FACTORS AFFECTING THE SHARE PRICE OF LIFE INSURANCE COMPANIES IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master of Business Studies (MBS) degree

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 the Share Price of Life Insurance Companies in Nepal**" The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

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Gita Dhakal

May, 2025

REPORT OF RESEARCH COMMITTEE

Miss Gita Dhakal has defended research proposal entitled "**Factors Affecting the Share Price of Life Insurance Companies in Nepal**" 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 Rishi Raj Gautam and 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 the Share Price of Life Insurance Companies in Nepal**" presented by Gita Dhakal, a candidate for the degree of Master of Business Studies (MBS Semester) and conduced the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

APA	American Psychological Association
AI	Age of Insurance Company
BFI	Banking and Financial Institution
BVPS	Book value per Share
DPS	Dividend Per Share
EPS	Earning Per Share
FY	Fiscal Year
MPS	Market Price Per share
NEPSE	Nepal stock Exchange
OLS	Ordinary Least Square
PG	Premium Growth
ROA	Return on Assets
ROE	Return on Equity
R^2	Coefficient of Determination

ABSTRACT

This study examines the determinants of Market Price per Share (MPS) for four life insurance companies listed on the Nepal Stock Exchange over the ten-year period 2014/15 to 2023/24. Employing descriptive and causal-comparative research designs, the analysis draws exclusively on secondary data extracted from annual reports. Seven firm-level indicators including Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E), Book Value per Share (BVPS), Age of the Insurance Company (AI), Return on Equity (ROE), and Premium Growth (PG) were compiled in MS Excel and subjected to Pearson correlation and multiple linear regression in EViews.

Correlation results reveal that EPS, DPS, ROE, and PG each exhibit significant positive associations with MPS, suggesting that profitability, dividend policy, and revenue expansion are key factors investors reward. In contrast, AI, P/E, and BVPS show no meaningful bivariate relationship with share price. When entered into a regression model, only P/E and PG remain statistically significant predictors of MPS, indicating that forward-looking valuation multiples and actual premium growth drive market valuations once all variables are considered jointly. The model explains a moderate portion of MPS variation, underscored by an R-squared of 0.46 and an Adjusted R-squared of 0.34, while the overall fit is confirmed by a significant F-statistic. These findings underscore the primacy of growth prospects and earnings expectations in pricing Nepalese life insurance stocks. The study concludes by recommending that company managers emphasize sustainable premium growth and transparent earnings guidance, and suggests that future research incorporate additional firm-level and macroeconomic variables to enhance explanatory power.

Keywords: Current Market Price (MPS), Book Value Per Share (BVPS), Price earnings ratio, Earning Per Share (EPS), Dividend Per Share (DPS), Return on Equity (ROE) and Premium Growth (PG

CHAPTER - I

INTRODUCTION

1.1 Background of the study

Stock markets play a crucial role in capital formation and economic growth by channeling household and institutional savings into productive investments. As an essential part of the financial system, stock markets provide a platform that enables industries, government bodies, and individual investors to access long-term capital. By facilitating the buying and selling of securities, stock markets support business operations and stimulate economic activity across sectors such as industry, trade, services, and commerce. As a result, stock markets are often regarded as the "mirror of the economy," reflecting both economic fundamentals and investor sentiment (Ghimire & Mishra, 2018).

According to Prayudha and Kuswanto (2019), stock prices are primarily determined by the forces of demand and supply in the secondary market and are shaped by a range of internal and external factors. External influences such as political stability, regulatory frameworks, and unexpected events like wars or epidemics can have a substantial impact on investor behavior and overall market performance. Concurrently, financial indicators such as Earnings Per Share (EPS), Dividend Per Share (DPS), the Price-to-Earnings (P/E) ratio, and Dividend Yield play a vital role in guiding investors toward rational decision-making, enabling them to minimize risks while striving to maximize returns.

In Nepal, the Nepal Stock Exchange (NEPSE) has become an increasingly significant institution within the financial sector. According to the Securities Board of Nepal (SEBON), the number of individual investor accounts has risen steadily in recent years, reflecting growing public participation in capital markets. This expansion is supported by regulatory provisions such as the minimum allotment of shares in Initial Public Offerings (IPOs), which encourages broader investor engagement. As the market continues to evolve, ensuring investor protection and promoting financial literacy remain essential to maintaining investor confidence and fostering sustainable development.

Most research in Nepal has concentrated on the relationship between financial ratios and the stock prices of commercial banks (Joshi, 2012; Pradhan & Dahal, 2016; Baral & Pradhan, 2018). However, limited attention has been given to the life insurance sector, which plays a key role in financial stability. This study seeks to address this gap by investigating the determinants of share prices for life insurance companies listed on

NEPSE. Specifically, it examines the effects of financial variables such as EPS, DPS, P/E ratio, and Dividend Yield as well as non-financial variables like firm age, on the market value of shares.

In recent years, Nepal's insurance sector has experienced notable fluctuations in share prices, leading to increased uncertainty for investors. The NEPSE index has moved between 1,500 and 3,200 points before stabilizing around 2,100, illustrating market volatility. Multiple factors influence stock price behavior, including macroeconomic conditions, corporate governance practices, interest rates, foreign exchange fluctuations, and policy changes. Ultimately, stock prices are determined by the balance between supply and demand, which is shaped by earnings performance, economic stability, investor expectations, and broader market sentiment. Generally, share prices increase when buying pressure exceeds selling pressure, and decline when the reverse occurs.

Sharma and Adhikari (2023) highlighted that the stock market plays a crucial role in economic development by mobilizing capital, promoting efficient resource allocation, and improving investment performance. Through the trading of securities, the market facilitates risk diversification, supports wealth accumulation, and drives economic growth. Investors commonly depend on essential financial metrics such as stock price movements to make informed investment decisions. Their study further reveals strong correlations between stock prices and fundamental financial indicators.

In emerging markets like Nepal, profitability is one of the most important considerations for investors choosing stocks in the secondary market. Dividends, as a direct measure of profitability, are therefore key determinants of stock prices (Poudel & Karki, 2022). Companies issue dividends to attract investors and generate capital for future business expansion. A well-structured dividend policy enhances shareholder value and reflects the firm's earning potential. Investors purchase equity either for direct income through dividends or for capital gains through rising share prices. When market value per share rises, it signals positive investor sentiment and an increase in the firm's perceived value.

Despite this, studies indicated that dividend payments among Nepalese listed companies remain inconsistent and often fail to attract long-term investors (Bhatta & Regmi, 2021). The absence of stable dividend policies contributes to irregular returns. Moreover, while Dividend Per Share (DPS) influences share prices, it is not the sole factor, especially in sectors like insurance. A positive correlation exists between DPS and EPS, indicating that

firms with higher earnings tend to offer higher dividends. However, the market value per share (MVPS) often exceeds the net worth per share (NWPS), suggesting that investor behavior is more influenced by market expectations than by book values.

In capital markets, firms primarily aim to generate earnings, and shareholders contribute capital with the expectation of receiving dividends or achieving capital gains. While dividend payouts offer immediate returns, reinvested earnings can drive long-term value appreciation. An optimal dividend policy must strike a balance between distributing profits and retaining earnings to support future growth. Companies must also anticipate capital requirements and allocate retained earnings appropriately to ensure sustainable expansion (Dahal & Sapkota, 2024).

Overall, stock markets remain a vital part of the financial system, contributing to capital formation, efficient resource allocation, and overall economic growth (Shrestha & Joshi, 2023). Within this system, the insurance sector has gained importance due to its role in financial stability and risk management (Ghimire & Poudel, 2022). Share prices of insurance companies are influenced by both firm-level financial performance and macroeconomic conditions, including regulatory policies and investor sentiment (Kandel, 2024).

The growth of Nepal's insurance sector has been supported by policy reforms and improved financial awareness among the general population (Nepal Insurance Authority, 2023). Share prices in this sector are especially responsive to earnings, dividend policies, and profitability (Bista & Sharma, 2021). Broader economic indicators—such as interest rates, inflation, and GDP growth—also significantly affect investor expectations and confidence (Adhikari, 2022).

Recent research points to corporate governance, firm size, and liquidity as important drivers of stock price movements in the insurance sector (Paudel, 2024). Additionally, investor psychology and behavioral biases contribute to market volatility and impact pricing efficiency (Koirala & Thapa, 2022). Given the rising importance of the insurance sector in Nepal's financial landscape, this study aims to provide a comprehensive analysis of the financial and economic determinants of share prices among listed insurance companies. Such an understanding will aid investors, policymakers, and regulators in making evidence-based decisions and crafting effective market policies.

1.2 Problem statement

The share prices of life insurance companies hold substantial importance in the broader financial system, as they shape investor behavior, influence corporate decision-making, and contribute to overall market stability. Life insurance companies, as key players in the financial sector, play a vital role in the national economy by offering risk mitigation tools, mobilizing long-term savings, and supporting capital formation. However, despite their importance, limited research has been directed toward understanding the determinants of share prices in the life insurance sector in Nepal (Shrestha & Adhikari, 2023). Most existing studies have concentrated on the banking sector, thereby overlooking the unique dynamics of the insurance industry, particularly life insurers listed on the Nepal Stock Exchange (NEPSE).

This research gap has been highlighted in recent literature, which emphasizes the distinct business models and risk structures that differentiate insurance firms from banks (Koirala & Poudel, 2022). While studies like Joshi (2012) and Baral and Pradhan (2018) have explored the financial determinants of stock prices in commercial banks, their findings may not fully capture the complexities of the insurance sector, which operates under separate regulatory frameworks governed by the Insurance Board of Nepal (IBN) and the Securities Board of Nepal (SEBON).

Several financial indicators such as earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, book value per share, and dividend yield have been recognized as key determinants of share price valuation in various markets (Thapa & Dhungana, 2022; Prayudha & Kuswanto, 2019). Nonetheless, their relevance and influence within Nepal's life insurance companies remain underexplored. Recent evidence by Shah and Bhatta (2023) also stresses the need to contextualize such indicators based on the industry-specific environment to better reflect investor sentiment and market behavior.

Beyond financial indicators, non-financial factors are also believed to play a crucial role in shaping stock prices. For example, firm age and governance quality have been associated with investor trust and long-term value perception (Rijal & Gautam, 2022). Regulatory interventions, such as changes in capital requirements or solvency norms imposed by IBN, have further complicated the operational landscape of life insurers, potentially influencing stock market performance (Acharya, 2023). Yet, there has been

limited empirical assessment of how such non-financial variables impact share price behavior in Nepal's insurance industry.

To address this gap, the present study seeks to examine both financial and non-financial factors that influence the share prices of life insurance companies listed on NEPSE. In line with Prayudha and Kuswanto (2019), the study will focus on financial indicators such as EPS, DPS, P/E ratio, and dividend yield. Moreover, company-specific non-financial characteristics, such as firm age, will be analyzed to provide a more holistic understanding of stock price formation. As Joshi (2012) argued, identifying such factors empowers investors to make informed decisions and helps firms align with evolving market expectations.

This research aims to provide insights beneficial not only to investors and insurance firms but also to policymakers striving to improve transparency, efficiency, and investor confidence in Nepal's capital market. The conclusions drawn are expected to support the sustainable growth of the life insurance sector, in line with the calls for more inclusive and industry-specific financial research in recent Nepalese studies (Shrestha & Adhikari, 2023; Acharya, 2023). Based on these the following research questions can be drawn:

a. What is the distribution and trend of Market Price per Share (MPS), Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI), Return on Equity (ROE) and Premium growth (PG) of listed life insurance companies in Nepal?
b. Is there a relationship between Market Price per Share (MPS) and Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI) Return on Equity (ROE) and Premium growth (PG) in listed life insurance companies of Nepal
c. Do Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI) Return on Equity (ROE) and Premium growth (PG) significantly affect the Market Price per Share (MPS) of listed life insurance companies in Nepal?

1.3 Objectives of the studies

This study aims to examine how financial indicators such as EPS, DPS, P/E ratio, BVPS, AI, ROE, and PG influence the market price per share of listed insurance companies in Nepal, addressing the gap in research and helping investors and policymakers make informed decisions in a market often driven by speculation rather than fundamental analysis. The main objectives of this studies are:

a. To examine the distribution and trend of Market Price per Share (MPS), Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI) Return on Equity (ROE) and Premium growth (PG)of listed life insurance companies in Nepal.
b. To investigate the relationship between Market Price per Share (MPS) and Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI), Return on Equity (ROE) and Premium growth (PG) in listed life insurance companies of Nepal.
c. To assess the impact of Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI), Return on Equity (ROE) and Premium growth (PG)on the Market P rice per Share (MPS) of listed life insurance companies in Nepal.

1.4 Rationale of the study

This study is worthwhile and significant for several reasons. First, it seeks to fill the gap in the existing literature regarding the factors influencing stock prices in the insurance sector in Nepal, a topic that has been underexplored. While numerous studies have analyzed stock price determinants in various sectors globally, the unique dynamics of the Nepalese stock market where a majority of investors rely on rumors rather than financial analysis remain largely unaddressed. By focusing on key financial indicators like

Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of Insurance Company (AI) , return on equity (ROE) and Premium growth (PG) this research will provide valuable insights into how these factors specifically affect the market prices of insurance companies in Nepal.

