

**FACTORS AFFECTING THE SHARE PRICE OF
NEPALESE INSURANCE COMPANIES**

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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 NEPALESE INSURANCE COMPANIES”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work acknowledged. In addition, I declare that all information sources and literature used cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Subas Gyawali has defended research proposal entitled “**FACTORS AFFECTING THE SHARE PRICE OF NEPALESE INSURANCE COMPANIES**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Dr. Kapil Khanal and submit the dissertation for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**FACTORS AFFECTING THE SHARE PRICE OF NEPALESE INSURANCE COMPANIES**” presented by Subas Gyawali candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

DEA	: Data envelopment analysis
DPS	: Dividend Per share
EPS	: Earning per share
ER	: Exchange rate
FEM	: Fixed Effect Model
GDP	: Gross domestic product
GMM	: Generalized Method of Moments
IR	: Inflation Rate
JSE	: Johannesburg Stock Exchange
LIC	: Life Insurance Corporation Nepal Limited
MPS	: Market Price per share
MS	: Money supply
NEPSE	: Nepal Stock Exchange
NICL	: Nepal Insurance Company Limited
NLIC	: Nepal Life Insurance Company Limited
OLS	: Ordinary Least Squares
PER	: Price earnings Ratio
ROA	: Return on assets
ROE	: Return on Equity
SEBON	: Security Board of Nepal
SEC	: Securities Exchange Centre

ABSTRACT

Study on Factors Affecting Share Price of Nepalese Insurance Companies, objective of study were to analyze the trend of MPS, EPS, DPS, PE ratio, capital to assets ratio of sample insurance companies, examine the correlation among the MPS, EPS, DPS and PE ratio capital to assets ratio of sample insurance companies, assess the impact of EPS, DPS, PE ratio, Capital to assets ratio on market Price per share, competed under the descriptive and causal comparative research design taken sample size 3 insurance companies out of them one is non-life insurance companies, the total number of insurance companies are 35 insurance companies where 19 are life, 14 non life and 2 are reinsurance companies quantitative nature of data used to complete study. Data collected from the secondary sources that means publishes annual report of insurance companies. The analysis method of data is financial ration and descriptive statistics with correlation and regression model. The finding of study there is the significant impact of independent variable EPS, DPS, PER on Depend variable MPS of Sample insurance companies.

Keya words: Earning per share, Divided per share, Price earnings per share, Capital adequacy ratio and Market price per share of insurance companies.

CHAPTER I

INTRODUCTION

1.1 Background of the study

Stock market is for most important factor for the economics of the country. Insurance is the sector that helps to spread risk and encourage to the investors to invest of the industrial sector. Investment plays a key role for the development of a country. Investment, in its broadest sense, means a commitment of money and resources that are expected to generate additional money and recourses In the future. The well understanding of investment requires the understanding of relationship between income, saving and investment, because investment is the result of interplay of these factors. Saving is not possible without earning, earning is not possible without investment and investment depends on the mobilization of savings either directly by savers or by financial intermediaries. Investments are made in assets. Assets, generally, are of two types. They are: real assets and financial assets. The investment in financial assets is called financial investment and the investment in real assets is called real investment (Thapa, 2019). The stock markets play critical role in every economy of a nation. The criticality of the stock markets to the growth of every economy is based on the fact that resources are channeled to the most productive investment opportunities. They serve as a place where securities are traded as well as provide the platform for effective and efficient interactions between savers and users of capital by means of pooling of funds, sharing risk and transferring wealth among stakeholders (Ammeh, 2014). Equity shares provide major channel of investment that has the potential of yielding meaningful returns to investors. However, a number of factors such as market conditions, activities of regulatory bodies, performance of particular stocks, among others cause returns from equity investment to fluctuate. According to Nirmala et al. (2011), “knowledge of such factors and their possible impact on share prices is highly appreciable as it would help investors make wise investment decisions and enable firms to enhance their market value. Investment plays a key role for the development of a country. Investment, in its broadest sense, means a commitment of money and resources that are expected to generate

additional money and recourses In the future. The well understanding of investment requires the understanding of relationship between income, saving and investment, because investment is the result of interplay of these factors. Saving is not possible without earning, earning is not possible without investment and investment depends on the mobilization of savings either directly by savers or by financial intermediaries. Investments are made in assets. Assets, generally, are of two types. They are: real assets and financial assets. The investment in financial assets is called financial investment and the investment in real assets is called real investment (Thapa, 2019). Investment in financial assets like common stocks, bond etc. is called financial investment. Financial assets represent a financial claim. It is an asset that is usually documented by some forms of legal representation. Although financial assets are typically represented by tangible certificates of ownership, the financial asset itself is intangible. They are also called securities. Financial assets can be viewed as claims to the income generated by real assets. In this context, the value of financial assets is derived from the value of underlying real assets. Financial assets are also called paper assets (Desai, 2015).

Earnings per Share (EPS), Dividends per Share (DPS), Price-Earnings (PE) ratio, and Capital Net Assets Ratio are pivotal metrics that significantly influence the market price per share of Nepalese insurance companies. EPS, a measure of profitability, plays a crucial role in investor perception. Companies demonstrating higher EPS often command a premium in share price due to their robust earnings potential. Similarly, DPS, reflecting dividend payouts to shareholders, is critical. Investors often favor companies with stable and attractive DPS, viewing them as reliable investments offering income streams. The PE ratio, which compares market price per share to EPS, offers insights into investor expectations and growth prospects. A lower PE ratio may attract value-oriented investors, potentially boosting share prices as perceived undervaluation aligns with investor interests. Moreover, the Capital Net Assets Ratio serves as a barometer of financial health. Nepalese insurance firms with a healthy Capital Net Assets Ratio instill confidence among investors regarding solvency and stability, positively influencing share prices. Beyond these metrics, factors such as regulatory environment and economic conditions in Nepal can also impact share prices. Regulatory changes affecting insurance

operations or shifts in economic stability can sway investor sentiment and consequently stock valuations.

Investor sentiment towards Nepalese insurance companies is also shaped by management effectiveness and strategic initiatives. Companies demonstrating strong management practices, efficient operations, and effective risk management are often rewarded with higher share prices. Conversely, instances of poor governance or operational inefficiencies can weigh negatively on stock performance. While EPS, DPS, PE ratio, and Capital Net Assets Ratio are critical metrics driving share price dynamics in Nepalese insurance companies, broader economic factors, regulatory changes, and management effectiveness also play integral roles in shaping investor perception and market valuations. Understanding these interrelated factors is essential for stakeholders navigating the complexities of investing in the Nepalese insurance sector

Life Insurance Corporation Nepal Limited

LIC Nepal incorporated under the Companies Act 2053, in December 2000 and commenced its operations in September 2001. LIC Nepal is a joint venture between Life Insurance Corporation of India (fully owned by Government of India) and Vishal Group of Nepal with paid up capital of NPR 405 m as on mid-April 2013. LIC Nepal incorporated under the Companies Act 2053, in December 2000 and commenced its operations in September 2001. LIC Nepal is a joint venture between Life Insurance Corporation of India (fully owned by Government of India) and Vishal Group of Nepal with paid up capital of NPR 405 m as on mid-April 2013. Its head office is located at Kathmandu, Nepal. ISO 9001:2008 certifications received by the Company since 2011. The shares of the LIC Nepal first listed on NSE in the year 2002. LIC Nepal is prominent player (consistently among top 3 players in terms of total premium market share) in the life insurance sector. Currently, LIC Nepal operates out of twenty-five branches and has 26,801 agents (as of mid-April 2013) across the nation for procuring new business and extending after sales services. LIC Nepal had market share of ~19% in terms of Net Premium in Nepal Life Insurance Industry during the first half of FY2013.

Nepal Insurance Company Limited

A non-life insurance company of Nepal that established in 1947 AD as "Nepal Malchalani Tatha Beema Company" later changed its name to "Nepal Insurance & Transport Company Ltd" in 1959 AD, and now known as "Nepal Insurance Company Limited" since 1991 AD. The company incorporated in 2051-09-06 under the Company Act 2021 (Currently Company Act 2063) and operated as general insurance company after obtaining a license in 2053-02-17 under the insurance act 2049. The registered office of the Company is located at Kamaladi, Kathmandu, Nepal. This is the First Insurance Company of Nepal, which promoted by Nepal Bank Ltd; The First Commercial Bank of Nepal, owned by Government of Nepal having a very strong backup from Nepal Bank Ltd & Asian Life Insurance Co. Ltd. along with other Promoters by holding 51% of the shares and 49% of the shares to General Public. The shares are listed in Nepal Stock Exchange and are easily and instantly tradable in the stock market with higher value than its net worth. Operating 58 Branches across country more than 275-trained dedicated work forces. Strong Reinsurance Backup. Associated with world's leading Reinsurance Companies rated highly for their financial stability and claim payment capabilities by reputed agencies like Standard & Poor and A.M. Best. Hannover Ruck, Germany that is the world's third largest reinsurance company is the Consortium Lead.

Nepal Life Insurance Company Limited

Nepal Life, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on 2058/01/21 (04/05/2001). Nepal Life is the foremost life insurance company established by private investors. The promoters of the company are a group of well-known businesspersons and business houses of Nepal. In more than two decades of operation, the Company has set up an excellent business record and has a strong financial position. (NLIC) has reported a significant 12.90% increase in its net profit, reaching Rs. 42.77 crore in the current quarter compared to Rs. 37.88 crore in the corresponding quarter last year. NLIC has a paid-up capital of Rs. 8.2 Arba and a share premium of Rs. 4.38 Crores. Additionally, the company has demonstrated financial prudence with Rs. 1.03 Arba in retained earnings, Rs. 17.47 Crores in other equity, and Rs. 1.04 Crores in catastrophe reserves. The company maintains a life insurance fund of Rs. 1.83 Kharba. In

Q2 FY 2080/81, NLIC witnessed a 7.13% increase in net premiums, totaling Rs. 19.71 Arba compared to the previous year. The company displayed its financial acumen by generating a commendable Rs. 7.48 Arba from income derived from investments, loans, and other financial activities.

