DETERMINANTS OF STOCK PRICE OF NON-LIFE INSURANCE COMPANIES IN NEPAL

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By

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Certification of Authorship

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

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

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Report of Research Committee

Ms. Sharada Gole has defended research proposal entitled " **DETERMINANTS OF STOCK PRICE OF NON-LIFE INSURANCE COMPANIES IN NEPAL** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Kamal Prakash Adhikari and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We have examined the dissertation entitled "**DETERMINANTS OF STOCK PRICE OF NON-LIFE INSURANCE COMPANIES IN NEPAL"** presented by Sharada Gole for the degree of **Master of Business Studies.** We hereby certify that the dissertation is acceptable for the award of degree.

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Thanking You All

Sharda Gole

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Abbreviations

AM	Average Mean
APT	Arbitrage Pricing Theory
AS	Asset Size
AT	Agency Theory
BVPS	Book Value Per Share
CAPM	Capital Asset Pricing Model:
D/E Ratio	Debt-to-Equity Ratio
DDM	Dividend Discount Model
DY	Dividend Yield
EMH	Efficient Market Hypothesis:
EPS	Earnings Per Share
M&M	Modigliani and Miller Theorem
MVPS	Market Price Per Share
NECO	Neco Insurance Limited
NICL	Nepal Insurance Company Limited
P/E Ratio	Price-to-Earnings Ratio
ROA	Return on Assets
ROE	Return on Equity
SICL	Shikhar Insurance Company Limited

Abstract

This study thoroughly investigates the financial performance of three non-life insurance companies listed on the Nepal Stock Exchange (NEPSE): Shikhar Insurance (SICL), Nepal insurance company ltd. (NICL), and Neco Insurance Limited (NIL). The analysis aims to elucidate the impact of key financial indicators—namely Book Value Per Share (BVPS), Market Price Per Share (MVPS), Return on Equity (ROE), Earnings Per Share (EPS), and Price-to-Earnings Ratio (P/E Ratio)—on the stock prices of these firms over the period from 2013/2014 to 2022/2023.

The study employs a dual approach for data analysis, integrating both financial and statistical tools. Financial metrics such as EPS and ROE are utilized to assess the companies' performance, while statistical techniques, including correlation and regression analysis, are applied to explore and quantify the relationships among these variables. This methodology allows for a nuanced understanding of how financial indicators impact stock prices, and helps to clarify the raw data, leading to well-grounded conclusions.

Moreover, this study underscores the significance of accounting for both internal financial metrics and external market conditions when evaluating the investment potential and risk profiles of insurance firms in emerging markets like Nepal. By providing a comprehensive analysis of the financial dynamics within the non-life insurance sector, the study offers valuable insights for investors, regulators, and market analysts. It highlights the critical role of financial indicators in shaping stock prices and provides a framework for assessing the financial stability and market value of insurance companies operating in a developing economy. The study's findings contribute to a better understanding of the factors driving stock price variations and support informed decision-making for stakeholders in the financial sector.

Key words: *Market Price, Financial Performance, Non-Life Insurances and NEPSE*

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Capital market helps to flow the non-productive savings spread among the people towards the productive sector through mobilization. It encourages investments in productive sectors of the economy. The Stock market is a significant component of the capital market that plays an important role by channeling the funds from the savers to the investors. It helps in the efficient allocation of the capital in the economy.

The stock market serves as a reflection of the economy and has become an indispensable marketplace that contributes significantly to economic prosperity, capital formation, and sustainable growth. Beyond merely facilitating the trading of securities, stock markets bridge the gap between savers and capital users by pooling funds, sharing risks, and transferring wealth. They are vital for economic development as they ensure that resources flow to the most productive investment opportunities (Kurihara, 2006). This facilitates industrial and commercial growth, subsequently influencing the country's economy. Consequently, various sectors—including government, industry, corporations, and central banks—closely monitor stock market activities. The stock market channels the small and widely dispersed savings of investors into the productive activities of corporate entities. Furthermore, it provides investors with crucial features such as liquidity, marketability, and investment safety. An efficiently structured and regulated capital market affords sustainable economic development by providing long-term funds in exchange for financial assets to investors. Therefore, governments strive to enhance and grow their capital markets through various legislative and regulatory initiatives.

