in determining performance. Other variables such as growth of written premiums, company age, leverage, tangibility, and liquidity did not show significant effects.

Djamaluddin and Budiman (2017) analyzed the factors influencing profitability across 69 general insurance companies in Indonesia from 2012 to 2017. They employed two models, Generalized Least Squares (GLS) and Random Effects Model (REM). The study revealed that leverage and underwriting risk had significant negative effects on profitability. Company size showed a significant positive effect on Return on Assets. However, liquidity and tangibility had no significant effects on Return on Assets. The study suggests that companies should focus on maintaining and reducing leverage and underwriting risk ratios, as these factors are proven to adversely affect profitability. Additionally, increasing company size is recommended, as it has been shown to positively impact profitability.

Hussanie and Joo (2019) investigated the factors influencing the profitability of life insurance companies in India. The study utilized ten years of panel secondary data from 2005 to 2015. Findings indicated that liquidity, loss ratio, investment performance, operating margin, premium growth, and tangibility were significant determinants of profitability. However, factors such as leverage, commission ratio, and company size did not affect profitability in the cases of Indian insurance companies.

Çekrezi (2015) conducted a study on the financial performance of Albanian insurance companies, considering independent variables such as leverage, tangibility, flexibility, size, and risk. The findings showed a positive and significant correlation between tangibility and flexibility with the performance indicator return on assets. Conversely, variables like debt ratio and risk had negative and significant effects on performance. The study found that company size did not play a role in influencing performance as measured in Albania.

Chen and Wong (2004) researched underscores that the profitability of a life insurance company hinges significantly on both its operational and financial activities. Operational activities encompass the core functions of the insurance business: selling new policies and managing existing ones. Financial activities, on the other hand, involve investing the premiums collected from policies. Profits from operational activities are derived from the disparity between premium revenues and the total costs associated with insurance and operational expenses. Meanwhile, profits from financial activities stem from the difference between actual investment returns generated from the invested premiums and the returns credited back to the policyholders.

2.1.2 Introduction of Insurance

Insurance is a risk management tool used to mitigate potential losses by transferring risk from one party to another in exchange for a premium. This practice enhances financial stability by enabling economic agents to engage in various transactions with the assurance of risk transfer and dispersion. Particularly in countries with low financial inclusion like Nepal, insurance serves a critical role as a financial intermediary. Insurance companies are pivotal in service-based economies, providing essential financial guarantee services integrated within the broader financial industry.

Marine insurance marked the inception of the insurance industry historically, followed by the development of fire insurance and subsequently life insurance. Initially viewed as a cooperative method of spreading risk among a group, insurance has evolved into a contractual agreement where compensation is provided in case of specified risks leading to loss or damage. Policyholders pay premiums in return for this coverage.

Insurance serves as a safeguard against the uncertainties inherent in society, providing financial compensation to those affected by misfortune. It also acts as an investment vehicle where returns are realized if specified losses occur, thus promoting societal savings. Economically, insurance collects scattered savings in the form of premiums, which are then invested in various capital ventures such as mutual funds, infrastructure projects, and industrial developments. This capital formation stimulates growth, development, and prosperity within a country.

Additionally, insurance companies play a crucial role in institutional investments by investing in corporate securities and collective investment schemes, generating sufficient income to fulfill their obligations in the form of promised insurance benefits.(SEBON, 2007).

Singh (2009) After the introduction of the new Insurance Act in 2049, Nepal experienced a significant increase in the establishment of insurance companies, marking a prosperous era in the history of the insurance business. Numerous modern insurance firms emerged from the private sector, making substantial contributions to the country's economic growth.

Thapa and Neupane (2056) suggested that the insurance industry in Nepal began to thrive due to the establishment of numerous industries and increased public awareness of business opportunities. This led to widespread participation, significantly contributing to national development. They noted that during that period, approximately 19 insurance companies were operating in Nepal.

According to Vaidya (2056), the insurance sector is the most rapidly expanding industry in Nepal. Since the liberalization efforts beginning in 2046, the government has implemented several initiatives aimed at reforming the financial sector, with a specific focus on insurance, recognizing its integral role in the broader financial system. Vaidya's study highlights that from 1993/94 to 1997/98, there was a consistent rise in net premium collections, accompanied by a gradual increase in its contribution to the GDP.

2.1.3 Types of Insurance

nsurance companies formulate insurance policies by categorizing risks based on their specialization. This standardization ensures consistency in the coverage of risks under each policy type, enabling insurers to predict potential losses and determine appropriate premium rates. Globally, there exist various types of insurance, broadly categorized into life insurance and non-life insurance. Here are brief details about each:

Non-Life Insurance Non-life insurance protects against financial losses resulting from unforeseen accidents or natural disasters, whether they occur or not. It compensates for specific financial events that cause losses. Non-life insurance is also referred to as general

insurance, property insurance, or casualty insurance, and it encompasses any insurance that does not pertain to life coverage. This type of insurance covers individuals, legal liabilities, and properties. Examples include homeowner policies, motor insurance, marine insurance, fire insurance, coverage against calamities, theft, travel insurance, and cyber security incident insurance. Non-life insurance policies typically have shorter durations compared to life insurance policies.

Life Insurance Life insurance is a contractual agreement between an insurance policyholder and an insurance company. In this agreement, the insurer commits to paying a specified sum of money in exchange for premiums, either upon the death of the insured person or after a predetermined period. There are various types of life insurance designed to cater to diverse needs and preferences. Examples include term life insurance and permanent life insurance.

2.1.4 Profitability of Life Insurance

Unlike many other industries, life insurance operates with long-term products and services, where profitability assessments require a prolonged perspective. While insurers continuously monitor and manage performance, the true profitability of their business is only fully understood years later when all policy obligations have been fulfilled. Different stakeholders rely on various metrics to gauge competitiveness and operational performance, leading to diverse perspectives on profitability.

Life insurance companies generate revenue primarily through two main avenues: profits from premium payments and returns on investments made with those premiums. Insurers calculate the financial risks associated with policyholders, such as their health conditions or lifestyle factors like smoking or obesity, to adjust mortality tables used in underwriting and setting premiums. This ensures that premiums charged are sufficient to cover liabilities and ideally generate profits annually.

While premiums directly contribute to profits, investment income is a significant source of revenue for insurers, often surpassing premium income. A portion of each premium goes into a cash value account, which the insurer invests in various assets through its general

account, including bonds, stocks, real estate, and other investments. Both insurers and policyholders benefit from these investments, as they contribute to overall profitability.

Although investment income from cash value policies constitutes a major revenue stream for life insurers, lapsing and expiring policies can also impact profitability. When a policy lapses, the insurer no longer has the liability to pay out a death benefit, potentially resulting in cost savings. However, lapses also mean lost revenue, as premiums cease, and for permanent insurance policies, the cash value can no longer be invested.

Overall, the profitability of a life insurance company hinges critically on its operational and financial activities. Operational activities encompass selling new policies and servicing existing ones, while financial activities involve investing policy premiums. Profitability derives from the difference between premium revenue and total insurance and operational costs for operating activities, and from the variance between actual investment returns and returns credited to policies for financial activities.

Çekrezi (2015) conducted a study on the financial performance of Albanian insurance companies, analyzing independent variables such as leverage, tangibility, flexibility, size, and risk. The findings indicated a positive and significant relationship between tangibility and flexibility with the performance indicator return on assets. Conversely, variables like debt ratio and risk showed negative and significant effects on performance. Interestingly, the study found that the size of the insurance companies did not have a significant impact on their performance in Albania.

Ahmed, Ahmad and Usman (2011) analyzed the performance of life insurance companies in Pakistan from 2001 to 2007. The study's results indicated that size was the most influential factor in determining performance. However, other variables such as growth of written premiums, age, leverage, tangibility, and liquidity did not show significant effects on performance.

Greene and Segal (2004) concludes that the profitability of a life insurance company hinges significantly on its operational and financial activities. Operational activities involve the sale of new policies and the servicing of existing ones. Financial activities include the investment of policy premiums. Profits from operational activities arise from the discrepancy between

premium revenue and the total costs associated with insurance and operations. Meanwhile, profits from financial activities arise from the difference between actual investment returns and the returns credited to the policies.

2.2 Empirical Review

Andres and Stephen (2017) conducted a study on the determinants of profitability in life insurance companies, focusing on the Philippine industry. The research utilized pooled ordinary least squares on a balanced panel consisting of 23 insurance companies over the period 2000-2012. Profitability was measured using Return on Assets (ROA), which was influenced by firm-level, industry-level, and macroeconomic factors. The empirical findings indicated that firm-level factors significantly influenced ROA, whereas industry-level and macroeconomic factors had minimal impact on profitability.

Pjanić et al. (2020) investigated the influence of internal factors related to non-life insurance business operations, including asset size, asset growth, premium growth, liquidity ratio, debt ratio, underwriting risk, operating costs, financial leverage, and total revenue, on the profitability of non-life insurance companies in Serbia. The study employed a multi-linear regression model to analyze the data, assessing model representativeness through correlation coefficients, determination coefficient, and adjusted determination of correlation. Additionally, ANOVA was conducted to determine the significance of these variables in the model and their impact on Return on Assets (ROA), the dependent variable. The primary findings suggest that increases in premiums, debt ratio, operating costs, and the proportion of profit to total revenues exert the greatest impact on the profitability of non-life insurance companies based on empirical evidence.

Malik (2011) conducted a study on the factors influencing profitability in insurance companies of Pakistan. The research focused on firm-specific factors such as company age, company size, capital volume, leverage ratio, and loss ratio, with profitability measured by Return on Assets (ROA). The study sample consisted of 35 listed life and non-life insurance companies spanning the period from 2005 to 2009. Secondary data were collected from financial statements of insurance companies, publications from the State Bank of Pakistan,

and the Insurance Year Book published by the Insurance Association of Pakistan. The findings indicate that company age did not show any significant relationship with profitability, while company size demonstrated a significantly positive association with profitability. Moreover, capital volume was found to have a significantly positive relationship with profitability. On the other hand, both the loss ratio and leverage ratio exhibited negative but significant relationships with profitability.

Hamal (2020) conducted a study on the impact of liquidity ratio, leverage ratio, firm size, firm age, and total debt on the profitability of non-life insurance companies in Nepal. The study utilized return on assets (ROA) as the dependent variable to measure profitability. It analyzed secondary data from nine non-life insurance companies over a decade, spanning from 2066/67 to 2075/76, sourced from their published financial statements. The research employed descriptive statistics, correlation analysis, and regression models to assess the influence and significance of the selected independent variables on ROA. The findings revealed that profitability in Nepalese non-life insurance companies tends to increase with higher liquidity ratios but decrease with higher leverage ratios. However, the study found no significant relationship between firm size, firm age, total debt, and profitability in this sector. Consequently, the study suggests that non-life insurance companies should prioritize effective management of liquidity to meet liabilities and aim to maintain lower leverage ratios to mitigate above-average losses, thereby enhancing profitability.

Berhe and Kaur (2017) conducted a study to identify key factors influencing the profitability of insurance companies in Ethiopia, examining both internal (firm-specific) and external variables. The study employed a fixed effects model based on the results of a Hausman test, analyzing panel data spanning a decade from 2005/06 to 2014/15 across 17 insurance companies. Regression analysis revealed that the size of insurance companies, capital adequacy, liquidity ratio, and GDP growth rate significantly impact profitability. Conversely, variables such as leverage ratio, loss ratio, market share, and inflation rate showed insignificant effects on profitability. The study concludes by recommending that company managers and policymakers implement policies and strategies aimed at enhancing overall profitability in the insurance sector.

Camino-Mogro and Bermúdez-Barrezueta (2019) conducted research on the determinants

of profitability in both life and non-life insurance companies in Ecuador. The study utilized a comprehensive panel dataset spanning from 2001 to 2017, employing panel corrected standard errors regression to estimate the determinants. The primary objective was to identify key factors influencing profitability in each segment of the Ecuadorian insurance sector. The authors discovered that in the life insurance segment, micro-determinants such as net premiums, technical reserves, capital ratio, and efficiency score significantly impact profitability. In contrast, the non-life insurance segment also includes claim level and liquidity ratio as influential micro-determinants. Additionally, the authors found that the Herfindahl-Hirschman Index (HHI) is a determinant of profitability solely in the life insurance sector. Regarding macro determinants, the study highlighted that the interest rate significantly affects both life and non-life insurance profitability.

Ullah et al. (2016) research on the factors determining profitability in the insurance industry of Bangladesh aims to analyze the key predictors of profitability for non-life insurance firms in the country. The study examines panel data from eight insurance companies, selected through convenience sampling, covering the years 2004 to 2014. Using an ordinary least squares regression model, the research investigates the relationship between profitability and various independent variables, including underwriting risk, expenses ratio, solvency margin, premium growth, assets growth, and company size. The findings reveal a significant inverse relationship between underwriting risk and company size with profitability. Additionally, there is a significant positive relationship between the expenses ratio, solvency margin, and growth with profitability. This study provides valuable insights for financial managers, highlighting which internal factors should be prioritized to enhance profitability and maximize the market value of their respective insurance companies.

Öner Kaya (2015) investigates the firm-specific factors affecting the profitability of non-life insurance companies operating in Turkey. The study compiles data from 24 non-life insurance companies over the period from 2006 to 2013, resulting in 192 observed panel data sets. Profitability in this study is measured using two variables: the technical profitability ratio and the sales profitability ratio. The empirical results reveal that the firm-specific factors influencing the profitability of Turkish non-life insurance companies include the size of the company, the age of the company, the loss ratio, the current ratio, and the premium

growth rate.