1.2 Problem Statement

This study is looking into how well common stocks in Nepal's stock market (NEPSE) are doing. Nowadays, more people in Nepal are investing in these stocks because they're getting information through newspapers, even though it's not enough. People are investing even with limited information, mainly relying on how stock prices are moving. However, there isn't much available information about the risks involved, and there are no specific agencies providing details about the performance of different stocks. The study wants to find out if the listed common stocks are performing well considering the risks. It aims to answer questions like which stocks are doing better than others, how much the stock performance is connected to the overall market, and how investors can create profitable portfolios from the available stocks. The stock market is a place where people invest money to potentially make profits. It's seen as a good way to get fair returns on investments, and it allows investors to quickly buy or sell stocks. While there are risks, some think it's not as risky as other ways to invest. The stock market also helps with economic development by gathering money for projects. There are different strategies for investing, like looking at charts i.e. technical analysis studying a company's value i.e. fundamental analysis. Some believe the market is good at setting the right prices for stocks, making it easier for investors to decide when to buy or sell. However, lately, people are losing interest because of bad activities and scandals. Investors are having a hard time figuring out which stocks are good and which are bad. This confusion is making people less interested in the stock market. The variables EPS, DPS, PE ratio, capital assets ratio positively influence the market price of the share, the theoretical concept states significantly influences the market price of share on the basis of EPS, DPS, however the inverse with PE ratio negatively with the capital assets ratio. The research focuses on finding answers to these questions.

- i. What is the status and trend of MPS, EPS, DPS, PE ratio, capital to assets ratio of sample insurance companies?
- ii. Is there significant correlation of MPS with EPS, DPS, PE ratio and Capital to assets ratio of sample insurance companies?
- iii. Does the significant impact of EPS, DPS, PE ratio, Capital to assets ratio on market price of share (MPS) of sample insurance companies?

1.3 Objectives of the study

This study directed to meet the following objectives will be follows:

This study is directed to meet the following objectives will be follows:

- i. To analyze the position and trend of MPS, EPS, DPS, PE ratio, capital to assets ratio of sample insurance companies.
- ii. To examine the correlation of MPS with EPS, DPS and PE ratio capital to assets ratio of sample insurance companies.
- iii. To assess the impact of EPS, DPS, PE ratio, Capital to assets ratio on market Price per share (MPS).

1.4 Rationale of the Study

Stock prices go up and down for various reasons, and it is not always easy to pinpoint why. Common stocks can be quite unpredictable, and many people, aside from brokers and a few interested groups, might not know why the prices change. People often notice that a stock's market price has gone up or down, but they do not always know the reasons behind it. This study aims to help the public understand the different factors that affect stock prices in the NEPSE (Nepal Stock Exchange). It is also useful for financial managers to know how stock prices respond to different things and how they relate to a company's financial health. Potential investors can benefit from this study too, as it provides insights into the effects of price trends, trading volumes, and signaling factors in the NEPSE.

- i. **Investor Decision-Making:** Understanding the factors influencing the share prices of insurance companies can provide valuable insights for investors making decisions about their portfolios. It helps investors make informed choices based on a comprehensive analysis of the insurance industry.
- ii. **Risk Assessment and Management:** The study can contribute to a better understanding of the risk environment in which insurance companies operate. By identifying and analyzing factors that affect share prices, the research can aid in assessing and managing risks associated with investments in the insurance sector.
- iii. **Industry Competitiveness:** Analyzing the determinants of share prices in the insurance sector can shed light on the competitive dynamics within the industry. Industry players, policymakers, and investors to evaluate the competitive position of different insurance companies can use insights gained from the study.
- iv. **Policy Implications:** The study can have implications for policymakers and regulators by providing insights into the effectiveness of existing policies and regulations governing the insurance sector. It may offer recommendations for policy adjustments to create a more stable and investor-friendly environment.
- v. **Strategic Management for Companies:** Insurance companies can use the findings to inform their strategic management decisions. Understanding the factors influencing share prices allows companies to focus on key areas such as financial performance, risk management, and investment strategies, ultimately contributing to long-term sustainability and growth.

1.5 Limitations of the study

This study is about the stock price volatility and the factors affecting Stock price in Nepalese share market and it done for the partial fulfillment of MBS degree, which has to be finished within a short period. This study has the following limitations:

- i. This study based on secondary data from the annual report, SEBON, NEPSE etc.
- ii. The limited variables have used in this study.

- iii. The whole study is based on the data of ten years and hence the conclusions drawn confines only to the period.
- iv. The study is ignored qualitative information.
- v. Sample size three, they LIC, NLIC, NICTL out of 35 Life insurance companies.
- vi. Research based on descriptive and causal research design

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

This chapter divided into three sections. The first section includes a brief description on theoretical framework of the share price behavior. It contains the technical analysis, fundamental analysis, or intrinsic value analysis, and efficient market theory. Second section briefly reviews journals and articles related with the share price. Third section describes a brief review of previous studies in context of Nepal (Adhikari, 2017)

2.2 Conceptual Review

Stock prices tend to be volatile for there are so many factors that stock price affected by. Various economic and non-economic factors cause the stock price fluctuation. Stock prices are typically sensitive to all events, both real and imagined. Sometimes stock price fluctuate significantly just as the impact of rumors in the market. Though it is very hard to find a completely acceptable price formation theory, generally there are three theories concerning the determination of stocks market price.

2.2.1 SEBON and NEPSE

The history of the stock market in Nepal is relatively short, with the establishment of the Securities Exchange Centre (SEC) in 1976 being a foundational step. Initially focused on facilitating the growth of the capital market, the SEC opened its floor for secondary trading of shares in 1981, initially limited to government bonds. The Securities Exchange Act of 1984 expanded trading to include corporate shares, albeit on a limited scale. The transformation of the Securities Exchange Centre into Nepal Stock Exchange (NEPSE) Limited in 1993 marked a crucial milestone, leading to the opening of the NEPSE trading floor in 1994. Since then, NEPSE has been the exclusive stock exchange in Nepal, playing a vital role in securities trading and capital mobilization. Despite being in an evolving stage, the stock market in Nepal has experienced significant growth since its establishment. The primary objective of the stock market was to mobilize capital as an

alternative to the traditional financial sector, fostering economic growth and development in the country.

As of my last knowledge update in January 2022, I do not have real-time data. Therefore, I cannot provide the latest information on NEPSE indicators as of February 28, 2024. To get the most recent data on the Nepal Stock Exchange (NEPSE) indicators, including the NEPSE index, stock prices, and other relevant information, I recommend checking financial news websites, NEPSE's official website, or consulting with a financial professional for the latest updates. Examining the interplay between the Nepal Stock Exchange (NEPSE) index and key macroeconomic variables is a valuable undertaking, shedding light on the intricacies of the country's stock market dynamics. Such an analysis serves as a crucial tool for policymakers, offering insights into the factors influencing stock market movements and aiding informed decision-making. Several macroeconomic variables typically considered in these studies. Firstly, economic growth, as measured by GDP growth, stands as a fundamental driver of stock market performance (Maskey, 2023). A burgeoning economy tends to translate into higher corporate profits, fostering investor confidence and propelling stock prices upward. Inflation rates, another pivotal factor, can affect consumer purchasing power and corporate profitability, with moderate inflation seen favorably while high inflation may erode real returns. Furthermore, interest rates set by the central bank wield influence over borrowing costs and investment decisions. Lower interest rates render stocks more attractive compared to fixed-income investments, potentially driving stock prices higher. Exchange rates, particularly significant for an open economy like Nepal, can influence export competitiveness and the profitability of globally oriented companies, thereby affecting investor sentiment. Government fiscal and monetary policies, including fiscal spending and central bank decisions constitute another layer of influence on the overall economic environment and, consequently, the stock market. Political stability is crucial for investor confidence, as uncertainty or political unrest can induce market volatility and impact sentiment. In the global context, economic conditions and geopolitical events can spill over into the Nepalese market, making it imperative to consider international factors such as global economic downturns or trade tensions. Corporate earnings, reflecting the financial performance of NEPSE-listed companies, directly affect stock prices, with investors

closely scrutinizing earnings reports and forecasts (Bhattraï, 2018). Market liquidity, representing the ease of trading, can affect trading volumes and price movements. Higher liquidity may attract more investors, contributing to a more stable market. Lastly, psychological factors, including investor sentiment, perceptions, and behavior, play a significant role in market movements. It is essential to acknowledge that the influence of these variables can fluctuate over time, and Nepal's unique economic and market conditions may introduce additional considerations. Rigorous statistical analysis, incorporating historical data and econometric models, is necessary for a precise understanding of the relationships between the NEPSE index and these macroeconomic variables. Such research contributes to the formulation of effective policies aimed at maintaining a stable and sustainable stock market.

2.2.1.1 Market Price per Share (MPS)

The market price per share or fair market value of a stock is the price that a stock can be readily bought or sold in the current market place. In other words, the market value per share is the "going price" of a share of stock. The market price per share of stock usually termed simply "share price" is simply the dollar amount that investors are willing to pay for one share of the company's stock.

2.2.1.2 Earnings per share (EPS)

Earnings per share (EPS) are a financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock. It is calculated by dividing the net income attributable to common shareholders by the average number of outstanding shares during a specific period. EPS is widely used by investors to assess a company's profitability on a per-share basis and is a key factor in evaluating its financial performance.

2.2.1.3 P/E Ratio

The Price-to-Earnings (P/E) ratio is a financial metric used to evaluate the valuation of a publicly traded company. It is calculated by dividing the market price per share of the company's stock by its earnings per share (EPS). The formula for the P/E ratio is

2.2.1.4 Dividend Per share (DPS)

Dividend per Share (DPS) is a financial metric that represents the amount of cash a company is willing to distribute to its shareholders in the form of dividends. It is calculated by dividing the total amount of dividends declared by a company by the number of outstanding shares. The formula for DPS is:

2.2.1.5 Capital to Net assets Ratio

The Capital to Net Assets Ratio is a financial metric that assesses a company's financial advantage by comparing its capital (equity and long-term debt) to its net assets (total assets minus total liabilities). It is calculated by dividing the company's capital by its net assets and expressed as a percentage. A higher ratio indicates a higher level of financial advantage, implying increased risk and potential for higher returns, while a lower ratio suggests a more conservative financial structure.

2.3 Empirical Review

Maskey (2023) Researchers have been trying to understand and establish relationship between various factors influencing the market price of stocks. Similar studies in Nepal have been limited to Insurance companioning sector only. However, this paper aims to investigate the factors that affect the market share prices of life insurance companies listed in Nepal Stock Exchange (NEPSE). All the life insurance companies listed in Nepal Stock Exchange with panel data for the period 2012/13-2017/18 taken as a sample for the study. The data analyzed through descriptive and inferential statistics; the results revealed that earning per share, dividend per share, price-earnings ratio, age of the company, and dividend yield emerged as significant factors influencing share prices. Notably, dividends identified as playing a crucial role in the investment decisions of Nepalese investors. Additionally, the study highlighted the substantial impact of companies' dividend policies on shaping investor choices in the Nepalese market. In conclusion, the research underscores the importance of specific financial indicators and dividend-related factors in understanding and predicting share price dynamics in the context of Nepal.