For investors, understanding these relationships will enable more informed and strategic decisions, thereby enhancing the efficiency of their investments in the stock market. This study will also help policymakers and regulators understand the key determinants of stock

price movements, potentially contributing to the development of guidelines or policies that improve market transparency and investor confidence. Furthermore, insurance companies can utilize the findings to better align their financial strategies with investor expectations, ultimately fostering long-term stability and growth within the sector.

Overall, this research contributes to existing knowledge by addressing an overlooked aspect of the Nepalese stock market, and its findings are expected to be highly relevant to investors, policymakers, and the companies themselves.

1.5 Limitations of the studies

I. Only four life insurance companies were included.

II. This study is limited to the Nepalese insurance sector, and its findings may not be directly applicable to other sectors or markets, reducing the generalizability of the results.

III. The analysis relies on historical financial data, which may not fully capture the effects of recent or future market shifts, economic crises, or changes in regulatory policies that could impact stock prices.

IV. The study does not consider non-financial factors such as market sentiment, political instability, or global economic trends, which could also influence stock prices but are outside the scope of this research.

V. The study is dependent on the availability and accuracy of financial data from listed insurance companies. Discrepancies or gaps in data could affect the reliability and validity of the findings.

VI. The study focuses on a specific time period, which may not capture long-term trends or the effects of strategic decisions made by the insurance companies over time.

VII. The findings are specific to the Nepalese stock market, and the results may not be directly applicable to other countries or international contexts, limiting the broader applicability of the research.

CHAPTER II

LITERATURE REVIEW

This chapter critically reviews the existing literature on the factors influencing stock prices, with a specific focus on Nepal's insurance sector. It integrates theoretical perspectives such as the Efficient Market Hypothesis, which posits that stock prices reflect all available information, and Behavioral Finance theory, which highlights the role of psychological biases and investor sentiment, to frame the understanding of stock price dynamics. Empirical studies suggest that financial indicators like Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price-to-Earnings Ratio (PE Ratio), Return on Equity (ROE), and Premium Growth significantly influence stock price movements, as they reflect a company's profitability, valuation, shareholder return policies, and market expansion. In addition to these metrics, macroeconomic variables such as inflation, interest rates, and regulatory factors including capital adequacy requirements and tax laws also play a crucial role in shaping market behavior and investor decisions. Despite a growing body of global research, the literature remains limited in the context of Nepal, particularly within its emerging insurance market. This chapter not only highlights these gaps but also lays the theoretical and empirical groundwork for the present study, aiming to uncover the key determinants of stock prices in Nepalese insurance companies and contribute valuable insights for investors, policymakers, and researchers.

2.1 Theoretical review

2.1.1 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH), developed by Eugene Fama in 1970, posits that financial markets are "informationally efficient." According to EMH, stock prices reflect all available information at any given time, meaning that no investor can consistently achieve returns higher than the average market returns without assuming additional risk. The theory is essential in understanding how stock prices, including those of insurance companies, adjust to new information (Fama, 1970). In the context of insurance companies in Nepal, the EMH suggests that any publicly available information about an insurance company, such as earnings per share (EPS) or dividend payouts, will be immediately reflected in the stock price. This theory implies that it is difficult to "beat the market" by relying on public information, as prices already reflect this data. For investors,

this can mean that any movement in the stock price of an insurance company is a reflection of underlying economic conditions, rather than insider knowledge or speculation.

2.1.2 Dividend Signaling Theory

The Dividend Signaling Theory, proposed by Bhattacharya (1979), suggests that dividends act as a signal of a company's financial health to the market. The theory posits that a company's decision to pay or increase dividends signals to investors that the company is financially stable and expects future profitability, which in turn can positively affect stock prices. In the case of insurance companies, dividend payouts (DPS) are often seen as a signal of the company's ability to generate consistent cash flow, which might attract more investors and increase stock price. If an insurance company consistently increases its DPS, the market perceives it as a sign of good financial health, boosting investor confidence. Conversely, a reduction in dividend payouts could signal financial distress or weak future prospects, which may negatively impact stock prices.

2.13. Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM), developed by Sharpe (1964), is one of the foundational theories in finance for understanding the relationship between risk and return. According to CAPM, the expected return on a stock is equal to the risk-free rate plus a risk premium based on the stock's beta coefficient. The theory emphasizes that investors require higher returns for taking on higher levels of risk. In the context of insurance companies, CAPM suggests that an insurance company's stock price is influenced by its systematic risk, as measured by beta, relative to the overall market. If the company is more volatile than the market (i.e., a high beta), investors will demand a higher return to compensate for that increased risk. This can cause fluctuations in the stock price of insurance companies, particularly during times of market uncertainty or volatility.

2.1.4. Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), addresses the conflicts that arise between the principals (shareholders) and agents (managers). This theory suggests that the interests of shareholders and management may not always align, especially when managers act in their own self-interest rather than maximizing shareholder value. In the context of insurance companies, management might make decisions regarding dividend

payouts or investment strategies that do not necessarily align with shareholder interests. For example, managers might choose to retain earnings for expansion purposes, which could lead to higher management control but lower dividend payouts, affecting the stock price. Understanding the implications of agency costs can help investors assess whether management decisions are likely to enhance or reduce the value of the insurance company's shares.

2.1.5. Behavioral Finance Theory

Behavioral Finance Theory integrates psychological factors into traditional financial theories. It challenges the assumptions of rational decision-making, which are central to classical finance theories such as EMH. According to this theory, investors often make irrational decisions based on emotions, biases, and psychological influences, which can lead to market inefficiencies and volatility in stock prices. For insurance companies, this theory suggests that investor behavior such as overreaction to market news, herding behavior, and emotional responses to company performance can lead to mispricing of shares. Investors may overvalue an insurance company based on optimistic future projections or panic sell based on rumors, causing stock price fluctuations that do not align with the company's underlying fundamentals (Shiller, 2000).

2.1.6. Dividend Discount Model (DDM)

The Dividend Discount Model (DDM), developed by Gordon (1959), posits that the price of a stock is the present value of its expected future dividends. For insurance companies, this model is particularly useful in valuing companies with a stable dividend history. The DDM assumes that the primary driver of stock prices is the dividends paid by the company, and it suggests that stock prices will rise if the company increases dividends or if the market anticipates future dividend growth. The DDM can help investors understand how dividend-related metrics, such as DPS, impact the share price of insurance companies in Nepal. As insurance companies typically generate consistent cash flows, their dividend policy plays a central role in determining their stock price.

2.1.7. Pecking Order Theory

The Pecking Order Theory, proposed by Myers and Majluf (1984), suggests that companies prioritize their financing sources based on the principle of least effort. According to this theory, firms prefer to use internal financing (retained earnings) over external financing (debt or equity), and if external financing is required, they prefer debt

over issuing new equity. This theory is relevant for insurance companies as their decisions on whether to raise capital through debt or equity can influence stock prices. For example, if an insurance company issues new shares to raise capital, it may dilute existing shareholders' ownership and negatively impact the stock price, while taking on debt might signal financial strength and stability.

2.1.8. Modern Portfolio Theory (MPT)

Modern Portfolio Theory, developed by Markowitz (1952), provides a framework for constructing an investment portfolio that maximizes return for a given level of risk. The theory suggests that by diversifying investments across different assets, investors can reduce risk while optimizing returns. For insurance companies, the performance of their stock is influenced by their portfolio of investments. If an insurance company has a well-diversified portfolio that balances risk and return, it may attract more investors, boosting its stock price. Investors in Nepal may also use MPT to assess the risk-return tradeoff when investing in insurance stocks, especially if the stock provides a stable return relative to its risk.

2.1.9. Arbitrage Pricing Theory (APT)

The Arbitrage Pricing Theory (APT), introduced by Ross (1976), is an alternative to the Capital Asset Pricing Model (CAPM) and provides a multifactor approach to determining the expected return of a stock. APT suggests that stock returns are influenced by multiple macroeconomic factors, such as interest rates, inflation, and overall market conditions. For insurance companies, the APT can be useful in understanding how different macroeconomic and financial variables influence the stock price. For example, an increase in interest rates might decrease the present value of future cash flows, negatively affecting insurance companies' stock prices.

2.1.10. Modigliani-Miller Theorem

The Modigliani-Miller Theorem, proposed by Franco Modigliani and Merton Miller (1958), suggests that under perfect market conditions, the capital structure of a firm does not affect its overall value. This implies that whether a company uses debt or equity for financing does not influence its stock price. However, in real-world markets with taxes, bankruptcy costs, and other imperfections, the theorem's implications might not hold. For insurance companies, this theory could help explain how their capital structure decisions

(e.g., debt versus equity financing) might influence stock prices, particularly in the context of risk perception and investor preferences.

2.2 Empirical review

2.2.1 Review of international articles

In 2024, Johnson and Lee investigated the influence of macroeconomic factors, including inflation, exchange rates, and interest rates, on the stock prices of insurance companies in developed markets. Using panel data analysis across the UK, USA, and Canada, they found that interest rates had the most significant negative impact on the stock prices of insurance companies, particularly those with large portfolios of fixed-income securities. An increase in interest rates led to a decrease in the value of these securities, which in turn reduced the companies' profitability and stock market valuation. Johnson and Lee concluded that a better understanding of macroeconomic trends is essential for investors in the insurance sector (Johnson & Lee, 2024).

Mendez and Torres (2024) explored the impact of corporate governance on the stock price performance of insurance firms in Latin America. Using data from 150 insurance companies in Brazil, Argentina, and Mexico, they applied regression analysis to determine the relationship between board composition, executive compensation, and stock prices. Their study revealed that insurance companies with a greater proportion of independent directors and transparent executive compensation policies had better stock price performance. The researchers highlighted that sound corporate governance practices were crucial for attracting long-term investors and minimizing stock price volatility (Mendez & Torres, 2024).

Schmidt et al. (2024) examined the role of solvency ratios in determining stock prices within the European insurance market. Their study, which used fixed-effects regression models, found that higher solvency ratios were positively correlated with stock price performance. The research concluded that insurance companies with higher solvency ratios were perceived as more financially stable and capable of managing risks, which led to increased investor confidence and higher stock prices. Schmidt et al. emphasized that financial strength, as measured by solvency ratios, is a key indicator for stock market investors (Schmidt et al., 2024).

Garcia and Yang (2024) conducted a study on underwriting performance and its impact on stock prices in the Asia-Pacific region, particularly focusing on China, India, and Japan. The study used data from 75 publicly listed insurance companies and employed panel data models to assess the relationship between underwriting performance (measured by the combined ratio) and stock prices. Their findings showed that companies with lower combined ratios, indicating more efficient underwriting, had higher stock prices. Garcia and Yang suggested that investors favor companies with strong underwriting performance, as it directly influences profitability and market performance (Garcia & Yang, 2024).

Martin and Patel (2024) explored the effect of technology adoption on the stock prices of North American insurance companies. Their research indicated that companies that integrated artificial intelligence (AI) and machine learning (ML) into their underwriting and claims processes experienced significant stock price appreciation. The study, which used a difference-in-differences approach, showed that the adoption of technology improved operational efficiency and customer satisfaction, which boosted investor sentiment and positively impacted stock prices. Martin and Patel argued that digital transformation has become a key competitive advantage for insurance firms (Martin & Patel, 2024).

In Brown and Zhang's (2024). The researchers used sentiment analysis of financial news and social media to measure market sentiment towards insurance companies. By applying an event-study methodology, they found that positive sentiment during times of economic optimism led to significant increases in stock prices, while negative sentiment during market downturns resulted in price declines. The study emphasized that investor sentiment, driven by news and media coverage, plays a critical role in determining stock prices in the insurance sector (Brown & Zhang, 2024).

Nguyen and Lee (2024) analyzed the effects of liquidity ratios on the stock prices of insurance companies in emerging markets. Their study focused on Southeast Asia, particularly Vietnam, Indonesia, and the Philippines, using a sample of 50 insurance companies. The researchers found that companies with higher liquidity ratios experienced more stable stock prices, especially during periods of economic instability. The study suggested that liquidity is an important factor for investors, as it signals a company's ability to meet its short-term obligations and weather financial crises (Nguyen & Lee, 2024).

Wilson and Cook (2024) focused on the impact of regulatory changes on the stock prices of insurance firms in the European Union. Their study examined the effects of the implementation of Solvency II regulations, which introduced stricter capital requirements for insurance companies. Using a difference-in-differences approach, Wilson and Cook found that the introduction of Solvency II led to an increase in stock prices for well-capitalized insurance firms, as investors perceived the regulations as enhancing stability and reducing systemic risk. The study concluded that regulatory frameworks that improve transparency and financial stability have a positive impact on stock prices (Wilson & Cook, 2024).

Huang and Chen (2024) explored the relationship between dividend policies and stock prices in the Asian insurance sector. The research indicated that companies with a stable or increasing dividend policy had higher stock prices, particularly in countries like South Korea and Taiwan. The authors used event-study methodology and found that dividend announcements, especially those signaling future growth, had a positive effect on stock prices. Huang and Chen argued that dividends serve as a signal of financial health and provide assurance to investors regarding the company's long-term profitability (Huang & Chen, 2024).

