FACTORS AFFECTING MARKET SHARE PRICE OF NEPALESE INSURANCE COMPANIES

A Dissertation Submitted to Office of the Dean, Faculty of Management in partial fulfillment of the Requirements for the Degree of Master of Business Studies (MBS)

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Factors Affecting Market Share Price of Nepalese Insurance Companies"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

Ms. Monika Dahal has defended research proposal entitled **"Factors Affecting Market Share Price of Nepalese Insurance Companies"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Sita Dhital and Rishi Ram Pantha to submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Factors Affecting Market Share Price of Nepalese Insurance Companies"** presented Monika Dahal, a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Monika Dahal

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ABBREVIATIONS

BVS Book Value of Shares

DPS Dividend Per Share

DY Dividend Yield

EPS Earnings Per Share

MPS Market Price Per Share

P/E Price-Earning

RR Retention Ratio

ABSTRACT

The aim of this research was to investigate the factors affecting the market share price of Nepalese Insurance Companies. The study was conducted on a sample of six insurance companies of Nepal, three of which were life insurance companies and three were non-life insurance companies. The research employed descriptive research and causal-comparative research design to meet the objectives of the study. Secondary data was collected from Annual Reports of the selected Insurance Companies from Fiscal Year 2070/71 to 2079/80. Correlation matrix was used to establish the relationship between the variables EPS, DPS, BVS, P/E Ratio, DY, RR, and Age of Company with the MPS. On the effect of various factors on the MPS, a regression analysis was conducted. For statistical hypothesis testing, p-value (probability value) is used to either accept or reject a hypothesis. Notably, a positive correlation between variables such as DPS, EPS, and P/E ratio and MPS was realized in the research study where DPS and EPS had a significant positive relationship and P/E ratio had a weak positive correlation with MPS. Conversely, MPS showed a weak negative relationship with DY and RR and a negligible negative relationship with BVS and Age of Company. The hypothesis testing results aligned with the findings of the correlation analysis. Moreover, the study indicated that DPS and EPS were the most influential factors in the Market Share Price of Nepalese Insurance companies. In conclusion, this study enriches the specific field of research that addresses factors affecting the market share price of Nepalese Insurance Companies, and the existing research can be useful for further research conducted not only within the same industry and the same country but also for the comparison with other countries, which will extend the existing knowledge base concerning the situation of Market Share Prices.

Keywords*: Nepalese Insurance Companies, Market Share Price (MPS), Earnings Per Share (EPS), Dividend Per Share (DPS), Retention Ratio (RR)*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Insurance companies offer distinctive financial products towards the growth and development of any economy. Insurance companies generate income from two sources: insurance premium and investment return. The revenue in the form of insurance premium is relatively stable, but the returns from investment may vary from time to time depending on the performance of financial markets. Accordingly, insurance companies incur two major types of expenses: payments on insurance policies and operating expenses. The profits of insurance companies vary considerably depending on the income and expenses (Paudel et al., 2016).

Insurance being a financial intermediary is an important aspect of economic development of any nation. Insurances as a risk transfer system offers financial cover in case of unforeseen losses. The world of today is unpredictable and full of risks and insurance is a vehicle through which people can overcome the risks that they cannot control. In the same way, insurance companies can be seen as a significant section of an institutional investment of any country since they invest in corporate securities in addition to other pooled investment programs through which they generate adequate amounts of income to cover their liabilities i.e. promised insurance benefits (Securities Board of Nepal, 2007). Insurance also makes a positive contribution to the economy of Nepal. The industry is steadily gaining more share in the country's GDP.

The insurance sector in Nepal commenced its journey in 2004 B.S. with the establishment of 'Nepal Malchalani Tatha Beema Company'. This venture was initiated through the collaboration of Nepal Bank Limited, the first commercial bank in the country, and the general public, who respectively held 51% and 49% ownership shares. This establishment is now known as 'Nepal Insurance Company Limited' dedicated to conducting non-life insurance operations in Nepal. Nepal Insurance Company holds the distinction of being the

foremost insurance company in Nepal, currently operating within the framework of the Insurance Act 2049.

In 2024 B.S. (1968 A.D.), the government of Nepal established 'Rastriya Beema Sansthan' under the Company Act with a capital of Re. 1 crore. Initially, the company exclusively engaged in non-life insurance business, but ventured into the life insurance business in 2029 B.S. This development is considered a significant milestone in the institutional growth of insurance in Nepal, as it marked the initiation of life insurance operations by Rastriya Beema Sanstha which went on to enjoy a monopoly in the Nepali insurance market for approximately 15 years.

The Insurance Board (Beema Samiti) was established, first as a separate Regulator of the Insurance Sector, in 2026 B.S, which under the Insurance Act, 2079 B.S. has been transformed into Nepal Insurance Authority (Nepal Beema Pradhikaran). At present, Nepal Insurance Authority is the sole Regulatory Agency that systematizes, regularizes, inspects and supervises insurance business in Nepal. It is an autonomous institution, established as per section 3 of the Insurance Act, 2079 B.S., having a legal perpetual succession. As of March 2025, a total of 37 insurance companies are operating in Nepal under Nepal Insurance Authority, 14 of which are life insurance companies, 14 are non-life insurance companies, two are reinsurance companies, and seven are micro insurance companies.

Nepal Stock Exchange Ltd. (NEPSE) is the sole stock exchange of Nepal for the secondary market that gives a means to the investors to buy and sell shares of publicly traded firms that are in Nepal. As the apex regulator of Securities Markets in Nepal, Securities Board of Nepal (SEBON) has been regulating the market under the Securities Act, 2006. With the digitization of stock trading process, the interest of the public towards investing and trading in stock market has risen significantly in Nepal. As a result of this, Nepal's share market is expanding rapidly, and investors are making increasingly informed decisions regarding their investments. As of March 2025, 12 life insurance companies and 12 non-life insurance companies are listed on NEPSE.

The stock market facilitates the buying and selling of existing shares between the investors. As a component of a free-market economy, stock markets enable democratized access to

investor trading and exchange of capital. The price of any stock is determined collectively by all its buyers and sellers i.e., through the demand and supply of that stock. The stock market ensures that all interested players in the market acquire the information of all buy and sale orders hence assisting in the fair and transparent pricing of securities. The market also has the merit of effective matching of proper buy and sell orders (Modern Markets Initiative, 2022).

The market price of shares is not only a reflection of supply and demand dynamics in the stock market but also serves as an indicator of the company's financial health. Almumani (2014) suggested that efficient market prices reveal valuable information about firm performance and value to investors. Corporate owners alongside prospective investors require a clear understanding of key variables which influence stock market prices to base their decisions on. The corporate finance scholars have identified financial ratios like dividend per share, earning per share, book value per share, dividend payout, price earnings ratio, and firm size as fundamental variables influencing the equity share prices (Adebisi & Lawal, 2015). Experts in corporate finance have conducted less comprehensive research about the influence of retained earnings on firm value compared to the decades of academic studies on other financial ratios worldwide (Tirmizi & Ahmad, 2013). Additionally, investors rely heavily on non-financial information reported by listed companies to make decisions before they invest funds because standardized true content about company strengths leads to better investment evaluation (Zhang & Wang, 2024). While Loderer and Waelchli (2010) investigated if firms weaken and lose their ability to compete over time, they found out that age of the company raises many fascinating questions for research. Bank and Insam (2021) demonstrated that corporate aging functions as a price-relevant stock characteristic across US equity markets while demonstrating significant interaction with multiple stock variables.

Several studies have been done in the past, but they have been limited to investigating the factors affecting the share price of Nepalese commercial banks. Those studies (Bhattarai, 2014; Pradhan & Dahal, 2016; Silwal & Napit, 2019) identified the determinants of stock price of commercial banks in Nepal and analysed their influence on the price variability. Insurance companies are one of the most important sectors in Nepal Stock Exchange (NEPSE), and investors are increasingly attracted towards this sector. However, there have not been significant amount of research to study the factors affecting share price of Nepalese

insurance companies. In this regard, this study seeks to analyse the factors affecting the share price of both life and non-life insurance companies currently listed on NEPSE by examining the relationship of financial ratios like Earning Per Share (EPS), Dividend Per Share (DPS), Price-Earning (P/E) Ratio, Book Value of Shares, Dividend Yield, Retention Ratio and non-financial factor as age of the company with Market Price of Shares. In 2023, the Nepal Insurance Authority (NIA) mandated that life insurance companies maintain a minimum paid-up capital of NPR 5 Arba (NPR 5 billion) and the non-life insurance companies maintain a minimum paid-up capital of NPR 2.5 Arba (NPR 2.5 billion).

1.2 Problem Statement

The Nepalese economy is an emerging economy, and the insurance industry is one of its most important parts at present. Besides the commercial banks, insurance companies play an important role in financial intermediation of the economy. Hence, their prosperity is the prosperity of the economy; their downfall is the downfall of the economy. Investors demonstrate an increased attractiveness towards the insurance industry, but the lack of research regarding the determinants of share price in this industry has created a gap in making systematic and informed decisions.

One of the indicators applied by the investors in choosing the stocks is market value per share. The big question about any stock would be whether a stock is worth buying (Ranapal, 2025). Due to the unique risk profiles and regulatory environment in Nepal, it becomes especially important to gain an understanding of the market price per share (Thapa & Paudel, 2024). When investors have logical grounds for their decisions, they understand their options more clearly. Examining financial statements allows investors to identify different ratios and useful financial and non-financial details which can help them make decisions. The issue is to see which of those ratios are closely tied to stock price and can be useful for instors when deciding on investing decisions (Maskey, 2022). Insurance companies are key to the functioning of Nepal's economy. The financial results of insurance companies are the main factor that informs an investor. it plays an essential part in ensuring reliable and routine returns by picking a winning portfolio (Lamichhane & Rai, 2021). Share prices in the secondary market rise and fall depending on factors within the company and events outside it. Nepalese investors do not know much about the main forces involved in influencing the

prices of shares in the primary market. Most people invest in the company without knowing its financial results (Khadka & Khadka, 2021). Regardless of what has been studied for Nepal and other countries, data remains insufficient on the factors that influence the insurance sector's stock prices in Nepal (Karki, 2020).

The studies about what affects the prices of Nepalese insurance shares lack consistency and present differing conclusions. A wide range of studies, such as those conducted by Maskey (2022), Lamichhane and Rai (2021), and Khadka and Khadka (2021), confirm that EPS, DPS, and P/E ratio raise the overall share prices. Similar to these findings, Ranapal (2025) and Thapa and Paudel (2024) also found that EPS and P/E Ratio had the most positive association with the share prices, however, DPS had a negative and insignificant impact on MPS. Furthermore, Ranapal (2025) found that BVS had a negative and insignificant impact on MPS but according to Thapa and Paudel (2024), BVS exhibited a significant positive impact on MPS. Nevertheless, other factors show more important differences. According to Gautam and Bista (2019), there was a negative link between EPS and share price, which went against the usual view. In the same way, while Lamichhane and Rai (2021) found a beneficial effect of dividend payout ratio, Khadka and Khadka (2021) noticed a negative link. For this reason, a thorough study that considers all aspects and methods is needed to clarify the reasons behind different changes in share prices of the Nepalese insurance companies across time.

This study aims to examine the relationship of financial and non-financial factors like Earning Per Share (EPS), Dividend Per Share (DPS), Price-Earning (P/E) Ratio, Book Value of Shares, Dividend Yield (DY), Retention Ratio (RR), and age of the insurance companies with the Market Price of their shares. Market share prices are a critical parameter in making investment decisions, but the considerably low amount of research in the insurance industry has obstructed in shedding light on the drivers of share prices. As such the investors prefer to enter an industry which is better studied in the market. This not only prevents investors from optimizing their returns but also hinders the competitiveness of insurance industry. The insight on the factors and their potential implication in the share prices of the insurance firms is very commendable because it would assist the investors in making sound decisions in making their investments and the firms to increase their market value. However, the

inadequate body of knowledge on this topic has created a gap in the areas of investment as well as in the areas of management. The little available knowledge regarding this topic is one of the causes of hindrance to the sustained growth and competitiveness of the insurance industry.

Hence, the research will spread some light on the following questions:

1. What is the situation of MPS, EPS, DPS, P/E Ratio, Book Value of Shares, DY, and RR of Nepalese Insurance Companies of Nepalese Insurance Companies?
2. What is the relationship of factors such as EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company with MPS of Nepalese Insurance Companies?
3. How strongly are EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company correlated with MPS of Nepalese Insurance Companies?
4. What is the impact of EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company on MPS of Nepalese Insurance Companies?
5. To what degree do EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company explain the variations in MPS among Nepalese Insurance Companies?

1.3 Objectives of the Study

The general objective of the study is to investigate the factors affecting the market share price of Nepalese Insurance Companies. The specific objectives of the study are as follows:

1. To examine the situation of MPS, EPS, DPS, P/E Ratio, Book Value of Shares, DY, and RR of Nepalese Insurance Companies
2. To examine the of relationship of factors such as EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company with MPS of Nepalese Insurance Companies
3. To analyze the extent of impact of EPS, DPS, P/E Ratio, Book Value of Shares, DY, RR, and age of company on MPS of Nepalese Insurance Companies

1.4 Hypotheses of the Study

A hypothesis proposes relationship between two or more variables which needs to be investigated for truth. The hypotheses of this study are as below:

H1: There is a significant relationship between Earning Per Share (EPS) and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H2: There is a significant relationship between Dividend Per Share (DPS) and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H3: There is a significant relationship between P/E Ratio and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H4: There is a significant relationship between Book Value of Shares and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H5: There is a significant relationship between Dividend Yield (DY) and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H6: There is a significant relationship between Retention Ratio (RR) and Market Price Per Share (MPS) of Nepalese Insurance Companies.

H7: There is a significant relationship between Age of company and Market Price Per Share (MPS) of Nepalese Insurance Companies.

1.5 Rationale of the Study

The insurance industry acts as a fundamental economic pillar for any nation including Nepal. Insurance companies protect individuals and businesses and governments from unknown financial losses thereby helping them control potential risks. The insurance sector in Nepal has progressively expanded its influence on economic liquidity while supporting the development of financial intermediation. The market share price dynamics of Nepalese insurance companies remain poorly studied despite their rising prominence in the industry. The increasing number of investors seeking opportunities in insurance find it challenging to make investment decisions because they lack insight into share price drivers.