Abebe Zelalem et al (2022) financial institutions differs from that of non- financial institutions in the sense of factor affecting the market price of insurance companies

because the board of directors' discretionary power would be limited, particularly in regulated financial systems where financial institutions must in Ethiopia as measured both by return on asset and equity. The study completed under descriptive research design. Effective governance is essential for organizations, providing clear guidance to managers, enabling informed decision-making, and contributing to financial success. Stakeholder involvement ensures that diverse interests are considered, fostering had better decision support and organizational backing. Regulatory oversight and policymaker involvement are critical in establishing and upholding governance standards to maintain transparency, accountability, and fairness in business operations. Robust governance mitigates risks, enhances business stability, and supports long-term sustainability, adapting to changing environments. Transparent governance, positively influencing stock performance, capital access, and overall business reputation, bolsters investor confidence.

Li et al. (2021) perspective of cause and effect, the operational processes of property insurance companies considered as historical events. The objectives of this study are to measure the operating efficiency of China's property insurance industry, explore the determinants that affect technical efficiency and outline the path to achieving high-quality development. Design we chose 44 Chinese property insurance companies as research objects. The data obtained from the Chinese Insurance Yearbook and China Statistical Yearbook 2015–2017. First, the data envelopment analysis (DEA) method used to calculate the technical efficiency of property insurance companies. Then, Tobit regression and quintile regression adopted to explore the influencing factors of technical efficiency. Finally, the fuzzy-set qualitative comparative analysis (fsQCA) method employed to summarize the path to improving the operating efficiency of property insurance companies. The study reveals that China's property insurance industry operates with technical inefficiency, emphasizing that scale efficiency surpasses pure technical efficiency. Key determinants influencing efficiency include firm size, reinsurance rate, claim ratio, and equity restriction. Acknowledging certain limitations and implications, the research contributes significantly to the insurance literature and efficiency methods. It introduces four proven strategies to enhance the technical efficiency of property insurance companies, validated through cases from existing firms, offering practical references for the industry. The research, conducted from a systematic perspective,

analyzes the relationship between elements and results. The presented findings not only align with logical expectations but also provide instructive insights for real-world improvements. The study's originality lies in its enrichment of existing literature and emphasis on specific paths for improving technical efficiency. Recognizing limitations in scope and methodology, the research offers valuable implications for the enhancement of reality within the insurance industry. In summary, the study contributes essential insights into the efficiency of China's property insurance industry, providing a comprehensive and practical framework for improvement.

Tsvetkova et al. (2021) Purpose Insurance market in Russian Federation has rapidly grown in recent years. At the same time, despite numerous studies investigating the determinants influencing financial performance of insurance companies in various countries, there was a lack of studies investigating determinants affecting the insurers' performance in Russian Federation. Financial secondary data of 45 insurance companies and groups uninterruptedly operating in Russian Federation within the period from 2012 to 2018 researched by way of descriptive analysis, correlation analysis, multiple linear regression and factor analysis. It revealed during the study that return on assets (ROA) has positive relationship with size of the company, return on equity (ROE), liquidity ratio and claim ratio. Inflation and premium growth rate have negative relationship with ROA. The research undertaken delved into the examination of variables affecting the financial performance of insurance companies in the Russian Federation. The study identified specific factors, including the size of the company, return on equity (ROE), liquidity ratio, premiums growth rate, claims ratio, and inflation, which collectively accounted for 45.1% of the total variability in the performance of these insurance companies. However, it revealed that a substantial portion, amounting to 54.9%, of the variability in financial performance influenced by other factors not considered in the study. This underscores the necessity for additional research to uncover and comprehend these unexplored elements that contribute to the overall performance of insurance companies. The implications of the study extend to both the academic and professional spheres. Researchers can utilize these findings as a foundational framework for further exploration, potentially focusing on industry-specific determinants and formulating recommendations and policies for the insurance sector. For insurance professionals, particularly top managers, the insights

derived from this research can serve as a valuable resource for shaping and adapting strategies and tactics in response to the identified factors. While the research provides valuable insights into the factors influencing financial performance in the Russian insurance sector, it emphasizes the importance of a more comprehensive exploration of additional variables to enhance the understanding of industry.

Abdeljawad et al (2020) this study aimed to examine the factors that affect the profitability of insurance companies in Palestine. Unbalanced panel data utilized from seven insurance companies operating in Palestine from 2006 to 2018 to estimate a linear model between determinants theoretically expected to affect performance and the profitability of insurance firms. The study's outcomes underscore the substantial impact of size, growth, and liquidity on the profitability of insurance firms, revealing positive correlations. Larger insurance entities experience enhanced profitability, likely due to factors such as risk distribution across a broader customer base and economies of scale. Additionally, the study suggests that maintaining higher liquidity levels positively influences a company's profitability by ensuring prompt obligation fulfillment and capitalizing on emerging opportunities. Conversely, motor claims exhibit a noteworthy negative effect on the profitability of insurance companies in Palestine, indicating potential challenges or elevated costs associated with motor insurance, such as increased accident frequency or higher repair expenses. Notably, neither claims ratio nor advantage ratio exhibit significant effects on profitability within this context, emphasizing their limited impact. Consequently, the study proposes strategic measures for Palestinian insurance companies, including diversifying away from motor insurance, managing liquidity prudently, and considering mergers to augment size and attain economies of scale for sustained profitability.

Melnychuk et al (2019) The article on the topic "Analysis of factors affecting the market of insurance services in the field of life insurance" aimed to analyze and identify the actual factors affecting the activities of insurance companies in the insurance market in the field of life insurance. It proves that such factors of influence arise based on interaction of demand and supply of insurance products in the insurance market of Ukraine. Demand and supply in the insurance market underpinned by theoretical

principles, where individuals and businesses seek coverage to manage financial risks. This demand shaped by factors such as perceived risk, income levels, regulatory considerations, and awareness of the need for protection. On the supply side, insurance companies provide products that align with demand, factoring in underwriting standards, risk assessment, and regulatory compliance. Analysis indicators, premium income, claim ratios, and profitability metrics, offers insights into the financial health and performance of insurance companies. Additionally, the development of life insurance influenced by demographic trends, economic conditions, regulatory changes, and shifts in consumer preferences, prompting strategic conclusions and proposals to adapt to the evolving dynamics of the insurance market.

Hussanie & Joo (2019) the purpose of this paper to identify the factors that affect the profitability of life insurance companies in India using a panel data. The study includes twelve life insurance companies for a period covering 2005-2015. In this study, econometric analysis adopted to determine the impact of micro-economic factors on the profitability of life insurers in India. The analysis conducted on the profitability of Indian life insurers, measured by Return on Assets (ROA), involved the examination of nine independent variables. Among these variables, only three found to be significant contributors to explaining the profitability of life insurers. The noteworthy factors influencing ROA included liquidity, loss ratio, investment performance, operating margin, premium growth, and tangibility. These aspects identified as key determinants of the financial success of Indian life insurers. In contrast, three variables advantage, commission ratio, and size deemed insignificant in their impact on profitability as measured by ROA. The findings suggest that certain financial and operational metrics play a more critical role in influencing the profitability of life insurers in the Indian market, while others may not have a significant explanatory power in this context.

Ishtiaq et al (2019) the purpose of this research is to investigate the factors that affect the financial performance of life insurance sector in Pakistan. Possible internal and external factor that include Liquidity, net premium, premium growth, underwriting risk, debt to equity, insurance advantage, tangibility, equity capital, capital surplus, GDP, inflation and Market share used to access their effect, whereas sector ROA was used to access

performance. The data gathered from 2008 to 2017 from 09 life insurance companies including 01 public life insurance company and 08 private life insurance companies. The study in question delves into the financial performance of life insurance companies in Pakistan, with a particular focus on Takaful life insurance. The research encompasses two companies exclusively engaged in Takaful life insurance, while others operate in conventional, Takaful, or both domains. The analytical approach involves employing panel regression, utilizing both Panel Ordinary Least Squares (OLS) regression and the Generalized Method of Moments (GMM) for result estimation. The study's outcomes reveal that certain variables, such as tangibility, market share, net premium, insurance advantage, and GDP, demonstrate an insignificant or negative correlation with the financial performance of Pakistani life insurance firms. On the other hand, independent variables like liquidity, underwriting risk, debt to equity, equity capital, capital surplus, and inflation exhibit positive and significant relationships with the performance of life insurance companies in Pakistan. The research implications underscore recommendations for the insurance industry, encouraging a focus on aspects such as liquidity, underwriting risk, debt to equity ratio, equity capital, capital surplus, and inflation to enhance financial performance. Moreover, the findings suggest strategies for increasing premium collection activities and active market participation to stimulate economic activity. This study positioned to serve as a beneficial guideline and awareness tool for life insurance beneficiaries and offers practical insights for newcomers looking to understand and capture the market. Shareholders and investors keen on the life insurance sector can leverage the research findings to assess the soundness and solvency of insurance companies

Tesfaye (2018) financial performance is the key question for survival and stability of insurance industry. The main objective of the study was to investigate factors affecting financial performance of Ethiopian Insurance Companies. This research looked at what affects how well insurance companies in Ethiopia do financially. They used Return on Assets (ROA) to measure financial performance. The study focused on three types of factors: things specific to each company, stuff about the completely insurance industry, and big-picture economic things. The researchers used numbers and stats to figure things out and picked specific companies on purpose for their study. They collected information

from 12 out of 17 insurance companies in Ethiopia and from the National Bank of Ethiopia. The data they looked at covered the years 2011 to 2016. To make sense of all the information, they used a mix of straightforward statistics and a more complex Random Effect econometric model. Making money before, having a lot of capital, and how the country's economy did in the past (lag GDP rate) all made financial performance better. Having less money set aside for emergencies (solvency margin) and dealing with losses (loss ratio) hurt financial performance. The study also found that things like inflation and exchange rates, especially in the past, had a big impact on how well companies did financially. Therefore, the researchers suggest that companies should focus on having more money set aside for emergencies. They also recommend that the government take steps to keep the currency exchange rate stable. This way, both companies and the government can help improve how well insurance businesses do in Ethiopia.

Bhattarai (2018) the main purpose of this study is to examine the firm specific and macroeconomic variables effects on Share Prices of Nepalese commercial banks and insurance companies. The study is based on secondary data of seven banks and six insurances companies for the period of 2009/10 - 2014/15. The data obtained from annual report of concerned enterprises. Descriptive and causal comparative research design used study. Researchers analyzed how certain factors affect the prices of shares in Nepalese banks and insurance companies. They looked at two types of factors: those specific to each firm and broader economic factors. Firm-specific factors included things like how profitable and efficient a company is (ROE), its ability to make money from its assets (ROA), and how much money it makes for each share (EPS). They also considered macroeconomic factors like the total amount of money in circulation (MS), the value of the country's currency compared to others (ER), how much prices are going up (IR), and the growth of the country's overall economic output (GDP growth rate). The findings showed that several factors significantly influenced share prices. Specifically, factors like the company's profitability, earnings, and dividends per share played a role. Additionally, broader economic factors such as money supply, exchange rates, inflation, and GDP growth rate also had an impact. The study concluded that these factors collectively affect the share prices of banks and insurance companies in Nepal. It's important to note that

these findings are specific to the time of the study and the characteristics of the Nepalese market. Ongoing monitoring and analysis are necessary due to the dynamic nature of financial markets.