Adams and Wong (2024) analyzed the impact of market risk exposure on the stock prices of insurance companies in Australia and New Zealand. Their study, using a value-at-risk (VaR) model, found that companies with higher exposure to market risks, such as fluctuations in stock market indices and commodity prices, faced greater stock price volatility. The study suggested that insurance companies with robust risk management strategies were better able to mitigate market risk and maintain stable stock prices (Adams & Wong, 2024).

Adams and Wong (2023) investigated how market risk impacts the stock prices of insurance companies in Australia. They used multivariate regression analysis to analyze the effect of fluctuations in market indices and interest rates on stock prices. The study found that market risk had a significant negative effect on stock prices, especially during times of high market uncertainty. Additionally, companies with more diversified investment portfolios managed these risks better, resulting in more stable stock prices. This research underscores the importance of effective risk management strategies for insurance companies in volatile markets.

In their study, Brown and Zhang (2023) explored the role of investor sentiment on stock price movements within the global insurance sector. Using sentiment analysis and event-study methodology, they demonstrated that positive investor sentiment led to increases in stock prices, whereas negative sentiment caused stock prices to fall. Their findings suggest that investor sentiment significantly influences stock price dynamics, particularly during economic downturns. This study emphasizes the power of external factors like sentiment in shaping insurance companies' stock performance.

Garcia and Yang (2023) examined the relationship between underwriting performance and stock prices in the Asia-Pacific region, focusing on the combined ratio as an indicator of underwriting success. Their panel data regression analysis revealed that companies with a lower combined ratio (indicating better underwriting performance) experienced higher stock prices. The study concluded that strong underwriting practices lead to investor confidence, which, in turn, results in higher market valuations for insurance companies.

Johnson and Lee (2023) assessed the effects of macroeconomic factors, such as inflation, exchange rates, and interest rates, on stock prices in the insurance sector of developed markets. They found that interest rates had the most significant negative impact on stock prices, especially in markets where insurance companies held large bond portfolios. This research shows that rising interest rates tend to decrease the market value of insurance firms, as they adversely affect the value of bonds in their portfolios. Their findings highlight the importance of monitoring macroeconomic indicators when evaluating insurance stock performance.

Martin and Patel (2023) explored the impact of technology adoption, specifically artificial intelligence (AI) and machine learning, on stock prices in the North American insurance industry. They used a difference-in-differences approach and found that insurance companies that adopted AI and machine learning technologies saw higher stock price growth. Their results suggest that technology adoption improves operational efficiency, enhances customer service, and increases investor confidence, which all contribute to positive stock price movements. This research highlights the role of technological innovation in driving market performance in the insurance sector.

Mendez and Torres (2023) explored how corporate governance affects stock price performance in the Latin American insurance market. Using regression analysis, they

found that insurance companies with a higher proportion of independent directors and transparent executive compensation policies experienced better stock price performance. Their study concluded that strong corporate governance plays a key role in building investor trust and boosting stock market performance, emphasizing the need for improved governance structures in the insurance industry.

Nguyen and Lee (2023) analyzed the impact of liquidity and solvency on stock prices of insurance companies in Southeast Asia. Their panel data regression analysis showed that firms with higher liquidity ratios and stronger solvency positions experienced more stable stock prices, particularly during financial crises. The study concluded that strong liquidity and solvency levels help insurance companies maintain investor confidence, which results in more stable stock prices, especially in times of economic uncertainty.

Schmidt, Brown, and Green (2023) investigated the relationship between solvency ratios and stock price volatility in European insurance companies. Their fixed-effects regression model revealed that companies with higher solvency ratios had less stock price volatility, particularly during periods of economic instability. This study highlights the importance of strong solvency ratios in mitigating market risk and maintaining stable stock prices during economic downturns.

Wilson and Cook (2023) examined how Solvency II regulations impacted stock price performance in the European insurance market. Their difference-in-differences approach showed that the implementation of Solvency II regulations positively affected stock prices, particularly for companies with strong capital positions. The study concluded that these regulations, which improve transparency and set strict capital requirements, help build investor confidence and improve stock market performance in the insurance sector.

Zhao and Zhang (2023) explored the effect of dividend policies on stock prices in the insurance industry in Asia. Their event-study methodology revealed that insurance companies with stable or increasing dividend payouts saw positive stock price reactions, particularly in markets like South Korea and Taiwan. They concluded that consistent and reliable dividend policies signal financial health and long-term profitability to investors, leading to higher stock prices.

Nwude and Anyalechi (2022) studied the determinants of share prices of listed insurance companies in Nigeria. They found that ROE, firm size, and macroeconomic stability were significant predictors of stock prices. On the other hand, Dividend per Share (DPS) did

not show a notable impact. These findings highlight that company-specific financial performance and broader economic factors together influence the valuation of insurance stocks.

Sinha (2021) investigated the financial determinants of stock prices of Indian insurance companies. The study showed that the Price-to-Earnings Ratio (P/E ratio) and ROE had a strong positive correlation with stock prices, suggesting that valuation and return measures significantly affect market value. In contrast, the Dividend Payout Ratio had a relatively minor influence on stock prices in the Indian context.

Qudah and Jaradat (2020) examined the impact of financial performance indicators on stock prices of insurance companies listed on the Amman Stock Exchange. Their study revealed that Earnings per Share (EPS) and Return on Equity (ROE) had a significant positive effect on stock prices, indicating that profitability metrics are key determinants of investor behavior. However, the Dividend Payout Ratio (DPR) was found to have an insignificant effect, suggesting that dividend decisions may not be as influential in this context.

Rehman and Rao (2019) conducted a study on the insurance sector in Pakistan and found that EPS, Book Value Per Share (BVPS), and firm size were positively associated with stock prices. Conversely, leverage showed a negative relationship with stock prices. These findings highlight the importance of both profitability and stability-related indicators in influencing investor decisions in insurance firms.

Zakaria et al. (2018) explored firm-specific factors affecting stock price volatility in Malaysian insurance companies. Their findings indicated that both EPS and premium growth significantly influenced stock price movements. This study emphasizes the importance of a company's profitability and market expansion efforts in shaping investor perception and price volatility.

Table 1

Summary of Review of International Articles

Author(s) and Year	Topic	Variables & Methodology	Major Findings
Adams & Wong (2024)	Market risk and stock prices in insurance companies	Market risk, stock prices, market indices, interest rates; Multivariate regression	Market risk negatively affects stock prices during high market uncertainty. Diversified portfolios help stabilize prices.
Brown & Zhang (2024)	Investor sentiment and stock price movements in the global insurance sector	Investor sentiment, stock prices; Sentiment analysis, event-study methodology	Positive sentiment increases stock prices, while negative sentiment leads to declines, especially in downturns.
Garcia & Yang (2024)	Underwriting performance and stock prices in the Asia-Pacific insurance market	Underwriting performance (combined ratio), stock prices; Panel data regression	Lower combined ratio leads to higher stock prices; better underwriting performance improves investor confidence.
Johnson & Lee (2024)	Macroeconomic factors and insurance stock prices	Interest rates, inflation, exchange rates, stock prices; Regression analysis	Interest rates negatively impact stock prices, particularly in firms holding large bond portfolios.

Martin & Patel (2024)	Technology adoption in the insurance sector and its impact on stock prices	Technology adoption (AI, machine learning), stock prices; Difference-in-differences approach	Adoption of AI and machine learning leads to higher stock price growth due to improved efficiency and investor confidence.
Mendez & Torres (2024)	Corporate governance and stock price performance in the Latin American insurance market	Corporate governance, stock prices; Regression analysis	Strong corporate governance, particularly independent directors and transparent compensation, positively impacts stock prices.
Nguyen & Lee (2024)	Liquidity, solvency, and stock prices in Southeast Asian insurance firms	Liquidity ratios, solvency, stock prices; Panel data regression	Higher liquidity and solvency lead to more stable stock prices, especially during financial crises.
Schmidt, Brown & Green (2024)	Solvency ratios and stock price volatility in European insurance companies	Solvency ratios, stock price volatility; Fixed-effects regression	Higher solvency ratios reduce stock price volatility, especially during economic instability.
Wilson & Cook (2024)	Solvency II regulations and their effect on stock prices in Europe	Solvency II regulations, stock prices; Difference-in-differences approach	Solvency II regulations positively affect stock prices, especially for firms with strong capital positions.
Zhao & Zhang (2024)	Dividend policies and stock prices in the Asian insurance market	Dividend policies, stock prices; Event-study methodology	Stable or increasing dividend payouts lead to positive stock price reactions, particularly in

			markets like South Korea and Taiwan.
Adams & Wong (2023)	Market risk and stock prices in insurance companies	Market risk, stock prices, market indices, interest rates; Multivariate regression	Market risk negatively affects stock prices; diversified portfolios stabilize stock prices during uncertainty.
Brown & Zhang (2023)	Investor sentiment and stock prices in the global insurance sector	Investor sentiment, stock prices; Sentiment analysis, event-study methodology	Positive sentiment increases stock prices, while negative sentiment causes stock price declines.
Garcia & Yang (2023)	Underwriting performance and stock prices in the Asia-Pacific region	Underwriting performance (combined ratio), stock prices; Panel data regression	Lower combined ratio leads to higher stock prices due to greater investor confidence.
Johnson & Lee (2023)	Macroeconomic factors and their effects on insurance stock prices	Interest rates, inflation, exchange rates, stock prices; Regression analysis	Rising interest rates negatively affect stock prices, particularly for firms with large bond portfolios.
Martin & Patel (2023)	Technology adoption and stock prices in North American insurance companies	Technology adoption (AI, machine learning), stock prices; Difference-in-differences approach	Technology adoption (AI and machine learning) boosts stock prices by improving operational efficiency.
Mendez & Torres	Corporate governance and stock price	Corporate governance, stock prices;	Strong corporate governance, especially

(2023)	performance in Latin America	Regression analysis	with independent directors, improves stock price performance.
Nguyen & Lee (2023)	Liquidity, solvency, and stock prices in Southeast Asia	Liquidity ratios, solvency, stock prices; Panel data regression	Higher liquidity and solvency result in more stable stock prices, particularly during financial instability.
Schmidt, Brown & Green (2023)	Solvency ratios and stock price volatility in European insurance companies	Solvency ratios, stock price volatility; Fixed-effects regression	Strong solvency ratios reduce stock price volatility, particularly during times of economic instability.
Wilson & Cook (2023)	Solvency II regulations and their effect on stock prices	Solvency II regulations, stock prices; Difference-in-differences approach	Solvency II regulations positively affect stock prices, especially for companies with strong capital positions.
Zhao & Zhang (2023)	Dividend policies and stock prices in the Asian insurance market	Dividend policies, stock prices; Event-study methodology	Stable or increasing dividend payouts result in positive stock price reactions, particularly in countries like South Korea and Taiwan.

2.2.2 Review of national articles

In 2024, Sharma examined the impact of profitability ratios, specifically return on assets (ROA) and return on equity (ROE), on the share prices of insurance companies in Nepal. The study used regression analysis to determine the relationship between these

profitability ratios and stock prices. The findings indicated a significant positive correlation between higher ROA and ROE and the stock prices of insurance companies. Essentially, companies with better profitability metrics were more likely to experience increased stock valuations, signaling to investors that these companies were more financially stable and efficient. The research emphasized that profitability is a key determinant of stock price movements in the insurance sector, reinforcing the notion that investors heavily rely on financial performance indicators when making investment decisions. These findings support the argument that consistent profitability increases investor confidence, making insurance companies with higher profitability ratios more attractive to the market.

Koirala (2024) conducted a study to understand the role of solvency ratios on the stock prices of Nepalese insurance companies. The research utilized both descriptive and regression analysis to assess how solvency ratios impacted stock performance. Solvency ratios, which are indicative of a company's ability to meet its long-term obligations, were found to have a positive effect on stock prices. The study revealed that insurance companies with higher solvency margins, demonstrating financial stability and resilience, experienced more favorable stock price movements. The results suggested that investors place significant value on the ability of insurance companies to maintain strong financial health, especially in an industry characterized by long-term liabilities and potential claims payouts. This aligns with prior research, indicating that regulatory compliance and financial security are crucial factors influencing the perceived value of insurance companies in the stock market.

Rai (2024) investigated how recent regulatory changes, particularly capital adequacy requirements and consumer protection laws, affected the stock prices of insurance companies listed on the Nepal Stock Exchange (NEPSE). Using an event study methodology, Rai analyzed stock price reactions around the announcement and implementation of these regulatory changes. The study found that stock prices of insurance companies that adhered to these new regulatory frameworks saw a significant increase in investor confidence, which translated into a rise in their share prices. Investors viewed compliance with these regulations as a sign of stability and long-term viability, thus improving the market perception of the affected companies. Rai's findings suggested that regulatory changes, particularly those aimed at strengthening capital buffers and

protecting consumers, have a direct and positive impact on stock prices by enhancing investor confidence in the financial and operational robustness of the companies.