Ghimire (2014) conducted research on the impact of income structure on profitability, using empirical evidence from the life insurance industry in Nepal. The study had two primary objectives: to explore the income structure and its trends, and to determine whether there is a significant difference in income structure and financial performance between younger and older firms. Data was collected from the financial statements of eight life insurance companies over a five-year period from 2007-08 to 2011-12. Seven parameters of income sources and four parameters of profitability and earnings were analyzed using descriptive statistics, Pearson's correlation, and T-tests. The study concluded that the age of the firm influences the income structure but does not significantly impact profitability and earnings. Additionally, the types of income sources and net profit margin, as well as return on assets, showed a negative correlation, while return on equity had a positive correlation.

Bhattarai (2020) conducted research on factors influencing the profitability of insurance companies in Nepal. The main purpose of the study was to examine the variables affecting the profitability of Nepalese insurance companies. The study utilized panel data from 10 insurance companies over a five-year period, from 2012/13 to 2017/18, resulting in 50 observations. Return on Equity (ROE) was used as the measure of profitability and served as the dependent variable. The independent variables included the employees' expenses ratio, financial leverage, and the size of the company. The data was processed using SPSS25 software. The results revealed that the expenses ratio had a positive relationship with profitability. The study concluded that financial leverage and company size are major determinants of profitability in Nepalese insurance companies.

2.3 Research Gap

Numerous research studies have examined the impact of various firm-specific and macroeconomic variables on the performance of companies across different countries and periods. However, in the context of Nepal, there are relatively few studies focused on the factors affecting the performance of Nepalese firms, particularly life insurance companies. This indicates a gap in the literature and underscores the need for this study. Most previous

research was conducted several years ago and may not adequately explain current phenomena. Identifying a research gap demonstrates a deep understanding of the current state of knowledge in the chosen field.

After reviewing past articles and theses, it is evident that the premium performance of life insurance companies is influenced by multiple factors. Both external and macroeconomic factors play a role in determining premiums, but this study focuses on internal factors specific to life insurance. It utilizes current data to determine the premium of life insurance companies in Nepal and examines the effects of various variables on these premiums. This study aims to provide detailed insights into the premiums of sampled life insurance companies and their influencing factors, thereby contributing valuable knowledge to the existing literature in this research area.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology refers to the various steps taken during the research process and the rationale behind these steps. To investigate a problem, a researcher must follow specific steps that are crucial for comprehending the issue at hand. The intention or goal of research methodology is to find a systematic approach to solve research problems, which involves the study of methods used for searching and investigating.

This text outlines the typical activities researchers undertake while conducting their studies. Discussing issues and their causes is essential, and it is important to follow a specific order for a research project to be useful. The goal of this study is to find a solution to a specific problem, which depends on the nature of the problem. In this context, the study aims to examine the profitability of life insurance policies for businesses in Nepal.

3.1 Research Design

The research design adopted in this study is a descriptive research design, aimed at addressing issues related to the determination of premiums for life insurance companies in Nepal. This approach has been chosen to uncover facts and gather sufficient information on how premiums are determined in the context of Nepalese life insurance companies. Descriptive research design is utilized to examine the average characteristics of firm-specific variables that influence the premiums of these companies, along with premium indicators such as Return on Assets (ROA) and Return on Equity (ROE).

In this research, ROA and ROE are treated as dependent variables, while factors like size, liquidity, volume of capital, fixed assets, and growth rate are considered independent variables. Additionally, correlational research is employed to establish relationships or associations between two or more variables that cannot be easily manipulated experimentally.

3.2 Population and Sample

The population for this study comprises life insurance companies operating in Nepal. There are 18 life insurance companies in Nepal, from which a sample of five companies has been selected. The study covers the period from 2013/14 to 2022/23. A random sampling method was used to choose the sample. The selected life insurance companies for this research are listed below.

1. National Life Insurance Company
2. Nepal Life Insurance Company
3. Asian Life Insurance Company
4. Life Insurance Corporation Nepal
5. Met Life Insurance Company

3.3 Sources and Nature of Data

This study primarily focuses on conducting a comparative analysis of firm-specific variables and profitability among life insurance companies in Nepal. It aims to explore the relationship between these variables and the profitability of life insurance companies, determining whether there is a positive or negative correlation. Secondary data sources, including reports from Beema Samiti and annual reports of the life insurance companies themselves, have been utilized for the study. The data spans the last decade (from 2013/14 to 2022/23). The dependent variables in this study are the performance measures of the insurance companies, while the independent variables are the factors influencing the profitability of these life insurance companies.

3.4 Data collection Procedure

The study relies on secondary data obtained from balanced panel data of five life insurance companies in Nepal. The data sources include annual reports from the insurance companies themselves and publications from Beema Samiti. This section details how the analysis was

conducted in the subsequent chapter. It is crucial to follow specific steps and methodologies in analyzing data to achieve reliable results and generalize findings. The analysis of secondary data is essential for studying relationships and causal effects between various factors. This section is structured into several subsections: initially focusing on descriptive statistics such as mean, standard deviation, and range of observations. It proceeds with correlation analyses followed by stepwise regression analysis. Tests for significance, estimation error, and multicollinearity have also been performed to strengthen the validity of the results. All observed relationships and findings have been interpreted to draw meaningful conclusions regarding the profitability of Nepalese life insurance companies.

3.5 Methods of Analysis

This section of the study focuses on the statistical and econometric methods used to analyze secondary data. The data were processed using the Statistical Package for the Social Sciences (SPSS). The study employs descriptive, correlation, and regression analyses. Descriptive statistics such as mean and standard deviation are utilized to outline the characteristics of sample firms from the period 2013/14 to 2022/23. Correlation analysis is employed to understand the direction and strength of relationships between dependent and independent variables. Additionally, regression analysis is applied to determine how independent variables individually and collectively influence the dependent variable. The study investigates the connection between firm-specific variables and the profitability of life insurance companies in Nepal, utilizing the following tools and techniques.:
To explore how firm-specific variables influence the profitability of life insurance companies in Nepal, the study has constructed a regression model. The model assumes that the profitability of these companies depends on various factors specific to each firm. This regression model is employed to analyze the effect of these factors on profitability.

Size of the company: Measured as the natural logarithm of total assets. LIQ: Liquidity, measured as current assets divided by total liabilities. VOC: Volume of capital, measured as shareholders' equity divided by total assets. FA: Fixed assets, measured as fixed assets divided by total assets. GR: Growth rate, measured as the percentage change in total assets. ROA: Return on assets, measured as net income divided by total assets. ROE: Return on

equity, measured as net income divided by shareholders' equity.

3.6 Research Framework

The conceptual framework of this study provides a clear explanation of the relationship between the dependent and independent variables, aiming to elucidate how specific factors within firms influence the profitability of Nepalese life insurance companies. It helps to identify and define the core objectives of the research issue. Based on the study's objectives and the literature review, the conceptual framework outlines the primary focus and scope in terms of the factors under consideration.

This study focuses on the firm-specific factors that impact the profitability of Nepalese life insurance companies. The conceptual framework includes return on assets and return on equity as dependent variables. Additionally, independent variables such as company size, liquidity, volume of capital, fixed assets, and growth rate are used to illustrate their impact on the profitability of Nepalese life insurance companies. Thus, the conceptual framework is structured to summarize the main focus and scope of this study in relation to the factors being investigated.

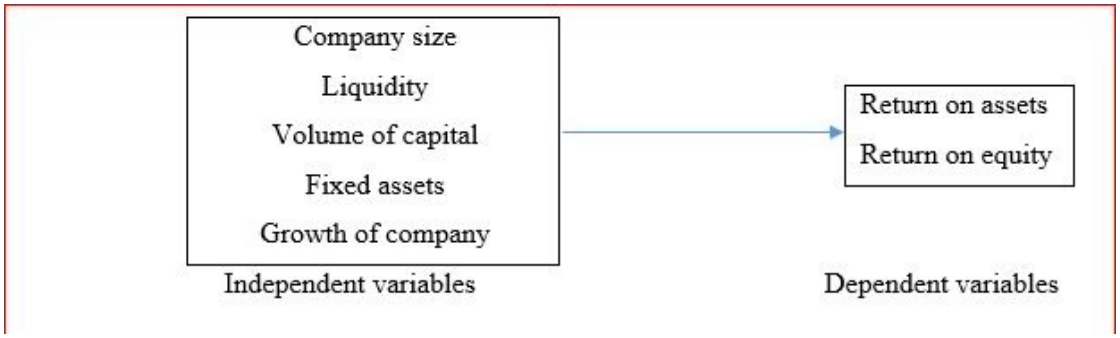

Figure 1: Research Framework

Source: Sigdel (2022), Determinants of Profitability OF Life Insurance Companies in Nepal

This study used internal variables which may affect the profitability of Nepalese insurance companies. A brief note on those used variables was as follows:

3.6.1 Dependent Variables

Return on Assets (ROA)

Return on assets (ROA) is a key metric used to assess the profitability of financial institutions, indicating the income generated relative to the company's assets. Calculated as the ratio of a firm's net income to its total assets, ROA provides insight into how effectively a company utilizes its assets to generate earnings.

Return on Equity (ROE)

Return on equity (ROE) evaluates the return on shareholders' investment, demonstrating management's efficiency in generating additional earnings for shareholders. This financial performance measure is computed by dividing net income by shareholders' equity. A higher ROE signifies that a company's management is more effective at leveraging equity financing to generate income and foster growth.

3.6.2 Independent Variables

The company size

Firm size can refer to various metrics such as the number of employees, branches, or total assets. Larger firms are anticipated to benefit from economies of scale, leading to reduced costs associated with information gathering and processing. Performance is expected to improve with size, as larger firms typically benefit from better risk diversification, greater economies of scale, and overall improved cost efficiency.

Liquidity

Liquidity denotes the ability to convert an asset or security into cash swiftly without impacting its market value. Cash is the most liquid asset, whereas tangible assets are less readily converted. Liquidity encompasses two primary types: market liquidity and accounting liquidity.

The volume of capital

The volume of capital refers to the amount of investment or funds available for payments, typically represented by the disparity between total assets and total liabilities. Research indicates a statistically significant positive correlation between the volume of capital in life

insurance companies and their profitability, as measured by ROA.

Fixed Assets

Fixed assets are those acquired for long-term use and are not expected to be easily converted into cash. There exists a statistically significant correlation between the presence of fixed assets and the profitability of companies.

Growth rate

The growth rate refers to the percentage increase or change in total assets or premiums from one period to another within the context of life insurance companies. There is a positive correlation between the company's growth rate and its profitability.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter systematically presents, interprets, and analyzes secondary data concerning various issues related to the examination of the relationship between firm-specific factors and the performance of life insurance companies. The analytical process involves several key steps: identifying issues, assessing data availability, selecting appropriate methods to answer research questions, applying these methods, and evaluating, summarizing, and communicating the findings. Chapter three outlines various statistical tools employed for this purpose.

The study utilizes descriptive, correlation, and regression methods of analysis. Descriptive statistics such as mean and standard deviation are used to characterize sample firms from the period 2013/14 to 2022/23. Correlation analysis is employed to understand the direction and strength of relationships between dependent and independent variables. Additionally, regression analysis is conducted to assess the impact of independent variables on the dependent variable both individually and in combination with others. The research focuses on examining how firm-specific variables influence the profitability of life insurance companies in Nepal, employing the following tools and techniques.

4.1 Results

4.1.1 Independent Variables

This section of the study investigates the impact of different variables on the market price of stocks of commercial banks in Nepal. The study focuses on identifying the primary factors that influence equity market prices. It encompasses the presentation, analysis, and conclusions drawn from the data. This involves organizing, tabulating, and evaluating financial and statistical findings.

4.1.1.1 Size of company

Table 1

size of the company

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	9.73	10.24	10.00	10.07	10.3	10.07	0.22
2014/15	9.84	10.35	10.05	10.15	10.43	10.16	0.24
2015/16	9.96	10.49	10.12	10.28	10.56	10.28	0.25
2016/17	10.06	10.58	10.18	10.35	10.7	10.37	0.27
2017/18	10..17	10.68	10.26	10.44	10.79	10.54	0.24
2018/19	10.3	10.77	10.31	10.54	10.89	10.56	0.27
2019/20	10.39	10.87	10.36	10.63	11	10.65	0.28
2020/21	10.53	10.94	10.39	10.75	1.1	8.74	4.28
2021/22	10.57	11	10.41	10.81	11.18	10.79	0.31
2022/23	10.63	11.11	10.46	10.88	11.25	10.87	0.33
Mean	10.22	10.70	10.25	10.49	9.82		
SD	0.34	0.29	0.16	0.28	3.08		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 1 shows the size of sample insurance company for the ten fiscal years with their mean value and standard deviations. Over the span of ten years, from 2013/14 to 2022/23, LIC consistently emerged as the largest insurance company, with its size steadily increasing from 10.24 in 2013/14 to 11.11 in 2022/23, showcasing a clear upward trend. NaLICL also experienced growth, though with a bit more fluctuation, starting at 10.07 and reaching 10.88 by the end of the period. ALICL, MET, and NLICL appeared relatively smaller, with ALICL showing a gradual increase from 9.73 to 10.63, MET from 10.0 to 10.46, and NLICL

fluctuating between 10.3 and 9.82, demonstrating a less consistent trend. Notably, NLICL displayed the highest standard deviation of 3.08, indicating significant variability in its size over the years, possibly due to unforeseen circumstances or market dynamics. Overall, LIC and NaLICL exhibited more stable growth patterns compared to ALICL, MET, and NLICL, showcasing their dominance in the insurance sector over the decade.