Financial market can be defined as the center that provides facility for buying and selling of financial claims and services. Financial market can be divided into money market and capital market. Money market deals with short term financial market while capital market deals about long term. Primary and secondary are the component of capital market. Primary market is the place where organization government issues new securities. Secondary market is the place for buying and selling the issued new share by the company and government (Shrestha & Subedi, 2014). Stock markets operates as an intermediary between savers and users of the capital by means of pooling funds, sharing risks, and transferring wealth (Almumani, 2014). Financial market plays key role to

establish linkage between financial resources savers and users. The development of the capital market and the performance of the stock exchange have been linked to economic growth in some countries (Modal & Imran, 2010). This occurs because gaining access to capital represents a significant obstacle for businesses, particularly in developing nations such as Nepal, where the cost of debt finance is High due to elevated interest rates. In this context, the stock market holds immense significance as it serves as the platform for the issuance and exchange of shares, ultimately shaping the share prices of companies. Share price and its changes are very important in the finance literature as they are considered the most important indicators of firm performance and are the only credible measure of shareholders' wealth (Singh, 2018).

The share price is determined in the floor by the interaction of market forecasting demand and supply. The price is determined by the point of equilibrium by demand andsupply, the shifting of this balance results in increscent adjustment price in search of the ever-changing new equilibrium. The market price would upward and down ward, there are many other reasons that cause the stock price fluctuation, major of them are economic and noneconomic market factors. Dividend is the most important factors on the determination of stock price. Dividends are strongly influenced by the earnings power of the firm. There is a close relationship between corporate earnings and dividends. The most fundamental factor, stock price fluctuation lies in changes in corporate earnings, which together interest rates and business cycle trends, contribute to making up the economic factors influencing stock price. The next influencing factors are noneconomic factors, including changes in political condition, such as administrative changes, change in the weather and natural conditions and cultural conditions such as technological development. Similarly, the other influencing factorsare market factors or internal factors of the market considering of the tone of the tone of the market and supply demand relationship may be cited as the third category, that influence the stock prices. In the modern financial world, stock market framework is popular intermediary to establish institutional relation between savers and users of financial resources (Subedi, 2002).

The stock prices is influenced by the corporate performance of the company, company's policy regarding the capitalization of earnings as well as governments rules andsignaling effect of the market. Stock price and its changes are very important in the finance literature as they are considered the most important indicators of firm performance and

are the only credible measure of shareholders' wealth (Singh, 2018). A company's share price goes up or down based on how well it's doing, what investors think it will do in the future, and how the economy is doing overall. The decision of an investor to buy shares in a company and the timing of such decision is based on the share price of the company (Ghimire & Mishra, 2018).

The origins of Nepal's stock market can be traced back to 1936 A.D. with the founding of Biratnagar Jute Mill and in 1937 A.D. with the establishment of Nepal Bank Limited. To enhance and support the development of the capital market, the Securities Exchange Center was created in 1976. This center managed brokering, underwriting, and public issues as it was the only capital market entity in Nepal. Eventually, it transformed into the Nepal Stock Exchange (NEPSE), which commenced operations on January 13, 1994. The Securities Board of Nepal (SEBON) was formed in 1993 to serve as the regulatory authority for the securities market. It oversees the issuance and trading of securities, market intermediaries, promotes the market, and safeguards investors' rights. SEBON's governing board is comprised of seven members from various governmental and non-governmental sectors.

The introduction of the Automatic Trading System, spearheaded by NEPSE, marked the commencement of online trading via a Wide Area Network (WAN) on October 13, 2007. This advancement streamlined the trading of securities, enabling brokers to execute trades directly from their offices. In 2010, CDS and Clearing Limited was founded under the Companies Act to provide centralized depository, clearing, and settlement services in Nepal. The main goal of this organization is to act as a central repository for various financial instruments (such as Equity, Bonds, and Warrants), particularly for managing securities in a dematerialized form.