The research study investigates multiple financial and non-financial factors such as Earning Per Share (EPS), Dividend Per Share (DPS), Price-Earning (P/E) Ratio, Book Value of Shares, Dividend Yield (DY), Retention Ratio (RR), and the age of the company to determine their impact on Nepalese insurance companies' market share prices at Nepal Stock

Exchange (NEPSE). This research holds essential value to the following stakeholders because of rising interest in the insurance industry:

- **Investors**: The main user group who will benefit from this research comprises investors who mainly operate within Nepalese stock market frameworks. The market share price elements become vital information for investors when considering insurance company investments because it helps them develop strategic and informed investment choices. The analysis of key stock price determinants will provide investors an opportunity to improve their investment strategies so they achieve maximum profits alongside reduced risk exposure.
- **Insurance Companies**: Insurance companies need share price determinant knowledge as a foundation for making business decisions which enhance market value along with competitive advantages. The research delivers essential data regarding the influence of EPS, DPS and P/E ratio along with organization's age on stock market performance. Insurance organizations employing this market understanding in their operational and financial strategies will enhance stock market performance and gain better investor trust.
- **Policy Makers and Regulators**: The government along with regulatory bodies such as Nepal Insurance Authority (NIA) and Securities Board of Nepal (SEBON) will benefit from this study because it provides critical insights regarding market dynamics. The increasing significance of insurance in Nepal's economy allows regulators to deploy research findings to develop market transparency and stability systems and investor protection measures. The regulatory measures implemented by the government and NIA and SEBON can address vital share price determining factors to enhance market conditions for insurers and investors.
- **Academia and Researchers**: This study will enhance the academic value for researchers specializing in finance economics and insurance fields. The existing studies about stock price determinants mainly focus on commercial banks in Nepal while lacking research on the insurance industry. This study establishes new knowledge about stock price dynamics by focusing on the Nepalese emerging market to fill previous research gaps. Future researchers will benefit from these results

because they can use them as a foundation to conduct comparative examinations focusing on different sectors and regions.

- **General Public**: This research enables an informed understanding of insurance stock price movements for people who are developing their involvement with the stock market. A clear understanding among investors about market share price determinants will create an active investor community while supporting the future growth of the Nepalese capital market.

Overall, this study holds significant implications for investors, insurance companies, policy makers, regulators, academic researchers, and the general public. The extensive examination of Nepalese insurance market share prices enables better decision-making along with improved strategic practices and regulatory reforms which together boost insurance sector growth and competitiveness across Nepal.

1.6 Limitations of the Study

Despite the study's well-defined approach, it has the following limitations that have important implications for assessment of the results acquired in the study:

1. Among 24 insurance companies (12 life insurance companies and 12 non-life insurance companies) currently listed on NEPSE, only six insurance companies (three life insurance companies and three non-life insurance companies) namely National Life Insurance Company (NLICL), Nepal Life Insurance Company (NLIC), Asian Life Insurance Company Limited (ALICL), Neco Insurance Limited (NIL), NLG Insurance Company Ltd. (NLG), and Shikhar Insurance Co. Ltd. (SICL) are taken as sample in this study.
2. This study covers 10 years of time period from FY 2070/71 to FY 2079/80.
3. This study is based mainly on secondary data taken from annual financial reports of the sample insurance companies.
4. This study uses limited financial and statistical tools like Statistical Package for Social Science (SPSS) software and Excel for the analysis of the variables.

CHAPTER-II

LITERATURE REVIEW

2.1 Theoretical Review

The literature review is regarded as an overview of the previously published works on a topic, essential for broadening the knowledge base in the research area, bringing clarity and focus to the research problem, improving methodology, and contextualizing findings. This chapter evaluates the historical studies that have been done on the topics related to the research subject. This unit of the study facilitates to develop a thorough understanding and insight into previous research works. Following a study of the relevant literature, it is evident what has been done in the past and what needs to be done presently. Theoretical review evaluates the literature extensively with an aim of critiquing the theories and concepts of a given topic of interest.

2.1.1 Concept of Stock Market

The stock market is the primary place for institutions to deploy stock and increase funds within a secure and regulated environment. The stock market serves as a channel where the savings and investments made by individuals are effectively passed to productive avenues of investment and contribute to the capital formation in the economy and economic growth of the nation (Chen, 2023). The stock market may perform the role of a primary market as well as secondary market. Stock market as a major market gives companies an opportunity to sell their shares to the public by carrying out initial public offering (IPO) process after their listing in the stock market. A firm splits the shares it has and offers some of those shares to the general public in exchange of a cost per share. It is an activity that assists companies in attracting capital needed from the investors. The listed firm can also issue new shares at a later date as an addition through other issuances like the right issue or the bonus shares.

Moreover, as a secondary market, the stock market facilitates the buying and selling of existing shares between the investors. As a component of a free-market economy, stock markets facilitate democratization of access to investor trading and exchange of capital. The price of any stock is established collectively by all its buyers and sellers i.e., through the demand and supply of that stock. The stock market ensures that all interested market players

possess information of all stipulated buy and sale order, hence assists in fair and transparent pricing of securities. The market further brings about an effective matching of proper buy and sell orders (Modern Markets Initiative, 2022). Examples of organized stock exchanges in the secondary market include Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE), and Bombay Stock Exchange (BSE).

2.1.1.1 Nepal Stock Exchange (NEPSE)

When NEPSE was established as the sole stock exchange of Nepal in 1993, it opened an avenue for both large and small investors. Additionally, through its establishment, NEPSE provided business with essential capital funding opportunities that support business operations (Chalise, 2020). Through its open mechanism for price discovery NEPSE delivers important information that guides company valuations to investors. NEPSE represents a fundamental segment of Nepal's financial framework so its operational performance serves as an economic indicator of broader market conditions but stock price movements are affected by investor sentiment and macroeconomic policies and market liquidity (Pandey, 2018). Stock prices on NEPSE experience movements from both domestic and international elements yet insurance companies face limited but distinct market forces that include regulatory modifications and claim events and investment results. Share price patterns on NEPSE require comprehension from insurance market participants because price changes frequently result from market volatility alongside regulatory shifts (Rai, 2017).

2.1.2 Concept of Insurance

Insurance functions as a financial tool which distributes possible financial risks among multiple entities to handle risks effectively. An insurance agreement functions through a legal contract which links the insurer who stands to pay compensation for particular types of losses to the insured who delivers payments as premiums to maintain the protection. Insurance depends upon risk pooling through which different policyholders unite their financial resources to handle potential risks. The insurance company accepts numerous premium payments from different policyholders to create a common fund that pays for the costs linked to loss claims from the small number of policyholders who face loss. The sharing of financial costs between numerous policyholders enables low vulnerability to losses (Mossin, 1968).

Modern economies depend heavily on insurance because it brings financial security coupled with stability throughout the system. Insurance generates financial protection for policyholders by moving their risk-related costs to the insurer so they can protect themselves from uncertainties while preventing major financial instability. Insurance supports economic development through its capability to assist investments while enabling businesses to build risk management plans which fuel economic expansion (Cummins & Venard, 2008). The premium calculation method depends on risk evaluation because insurers analyze both the odds of events happening alongside their money-related impact. The insurance sector steps in with multiple elements to determine insurance rates depending on policy types combined with policyholder risks and analyzed loss statistics thus proving essential for risk management in personal and corporate settings (Rejda, 2018).

2.1.3 Factors Affecting MPS of Insurance Companies

Several important factors that determine Market Price Per Share (MPS) in insurance companies have been explored in previous studies. Earnings per Share (EPS) and Dividend per Share (DPS) are identified as key indicators in measuring a company's profits and returns for shareholders, which affects how investors view the stocks and how much they are worth (Lamichhane & Rai, 2021). By analyzing the P/E ratio, investors gauge what others in the market are expecting to earn from the company, whereas Book Value of Shares displays the real value of a company's stock. Besides, assessing Dividend Yield (DY) and Retention Ratio (RR) can show how attractive the company is for investors by considering its approach to paying out profits and reinvesting them (Gautam & Bista, 2019). Sometimes, a company's age gives it more credibility and a track record from its past (Karki, 2020). Supported by these studies, the following factors are analyzed as variables influencing Market Price per Share (MPS) of Nepalese Insurance Companies.

2.1.3.1 Earnings Per Share

Easton and Harris (1991) explained that EPS is adopted by investors as a measure of the company's earnings capability as well as growth prospects thus the stock price may be elevated. A higher EPS means that a company is earning more profit per share and this will be well received by investors. Koller, Goedhart, and Wessels (2010) defined EPS as being central to evaluating the performance and Value of a company and used in establishing many

a financial ratios and investment decisions. Fama, Fisher, Jensen, and Roll (1969) confirmed the fact that stock prices respond to new information about some particular company earnings. EPS surprises (for instance when reported EPS exceed analysts' expectations), this causes a rise in the stock price while negative surprises cause a fall in the stock prices.

Kothari (2001) found that the announcements affect the stock returns in a specific manner. The paper establishes an overall assessment indicating that shocks in the EPS have considerable impacts on the movements in stock prices due to changes in expectations by the investors. This in fact made a very clear stand on how market share prices are sensitive to changes in EPS. Landsman and Maydew (2002) observed that while the fluctuations of short term stock price can be attributed to the issuance of quarterly EPS report, the long term movement of the stock price is also affected by the steady EPS growth. And experience has shown that companies that can prove improving or at least stable EPs can get better market valuation over time.

2.1.3.2 Dividend Per Share (EPS)

DPS can be analyzed with regards to the theories related to dividend policies. The concepts within Dividend Relevance Theories, particularly the Bird-in-the-Hand Theory (Gordon, 1963) proposed that dividends often offer shareholders greater and fairly certain benefits over potential gains in the stock may bring hence boosting shareholder value. Bhattacharya (1979) stated that dividends are capable of conveying information about future earnings in an organization therefore having effect on investor impressions and in extension on the price of stocks. When companies declare more frequent or larger dividends, investors see this as a signal of good health and hence boost the share price of the market. In the same way, a reduction of dividends may be considered a bad sign and the price per share drops. Fama and French (1988) concluded that changes in dividend policy are accompanied by changes in stock prices, which imply that investors respond to dividend announcements and adjustments affecting market share prices. Aharony and Swary (1980) explained that stock prices react or shift to take care of the new information regarding the dividends and therefore changes in DPS can bring about immediate and obvious changes on the market prices. Li and Lie (2006) demonstrated that positive dividend news causes an increment in the upward movements of

the share prices, while negative dividend triggers a downward movement of the share prices, thus confirming that DPS is among the factors that tend to influence share prices.

2.1.3.3 Price-Earning (P/E) Ratio

Price to Earnings (P/E) is a basic and well known financial ratio which shows how expensive the stock of a particular firm is compared to its earnings. On the basis of the P/E ratio, investors are able to determine whether a stock is currently priced higher than, lower than or in proportion with its earnings. This is usually the case with a higher P/E ratio implying that the current share price is high as compared to other stocks or that the public has high expectations in the future performance of the company. That on the other hand may mean that the company is undervalued or has poor future prospects or a low growth rate (Damodaran, 2012).

Shiller (2000) concluded that a high P/E ratio have been associated with higher market expectations for future earnings growth. This optimism can push the market-share-price up through increased number of investors willing to pay for a share in the company as a result of perceived future success. On the other hand, a low P/E ratio may either indicate low expectations or under-reaction to value relevant information. Fama & French (1992) observed that market sentiment and investor's expectations are a major influence on stock prices. The P/E ratio which embodies such expectations has a direct bearing on the market price of the existing stock. Investors use P/E ratio in relation to other investors in industries or in the same markets to determine comparability in valuations. A firm that possesses a higher P/E ratio than its benchmark index may witness a favourable change in the market share price where the investors feel that the firm has better growth prospects or certain competitive advantages (Loughran & Ritter, 2004). As interpreted, companies with low P/E ratios may be regarded to have low growth or exist as undervalued. However, if there are changes in the market, and company performance looks more stable, the price per its shares might increase because it will be identified as a value investment (Kothari, 2001). When there is a bull market which is characterized by high levels of activity in the market, the P/E ratios seem to increase and investors begin to buy stocks in anticipation of high earnings per share. On the other hand, during bear market conditions P/E ratios could decline which results into erosion of market share prices (Campbell & Shiller, 1998).

2.1.3.4 Book Value of Shares (BVS)

Book to market ratio was defined by Fama and French (1992) as ratio which can predict stock returns of book value to market value. This is more so because value stocks, which are companies with high ratio of book to market, are usually cheaper than growth stocks, which are those with low ratio. It is noted that the market price of share is determined by the present value of anticipated future earnings, in relation to the companies' book value (Damodaran, 2012). Loughran and Ritter (1995) also stated that the use of book value is sensitive to some industries. By their very nature, capital-intensive industries may enjoy a strategic importance of assets whereby book value might be well correlated with market share price. On the other hand, where intangible assets form the bulk of the equity of companies in the technology sectors, then the book value might not represent the market value well.

2.1.3.5 Dividend Yield (DY)

Investors prefer stocks with high dividend yields since it is an indication of a steady cash flow. Such a preference may cause an enhanced demand for such stocks, which in turn may push up the market prices of the concerned stocks. Fama and French (2001) reveals that investors' preference for dividend-paying stocks impacts on stock prices and firm value. Higher dividend yields could be suggestive of the firm's confidence in its earnings and cash flows, hence boosting the stock prices. Conversely, a high dividend yield may be interpreted as a positive signal of the fact that a firm is in deep trouble if the yield has been arrived at due to a decline in a firm's share price. Bhattacharya (1979) outlined that dividend announcements can create informational effects signifying market on the financial status of a firm. The fact that a higher dividend yield may mean a higher figure of the dividends expected in the future may lead to an improved value of the specific stock (Gordon, 1962). Fluctuations in the yield on the dividends, whether an increase or a decrease, have also been observed to have large effects in the price of the stock. Such changes are perceived by investors as signs of future earnings or financial condition of the company and thus cause changes in stock prices (Lintner, 1956).