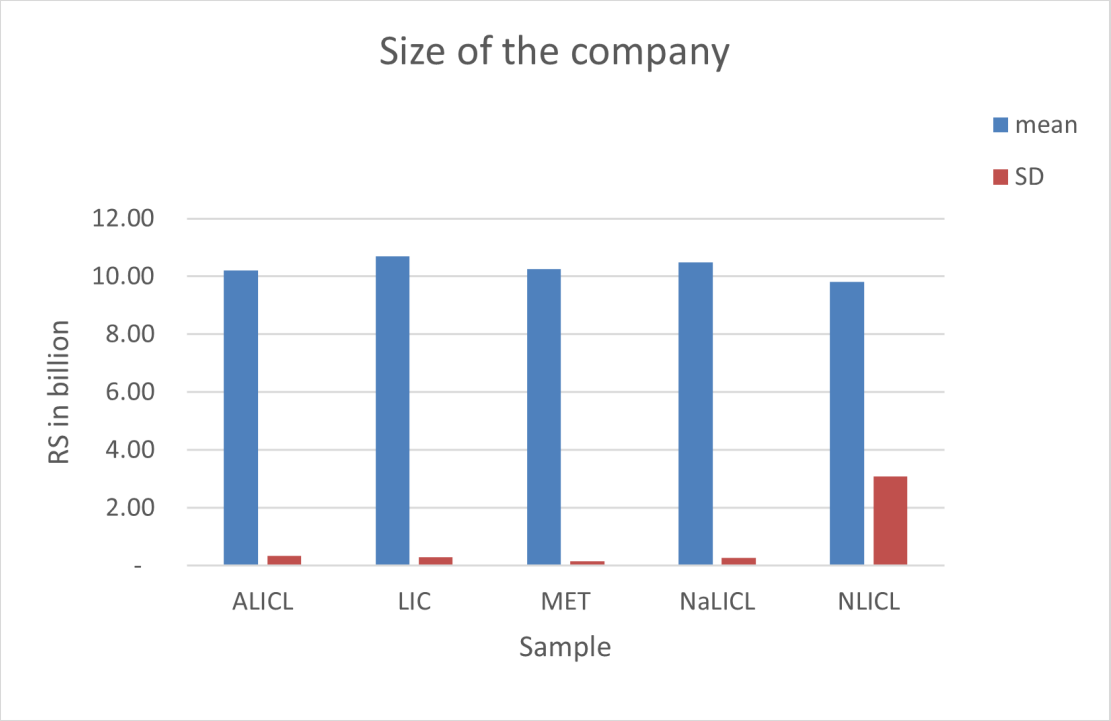

Figure 1: Size of sample company

Figure 1 Size Size of the company illustrates the mean size and standard deviation (SD) of the company sizes for five samples: ALICL, LIC, MET, NaLICL, and NLICL. The blue bars represent the mean size of the companies in billions of rupees, while the red bars depict the standard deviation, indicating variability. From the chart, we observe that ALICL, LIC, MET, and NaLICL have similar mean sizes, each around 10 billion rupees. These four samples also show very low standard deviations, suggesting that the sizes of companies within these groups are quite consistent and exhibit minimal variability. In contrast, the NLICL sample, while having a comparable mean size of around 10 billion rupees, stands out due to its higher standard deviation, indicated by a larger red bar. This suggests that there is greater variability in the sizes of companies within the NLICL sample compared to

the other samples.

Overall, the chart highlights that while most samples (ALICL, LIC, MET, NaLICL) have similar average company sizes with very little variation, the NLICL sample, despite having a similar average size, exhibits significantly more variability in company sizes.

4.1.1.2 Liquidity

Table 2

Liquidity

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	6.86	13.56	1.94	3.57	2.99	5.78	4.72
2014/15	6.78	15.96	0.87	1.08	3.41	5.62	6.25
2015/16	5.12	2.22	20.19	2.26	2.67	6.49	7.75
2016/17	8.8	0.87	3.07	2.94	2.76	3.69	2.99
2017/18	5.68	1.39	2.71	3.77	1.57	3.02	1.77
2018/19	4.52	2.14	2.88	3.32	4.01	3.37	0.93
2019/20	3.84	1.51	2.67	4.41	5.07	3.50	1.42
2020/21	2.69	1.65	2.71	2.79	5.14	3.00	1.29
2021/22	3.62	1.21	2.49	3.66	3.48	2.89	1.06
2022/23	3.68	1.42	1.22	3.32	1.8	2.29	1.13
Mean	5.16	4.19	4.08	3.11	3.29		
SD	1.88	5.61	5.71	0.93	1.21		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 2 shows that the liquidity positions of sample insurance companies over the fiscal years exhibit both stability and variability. Analysis of the mean liquidity positions across

fiscal years reveals ALICL consistently maintaining a relatively stable liquidity position, averaging 5.16 over the period. In contrast, LIC and MET show slightly lower mean liquidity positions, averaging 4.19 and 4.08, respectively. Notably, NaLICL demonstrates a lower mean liquidity position compared to ALICL, LIC, and MET, with an average of 3.11, while NLICL maintains a position similar to MET, averaging 3.29. Examining the standard deviations, ALICL and NaLICL exhibit lower variability in liquidity positions, with standard deviations of 1.88 and 0.93, respectively, indicating relatively stable liquidity over time. However, LIC and MET demonstrate higher variability, with standard deviations of 5.61 and 5.71, respectively, suggesting fluctuations in liquidity positions across fiscal years. These findings suggest ALICL's more conservative approach to liquidity management or potentially superior liquidity management practices compared to its peers, while highlighting the need for LIC and MET to address the volatility in their liquidity positions for more robust risk management strategies.

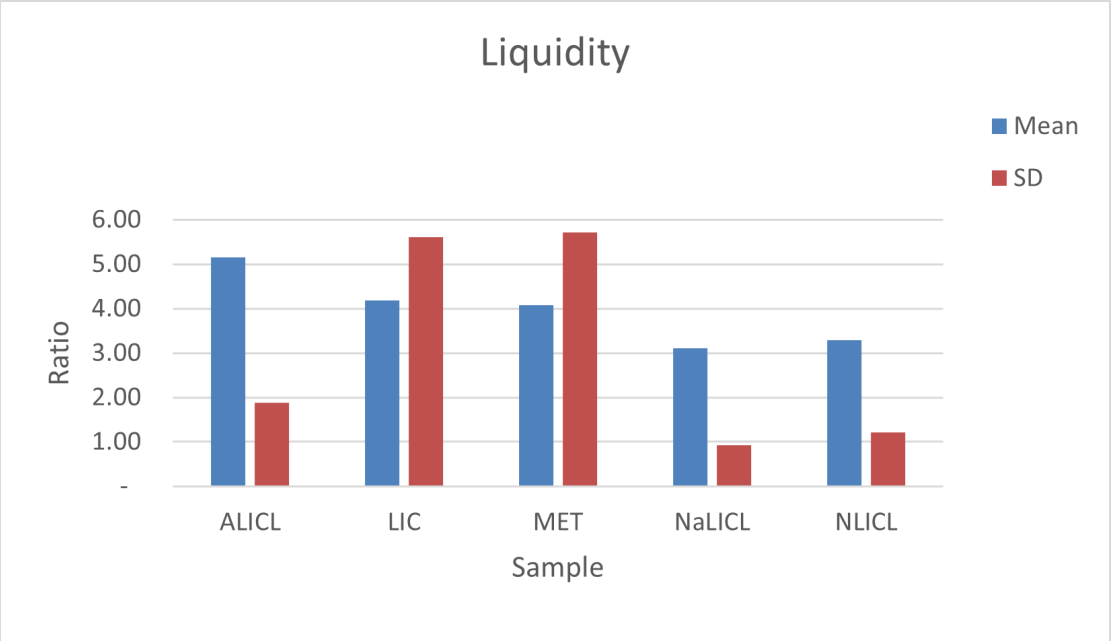

Figure 2: Liquidity of Sample Company

Figure 2 titled Liquidity displays the mean and standard deviation (SD) ratios of liquidity for five different samples: ALICL, LIC, MET, NaLICL, and NLICL. ALICL has a high mean liquidity ratio, indicating that it maintains a substantial amount of liquid assets relative to its liabilities. The relatively high SD suggests there is considerable variability in the

liquidity ratios over the period or data points considered. LIC also has a high mean liquidity ratio, but with a very high SD, indicating significant fluctuations in its liquidity ratios. MET has a high mean liquidity ratio similar to ALICL and LIC, but it has the highest SD among all companies, showing extreme variability and fluctuations in liquidity. NaLICL has a lower mean liquidity ratio compared to ALICL, LIC, and MET, indicating a moderate level of liquid assets. The low SD suggests relatively stable liquidity ratios. NLICL has a moderate mean liquidity ratio, with the lowest SD among all companies, indicating very consistent liquidity ratios. ALICL, LIC, and MET have high mean liquidity ratios, indicating they maintain significant liquid assets. However, the SD varies greatly. MET shows the highest variability in liquidity ratios. LIC also shows considerable variability. ALICL has moderate variability. NaLICL and NLICL have moderate mean liquidity ratios with low SDs, suggesting more consistent liquidity management. This analysis helps understand how different companies manage their liquidity and the stability of their liquidity ratios over time. High mean liquidity ratios indicate good short-term financial health, while the SD indicates how stable this liquidity position is over time.

Table 3

Fixed Assets

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
013/14	7.449	1.28	0.14	5.17	1.67	3.14	3.05
014/15	3.397	0.97	0.19	4.69	1.22	2.09	1.88
015/16	2.215	0.71	0.20	4.03	0.86	1.60	1.55
016/17	2.406	0.6	0.30	3.7	0.61	1.52	1.47
017/18	3.178	0.49	0.27	2.58	0.48	1.40	1.37
018/19	4.076	0.44	0.25	2.98	0.4	1.63	1.78
009/20	5.088	0.36	0.24	2.66	0.31	1.73	2.14
020/21	7.031	0.3	0.20	2.13	0.24	1.98	2.94
021/22	6.484	0.26	0.55	0.69	0.45	1.69	2.69
022/23	7.372	0.19	0.44	1.09	0.29	1.88	3.09
Mean	4.87	0.56	0.28	2.97	0.65		
SD	2.08	0.34	0.13	1.46	0.47		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 3 shows that The fixed assets range from a low of 2.215 (FY 015/16) to a high of 7.449 (FY 013/14). The overall mean for ALICL is 4.87 with an SD of 2.08, indicating some variability in the fixed assets over the years. The fixed assets for LIC remain relatively low and stable, with values ranging from 0.19 (FY 022/23) to 1.28 (FY 013/14). The mean is 0.56 with a low SD of 0.34, suggesting consistent but small investments in fixed assets. The fixed assets for MET show slight fluctuations, ranging from 0.14 (FY 013/14) to 0.55 (FY 021/22), with a mean of 0.28 and an SD of 0.13, indicating minor variability. The fixed assets for NaLICL have moderate variability, ranging from 1.09 (FY 022/23) to 5.17 (FY 013/14). The mean is 2.97 with an SD of 1.46, indicating significant year-to-year

fluctuations. NLICL's fixed assets vary from 0.29 (FY 022/23) to 1.67 (FY 013/14), with a mean of 0.65 and an SD of 0.47, showing relatively stable but low investments.

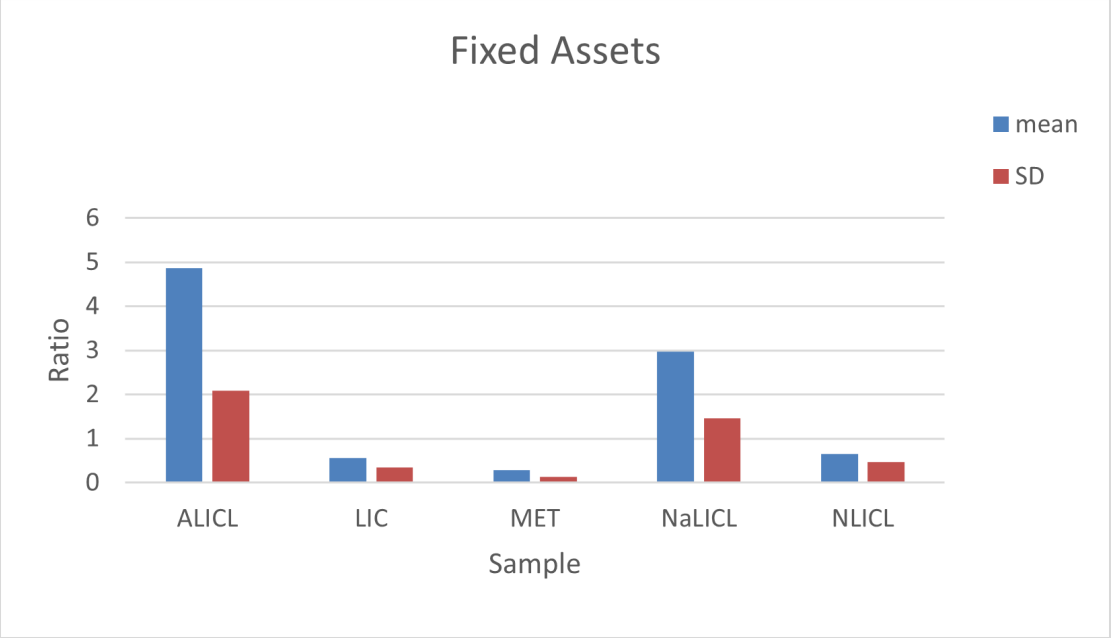

Figure 3: Fixed assets of Sample company

Figure 3 shows that ALICL and MET have low variability (low SD) around their mean ratios, indicating consistent performance in the measured ratio. LIC has high variability, suggesting inconsistent performance or significant changes in the ratio over time. NaLICL has consistently low values with negligible variability. NLICL has the highest mean ratio but also shows considerable variability, indicating that while the average ratio is high, it fluctuates widely. This analysis helps to understand the consistency and stability of the ratios for each company, with ALICL and MET being more stable, LIC being highly variable, and NLICL having both high values and high variability.