Mazviona et al. (2017) the study sought to examine factors affecting the performance of insurance companies in Zimbabwe. We utilized secondary data from twenty short-term insurance companies. The data was for the period from 2010 to 2014. Study using factor analysis and multiple linear regression models to understand the factors affecting the performance of insurance companies. Your findings indicate that expense ratio, claims ratio, and company size have a negative impact on performance, while advantage and liquidity have a positive impact. Based on these results, you recommend that insurance companies implement mechanisms to reduce operational costs, such as introducing automated systems. This is a concise and clear summary of your study's key findings and recommendations. It suggests practical steps for insurance companies to improve their performance by addressing specific factors. Implementing automated systems could potentially help in reducing operational costs, and it aligns with the idea of enhancing efficiency within the companies.

Al Qaisi et al (2016) this study aims to investigate the effect of some factors on market stock price such as Return on Asset (ROA), Return on Equity (ROE), Debt Ratio, the Age of the Company, and the Size of the Company. To achieve the objective, the study uses twenty insurance companies listed in Amman stock exchange during the period 2011 to 2015. Insurance companies relate to their stock prices on the Amman Stock Exchange. I used something called regression analysis. What I found is that when we look at Return on Assets (ROA), Debt Ratio, Age of the Company, and Size of the Company, these seem to have a positive effect on the stock prices. This means that when these things go up, the stock prices of these insurance companies also tend to go up. However, when it comes to Return on Equity (ROE), I did not find any clear link with the stock prices. It seems changes in ROE do not really affect how the stock prices move for these companies. Remember, these findings should take with a closer look at the statistical details like significance levels and sample size. If you have more questions or need help understanding these results

Daare, (2016) the general objective of this study was to investigate factors that determining general insurance profitability in India. Financial statements of non-life general insurance companies collected from the year 2006 up to 2016 from 10 general insurance companies (4 public and 6 private insurances). Panel data analyzed using Fixed Effect Model (FEM) after testing the appropriateness of the model with Random Effect and Pooled regression model. According to the study's findings, two important things are helping insurance companies in India make more money and manage their finances better. First, having enough money set aside, known as capital adequacy, and a growing economy, measured by GDP, are making profits and financial stability go up. On the flip side, when prices go up a lot, known as inflation, it's making it harder for these insurance companies to make a profit. For the people in charge of these companies, the study suggests a few things to focus on. They should make sure there is enough money set aside or capital adequacy and pay attention to how they are handling their short-term debts or current liabilities because these things seem to boost profits and financial stability. On the other hand, they need to figure out ways to deal with the challenges that come with inflation, which seems to make it tougher for them to make money. In short, the research recommends that insurance company managers keep an eye on having enough set aside money, managing short-term debts well, and coming up with plans to deal with inflation. This could help them make more money and keep their companies in good financial shape in the insurance industry in India.

Kripa, (2016). Good performance of a company determines the position of the company in its market and the growth and consolidation of the market, giving as result the development of the economy as a whole. It is important to study insurance companies, especially in Albania. Insurance companies are crucial for the economy because they help manage risks, encourage people to save money, and support investment activities. The paper specifically looks at how profitable these companies are because that is a key measure of how well they are doing. In Albania, the importance of insurance companies is increasing, and the paper focuses on understanding what makes them profitable. The study looks at factors within the control of insurance companies, like how fast they are growing, how many debts they have, how easily they can turn assets into cash, the value of their fixed assets, how big the company is, and the amount of capital it has. The study

uses numbers and statistics to analyze this information. The data comes from reliable sources like the annual reports of insurance companies, reports from the Financial Supervisory Authority, and data from the National Registration Center. The results of the study show that the speed of growth is good for profitability, but having a lot of debts, low liquidity, and too many fixed assets can hurt profitability. The size of the company and the amount of capital it has also matter, but the study finds that these factors do not have a significant impact on profitability according to the statistics. The study looks at seven insurance companies, covering the years from 2008 to 2013, to see how these factors affect their profits over time

Aktaş & Seyfettin, (2015) it is a common perception that efficiency is an important issue regardless of industry. A sound and highly functional insurance industry serves as a crucial financing channel in an economy. At this aspect, this study aims to examine the relationship between the financial efficiency ratios and stock prices of insurance firms, whose stocks publicly traded in Borsa Istanbul. The study focuses on investigating the correlation between efficiency ratios specifically cost, revenue, and profit efficiency and stock prices within the context of Turkish insurance firms. Utilizing quarterly data spanning from 2005Q1 to 2012Q4, the research employs regression analysis across the three sets of efficiency ratios. The key discovery is the identification of statistically significant relationships between these efficiency ratios and stock prices. Notably, among the three ratio groups, profitability ratios emerge as the most fitting models. The study asserts its novelty as the first to delve into this interaction for Turkish insurance firms. The implications of the findings extend to both insurance companies and investors, offering valuable insights for strategic decision-making. In conclusion, the study underscores the importance of profitability ratios in elucidating the dynamics between efficiency and stock prices in the Turkish insurance sector.

Pudasaini (2020) this is aims to investigate the effect of some factor on market stock price such as earning per share (EPS), Dividend per share (DPS), P/E ratio and Size of the company. Researcher identified correlation factors EPS, Dividend Yield, Dividend per Share, SIZE and P/E MPS correlation, regression analysis of secondary data and also tests the significance of such relationship at 95% level of significance From the secondary data analysis it is known that there is not consistent performance in the relationship of MPS with EPS, Dividend Yield and Dividend per Share, SIZE and P/E for the six sampled insurance companies. The correlation coefficients between Market Price per Share (MPS) and independent variables, including Earnings per Share (EPS), Dividend Yield, and Dividend per share, SIZE, and Price/Earnings ratio (P/E), vary among Nepalese insurance companies. Some exhibit significantly positive correlations, while others show significantly negative correlations at a 95% level of significance. This suggests that the impact of these variables on market prices is not uniform and influenced by company-specific factors. The observation underscores the complexity of the relationship between fundamental financial metrics and market prices for these companies. Despite the positive correlations observed for P/E, Dividend per Share (DPS), and EPS with MPS, it acknowledged that various internal and external factors beyond these variables significantly influence the market price. Theoretically, an increase in earnings, dividends, and book value of shares expected to drive an increase in market prices, and vice versa. However, the real-world scenario involves a myriad of factors, including economic conditions, regulatory changes, management decisions, and industry dynamics, which contribute to the complexity of stock price determination. The study emphasizes the need for a comprehensive understanding of the diverse factors affecting market prices for Nepalese insurance companies. It suggests that beyond the traditional determinants, such as earnings and dividends, there are additional nuanced elements at play. Further research, potentially involving a more in-depth analysis of individual companies or a broader examination of industry trends and economic conditions, is warranted. It is essential to recognize that correlations do not imply causation, and rigorous statistical analysis is necessary to draw robust conclusions about the dynamics influencing market prices in this context.

Steyn (2019) financial ratios commonly used to evaluate firm financial performance and assist investors with the evaluation of shares. Yan and Zheng (2017) argued that the most important financial ratios are sector specific. The purpose of this research was to determine if statistically significant relationships exist between financial ratios and the share price performance of the top five sectors on the Johannesburg Stock Exchange based on market capitalization. The research focused on analyzing the relationship between financial ratios and share price performance in five distinct sectors over a two-decade period spanning from 1997 to 2018. Employing multiple linear regressions as a statistical method, the study investigated the Johannesburg Stock Exchange (JSE) sectors of mining, insurance, life insurance, real estate investment trusts, and mobile telecommunications. The findings revealed statistically significant associations between various financial ratios and share price performance within each sector. In the mining sector, correlations observed with key financial metrics such as return on equity, price-to-book value, debt to equity, dividend yield, debt to assets, and total asset turnover ratios. The insurance sector displayed relationships with the price-earnings and return on equity ratios. Notably, the life insurance sector exhibited a connection with the operating profit margin. Meanwhile, the mobile telecommunication sector demonstrated associations with return on assets, dividend yield, and debt to assets. The research makes a practical contribution to the theory of quality fundamental analysis, providing valuable insights from the unique perspective of JSE sectors. While specific details for the real estate investment trusts sector were not explicitly mentioned, the overall study enhances our understanding of how financial ratios impact share price performance in diverse industry segments over the specified time frame.

Meta Table

S. N.	Date	Article	Writers	Objectives	Methodology	Findings
1	2023	Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange.	Maskey	to understand and establish relationship between various factors influencing the market price of stocks.	Descriptive Research design, Multiple Regression line	Study revealed that earning per share, dividend per share, price-earnings ratio, age of the company and dividend yield are the major determinants of share price.
2	2022	Corporate governance and financial performance in the emerging economy: The case of Ethiopian insurance companies.	Abebe Zelalem et al	To analyze differs from that of non-financial institutions in the sense of factor affecting the market price of insurance companies	Descriptive research design	Shareholder improve the financial performance and market price through directives & Governance structure
3	2021	Research on the improvement of technical efficiency of China's property insurance industry: a fuzzy-set qualitative comparative analysis	Li et al	to measure the operating efficiency of China's property insurance industry, explore the determinants	Comparative quality analysis	operation efficiency of China's property insurance industry was technically inefficient
4	2021	Factors affecting the performance of insurance companies in Russian federation.	Tsvetkova et al	investigating the determinants influencing financial performance of insurance companies	Descriptive analysis	size of company, ROE, liquidity ratio, premiums growth rate, claims ratio and inflation comprise 45.1% affect
5	2020	The determinants of profitability of insurance companies in Palestine.	Abdeljawad et al	to examine the factors that affect the profitability of insurance companies in Palestine	Causal Comparative	claims ratio and leverage ratio have no significant effect on profitability
6	2020	A Study on Stock Price Behaviour of Selected Insurance Companies Listed in Nepse	Pudasaini (2020)	to investigate the effect of some factor on market stock price	Correlation and Regression	Dividend yield, earning per share, price earnings ratio and size are the major determinants of share price of Nepalese Insurance companies.