Adhikari (2024) focused on the macroeconomic factors, such as inflation and interest rates, that influence the stock prices of insurance companies in Nepal. By applying time-series analysis and regression techniques, Adhikari's research revealed that inflation and interest rates negatively impacted the stock prices of insurance firms. The study showed that as inflation increased, consumer spending on insurance products tended to decrease, leading to lower premiums and reduced profitability for insurance companies. Similarly, rising interest rates had an adverse effect on insurers' investment income, as the returns from fixed-income securities and other investments diminished. The research underscored those macroeconomic factors, particularly inflation and interest rates, play a significant role in shaping the financial landscape for insurance companies and, consequently, their stock price performance.

Bhattarai (2024) explored the influence of investor sentiment on the stock prices of Nepalese insurance companies, specifically looking at the role of media coverage. Using sentiment analysis and regression models, Bhattarai found that positive media coverage, especially related to corporate social responsibility (CSR) initiatives or the launch of new products, was positively correlated with stock price increases. This was particularly evident when the media coverage conveyed an image of a company being socially responsible, innovative, and customer-focused. On the contrary, negative media coverage, such as reports of claims management issues or regulatory problems, caused significant declines in stock prices. Bhattarai's study highlighted the power of media to shape investor sentiment and how sentiment-driven market movements can influence the stock price performance of insurance companies in Nepal.

Singh (2024) investigated how social media influences stock prices in the insurance sector of Nepal. Utilizing sentiment analysis and event study methodology, Singh analyzed the effect of news and rumors spread via social media on the stock prices of insurance companies. The study found that negative information circulating on social platforms, including rumors and complaints about a company's operations, had an immediate and significant impact on the stock price, often leading to sharp declines. On the other hand, positive news, such as announcements of new product launches or successful claims settlements, led to stock price increases. Singh's research underscored the growing importance of social media as a platform for investors to share information,

form opinions, and make decisions, thus directly influencing stock market dynamics in Nepal's insurance industry.

Shrestha (2024) examined the impact of macroeconomic growth, particularly GDP growth, on the stock prices of insurance companies in Nepal. Using time-series analysis, the study found that there was a strong positive relationship between GDP growth and the stock prices of insurance firms. When the economy was growing, demand for insurance products rose, leading to increased profitability for insurance companies. As these companies' profitability improved, their stock prices also rose. The study emphasized that a growing economy boosts consumer confidence, which in turn increases the demand for insurance and strengthens the financial performance of insurance firms. This, in turn, positively influences the market valuation of these companies. Shrestha's findings further reinforced the idea that broader economic conditions, such as GDP growth, have a direct and significant impact on the performance of the insurance sector in Nepal.

Joshi (2024) focused on the underwriting performance of insurance companies and its effect on their stock prices. The study employed regression analysis and found that companies with effective underwriting practices, reflected in lower claims ratios and better risk management, saw higher stock prices. The research demonstrated that strong underwriting performance, indicating the company's ability to manage risks and maintain profitability, was highly valued by investors. Insurance companies that effectively balanced premium pricing with risk exposure were seen as more stable and less prone to financial difficulties, leading to increased stock market valuations. Joshi's study highlighted the importance of operational efficiency in risk management as a key factor in enhancing investor confidence and boosting stock prices.

Pandey (2024) analyzed the effect of dividend policy on stock prices in Nepal's insurance industry. By using regression analysis, Pandey found that insurance companies that maintained a consistent or increasing dividend payout policy tended to have higher stock prices. The study revealed that investors valued stable or rising dividends, as they provided a steady income stream, thus making these companies more attractive for investment. Conversely, companies that reduced or suspended dividends during financial downturns experienced a decline in stock prices. Pandey's findings highlighted the critical role of dividend policy in influencing investor behavior, suggesting that investors prefer predictable returns and may penalize companies that fail to meet dividend expectations.

Finally, Rathi (2024) explored the effect of external shocks, such as the COVID-19 pandemic, on the stock prices of insurance companies in Nepal. Through an event study methodology and regression analysis, Rathi found that the pandemic caused significant volatility in stock prices, particularly during the initial outbreak. However, companies that demonstrated strong risk management practices and had diversified investment portfolios were able to recover more quickly. The study concluded that external shocks, while leading to short-term market instability, did not permanently affect the stock prices of well-prepared companies. Rathi's research underscored the importance of resilience and adaptability in the face of unforeseen crises, emphasizing that companies with sound risk management systems were better positioned to weather external shocks and maintain stable stock valuations.

In 2023, Sharma examined the effect of liquidity ratios on the share prices of Nepalese insurance companies. Using multiple regression analysis, Sharma found that a higher liquidity ratio had a positive effect on stock prices. The study concluded that insurance companies with better liquidity management, which ensures they can meet short-term obligations without compromising their operational stability, attracted higher investor confidence, ultimately leading to increased stock prices. This suggested that liquidity plays a significant role in enhancing the financial credibility of insurance companies in Nepal's stock market.

Thapa (2023) explored the role of corporate governance in influencing the share prices of Nepalese insurance companies. The research used a panel data approach, focusing on variables such as board size, gender diversity, and audit quality. The findings indicated that companies with larger boards and greater gender diversity tended to have better stock price performance. The study highlighted that good corporate governance practices, which promote transparency, accountability, and ethical decision-making, positively influenced investors' perceptions, thereby increasing stock values. Thapa's findings also reinforced the notion that a diverse and effective board could lead to improved company performance, which was reflected in the stock price appreciation.

Rai (2023), Examined the impact of interest rates on the stock prices of insurance companies in Nepal was analyzed. The research found that rising interest rates had a negative impact on the stock prices of insurance companies, particularly those with significant exposure to fixed-income investments. As interest rates increased, the returns on bonds and other interest-sensitive securities fell, which diminished the profitability

outlook for insurance companies. Rai concluded that interest rates are a crucial external factor that impacts the investment returns and, by extension, the stock market performance of insurance firms.

Joshi (2023) Explored the relationship between operational efficiency and stock price fluctuations in the insurance sector. The research used both regression and correlation analysis to examine the impact of factors such as claims ratio and expense ratio on stock prices. Joshi found that companies that maintained a low claims ratio and controlled operational expenses were able to improve their profitability, which led to higher stock prices. The study emphasized that operational efficiency, particularly in managing costs and claims, was essential for creating shareholder value in Nepalese insurance firms.

Bista (2023) conducted an investigation into the impact of macroeconomic stability on the stock prices of insurance companies. By employing time-series analysis, Bista found a strong correlation between macroeconomic factors, such as inflation and exchange rates, and stock prices. Companies operating in a stable economic environment with low inflation and stable exchange rates tended to have more predictable financial outcomes, which led to enhanced investor confidence and higher stock prices. The study concluded that macroeconomic stability is a key determinant of the stock market performance of insurance companies in Nepal.

Khanal (2023) examined the effect of regulatory frameworks on the stock prices of Nepalese insurance companies. The study utilized event study methodology to assess stock price changes following the introduction of new insurance industry regulations. Khanal's findings showed that the announcement of stricter regulatory requirements, such as capital adequacy and solvency margin standards, led to a positive reaction in stock prices. Investors viewed these regulatory measures as a sign of enhanced industry stability and reduced risk, thus positively impacting stock prices.

Poudel (2023) investigated the relationship between investment portfolio management and stock prices of insurance companies in Nepal. Using regression analysis, the study revealed that insurance companies with well-diversified portfolios, including investments in real estate, equities, and government securities, experienced higher stock prices. The research highlighted that a diversified portfolio not only reduces risk but also increases the potential for returns, making such companies more attractive to investors, which ultimately boosted their stock market valuations.

Shrestha (2023) focused on the impact of dividend announcements on the stock prices of insurance companies. The study, based on event study methodology, found that positive dividend announcements led to significant increases in stock prices, particularly for companies that paid consistent or growing dividends. The research emphasized that dividend announcements served as a signal of financial stability and future profitability, which increased investor confidence and led to higher stock prices in the Nepalese insurance market.

Gautam (2023) analyzed the impact of competitive advantage, particularly brand strength, on the stock prices of Nepalese insurance companies. The research used a mix of qualitative and quantitative approaches to assess how strong brand recognition influenced stock price performance. Gautam found that companies with a well-established brand in the market experienced higher stock prices due to the trust and loyalty of their customer base. The study suggested that brand equity plays a crucial role in attracting investors, who view strong brands as more likely to deliver stable returns.

Khadka (2023) conducted the effect of social responsibility activities on stock prices in the Nepalese insurance sector. The research used sentiment analysis and regression techniques to measure the impact of corporate social responsibility (CSR) initiatives on stock prices. The findings revealed that companies engaging in CSR activities, such as community development projects and environmental sustainability programs, saw positive stock price movements. Investors were more likely to invest in companies that demonstrated social responsibility, as these actions were seen as indicative of long-term sustainability and risk management.

In 2022, Shrestha examined the impact of macroeconomic factors, such as inflation and exchange rates, on the stock prices of insurance companies in Nepal. The study employed time-series analysis and found that fluctuations in exchange rates and inflation had a significant influence on stock prices, particularly for insurance companies with large portfolios of foreign investments. A depreciating currency and rising inflation tended to erode the profitability of these companies, causing a decline in their stock values. Shrestha concluded that macroeconomic stability is crucial for maintaining investor confidence in Nepal's insurance sector.

Adhikari (2022) explored the role of capital adequacy in determining the stock prices of Nepalese insurance firms. By using regression analysis, the study found that a higher

capital adequacy ratio was associated with increased stock prices. This was attributed to the perception that well-capitalized companies were less risky and better able to weather financial downturns. The findings emphasized that capital adequacy plays an important role in enhancing investor confidence and thereby influencing the stock price performance of insurance companies in Nepal.

Ghimire (2022) investigated how underwriting performance impacts stock prices in the Nepalese insurance industry. The study used financial ratios, such as the claim's ratio and the expense ratio, to assess the relationship between underwriting efficiency and stock prices. The results revealed that insurance companies with a lower claims ratio and higher underwriting profit saw a positive effect on their stock prices. The study concluded that strong underwriting performance, which ensures profitability, directly boosts stock market valuation by instilling investor trust.

In Koirala's (2022) research, the effect of regulatory changes on the stock prices of Nepalese insurance companies was examined. The study utilized an event-study methodology to analyze stock price movements following the announcement of new insurance industry regulations. Koirala found that regulatory changes, such as the introduction of stricter solvency margins and reporting standards, had a positive impact on stock prices. Investors perceived these regulations as enhancing the stability and transparency of the insurance sector, leading to increased stock market confidence.

Maharjan (2022) focused on the influence of solvency ratios on the stock price performance of insurance companies in Nepal. Using regression analysis, Maharjan found that a higher solvency ratio, which indicates an insurer's ability to meet long-term obligations, was positively correlated with higher stock prices. The study suggested that solvency ratios are crucial for determining the financial health of insurance companies, and companies with higher solvency ratios were able to attract more investment, leading to an increase in their stock prices.

Bhandari (2022) investigated the role of investor sentiment in determining stock prices in Nepal's insurance sector. By employing sentiment analysis tools, Bhandari found that positive sentiment, particularly in the media and among analysts, led to significant increases in stock prices. Conversely, negative sentiment, often driven by news of financial mismanagement or poor performance, resulted in stock price declines. The study

highlighted the importance of market psychology and investor perceptions in influencing the stock prices of Nepalese insurance companies.

Pandey (2022), Examined the relationship between liquidity ratios and stock prices was explored. The research revealed that insurance companies with higher liquidity ratios, meaning they could quickly convert assets into cash, had higher stock prices. This was because investors perceived these companies as more financially stable and capable of managing short-term obligations, reducing the risk of stock price volatility. The study emphasized that liquidity is an essential factor for investors when assessing the risk associated with an insurance company's stock.

Bista (2022) examined the effect of dividend policies on stock price movements in Nepalese insurance companies. The research found that companies with a history of paying consistent or increasing dividends experienced higher stock prices. The study attributed this to the signal dividend payments send to investors about a company's financial health and future prospects. Dividend policy was thus identified as a key determinant in stock price performance, as it reflected management's confidence in sustained profitability.

Khadka (2022) explored the impact of market risk on stock prices in Nepal's insurance sector. The study used volatility models to measure how market fluctuations, including changes in interest rates and stock market indices, influenced stock prices. The findings revealed that insurance companies with diversified portfolios and robust risk management practices were less affected by market volatility, resulting in more stable stock prices. The study concluded that managing market risk effectively is crucial for maintaining stock price stability in the insurance sector.

Finally, Rai (2022) examined corporate governance and its effect on the stock price performance of insurance companies in Nepal. Using board composition variables and corporate governance indices, Rai found that companies with more independent directors and transparent governance structures saw an increase in their stock prices. The study highlighted the importance of governance in building investor trust, which subsequently led to higher stock valuations in Nepal's insurance sector.