2.1.3.6 Retention Ratio (RR)

The retention ratio is heavily linked with the company's growth plan since more amounts retained imply higher prospects of growth. The companies with higher retention ratios generally invest lump sum of their earnings on expansion, research and development and other growth related activities. This reinvestment is capable of leading to higher future earnings hence might raise the companies' market share price. Using this information, Fama and French (1992) discovered that firms with relatively high growth prospects are generally valued more than firms with low growth expectations because of growth in prospective earnings. High retention ratio may mean that the company is investing in its future through retaining profits for use in its operations, although this comes with altering the investors' expectations. Lintner (1962) analyzed that investors regard scale-efficiency dividends as their favorites since they want the companies' dividends to remain constant or rise. Closely, retained earnings may mean that a firm provides little returns to the shareholders in the present and this could reduce their current stock value should investors prefer current income to future growth. A high retention ratio may show that the company is in the phase of high growth and expansion which may be considered as high risk by the shareholders. Myers and Majluf (1984) posit that firms with high growth potential, and firms that retain a high proportion of their earnings may be perceived to be riskier because the value of the earnings reinvested is uncertain. This kind of perception of risk can affect the market share price because investors will be ready to pay a high price on the share depending on the high risk involved. In contrast, if the retained earnings are properly used hence resulting to good long run performance then the market share price of the company will improve.

2.1.3.7 Age of Company

Large companies are often traditional companies with the tendency of steadier revenues and better positioning on the market. Nonetheless, they may witness a relatively slow growth rate as compared to new entities that are entering the market as they are likely to be in mature markets. Botempi and Mairesse (2008) also discovered that due to the factor of age, the young firms may have decreasing returns to scale which hampers their growth and decline their market capitalization. As such, younger firms are likely to have higher growth prospect if they are in the new industries or if they are using new models of operations. Cohen and

Levinthal (1990) observed that young firms, given their flexibility and relative newness may be better placed to identify new sources of market opportunities that may translate to a firm's market share price. Companies that have been in operation for longer periods of time are usually more operationally efficient and knowledgeable of the industry. Malerba and Orsenigo (1995) stated that the older firms have experience and networks and these have a positive influence on the operational performance and in the market share price. On one hand, young companies may lack experience, but on the other hand they can be free from biases and have access to new technologies that may provide competitive advantage. Nelson and Winter (1982) described how young firms possibly bring in new practices that possibly create higher market values.

2.1.4 Market Price Per Share (MPS)

The current price on the stock market for a single share of a corporation is known as its market price per share. The supply and demand during the trading day, market sentiment, and other factors affecting the performance of certain companies decide this price, which is not fixed. This price is important to investors, analysts and even the firms because it demonstrates the market's value placed on the company's equity. These perceptions affect investment decisions, corporate finance decision-making, and the overall evaluation of organizational performance.

The Efficient Market Hypothesis (EMH) defined initially by Fama (1970) can give the theoretical framework for analyzing the market price per share. The argument provided by the EMH is that stock prices contain all possible information and therefore it is near impossible to achieve extra market returns via stock picking or the timing of the market. The study suggests that any stock prices that are seen at the given time contain all the existing information, suggesting that the stock prices are the true representation of securities' value. Shiller (2000) focuses on the link between the actual stock prices and Corporate Earnings, while stressing the impact of the market psychology and speculation. Some of Shiller's papers are concerning the P/E ratio and how it relates to the price of securities over time. Shiller notes that there is a major gap between stock prices and company earnings in the long-run. He emphasizes that the share prices are generally more unpredictable and they deviate from actual trends in earnings. Drawing focus to the psychological and behavioral

factors influencing stock prices, the paper considers their significance. Lo (2004) briefly talks about the issues with classical theories such as the Efficient Market Hypothesis and suggests the more suitable approach, referred to as behavioral finance. The study stated that there are anomalies, which makes the market price per share to be different from the fundamental value. Fama and French's (1992) three-factor model which is an extension of the CAPM with size and value factors. The study suggests that this three-factor model of size, value, and market risk is a superior fit for explaining stock returns than the CAPM. In their research, they have identified several influencers that need to be taken into consideration when pricing assets and the model is an excellent platform for explaining and estimating stock returns. Shefrin (2000) focused on numerous and different behavioral biases in investors and the stock market. It explores how these biases result in decisions deviating from the rational choice, and how they influence the market price.

2.1.5 Market Share Price of Nepalese Insurance Companies

Market share prices of Nepalese insurance companies have been influenced by competition dynamics along with regulatory changes and overall economic conditions. The sector received more investor attention in the 2000s when insurance companies grew but insurance stocks have repeatedly demonstrated unpredictable price changes. The introduction of the secondary insurance stock market has improved pricing transparency while the industry encounters obstacles from reduced market fluidity combined with minimal awareness from investors (Nepal Stock Exchange, 2020). Insurance company profits determine price fluctuations through premium growth and claim ratios along with investment returns. The share prices of insurance companies with stronger market share and financial stability have shown positive trends throughout time as reported by Rijal (2015) yet industry performance remains fundamentally tied to broader economic indicators.

2.1.6 Regulatory Framework for Nepalese Insurance Companies

The Insurance Act, 1992 and the Insurance Board (IB) of Nepal operate as the key regulators that supervise and govern insurance companies in the country. The Insurance Act establishes all legal parameters that insurance companies require for operation while defining registration standards and management rules. The law demands insurers to uphold certain requirements including minimum capital allocation and solvency standards alongside reserve

funds to uphold their financial fitness as well as shield policy investors. Stock price movements are favorable for those companies that are able to adhere to legal requirements and regulatory guidelines as they gain confidence in the market (Rijal, 2015). The Act mandates insurers to follow strict terms regarding underwriting practices and claims settlements as a condition to keep their market standing while protecting policyholders' interests. The IB conducts regular audits of insurance companies to verify their compliance with mandated regulations through its oversight duties.

The Insurance Regulatory and Development Authority (IRDA) of Nepal issued multiple directives in 2016 to enhance the industry framework through regulations about corporate governance and price transparency and policyholder protection (Nepal Insurance Regulatory Authority (NIRA), 2020). The regulations mandate insurance firms to use premium funds for government bond purchases and safeguarded investments that maintain financial liquidity and extended business viability. The Nepalese government supports increased insurance penetration through promotional activities targeting inclusive insurance products as well as promoting micro-insurance growth. Although existing insurance regulations are in place, the regulations face continued obstacles because of enforcement issues, limited market penetration and low product knowledge among wider population (Shrestha & Bhattarai, 2019).

2.1.7 Theories of Dividend

Dividend Relevance Theory

Myron J. Gordon and John Lintner introduced Dividend Relevance Theory during the 1950s using earlier corporate finance economic principles as their foundation. The market value of a firm depends on its dividend policy due to investor preference for dividends which provides certainty along with immediate returns when market imperfections exist. According to Gordon’s Dividend Discount Model, stock value equals present-day value of anticipated dividend payments which results in firms with reliable predictable dividend streams receiving greater stock price appreciation because investors perceive them as less risky (Gordon, 1959; Lintner, 1956).

Dividend Relevance Theory applies to this study by indicating that DPS enhances market values by sending financial stability and profitability signals to investors. The Dividend Yield (DY) plays a vital role in implications of this theory through its use as a metric for investors to determine their immediate dividend-based return on investments. Companies which maintain stable or increasing dividend payments receive higher market value because investors trust these businesses to provide dependable cash distributions. According to this theory, Retention Ratio (RR) affects market price through its impact on future firm growth and future growth impacts market price.

Residual Theory

Myers and Bacon (1984) proposed the Residual Theory of dividends that implies that companies are expected to distribute dividends using only the earnings that remain after all profitable investment opportunities receive funding. Under Residual Theory, companies distribute dividends only after they prioritize investments that equal or exceed the corporate cost of capital. This theory suggests that retaining funds inside the company for new growth opportunities delivers better shareholder value so dividends should be reserved for the 'residual' fund. The theory demonstrates that businesses should make dividend choices based on having lucrative investment options which offer greater worth than distributing surplus earnings through dividends (Miller & Modigliani, 1961).

This theory is relevant to this study particularly for its consideration of Retention Ratio (RR) and Dividend Per Share (DPS). The Retention Ratio shows how much profit a company retains for reinvestment and capital reserves which creates long-term business expansion opportunities. According to this theory, a company that reinvests earnings into high-return investments could witness an increase in firm value which will subsequently enhance its market share price. Stock price may decline when companies distribute higher dividends but fail to find investment opportunities hindering future growth.

Signaling Theory

Stephen A. Bhattacharya proposed the Signaling Theory in 1979 which suggests that the dividend policy of a company could create some significant information to the market on the financial strength and outlook of the company. The signaling theory states that dividend

changes send signals of future performance to investors because dividend increases display belief in stable earnings (Bhattacharya, 1979). Managers possess better information about company prospects so they select dividends as an instrument to share private details with external investors. Companies use their dividend payment strategies to modify investor sentiment and stock market value and therefore dividends serve as important signals for market participants.

Signaling Theory applies to this study because Dividend Per Share (DPS) and Dividend Yield (DY) are key variables being studied that serve as signals to the market regarding the financial stability and growth prospects of the companies. When companies raise their Dividend Per Share amounts they demonstrate future earnings confidence thus driving positive effects on their market share price. Stock prices often decrease when companies reduce their dividend payments because this dividend reduction represents financial difficulties that affect valuation. Financial stability in the Nepalese insurance market becomes crucial due to its volatile market conditions which makes dividend-signaling essential for both investors and stock market behavior.

2.1.8 Earnings Capitalization Theory

Williams (1938) developed the Earnings capitalization Theory also known as the Income Capitalization Approach which states that company worth equals the current value of earnings that will continuously expand at a uniform rate into the future. The fundamental principle states that investors pay stock prices by calculating the current value of future earnings using proper capitalization rates. Earnings play a key role in determining firm valuations through their relationship with capitalization rates because stronger earnings result in higher company valuations.

This theory is relevant to this study as this theory states that Earnings Per Share (EPS) forms a link to the market stock pricces. The model indicates that a company's market value gets established through its profit generation abilities. Strong profitability identified by a high EPS leads to positive effects on stock prices because it demonstrates that a company generates high financial returns. When companies achieve higher earnings, their stock prices normally rise because investors tend to bid up prices on shares with stronger earnings

performance. This theory derives the vital P/E ratio (Price-Earnings Ratio) which evaluates stock price against earnings to show what investors pay for each unit of company revenue.

2.2 Empirical Review

Empirical review examines the methods, findings and conclusions of the studies as a way of providing an overview of the evidence available concerning the topic under investigation as well as to identify inconsistencies in knowledge claims.

2.2.1 Review of International Articles

Madushan and Bogamuwa (2024) carried out a study titled "Impact of financial performance on share price: Evidence from financial companies listed in Colombo Stock Exchange". The objective of the study was to investigate the impact of financial performance on market stock price of the companies listed on Colombo Stock Exchange (CSE). The researcher used balance panel data set of 68 companies listed on CSE between the five-year period of 2016-2020. The study used quantitative and Pearson correlation analysis to study the relationship between financial performance and share prices. The analysis concluded that the financial performance indicators like EPS and ROA significantly impact share prices with Return on Assets (ROA) having a negative association and Earnings Per Share (EPS) having a significant positive association with the share prices.

Bank and Insam (2021) conducted a study titled "Corporate Aging and Changes in the Pricing of Stock Characteristics" to explore how corporate aging affects stock pricing and the characteristics influencing it. The study considered all the non-financial firms listed on NYSE, AMEX, and NASDAQ and used market and accounting dataset for the period of 1990 to 2016. The study classified the firms into three age classes as young, mid-aged, and old firms and using empirical analysis and regression, it examined how the age of a company influences its stock pricing characteristics. The study revealed that corporate age has a significant influence on stock pricing, with older companies showing distinct pricing characteristics compared to younger firms which concluded that company age should be considered for portfolio management.

Sitorus and Elinarty (2017) in their study, "The Influence of Liquidity and Profitability Toward the Growth at Stock Price Mediated by the Dividends Paid Out (Case in Banks Listed in Indonesia Stock Exchange)," aimed to investigate how liquidity and profitability

affect stock price growth, with dividends acting as a mediator. The was conducted based on the secondary data of 30 companies in the banking sector listed on the Indonesia Stock Exchange from the period of 2011 to 2014. The study used the Structural Equation Model (SEM) to calculate the strength of the hypothesis that tested the relationship between the variables. The study concluded that liquidity, indicated by Current Ratio, Quick Ratio, and Cash Ratio, has negative influence on the growth of stock price and that the profitability, indicated by Net Profit Margin, ROA, and ROE, has significant positive influence on the growth of stock price.

Hassan and Mahmood Ul Haque (2017) conducted a study namely "Role of Accounting Information in Assessing Stock Prices in Bangladesh" to examine the association of explanatory accounting variables like Earnings Per Share (EPS) and Book Value (BV) of shares with the Share Prices of the companies from six broad industries in Bangladesh. The study sampled a total of 93 companies listed on the Dhaka Stock Exchange (DSE) and used the historic secondary data from 2012 to 2016 extracted from the official websites of the companies and DSE. The study used regression analysis to analyze the influence of EPS and BV on stock prices of the chosen companies. The study concluded that both EPS and BV have significant impact on the share prices and that EPS has considerably higher impact than BV.

Qaisi, Al-Qudah, and Tahtamouni (2016) conducted a study titled "Factors Affecting the Market Stock Price-The Case of the Insurance Companies Listed in Amman Stock Exchange" with an aim to identify the factors influencing stock prices of insurance companies listed on the Amman Stock Exchange. The study used twenty insurance companies listed in Amman stock exchange during the period 2011 to 2015. The researchers employed quantitative analysis and regression techniques to assess the effects of factors on the stock price. The study concluded that ROA, Debt Ratio, Company's age, and Company's size have effect on the stock price of insurance companies listed on Amman Stock Exchange (ASE), and ROE has no effect on the stock price of insurance companies listed on ASE.