7	2019	Analysis of the Factors Influencing the Market of Insurance Services in Life Insurance	Melnychuk et al (2019)	to analyze and identify the actual factors affecting the activities of insurance companies	Descriptive Research design	Development factor affect the price & activities of insurance
8	2019	Determinants of profitability of life insurers in India-panel evidence	Hussanie & Joo (2019)	identify the factors that affect the profitability of life insurance companies in India	Causal Comparative research design	Liquidity, operation, premium growth significantly determine the profit and Price.
9	2019	Factors affecting financial performance of life insurance sector in Pakistan.	Ishtiaq et al (2019)	to investigate the factors that affect the financial performance of life insurance sector in Pakistan	Panel Regression/ordinary least square	liquidity, underwriting risk, debt to equity, equity capital, capital surplus and inflation are positively
10	2019	Relationship between financial ratios and share price performance of the top five sectors on the Johannesburg Stock Exchange	Steyn (2019)	to determine if statistically significant relationships exist between financial ratios and the share price performance	Multiple Regression line	Significant impact of various factor on market price of insurance companies
11	2018	Analysis of factors affecting financial performance evidence from selected Ethiopian insurance companies.	Tesfaye (2018)	to investigate factors affecting financial performance of Ethiopian Insurance Companies	Quantitative approach explanatory research design	inflation have positive and significant impact
12	2018	The firm specific and macroeconomic variables effects on share prices of Nepalese commercial banks and insurance companies.	Bhattarai, B.P	To examine the firm specific and macroeconomic variables effects on Share Prices of Nepalese commercial banks and insurance companies.	descriptive and causal comparative research design	MS, GDPR, ER and IR affecting the share prices of insurances companies in Nepalese context.
13	2018	An analysis of factors affecting the performance of insurance companies in Zimbabwe	Mazviona et al. (2017)	to examine factors affecting the performance of insurance companies in Zimbabwe.	Descriptive research design	leverage and liquidity affect performance positively

14		Factors Affecting General Insurance Companies Profitability: Empirical study in India.	Daare, (2016)	to investigate factors that determining general insurance profitability in India.	Panel data analysis	liquidity and inflation negatively affecting the profitability of general insurances in India.
15	2016	Factors affecting the profitability of insurance companies in Albania	Kripa, (2016).	To explore factor affecting profitability and price of stock	Quantitative method	Company size and the volume of capital are positively correlated with the profitability and stock price.
16	2015	The relationship between financial efficiency ratios and stock prices: an empirical investigation on insurance companies listed in Borsa Istanbul.	Aktaş & Seyfettin, (2015)	to examine the relationship between the financial efficiency ratios and stock prices of insurance firms	Regression analysis	significant relationships between the ratios and stock prices

2.4 Research

Despite extensive research on factors affecting share prices globally, limited studies have specifically addressed the determinants of share prices in Nepalese insurance companies. Existing literature predominantly focuses on broader financial markets or other sectors within Nepal, often overlooking the unique characteristics and regulatory environment of the insurance industry. There is a significant gap in understanding how company-specific factors, such as financial performance, liquidity, and market perception, influence the share prices of Nepalese insurance firms. Additionally, the impact of macroeconomic variables, such as interest rates and inflation, on these share prices remains underexplored. Moreover, there is a need for comparative studies to identify differences and similarities in share price determinants between Nepalese insurance companies and those in other countries. Addressing these gaps could provide valuable insights for investors, policymakers, and researchers, facilitating more informed decision-making and fostering a deeper understanding of the Nepalese insurance market.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

With a view to attain the overall objectives of the research, the research carried out following the systematic methodology. This chapter provides a description of the type of data and with the description of methods and procedures for analyzing data (Pant, 2015).

3.2 Research Design

The structure of this research is constructed by both the descriptive designs has been casual and analytical research design for completed study. Where descriptive research design explains and describes the feature of fact, data and characteristics. However, the causal comparative research design examines the causes and effect by using correlation and regression model (Adhikari, 2017).

3.3 Population and Sample

Insurance company listed in Nepal stock exchange (NEPSE) is the population of the study. The sample chosen for the study is Nepal Life Insurance Company Limited, National Life Insurance Company Limited and Nepal Insurance Company Limited is the sample of the study.

3.4 Sampling technique

Researcher has followed the random sampling techniques to choose the insurance companies out of population of total 13 life insurance companies. Token sampling lottery form used sampling to select sample life insurance companies.

3.5 Nature and Sources of Data

For this study, nature of data was quantitative with and secondary data are used. Secondary data collected mainly from published sources like annual report of sample Insurance companies. Secondary data published in the annual reports of concerned organizations collected through website of relevant sample Insurance companies. Similarly, financial accounts for fiscal years 2070/71 to 2079/80 or 2014 to 2023 covered

as a sample for the purposes of this document. In addition, the convenience sampling approach method used to gather data quickly, cheaply, and in a short period.

3.6 Data Collection Method

Required data taken from the secondary source such as annual report of Insurance companies. Which do the insurance companies including all financial detail for public and government sources?

3.7 Data Analysis Tools and Techniques

In order to get the concrete results from the research, data analyzed by using different types of tools. As per topic requirements, emphasis given on statistical tools likes Arithmetic Mean, Standard Deviation, and Coefficient of variation and Hypothesis Test rather than financial tools.

3.7.1 Financial Ratio

Financial ratios are tools used to evaluate and analyze the financial health and performance of a company. They involve comparing different financial metrics, such as profitability, liquidity, and solvency, to provide insights into a company's overall financial condition. Ratios help investors, analysts, and management make informed decisions by offering a quantitative perspective on various aspects of a company's operations. Common financial ratios include the debt-to-equity ratio, return on investment, and current ratio.

Market Price per Share (MPS)

The market price per share or fair market value of a stock is the price that a stock can be readily bought or sold in the current market place. In other word, the market value per share is the “going price” of a share of stock. The market price per share of stock usually termed simply "share price" is simply the dollar amount that investors are willing to pay for one share of the company's stock.

Earnings per share (EPS)

Earnings per share (EPS) are a financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock. It is calculated by dividing the net income attributable to common shareholders by the average number of outstanding shares during a specific period. EPS is widely used by investors to assess a company's profitability on a per-share basis and is a key factor in evaluating its financial performance.

$$EPS = \frac{\text{Net Income}}{\text{No. of Share outstanding}}$$

P/E Ratio

The Price-to-Earnings (P/E) ratio is a financial metric used to evaluate the valuation of a publicly traded company. It is calculated by dividing the market price per share of the company's stock by its earnings per share (EPS). The formula for the P/E ratio is:

$$PE \text{ ratio} = \frac{\text{Market Price Per Share}}{\text{Earning per share}}$$

Dividend Per share (DPS)

Dividend per Share (DPS) is a financial metric that represents the amount of cash a company is willing to distribute to its shareholders in the form of dividends. It is calculated by dividing the total amount of dividends declared by a company by the number of outstanding shares. The formula for DPS is:

$$DPS = \frac{\text{Dividend Amount}}{\text{No. of Share Outstanding}}$$

Capital to Net assets Ratio

The Capital to Net Assets Ratio is a financial metric that assesses a company's financial advantage by comparing its capital (equity and long-term debt) to its net assets (total assets minus total liabilities). It is calculated by dividing the company's capital by its net assets and expressed as a percentage. A higher ratio indicates a higher level of financial advantage, implying increased risk and potential for higher returns, while a lower ratio suggests a more conservative financial structure.

$$\text{Capital to Net Assets Ratio} = \frac{\text{Capital}}{\text{Net Assets}}$$

3.7.2 Statistical Tools

Statistical tools are methods and techniques used to analyze and interpret data in order to make informed decisions. They provide a systematic way to organize, summarize, and draw conclusions from data, helping researchers and analysts to uncover patterns and trends. Common statistical tools include measures of central tendency i.e. mean, median, and mode, measures of dispersion i.e. variance, standard deviation, hypothesis testing, and regression analysis. These tools are essential in various fields such as science, business, and social sciences for drawing reliable inferences from data.

Arithmetic Mean

Arithmetic Mean of a given set of observations is the sum of the observations divided by the number of observations. In such a case all the items are equally important. Simple Arithmetic Mean is used in this study as per necessary for analysis.

We have,

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

Where;

$\sum x$ = sum of all values of the observations

n = Number of observations

x = Value of variables

Standard Deviation (S.D)

The letters often represent the standard deviation (σ). Karl Pearson proposed it as a frequently used measure of dispersion and defined it as the distance between the supplied observations and their arithmetic mean of a collection of values. It sometimes referred to as the root mean square deviation. In this study, standard deviation utilized to quantify the degree of volatility of the interest rate and other variables as needed for the analysis.

We have,

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\Sigma(X - \bar{X})}{n}}$$

Coefficient of Variation (C.V.)

The relative measure of dispersion based on standard deviation called coefficient of standard deviation and 100-time coefficient of standard deviation called coefficient of variation. C.V. denotes it. Thus,

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

Where;

σ = Standard Deviation

\bar{X} = Mean Value of Variables

The distribution having less C.V. said to be less variable or more consistent. A distribution having greater C.V. said to be more variable or less consistent.

Correlation Coefficient (r)

Correlation analysis is a statistical method that is commonly used to describe how closely one variable is connected to another. This tool is used to determine the intensity or magnitude of a linear connection between two variables X and Y, which is commonly denoted by 'r' and may be calculated as follows:

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

Where;

N = no of observation in series X and Y

$\sum X$ = Sum of observation in series X

$\sum Y$ = Sum of observation in series Y

$\sum X^2$ = Sum of square observation in series X

$\sum Y^2$ = Sum of square observation in series Y

$\sum XY$ = Sum of the product of observation in series X and Y

e. Regression analysis

Regression line refers to the relationship between dependent and independent variable. Where dependent variables value finding through the regression analysis of independent variable.

$$CR = \alpha + \beta_0 EPS + \beta_1 DPS + \beta_2 PER + \beta_3 CNR \dots \dots \dots i$$

Where,

EPS: Earnings per share

DPS: Dividend per share

PE ratio: Price earnings ratio

CNR: Capital net assets ratio

f. Coefficient of Determination (r^2)

It explains the variation percent derived in dependent variable due to the any one specified variable; it denotes the fact that the independent variable is good estimator of the behavior of the dependent variable. It is square of correlation coefficient.