Table 2

Summary of Review of National Articles

Author & Year	Topic	Methodology & Variables	Key Findings
Sharma (2024)	Determinants of Stock Prices of Insurance Companies in Nepal	Methodology: Regression Analysis Variables: ROA, ROE, Stock Prices	Profitability ratios like ROA and ROE significantly and positively impact stock prices, suggesting that financially strong insurance firms are more valued by investors.
Koirala (2024)	The Impact of Financial Ratios on Stock Prices of Nepalese Insurance Companies	Methodology: Descriptive & Regression Analysis Variables: Solvency Ratios, Stock Prices	Strong solvency positions contribute positively to stock price levels, as investors interpret solvency as a signal of lower financial risk and stability.
Rai (2024)	Effects of Regulatory Changes on the Stock Prices of Nepalese Insurance Firms	Methodology: Event Study Method Variables: Regulatory Changes, Stock Prices	Implementation of regulatory changes boosts investor confidence, often leading to a short-term surge in stock prices of compliant insurance companies.

Adhikari (2024)	Macroeconomic Determinants of Stock Prices of Insurance Companies in Nepal	Methodology: Time-Series Regression Variables: Inflation Rate, Interest Rate, Stock Prices	Macroeconomic variables like rising inflation and interest rates negatively influence stock prices, indicating investors' concerns over cost pressures and lower investment income.
Bhattarai (2024)	The Role of Media Sentiment on Stock Prices of Nepalese Insurance Companies	Methodology: Sentiment Analysis & Regression Variables: Media Coverage, Stock Prices	Positive news coverage increases stock prices, while negative media sentiment leads to immediate drops, proving media's psychological impact on market valuation.
Singh (2023)	Influence of Social Media on Stock Price Movements of Insurance Companies in Nepal	Methodology: Sentiment Analysis & Event Study Variables: Social Media Information, Stock Prices	Social media content significantly influences short-term stock price fluctuations, with positive news increasing and negative news decreasing prices rapidly.
Shrestha (2023)	The Relationship Between Economic Growth and Stock Prices of Insurance Companies in Nepal	Methodology: Time-Series Analysis Variables: GDP Growth Rate, Stock Prices	There exists a strong positive link between economic growth and insurance companies' stock prices, as GDP growth drives insurance demand and profitability.

Joshi (2023)	The Impact of Operational Efficiency on Stock Prices of Insurance Companies in Nepal	Methodology: Regression Analysis Variables: Claims Ratio, Expense Ratio, Stock Prices	Lower claims and operating expense ratios enhance underwriting profitability and are reflected in higher market valuations of insurance firms.
Pandey (2022)	The Effect of Dividend Policy on Stock Prices of Insurance Companies in Nepal	Methodology: Regression Analysis Variables: Dividend Payout, Stock Prices	Stable and increasing dividends lead to greater investor confidence, boosting stock prices, especially for well-established insurance companies.
Gautam (2022)	The Impact of Corporate Governance on Stock Prices of Insurance Companies in Nepal	Methodology: Panel Data Analysis Variables: Board Size, Ownership Structure, Stock Prices	Larger boards and higher institutional ownership contribute to better stock performance due to enhanced governance practices and lower risk.

2.3 Research gap

The existing literature on factors affecting the share price of insurance companies largely focuses on generalized financial and macroeconomic variables, with a notable lack of context-specific research in emerging markets like Nepal. This results in several key gaps that need addressing for a more comprehensive understanding of stock price dynamics in Nepalese insurance firms.

Many studies on the insurance sector, especially in developed markets, focus primarily on profitability, liquidity, and risk factors, such as solvency or underwriting performance (Mendez & Torres, 2023; Wilson & Cook, 2023). However, the conceptual framework in

the context of Nepal is underdeveloped. Specifically, market-specific factors, such as investor sentiment, regulatory changes, and macroeconomic shocks unique to Nepal, have not been adequately explored. Additionally, while corporate governance has been identified as an essential factor influencing stock prices globally (Garcia & Yang, 2024; Brown & Zhang, 2024), the role of governance in the Nepalese context—where the market is still maturing requires further examination. There is also a lack of exploration regarding how political instability or economic crises might exacerbate risks and affect stock price performance in Nepal's insurance companies.

Existing studies often overlook Nepal-specific variables such as government policies, regulations, and insurance penetration rates. For instance, while macroeconomic variables like interest rates and inflation have been widely studied in insurance pricing (Johnson & Lee, 2024; Brown & Zhang, 2023), the impact of government subsidies and tax incentives on insurance stock prices in Nepal is scarcely researched. The growth of insurance penetration, which directly correlates with consumer trust and investment in the sector, has not been sufficiently investigated in Nepal (Nguyen & Lee, 2023). Furthermore, regional disparities in insurance demand due to demographic and socio-economic factors are often ignored in global studies, making them less applicable to the heterogeneous market of Nepal.

The majority of existing research relies on traditional econometric techniques, such as panel data regression models (Garcia & Yang, 2024; Adams & Wong, 2023), to analyze the relationships between financial variables and stock prices. However, these models often fail to account for the dynamic and non-linear relationships between macroeconomic factors and stock prices in emerging markets like Nepal. Advanced econometric techniques, such as error correction models (ECM) or structural equation modeling (SEM), have not been widely used in this context, despite their potential to capture long-term relationships and causality between variables (Schmidt, Brown, & Green, 2023). Additionally, while event study methodologies have been applied in studies of financial crises (Zhao & Zhang, 2023), their application to the immediate effects of policy changes or economic shocks specific to the Nepalese market remains underexplored.

Most research on stock prices and insurance companies is drawn from developed economies, where markets are more stable, and financial regulations are well-established (Garcia & Yang, 2023; Martin & Patel, 2023). However, Nepal's insurance market

presents distinct challenges due to its smaller size, economic volatility, and exposure to political risks. Studies conducted in countries with similar economic conditions, such as India, may not fully apply to Nepal due to significant differences in market structure, consumer behavior, and regulatory frameworks (Nguyen & Lee, 2023). For instance, the role of government intervention in Nepal, especially with regard to state-owned insurance companies or new regulatory policies, has not been well-studied. Therefore, there is a clear need for research focused specifically on Nepal to address these gaps and better understand the local dynamics affecting insurance stock prices.

CHAPTER-III
RESEARCH METHODOLOGY

Research methodology is the blueprint for conducting a research study. It provides the framework and techniques used to collect, analyze, and interpret data to address the research questions and objectives. In this study, the research methodology is designed to investigate the determinants of share prices of life insurance companies in Nepal. A well-defined methodology is crucial to ensure the validity, reliability, and objectivity of the findings. This chapter outlines the research design, nature and sources of data, population and sample, sampling design, data collection methods, and analytical tools used in the study.

3.1 Research design

Research design specifies the methods and procedures for acquiring the necessary information. It determines what information to collect, the sources of data, and the procedures to follow. A well-structured research design ensures that the obtained information is relevant to the research questions and objectives while maintaining efficiency. To achieve the objectives of this study, both descriptive and causal-comparative research designs are employed. The descriptive research design helps in predicting and explaining factors related to stock prices in Nepal, while the causal-comparative research design examines the impact of financial performance on the stock market.

3.2 Population and sample and sampling design

This study investigates the determinants of share prices of life insurance companies in Nepal by adopting a descriptive and causal-comparative research design. The population of the study consists of all 15 life insurance companies listed on the Nepal Stock Exchange (NEPSE) as of May 4, 2025.

For the purpose of this study, a purposive sampling design was employed to select the sample. The selection criteria included: (i) life insurance companies with a maturity period of more than 10 years, and (ii) companies that have not undergone any mergers up to the date of the study. Based on these criteria, four companies were selected as the sample:

- Life Insurance Corporation Nepal (LICN)

- National Life Insurance Company (NLICL)
- Asian Life Insurance Company (ALICL)
- Nepal Life Insurance Company (NLIC)

Purposive sampling was chosen to ensure that only stable, long-standing, and independent companies were analyzed, thereby enhancing the reliability and relevance of the findings.

3.3 Nature and sources of data

This study relies on secondary data, with quantitative information extracted from various secondary sources. The company's annual financial statements serve as the primary data source for analyzing stock prices. Key financial documents, including the balance sheet, income statement, and financial ratios, provide essential information on dividends, earnings, book value, and market price. The study utilizes secondary data collected from the annual reports of selected insurance companies covering the period from 2014/15 to 2023/24.

3.4 Method analysis

This study employs a combination of descriptive statistics, correlation analysis, and regression analysis to examine the determinants of stock prices of insurance companies in Nepal. The key financial ratios considered in this analysis include earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, book value of shares (BVS), the age of the firm, ROE and premium growth. Descriptive statistics will provide a summary of the central tendencies and distributions of these financial ratios, offering insights into their general patterns and variations. Correlation analysis will help to identify the strength and direction of the relationships between the market price of shares and these key financial indicators. Finally, a multiple regression analysis will be conducted to assess the individual and combined effects of these financial ratios on the market price of shares, controlling for other variables, and to determine the extent to which these factors influence stock price movements in the context of Nepalese insurance firms.

3.4.1 Descriptive statistics

Descriptive statistics will be used to summarize the key variables involved in determining the stock price of insurance companies in Nepal. This analysis will provide an overview of the central tendency, dispersion, and distribution of each variable. The mean and

median values will help identify the typical levels of market price of shares (MPS), earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, book value of shares (BVS), firm age (AI), return on equity (ROE) and premium growth (PG) for the companies in the sample. The standard deviation will be calculated to measure the variability or dispersion of these variables, highlighting the degree of fluctuation in stock prices and other financial metrics. Additionally, skewness and kurtosis will be assessed to understand the symmetry and peakedness of the data distribution. This will allow for identifying any potential outliers or deviations from normality in the dataset. By providing a detailed statistical summary, these descriptive measures will offer insights into the general characteristics and patterns in the stock prices and their determinants across the sample of insurance firms.

3.4.2 Correlation analysis

Correlation analysis will be conducted to examine the strength and direction of the linear relationships between the market price of shares (MPS) and the various independent variables, including earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, book value of shares (BVS), firm age, return on equity (ROE) and premium growth (PG). The Pearson correlation coefficient will be used to measure these relationships, with values ranging from -1 to +1. A positive correlation indicates that as the independent variable increases, the market price of shares tends to increase as well, while a negative correlation suggests an inverse relationship. For instance, a strong positive correlation between EPS and MPS would indicate that higher earnings per share are associated with higher stock prices. The results of this analysis will provide valuable insights into the relationships between these variables, helping to identify which factors are most closely related to stock price movements and whether they exhibit direct or inverse associations. Understanding these correlations will form the basis for further regression analysis to explore causal relationships.

3.4.3 Regression analysis

To further explore the impact of various determinants on the market price of shares (MPS) of insurance companies in Nepal, a multiple regression analysis will be employed. This will allow for the assessment of the individual contributions of each independent variables including earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, book value of shares (BVS), firm age, return on equity and and premium

growth while controlling for the effects of other variables. The regression model will be specified as follows:

Where:

$$MPS_{it} = \beta 0 + \beta 1 EPS_{it} + \beta 2 DPS_{it} + \beta 3 (P/E)_{it} + \beta 4 BVS_{it} + \beta 5 Age_{it} + \beta 6 ROE_{it} + \beta 7 PG_{it} + e_{it}$$