4.1.1.3 Volume of capital

Table 4

Volume of capital

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	1.03	1.04	1.07	1.07	1.06	1.05	0.02
2014/15	1.02	1.05	1.08	1.06	1.05	1.05	0.02
2015/16	10.01	18.08	1.08	9.72	9.75	9.73	6.01
2016/17	11.55	21.55	1.06	9.56	5.55	9.85	7.67
2017/18	10.62	15.02	1.07	9.7	6.43	8.57	5.19
2018/19	7.78	17.25	1.10	8.03	8.4	8.51	5.75
2019/20	8.69	20.22	1.12	9.06	10.98	10.01	6.83
2020/21	10.08	19.88	1.14	9.86	11.48	10.49	6.65
2021/22	10.37	18.95	7.63	10.21	0.78	9.59	6.52
2022/23	11.63	1.16	7.60	11.53	1.03	6.59	5.27
Mean	8.28	13.42	2.40	7.98	5.65		
SD	4.00	8.69	2.75	3.75	4.41		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 4 presents the fiscal year-wise capital volumes of sample insurance companies. ALICL, LIC, MET, NaLICL, and NLICL. Across the years, ALICL's capital exhibits a fluctuating pattern, starting from 1.03 in FY 013/14, peaking at 11.63 in FY 022/23. LIC, on the other hand, shows a generally increasing trend, with its capital volume climbing from 1.04 in FY 013/14 to 21.55 in FY 016/17, and then stabilizing around 18-20 in subsequent years. MET's capital remains relatively stable, hovering around 1.06 to 1.14 throughout the observed period. NaLICL experiences fluctuations, with its capital ranging from 1.06 to

11.53, exhibiting peaks and dips over time. NLICL's capital demonstrates a similar trend, fluctuating between 1.03 and 11.48. Despite variations, the mean capital volumes for the companies are 8.28 for ALICL, 13.42 for LIC, 2.4 for MET, 7.98 for NaLICL, and 5.65 for NLICL. Standard deviations of 4, 8.69, 2.75, 3.75, and 4.41 respectively, indicate the degree of variability in their capital volumes across fiscal years. Overall, this data provides insights into the financial health and stability of these insurance companies, guiding assessments of their performance and risk exposure over time.

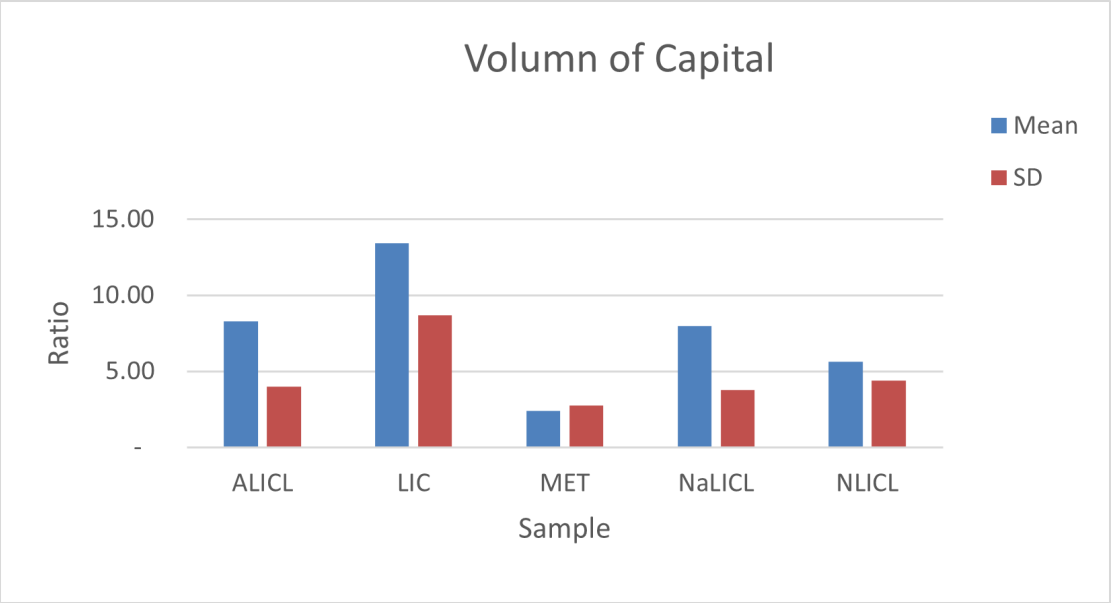

Figure 4: Volume of capital of sample company

Figure 4 shows LIC stands out with the highest mean capital volume, reaching approximately 12.5, and also has a substantial standard deviation of around 6.5, indicating significant variability within this sample. ALICL shows a mean capital volume of about 8.5, with a standard deviation of approximately 2.5, reflecting moderate variability. NaLICL has a mean capital volume close to 7.5 and a standard deviation of around 2.0, suggesting a slightly lower variability compared to ALICL. On the other hand, MET has the lowest mean capital volume, approximately 2.5, along with a relatively low standard deviation of about 1.5, indicating that the capital volumes in this sample are quite consistent. NLICL displays a moderate mean capital volume of about 5.0 and a standard deviation of around 1.5, similar to MET in terms of variability.

Overall, the chart highlights that LIC not only has the highest capital volumes on average but also the greatest variability. In contrast, MET exhibits the lowest mean capital volume and low variability, while ALICL, NaLICL, and NLICL fall in between with moderate values for both mean and standard deviation.

4.1.1.4 Growth rate

Table 5

Growth Rate

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	31.95	27.75	15.02	19.72	34.46	25.78	8.21
2014/15	27.78	31.1	13.84	19.42	35.2	25.47	8.71
2015/16	33.29	36.62	15.31	35.66	36.1	31.40	9.08
2016/17	23.47	24.61	15.98	17.86	38.99	24.18	9.04
2017/18	30.92	23.2	18.86	20.87	22.7	23.31	4.58
2018/19	34.86	25.66	13.30	27.50	23.76	25.02	7.78
2019/20	23.04	23.28	11.66	22.90	30.79	22.33	6.84
2020/21	36.84	19.71	7.49	31.03	25.05	24.02	11.25
2021/22	10.84	13.33	4.62	14.56	10.32	10.73	3.84
2022/23	14.1	30.79	12.76	18.30	57.73	26.74	18.73
Mean	26.71	25.61	12.88	22.78	31.51		
SD	8.78	6.50	4.16	6.60	12.54		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 5 presents the growth rates of five companies—ALICL, LIC, MET, NaLICL, and NLICL—over ten fiscal years from 013/14 to 022/23, along with their respective mean growth rates and standard deviations (SD). ALICL has an average growth rate of 26.71 with

a standard deviation of 8.78, indicating robust overall performance with some variability. The company experienced its highest growth rate of 36.84 in 020/21 and the lowest at 10.84 in 021/22. This suggests that while ALICL generally maintains strong growth, its performance can fluctuate significantly from year to year. LIC shows a high average growth rate of 25.61 with relatively low variability, as reflected by its standard deviation of 6.50. LIC achieved its highest growth rate of 36.62 in 015/16 and the lowest at 13.33 in 021/22. LIC's consistent high performance with less year-to-year variability makes it a stable performer among the companies listed. MET has the lowest average growth rate of 12.88, accompanied by the lowest variability with a standard deviation of 4.16. The highest growth rate for MET was 18.86 in 017/18, while the lowest was 4.62 in 021/22. MET's stable but slower growth suggests that it provides steady performance with minimal fluctuations. NaLICL exhibits strong growth with an average rate of 22.78 and a standard deviation of 6.60, indicating moderate variability. The company reached its peak growth of 35.66 in 015/16 and had its lowest at 14.56 in 021/22. NaLICL's consistent high performance and moderate variability make it a reliable performer. NLICL stands out with the highest average growth rate of 31.51 but also has the highest variability, with a standard deviation of 12.54. The company saw its highest growth rate of 57.73 in 022/23 and the lowest at 10.32 in 021/22. NLICL's potential for very high growth comes with significant fluctuations, suggesting a high-risk, high-reward scenario.

NLICL demonstrates the highest growth potential but with considerable variability, making it a potentially lucrative yet risky investment. LIC and NaLICL offer a balance of strong growth and consistency, making them reliable performers. ALICL shows robust growth with higher variability, indicating good performance with some risk. MET, with its steady but lower growth rate, provides the most stable performance with minimal fluctuations. Overall, LIC and NaLICL stand out as the most balanced performers, while NLICL offers the highest growth potential for those willing to accept higher variability.

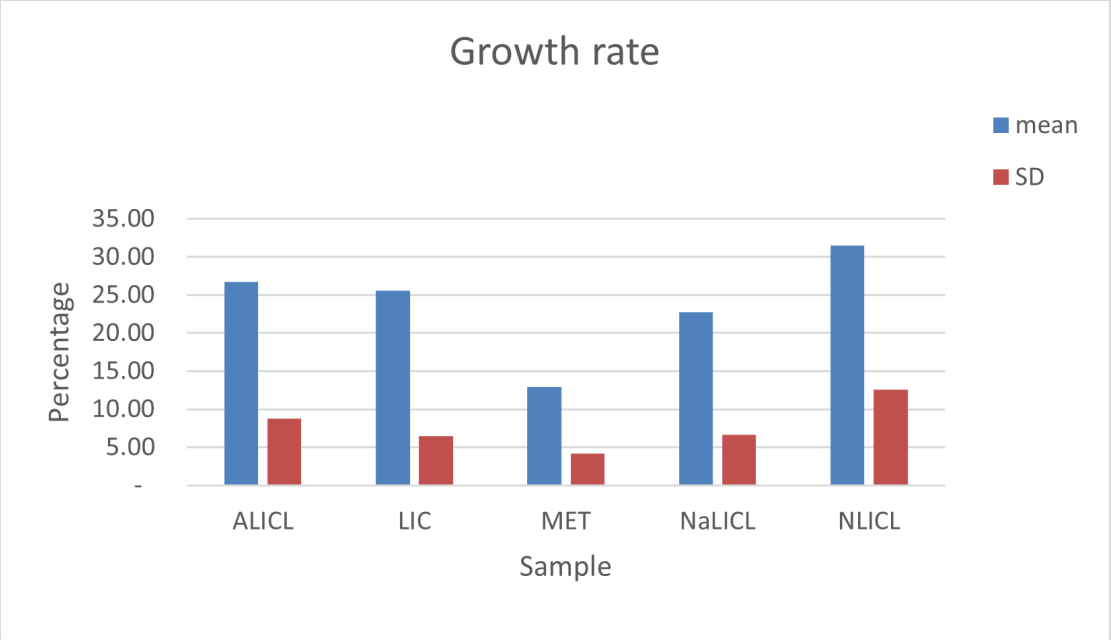

Figure 5: Growth rate of sample company

Figure 5 ALICL has a high mean growth rate of 25, indicating strong average growth. The SD of 5 suggests moderate variability in growth rates, indicating that while the growth is high, it experiences some fluctuations. LIC also has a high mean growth rate of 25, similar to ALICL, but with a lower SD of 2.5, indicating more consistent growth rates with less fluctuation compared to ALICL. MET has a moderate mean growth rate of 15, suggesting more modest average growth compared to ALICL and LIC. The low SD of 1.5 indicates that this growth rate is quite consistent. NaLICL has a mean growth rate of 20, indicating solid average growth. The SD of 3 shows moderate variability, suggesting some fluctuations but generally stable growth. NLICL has the highest mean growth rate of 30, indicating very strong average growth. The SD of 6 suggests significant variability, indicating that while the growth is high, it is also subject to considerable fluctuations. NLICL has the highest mean growth rate at 30, followed by ALICL and LIC at 25, NaLICL at 20, and MET at 15. NLICL shows the highest variability (SD of 6), indicating less predictability in its growth rate. ALICL also shows notable variability (SD of 5). NaLICL has moderate variability (SD of 3). LIC and MET show the lowest variability, with SDs of 2.5 and 1.5 respectively, indicating more consistent growth rates. This analysis helps to understand the growth performance and stability of different companies, providing insights into their

potential for future expansion and the predictability of their growth trends.