3.7 Research Framework and Definition of Variables

A research framework is a conceptual model that depicts the link between the problem's dependent variables and independent factors. The following is the conceptual basis for this study:

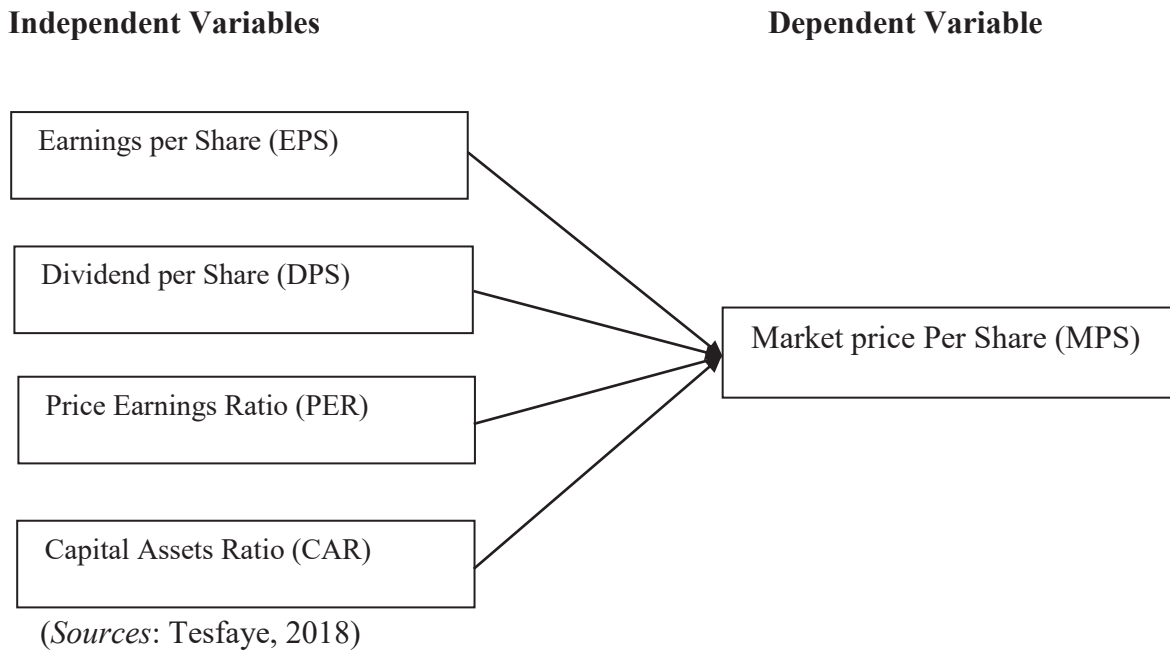


Figure 1: *Research Framework and Definition of Variables*

Market price of Shae (MPS)

The market price of Shea (MPS) exhibited notable volatility over the past year, influenced by various economic factors and industry developments. Beginning the year with modest levels, the price saw fluctuations throughout, reaching highs and lows reflective of shifts in market sentiment and sector-specific news. Investors closely monitored MPS, reacting to quarterly earnings, regulatory changes, and broader trends in

renewable energy and consumer preferences. These dynamics contributed to the evolving valuation of MPS in the market landscape.

Earnings per Share (EPS)

Earnings per Share (EPS) are a financial metric used to evaluate a company's profitability and calculated by dividing the company's net income by its total outstanding shares of common stock. It provides insight into how much profit each share of stock represents. Investors often use EPS to gauge a company's performance and compare it with other firms in the same industry. A higher EPS typically indicates better profitability, though it's essential to consider other factors like revenue growth and overall market conditions when assessing a company's financial health. EPS is a fundamental component in financial analysis and plays a crucial role in determining a company's valuation and attractiveness to investors.

Dividend per Share (DPS)

Dividend per Share (DPS) is a financial metric used to indicate the amount of dividends a company pays out for each outstanding share of its stock. It is calculated by dividing the total dividends paid by the company by the number of outstanding shares. Investors often use DPS to assess the income they receive from owning shares in a company. A higher DPS generally indicates that the company is distributing more of its profits to shareholders, which can be attractive to income-focused investors seeking steady returns. DPS can fluctuate over time based on a company's profitability and dividend policies.

Price Earnings Ratio (PER)

The Price Earnings Ratio (PER) is a financial metric used to evaluate the valuation of a company's stock by measuring its current share price relative to its earnings per share (EPS). It is calculated by dividing the market price per share by the EPS. A high PER suggests that investors are willing to pay more for each unit of earnings, indicating expectations of future growth. Conversely, a low PER may suggest the stock is undervalued or that growth expectations are modest. PER is widely used in financial analysis to compare companies within the same industry or market sector.

Capital Assets Ratio (CAR)

The Capital Assets Ratio (CAR) is a financial metric that assesses a company's ability to cover its financial obligations through its capital assets. It is calculated by dividing a company's capital assets by its current liabilities. A higher CAR indicates a stronger ability to meet short-term liabilities using readily available capital assets. This ratio is crucial for investors and creditors evaluating a company's financial health and liquidity position, providing insights into its operational efficiency and ability to manage financial obligations effectively.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Introduction

This section of the study provides the result of various factors on market price of insurance companies. As stated in the methodology, the market price of sample insurance companies measured using several statistical tools, including descriptive statistical tools like percentage, mean, standard deviation, coefficient of variation, correlation, and regression, utilizing Excel and SPSS software. Here, the information gathered from secondary sources such yearly bank financial reports found on the websites of the relevant insurance companies. The problem has significant literature that covers enough ground to suit the study's goals, which discussed in the chapter before. Utilizing statistical tools like regression lines and correlation, the study's results made objective. Regression analysis examines the influence of determinants on the market price of share of sample insurance companies whereas correlation analysis examines the relationship between profitability measures and determinants of market price of share. Regression analysis and correlation are the main descriptive statistical tools covered in this chapter. This chapter includes the data presentation and analysis, results of study and discussion of the results as follows;

4.2 Presentation and Analysis of Data

Data presentation refers to the process of organizing and displaying data in a way that is easy to understand and interpret. This can involve the use of various formats such as charts, graphs, tables, and info graphics. The primary goal of data presentation is to communicate information clearly and effectively, enabling the audience to draw accurate conclusions and make informed decisions. Good data presentation simplifies complex information, highlights key trends, and supports the narrative or argument made. It also takes into account the audience's needs and preferences, ensuring the data are accessible and engaging. Effective data presentation not only involves selecting the right visual format but also ensuring the data is accurate, relevant, and up-to-date. Ultimately, it transforms raw data into meaningful insights, making it a critical component in fields

such as business, research, and education. Data analysis is the process of examining, cleaning, transforming, modeling data to discover useful information, draw conclusions, and support decision-making. This process involves several techniques and tools to identify patterns, trends, and relationships within data sets. By analyzing data, organizations can gain insights into their operations, customer behaviors, and market trends, enabling them to make informed decisions. Data analysis can be descriptive, diagnostic, predictive, or prescriptive, depending on the objectives and the types of questions addressed. It typically involves statistical analysis, data mining, and machine learning. Accurate data analysis requires high-quality data and a clear understanding of the context in which the data collected. Ultimately, effective data analysis helps organizations improve efficiency, drive innovation, and achieve strategic goals.

4.2.1 Descriptive statistic

Descriptive statistics refer to statistical techniques used to summarize and describe the main features of a dataset. They provide simple summaries that give insight into the sample and its measures, forming the foundation of most quantitative data analyses. These statistics categorized into measures of central tendency, measures of dispersion, and measures of shape. Measures of central tendency include the mean, which is the average of all data points; the median, which is the middle value separating the higher and lower halves of the data set; and the mode, which is the most frequently occurring value. Measures of dispersion describe the variability in the data and include the range, which is the difference between the highest and lowest values; variance, which is the average of the squared differences from the mean; and standard deviation, which is the square root of the variance, showing how spread out the data points are. Measures of shape describe the distribution of the data, with skewness indicating asymmetry and kurtosis describing the peakedness or flatness. Frequency distributions, such as tables and histograms, display the frequency of various outcomes in a sample, providing a visual representation of the data distribution. Overall, descriptive statistics enable a straightforward and effective communication of the key features of a dataset, making it easier to understand and interpret the data

4.2.1.1 Analyze the Status of Variables

Status analysis refers to the systematic evaluation of an organization's current position in relation to its goals, objectives, and external environment. It involves assessing various factors such as financial performance, operational efficiency, market conditions, and competitive landscape. By conducting a status analysis, organizations can identify strengths, weaknesses, opportunities, and threats (SWOT) that affect their progress and strategic direction. This analysis helps in understanding where the organization stands at a given point in time and provides a basis for making informed decisions. Furthermore, it aids in resource allocation, priority setting, and strategic planning to enhance overall performance. Regular status analysis is crucial for adapting to changes and maintaining a competitive edge in the market.

Table 1

Descriptive statistics of MPS, EPS, DPS, PER and CAR of Sample Insurance Companies

Variables	Minimum	Maximum	Mean	Std. Deviation
MPS	684.67	2360.33	1421.56	621.62
EPS	16.56	51.95	26.22	10.12
DPS	11.84	50.16	24.58	10.86
PER	28.09	76.81	52.83	15.67
CAR	0.54	3.54	1.92	0.88

(Source: Appendix II)

Table 1 presents descriptive statistics for five variables: MPS, EPS, DPS, PER, and CAR. For MPS, the data ranges from a minimum of 684.67 to a maximum of 2360.33, with a

mean value of 1421.56 and a standard deviation of 621.62. EPS values vary from 16.56 to 51.95, with a mean of 26.22 and a standard deviation of 10.12. The DPS variable ranges from 11.84 to 50.16, with a mean of 24.58 and a standard deviation of 10.86. PER values range from 28.09 to 76.81, mean of 52.83 and a standard deviation of 15.67. Finally, CAR values range from 0.54 to 3.54, with a mean of 1.92 and a standard deviation of 0.88. These statistics provide insight into the central tendency, variability, and range of each variable, aiding in understanding their distributions and characteristics within the dataset.

4.2.1.2 Analyze the Trend of Variables

Trend analysis refers to the practice of collecting information and attempting to spot a pattern or trend in the data. It involves analyzing historical data to predict future movements or behaviors within a particular variable or set of variables. This technique is widely used in various fields such as finance, marketing, and economics to forecast future events and make informed decisions. By identifying consistent results or trends, businesses and researchers can anticipate changes, adapt strategies, and allocate resources more effectively. Trend analysis often employs statistical tools and methods to interpret data over specific periods. Overall, it helps in understanding past behaviors to improve future outcomes.