The Nepal Stock Exchange (NEPSE) operates as the sole organized stock exchange in the nation, promoting the active trading of common stocks and improving liquidity and investment opportunities. However, the bond market continues to be relatively inactive. Despite Nepal's promising business environment with numerous incorporated companies, the stock exchange features only a small number of listings. Recently, the securities market in Nepal has undergone significant changes due to technological advancements. The total value of traded securities in Nepal has seen a notable increase, reflecting a rise

in investor confidence. The vigorous trading of common stocks has improved liquidity, and investors are becoming more participative in the market. Digital platforms have broadened access to the market, leading to a reduction in dominance among a few large players. Partnerships among various stakeholders hold the potential for further growth and innovation within Nepal's capital market. Today, many developing nations are enhancing their economic growth through contributions from this investment sector. Business cycle theorists believe that analyzing the development of various economic indicators over time can help clarify and forecast economic growth during boom periods. There are two main theories regarding stock price behavior: classical theory and efficient market theory. Classical or conventional theory encompasses both fundamental analysis and technical analysis theories. In contrast, efficient market theories consist of three forms of the efficient market hypothesis. The classical approach views the market as inefficient, while the efficient market theory posits that the market operates efficiently. It is anticipated that the results of this study will offer valuable insights into the factors influencing the performance of the Nepalese stock market, which would be beneficial to both policymakers and investors.

1.2 Problem Statement

Nepal Stock market is small as comparison to other developed and efficient market of the other world. There is limited number of broker of listed companies and very few numberof transaction. Stock price is determined by demand and supply. Both the qualitative and quantitative factor determines the stock price, to specify exactly what factors to determine the stock is a controversial/ unpredictable issue. The stock price fluctuates time to time and stock exchange reacts with the environmental changes.

The establishment of the Nepal Stock Exchange (NEPSE) provided an opportunity for investors of all sizes to engage in the enterprise sector and participate in the secondary market. Initially, there was great enthusiasm from both entrepreneurs and investors, leading to a successful start. However, over time, the performance of the stock exchange became mixed. By the early 2000s, the NEPSE index had dropped significantly from its peak, and transaction volumes had decreased substantially. This decline was attributed partly to the challenging politico-economic environment, but it also revealed underlying issues within the market ecosystem. One significant issue was the lack of effective regulation and enforcement, leading to loose connections among market participants.

Financial institutions dominated the market, stifling diversification. Moreover, corporate governance, transparency, and disclosure practices were lacking, eroding investor confidence.

The issue with the Nepalese stock market has not been effectively addressed. The decision-makers are struggling to formulate appropriate policies for the growth of the stock market Since 1976, the government's initiatives aimed at developing the stock market have had limited success, only starting to show some positive effects in the early 1990s following economic reforms and liberalization. While the policies meant to reform the capital market under the extended structural adjustment program (ESAP) have generated some beneficial outcomes for stock market development, these efforts have not been sustainable due to inadequate policy implementation. To restore the stock exchange and stimulate growth, it is crucial to focus on protecting investors, improving corporate governance standards, and promoting transparency among companies. Implementing regulatory reforms and strengthening enforcement mechanisms are essential to maintain market integrity and restore investor confidence.

In the context of Nepal, several studies have been conducted to examine the behavior of stock prices among listed companies. However, these studies do not adequately investigate all the qualitative and quantitative factors that serve as key determinants of stock prices. Because of information symmetry, the findings can vary significantly, making it inappropriate to generalize the results due to the high volatility of stock prices. Stock prices are influenced by the dynamics of demand and supply. Both qualitative factors play a crucial role in determining stock prices, but identifying the specific factors remains a contentious and unpredictable matter. Stock prices vary over time, and the stock market responds to changes in the external environment. This study aims to identify the factors that influence stock prices and assess the level of impact those factors have. More specifically, this study will be expected to answer the following research questions:

- What is the market position of sample non-life insurance companies?
- What is the relationship between share price and firm specific variables of sample non-life insurance companies?
- What is the impact of firm specific variables on share price of sample non-life insurance companies in Nepal?