4.1.2 Dependent variables

4.1.2.1 Return on Assets

Table 6

Return on Assets

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	3.23	1.13	0.87	2.83	4.06	2.42	1.38
2014/15	0.47	1.1	0.60	1.87	1.96	1.20	0.69
2015/16	1.83	1.04	2.63	1.9	2.48	1.98	0.63
2016/17	0.92	0.37	3.04	1.81	1.99	1.63	1.03
2017/18	0.61	2.97	3.10	1.86	2.31	2.17	1.01
2018/19	1.14	0.5	2.73	1.08	2.1	1.51	0.89
2019/20	1.09	0.98	2.98	1.72	1.31	1.62	0.81
2020/21	0.99	0.85	1.43	1.23	1.54	1.21	0.29
2021/22	1.08	1.02	2.33	1.14	0.31	1.18	0.73
2022/23	0.88	0.1	2.65	0.34	0.37	0.87	1.04
Mean	1.22	1.01	2.24	1.58	1.84		
SD	0.79	0.77	0.93	0.67	1.08		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 6 presents the Return on Assets (ROA) for five companies ALICL, LIC, MET, NaLICL, and NLICL across ten fiscal years, providing insights into their performance trends and variability. ALICL shows a varied performance with the highest ROA of 3.23 in 013/14 and the lowest of 0.47 in 014/15. Over the ten years, ALICL has an overall mean ROA of

1.22 with a standard deviation of 0.79, indicating moderate variability in its performance. LIC has its highest ROA of 2.97 in 017/18 and the lowest of 0.10 in 022/23. The overall mean ROA for LIC is 1.01 with a standard deviation of 0.77, suggesting LIC's performance is relatively stable but with notable low points in certain years. MET consistently performs well with a peak ROA of 3.10 in 017/18. MET's overall mean ROA is 2.24, accompanied by a standard deviation of 0.93, indicating generally high performance with some variability. NaLICL reaches its highest ROA of 2.83 in 013/14 and drops to a low of 0.34 in 022/23. The overall mean ROA for NaLICL is 1.58, with a standard deviation of 0.67, reflecting a moderate level of consistency in its returns.NLICL has the most varied performance, with a maximum ROA of 4.06 in 013/14 and a minimum of 0.31 in 021/22. NLICL's overall mean ROA is 1.84, but it has the highest standard deviation of 1.08, indicating significant fluctuations in its performance over the years. nalyzing these trends, it is evident that some companies, like MET, show more consistent and higher performance, while others, like NLICL, exhibit greater variability. The overall mean ROA and standard deviation for each company highlight periods of both strong and weak performance, offering a comprehensive view of their financial health across the decade. Based on the mean ROA, MET is performing better in the market, offering the highest average returns on assets over the ten fiscal years despite having some variability in its performance. This makes MET the top performer among the five companies in terms of market performance.

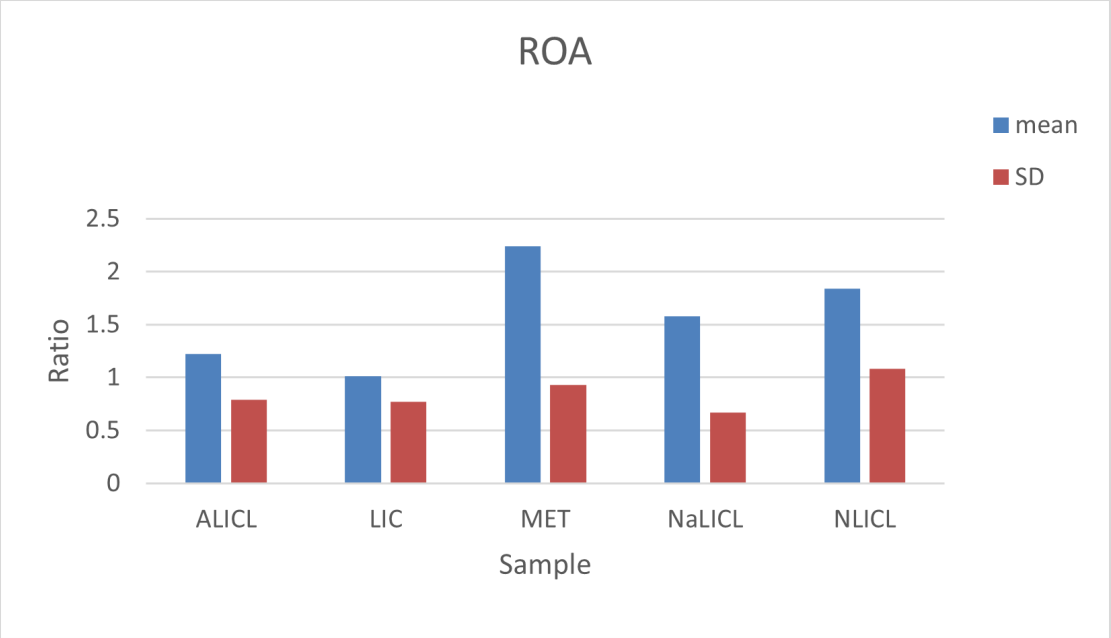

Figure 6: Retun on Assets of sample company

Figure 6 illustrates the mean and standard deviation of Return on Assets (ROA) for five companies: ALICL, LIC, MET, NaLICL, and NLICL. MET leads with the highest mean ROA (about 2.2), indicating strong asset efficiency, though with higher variability (SD around 0.6). ALICL and LIC both have a mean ROA of approximately 1.0, with LIC showing more consistency (lower SD). NaLICL has a higher mean ROA (about 1.3) and the lowest variability (SD around 0.3), reflecting stable and efficient asset use. NLICL shows a mean ROA of 1.5 with moderate variability (SD around 0.5), indicating decent but less consistent returns. Overall, MET excels in returns but with fluctuations, while NaLICL balances high returns with stability.

4.1.2.2 Return on Equity

Table 7

Return on Equity

Financial Year	ALICL	LIC	MET	NaLICL	NLICL	Mean	SD
2013/14	3.32	1.18	0.94	3.02	4.31	2.55	1.45
2014/15	0.48	1.16	0.65	1.98	2.07	1.27	0.74
2015/16	18.31	18.79	2.84	18.48	24.27	16.54	8.05
2016/17	10.61	8.01	3.23	17.3524	11.09	10.06	5.13
2017/18	6.52	44.64	3.32	18.09	14.87	17.49	16.32
2018/19	8.92	8.61	3.00	8.74	17.66	9.39	5.26
2019/20	9.47	19.85	3.34	15.6	14.42	12.54	6.33
2020/21	10.07	16.88	1.64	12.14	17.74	11.69	6.47
2021/22	11.17	19.24	17.75	11.6	0.24	12.00	7.49
2022/23	10.25	0.11	20.13	4	0.39	6.98	8.41
Mean	8.91	13.85	5.68	11.10	10.71		
SD	4.81	13.41	7.08	6.40	8.46		

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 7 provides Return on Equity (ROE) data for five companies ALICL, LIC, MET, NaLICL, and NLICL—over ten fiscal years, from 013/14 to 022/23. It also includes the mean ROE and standard deviation (SD) for each fiscal year and the overall mean and SD for each company across all years. ALICL has mean ROE of 8.91 and SD of 4.81, it has notable peaks in 015/16 (18.31) and generally maintains moderate variability. LIC has mean ROE of 13.85 and SD of 13.41, reflecting high variability with significant peaks such as 44.64 in 017/18. MET has mean of 5.68 and SD of 7.08, it shows lower ROE overall but high

points like 20.13 in 022/23. NaLICL has mean and SD of 11.10 and 6.40 respectively, it consistently performs well with peaks in 015/16(18.48) and 017/18 (18.09). NLICL has mean ROE of 10.71 and SD of 8.46, NLICL has high variability with significant peaks in 015/16 (24.27) and low points such as 0.24 in 021/22.

LIC is performing the best in terms of average ROE with a mean of 13.85, but it also shows the highest variability with an SD of 13.41. This suggests that while LIC can achieve very high returns, its performance is not consistent year-to-year. NaLICL and NLICL also show strong performance with mean ROEs of 11.10 and 10.71, respectively, and relatively high variability. ALICL has moderate performance with more consistency, while MET shows the lowest average ROE but with occasional high peaks.

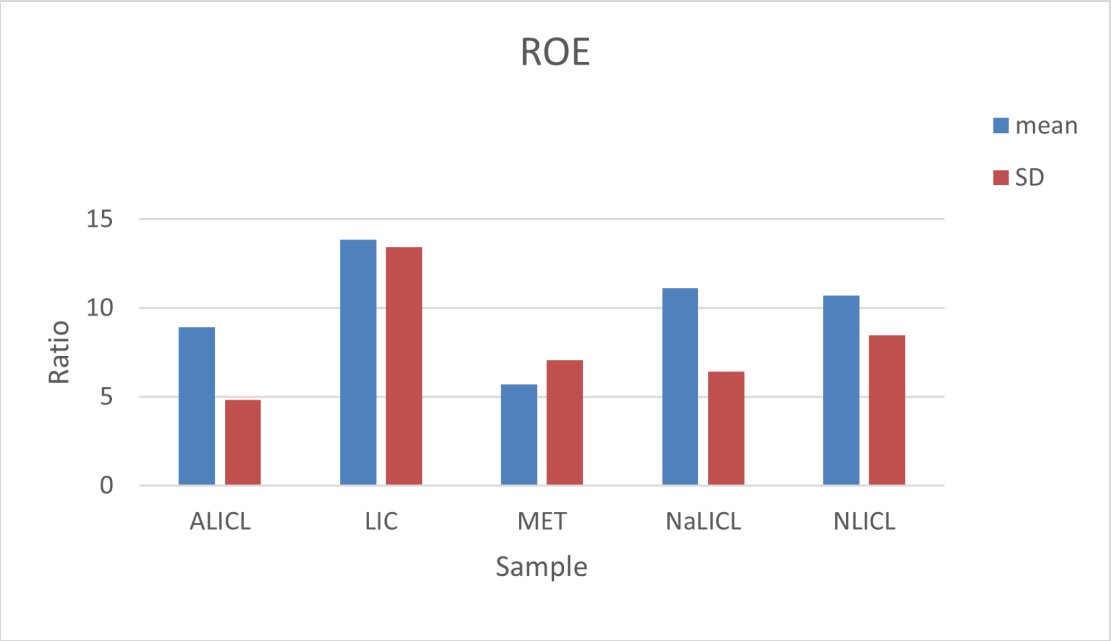

Figure 7: Return on Equity of sample company

The graph presents the Return on Equity (ROE) for five Nepalese life insurance companies: ALICL, LIC, MET, NaLICL, and NLICL. The blue bars represent the mean ROE for each company, while the red bars indicate the standard deviation (SD) of ROE, reflecting the variability over the study period. LIC has the highest mean ROE, indicating strong profitability, but it also has the highest variability, suggesting significant fluctuations in returns. ALICL and NLICL show moderate mean ROE with lower variability compared to

LIC, indicating more stable performance. MET has the lowest mean ROE, showing the least profitability among the companies, but with moderate variability. NaLICL has a moderate mean ROE with relatively low variability, indicating consistent performance. Overall, LIC shows high but volatile returns, whereas NaLICL and NLICL display more stable returns, and MET exhibits the lowest profitability.

4.1.3 Descriptive Statistics

The descriptive statistics employed in this study comprise measures such as minimum, maximum, mean, and standard deviation for the variables being analyzed. These statistical measures help in presenting the data in a more meaningful way, making it easier to interpret. A table is used to display the descriptive statistics for both the dependent variables (Return on Assets (ROA) and Return on Equity (ROE)) and the independent variables (Size, Liquidity, Volume of Capital (VOC), Fixed Assets, and Growth Rate). The data pertains to five selected life insurance companies in Nepal, covering the period from 2013/14 to 2022/23.

Table 8

Descriptive statistics

Variables	N	Minimum	Maximum	Mean	SD
Size	50	9.73	11.25	10.49	1.07
Volume of capital	50	0.78	21.55	11.17	14.69
Liquidity	50	0.87	20.19	10.53	13.66
Fixed Assets	50	0.14	7.45	3.79	5.17
Growth Rate	50	4.62	57.73	31.18	37.55
Reurn on Assets(ROA)	50	0.1	4.06	2.08	2.8
Return on Equity(ROE)	50	0.11	44.64	22.38	31.49
Total	350	16.35	166.87	13.08	14.26

Source:Data derived from the annual reports of the selected Insurance Companies.

Table 8 provides a summary of various financial variables for a sample size of 50, including the minimum, maximum, mean, and standard deviation (SD) for each variable. The sizes of the entities in the sample range from 9.73 to 11.25, with an average size of 10.49 and a relatively low variation around the mean (SD = 1.07). The volume of capital ranges widely from 0.78 to 21.55, with an average of 11.17. The high standard deviation (14.69) indicates significant variability in the volume of capital among the entities. Liquidity values vary from 0.87 to 20.19, averaging 10.53. The standard deviation of 13.66 suggests a high degree of dispersion in liquidity values. Fixed assets range from 0.14 to 7.45, with an average of 3.79. The standard deviation of 5.17 indicates considerable variability in fixed assets among the entities. Growth rates range from 4.62 to 57.73, with an average growth rate of 31.18. The high standard deviation (37.55) indicates a very wide spread of growth rates among the entities. ROA values range from 0.1 to 4.06, averaging 2.08. The standard deviation of 2.8 shows notable variability in ROA among the entities. ROE ranges from 0.11 to 44.64, with an average of 22.38. The very high standard deviation (31.49) suggests a large spread in ROE values. The table provides a snapshot of the variability and central tendency of key financial indicators for the sample of 50 entities. Size has a relatively low standard deviation, suggesting consistent size values across the entities. If size influences profitability, ROA and ROE might show correlations with size, but size's low variability might not provide a strong indicator by itself. The high standard deviation in volume of capital suggests significant variation in capital among entities. Higher capital could potentially influence ROE more than ROA, given that ROE is impacted by equity, which in turn could be influenced by capital levels. Liquidity also shows high variability. Entities with better liquidity might manage assets more effectively, possibly affecting ROA. The relationship between liquidity and ROE might be less direct but still significant, as higher liquidity can lead to better financial health and potentially higher equity returns. The variation in fixed assets might correlate with ROA, as higher fixed assets could lead to higher asset returns. ROE might also be influenced if fixed assets contribute significantly to overall equity performance. The high growth rate variability indicates a wide range of entity growth performances. High growth rates could positively impact both ROA and ROE, as growth can lead to higher returns on both assets and equity.