Sharif, Purohit, and Pillai (2015) carried out a study titled "Analysis of Factors Affecting Share Prices: The Case of Bahrain Stock Exchange" which attempted to identify the key factors affecting share prices in Bahrain. With the construction of panel data, from the year

2006 to 2010, of 41 companies listed on the Bahrain Stock Exchange, the study analyzed the effect of independent variables, ROE, BV per share, EPS, DPS, dividend yield (DY), P/E ratio, and debt to total assets ratio on the dependent variable, market price of share (MPS). The study employed correlation and regression methods of analysis. The results of the analysis indicated a positive and significant relationship of MPS with independent variables ROE, BVS, DPS, and P/E ratio while indicating a significant negative relationship of MPS with DY and insignificant relationship with EPS. Debt to total assets ratio, also known as leverage, seemed to have a negative and insignificant impact on the MPS.

Issah (2015) conducted a study titled "An Empirical Study of the Relationship Between Profitability Ratios and Market Share Prices of Publicly Traded Banking Financial Institutions in Ghana" where he aimed to examine the relationship between profitability ratios and market share prices in Ghanaian banks. The study sampled nine banks listed on the Ghana Stock Exchange (GSE) and used the data from the financial statements of the sampled banks published annually for the period between 2009 and 2013. The study used empirical and regression regression analysis which concluded that ROA, ROE, and ROI have a positive linear relationship with the market share prices of the banks listed on GSE, with ROE contributing more than the ROA.

Adebisi and Lawal (2015) conducted a study "Equity Share Price Determinants: A Survey of Literature" to identify the factors that impact the equity share price of the firms. The study reviewed the previous research works that were conducted to study the factors influencing stock prices in various markets. As per the review of studies done by various scholars, the study was able to identify DPS, EPS, BV of shares, DPR, P/E, and size of the firm as significant factors influencing equity share prices of firms in various markets.

Almumani (2014) conducted a study titled "Determinants of Equity Share Prices of the Listed Banks in Amman Stock Exchange: Quantitative Approach" to identify the key determinants of equity share prices for banks listed on the Amman Stock Exchange. The study sampled all Jordanian banks listed in ASE and analyzed the data of income statements and balance sheets of those banks for the period of 2005-2011. Using ratio analysis, correlation and liner multiple regression models, the study analyzed the influence of DPS, EPS, BV, P/E, DPR, and size on Market Price of those shares. The study concluded that EPS,

BV of shares, P/E, and size had a significant influence on the market share prices of those banks.

Haque and Faruquee (2013) carried out a study namely "Impact of Fundamental Factors on Stock Price: A Case Based Approach on Pharmaceutical Companies Listed with Dhaka Stock Exchange". The study sampled 14 pharmaceutical companies under pharmaceuticals and chemical industry (PCI) in DSE and analyzed the data within a time frame of seven years from 2005 to 2011. The study used regression analysis and found that to study the influence of EPS, DPS, ROE, ROA, and the ratio of fixed asset to total asset (FA/TA) on the market price of the stocks as the first segment and compared Net Value of Assets (NAV), the intrinsic value of stock to the market price as the second segment of the research. The study concluded that the market price of stocks of these pharmaceuticals companies in DSE were influenced more by factors other than the variables analyzed.

Uwuigbe, Olusegun, and Godswill (2012) carried out a study titled "An Assessment of the Determinants of Share Price in Nigeria: A Study of Selected Listed Firms" to explore the determinants of share prices in the study. The study sampled 30 firms listed on the Nigerian Stock Exchange and extracted market fact book and corporate annual reports for the period of 2006 to 2010 for analysis. The factors considered to study the effect on share prices of the listed companies were financial performance, dividend payout and financial leverage. The study used the regression method of analysis and the ordinary least square (OLS) method to test the hypotheses. The study concluded that financial performance represented by ROA and dividend payout have significant positive relationship with the share prices and financial leverage represented by debt-equity ratio has a significant relationship with the share prices.

Srinivasan (2012) carried out a study titled "Determinants of Equity Share Prices in India: A Panel Data Approach" to examine the fundamental determinants of share price in India. The study considered six major sectors in Indian economy, Infrastructure, Banking, IT, Heavy and Manufacturing, Pharmaceutical, and Energy and examined the annual data from the year 2006 to 2011. The study employed fixed effects model and random effects model for the analysis of the data and compared the results of two categories via a Hausman specification test. The analysis explored the effect of explanatory variables, DPS, EPS, P/E, Firm Size, BV and Time Trend on Stock Prices (SP). The results revealed that DPS significantly influence

stock price in a negative direction in all sectors, EPS and P/E ratio are crucial determinants in most of the sectors, size is a crucial determinant in almost all of the sectors, and BV per share has a positive influence in most of the sectors too, with varying significance in different sectors.

Menaje (2012) conducted a study titled "Impact of Selected Financial Variables on Share Price of Publicly Listed Firms in the Philippines". The study aimed to determine the influence of EPS and ROA on share prices of 50 publicly listed companies in the Philippines. Financial reports, for the year of 2009, of those 50 companies were extracted from the OSIRIS electronic database and Spearman Rank Order Correlation was used to investigate the relationship between EPS and ROA and Share Prices. The study disclosed that EPS had a strong positive influence on the share prices and ROA had a weak negative influence on the share prices. The study also used the multiple regression method of analysis which indicated that the chosen variables accounted for a significant change in the share prices.

Nirmala, Sanju, and Ramachandran (2011) conducted a study namely "Determinants of Share Prices in India" to identify the key determinants affecting share prices in the Indian stock market. The study sampled nine firms from the auto industry, nine from the healthcare sector, and 19 from the public sector undertakings in India. The study used the continuous panel data extracted from the Centre for monitoring Indian economy database Prowess over the timeframe of 2000 to 2009. The study considered dividend, ROA, P/E ratio, and Debt-Equity ratio as the possible determinants of market share prices and analyzed their influence on share prices using the Fully Modified Ordinary Least Squares (FMOLS) method. ROA is used to measure the profitability and Debt-equity ratio is used to measure the leverage of the firms. The results of the study revealed that dividend, P/E ratio, and Debt-Equity ratio have significant influence on the share prices in all three sectors considered for the study and ROA has significant influence on the share prices only in the auto sector.

Sharma (2011) carried out the study titled "Determinants of Equity Share Prices in India" which explored the relationship between market share prices (MPS) and variables like BVS, DPS, EPS, P/E ratio, DY, DPR, and size (S) in the study "Determinants of Equity Share Prices in India". The study considered data of 115 companies from the year 1993 to 2009. The study employed the models of correlation and linear multiple regression for analysis of

the data. The study revealed that EPS, DPS, and BVS consistently have a positive and significant impact on the market price of shares. The rest of the variables in consideration seemed to have varying effects on the market share prices in different timeframes. The study concluded that EPS and DPS are the strongest determinants of shares' market price.

Table 1

Summary of Review of International Articles

S.N.	Source	Article	Objective	Methodology	Findings
1	Madushan and Bogamuwa (2024)	Impact of Financial Performance on Share Price: Evidence from Financial Companies Listed in Colombo Stock Exchange	To assess how financial performance impacts share prices in Colombo Stock Exchange-listed financial companies	Quantitative analysis, regression	Financial performance indicators like EPS and ROA significantly impact share prices, with EPS having the most significant effect.
2	Bank and Insam (2021)	Corporate Aging and Changes in the Pricing of Stock Characteristics	To explore how corporate aging affects stock pricing and the characteristics influencing it	Empirical analysis, regression	Corporate age influences stock pricing, with older companies showing different pricing characteristics compared to younger firms.
3	Sitorus and Elinarty (2017)	The Influence of Liquidity and Profitability Toward the	To investigate the effect of liquidity and profitability on	Structural equation modeling	Liquidity and profitability positively affect stock price growth through

		Growth at Stock Price Mediated by the Dividends Paid Out (Case in Banks Listed in Indonesia Stock Exchange)	stock price growth, with dividends as a mediator		dividends. Dividends play a significant mediating role.
4	Hassan and Mahmood Ul Haque (2017)	Role of Accounting Information in Assessing Stock Prices in Bangladesh	To explore the role of accounting information in stock price assessment in Bangladesh	Regression analysis	Accounting information such as EPS and BVS significantly affect stock prices, with EPS having the most substantial impact.
5	Qaisi, Al-Qudah, and Tahtamouni (2016)	Factors Affecting the Market Stock Price-The Case of the Insurance Companies Listed in Amman Stock Exchange	To identify factors affecting stock prices of insurance companies listed in Amman Stock Exchange	Quantitative analysis, regression	ROA, Debt Ratio, Company's age, and Company's size have impact on the stock prices. ROE has no impact on the stock prices.
6	Sharif, Purohit, and Pillai (2015)	Analysis of Factors Affecting Share Prices: The Case of Bahrain	To analyze factors affecting share prices on the Bahrain Stock Exchange	Correlation and regression	ROE, BVS, DPS, and P/E ratio, have a positive and significant relationship with MPS. DY has a

		Stock Exchange			significant negative relationship with MPS and EPS has an insignificant relationship with MPS.
7	Issah (2015)	An Empirical Study of the Relationship Between Profitability Ratios and Market Share Prices of Publicly Traded Banking Financial Institutions in Ghana	To examine the relationship between profitability ratios and market share prices in Ghanaian banks	Empirical analysis, regression	Profitability ratios such as ROE and ROA have a significant impact on share prices. ROE is identified as a key determinant.
8	Adebisi and Lawal (2015)	Equity Share Price Determinants: A Survey of Literature	To review and summarize literature on equity share price determinants	Literature review	DPS, EPS, BV of shares, DPR, P/E, and size of the firm are significant factors influencing equity share prices of firms.
9	Almumani (2014)	Determinants of Equity Share Prices of the Listed Banks in Amman Stock	To identify the determinants of equity share prices for banks listed on the	Quantitative analysis, regression	Key determinants of market share prices of banks listed on ASE include EPS, BVS, P/E Ratio, and

		Exchange: Quantitative Approach	Amman Stock Exchange		size of the bank.
10	Haque and Faruque (2013)	Impact of Fundamental Factors on Stock Price: A Case Based Approach on Pharmaceutical Companies Listed with Dhaka Stock Exchange	To investigate the impact of company fundamentals factors on stock prices in the pharmaceutical sector	Regression analysis	EPS, DPS, ROE, ROA, and FA/TA are insignificant in stock price movements.
11	Uwuigbe, Olusegun, and Godswill (2012)	An Assessment of the Determinants of Share Price in Nigeria: A Study of Selected Listed Firms	To assess the factors affecting share prices in Nigeria	Regression analysis, Ordinary least square (OLS) method	ROA, dividend payout ratio, debt-equity ratio have significant positive relationship with the share prices.
12	Srinivasan (2012)	Determinants of Equity Share Prices in India: A Panel Data Approach	To examine the determinants of equity share prices in India using panel data	Panel data analysis	EPS, P/E ratio, size, and BVS have significant positive influence on stock prices. DPS have significant negative influence on stock

					prices.
13	Menaje (2012)	Impact of Selected Financial Variables on Share Price of Publicly Listed Firms in the Philippines	To analyze the impact of financial variables on share prices in the Philippines	Correlation analysis, regression analysis	EPS had a strong positive influence on the share prices and ROA had a weak negative influence on the share prices.
14	Nirmala, Sanju, and Ramachandran (2011)	Determinants of Share Prices in India	To identify the key determinants affecting share prices in the Indian stock market	Fully Modified Ordinary Least Squares (FMOLS) method	P/E ratio, and Debt-Equity ratio have significant influence on the share prices in all three sectors considered for the study and ROA has significant influence on the share prices only in the auto sector.
15	Sharma (2011)	Determinants of Equity Share Prices in India	To explore the relationship between market share prices (MPS) and various financial variables	Correlation and linear multiple regression analysis	EPS, DPS and BVS have a positive and statistically significant influence on market prices while other variables have an influence in a given extent. From the results, EPS and DPS are identified to

be the strongest factors.

2.2.2 Review of Nepalese Articles

Giri (2024) carried out a study titled "Factors affecting Stock Price Behaviour of Commercial Banks in Nepal Stock Exchange" to investigate how DPS, EPS, P/E ratio, and Net Worth per share (NWPS) influence the MPS of commercial banks in Nepal. The study sampled four commercial banks and used secondary panel data of ten years starting from FY 2070/2071 to 2079/2080. They study employed regression analysis method to analyze the interaction between the independent variables and dependent variable in consideration. The study revealed that, MPS of the Nepalese commercial banks have a significant positive correlation with its DPS, P/E ratio and its NWPS, however, an insignificant correlation with its EPS.

Maskey (2022) completed a study titled "Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange" where he examined how EPS, DPS, P/E Ratio, book value of share, age of company, dividend yield, and retention rate have an impact on the market stock prices of insurance firms in Nepal. The study examined the variables of all the listed life insurance companies on NEPSE and the financial data from FY 2012/13 – FY 2017/18 were considered. The study used descriptive and inferential statistics for the analysis and multiple regression model was used to assess the impacts of the mentioned determinants on stock prices of the companies. The analysis established that EPS, DPS, P/E ratio, age of the company have significant positive correlation to the market stock prices and dividend yield significant negative correlation whereas there was insignificance of book value of shares and retention rate.

Goet and Kharel (2022) conducted a study titled "Factors Influencing Stock Price Variability of Commercial Banks in Nepal" with an aim to investigate the impact of factors such as DPS, EPS, P/E ratio, and NWPS on the MPS of Nepalese commercial banks. The study was based on the secondary panel data of four commercial banks covering a period of ten years from FY 2011/2012 to 2020/21. The study employed the multiple linear regression analysis model

and ANOVA test and concluded that DPS, EPS, P/E ratio, and NWPS are the most important determinants of stock prices of Nepalese commercial banks.

Lamichhane and Rai (2021) carried out a study namely "Dividends, earnings and stock prices: a case of Nepalese insurance companies" to examine the effect of independent variables, EPS, DPS, DPR, P/E ratio, ROA, and ROE on dependent variables, market price per share and stock return. The study sampled 15 insurance companies in Nepal and made observations of the secondary data collected, from the annual reports, for the period of FY 2011/12 to 2017/18. Applying Pearson correlation and regression analysis, the study found out that EPS, P/E ratio, ROE, DPS, and DPR positively affect market price per share as well as ROA has a negative effect on the market price per share of the Nepalese insurance companies.