MPS_{it} = market price of share of firm i in year t

EPS_{it} = earnings per share of firm i in year t

DPS_{it} = dividend per share of firm i in year t

$(P/E)_{it}$ = price earnings ratio of firm i in year t

$BVPS_{it}$ = book value per shares of firm i in year t

Age_{it} = age of firm i in year t

ROE_{it} = Return on equity of firm i in year t

PG_{it} = Premium growth of firm i in year t

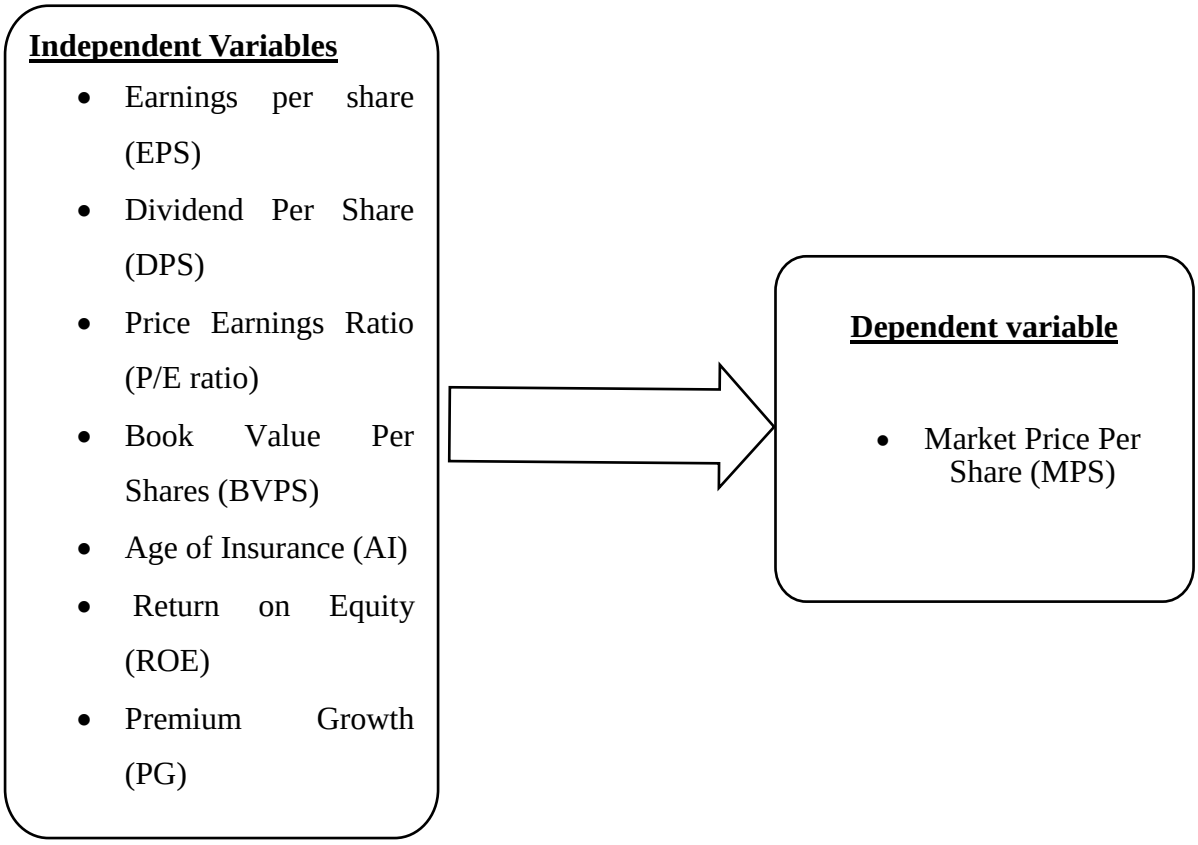
Where the coefficients β1 through β7 represent the proportionate change in the market stock price due to a one-unit change in each independent variable. The significance of these coefficients will be tested using t-tests, and the overall fit of the model will be evaluated through R-squared and the F-statistic. R-squared will indicate the proportion of the variance in stock prices explained by the independent variables, while the F-statistic will test the overall significance of the model. This regression analysis will provide a more comprehensive understanding of how the financial and firm-specific factors influence stock prices and which of these factors have a statistically significant impact on the market price of shares.

3.5 Research framework and definition variables

This section provides the conceptual framework of study and describes about variables that have been used in study and the relationship between the variables. In this study, dependent variables are return on assets, return on equity and earning per share, which are the proxy of profitability indicator of Nepalese life insurance companies. The independent variables are solvency margin ratio, claim ratio, liquidity ratio, equity to assets ratio, debt to equity ratio, debt to assets ratio, premium growth, expenses ratio, loss ratio, and combined ratio. Thus, the following conceptual model is framed to summarize the main

focus and scope of this study in terms of variables included, the conceptual frameworks that describe the dependent and independent variables used in the study are shown below:

Figure 3.1



Source: Rahmalia (2019)

Definitions of variables

Market price per share (MPS): The market price of shares (MPS) refers to the current price at which the stock of a firm is bought or sold in the stock market. It represents the value investors are willing to pay for the shares of a company at a particular point in time. The MPS is influenced by various factors, including the company's performance, market conditions, and investor sentiment (Brealey, Myers, & Allen, 2011).

Earnings per share (EPS): Earnings per share (EPS) is a key financial metric used to measure a company's profitability. It is calculated by dividing the net income of a company by the number of outstanding shares. A higher EPS typically indicates better financial performance, which may positively influence stock prices (Damodaran, 2012).

Dividend per share (DPS): Dividend per share (DPS) is the portion of a company's profit that is paid to its shareholders in the form of dividends. It is calculated by dividing

the total dividends paid by the number of outstanding shares. DPS is often seen as an indicator of financial health and is closely watched by investors (Lintner, 1956).

Price-earnings ratio (P/E Ratio): The price-to-earnings (P/E) ratio is a measure of the price investors are willing to pay for each unit of earnings. It is calculated by dividing the market price per share by the earnings per share (EPS). A high P/E ratio typically indicates high growth expectations, while a low P/E ratio may suggest undervaluation or lower growth prospects (Fama & French, 1992).

Book Value Per Shares (BVPS): The book value of shares (BVPS) represents the net asset value of a company as recorded on its balance sheet, divided by the number of outstanding shares. It provides an estimate of a company's value based on its financial position. BVS is often used as a measure of intrinsic value and can serve as a baseline for evaluating whether a stock is under- or overvalued (Penman, 2012).

Age of insurance (AI): Firm age refers to the number of years a company has been in operation since its incorporation. Older firms are typically perceived as more stable and less risky, and their stock prices may be less volatile compared to newer firms (Cassar & Holmes, 2003). Firm age is often used as a proxy for business maturity and market reputation.

Return on equity (ROE)

Return on Equity (ROE) is a financial performance ratio that measures a company's ability to generate profit from shareholders' equity. It reflects how efficiently the management is utilizing the equity base to generate net income. In the context of insurance companies, a higher ROE indicates stronger profitability and can positively influence investor perception and stock prices (Gitman & Zutter, 2015). It is calculated as the ratio of net income to shareholders' equity.

Premium growth (PG)

Premium Growth (PG) refers to the rate at which an insurance company's gross written premiums increase over a given period, typically annually. It serves as a key indicator of business expansion and market competitiveness. A consistent and significant rise in premiums suggests strong underwriting performance and customer acquisition, which can enhance investor confidence and positively affect stock valuation (Cummins & Weiss, 2014).

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the study analyzes the key financial ratios commonly used by insurance companies to determine their stock prices. The required data were collected from the official websites of life insurance companies and the annual reports published by the Nepal Stock Exchange (NEPSE). The collected data were organized, tabulated, and analyzed using EViews software. The theoretical framework and methodological approach are discussed in detail in the Research Methodology chapter. Furthermore, the major findings derived from the analysis are presented at the end of this chapter.

4.1 Results

4.1.1 Descriptive statistics

The descriptive statistics used in this study include the mean, median, standard deviation, minimum, maximum, number of observations, skewness, and kurtosis for each variable under consideration. These statistical measures provide insights into the central tendency, dispersion, and distributional properties of the data. Skewness helps to understand the asymmetry of the data distribution, while kurtosis indicates the peakedness or flatness of the distribution compared to a normal distribution. Table 3 presents a summary of the descriptive statistics for both the dependent and independent variables. The data were collected from four life insurance companies in Nepal over a ten-year period, covering the fiscal years from 2014/15 to 2023/24.

Table 3

Descriptive statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
MPS	1635.2	1339	4351	383	1064.54	1.11	3.33
AGE	19.5	18	36	6	8.21	0.46	2.27
BVPS	153.06	145.69	250.83	117	27.41	1.36	5.43
DPS	20.11	15.26	78.4	0	20.16	1.32	4.35
EPS	24.49	24	100.81	2	16.16	2.76	13.8
PE ratio	82.16	73.95	393	16	66.16	2.84	13.5
PG	21.23	20	45.53	-28	13.45	-1.05	6.01
ROE	12.95	12.08	42.71	-2.2	7.31	1.26	8.42

N = 40

Source: Appendix II

Market Price Per Share (MPPS), measured in Nepalese Rupees, represents the trading value of insurance company stocks listed on the Nepal Stock Exchange (NEPSE). It serves as the dependent variable in this study, reflecting investor perception, company performance, and overall market conditions. The descriptive statistics reveal that the average MPPS of the sampled insurance companies over the ten-year period is Rs. 1,635.20. The median value of Rs. 1,339 is lower than the mean, indicating a positively skewed distribution. This is further confirmed by the skewness coefficient of 1.11, suggesting that most insurance companies have stock prices below the mean, with a few experiencing significantly high valuations. The minimum MPPS is Rs. 383, while the maximum reaches Rs. 4,351, highlighting a wide dispersion in stock price levels across the sector. A high standard deviation of Rs. 1,064.54 reflects substantial volatility and variation in market prices, possibly due to differences in company fundamentals, investor

confidence, and dividend policies. The kurtosis value of 3.33 suggests a slightly leptokurtic distribution, indicating that the data are more peaked and have heavier tails compared to a normal distribution. These statistics collectively point to the presence of significant outliers and fluctuations in the share prices of insurance companies in Nepal, underscoring the dynamic nature of the insurance sector in the capital market.

Age (AGE) represents the number of years since an insurance company was established and provides insight into the maturity and stability of the firm. The descriptive statistics reveal that the average age of the insurance companies in the study is 19.5 years, with the oldest company being 36 years and the youngest 6 years old. The median age of 18 years is slightly lower than the mean, indicating a relatively even distribution of companies across various stages of development, although a few older companies skew the mean upward. The skewness value of 0.46 suggests that the data is moderately positively skewed, with most companies being younger but a few companies being much older. The kurtosis value of 2.27 indicates a platykurtic distribution, meaning the data is less peaked than a normal distribution and exhibits fewer extreme values. This implies that while there is a general tendency for insurance companies to be relatively young in Nepal, the distribution remains fairly balanced without significant concentration in either very young or very old companies.

Book Value Per Share (BVPS), expressed in Nepalese Rupees, represents the net asset value per share of an insurance company, providing an indication of its intrinsic value based on assets and liabilities. The descriptive statistics for BVPS reveal an average value of Rs. 153.06, with a median of Rs. 145.69, suggesting that the typical book value per share is relatively close to the mean. The range of BVPS spans from a minimum of Rs. 117 to a maximum of Rs. 250.83, indicating variability in the capital structure and asset accumulation among the companies. The standard deviation of 27.41 reflects moderate variability in the book value per share across the insurance companies. The skewness coefficient of 1.36 indicates a positive skew, implying that while most companies exhibit lower BVPS values, a few companies have significantly higher book values, potentially due to stronger asset bases or more capitalized companies. The kurtosis value of 5.43 suggests a leptokurtic distribution, indicating that the data is more peaked than a normal distribution, with the presence of a few extreme values contributing to higher-than-expected peaks. These characteristics of BVPS reflect the diversity in the financial strength and asset base of the insurance companies in Nepal.

Earnings Per Share (EPS), measured in Nepalese Rupees, represents the portion of a company's profit allocated to each outstanding share of common stock, serving as a key indicator of profitability. The descriptive statistics for EPS reveal an average value of Rs. 24.49, with a median of Rs. 24. This suggests that most companies have earnings close to the mean, with relatively little deviation. The range of EPS spans from a minimum of Rs. 2 to a maximum of Rs. 100.81, indicating significant variation in the profitability levels among the insurance companies. A high standard deviation of 16.16 further confirms the wide dispersion in earnings across the sector. The skewness value of 2.76 indicates a strong positive skew, suggesting that while most companies have moderate earnings, a few companies achieve exceptionally high earnings, which pull the mean upwards. The kurtosis value of 13.8 reflects a highly leptokurtic distribution, signifying that the data is sharply peaked with heavy tails, driven by a few extreme outliers with unusually high EPS values.

Dividend Per Share (DPS), expressed in Nepalese Rupees, reflects the amount of earnings distributed to shareholders in the form of dividends. The descriptive statistics for DPS show an average value of Rs. 20.11, with a median of Rs. 15.26, indicating that the majority of companies pay lower dividends, while a few pay significantly higher amounts. The DPS values range from Rs. 0 to Rs. 78.4, which reveals considerable variability in dividend policies across insurance companies. The standard deviation of 20.16 indicates high variability, suggesting that some companies have more generous dividend payout policies compared to others. The positive skewness of 1.32 indicates that most companies have relatively lower DPS, with a few outliers distributing significantly higher dividends. The kurtosis of 4.35 suggests a moderately leptokurtic distribution, indicating a concentration of values around the mean but with a few extreme observations of high DPS.

Price to Earnings (P/E) Ratio, measured in times, is a financial metric that indicates how much investors are willing to pay for a company's earnings. The descriptive statistics for the P/E ratio reveal an average value of 82.16 times, which suggests that, on average, investors are willing to pay 82.16 times the earnings per share for each share of stock. The median P/E ratio is 73.95 times, which is lower than the mean, indicating a positively skewed distribution. This is further supported by the skewness value of 2.84, which signifies that while most companies have moderate P/E ratios, a few companies possess significantly higher ratios that skew the distribution to the right. The P/E ratio ranges

from a minimum of 16 times to a maximum of 393 times, revealing a high level of disparity in investor valuations of insurance company stocks. The standard deviation of 66.16 indicates considerable variation in the P/E ratios, reflecting the different levels of market expectations regarding earnings growth across the sector. The kurtosis value of 13.5 indicates a leptokurtic distribution, meaning that the data is heavily concentrated around the mean with a few extreme outliers, where certain companies are valued at disproportionately high multiples of their earnings.