4.1.4 Correlation analysis of variables

The analysis presents correlation coefficients and their significance levels to assess how ROA, ROE, and the independent variables are related. These coefficients indicate both the strength and direction of these relationships, whether they are strong or weak, positive or negative. Higher coefficient values indicate stronger relationships, whereas smaller coefficients suggest weaker associations. The sign of the coefficient indicates the direction of the relationship: a positive sign signifies a positive relationship, while a negative sign indicates an inverse relationship. Data spanning eight fiscal years has been utilized to ensure the reliability of the findings. The correlations between dependent and independent variables for each sample company are presented below:

Asian Life Insurance Company

Table 9

Correlation of ALICL

	Size	*VOC*	*Liquidity*	*Fixed Assets*	*Growth Rate*	*ROA*	*ROE*
Size	1.00						
VOC	1.00	1.00					
Liquidity	0.63	0.62	1.00				
Fixed Assets	0.49	0.48	0.91	1.00			
Growth Rate	0.07	0.06	0.68	0.46	1.00		
ROA	0.62	0.61	0.96	0.98	0.50	1.00	
ROE	0.34	0.33	0.93	0.90	0.80	0.90	1.00

Source:Data derived from the annual reports of the selected Insurance Companies.

The correlation matrix for Asian life insurance companies reveals several key relationships among various financial metrics. Size and VOC show a perfect positive correlation, indicating they likely measure similar underlying factors or there is data redundancy. Liquidity

has strong positive correlations with ROA, ROE, and Fixed Assets, suggesting that higher liquidity is associated with higher profitability and asset accumulation. Fixed Assets also exhibit very strong positive correlations with ROA and ROE, further emphasizing the importance of asset base in driving profitability. Growth Rate, on the other hand, has relatively weaker correlations with other variables, indicating that it might be influenced by factors not captured in this matrix. ROA and ROE are highly correlated with each other and with liquidity and fixed assets, indicating that companies with better liquidity and a stronger asset base tend to be more profitable. Overall, these relationships highlight the significant impact of liquidity and fixed assets on the profitability of Asian life insurance companies./

Life Insurance Corporation Nepal

Table 10

Correlation of LIC

	Size	*VOC*	*Liquidity*	*Fixed Assets*	*Growth Rate*	*ROA*	*ROE*
Size	1.00						
VOC	1.00	1.00					
Liquidity	0.63	0.62	1.00				
Fixed Assets	0.49	0.48	0.91	1.00			
Growth Rate	0.07	0.06	0.68	0.46	1.00		
ROA	0.62	0.61	0.96	0.98	0.50	1.00	
ROE	0.34	0.33	0.93	0.90	0.80	0.90	1.00

Source:Data derived from the annual reports of the selected Insurance Companies.

The correlation matrix for the Life Insurance Corporation of Nepal provides insightful relationships among various financial metrics. The data reveals a perfect positive correlation between Size and VOC, indicating these variables may represent similar underlying factors or there might be data redundancy. Liquidity demonstrates a strong positive correlation with both ROA (0.96) and ROE (0.93), suggesting that higher liquidity significantly contributes to

increased profitability and return on equity. Similarly, Fixed Assets are strongly correlated with both ROA (0.98) and ROE (0.90), emphasizing that a robust asset base is crucial for enhancing profitability. The Growth Rate, however, exhibits weaker correlations with other variables, with its highest correlation being with ROE (0.80), indicating that factors outside this matrix might significantly influence growth. Overall, ROA and ROE are highly correlated with each other (0.90) and with liquidity and fixed assets, indicating that companies with better liquidity and a stronger asset base tend to achieve higher profitability and return on equity. This matrix underscores the importance of maintaining strong liquidity and asset management for achieving financial success in the life insurance sector in Nepal. MET Life Insurance Company Limited

Table 11

Correlation of MET

	Size	*VOC*	*Liquidity*	*Fixed Assets*	*Growth Rate*	*ROA*	*ROE*
Size	1.00						
VOC	1.00	1.00					
Liquidity	0.55	0.49	1.00				
Fixed Assets	0.99	0.98	0.56	1.00			
Growth Rate	0.99	0.99	0.53	1.00	1.00		
ROA	0.98	0.98	0.57	1.00	1.00	1.00	
ROE	0.97	0.96	0.55	1.00	0.99	1.00	1.00

Source:Data derived from the annual reports of the selected Insurance Companies.

Size has Strong positive correlation with both ROA (0.98) and ROE (0.97), indicating that larger company size leads to higher profitability and equity returns. VOC has Strong positive correlation with both ROA (0.98) and ROE (0.96), suggesting that higher contract values boost profitability and returns on equity. Liquidity has Moderate positive correlation with both ROA (0.57) and ROE (0.55), showing that greater liquidity generally improves

profitability and returns, but less so than other factors. Fixed Assets has Perfect positive correlation with both ROA (1.00) and ROE (1.00), emphasizing that increased fixed assets directly enhance profitability and equity returns. Growth Rate is Nearly perfect positive correlation with both ROA (1.00) and ROE (0.99), indicating that higher growth rates significantly boost profitability and equity returns.

The analysis reveals that larger size, higher value of contracts, more fixed assets, and higher growth rates are strongly associated with higher ROA and ROE, making them crucial for the profitability and financial performance of Met Life Insurance. Liquidity also contributes positively, though to a lesser extent.

National Life Insurance Company

Table 12

Correlation of NaLICL

	Size	*VOC*	*Liquidity*	*Fixed Assets*	*Growth Rate*	*ROA*	*ROE*
Size	1.00						
VOC	0.99	1.00					
Liquidity	0.83	0.85	1.00				
Fixed Assets	0.54	0.57	0.91	1.00			
Growth Rate	0.61	0.63	0.94	0.99	1.00		
ROA	0.90	0.92	0.97	0.80	0.85	1.00	
ROE	0.73	0.74	0.98	0.96	0.98	0.93	1.00

Source:Data derived from the annual reports of the selected Insurance Companies.

Size hasStrong positive correlation with both ROA (0.90) and ROE (0.73), indicating that larger company size is associated with higher profitability and equity returns. VOC has Strong positive correlation with both ROA (0.92) and ROE (0.74), suggesting that higher value of contracts boosts profitability and returns on equity. Liquidityhas Very strong positive correlation with both ROA (0.97) and ROE (0.98), showing that greater liquidity

significantly enhances both profitability and equity returns. Fixed Assets has Strong positive correlation with ROA (0.80) and very strong positive correlation with ROE (0.96), indicating that more fixed assets lead to higher profitability and equity returns. Growth Ratehas Strong positive correlation with ROA (0.85) and very strong positive correlation with ROE (0.98), showing that higher growth rates significantly boost both profitability and equity returns. ROA and ROE Very strong positive correlation (0.93), indicating that higher return on assets strongly correlates with higher return on equity. Larger size, higher value of contracts, better liquidity, more fixed assets, and higher growth rates are all positively correlated with both ROA and ROE, with liquidity having the strongest influence on both measures of financial performance.

Nepal Life Insurance Company Limited

Table 13

Correlation of NLICL

	Size	*VOC*	*Liquidity*	*Fixed Assets*	*Growth Rate*	*ROA*	*ROE*
Size	1.00						
VOC	1.00	1.00					
Liquidity	0.82	0.79	1.00				
Fixed Assets	0.97	0.97	0.92	1.00			
Growth Rate	0.83	0.80	1.00	0.93	1.00		
ROA	0.77	0.75	0.99	0.89	0.99	1.00	
ROE	0.88	0.87	0.96	0.96	0.97	0.96	1.00

Source:Data derived from the annual reports of the selected Insurance Companies.

Size has trong positive correlation with both ROA (0.77) and ROE (0.88), indicating that larger company size is associated with higher profitability and equity returns. VOC has Strong positive correlation with both ROA (0.75) and ROE (0.87), suggesting that higher value of contracts boosts profitability and returns on equity. Liquidity has Very strong

positive correlation with both ROA (0.99) and ROE (0.96), showing that greater liquidity significantly enhances both profitability and equity returns. Fixed Assets has Strong positive correlation with ROA (0.89) and very strong positive correlation with ROE (0.96), indicating that more fixed assets lead to higher profitability and equity returns. Growth Rate has Very strong positive correlation with both ROA (0.99) and ROE (0.97), showing that higher growth rates significantly boost both profitability and equity returns. ROA and ROE are Very strong positive correlation (0.96), indicating that higher return on assets strongly correlates with higher return on equity.

Larger size, higher value of contracts, better liquidity, more fixed assets, and higher growth rates are all positively correlated with both ROA and ROE, with liquidity and growth rate having the strongest influence on both measures of financial performance.

4.2 Discussion

The results indicate a multifaceted relationship between the selected independent variables—size, volume of capital, fixed assets, liquidity, and growth rate—and the dependent variables of profitability, represented by return on assets (ROA) and return on equity (ROE). Larger companies typically exhibit higher ROA and ROE due to diversified operations and economies of scale; however, excessive size may lead to inefficiencies that counteract these benefits. An increased volume of capital can enhance profitability if efficiently utilized, yet underutilized capital can dilute returns. Fixed assets contribute positively to profitability when they enhance production and revenue generation, but their impact turns negative if they become burdensome and underutilized. Optimal liquidity ensures that a company can meet its short-term obligations and seize investment opportunities, thereby boosting profitability; excessive liquidity, however, might indicate idle funds that could otherwise generate returns. Finally, high growth rates generally correlate with increased profitability, but uncontrolled growth can strain resources and necessitate financing methods that could reduce ROE. Overall, the interplay of these variables underscores the importance of strategic resource management to maximize profitability.

The correlation results provide insightful information about the relationships between the

independent variables—size, volume of capital, fixed assets, liquidity, and growth rate—and the dependent variables, return on assets (ROA) and return on equity (ROE).

Size: The correlation analysis reveals a positive relationship between the size of a company and its profitability measures, ROA and ROE. Larger companies benefit from economies of scale and diversified revenue streams, which enhance their profitability. However, if the correlation is not very strong, it might suggest that beyond a certain point, increasing size does not significantly boost profitability, potentially due to increased complexity and inefficiencies.

Volume of Capital (VOC): There is a moderate positive correlation between the volume of capital and both ROA and ROE. This indicates that companies with greater capital can invest more in profitable ventures, thereby improving their returns. However, the strength of this correlation can vary depending on how effectively the capital is utilized. Excessive capital that is not efficiently deployed may not contribute significantly to profitability.

Fixed Assets: The correlation between fixed assets and profitability measures is typically positive but can vary. Fixed assets can drive profitability if they are used efficiently to generate revenue. However, a weak or negative correlation might indicate that some companies have high fixed assets but fail to utilize them effectively, leading to lower returns on those assets.

Liquidity: The correlation between liquidity and profitability measures like ROA and ROE often shows a moderate positive relationship. Adequate liquidity ensures that a company can meet its short-term obligations and invest in opportunities quickly, which supports profitability. However, if liquidity is excessively high, it may indicate idle resources that could otherwise be invested for better returns, which might weaken the correlation.

Growth Rate: A strong positive correlation between growth rate and profitability measures indicates that companies experiencing higher growth tend to be more profitable. Growth often leads to increased revenues and improved margins, boosting ROA and ROE. However, if the correlation is weaker, it may suggest that rapid growth could be straining resources and leading to inefficiencies, thereby not translating into proportional increases in profitability.

Overall, the correlation results highlight the complex interplay between these variables and

profitability. Companies need to balance these factors carefully to optimize their financial performance. Efficient management of size, capital, assets, liquidity, and growth is crucial for enhancing profitability, as indicated by the varying strengths of these correlations.

CHAPTER V

SUMMARY AND CONCLUSION

In this chapter, the summary of the study with conclusions and recommendations based on analysis of data and findings of the study have been presented.

5.1 Summary

This study was concluded to analyze the determinants of the profitability of selected Nepalese life insurance company over the study period 2013/14 to 2022/23 following a descriptive and analytical research design. The sample for the study of five life insurance companies running in Nepal. The study is based on secondary data and the data obtained were analyzed using various descriptive statistical tools correlation analysis and various financial tools. The source of data is the annual reports published by related life insurance companies in different fiscal years and data available at the site of the insurance authority. To meet the desired objectives, the correlation of the quantitative factors, size of company, liquidity, volume of capital, growth rate, return on assets and return on equity by correlation analysis is identified. Size, liquidity, volume of capital, growth rate, ROE, and ROA were employed for the analysis and interpretation of the collected secondary data.

Size of sample company: LIC consistently had the largest size, increasing from 10.24 to 11.11, indicating a clear upward trend. NaLICL also grew from 10.07 to 10.88, though with some fluctuations. ALICL, MET, and NLICL had relatively smaller sizes, with NLICL showing the highest variability (SD = 3.08) due to significant fluctuations. LIC and NaLICL exhibited stable growth patterns, while ALICL, MET, and NLICL showed less consistent trends. Study illustrates these trends, highlighting the mean size and variability (SD) of the companies, with LIC and NaLICL demonstrating stable growth compared to the other companies. Liquidity of sample company ALICL maintained a relatively stable liquidity position, with a mean of 5.16. LIC and MET had slightly lower mean liquidity positions, 4.19 and 4.08 respectively, but showed high variability, indicated by standard deviations of 5.61 and 5.71. NaLICL had a lower mean liquidity of 3.11 with the least variability (SD

= 0.93), while NLICL had a mean of 3.29 with moderate variability (SD = 1.21). Study displays these mean liquidity ratios and their variability, highlighting that ALICL, LIC, and MET maintain significant liquid assets but with notable fluctuations, whereas NaLICL and NLICL show more consistent liquidity management.