1.3 Objectives of the Study

The major objective of this study is to measure the relationship between financial factors (like: dividend per share, dividend yield, earning per share, price earnings ratio and dividend payout ratio.) and stock price of companies listed in NEPSE. Specifically, the study objectives will be as follows:

- To assess the market position of each sample non-life insurance companies and compare the financial indicators i.e., MPS, EPS, DPS, P/E, DY and DPR.
- To examine the relationship between share price and firm specific variables of sample non-life insurance companies.
- To analyze the impact of firm specific variables on share price of sample non-life insurance companies in Nepal.

1.4 Hypothesis

Alternative hypothesis

Hypothesis (H1): There is significant relationship between Earnings per Share (EPS) and the Market Price per Share (MPPS).

Hypothesis (H2): There is significant relationship between Return on Equity (ROE) and the Market Price per Share (MPPS).

Hypothesis (H3): There is significant relationship between the Price Earnings Ratio (P/E) and the Market Price per Share (MPPS).

Hypothesis (H4): There is significant relationship between Book Values per Share (BVPS) and the Market Price per Share (MPPS).

1.5 Rationale of the Study

Grasping the elements that influence stock prices is a crucial area of interest among researchers and scholars. Economists and investors often have differing opinions on stock valuation, and market fluctuations can often lead to confusion for investors. This uncertainty affects not only investors but also market participants such as policymakers and governmental authorities. Therefore, it is essential to investigate the primary factors impacting stock prices. This research is centered around the stock price trends of publicly traded companies in the NEPSE. Consequently, the study holds particular relevance for investors, managers, bankers, stock analysts, brokers, academics, government representatives, students, and any other parties interested in understanding share price

dynamics. Investors allocate funds in the capital market with the hope of achieving favorable returns on their investments. This study evaluates the financial circumstances of the selected companies and the performance of their traded stocks. It offers insights into the financial standings and capitalization levels within NEPSE. Management can assess their financial health and stock performance, enabling them to take necessary actions for enhancement. As the study presents a general overview of the current share market, it is valuable for government officials and policy-making bodies to timely prepare or adjust policies for the effective operation, growth, and advancement of the stock market. Additionally, this study would benefit stock analysts, bankers, and students keen on understanding the stock price trends in NEPSE, as well as those looking to build careers in banking or the stock business.

1.6 Limitations of the Study

There have been several researches done before in the topic stock market and stock Prices. All of those researches have many useful findings as their own limitation. Different researcher performs the above studies and their weakness is also mentioned there. This will analyze the situation of stock price change in Nepalese stock market. Usually the price of common stock in primary market is par value but in secondary market it may be any price .The price of common stock are largely influenced by different market related factors. Therefore here the studies made upon the various related factors that are major are caused of changes of stock price in secondary market. There has been limited number of study and researches been carried on the determinants of stock price on non – life insurance companies. The sample number are also low on the count. This study has been conducted to provide knowledge on the what and how the stock price of different non–life insurance companies are affected by the broader impact of various variables. The major limitations of the researches are outlined as below:

- The study focuses exclusively on non-life insurance companies, potentially neglecting valuable insights from other sectors that could influence stock prices differently.
- The study restricts the analysis to the years 2018/19to 2022/23 may overlook significant market fluctuations and events outside this period that could impact stock prices.
- The study's findings is constrained by the availability and quality of data for non-life insurance companies during the chosen timeframe, potentially limiting the depth of analysis.

- The study may not account for all external variables that influence stock prices, such as regulatory changes, economic conditions, or geopolitical events, which could affect the validity and generalizability of its conclusions.
- Without examining trends over a more extended period, the study may miss patterns or phenomena that emerge only over time, limiting the depth of understanding regarding stock price determinants.