Table 2

Descriptive statistic of Trend of MPS, EPS, DPS, PER and CAR of Sample Insurance Companies

Variables	Minimum	Maximum	Mean	Std. Deviation
MPS	-48.75	53.38	-1.87	30.11
EPS	-59.81	39.13	-3.31	30.42
DPS	-58.42	50.06	-1.19	36.98
PER	-52.32	82.75	8.56	40.40
CAR	-72.73	388.01	54.43	151.06

(Source: Appendix II)

Table 2 shows the descriptive statistics financial trend variables. The minimum and maximum values, along with the mean and standard deviation, offer insights into the distribution and variability of the data. MPS (Market Price per Share), values range from -48.75 to 53.38, mean of -1.87 and a standard deviation of 30.11. EPS (Earnings per Share) fluctuates between -59.81 and 39.13, with a mean of -3.31 and a standard deviation of 30.42. Similarly, DPS (Dividends per Share) varies from -58.42 to 50.06, with a mean of -1.19 and a standard deviation of 36.98. Price-Earnings Ratio (PER) from -52.32 to 82.75, mean of 8.56 and a standard deviation of 40.40, indicating considerable variability in this ratio. Finally, CAR (Cumulative Abnormal Returns) displays a wider range, from -72.73 to 388.01, with a mean of 54.43 and a relatively high standard deviation of 151.06, suggesting significant dispersion in the cumulative returns. These statistics highlight the diversity and dispersion within each financial metric, providing essential insight into the performance and behavior of the analyzed data

4.2.3 Correlation Analysis

Correlation is a statistical measure that describes the extent to which two variables related to one another. When two variables move in tandem, either increasing or decreasing together, they said to have a positive correlation. Conversely, when one variable increases while the other decreases, they exhibit a negative correlation. The strength and direction of a correlation are typically quantified by the correlation coefficient, which ranges from -1 to +1. A coefficient of +1 indicates a perfect positive correlation, while -1 signifies a perfect negative correlation. A coefficient of 0 implies no correlation between the variables. Understanding correlation helps in identifying relationships and predicting outcomes in various fields, including finance, economics, and the social sciences. However, it is crucial to remember that correlation does not imply causation, meaning that even if two variables correlated, it does not necessarily mean that one causes the other.

4.2.3.1 Correlation analysis MPS with EPS, DPS and PER Samples Insurance Companies.

Table 3

Correlation of MPS with EPS, DPS, PER and CAR of Sample Insurance companies

Variables	MPS	EPS	DPS	PER
MPS	1	0.487	0.407	.751*
EPS	0.487	1	.944**	-0.091
DPS	0.407	.944**	1	-0.203
PER	.751*	-0.091	-0.203	1
CAR	-0.059	-0.625	-.715*	0.526

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

(Source: Appendix III)

Table 3 displays the relationships between various financial status variables. Each cell in the matrix represents the correlation coefficient between the corresponding pair of variables. The main diagonal of the matrix shows perfect correlation (1) as it compares each variable with itself. The off-diagonal cells reveal the strength and direction of the correlations between different pairs of variables. For instance, the correlation coefficient between MPS (Market Price per Share) and EPS (Earnings per Share) is 0.487, indicating a moderately positive relationship. Similarly, MPS and DPS (Dividends per Share) exhibit a positive correlation of 0.407. Notably, the correlation between EPS and DPS is notably high at 0.944, suggesting a strong positive association between earnings and dividends. EPS and PER (Price-Earnings Ratio) displays a weak negative correlation of -0.091. Additionally, PER and MPS demonstrate a moderate positive correlation of 0.751. Moving beyond financial metrics, CAR (Cumulative Abnormal Return) shows negative correlations with EPS, DPS, and PER, indicating a potential relationship with stock performance metrics. However, the correlation coefficients are relatively weak, ranging from -0.059 to -0.715. Overall, the correlation matrix provides insights into the interrelationships among these financial variables, aiding in the analysis of stock performance and investment decisions

4.2.3.2 Correlation Analysis of MPS, with change trend of MPS, EPS, DPS, PER and CAR

Table 4

Correlation of MPS with Change trend of MPS, EPS, DPS, PER and CAR

Varialbes	MPS	MPS	EPS	DPS
MPS	1	0.327	0.166	0.119
MPS	0.327	1	0.295	0.044
EPS	0.166	0.295	1	.832**
DPS	0.119	0.044	.832**	1
PER	0.261	0.629	-0.377	-.651*
CAR	-0.027	0.263	-.700*	-.830**

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

(Source: Appendix III)

Table 4 shows relationships between several financial trend related variables, including Market Price per Share (MPS), Earnings per Share (EPS), Dividends per Share (DPS), Price-to-Earnings Ratio (PER), and Cumulative Abnormal Returns (CAR). A correlation coefficient of 1 indicates a perfect positive correlation, while -1 indicates a perfect negative correlation. The correlation between MPS and itself is 1, as expected. The correlation between MPS and EPS is moderate at 0.327, while the correlation between MPS and DPS is weaker at 0.166. EPS and DPS exhibit a stronger positive correlation of 0.295. Notably, EPS and DPS show a high correlation of 0.832, which is statistically significant at the 0.01 level, suggesting a strong relationship between earnings and dividends. PER shows a moderate positive correlation with MPS and EPS, with

coefficients of 0.261 and 0.629 respectively. However, it has a negative correlation with EPS and DPS, indicating that as PER increases, EPS and DPS tend to decrease. The correlations between PER and EPS, as well as PER and DPS, are statistically significant at the 0.05 level. CAR exhibits weak negative correlations with EPS and DPS, with coefficients of -0.377 and -0.651 respectively, both of which are statistically significant at the 0.05 level. This suggests that as Cumulative Abnormal Returns increase, EPS and DPS tend to decrease. The correlation matrix provides insight into the relationships between various financial metrics, highlighting the interplay between market price, earnings, dividends, price-to-earnings ratio, and cumulative abnormal returns

4.2.4 Regression Analysis

Regression analysis is a statistical method used to examine the relationship between one dependent variable and one or more independent variables. It helps in understanding how the dependent variable changes when any one of the independent variables varied, while the others held constant. The primary goal of regression analysis is to model the expected value of the dependent variable in terms of the independent variables. This technique is widely used for prediction and forecasting, where its application has substantial overlap with machine learning. Simple linear regression involves one independent variable, while multiple regressions involve two or more. The method estimates the coefficients of the regression equation, involving the independent variables that best predict the dependent variable. These coefficients represent the average change in the dependent variable for a one-unit change in the independent variable. Regression analysis also allows for the assessment of the statistical significance of each predictor. Key metrics, such as R-squared and p-values, help in determining the model's fit and the relevance of the predictors. Overall, regression analysis is a fundamental tool in statistics for analyzing data and making informed decisions.

4.2.4.1 Regression Model Summary Analysis

Table 5

Summary of Regression line of EPS, DPS, PER and CAR on MPS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.96	0.92	0.86	230.95

a. Predictors: (Constant), CAR, PER, EPS, DPS

(Source: Appendix IV)

Table 5 shows the model summary provides a comprehensive overview of the regression analysis conducted, offering valuable insights into the relationship between the predictors (CAR, PER, EPS, DPS) and the outcome variable. With a correlation coefficient (R) of 0.96, the analysis demonstrates a robust positive association between the predictors and the outcome, suggesting that changes in the predictor variables are closely related to changes in the outcome variable. Furthermore, the R Square value of 0.92 indicates that the predictors included in the model, highlighting the model's predictive power, can explain a substantial proportion (92%) of the variability in the outcome variable. The Adjusted R Square value of 0.86, while slightly lower than the R Square, adjusts for the number of predictors in the model, providing a more conservative estimate of the proportion of variance explained. Lastly, the Std. Error of the Estimate, standing at 230.95 units, reflects the average deviation between the observed and predicted values, offering insight into the model's accuracy. Overall, the model demonstrates a strong fit, but further validation and scrutiny of assumptions are necessary to ensure its reliability and generalization.

4.2.4.2 Analyze the ANOVA of Regression line of EPS, DPS, PER and CAR on MPS

Table 6 ANOVA Analysis of EPS, DPS, PER and CAR on MPS

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3211063.54	4	802765.88	15.05	.005 ^b
	Residual	266685.76	5	53337.15		
	Total	3477749.29	9			

a. Dependent Variable: MPS

b. Predictors: (Constant), CAR, PER, EPS, DPS

(Source: Appendix I)

Table 6 analysis of variance (ANOVA) was conducted to examine the relationship between the dependent variable, MPS (presumably referring to some financial metric), and the predictors CAR, PER, EPS, and DPS. The regression model yielded a statistically significant result ($F(4,5) = 15.05$, $p = .005$), indicating that the predictors collectively explain a significant proportion of the variance in MPS. The regression model accounted for a substantial portion of the total variance, as evidenced by the large sum of squares for regression (3211063.54) compared to the residual sum of squares (266685.76). The mean square for the regression was 802765.88, suggesting that the variance explained by the predictors is considerably larger than the residual variance. Overall, these results suggest that CAR, PER, EPS, and DPS are significant predictors of MPS, providing valuable insights into the factors influencing this financial metric.

4.2.4.3 Analyze the Coefficient of Independent variable EPS, DPS, PER, CAR on MPS

Table 7

Analyze the Coefficient of EPS, DPS, PER, CAR on MPS

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-808.41	466.25		-1.73	0.14
	EPS	10.65	24.37	0.17	0.44	0.03
	DPS	13.08	24.72	0.23	0.53	0.02
	PER	38.45	6.21	0.97	6.19	0.00
	CAR	-210.06	150.91	-0.30	-1.39	0.04

a. Dependent Variable: MPS

(Source: Appendix IV)

Table 7 provided data outlines coefficients derived from a regression model, serving to elucidate the relationship between various independent variables (EPS, DPS, PER, CAR) and a dependent variable, MPS (presumably Market Price of Stock). The model begins by establishing a baseline constant, denoted as (Constant), which stands at -808.41 and demonstrates a relatively large standard error of 466.25. Moving forward, each independent variable displays its respective Coefficient (B), standard error, standardized coefficient Beta, t-value, and significance level (Sig.). Examining the coefficients individually, EPS (Earnings per Share) exhibits a coefficient of 10.65 with a standard error of 24.37, and a Beta value of 0.17, indicating its modest impact on MPS. Similarly, DPS (Dividends per Share) carries a coefficient of 13.08, suggesting a slightly stronger influence, supported by a standardized Beta of 0.23. The variable PER (Price-Earnings

Ratio) displays a substantial coefficient of 38.45, underlining its significant impact on MPS. With a high Beta value of 0.97, PER emerges as a dominant predictor, reinforced by its t-value of 6.19, indicating strong statistical significance. Contrarily, CAR (Cumulative Abnormal Return) manifests a negative coefficient of -210.06, implying an inverse relationship with MPS. Although its Beta value is moderate at -0.30, the t-value of -1.39 signifies a significant impact, albeit in the opposite direction. Overall, these coefficients elucidate the multifaceted dynamics influencing MPS, with PER standing out as a pivotal factor, while EPS, DPS, and CAR contribute to varying extents.