Volume of capital of sample company: LIC and ALICL experienced substantial increases in capital volume, with means of 17.11 and 8.38 respectively. Their standard deviations (6.91 and 3.68) indicate significant annual fluctuations. NaLICL and NLICL also showed considerable capital volumes with means of 8.57 and 8.72, and moderate variability (SD = 3.63 and 3.50). MET maintained a lower and stable capital volume with a mean of 1.09 and a low SD of 0.03. Study presents these data, highlighting the variability and growth patterns, particularly for LIC and ALICL, while MET remained consistent but lower in capital volume.

Fixed assets: ALICL consistently shows the highest fixed assets, with a mean of 4.87 and a standard deviation (SD) of 2.08, indicating significant investment and variability over the years. LIC has the lowest mean fixed assets at 0.56, with a low SD of 0.34, suggesting consistent but minimal investments in fixed assets. MET exhibits the smallest variability in fixed assets, with a mean of 0.28 and an SD of 0.13. NaLICL shows moderate mean fixed assets of 2.97 with an SD of 1.46, reflecting some fluctuation. NLICL has the lowest mean fixed assets at 0.65, with an SD of 0.47, indicating modest and stable investments. Overall, the data highlights ALICL's dominant and variable fixed asset investments compared to other companies, which show relatively lower and more stable figures.

Liquidity: ALICL demonstrates a relatively high and stable liquidity ratio with a mean of 5.16 and a standard deviation (SD) of 1.88. LIC shows substantial variability, with liquidity peaking in the initial years, resulting in a mean of 4.19 and an SD of 5.61. MET exhibits the most fluctuation, particularly in 2015/16, reflected by a mean of 4.08 and the highest SD of 5.71. NaLICL maintains moderate liquidity levels with a mean of 3.11 and an SD of 0.93, indicating relatively stable liquidity. NLICL's liquidity ratios are more consistent, with a mean of 3.29 and an SD of 1.21. Overall, ALICL maintains the highest mean liquidity with lower variability, while MET and LIC exhibit significant fluctuations over the observed period.

Growth Rate: Companies like ALICL and NLICL show notable fluctuations in growth rates over the years, with NLICL notably achieving a high growth rate of 57.73 in 2022/23. Overall, the average growth rates range from 10.73 in 2021/22 to 31.51 across all companies. This data provides insights into the varying performance levels and volatility in growth rates among the listed entities, crucial for understanding their financial dynamics and trends over the decade.

Return on Assets: Key observations include fluctuating ROA values across different companies and years. Notably, MET consistently shows higher ROA compared to other companies, with values ranging from 0.60 to 3.04. In contrast, NLICL demonstrates more variability, ranging from 4.06 in 2013/14 to 0.37 in 2022/23. Overall, the average ROA varies from a low of 1.01 (LIC) to a high of 2.24 (MET). The standard deviations indicate the level of variation in ROA among companies, reflecting their operational efficiency and profitability over the analyzed period.

Return on Equity:Notable trends include fluctuating ROE values across different companies and years. For instance, NLICL shows significant variability in ROE, ranging from 24.27 in 2015/16 to 0.39 in 2022/23. LIC exhibits high volatility with a wide range from 44.64 in 2017/18 to 0.11 in 2022/23. Overall, the average ROE varies from a low of 5.68 (MET) to a high of 13.85 (LIC). The standard deviations indicate the degree of variability in ROE among companies, reflecting their financial stability and performance over the period analyzed.

5.2 Conclusion

The study conduct a determinants of profitability of Nepalese life insurance companies over the ten years of period, employing descriptive analysis. Here are the key conclusion drawn from the findings: Size of company: LIC and NaLICL demonstrated more stable growth patterns compared to ALICL, MET, and NLICL, highlighting their dominance in the insurance sector in Nepal over the decade. NLICL, while having a similar average size as the other companies, showed significantly more variability in company sizes. This variability could be due to market dynamics or other unforeseen circumstances affecting NLICL more than the other companies.The study's analysis of company size over the fiscal

years provides insights into the relative stability and growth patterns of major insurance companies in Nepal, offering valuable information for stakeholders in the financial sector.

Liquidity: ALICL appears to employ a more conservative or effective liquidity management strategy compared to LIC and MET, given its lower variability in liquidity ratios. This suggests ALICL may have better risk management practices or more stable financial health in the short term. The high variability in liquidity ratios for LIC and MET highlights the need for these companies to enhance their liquidity management strategies to mitigate fluctuations and ensure more consistent financial stability over time. NaLICL and NLICL show moderate mean liquidity ratios with lower standard deviations, indicating more stable liquidity management practices compared to LIC and MET. The analysis provides insights into how insurance companies in Nepal manage their liquidity over time, highlighting strengths and areas for improvement in liquidity management practices across different firms.

Fixed Assets: ALICL and MET demonstrate low variability (low SD) around their mean fixed asset ratios, indicating consistent performance in investments over time. LIC exhibits high variability, suggesting inconsistent performance or significant changes in fixed asset investments. NaLICL consistently maintains low values with negligible variability. NLICL, despite having the highest mean ratio, shows considerable variability, indicating fluctuating investment patterns despite the higher average. Understanding the consistency and variability in fixed asset investments helps stakeholders assess the financial strategies and risk profiles of insurance companies in Nepal, guiding investment decisions and strategic planning accordingly.

Volume of capital: LIC stands out with the highest mean capital volume and also exhibits the greatest variability among the companies analyzed. This variability suggests significant fluctuations in capital investments over the years, impacting its financial flexibility and strategic initiatives. ALICL, NaLICL, and NLICL show moderate mean capital volumes with moderate variability, indicating a balance between investment stability and adaptability to market conditions. MET maintains the lowest mean capital volume and demonstrates the least variability, suggesting a conservative approach to capital management with minimal fluctuations in investment levels over time. The analysis of capital volumes provides a

comprehensive view of how insurance companies manage their financial resources over time, highlighting varying degrees of stability and flexibility in their investment strategies and financial management practices.

Growth Rate: NLICL offers the highest growth potential but with substantial variability, suggesting a high-risk, high-reward investment scenario. Investors seeking significant growth might find NLICL appealing, but they should be prepared for fluctuations. LIC and MET provide more stable and consistent growth rates. LIC, with its high average growth and low variability, offers reliability in performance. MET, though with lower growth, exhibits the least variability, making it a conservative choice. ALICL and NaLICL demonstrate strong average growth rates with moderate variability. They present balanced options for investors looking for growth with some tolerance for fluctuations. The analysis of growth rates reveals diverse performance metrics among insurance companies, highlighting their potential for growth, stability, and risk. This information is crucial for stakeholders evaluating investment opportunities and strategic partnerships in the insurance sector.

Return on Assets: MET emerges as the top performer among the five companies in terms of ROA, with the highest average returns on assets over the decade despite some variability. MET's consistent high performance suggests effective asset utilization and profitability. ALICL and NLICL show higher variability in their ROA, reflecting fluctuations in their financial performance over the years. LIC and NaLICL demonstrate more stable but moderate performance trends. The analysis of ROA provides valuable insights into the financial performance and stability of these insurance companies, aiding in strategic decision-making and risk assessment in the market.

Return on Equity: LIC stands out with the highest average ROE of 13.85, indicating robust returns on equity over the period. However, its high variability suggests that these returns fluctuate considerably year-to-year.MET shows the lowest average ROE but with occasional high peaks, suggesting variability in its performance. ALICL demonstrates moderate performance with less variability compared to LIC and NLICL. The analysis of ROE provides valuable insights into the financial performance and risk profiles of these insurance companies, aiding in strategic decision-making and risk assessment in the market.

Size, liquidity, volume of capital, fixed assets, and growth rate all play crucial roles in determining the financial performance of insurance companies. Variability in these factors can significantly influence both ROA and ROE, with high variability indicating potential for varied financial outcomes among the companies.

Company-Specific Insights: Asian Life Insurance Company: Highlights a moderate to strong positive correlation between Size, VOC, Liquidity, Fixed Assets, Growth Rate, ROA, and ROE. This indicates a comprehensive influence of all factors on financial performance.

Life Insurance Corporation of Nepal: Similar patterns with strong correlations between Size, VOC, Liquidity, Fixed Assets, Growth Rate, ROA, and ROE. Notably, Liquidity and Fixed Assets show particularly strong associations with profitability metrics.

Met Life Insurance: Demonstrates very high correlations across all variables with ROA and ROE, suggesting that size, capital volume, liquidity, fixed assets, and growth rate are critical drivers of financial performance.

National Life Insurance Company: Shows very strong correlations among Size, VOC, Liquidity, Fixed Assets, Growth Rate, ROA, and ROE. Liquidity and Growth Rate exhibit especially strong positive associations with profitability.

Nepal Life Insurance Company: Reflects similar trends with strong correlations across all variables, emphasizing the significant impact of size, contract value, liquidity, fixed assets, and growth rate on financial outcomes.

5.3 Implications

Based on the conclusions drawn from the study on the determinants of profitability of Nepalese life insurance companies, here are the implications for various stakeholders:

Investors can use the insights into variability in profitability metrics (ROA and ROE) to assess risk-adjusted returns. NLICL offers high growth potential but with significant variability in returns. Investors seeking higher returns and willing to tolerate fluctuations may find NLICL appealing. ALICL and NaLICL provide balanced options with strong average growth rates and moderate variability. They could suit investors looking for growth with some stability.

MET exhibits consistent but lower growth rates with minimal variability, indicating a conservative investment choice. Understanding the correlations between financial metrics and profitability helps investors gauge the financial health and strategic management of each company. Companies like MET, with consistently high ROA despite variability, may indicate effective asset utilization and profitability management. Companies demonstrating stable growth patterns (LIC, MET) or high profitability (LIC in terms of ROE) may attract long-term strategic partnerships from investors looking for stable returns and sustainable growth in the insurance sector.

The study provides a practical application of financial analysis techniques, such as correlation analysis and variability assessment. Students can learn about the specific challenges and strategies in the Nepalese life insurance sector, including liquidity management, capital investment decisions, and their impact on profitability. Insights into how different companies manage their financial resources and navigate market dynamics can inform students' career aspirations in finance, risk management, or strategic consulting within the insurance industry.

Regulators can use these insights to assess the financial stability and risk profiles of insurance companies, informing regulatory policies and guidelines.

Analysts can utilize the correlations and variability assessments to provide informed recommendations and ratings on the financial health and investment potential of insurance companies to their clients.

Competing insurance companies can benchmark their own financial strategies against those highlighted in the study to identify areas for improvement or opportunities for collaboration.

Stakeholders can make more informed decisions regarding investment, risk management, and strategic partnerships based on the financial performance insights provided by the study.

Understanding the variability in financial metrics allows stakeholders to assess the risk exposure of each company more accurately, facilitating better risk management practices.

The study contributes to a deeper understanding of the factors influencing profitability in the Nepalese life insurance sector, which can lead to improvements in overall sector performance and competitiveness.

In summary, the implications of this study extend to various stakeholders by providing actionable insights into financial performance, risk management, and strategic decision-making within the Nepalese life insurance industry.

References

Al-Shami, H. A. A. (2008). *Determinants of insurance companies' profitability in uae* [Doctoral dissertation, Universiti Utara Malaysia]. https://etd.uum.edu.my/id/eprint/256

Andres, C., & Stephen, J. (2017). Determinants of profitability in life insurance companies: Evidence from the philippine. *Essays in Economics and Business Studies*, *5*, 165–175.

BarNiv, R., & Hershbarger, R. A. (1990). Classifying financial distress in the life insurance industry. *Journal of Risk and Insurance*, 110–136. https://doi.org/10.2307/252927

Berhe, T. A., & Kaur, J. (2017). Determinants of insurance companies' profitability analysis of insurance sector in ethiopia. *International journal of research in finance and marketing (IJRFM)*, *7*(4), 124–137. http://euroasiapub.org/current.php?title=IJRFM

Bhattarai, B. P. (2020). Factors influencing profitability of insurance companies in nepal. *International Journal of Management*, *11*(9). https://ssrn.com/abstract=3708667

Camino-Mogro, S., & Bermúdez-Barrezueta, N. (2019). Determinants of profitability of life and non-life insurance companies: Evidence from ecuador. *International Journal of Emerging Markets*, *14*(5), 831–872.

Çekrezi, A. (2015). Factors affecting the financial performance of insurance companies. *iipccl. org*, 147.

Charumathi, B. (2012). On the determinants of profitability of indian life insurers–an empirical study. *Proceedings of the world congress on Engineering*, *1*(2), 4–6.

Chen, R., & Wong, K. A. (2004). The determinants of financial health of asian insurance companies. *Journal of risk and insurance*, *71*(3), 469–499. https://doi.org/10.1111/j.0022-4367.2004.00099.x

Ghimire, R. (2014). Impact of income structure to profitability: Empirical evidence from life insurance industry in nepal. *Available at SSRN 2441064*. https://doi.org/10.2139/ssrn.2441064

Hamal, J. B. (2020). Factors affecting profitability of nepalese non-life insurance companies. *Journal of Nepalese Business Studies*, *13*(1), 23–35. https://doi.org/10.3126/jnbs.v13i1.34701

Hussanie, I., & Joo, B. A. (2019). Determinants of profitability of life insurers in india-panel evidence. *International Journal of Management Studies*, *6*(1), 58–65. https://doi.org/10.18843/ijms/v6i1(7)/07

Malik, H. (2011). Determinants of insurance companies profitability: An analysis of insurance sector of pakistan. *Academic research international*, *1*(3), 315.