CHAPTER-II
LITERATURE REVIEW

Review of literatures means reviewing research studies and other relevant propositions into the centered areas of study so that all the past studies, their conclusion and deficiencies may be known and further research can be conducted. In the context of Nepalese financial market, no sufficient studies have been made in the past relevant to share market. The second section of this chapter includes the studies of related literature carried out previously in the foreign as well as Nepalese context.

2.1 Introduction

Stock prices are influenced by a myriad of factors, both intrinsic and extrinsic, reflecting the complex interplay between a company's financial health and broader economic conditions. Understanding these determinants is crucial for investors, financial analysts, and policymakers to make informed decisions. This review explores the primary factors affecting stock prices, including company performance, market sentiment, macroeconomic indicators, interest rates, and geopolitical events.

The stock price refers to the amount of money one must pay to acquire a share of a company. If 'A' purchases 10 shares of Bank of Kathmandu from 'B' for Rs.4000, then the price per share is Rs.400 (calculated as 4000/10). Therefore, the stock price represents the payment made by a buyer for a single share or the earnings received by a seller from selling a share. The stock price is established in the stock market through market forces, specifically the interplay of demand from buyers and supply from sellers. The levels of demand and supply are influenced by external factors and individual expectations or assumptions about the future. The market price of a stock differs from its par value and book value. Additionally, stock price fluctuations are not isolated events; both external and internal factors have been shown to impact these price changes (Tandon & Malhotra 2013).

2.2 Theoretical Review

2.2.1 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) is a fundamental concept in finance, originally

developed by Eugene Fama in the 1960s, that asserts financial markets are "efficient," meaning that asset prices fully reflect all available information at any given time (Fama, 1970). According to EMH, it is impossible to consistently achieve returns that exceed average market returns on a risk-adjusted basis, because stock prices always incorporate and react to new information instantaneously.

Forms of EMH

EMH is categorized into three forms, each reflecting different levels of market efficiency:

Weak Form Efficiency: This version suggests that current stock prices fully reflect all historical price data, implying that technical analysis (the study of past price and volume data) is of no use in predicting future price movements (Jensen, 1978).

Semi-Strong Form Efficiency: According to this form, stock prices adjust rapidly to all publicly available information, including financial statements, news, and economic data. As a result, neither fundamental analysis nor technical analysis can provide an investor with an advantage (Malkiel, 2003).

Strong Form Efficiency: This is the most stringent version of EMH, positing that stock prices reflect all information, both public and private (insider information). In this form, not even insider trading can yield consistent abnormal returns (Grossman &Stiglitz, 1980).

2.2.2 Capital Assets Pricing Model

The Capital Assets Pricing Model was developed by William F. Sharpe, John Lintner, and Jan Mossin independently in the early 1960s. The capital asset pricing model (CAPM) serves as a fundamental tool within the realm of investment analysis. Its primary function is to provide a framework for assessing the expected return on investment for various assets, aiding in the strategic composition of well-diversified portfolios. CAPM considers essential variables such as the asset's sensitivity to broader market fluctuations, referred to as "systematic risk" or "market risk," typically quantified by the parameter known as "beta" (β). Additionally, CAPM incorporates projections of the overall market's return and the anticipated return on risk-free investments. CAPM focuses on systematic risk, also known as market risk, which cannot be diversified away. It measures an asset's sensitivity to this risk through its beta coefficient (Sharpe, 1964).