Khadka and Khadka (2021) conducted a study namely "Share price behavior of Nepalese insurance companies" with an objective to investigate the correlations of significant factors such as DPR, EPS, P/E ratio, DPS with market price per share (MPS) in the study. Via purposive sampling, the research sampled four insurance companies and yielded secondary data from fiscal years 2011/12 to 2020/21. The study employed a descriptive and causal-comparative research design utilizing Pearson's correlation and regression for the analysis of the data. The study concluded that EPS, P/E ratio, and DPS have a positive association with MPS and DPR has a negative association with MPS of the Nepalese insurance companies.

Karki (2020) carried out a study titled "Factors driving stock prices of Nepalese insurers" with an aim to identify the factors that influence share price behavior of Nepalese Insurance companies. The study took into account 13 insurance companies in Nepal and analyzed the data of 8 years from FY 2007/08 to 2014/15. Using the causal comparative research design, the study examined the impact of BV per share, ROE, size, DPS, GDP, inflation, and money supply on the stock prices of those 13 insurance companies selected via purposeful sampling. The study indicated that BV per share, DPS, ROE, and inflation have a negative impact on share price behavior and size, money supply, and GDP have a positive impact on share prices of those insurance companies.

Gautam and Bista (2019) conducted a study titled "Factors Affecting Share Price of Nepalese Non-Life Insurance Companies. This study analyzed the financial data of 15 Nepalese non-

life insurance companies from FY 2011/12 to FY 2017/18. The study used descriptive and regression analysis to measure the impact of ROA, DPS, EPS, Firm Size, and inflation on the market share price of Nepalese non-life insurance companies. The study concluded that ROA, DPS, EPS, and inflation have a negative relationship with share price, and Firm size has positive relationship with share price.

Silwal and Napit (2019) completed a study titled "Fundamentals of Stock Price in Nepalese commercial banks" which attempted to identify the determinants of the stock prices of Nepalese commercial banks in the study. The study sampled 10 banks listed on Nepal Stock Exchange and is based on the pooled cross-sectional data for the period of FY 2065/66 to 2074/75. The study used descriptive statistics along with correlation and regression analysis to determine that BV per share has the most influence on the stock price of Nepalese banks. The study also showed that P/E ratio and ROE were found to have a significant positive relationship with the share prices and dividend yield was found to have an insignificant positive relationship with the share price. The size of the banks was found to have a negative but insignificant influence on the share price of Nepalese commercial banks.

Pradhan and Dahal (2016) carried out a study namely "Factors Affecting the Share Price: Evidence from Nepalese Commercial Banks" to analyze issues that influence the market price per share of the commercial banks in Nepal. The analysis of financial data of 14 commercial banks during FY 2002/03 to FY 2013/14 found the significant impact of DPS and Firm size on the share price but not that of EPS, P/E ratio, book value per share and ROA on the share price. Besides the effect of specific variables, the study also examined the effect of macroeconomic variables such as GDP, Inflation, and money supply on share price and concluded with the use of multiple regression models that GDP is a major variable that affect the share price.

Bhattarai (2014) conducted a study titled "Determinants of Share Price of Nepalese Commercial Banks" with the objective to examine the determinants of share price of Nepalese commercial banks. The study was based on the financial data of 9 commercial banks, listed on NEPSE, over the period of 2006 to 2014. The use of descriptive and inferential statistics in the study determined that EPS and P/E ratio have positive significant relationship with stock price and that dividend yield has negative significant relationship with

share price. The study showed that EPS, P/E ratio, and dividend yield were the major determinants of stock price of Nepalese commercial banks, but DPR and Size were found to have no significant effect on the share prices.

2.3 Research Gap

A broad examination including life and non-life insurance companies together remains limited despite Gautam and Bista (2019) conducting sector-specific research on non-life insurance companies and Maskey (2022) conducting sector-specific research on life insurance companies. Such sectoral focus creates a research gap and a scope for thorough market comparison to fully comprehend price and share changes in the both life and non-life insurance sectors. Karki (2020) and Lamichhane and Rai (2021) conducted studies on Nepalese Insurance Companies, but made observations of the data for periods of eight and seven years respectively which leaves a gap for understanding the long-term behavior of stock price in Nepalese Insurance Companies. Studies by Gautam and Bista (2019), Karki (2020), Khadka and Khadka (2021), and Lamichhane and Rai (2021) studied the financial and economic variables affecting the stock prices of Nepalese Insurance Companies, hence leaving a scope for non-financial factor like age of the company to be taken into consideration. All these aforementioned studies examined the impact of some common variables like Earning Per Share (EPS), Dividend Per Share (DPS), Price-Earnings Ratio (P/E Ratio), and Book Value Per Share (BVS) on the Market Price Per Share (MPS) of Nepalese Insurance Companies, but indicated some differences in results which could be because of sectoral focus or time period taken into consideration. This opens up further avenue to test the impact of these factors on MPS of the Nepalese Insurance Companies taken into consideration.

Various researches associated with Market Share Prices have been conducted across different countries in the past, but there is little research done focused on the insurance industry, especially in Nepal. This study focuses solely on the insurance companies in Nepal and their market share price movements being impacted by several financial factors like Earnings Per Share (EPS), Dividend Per Share (DPS), Price-Earning (P/E) Ratio, Book Value of Shares, Dividend Yield (DY), Retention Ratio (RR), and non-financial factor like age of those insurance companies. While the research world has widely seen studies of share price

movements across financial institutions like commercial banks, there have been limited studies relating to the insurance companies. This study attempts to bridge this gap and examine the factors influencing the market stock price of Nepalese Insurance firms. As this research has made an analysis of both life insurance and non-life insurance firms, it'll serve as a foundation for future researchers to make comparisons with their own research. This research shall be relevant to investors, insurance companies, policy makers and regulators, researchers, and the general public from both academic and investment perspective.

CHAPTER-III

RESEARCH METHODOLOGY

This section establishes the kind of research design, population and the sample, the nature and the source of the data collection, the methods of data collection and data analysis.

3.1 Research Design

Research design represents a structured approach that defines the methods along with procedures to conduct a research investigation. The research design defines the methods used to gather data while specifying analysis methods which support the exploration of research questions or hypothesis testing (Creswell, 2014).

The objective of this study is to study the influence of specific variables on market price per share of insurance companies in Nepal. This is a quantitative study which follows descriptive and causal comparative research design. The research is descriptive in nature as it describes the data and characteristics of the samples being studied, solely based on statistics, without any form of manipulation. Furthermore, it seeks to generate hypotheses by looking for potential relationships between the variables. It investigates the variables and explains the degree and the kind of cause and-effect relations between independent and dependent variables by the use of causal comparative research strategy.

3.2 Population, Samples, and Sampling Design

The population for this study includes all the insurance firms currently listed on NEPSE. As of March 2025, 12 life insurance companies and 12 non-life insurance companies are listed on NEPSE which is taken as the population for this research. The sample comprises of three life insurance companies and three non-life insurance companies out of the total population. These six insurance companies are selected as samples using purposive sampling method for the study. One of the key independent variables in the study is the Age of the Company, and therefore, the companies are deliberately chosen to represent a range of establishment years, from older to relatively newer insurance companies. This approach is used to ensure that company age is meaningfully captured, allowing analysis of how variations in age may influence the dependent variable. The life insurance companies selected for the study are

National Life Insurance Company (NLICL), Nepal Life Insurance Company (NLIC), and Asian Life Insurance Company Limited (ALICL) and the non-life insurance companies selected for the study are Neco Insurance Limited (NIL), NLG Insurance Company Ltd. (NLG), and Shikhar Insurance Co. Ltd. (SICL).

3.3 Nature and Sources of Data

This study is on the basis of secondary data of annual reports of the sample insurance companies over the span of 10 years i.e., from fiscal year 2070/71 to 2079/80. Besides the annual reports, pertinent information and data of the publication of Insurance Board, NRB, SEBON, market price information from NEPSE, previous studies, theses, and dissertation related to this topic have facilitated the research.

3.4 Methods of Analysis

The data analysis is made based on the pattern of the available data. The data has been analyzed and interpreted using different descriptive and inferential statistical tools. Statistical analysis forms a significant component of the study under which the data is presented and interpreted in useful form.

Descriptive Analysis of dependent and independent variables

The descriptive analysis of the data is done using Mean and Standard Deviation.

Mean: It is an average which represents a group of values. It is computed by adding up all the values in a data set and dividing the sum by the number of values.

Formula:

$$\text{Mean } (\mu) = \frac{\sum_{i=1}^{n} x_i}{n}$$

Where:

- x_i = each individual value
- n = number of values in the dataset
- $\sum$ = summation symbol

Standard Deviation: It is the most applicable measure of dispersion or distribution of a range of values in a dataset. It provides insight into the variability of the data.

Formula:

$$s = \sqrt{\frac{\sum_{i=1}^{n}(x_i - \bar{x})^2}{n-1}}$$

Where:

- x_i = each individual value
- $\bar{x}$ = sample mean
- n = number of data points in a sample
- $\sum$ = summation symbol

Inferential Statistics

Correlation Analysis: Correlation tool is the statistical tool that shows the extent of the relationship of one variable with another variable. It checks whether there exists a connection between an independent variable and the dependent variable. In this study, the Pearson correlation coefficient measure of correlation is applied because it is the most commonly used correlation measure.

Pearson Correlation Coefficient Formula:

$$r = \frac{\sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^{n}(x_i - \bar{x})^2 \sum_{i=1}^{n}(y_i - \bar{y})^2}}$$

Where:

- r = Pearson correlation coefficient
- x_i, y_i = individual data points in the x and y variables
- $\bar{x}$, $\bar{y}$ = means of the x and y variables
- n = number of data points

Regression Analysis: Regression analysis is a technique for assessing the statistical association between two or more variables where a change in a dependent variable implies and is related to a change in one or many independent variables.

Multiple Linear Regression Formula:

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + ... + \beta_p x_{ip} + \epsilon$$

Where, for $i = n$ observations:

y_i = dependent variable

x_i = explanatory variables

β_0 = y-intercept (constant term)

β_p = slope coefficients for each explanatory variable

ϵ = the model's error term (also known as the residuals)

Hypothesis Testing: Hypothesis testing enables us to apply mathematical concepts in determining the likelihood that sample findings can correspond to the hypotheses about a population. In statistical hypothesis testing, p-value (probability value) is obtained to arrive at the conclusion concerning whether there is sufficient information enabling one to state that the research hypothesis holds as per the data. The p-value is the probability whereby, under the condition that the null hypothesis holds; a test statistic that is as extreme as (or more extreme than) the one computed from the sample. A hypothesis is either accepted or rejected based on the comparison of the p-value to a level of significance also known as Alpha (α).

If p-value ≤ α (0.05):

Accept the hypothesis. There is statistically significant evidence to support the hypothesis.

If p-value > α (0.05):

Reject the hypothesis. There is not enough evidence to support the hypothesis.

3.5 Research Framework and Definition of Variables

3.5.1 Research Framework

The framework for this research is developed to evaluate the impact of financial and non-financial factors on the share price of both life and non-life insurance companies currently

listed on NEPSE, in association to the hypothesized variables. Similar past research articles, thesis and dissertations were analyzed and relevant information was used to find out literature regarding financial and non-financial factors affecting shares prices of insurance companies. The theoretical framework has been conceptualized to present the inter relationship between the independent and dependent variables and the framework is based on the previous research done by Maskey (2022). Research Framework of this study indicates Market Price per Share (MPS) as dependent variable and Earnings Per Share (EPS), Dividend Per Share (DPS), Price-Earning (P/E) Ratio, Book Value of Shares, Dividend Yield (DY), Retention Ratio (RR), and age of the insurance companies as independent variables. The following figure provides the schematic presentation of determining factors with which our research questions are guided.

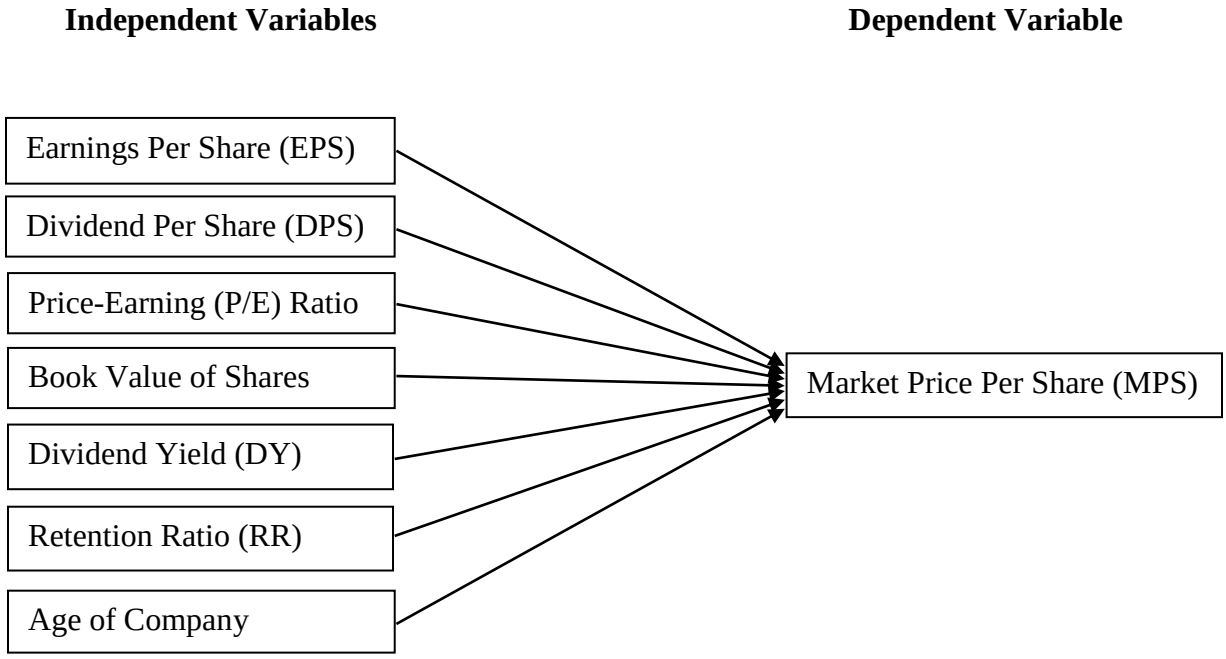

Figure 1: Research Framework

(Source: Maskey, 2022)