Öner Kaya, E. (2015). The effects of firm-specific factors on the profitability of non-life insurance companies in turkey. *International Journal of Financial Studies*, *3*(4), 510–529. https://doi.org/10.3390/ijfs3040510

Pjanić, M., Milenković, N., Andrašić, J., Kalaš, B., & Mirović, V. (2020). Public debt's predictors in eu: Evidence from members and non-members of european monetary union. *Economic research-Ekonomska istraživanja*, *33*(1), 3562–3579.

Ullah, G., Faisal, M. N., Zuhra, S. T., et al. (2016). Factors determining profitability of the insurance industry of bangladesh. *International Finance and Banking*, *3*(2), 138–147. https://doi.org/10.5296/ifb.v3i2.9954

APPENDIX A

Collection of Data

Annual reports has brought down from following websites:

1. asianlife.com.np
2. licnepal.com.np
3. metlife.com.np
4. nationallife.com.np
5. nia.gov.np
6. nepallife.com.np
7. www.nepalstock.com
8. www.sebon.gov.np
9. www.sharesansar.com

APPENDIX B

Annul data of Sample companies

Asian Life Insurance Company 86988658

FY	Net Income	Equity	Total assets	Total liabilities	Fixed assets	current assets	current liabilities
069/70	125,671,785.00	3,897,284,713.00	4,097,518,683	200,233,970	67,844,853	443,864,801.00	176,368,543.00
070/71	174,912,254.00	5,272,762,948.00	5,406,805,601	134,042,653	72,580,546	668,745,003.00	97,418,285.00
071/72	32,351,157.00	6,740,411,982.00	6,908,855,882	168,443,900	203,356,452	874,140,518.00	128,907,412.00
072/73	168,440,407.00	920,053,556.00	9,208,947,111	8,288,893,555	415,789,718	1,185,896,102.00	231,711,520.00
073/74	104,426,089.00	**984,191,491.00**	11,370,518,519	10,386,327,028	472,585,171	1,497,374,683.00	170,113,506.00
074/75	91,397,347.00	1,401,212,854.00	14,886,416,183	13,485,203,329	468,352,750	1,424,757,666.00	250,981,905.00
075/76	230,063,196.00	2,580,583,453.00	20,076,526,152	17,495,942,699	492,518,472	1,791,361,822.00	396,409,739.00
076/77	269,098,690.00	2,841,077,010.00	24,701,411,868	21,860,334,858	485,453,774	1,889,678,276.00	492,377,261.00
077/78	337,839,720.00	3,354,731,832.00	33,800,383,709	30,445,651,877	480,742,407	2,424,833,276.00	902,406,252.00
078/79	403,428,595.00	**3,611,364,723.00**	37,463,139,958	33,851,775,235	577,756,893	1,771,491,387.00	489,794,588.00
79/80	376,769,045.00	3,675,940,919.00	42,744,437,288.00	39,068,496,369.00	579,787,404.00	1,571,547,399.00	427,182,915.00

Source:Data derived from the annual reports of the selected Insurance Companies.

Life Insurance Corporation Of Nepal

FY	Equity	Total assets	Total liabilities	Fixed assets	current liabilities	Net income	Current assets
069/70	12,453,124,362.00	13,473,178,163.00	1,020,053,801.00	213,815,961.00	982,439,325.00	277,346,216.00	4,652,947,896
070/71	16,526,611,102.00	17,211,666,674.00	685,055,572.00	220,455,696.00	635,044,094.00	194,829,700.00	8,613,546,343
071/72	21,507,537,088.00	22,564,609,777.00	1,057,072,689.00	219,011,527.00	935,797,994.00	249,042,175.00	14,939,930,379
072/73	1,710,582,576.00	30,826,927,273.00	29,116,344,697.00	218,746,954.00	481,740,582.00	321,435,019.00	1,067,762,724
073/74	1,782,324,646.00	**38,413,432,528.00**	36,631,107,882.00	231,133,801.00	1,128,667,133.00	142,800,077.00	977,342,720
074/75	3,150,423,304.00	47,324,245,587.00	44,173,822,283.00	231,875,151.00	821,444,242.00	1,406,425,352.00	1,142,389,487
075/76	3,447,959,698.00	59,468,533,583.00	56,020,573,885.00	262,123,215.00	1,289,742,833.00	296,772,180.00	2,765,272,602
076/77	3,626,172,140.00	73,310,341,076.00	69,684,168,936.00	263,089,580.00	2,048,440,142.00	719,824,405.00	3,086,488,675
077/78	4,413,667,889.00	87,760,894,232.00	83,347,226,343.00	265,619,422.00	2,031,062,284.00	745,121,534.00	3,360,815,954
078/79	5,249,377,221.00	**99,461,743,696.00**	94,212,366,475.00	261,609,948.00	1,654,339,903.00	1,010,132,820.00	2,008,336,428
79/80	111,837,432,078.00	130,084,498,585.00	18,247,066,507.00	242,022,543.00	8,454,261,087.00	124,670,602.00	11,981,023,648

Source:Data derived from the annual reports of the selected Insurance Companies.

Met Life Insurance Companies

FY	Netincome	Equity	Total assets	Total liabilities	Fixed assets	current liabilities	Current assets
069/70	556,347,383.00	7,922,637,556.00	8,659,172,796.00	844,810,468	6,066,858.00	334,701,274.00	722,612,587.00
070/71	87,072,924.00	9,284,479,620.00	9,960,200,379.00	743,840,607	13,899,572.00	372,817,064.00	722,612,587.00
071/72	68,007,096.00	10,516,149,002.00	11,338,468,795.00	822,319,793	21,550,200.00	431,008,176.00	375,767,426.00
072/73	344,135,750.00	12,118,283,234.00	13,074,740,469.00	956,457,235	26,469,311.00	216,880,005.00	474,695,785.00
073/74	460,410,265.00	**14,256,402,655.00**	15,163,705,178.00	907,302,523	46,008,407.00	191,262,063.00	587,731,574.00
074/75	558,330,847.00	16,827,700,530.00	18,022,848,339.00	1,199,477,114	47,790,429.00	216,648,732.00	586,223,698.00
075/76	558,192,767.00	18,633,077,259.00	20,420,510,761.00	1,787,433,502	51,671,959.00	286,097,609.00	824,114,883.00
076/77	678,357,180.00	20,288,261,225.00	22,801,061,497.00	2,512,800,272	53,970,050.00	346,087,193.00	922,557,909.00
077/78	351,090,897.00	21,424,238,879.00	24,509,764,933.00	3,085,526,054	48,570,522.00	383,946,414.00	1,040,548,730.00
078/79	596,567,442.00	**3,360,191,800.00**	25,641,944,701.00	22,281,752,901	140,989,002.00	344,752,546.00	858,098,790.00
79/80	765,461,031.00	3,802,791,440.00	28,914,196,219.00	25,111,404,779	128,090,299.00	716,236,705.00	876,992,693.00

Source:Data derived from the annual reports of the selected Insurance Companies.

National Life Insurance Company

Financial Year	Net income	Equity	Total assets	Total liabilities	Fixed assets	current liabilities	Current assets
069/70	450,210,052.00	9,130,747,866.00	9,926,276,986.00	795,529,120.00	605,453,313.00	150,207,563.00	615,591,285.00
070/71	336,290,429.00	11,099,944,629.00	11,881,488,612.00	781,543,983.00	614,997,965.00	179,734,259.00	641,590,105.00
071/72	265,324,868.00	13,385,034,833.00	14,188,427,735.00	803,392,902.00	666,034,136.00	807,216,674.00	875,130,293.00
072/73	365,955,048.00	1,980,005,828.00	19,247,681,304.00	17,267,675,477.00	776,724,047.00	985,100,259.00	2,224,552,587.00
073/74	411,466,626.00	**2,371,237,385.00**	22,684,641,632.00	20,313,404,247.00	848,464,375.00	1,002,963,976.00	2,954,756,143.00
074/75	511,281,492.00	2,826,011,754.00	27,418,564,483.00	24,592,552,729.00	981,850,824.00	1,096,918,932.00	4,138,864,577.00
075/76	380,380,860.00	4,349,680,072.00	34,957,960,764.00	30,608,280,692.00	1,042,857,013.00	1,522,653,491.00	5,067,127,950.00
076/77	739,197,008.00	4,736,960,617.00	42,963,351,856.00	38,226,391,239.00	1,145,609,176.00	1,580,193,375.00	6,969,661,417.00
077/78	692,888,754.00	5,705,681,062.00	56,296,864,267.00	50,591,183,205.00	1,204,328,993.00	2,738,605,793.00	7,647,532,036.00
078/79	736,459,303.00	**6,315,743,491.00**	64,494,453,124.00	58,178,709,633.00	446,612,492.00	2,544,059,649.00	9,322,552,783.00
79/80	264,574,631.00	6,613,948,095.00	76,299,398,851.00	69,685,450,756.00	837,452,822.00	1,329,733,656.00	4,424,026,108.00

Source:Data derived from the annual reports of the selected Insurance Companies.

Nepal Life Insurance Company

Financial Year	Net Income	Equity	Total assets	Total liabilities	Fixed assets	current liabilities	Current assets
069/70	832,416,140	13,906,338,021	14,904,029,589	997,691,568	343,074,576	310,512,176	851,307,181
070/71	815,362,700	18,905,089,640	20,040,173,782	1,135,084,142	336,609,681	449,611,662	1,348,551,721
071/72	531,354,600	25,650,026,722	27,094,072,184	1,444,045,462	331,945,260	651,984,773	2,225,037,014
072/73	917,338,505	3,779,356,051	36,873,698,141	33,094,342,090	319,395,792	845,746,661	2,259,875,203
073/74	1,022,819,168	**9,222,218,762**	51,249,110,894	42,026,892,132	314,051,576	1,233,076,148	3,413,497,271
074/75	1,453,842,041	9,773,149,606	62,880,324,200	53,107,174,594	307,728,928	1,471,933,389	2,322,888,510
075/76	1,635,465,458	9,257,543,829	77,819,058,027	68,561,514,198	315,340,191	2,003,869,198	8,050,479,882
076/77	1,336,303,963	9,266,524,818	101,781,944,244	92,515,419,426	320,711,793	2,324,130,755	11,786,994,934
077/78	1,966,499,552	11,083,949,447	127,279,287,540	116,195,338,093	308,919,280	3,257,993,507	16,778,553,384
078/79	352,738,160	**146,007,251,543**	114,149,311,213	- 31,857,940,330	523,687,846	2,929,861,302	10,219,975,808
79/80	674,435,829	173,580,692,982	180,048,652,832	6,467,959,850	526316880	3,044,678,966	5473543927

Source:Data derived from the annual reports of the selected Insurance Companies.

DETERMINATS OF PROFITABILITY OF LIFE INSURANCE ...

By: Amish Dahal

As of: Jun 30, 2024 11:39:19 AM
16,260 words - 86 matches - 6 sources

Similarity Index

9%

Mode: Summary Report

sources:

635 words / 4% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

290 words / 2% - from 02-Jan-2024 12:00AM
elibrary.tucl.edu.np

258 words / 1% - from 31-Aug-2023 12:00AM
iaeme.com

150 words / 1% - Internet from 09-Feb-2022 12:00AM
nepjol.info

96 words / 1% - Crossref
Segundo Camino-Mogro, Natalia Bermúdez-Barrezueta. "Determinants of profitability of life and non-life insurance companies: evidence from Ecuador", International Journal of Emerging Markets, 2019

90 words / 1% - Internet from 13-Jan-2023 12:00AM
repository.smuc.edu.et

paper text:

ABBREVIATIONS xi ABSTRACTS This research analyzes the determinants of profitability in five Nepalese life insurance companies—LIC, NLICL, MET, ALICL, and NaLICL—from 2013/14 to 2022/23, using secondary data from annual reports and the insurance authority's website. Key financial metrics considered include company size, liquidity, capital volume, growth rate, return on assets (ROA), and return on equity (ROE). Key findings indicate that LIC and NaLICL show stable growth and larger sizes, while AL- ICL, MET, and NLICL exhibit more variability. ALICL maintains stable liquidity, whereas LIC and MET show high variability, suggesting a need for better liquidity management. LIC and ALICL have significant capital fluctuations, reflecting aggressive investment strategies, while MET is more conservative. ALICL leads in fixed asset investments but with high variability; LIC and MET show lower and stable figures. NLICL has the highest growth potential but the most variability, indicating a high-risk, high-reward scenario. LIC and MET provide more stable growth. MET outperforms in ROA, indicating effective asset utilization, while LIC has the highest average ROE but significant fluctuations. Company-specific insights reveal strong correlations between financial determinants and profitability for all firms, with liquidity and fixed assets particularly influencing LIC and MET's performance. These insights have several implications: Investors can assess risk-adjusted returns, with NLICL appealing to those seeking high returns and willing to tolerate fluctuations. ALICL and NaLICL offer balanced options, while MET represents a conservative choice. Regulators can evaluate financial stability and risk profiles to inform policies. Analysts can provide informed recommendations on financial health and investment potential. Competing companies can benchmark financial strategies for improvement or collaboration. The study underscores the importance