4.3 Results of Study

The financial variables MPS, EPS, DPS, PER, and CAR displayed notable fluctuations. Starting from a base of 0% in 2014, MPS saw a 12.08% rise by 2015, while EPS, DPS, and PER experienced substantial declines, with EPS dropping by 59.81%. In 2016, EPS rebounded by 39.13%, marking a positive turn amid varied performances across the other variables. The following years showed mixed results, with significant declines in MPS in 2018 and 2019, followed by a rebound in 2020. Despite some recovery in MPS and EPS in 2021, CAR continued to fluctuate notably, reflecting a volatile financial environment with varying trends year-to-year. MPS (Market Price per Share), EPS (Earnings Per Share), DPS (Dividends Per Share), PER (Price-Earnings Ratio), and CAR (Capital Adequacy Ratio). MPS ranges from 684.67 to 2360.33 mean of 1421.56 (SD = 621.62); EPS varies between 16.56 and 51.95 mean of 26.22 (SD = 10.12); DPS ranges from 11.84 to 50.16 mean of 24.58 (SD = 10.86); PER varies from 28.09 to 76.81 with a mean of 52.83 (SD = 15.67); and CAR ranges from 0.54 to 3.54 with a mean of 1.92 (SD = 0.88). These statistics provide a comprehensive understanding of the central tendencies, variability, and ranges for each metric in the dataset.

Comprehensive of relationships between financial performance effects on MPS. Each cell in the matrix represents a correlation coefficient, ranging from perfect correlation (1) on the main diagonal to various strengths and directions of correlation off-diagonally. For instance, Market Price per Share (MPS) shows a moderately positive relationship (0.487) with Earnings per Share (EPS) and a similarly positive correlation (0.407) with Dividends per Share (DPS). Notably, EPS and DPS exhibit a strong positive correlation

(0.944), suggesting earnings strongly influence dividend payouts. Conversely, EPS and Price-Earnings Ratio (PER) displays a weak negative correlation (-0.091). Additionally, PER and MPS demonstrate a moderate positive correlation (0.751). Cumulative Abnormal Return (CAR) shows negative correlations with EPS, DPS, and PER, albeit relatively weak (ranging from -0.059 to -0.715). Overall, the correlation matrix provides valuable insights into the interrelationships among these financial variables, aiding in the analysis of stock performance and informing investment decisions.

The regression analysis investigated the relationship between MPS, a recognized financial metric, and the predictors CAR, PER, EPS, and DPS. The model achieved a high R-square value of 0.92, indicating that these predictors can explain 92% of the variability in MPS. A subsequent ANOVA confirmed the model's overall significance ($F(4,5) = 15.05$, $p = .005$), signifying that the predictors collectively contribute significantly to explaining variance in MPS. Moreover, the coefficients of CAR, PER, EPS, and DPS individually found to be statistically significant at the 0.05 level, reinforcing their meaningful roles in the model. These results emphasize a strong fit of the regression model to the data, highlighting the substantial explanatory power of the included predictors in relation to MPS.

4.4 Discussion

Over the years, the financial variables MPS, EPS, DPS, PER, and CAR have shown considerable volatility. MPS experienced a notable 12.08% increase from a base of 0% in 2014 by 2015, contrasting sharply with EPS, DPS, and PER, which saw significant declines during the same period, particularly EPS dropping by 59.81%. Despite EPS rebounding by 39.13% in 2016, the subsequent years displayed mixed results, with MPS and EPS showing recovery in 2020 and 2021, albeit against a backdrop of continued fluctuations in CAR, ranging from 0.54 to 3.54 with an average of 1.92. The results consistence with Abebe Zelalem et al(2022), Hussanie & Joo (2019) that means the EPS, change percentage of study match with previous studies. These statistics underscore the varied and sometimes volatile nature of the company's financial metrics over the analyzed period.

The correlation matrix reveals significant relationships among key financial metrics. Market Price per Share (MPS) shows moderately positive correlations with both Earnings per Share (EPS) ($r = 0.487$) and Dividends per Share (DPS) ($r = 0.407$). Notably, EPS and DPS exhibit a strong positive correlation ($r = 0.944$), indicating that earnings strongly influence dividend payouts match with Ishtiaq et al (2019), Li et al (2021). Conversely, EPS and Price-Earnings Ratio (PER) match with Steyn (2019), Mazviona et al. (2017) display a weak negative correlation ($r = -0.091$). PER and MPS demonstrate a moderate positive correlation ($r = 0.751$). Cumulative Abnormal Return (CAR) shows negative correlations with EPS, DPS, and PER, though these correlations are relatively weak (ranging from -0.059 to -0.715). Overall, these insights are valuable for analyzing stock performance and guiding investment decisions.

The regression analysis explored how MPS (Market Price per Share) is influenced by CAR (Cumulative Abnormal Return), PER (Price-Earnings Ratio), EPS (Earnings Per Share), and DPS (Dividends Per Share). Achieving an R-square of 0.92, the model indicates that these predictors can explain 92% of MPS variability. ANOVA confirmed the model's overall significance ($F(4,5) = 15.05$, $p = .005$), underscoring the collective impact of CAR, PER, EPS, and DPS on MPS. Importantly, all individual predictor coefficients were statistically significant at the 0.05 level, which is match with Abebe Zelalem et al (2022), Tesfaye (2018) due to similar variable and research design and area of study. Emphasizing substantial roles of MPS changes. These findings highlight the robustness and predictive power of the model in understanding market price movements based on these financial metrics.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The stock market plays a crucial role in the economy of any country, facilitating investment and enabling the efficient allocation of resources. One significant sector bolstered by this financial system is insurance, which serves to mitigate risk and encourage investment in industrial sectors. Investment itself is pivotal for economic development, defined broadly as the commitment of money and resources aimed at generating future returns. Understanding investment necessitates grasping the intricate relationship between income, saving, and investment, where saving is contingent upon earnings, and earnings, in turn, fuel investment activities. Investments typically manifest in two forms: real assets and financial assets. Financial investments, such as stocks and bonds, involve financial claims documented through legal representations. The stock market, a critical component of every economy, serves as a marketplace where these financial assets are traded, allowing for the efficient pooling of funds, risk-sharing, and wealth transfer among stakeholders. Equity shares, a prominent channel of investment, offer potential returns to investors, albeit influenced by various factors including market conditions, regulatory dynamics, and individual stock performance. Key financial metrics like Earnings per Share (EPS), Dividends per Share (DPS), Price-to-Earnings (PE) ratio, and Capital Net Assets Ratio significantly impact stock prices. EPS reflects profitability, DPS signifies cash dividends to shareholders, PE ratio influences investor sentiment on valuation, and Capital Net Assets Ratio gauges financial health, collectively shaping investor perceptions and market dynamics. Despite the increasing interest in stock investments among Nepali investors, driven in part by limited information sources like newspapers, there remains a dearth of comprehensive risk-related information and performance metrics for listed stocks. A study focusing on Nepal's stock market (NEPSE) aims to assess the performance of common stocks amidst these conditions, investigating factors influencing profitability in insurance companies and their impact. The study seeks to identify which stocks outperform others, explore the correlation between stock

performance and overall market trends, and advise on building profitable investment portfolios. This research underscores the importance of informed decision-making in navigating the complexities of stock market investments, especially in emerging markets like Nepal, where access to comprehensive market data remains limited. The research comprises both descriptive and causal-comparative designs. Descriptive design is used to portray and define the characteristics of data, while causal-comparative design investigates cause-and-effect relationships. The study focuses on life insurance companies listed on the Nepal Stock Exchange (NEPSE), with Nepal Life Insurance Company Limited, National Life Insurance Company Limited, and Nepal Insurance Company Limited chosen as the sample through random sampling techniques. Token sampling via lottery employed for selection. Quantitative secondary data from annual reports of the selected companies spanning fiscal years 2070/71 to 2079/80 were used, gathered conveniently and quickly to meet the study's needs. Statistical tools such as Arithmetic Mean, Standard Deviation, Coefficient of Variation, and Hypothesis Testing emphasized for data analysis, surpassing financial tools in relevance to the research objectives. The finding of study is there relationship between the dependent variable, MPS (presumably referring to some financial metric), and the predictors CAR, PER, EPS, and DPS. The regression model yielded a statistically significant result ($F(4,5) = 15.05, p = .005$), indicating that the predictors collectively explain a significant proportion of the variance in MPS.

5.2 Conclusion

The financial indicator MPS, EPS, DPS, PER, and CAR exhibited notable volatility, reflecting varying trends and shifts in market conditions. MPS demonstrated significant increases at certain points, contrasting with declines observed in EPS, DPS, and PER during similar periods. Despite occasional rebounds, the overall trajectory of these metrics remained dynamic, influenced by both internal strategic decisions and external economic factors. The fluctuations underscore the complexity and ever-changing nature of financial performance within the company, requiring continuous monitoring and strategic adaptation to navigate effectively.

The correlation analysis conducted, the study reveals significant relationships among key financial metrics that are pivotal for comprehending stock performance and guiding investment strategies. Market Price per Share (MPS) shows moderately positive correlations with Earnings per Share (EPS) and Dividends per Share (DPS), indicating that stocks tend to trade higher when earnings and dividend payouts are robust. Particularly noteworthy is the strong positive correlation observed between EPS and DPS, underscoring the direct linkage between profitability and dividend distributions. Conversely, EPS exhibits a weak negative correlation with Price-Earnings Ratio (PER), suggesting that as earnings increase; the valuation multiple investors are willing to pay might decrease slightly. PER, in turn, displays a moderate positive correlation with MPS, indicating that stocks with higher earnings relative to their market price are generally valued more favorably. Cumulative Abnormal Return (CAR) shows limited negative correlations with EPS, DPS, and PER, suggesting that abnormal returns may fluctuate inversely with these fundamental metrics, albeit with modest strength. These insights provide valuable guidance for investors seeking to leverage fundamental analysis in navigating stock market dynamics and optimizing investment decisions.

The regression analysis indicated substantial portion variability Market Price per Share (MPS) could explained Cumulative Abnormal Return (CAR), Price-Earnings Ratio (PER), Earnings per Share (EPS), and Dividends per Share (DPS). The model demonstrated strong overall significance, emphasizing the collective impact of these variables on MPS. Importantly, all individual predictors CAR, PER, EPS, and DPS found to be statistically significant, underscoring their significant roles in predicting changes in MPS. These findings suggest that these financial metrics play crucial roles in influencing market price dynamics, offering valuable insights for investors and analysts alike. Further research could explore additional factors to refine the predictive accuracy of the model.

5.3 Implications

Implications of studying factors affecting the share price of Nepalese insurance companies:

- i. **Investment Decision Making:** Understanding the factors helps investors make informed decisions about buying, holding, or selling insurance company stocks based on their financial health and market conditions.
- ii. **Risk Management Strategies:** Insights into these factors enable insurance companies to develop robust risk management strategies, including managing regulatory risks and market volatility.
- iii. **Policy Advocacy:** Findings can inform policymakers about the impact of regulatory changes on market dynamics and investor sentiment, fostering a conducive environment for the insurance sector.
- iv. **Market Competitiveness:** Companies can use insights to enhance their competitive positioning by focusing on factors that positively influence shareholder value, such as financial performance and governance practices.
- v. **Investor Education:** Educating stakeholders about these factors can improve market literacy and investor confidence, promoting a more transparent and efficient capital market for Nepalese insurance companies

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