3.5.2 Definition of Variables

Independent Variables

In experimental studies, the independent variable stands as the element which research teams modify to assess its influence. This variable remains unaltered by any factors present in the

research making it known as independent. The experimental variables included under this research include:

Earnings Per Share (EPS)

Earnings per share is the financial metric that represents how much profit each individual common share of stock receives. EPS value is obtained through a net income division by total outstanding share count. Investors depend on EPS as a method to evaluate profitability per share in order to gauge company financial stability (Wild, Subramanyam, & Halsey, 2014).

$$Earnings\ Per\ Share\ (EPS) = \frac{Net\ Profit\ after\ tax - Preferred\ dividends}{Number\ of\ shares\ outstanding}$$

Dividend Per Share (DPS)

The distribution of dividends represents actual payments made to shareholders as compensation for their investment funds. The policy of dividend distribution determines how companies use their profits from one period to benefit shareholders. Dividend policies guide organizations in deciding dividend distributions and financial directors must understand both earning reinvestment needs and how dividend decisions influence stock price movements. The gross dividend payment per share is described by dividend per share. (Al-Malkawi, Rafferty, & Pillai, 2010)

$$Dividend\ Per\ Share\ (DPS) = \frac{Dividend}{Number\ of\ shares\ outstanding}$$

Price Earning (P/E) Ratio

P/E ratio establishes a ratio between current stock price and per-share earnings (Dutta, Saha, & Das, 2018). Investment managers use this ratio as a major tool for making their investment recommendations while simultaneously employing it to determine the cost of equity capital (Wu, 2014).

$$P/E\ Ratio = \frac{Market\ value\ of\ shares}{EPS}$$

Book Value of Shares

Book value of shares includes authorized capital and issued additional shares as well as accumulated earnings and reserves and all relevant accounting adjustments. Book value of shares represents the net share capital contribution made by shareholders in business operations (Ghimire & Mishra, 2018).

Dividend Yield

Dividend Yield demonstrates the rate of shareholder income received through dividend payments compared to stock value. The ratio provides investors with a tool to evaluate earnings from dividend payments and contrast that to various stock or investment possibilities (Brigham & Ehrhardt, 2013).

$$Dividend\ Yield = \frac{Dividend\ per\ share}{Market\ value\ per\ share}$$

Retention Ratio

The retention ratio measures the fraction of a corporation's total after tax earnings that are retained within the firm. A firm utilizes the retention ratio to keep a specified portion of its earnings that they reserve for reinvesting in their operations rather than paying it as dividends to shareholders (Iftikhar, Raja, & Sehran, 2017).

$$Retention\ Ratio\ (RR) = \frac{Net\ income - Dividends}{Net\ income}$$

Age of Company

Age of the company refers to the duration since the company formed its business to the number of years involved consecutively so as to be considered under the study. The age of a company can greatly determine the price at which its market share trades within a given sector, wholly because of the different elements that are associated with the growth possibility, stability, and perception.

Dependent Variable

Market Price Per Share (MPS)

MPS is the dependent variable in this study. A company's stock value at any given moment in the open market reflects the market price per share. This price stems from marketplace

supply and demand dynamics. Market prices for shares continuously change throughout the trading day due to changing investor reactions and company achievements and general market environment factors (Investopedia, n.d.).

In this study, MPS is the price of shares on the final date of each financial year and is accessed through the NEPSE website as also on the websites of the respective insurance companies.

CHAPTER-IV

RESULTS AND DISCUSSION

4.1 Results

This chapter presents the analysis and interpretation of the findings of the study. Data collected are analyzed and presented in tables, including regression and correlation analyses to establish the strength of relationships between variables, as well as descriptive statistics such as mean, standard deviation, and coefficient of variation to describe variable characteristics. Testing and evaluation of the research hypotheses were done through SPSS. A summary of the findings is made by comparing them with previous studies, discussion of results, and recommendations of related proposals. Additionally, a table summarizing the research hypotheses is included at the end of the chapter, offering readers a clear and concise overview of the study's conclusions.

4.1.1 Descriptive Statistics of the Variables

This section provides a summary of the descriptive statistics for key financial indicators of the selected insurance companies over the fiscal years 2070/71 to 2079/80. The variables included in the analysis are Earnings Per Share (EPS), Dividend Per Share (DPS), Book Value Per Share (BVS), Market Price Per Share (MPS), Price-to-Earnings Ratio (P/E), Dividend Yield (DY), Retention Ratio (RR), and the age of the companies. These variables serve as indicators of profitability, dividend distribution, market valuation, and growth potential across the sampled companies.

The analysis uses measures such as mean, standard deviation (SD), minimum (Min), and maximum (Max) to summarize and compare the data. The mean values provide insights into the average performance of each company, while SD and CV highlight the level of variability in the financial metrics. Additionally, the Min and Max values reflect the range of performance observed during the period.

Table 1

Descriptive Statistics

	No of Observation	Minimum	Maximum	Mean	Standard Deviation	CV
EPS	60	-2.46	61.4	27.54	14.55	52.83%
DPS	60	0	70.53	18.01	16.79	93.23%
BVS	60	117	298.45	183.082	47.72	26.06%
MPS	60	263	4351	1265.43	881.9	69.69%
P/E	60	11.24	393	63.07	64.31	101.97%
DY	60	0	7.98	1.68	1.59	94.64%
RR	60	-142.5	100	36.76	58.15	158.19%
Age	60	5	34	17.5	7.54	43.09%

Source: Appendix Table I, Table II, Table III, Table IV, Table V, and Table VI

The descriptive statistics table provides an overview of key financial variables for 6 Nepalese insurance companies across 10 years. The Earnings Per Share (EPS) shows a mean of 27.54, with a standard deviation of 14.55 and a coefficient variation (CV) of 52.83%. This suggests a moderate level of variability in earnings across companies, indicating that while most companies generate moderate profits per share, some experience significantly higher or lower earnings.

In the case of Dividend Per Share (DPS), the mean stands at 18.01 with a high standard deviation of 16.79 and a CV of 93.23%, pointing to considerable inconsistency in dividend payouts. This variability may reflect differing dividend policies or profitability levels among firms. Similarly, Dividend Yield (DY) has a low average of 1.68% but a high CV of 94.64%, highlighting substantial disparities in the return investors receive in the form of dividends relative to the market price of shares.

The Book Value Per Share (BVS) is relatively stable across the sample, with a mean of 183.08, a standard deviation of 47.72, and the lowest CV in the table at 26.06%. This suggests that the book value of equity per share is consistent across companies, likely due to similar capital structures or asset bases. In contrast, Market Price Per Share (MPS) exhibits substantial variability, with a wide range (263 to 4,351), a mean of 1,265.43, a standard deviation of 881.9, and a CV of 69.69%. This indicates that stock prices differ significantly, reflecting differences in market perception, performance, and investor demand.

The Price-to-Earnings (P/E) ratio displays a particularly high level of variation, with a mean of 63.07, a standard deviation of 64.31, and a CV of 101.97%. This suggests that investors' valuation of earnings varies greatly across firms, potentially due to differences in growth expectations or perceived risk. Likewise, the Retention Ratio (RR), with a mean of 36.76 and a very high CV of 158.19%, indicates extreme inconsistency in the portion of profits retained versus distributed as dividends. This could reflect differing growth strategies or capital needs.

Lastly, the age of companies ranges from 5 to 34 years, with a mean of 17.5 years and a relatively moderate CV of 43.09%. This suggests that while there is a growth in the maturity of companies, most have been operational for a substantial period. In summary, the table reveals that while some indicators like BVS and EPS are relatively stable, others such as DPS, DY, P/E ratio, and RR exhibit significant variation, indicating diverse financial practices and market valuations among Nepalese insurance companies.

4.1.2 Correlation Analysis

Correlation is a statistical tool used to understand how two variables are related to each other. If the correlation value is high, it means the two variables are strongly connected, whereas a low value indicates a weak relationship. A correlation coefficient of 1 or -1 shows a perfect linear connection between the variables, while a coefficient of 0 means there's no relationship at all. A correlation coefficient is considered significant if its p-value is less than or equal to 0.05; otherwise, there is no correlation between the two variables.

Table 2

Correlation Analysis

	MPS	EPS	DPS	BVS	P/E	DY	RR	Age
MPS	1							
EPS	.338**	1						
DPS	.532**	.504**	1					
BVS	-0.039	.606**	.283*	1				
P/E	0.199	-.516**	-0.205	-.451**	1			
DY	-0.241	.356**	.555**	.266*	-.411**	1		
RR	-0.233	-0.064	-.800**	-0.033	0.19	-.605**	1	
Age	-0.085	-0.132	0.014	-0.248	-0.15	0.064	-0.17	1

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

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

The correlation table presents the relationships between Market Price per Share (MPS), the independent variable, and a range of key financial metrics: Earnings per Share (EPS), Dividends per Share (DPS), Book Value per Share (BVS), Price-to-Earnings ratio (P/E), Dividend Yield (DY), Retention Ratio (RR), and Firm Age. MPS shows the strongest positive relationship with DPS (0.532**), followed by a moderately positive correlation with EPS (0.338**). This suggests that companies with higher earnings and those that distribute more dividends tend to command higher share prices in the market. Investors may value consistent earnings and dividend payments, pushing up the stock price of such firms. MPS also has a weak positive correlation with P/E (0.199), meaning that firms with higher valuation multiples show slightly higher market prices. Conversely, MPS shows weak negative relationships with DY (-0.241) and RR (-0.233), implying that firms offering higher dividend yields or retaining a larger proportion of earnings tend to have lower market prices. The relationship between MPS and BVS is negligible (-0.039), indicating that book value does not meaningfully influence market price per share in this sample. Firm Age also has no substantial impact on MPS (-0.085).

When exploring the relationships between the other variables, several patterns emerge. Dividends per Share (DPS) has a strong positive correlation with EPS (0.504**), suggesting that firms with higher profitability distribute more dividends, a logical connection, as dividends are typically paid from earnings. DPS also correlates positively with BVS (0.283*) and DY (0.555**), indicating that firms with strong balance sheets and high dividends naturally offer higher yields. On the other hand, DPS is negatively correlated with P/E (-0.205) and even more strongly with RR (-0.800**), reflecting that firms which distribute higher dividends tend to retain less of their earnings and are often valued with lower P/E multiples, possibly because they are viewed as more mature, income-focused companies.

Earnings per Share (EPS), besides its relationship with MPS and DPS, also shows a strong positive correlation with BVS (0.606**), indicating that firms with stronger book value tend to generate higher earnings. EPS is negatively related to P/E (-0.516**), meaning that higher-earning companies often trade at lower valuation multiples, possibly reflecting market expectations of stable or slower future growth. EPS also has a moderate positive correlation with DY (0.356**), meaning more profitable firms tend to offer higher dividend yields. Book Value per Share (BVS), similarly, shows significant positive relationships with EPS and DPS and a negative relationship with P/E (-0.451**), suggesting that firms with strong underlying value are less likely to be valued at excessive multiples.

Dividend Yield (DY) itself is strongly correlated with DPS (0.555**) and moderately with EPS and BVS, as expected, firms paying high dividends and generating strong earnings naturally offer higher yields. DY has a negative relationship with P/E (-0.411*) and with RR (-0.605**), consistent with the view that firms emphasizing shareholder payouts are less likely to retain earnings and are often lower-growth, income-generating stocks. The Retention Ratio (RR) displays its strongest relationships as negatively correlated with DPS (-0.800) and DY (-0.605**), ** underscoring the trade-off between retained earnings and dividend distributions. Finally, Firm Age is weak and inconsistently correlated with all variables, showing no meaningful pattern, older firms in this sample do not systematically differ in earnings, dividends, valuation multiples, or other characteristics compared to younger firms.

4.1.3 Regression Analysis

In regression analysis, various statistical methods are utilized to examine the connections between a dependent variable and one or more independent variables. In this study, linear regression analysis was employed to assess the relationship between the dependent variable (Market Value per Share) and independent variables such as Earnings per Share (EPS), Dividend per Share (DPS), Book Value per Share (BVS), Price-to-Earnings ratio (P/E), Dividend Yield (DY), Retention Ratio (RR), and Age. Linear regression is particularly suitable as it is simple to implement, easy to interpret, widely accepted by researchers, and commonly available in statistical tools. This approach allows for a clear understanding of how these financial variables are interrelated, facilitating deeper insights into the factors influencing the market value of a share.

Table 3

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893[a]	.798	.771	422.326

a. Predictors: (Constant), Age, DPS, P/E, BVS, DY, EPS, RR

The model summary provides an overview of how well the independent variables collectively explain the variation in the dependent variable, Market Price Per Share (MPS). The R value of 0.893 indicates a strong positive correlation between the observed and predicted values of MPS. The R Square (R^2) value of 0.798 suggests that approximately 79.8% of the variation in MPS among Nepalese insurance companies over the 10-year period is explained by the independent variables: EPS, DPS, BVS, P/E, DY, RR, and Age. The Adjusted R Square of 0.771 adjusts the R^2 for the number of predictors in the model and provides a more accurate measure in the context of multiple regresses. This means that 77.1% of the variability in MPS is reliably explained by the model, even after accounting for

the number of predictors. The Standard Error of the Estimate is 422.326, which reflects the average distance that the observed values fall from the regression line. A lower value indicates better model fit. Overall, the model demonstrates a strong and statistically sound fit.