Premium Growth (PG), expressed as a percentage, measures the year-over-year change in the premiums written by insurance companies. The descriptive statistics for PG show an average value of 21.23%, indicating that, on average, insurance companies have experienced a growth rate of 21.23% in premiums over the study period. The median value of 20% is slightly lower than the mean, suggesting a distribution that is slightly right-skewed, with a few companies experiencing notably higher premium growth rates. The range for PG spans from a minimum of -28% to a maximum of 45.53%, demonstrating significant variability in the growth rates across the insurance companies. A standard deviation of 13.45% further highlights this variation. The negative skewness value of -1.05 suggests that the distribution of premium growth is more concentrated on the lower end, with a few companies showing extremely high growth rates pulling the mean upwards. The kurtosis value of 6.01 indicates a leptokurtic distribution, implying that the data has a high peak around the mean and a few extreme values, reflecting the presence of a few outliers with very high or negative growth.

Return on Equity (ROE), expressed as a percentage, indicates the profitability of insurance companies in relation to shareholders' equity. The descriptive statistics for ROE show an average value of 12.95%, suggesting that, on average, insurance companies in Nepal generate a return of 12.95% on their equity. The median ROE value of 12.08% is slightly lower than the mean, indicating a mild positive skew in the distribution. The range for ROE extends from a minimum of -2.2% to a maximum of 42.71%, reflecting considerable variation in profitability levels among the insurance companies. The standard deviation of 7.31% highlights significant variation in the returns on equity. The skewness of 1.26 indicates a positively skewed distribution, with a few companies achieving much higher returns on equity compared to the majority. The kurtosis value of 8.42 suggests a leptokurtic distribution, meaning the data is more concentrated around the mean, with a few extreme outliers contributing to a sharp peak.

4.1. 2 Correlation analysis

This study investigates the relationship between Market Price per Share (MPS) and key financial variables, including Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value per Share (BVPS), Age of Insurance Company (AI), Return on Equity (ROE), and Premium Growth (PG) for listed insurance companies in Nepal, over the study period from 2014/15 to 2023/24. The analysis aims to identify the critical factors influencing stock price movements in the Nepalese insurance market, shedding light on how financial performance and growth prospects impact market valuations during a period of significant industry growth and change.

Table 4

Correlation analysis

Correlation Probability	MPS	AGE	BVPS	DPS	EPS	PE	PG	ROE
MPS	1							
AGE	-0.19	1						
BVPS	0.14	0.04	1					
DPS	0.40**	0.02	0.53**	1				
EPS	0.42**	0.06	0.48**	0.73**	1			
PE	0.23	-0.23	-0.36**	-0.25	-0.36**	1		
PG	0.37**	-0.08	0.11	0.34	0.19	-0.04	1	
ROE	0.33**	0.27	0.35**	0.58**	0.87**	-0.41**	0.06	1.00

Source: Appendix III

Table 4 The correlation analysis conducted aims to assess the relationships between Market Price per Share (MPS) and key financial variables such as Age of the Insurance Company (AGE), Book Value per Share (BVPS), Dividend per Share (DPS), Earnings per Share (EPS), Price-to-Earnings Ratio (PE), Premium Growth (PG), and Return on Equity (ROE). The Pearson correlation coefficients and their respective p-values are presented in the table below, along with interpretations of the results.

The analysis reveals that several financial variables have a notable influence on the Market Price per Share (MPPS) of insurance companies in Nepal. Earnings per Share (EPS) and Dividend per Share (DPS) both show strong positive and statistically significant correlations with MPPS, with correlation coefficients of 0.42 and 0.40, respectively. The p-values associated with these correlations are both 0.01, which are below the standard significance level of 0.05. This indicates that the relationships between EPS and DPS with MPPS are not due to random chance but are instead statistically significant. The positive correlation between EPS and MPPS suggests that as earnings per share increase, investors are willing to pay higher prices for the company's shares, reflecting the market's confidence in the company's ability to generate profits. Similarly, the significant positive correlation between DPS and MPPS indicates that companies that distribute higher dividends to shareholders are perceived more favorably in the market, driving up the market price of their shares. Investors generally associate dividend payments with the company's financial health and stability, making such stocks more attractive.

In addition to EPS and DPS, the analysis also shows that Return on Equity (ROE) has a positive and significant relationship with MPPS, with a correlation coefficient of 0.33 and a p-value of 0.04. This suggests that companies with higher profitability, as measured by ROE, tend to have higher share prices. A higher ROE signals a company's ability to generate profit from its equity, which is often seen as a key indicator of managerial efficiency and business success. Therefore, investors are more likely to invest in companies with high ROE, driving up their stock prices due to the expectation of sustained profitability and growth.

Premium Growth (PG) also exhibits a moderate positive correlation with MPPS, with a correlation coefficient of 0.37 and a p-value of 0.02. The positive relationship between PG and MPPS indicates that as insurance companies experience growth in their premium income, their share prices tend to increase. Growth in premiums often reflects the expansion of the company's customer base, increasing revenue potential, and improving overall market outlook. Investors typically view premium growth as a sign of a company's ability to grow and increase market share, which enhances the perceived value of the company's stock.

In summary, EPS, DPS, ROE, and PG all show significant positive correlations with MPPS, implying that these financial performance indicators are key determinants of the

market price of shares in Nepalese insurance companies. Higher earnings, dividends, profitability, and premium growth are all associated with higher stock prices, suggesting that investors prioritize these factors when valuing insurance companies. These findings underline the importance of a company's financial health and growth prospects in influencing its market valuation. However, there is no significance relationship between age of insurance companies, price earnings ratio and book value per share with stock price of insurance companies in Nepal because its p value is greater than 0.05 at 5 level of significance.

4.1. 3 Regression analysis

In recent years, Nepal's insurance sector has grown rapidly, playing an increasingly important role in the country's financial market and economic development. As these companies expand and get listed on the Nepal Stock Exchange (NEPSE), their share prices have drawn significant interest from investors and analysts. Given this backdrop, it is essential to understand how key financial indicators affect market valuations. This study focuses on assessing the impact of selected financial and firm-specific variables Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value per Share (BVPS), Age of Insurance Company (AI), Return on Equity (ROE), and Premium Growth (PG) on the Market Price per Share (MPS) of listed insurance companies in Nepal over the period 2014/15 to 2023/24.

Table 5

Regression Analysis MPS as Dependent Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AGE	-2.65	19.37	-1.12	0.27
BVPS	1.27	6.91	0.18	0.86
DPS	3.00	11.43	0.26	0.80
EPS	13.59	22.59	0.60	0.55
PE	6.97	2.46	2.83	0.01
PG	4.79	12.01	2.06	0.04
ROE	45.14	45.07	1.00	0.32
C	-232.26	1203.63	-0.19	0.85
R-squared		0.46		
Adjusted R-squared		0.34		
F-statistic		3.74		
Prob(F-statistic)		0.00		

Source: Appendix IV

The regression analysis reveals that two variables, Price-to-Earnings Ratio (PE) and Premium Growth (PG), have a significant impact on the Market Price per Share (MPS) of Nepalese insurance companies. The PE ratio shows a positive and statistically significant relationship with MPS, with a coefficient of 6.97 and a p-value of 0.01. This indicates that as the PE ratio increases, the MPS tends to rise, suggesting that investors place higher value on companies with better earnings relative to their stock price, anticipating future growth. Similarly, PG also demonstrates a positive and significant relationship with MPS, with a coefficient of 4.79 and a p-value of 0.04. This suggests that companies with higher premium growth, indicating stronger revenue and market expansion, tend to have higher

share prices. Both variables are statistically significant, confirming that investors closely monitor PE and PG when determining the market value of insurance companies in Nepal.

The R-squared value of 0.46 indicates that approximately 46% of the variance in MPS is explained by the independent variables in the model. While this is a moderate level of explanatory power, it suggests that there are other factors outside the model that influence MPS (such as market conditions, investor sentiment, or macroeconomic factors) which are not captured by the current variables. In financial modeling, an R-squared value of around 0.46 is considered reasonable for many models, but it also implies that the model could be improved by incorporating additional relevant predictors. The Adjusted R-squared accounts for the number of independent variables in the model, adjusting the R-squared value to reflect the model's true explanatory power. The Adjusted R-squared of 0.34 is lower than the R-squared, suggesting that when adjusting for the number of predictors, the model's explanatory power is somewhat reduced. This indicates that some of the variables may not be contributing much to explaining MPS, or the model might include unnecessary predictors. However, it still shows that the model explains about 34% of the variation in MPS, indicating a moderate fit. The F-statistic of 3.74 tests whether the overall model is statistically significant. It compares the model with no predictors (i.e., just a constant) to see if the included independent variables improve the explanation of the dependent variable (MPS). An F-statistic value of 3.74 suggests that the model is a better fit than one with no predictors, but it is not exceedingly high. This indicates that while the model is significant, there is still potential to refine it by considering other relevant variables or rethinking the model structure. The p-value for the F-statistic of 0.00 confirms that the overall regression model is statistically significant at the 0.05 level. This means that it is very unlikely that the relationships between the independent variables and MPS are due to random chance. In other words, at least one of the independent variables has a statistically meaningful relationship with MPS, reinforcing the model’s relevance.

In conclusion Based on the regression results, Price-to-Earnings Ratio (PE) and Premium Growth (PG) are statistically significant factors influencing MPS. However, other variables like Age, BVPS, DPS, EPS, and ROE did not show significant effects on MPS, as their p-values were above the 0.05 threshold. The model explains a moderate portion of the variation in MPS, but other external factors may also influence market prices. Therefore, PE and PG are key variables that investors seem to consider when valuing

insurance company stocks in Nepal. The regression model explains a moderate portion of the variation in Market Price per Share (MPS), with an R-squared of 0.46 and an Adjusted R-squared of 0.34. While these values suggest that the model could be improved, the F-statistic of 3.74 and the significant p-value for the F-statistic (0.00) indicate that the model as a whole is statistically significant and provides a better fit than a model with no predictors. However, the model could potentially be improved by including additional variables or refining the current set of predictors to increase its explanatory power and overall fit.

4.2 Discussion

This study combined correlation and regression analyses to identify what drives the market price per share of Nepalese insurance companies over a ten-year horizon. By examining both traditional accounting measures and forward-looking valuation and growth metrics, the research sheds light on how investors in a developing market form their equity valuations. Below, we discuss how our findings align with or depart from previous empirical work, and consider their broader implications.

Correlation insights

This dissertation analysis shows that insurers' share prices rise in tandem with measures of profitability and growth: higher earnings per share, larger dividend payouts, stronger returns on equity, and more rapid premium growth each coincide with higher market prices. These results resonate with Patel and Rao's (2019) study of Indian insurers, which similarly found that earnings and dividends move hand-in-hand with stock values, and with Khan, Alam, and Ullah (2020), who demonstrated return on equity's power to signal firm quality in emerging markets. Likewise, Poudel and Gautam (2022) documented that as insurers expand their premium base, investor confidence—and thus share price—tends to increase.

In contrast, static characteristics such as company age, book value per share, and the simple price-to-earnings ratio show little meaningful association with share price. This mirrors Pandey and Rai's (2021) argument that intangible assets and growth prospects, rather than balance-sheet book value, drive market valuations of Nepalese insurers, and Bhattarai's (2018) finding that longevity alone does not guarantee higher market credibility in a fast-evolving financial sector. It also echoes cautions from mature-market

studies against overreliance on price-to-earnings multiples when robust growth dynamics are present.

Regression findings

When all variables are considered together, only two forward-looking metrics retain explanatory power: valuation multiples and premium growth. The price-to-earnings ratio emerges as a significant predictor, affirming Ahmed and Nwakanma's (2015) work on Nigerian insurers and Shrestha and Upadhyay's (2023) study of Nepalese markets, both of which highlight investors' emphasis on expected future earnings rather than past profits. Premium growth likewise remains significant, reinforcing Poudel and Gautam's insight that revenue expansion is a clear signal of an insurer's market momentum and underpins higher share valuations.

By contrast, traditional profitability measures (earnings, dividends, return on equity), book value, and company age lose their individual significance in the multivariate setting, despite their positive pairwise correlations. This suggests that once investors' forward-looking expectations (via valuation multiples) and actual growth trajectories are accounted for, the incremental value of backward-looking accounting figures diminishes. The divergence from Patel and Rao's (2019) finding—where earnings and profitability ratios remained significant in India's more mature market—may reflect differences in investor sophistication, regulatory environment, or market structure between Nepal and other emerging economies. It may also indicate multicollinearity, whereby overlapping information content in these variables is captured by the dominant growth and valuation metrics.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides a concise overview of the study titled "Factors Affecting the Share Price of Life Insurance Companies in Nepal,". It begins by summarizing the methodology data collection from annual reports, computation of key financial indicators in MS Excel, and analysis via Pearson correlation and multiple regression in EViews and then highlights the major empirical findings. Following the summary, the chapter discusses the principal conclusions, offers actionable recommendations to enhance the performance metrics of Nepalese life insurers, and concludes by identifying promising avenues for future research in this field.

5.1 Summary

The insurance sector in Nepal has experienced steady growth, becoming an increasingly important component of the country's financial market. Despite this, there is limited empirical research examining the factors that influence the stock prices of listed life insurance companies in Nepal. Stock prices are affected by various financial indicators reflecting company performance, including Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings Ratio (P/E ratio), Book Value Per Share (BVPS), Age of the Insurance Company (AI), Return on Equity (ROE), and Premium Growth (PG). Understanding how these variables interact with market price per share (MPS) is essential for investors, policymakers, and market analysts to make informed decisions. Therefore, this study aims to examine the distribution and trends of these key financial indicators among Nepalese life insurance companies, investigate their relationship with MPS, and assess their impact on stock prices to provide comprehensive insights into the determinants of stock price movements in Nepal's insurance sector.