Table 4

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36612553.989	7	5230364.856	29.325	<.001[b]
	Residual	9274700.744	52	178359.630		
	Total	45887254.733	59			

a. Dependent Variable: MPS

b. Predictors: (Constant), Age, DPS, P/E, BVS, DY, EPS, RR

The ANOVA (Analysis of Variance) table tests whether the overall regression model is a good fit for the data. The F-statistic value is 29.325, with a corresponding p-value < .001, which is highly significant. This means that the overall regression model is statistically significant, and there is a very low probability that the observed relationship between MPS and the independent variables is due to chance. The regression sum of squares (36,612,553.989) is much larger than the residual sum of squares (9,274,700.744), indicating that a large portion of the variation in MPS is explained by the model rather than unexplained residual factors. In summary, ANOVA confirms that the regression model is statistically significant and capable of explaining a significant portion of the variance in MPS.

Table 5

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1387.096	389.208		3.564	.001
	EPS	31.638	8.488	.522	3.727	.001
	DPS	34.228	10.013	.652	3.418	.001
	BVS	-4.936	1.545	-.267	-3.195	.002
	P/E	2.811	1.269	.205	2.216	.031
	DY	-408.914	49.226	-.740	-8.307	.001
	RR	-2.799	2.810	-.181	-.996	.324
	Age	-5.207	8.005	-.045	-.651	.518

a. Dependent Variable: MPS

This section examines the individual contribution of each predictor variable to the dependent variable (MPS), after controlling for the other variables.

- EPS (Earnings Per Share): Has a positive and significant effect on MPS (B = 31.638, $p < .001$). This indicates that for every one-unit increase in EPS, MPS increases by approximately 31.64 units, holding other factors constant.
- DPS (Dividend Per Share): Also has a positive and significant effect (B = 34.228, $p = .001$), showing that higher dividend payments are associated with higher share prices.
- BVS (Book Value Per Share): Surprisingly shows a significant negative effect (B = -4.936, $p = .002$), implying that an increase in book value per share is associated with a decrease in market price. This counterintuitive result may reflect investor preference for growth and income over asset-based valuation.

- P/E Ratio: Has a positive and significant effect on MPS (B = 2.811, p = .031), suggesting that companies with higher valuation multiples tend to have higher share prices.
- Dividend Yield (DY): Exhibits a strong negative and highly significant effect (B = -408.914, p < .001), which means that an increase in dividend yield is associated with a decrease in MPS. This could reflect that companies with lower stock prices often have higher yields, or that high yield may be perceived as unsustainable or a sign of limited growth.
- Retention Ratio (RR): Has a negative but statistically insignificant effect (B = -2.799, p = .324), indicating that retention of earnings does not have a meaningful direct influence on MPS in this dataset.
- Age of the company: Also shows a negative and non-significant effect (B = -5.207, p = .518), suggesting that the number of years in operation does not significantly affect market valuation.

Overall, among the seven predictors, EPS, DPS, BVS, P/E, and DY have statistically significant effects on MPS, while RR and Age do not contribute significantly to the model.

4.1.4 Summary of the Hypothesis

The summary of the hypothesis of the study is shown below:

Table 6

Summary of the Hypothesis

Hypothesis	Statement	P-value	Result
H1	There is a significant impact of Earnings Per Share (EPS) on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.001	Accepted
H2	There is a significant impact of Dividend Per Share (DPS) on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.001	Accepted
H3	There is a significant impact of P/E Ratio on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.031	Accepted
H4	There is a significant impact of Book Value of Shares on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.002	Accepted
H5	There is a significant impact of Dividend Yield (DY) on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.001	Accepted
H6	There is a significant impact of Retention Ratio (RR) on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.324	Rejected
H7	There is a significant impact of Age of company on Market Price Per Share (MPS) of Nepalese Insurance Companies.	0.518	Rejected

Table 6 summarizes the results of hypothesis testing concerning the impact of various financial indicators on the Market Price Per Share (MPS) of Nepalese insurance companies. The first hypothesis (H1), which proposed a significant relationship between Earnings Per Share (EPS) and MPS, is accepted with a p-value of less than 0.001. This finding suggests that EPS has a strong and statistically significant positive influence on stock prices, indicating that investors in the Nepalese insurance sector are responsive to a company's profitability. Similarly, H2 is accepted with a p-value of 0.001, establishing that Dividend Per Share (DPS) significantly affects MPS. This reinforces the notion that dividend payouts are an important factor in investor decision-making and are positively valued in the market.

The third hypothesis (H3) regarding the P/E Ratio is also accepted, with a p-value of 0.031. This suggests that valuation multiples, which reflect investor expectations about future earnings, have a meaningful effect on share prices. H4, which examines the impact of Book Value Per Share (BVS), is accepted as well (p-value = 0.002), although the relationship is negative based on the regression analysis. This could imply that higher book value does not necessarily translate into higher market value, possibly due to market preferences for earnings potential over asset base.

Hypothesis H5, which investigates Dividend Yield (DY), is accepted with a highly significant p-value of less than 0.001. Interestingly, the direction of the relationship is negative, indicating that higher yields, often associated with lower stock prices, may reflect market skepticism or undervaluation rather than strength. On the other hand, H6, which tested the influence of Retention Ratio (RR) on MPS, is rejected due to a non-significant p-value of 0.324. This suggests that the proportion of earnings retained rather than distributed does not have a notable impact on stock prices in the insurance sector. Lastly, H7, exploring the age of the company, is also rejected (p-value = 0.518), indicating that the number of years a company has been in operation does not significantly influence its market valuation. These findings collectively highlight which financial indicators are most critical in shaping investor perceptions and stock performance in the Nepalese insurance industry.

4.2 Discussion

The financial performance of six Nepalese insurance companies, National Life Insurance Company Ltd. (NLICL), Nepal Life Insurance Company Ltd. (NLIC), Asian Life Insurance

Company Ltd. (ALICL), Neco Insurance Ltd. (NIL), NLG Insurance Company Ltd. (NLG), and Shikhar Insurance Co. Ltd. (SICL), was thoroughly evaluated over a period of ten years. A descriptive review of key financial metrics reveals notable patterns and fluctuations across firms and fiscal periods.

From the descriptive statistics, it is evident that Earnings Per Share (EPS) displayed considerable variation, with firms such as NLIC and NLICL exhibiting strong profits in earlier years like FY 2070/71, followed by a decline in EPS during FY 2075/76 and FY 2076/77. This volatility was mirrored in the Market Price Per Share (MPS) and Price-to-Earnings (P/E) ratios, suggesting investor sentiment may be closely tied to earnings performance. ALICL followed a similar path, with swings in both Dividend Per Share (DPS) and P/E ratio, further reflecting fluctuating investor confidence. On the contrary, NIL showed more stability in EPS and Book Value Per Share (BVS), although MPS reflected short-term market reactions.

NLG demonstrated progressive growth, particularly in its BVS and EPS, signifying a healthy accumulation of equity and profit over the observed period. This consistent improvement likely contributed to a gradual rise in its MPS. SICL showed strong performance in its early years, especially around FY 2072/73, but later experienced a downturn in financial metrics, hinting at operational or market challenges.

Overall, across all six companies, MPS, P/E, and DPS were notably volatile, signaling sensitivity to market expectations and external forces. On the other hand, BVS remained comparatively stable, implying sustained asset growth and consistent capital base across the sample. These trends point to an insurance sector that is responsive to both internal performance metrics and broader market dynamics, with some firms demonstrating greater resilience and adaptability than others.

When assessing the influence of financial metrics on MPS, descriptive analysis showed that higher EPS and DPS were frequently associated with higher MPS. For instance, NLICL and NLIC saw notable spikes in their MPS during periods when EPS was strong, such as FY 2070/71. Similarly, ALICL experienced a rise in MPS in FY 2072/73, aligned with healthy earnings and dividend declarations. NIL and NLG, with steadily increasing BVS, also recorded elevated MPS during years of strong asset growth, particularly in FY 2072/73 and

FY 2070/71. Conversely, a reduction in EPS or DPS often preceded a drop in MPS, such as in NLIC during FY 2076/77 and ALICL during FY 2074/75.

Additionally, P/E ratios tended to rise in parallel with MPS, as observed in SICL and NLIC, indicating that investors placed higher valuation premiums during perceived growth phases. Meanwhile, companies like ALICL and NLG experienced fluctuating MPS in response to inconsistent earnings and dividends, underscoring market sensitivity to short-term performance metrics.

Correlation analysis reinforced these observations. The strongest statistically significant positive correlation with MPS was found in DPS, followed by EPS. This suggests that profitability and dividend payouts are key drivers of investor valuation in Nepal's insurance sector. The P/E ratio showed a moderate positive correlation with MPS, implying that firms with higher valuation multiples tend to enjoy higher market prices, often linked to favorable growth prospects.

Interestingly, Dividend Yield (DY) exhibited a negative correlation with MPS. This inverse relationship suggests that higher yields were often observed when share prices were lower, potentially indicating market concerns or undervaluation. The data implies that investors may view high dividend yields skeptically, particularly if they signal unsustainable distributions or stagnation in growth. BVS and Retention Ratio (RR) showed weak or no significant relationship with MPS, highlighting their limited role in market price determination within this sample. Likewise, the age of companies did not show meaningful correlation with MPS, suggesting that longevity alone does not influence investor valuation in this sector.

Regression analysis provided deeper insight into these relationships. The coefficient of determination (R^2) was found to be 0.798, meaning approximately 79.8% of the variation in MPS is explained by the collective influence of EPS, DPS, BVS, P/E, DY, RR, and Age. This high explanatory power underscores the robustness of the model. The Standard Error of 422.33 suggests a reasonable level of predictive accuracy, and the F-statistic (29.325, $p < 0.001$) confirmed the overall model's statistical significance.

From the regression coefficients, several variables stood out. EPS and DPS had significant positive effects on MPS, reaffirming their importance in investor valuation. The P/E ratio

also showed a positive influence, indicating that higher earnings multiples are associated with stronger share prices. However, DY had a highly significant negative impact on MPS, which supports earlier observations from the correlation analysis, higher yields may be a signal of lower growth or undervalued stock. Surprisingly, BVS had a negative but statistically significant impact on MPS. This counterintuitive finding may indicate that investors prioritize earnings and growth potential over the book value of assets. RR and Age showed no statistically significant impact on MPS.

The hypothesis testing results align with these findings. Hypotheses related to EPS, DPS, P/E ratio, BVS, and DY were accepted, confirming their significant impact on MPS. In contrast, hypotheses concerning RR and Age were rejected, indicating that these factors do not significantly influence market price within the sample studied.

The results highlight that DPS has a powerful and significant positive impact on MPS, therefore proving the benefits of dividends payout as they encourage confidence and drive up the stock value. It is also noteworthy that Dividend Yield is statistically significant as it negatively relates to MPS, which may indicate that people use it as a signal for less growth potential or higher risk factors, supporting what the theory explains about the real market. Overall, the research supports the main proposition of the Dividend Relevance Theory that dividends are meaningful in shaping stock prices in Nepal's insurance sector.

It is found that DPS has a positive and significant connection with MPS, and that the Retention Ratio is not strongly linked to MPS and its association is not significant. Therefore, unlike the Residual Theory, those earnings from retained profits in Nepalese insurance organizations might not be put into high-gain activities that boost shareholder value. What's clear is that investors prefer to receive regular, secure dividends now rather than wait for higher profit later, because they do not trust the company's approach to reinvestment or see many rewarding investment chances. So, the findings do not reflect the Residual Theory well, suggesting that dividends might have a bigger effect on market prices than the theory suggests.

From the results, it is clear that a higher Dividend Per Share (DPS) leads to a stronger and positive Market Price Per Share (MPS), suggesting that higher dividends inform investors that the company is expected to do better in the future. Even though Dividend Yield (DY) did

not prove significance, the fact that DPS is very influential suggests that investors in the Nepalese insurance economy regard high dividends as evidence of a strong financial position and promising future, like signaling effects. In Nepal's unsteady market, investors rely heavily on such cues. So, the findings are consistent with Signaling Theory, as it indicates dividends can greatly affect market prices.

The results highlight that EPS has a significant and positive impact on MPS which suggests that investors view higher earnings as an indicator of good financial results, attracting them to invest more in those companies, thus increasing the share prices. The results are consistent with Earnings Capitalization Theory.

Comparing the results with the findings of Maskey (2022), it is revealed that there are both consistencies and divergences. Maskey (2022) revealed that EPS, DPS, P/E ratio, company age, and dividend yield had a major influence on share prices. In contrast, BVS and retention ratio were not considered statistically significant. In the same way, the current study also verifies that EPS, DPS, and the P/E ratio have a positive and significant influence on market prices. Despite these, both BVS and dividend yield show different results, since they cause share price to decline and no longer support Maskey's findings. Besides, the findings of this study show that retention ratio and firm age are not statistically significant, whereas age served as a significant factor in Maskey's research. Changes in composition of the sample set (from insurers only to a mixed group), time period studied, and investors' expectations over time may be the main reasons for these variations.

The findings in this study are in general agreement with and sometimes differ from previous studies on what influences the prices of shares in Nepalese insurance companies. So far, Lamichhane and Rai's (2021) research and the current study have revealed that stock prices are positively and significantly impacted by dividends and earnings. Khadka and Khadka (2021) came to a similar conclusion, saying that EPS and DPS are the most important factors, yet found that the P/E ratio's role is less prominent in comparison to what was found in this study. As indicated by the findings of Karki (2020), this study also determined that EPS, DPS, and Firm Size were factors, despite book value not being a significant influence, as it was in the previous research, although there was indeed a significant negative tie between BVS and share price in this case. Gautam and Bista (2019) pointed out that the firm's size,

earnings, and dividend policies had mixed importance in the case of non-life insurers. In comparison, firm age and retention ratio come up as insignificant in this study. All things considered, the lack of consistent results seems to have been influenced by the samples' composition (life and non-life), the time involved, and how each firm operated, demonstrating a changing attitude among Nepalese investors in the insurance market.

The findings suggest that among the financial indicators, EPS, DPS, P/E ratio, and DY are the most influential in determining the market valuation of Nepalese insurance companies. These results have practical implications for investors and company managers. Investors are more likely to reward companies with strong profitability and consistent dividends, while also being responsive to valuation multiples. On the other hand, firms should recognize that traditional metrics like book value or company age may not carry the same weight in influencing share prices. These insights can help insurance companies strategize better for performance reporting and capital market engagement, especially in a volatile and investor-sensitive market like Nepal's.

CHAPTER-V

SUMMARY AND CONCLUSION

This chapter provides the presentation of key findings of the study, conclusions made therein and summary of the study. The conclusions and recommendations drawn from the findings are mainly focused on addressing the objective of the study. The research intended to examine the factors affecting the market share price of Nepalese insurance companies.

5.1 Summary

This study was conducted with the objective of investigating the determinants of market price per share (MPS) in Nepalese insurance companies. The research employed a descriptive research design, drawing data from six insurance companies, three life and three non-life firms, listed on the Nepal Stock Exchange (NEPSE). The study utilized financial data spanning ten fiscal years (FY 2070/71 to FY 2079/80), and variables like Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value Per Share (BVS), Dividend Yield (DY), Retention Ratio (RR), and the age of the company were analyzed using various descriptive and inferential statistical tools.

The findings of this study provide a detailed understanding of the market price per share (MPS) of Nepalese insurance companies and its relationship with selected financial and firm-specific variables. The descriptive statistics indicate that the MPS of these companies is, on average, relatively high with noticeable variation across firms, reflecting investor interest but also inconsistencies in valuation.

Although the descriptive data showed that EPS and DPS generally moved in tandem with MPS in some firms and fiscal years, the regression results indicated that their effects on MPS were statistically significant. This suggests that profitability (as measured by EPS) and dividend payouts (as captured by DPS) are indeed meaningful to investors, even if their magnitude may vary across different companies and contexts. BVS was also found to significantly influence MPS but in a negative direction, which was unexpected. This may indicate that investors are more interested in profitability and future earnings potential rather than the tangible book value of a company's assets. Meanwhile, RR and the age of the company did not show any statistically significant relationship with MPS, indicating that

earnings retention strategies and company longevity do not strongly influence investor valuation in the Nepalese insurance sector.

The findings from the analysis revealed that P/E ratio and Dividend Yield (DY) had statistically significant impacts on MPS. The P/E ratio demonstrated a strong positive influence, suggesting that firms with higher valuation multiples tend to enjoy higher market prices, likely due to greater investor confidence and growth expectations. Conversely, DY exhibited a significant negative effect on MPS, indicating that companies offering higher dividend yields typically have lower share prices. This could be due to investor perceptions that high yields may be unsustainable or indicative of limited future growth.

The results of this study provide mixed evidence regarding the stated hypotheses. The study has found that EPS, DPS, and P/E ratio have significant relationship with MPS, as indicated by H1, H2, and H3. Both correlation and regression analyses prove that profitability indicators and valuation measures play a significant and favorable role in affecting share prices of insurance firms in Nepal. Hypothesis H4 that states Book Value of Shares has a meaningful relationship with MPS is supported by the findings, though the outcomes reveal that it is a negative relationship, meaning that higher Book Value doesn't always mean higher MPS. Alternatively, the finding for hypotheses H5, H6, and H7 imply that the relationship between Dividend Yield, Retention Ratio, and Age of the company with MPS is not statistically significant. These factors did not significantly influence MPS, suggesting that they do not play a big role in determining the share price of Nepalese insurance companies. These results imply that market participants tend to reward companies that exhibit strong profitability and growth expectations, while asset-based valuation and traditional metrics like age are less influential in shaping market price in this context. Overall, earnings and the way the stock market perceives the company maybe more important than fixed or underlying aspects of a company in explaining its stock price in this case.

5.2 Conclusion

The goal of this study was to examine the factors that influence the market price per share (MPS) of Nepalese insurance companies. Through a comprehensive analysis of ten years of secondary data from six companies listed on NEPSE, the study presents several important findings.

It was determined that P/E ratio and Dividend Yield (DY) are the two most influential variables in determining MPS. The P/E ratio had a positive and statistically significant impact, reinforcing the idea that investors value future earning potential and are willing to pay a premium for firms perceived to have strong growth trajectories. DY, on the other hand, had a strong negative impact on MPS. Higher dividend yields often accompanied lower stock prices, perhaps reflecting market skepticism about sustainability or growth prospects.

EPS and DPS were also statistically significant and positively associated with MPS, highlighting their relevance in investor decision-making, despite earlier assumptions that their impact might be limited. BVS, though traditionally considered a strong measure of company value, showed a significant negative effect, suggesting that market participants may prioritize growth metrics over asset values

The study found that RR and company age were not significant in explaining variations in MPS, suggesting that neither reinvested earnings nor operational longevity are key determinants of investor valuation in this sector.

In conclusion, the analysis emphasizes the role of forward-looking and profitability-based metrics, particularly P/E ratio, EPS, and DPS, in shaping the market price of shares. This insight is crucial for investors, company management, and policymakers aiming to understand and respond to capital market dynamics in Nepal's insurance industry.

5.3 Implications

For Investors

The findings suggest that investors should prioritize P/E ratio and DY when evaluating insurance stocks in Nepal. A high P/E typically reflects investor confidence in growth potential, while a high DY may be a red flag for limited growth. EPS and DPS should also be closely monitored, especially for long-term investment decisions. While metrics like BVS, RR, and age may not significantly influence share prices on their own, they can still be relevant when assessed in conjunction with broader financial trends or specific market conditions. Investors are advised to take a holistic approach, integrating both quantitative analysis and qualitative judgment, to make informed decisions in a dynamic and evolving market.

For Insurance Companies

Management should focus on improving earnings performance and maintaining a favorable P/E ratio, which signals future profitability to investors. Dividend strategies should be carefully balanced, too high a yield may inadvertently signal stagnation rather than strength. Companies should also evaluate whether reinvested earnings (RR) are translating into visible growth, as these currently do not appear to directly affect share prices.

For Policymakers and Regulators

This study underlines the critical importance of market-based indicators like P/E ratio and DY in influencing investor decisions. Regulatory bodies such as NEPSE and the Insurance Board of Nepal may consider these insights while framing guidelines for financial disclosures. Encouraging standardized, transparent, and timely reporting of key financial indicators could improve investor confidence and market efficiency.

For Researchers

Further studies could examine macroeconomic variables such as inflation, interest rates, and GDP growth as potential drivers of MPS. Also, expanding the scope to include other sectors or more companies could improve generalizability. Employing advanced econometric techniques, such as panel data regression or structural equation modeling, would allow for a deeper understanding of causality and interactions among variables. Exploring behavioral finance aspects, such as investor psychology and sentiment, through primary data collection (e.g., surveys or interviews), could add another layer of depth to the findings. Future research may also examine how technological advancements and regulatory shifts within the insurance sector affect market valuations.

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APPENDIX

Table I

Descriptive Statistics of National Life Insurance Company (NLICL)

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	32.21	38	154.58	2550	79.17	1.49	-17.96	25
2071/72	25.88	32	143.38	1840	71.11	1.74	-23.61	26
2072/73	26.4	26	135	3300	125.05	0.79	1.52	27
2073/74	24.71	14.21	131.99	2300	93.09	0.62	42.48	28
2074/75	28.64	25.57	138.65	799	27.9	3.2	10.72	29
2075/76	11.67	10.79	125.57	585	50.11	1.84	7.55	30
2076/77	22.96	22	144.37	662	28.83	3.32	4.18	31
2077/78	20.25	18.79	150.56	1,151	53.84	1.63	7.17	32
2078/79	20.38	17.16	156.52	577	28.31	2.97	15.8	33
2079/80	22.03	14.74	135.56	645	29.28	2.29	33.09	34
Mean	**23.513**	**21.926**	**141.618**	**1440.9**	**58.669**	**1.989**	**8.094**	**29.5**
SD	**5.30**	**8.11**	**9.59**	**938.02**	**31.44**	**0.90**	**19.02**	**2.87**
Min	**5.30**	**8.11**	**9.59**	**577.00**	**27.90**	**0.62**	**-23.61**	**2.87**
Max	**32.21**	**38**	**156.52**	**3300**	**125.05**	**3.32**	**42.48**	**34**

Table II

Descriptive Statistics of NLIC

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	56.67	68	171.1	4351	76.68	1.56	-19.91	12
2071/72	30.42	26.32	136.04	2886	94.87	0.91	13.4	13
2072/73	41.83	30.08	149.16	4006	95.77	0.75	28.35	14
2073/74	32.44	70.53	250.83	2148	66.21	3.29	-117.49	15
2074/75	20	48.5	220	1050	53	4.62	-142.5	16
2075/76	24	51	166	901	37	5.66	-112.5	17
2076/77	15	14.73	128	1260	82	1.17	1.8	18
2077/78	24	15.78	135	1919	80	0.82	34.25	19
2078/79	2	0	118	747	393	0	100	20
2079/80	25	0	144	744	30.36	0	100	21
Mean	**27.14**	**32.49**	**161.81**	**2001.20**	**100.89**	**1.88**	**-11.46**	**16.50**
SD	**14.84**	**25.94**	**42.61**	**1340.40**	**105.05**	**1.97**	**86.93**	**3.03**
Min	**2**	**0**	**118**	**744**	**30.36**	**0**	**-142.5**	**12**
Max	**56.67**	**70.53**	**250.83**	**4351**	**393**	**5.66**	**100**	**21**

Table III

Descriptive Statistics of Asian Life Insurance

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	14.41	0	158	1250	87	0	100	5
2071/72	8.14	0	132	1013	124	0	100	6
2072/73	14.77	0	147	1710	116	0	100	7
2073/74	6.32	0	128	1458	231	0	100	8
2074/75	-2.46	0	117	683	278	0	100	9
2075/76	10.11	0	124	383	35	0	100	10
2076/77	11.99	27	134	607	51	4.45	-125.18	11
2077/78	18.23	15.26	151	1348	73.95	1.13	16.26	12
2078/79	22	8.95	142	574	26	1.46	59.32	13

2079/80	11.94	8.16	117	745	62.39	1.1	31.66	14
Mean	**11.545**	**5.937**	**135**	**977.1**	**108.434**	**0.814**	**58.206**	**9.5**
SD	**6.75**	**9.17**	**14.17**	**444.04**	**83.88**	**1.41**	**71.94**	**3.03**
Min	**-2.46**	**0**	**117**	**383**	**26**	**0**	**-125.18**	**5**
Max	**22**	**27**	**158**	**1710**	**278**	**4.45**	**100**	**14**

Table IV

Descriptive Statistics of NECO Insurance

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	27.14	24.74	255.02	770	28.37	3.21	8.97	19
2071/72	32.72	15.79	176.35	462	14.12	3.42	51.78	20
2072/73	37.52	21.05	189.82	1990	53.04	1.06	43.91	21
2073/74	29.25	10.53	172.37	981	33.54	1.07	63.98	22
2074/75	25.71	12.63	166.68	981	38.15	1.29	50.93	23
2075/76	30.16	9.14	187.7	489	16.22	1.87	69.7	24
2076/77	35.53	16.32	202.31	607	27.08	2.69	65.04	25
2077/78	33.16	15.79	207.53	1348	40.65	1.17	52.42	26
2078/79	31	16	208	694	22	2.31	48.39	27
2079/80	35	0	219	891	25	0	100	28
Mean	**31.72**	**14.20**	**198.48**	**921.30**	**29.82**	**1.81**	**55.51**	**23.50**
SD	**3.77**	**6.78**	**26.20**	**459.88**	**11.86**	**1.09**	**22.95**	**3.03**
Min	**25.71**	**0**	**166.68**	**462**	**14.12**	**0**	**8.97**	**19**
Max	**37.52**	**24.74**	**255.02**	**1990**	**53.04**	**3.42**	**100**	**28**

Table V

Descriptive Statistics of NLG Insurance

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	58	21	228	263	15	7.98	63.79	8
2071/72	47.86	21	239	559	12	3.67	56.09	9
2072/73	61.09	26.62	256	1970	35.18	1.35	56.42	10
2073/74	36.07	26.32	249	1485	29.64	1.77	26.98	11
2074/75	38.7	0	237	930	37.85	0	100	12
2075/76	31.61	7.37	268	930	29.42	0.79	76.69	13
2076/77	26.03	10.53	232	657	25.24	1.6	59.53	14
2077/78	18.76	10.53	237	1220	65.03	0.86	43.86	15
2078/79	15.97	10.53	211	478	30	2.2	34.06	16
2079/80	14.26	5.79	205	840	59	0.69	59.4	17
Mean	**34.84**	**13.97**	**236.20**	**933.20**	**33.84**	**2.09**	**57.68**	**12.50**
SD	**16.79**	**9.14**	**19.06**	**510.24**	**16.94**	**2.30**	**20.79**	**3.03**
Min	**14.26**	**0**	**205**	**263**	**12**	**0**	**26.98**	**8**
Max	**61.09**	**26.62**	**268**	**1970**	**65.03**	**7.98**	**100**	**17**

Table VI

Descriptive Statistics of Shikhar Insurance

Year	EPS	DPS	BVS	MPS	P/E	DY	RR	Age
2070/71	44.04	21.05	196.51	940	21.35	2.24	52.26	9
2071/72	61.4	26.32	223.23	690	11.24	3.81	57.14	10
2072/73	60.13	63.16	279.14	3249	54.03	1.95	-5.46	11
2073/74	44.03	30.53	216.75	1941	44.09	1.57	30.71	12
2074/75	37.76	0	205.42	985	26.08	0	100	13
2075/76	38.35	0	243.78	771	20.1	0	100	14
2076/77	38.55	38	298.45	1019	26.43	3.73	1.44	15
2077/78	17.71	0	201.55	1942	109.68	0	100	16
2078/79	14.47	16	205	807	56	1.98	-10.57	17
2079/80	8.52	0	184	845	99	0	100	18
Mean	**36.50**	**19.51**	**225.38**	**1318.90**	**46.80**	**1.53**	**52.55**	**13.50**
SD	**18.02**	**20.96**	**37.38**	**818.39**	**33.82**	**1.50**	**46.51**	**3.03**
Min	**8.52**	**0**	**184**	**690**	**11.24**	**0**	**-10.57**	**9**
Max	**61.4**	**63.16**	**298.45**	**3249**	**109.68**	**3.81**	**100**	**18**

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