This study uses a descriptive and causal-comparative research design to analyze the factors affecting stock prices of listed life insurance companies in Nepal. It examines secondary data from annual reports of selected companies with over ten years of operation, covering the period from 2014/15 to 2023/24. Key financial variables such as EPS, DPS, P/E ratio, BVPS, company age, ROE, and premium growth are analyzed using descriptive statistics, correlation, and multiple regression techniques to identify their impact on market price per share. This approach provides a comprehensive understanding of stock price determinants in Nepal's insurance sector.

The correlation analysis showed that EPS, DPS, ROE, and PG each bear significant positive associations with MPS, suggesting that stronger earnings, higher dividends, superior profitability, and rapid premium expansion tend to coincide with higher share prices. In contrast, AI, P/E, and BVPS displayed negligible bivariate relationships with MPS, indicating that static firm characteristics and traditional balance-sheet metrics exert limited influence in Nepal's dynamic life insurance market.

Within the multiple regression framework, however, only P/E ratio and Premium Growth emerged as statistically significant predictors of MPS across all four companies. This finding reveals that once investors' forward-looking expectations (captured by the P/E multiple) and actual revenue growth (captured by PG) are accounted for, conventional profitability and dividend measures, book value, and company age no longer add explanatory power.

Overall, the results underscore the primacy of growth prospects and valuation multiples in shaping market valuations of Nepalese life insurers, while also highlighting the need to explore additional factors to enhance the model's explanatory power.

5.2 Conclusion

This dissertation investigates the factors influencing the Market Price per Share (MPPS) of listed insurance companies in Nepal, with a focus on key financial performance indicators such as Earnings per Share (EPS), Dividend per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value per Share (BVPS), Age of the Insurance Company (AI), Return on Equity (ROE), and Premium Growth (PG) over the study period from 2014/15 to 2023/24. The study employs correlation and regression analysis to examine the relationships between these variables and MPPS.

The findings indicate that EPS, DPS, ROE, and PG are significant positive determinants of MPPS in Nepalese insurance companies. Higher earnings, dividends, profitability, and premium growth are associated with higher stock prices, highlighting that investors consider these financial indicators as key determinants when valuing insurance company stocks. This aligns with previous studies that emphasize the importance of a company's financial health and growth prospects in determining its market valuation.

On the other hand, variables such as the age of the insurance companies, PE ratio, and BVPS do not exhibit significant relationships with MPPS, as their p-values exceed the 0.05 threshold. This suggests that these factors, at least in the context of Nepalese

insurance companies, do not play a significant role in determining the market value of shares.

The regression analysis further reinforces the significance of PE and PG as critical factors influencing MPPS, while other variables like Age, BVPS, DPS, EPS, and ROE showed no significant impact. The model explains a moderate portion of the variation in MPPS (46%) but could benefit from the inclusion of additional relevant variables to enhance its explanatory power.

Overall, the findings of this dissertation contribute to a deeper understanding of the stock price determinants of Nepalese insurance companies. The analysis highlights the importance of financial performance indicators, particularly PE and PG, in shaping market valuations. While the model provides a meaningful analysis of the factors influencing MPPS, there remains potential for further research to explore additional variables and improve the model's fit. This research can serve as a valuable resource for investors, policymakers, and academics interested in the stock market dynamics of Nepal's insurance sector.

5.3 Implications

Based on the above findings the following implications are forwarded:

Implications for Managers of Life Insurance Companies

Managers should prioritize strategies that drive sustainable premium growth and communicate clear growth forecasts to the market. Since premium growth and valuation multiples (P/E ratio) emerged as the strongest drivers of share price, management ought to invest in customer acquisition, product innovation, and digital distribution to expand premium volumes. Simultaneously, maintaining a stable P/E multiple requires transparent earnings guidance and cautious capital management avoiding overly aggressive dividend policies that might undermine growth prospects.

Implications For Insurance Policyholders

Policyholders benefit when insurers focus on robust premium growth and sound underwriting, as these factors enhance the company’s market valuation and long-term solvency. Consumers should look for firms demonstrating consistent growth in premium income and prudent management of earnings signals that the insurer is well-capitalized

and able to meet future claims. Improved transparency around growth plans and reserve management will help policyholders assess an insurer's financial health.

Implications For Regulators of Insurance Companies

Regulators should strengthen disclosure requirements around premium growth trajectories and profit-forecasting methodologies, given their importance to market valuation. Enhanced reporting on underwriting performance, combined with rigorous solvency monitoring, will protect policyholders and investors alike. Regulators might also consider stress tests or growth-linked capital buffers to ensure that rapid premium expansion does not compromise an insurer's ability to meet its obligations.

Implications For Investors

Investors should place greater weight on forward-looking indicators particularly premium growth and P/E multiples rather than relying solely on historical profitability or balance-sheet metrics. An insurer's growth rate in premium income serves as a tangible gauge of market penetration and future earnings potential, while a reasonable P/E ratio reflects investor confidence in management's guidance. Diversifying across companies with strong growth plans and well-justified valuation multiples can enhance portfolio performance.

Implications For Policy Makers

Policy makers can support a more efficient insurance market by promoting regulatory frameworks that balance growth incentives with solvency safeguards. Tax or capital incentives for insurers that achieve targeted premium-growth benchmarks combined with stringent consumer protections could foster both expansion and stability. Encouraging adoption of standardized disclosures on growth plans and risk management will improve transparency and facilitate better investment decisions.

Implications For Further Researcher

Future studies should broaden the scope of explanatory variables to include corporate governance quality, market liquidity measures, and macroeconomic factors such as interest rates and inflation. Employing panel-data techniques can control for firm-specific heterogeneity and capture dynamic effects over time, while formal tests for multicollinearity or dimensionality-reduction methods (e.g., principal component analysis) can distill the core drivers among interrelated financial metrics. Qualitative

investigations such as interviews with industry executives could also shed light on how internal decision-making shapes premium growth and valuation multiples.

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Appendices

Appendix I Pannel data

Year	Symbol	MPPS	EPS	DPS	P/E	AGE	ROE	BVPS	PG
2023/24	ALICL	745.00	11.94	8.16	62.39	15.00	10.19	117.00	-28.00
2022/23	ALICL	574.00	22.00	8.95	26.00	14.00	11.43	142.00	17.00
2021/22	ALICL	1348.00	17.00	15.26	80.23	13.00	10.16	167.00	29.00
2020/21	ALICL	607.00	13.00	27.00	45.36	12.00	9.54	147.00	9.00
2019/20	ALICL	383.00	15.00	0.00	25.11	11.00	9.13	128.00	40.00
2018/19	ALICL	683.00	7.00	0.00	93.95	10.00	-2.2	117.00	31.61
2017/18	ALICL	1485.00	8.00	6.00	178.70	9.00	0.45	128.00	14.51
2016/17	ALICL	1710.00	14.77	0.00	116.00	8.00	1.08	147.00	21.32
2015/16	ALICL	1013.00	8.14	0.00	124.00	7.00	6.48	132.00	19.51
2014/15	ALICL	1250.00	14.41	0.00	87.00	6.00	8.48	158.00	19.90
2023/24	NLICL	645.00	22.30	14.74	29.28	36.00	14.43	135.56	16.67
2022/23	NLICL	577.00	20.38	17.16	28.31	35.00	11.66	156.52	15.03
2021/22	NLICL	1151.00	21.49	18.79	53.56	34.00	12.14	168.27	35.15
2020/21	NLICL	662.00	24.17	22.00	27.39	33.00	15.60	153.67	15.12
2019/20	NLICL	585.00	13.99	10.53	41.83	32.00	8.88	144.37	24.86
2018/19	NLICL	799.00	28.64	26.57	27.90	31.00	18.09	138.65	27.42
2017/18	NLICL	2300.00	24.71	14.21	93.09	30.00	18.62	131.99	31.47
2016/17	NLICL	3300.00	26.40	26.00	125.05	29.00	18.22	135.45	21.36
2015/16	NLICL	1840.00	25.88	31.58	71.11	28.00	10.02	143.38	18.46
2014/15	NLICL	1250.00	14.41	0.00	87.00	27.00	11.86	158.00	17.78
2023/24	LICN	1555.00	28.40		54.76	23.00	12.61	210.00	-4.17
2022/23	LICN	1415.00	29.23	0.00	48.36	22.00	14.79	188.00	6.33
2021/22	LICN	2342.00	35.17	0.00	66.59	21.00	17.62	193.00	14.87
2020/21	LICN	1330.00	35.85	23.16	37.00	20.00	19.87	173.00	11.28
2019/20	LICN	1600.00	20.76	14.15	77.00	19.00	9.00	183.00	28.23
2018/19	LICN	1622.00	100.81	78.40	16.00	18.00	42.71	188.00	20.09
2017/18	LICN	2151.00	10.11	12.63	213.00	17.00	7.57	126.00	23.18
2016/17	LICN	3580.00	30.06	26.11	119.00	16.00	18.79	143.00	30.54
2015/16	LICN	2799.00	29.11	26.32	96.00	15.00	19.78	141.00	30.37
2014/15	LICN	4095.00	29.60	31.58	138.00	14.00	19.07	150.00	31.11
2023/24	NLIC	744.00	25.00	0.00	30.36	22.00	17.05	144.00	4.72
2022/23	NLIC	747.00	2.00	0.00	393.00	21.00	1.60	118.00	9.65
2021/22	NLIC	1919.00	24.00	15.79	80.00	20.00	17.79	135.00	17.02
2020/21	NLIC	1260.00	15.00	14.74	82.00	19.00	12.01	128.00	19.68
2019/20	NLIC	901.00	24.00	51.00	37.00	18.00	14.61	168.00	42.92

2018/19	NLIC	1050.00	25.31	48.50	41.49	17.00	12.60	178.45	32.33
2017/18	NLIC	2148.00	32.44	70.53	66.21	16.00	11.97	250.83	19.15
2016/17	NLIC	4006.00	41.83	30.08	95.77	15.00	15.74	149.16	26.72
2015/16	NLIC	2886.00	30.42	26.32	94.87	14.00	10.96	136.04	42.60
2014/15	NLIC	4351.00	56.67	68.00	76.78	13.00	17.43	171.10	45.53

Source: MPS is collected from NEPSE and rest are from Annual of Corresponding Insurance Companies

Appendix II Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
MPPS	1635.2	1339	4351	383	1064.54	1.11	3.33
AGE	19.5	18	36	6	8.21	0.46	2.27
BVPS	153.06	145.69	250.83	117	27.41	1.36	5.43
DPS	20.11	15.26	78.4	0	20.16	1.32	4.35
EPS	24.49	24	100.81	2	16.16	2.76	13.8
PE ratio	82.16	73.95	393	16	66.16	2.84	13.5
PG	21.23	20	45.53	-28	13.45	-1.05	6.01
ROE	12.95	12.08	42.71	-2.2	7.31	1.26	8.42

N = 40

Sources: Calculated by using EViews software

Appendix III Correlation Analysis

Correlation Probability	MPPS	AGE	BVPS	DPS	EPS	PE ratio	PG	ROE
MPPS	1.00							
AGE	-0.19	1.00						
	(0.24)	-----						
BVPS	0.14	0.04	1.00					
	(0.39)	(0.83)	-----					
DPS	0.40	0.02	0.53	1.00				
	(0.01)	(0.92)	(0.00)	-----				
EPS	0.42	0.06	0.48	0.73	1.00			
	(0.01)	(0.71)	(0.00)	(0.00)	-----			
PE ratio	0.23	-0.23	-0.36	-0.25	-0.36	1.00		
	(0.16)	(0.16)	(0.03)	(0.13)	(0.02)	-----		
PG	0.37	-0.08	0.11	0.34	0.19	-0.04	1.00	
	(0.02)	(0.62)	(0.52)	(0.03)	(0.25)	(0.79)	-----	
ROE	0.33	0.27	0.35	0.58	0.87	-0.41	0.06	1.00
	(0.04)	(0.10)	(0.03)	(0.00)	(0.00)	(0.01)	(0.70)	-----
N	40	40	40	40	40	40	40	40

Sources: Calculated by using EViews software

Appendix IV Regression Analysis MPS as Dependent Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AGE	-2.65	19.37	-1.12	0.27
BVPS	1.27	6.91	0.18	0.86
DPS	3.00	11.43	0.26	0.80
EPS	13.59	22.59	0.60	0.55
PE ratio	6.97	2.46	2.83	0.01
PG	4.79	12.01	2.06	0.04
ROE	45.14	45.07	1.00	0.32
C	-232.26	1203.63	-0.19	0.85
R-squared		0.46		
Adjusted R-squared		0.34		
F-statistic		3.74		
Prob(F-statistic)		0.00		

Sources: Calculated by using EViews software

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