CAPM operates under specific assumptions, including standardized risk measurement methodologies and the efficacy of diversification in mitigating individual asset risks. Within these parameters, CAPM asserts that the cost of capital acquisition from

shareholders is predominantly contingent upon beta. The CAPM serves as a model for pricing individual securities or portfolios, providing a structured framework for investors. Through the Security Market Line (SML), it establishes how securities should be valued relative to their risk and expected return, as measured by their beta coefficient. The SML facilitates the determination of the reward-to-risk ratio for each security in comparison to the market as a whole. According to CAPM, investors demand higher returns for bearing higher systematic risk. The model quantifies this relationship through the security market line (SML) (Lintner, 1965). Consequently, adjusting a security's expected return by its beta coefficient aligns its reward-to-risk ratio with that of the broader market. In essence, the CAPM guides investors in assessing the pricing of individual securities within the context of market risk and expected returns. It suggest that the expected return of a stock is equal to the risk free rate plus a risk premium based on stock's systematic risk (Elbannan, 2015).

2.2.3 Arbitrage Pricing Theory

Arbitrage Pricing Theory (APT) is a multifactor model for asset pricing that was developed by economist Stephen Ross in 1976. APT is an alternative to the Capital Asset Pricing Model (CAPM) and offers a more flexible approach by allowing multiple sources of risk to determine the expected return of an asset. Unlike CAPM, which relies on a single market factor (the market portfolio), APT assumes that asset returns can be predicted using a linear relationship between the expected return and various macroeconomic factors that influence the overall market (Ross, 1976).

Theoretical Framework of APT

APT is grounded in the principle of arbitrage, which is the practice of taking advantage of price discrepancies between markets to earn risk-free profits. In a well-functioning market, arbitrage opportunities are quickly exploited, leading to a situation where no arbitrage exists, and the prices of assets reflect their true value.

In the context of APT, the expected return on a financial asset is modeled as a linear function of various factors. The formula for APT is given by:

$E(Ri)=Rf+\beta i1F1+\beta i2F2+\beta inFn$

Where:

- E(Ri) is the expected return of asset i.
- R_f is the risk-free rate.
- βij is the sensitivity of the asset's return to factor j.

•jFj represents the risk premium associated with factor j.

Factors in APT

The specific factors in APT are not explicitly defined within the theory, which is both a strength and a limitation. This flexibility allows investors to choose factors that they believe are relevant to the pricing of assets. Commonly considered factors include:

Inflation Rates: Changes in inflation can affect the purchasing power of future cash flows and thus impact asset prices (Chen, Roll, & Ross, 1986).

Interest Rates: Fluctuations in interest rates can influence the cost of borrowing and the return on savings, impacting overall market dynamics (Elton, Gruber, & Mei, 1994).

Gross Domestic Product (GDP) Growth: Economic growth as measured by GDP can affect corporate earnings and therefore stock prices (Chen, 1991).

Exchange Rates: For companies with international operations, changes in exchange rates can affect profitability and stock prices (Solnik, 1987).

Implications and Applications of APT

APT is particularly useful for portfolio management and asset pricing because it acknowledges that multiple risk factors can influence asset returns. By using a multifactor approach, APT provides a more nuanced view of the risks affecting an asset, compared to the single-factor CAPM model.

For investors, APT can be used to construct portfolios that are more accurately aligned with their risk preferences and economic outlook. By identifying the factors that they believe will drive asset returns, investors can create portfolios that are expected to perform well under specific economic conditions.

Moreover, APT has implications for arbitrage activities. If an asset is mispriced according to the APT model, arbitrageurs can buy or sell the asset to exploit the pricing inefficiency, thereby driving the price back to its equilibrium level. This process helps ensure that markets remain efficient and that prices reflect the true underlying risks associated with an asset.

Criticisms and Limitations of APT

While APT offers a flexible and comprehensive framework for asset pricing, it also has several limitations. One of the main criticisms is that the theory does not specify which factors should be included in the model. This lack of specificity can lead to model uncertainty, as different investors may choose different factors, resulting in different expected returns for the same asset.

Additionally, the assumption that no arbitrage opportunities exist may not always hold in real-world markets, especially in the short term or in less liquid markets. This can lead to situations where the predictions of APT do not match observed market prices.

Furthermore, empirical testing of APT has shown mixed results. While some studies have found that APT can explain asset returns better than CAPM, others have found that it does not perform significantly better than simpler models (Shanken, 1982; Connor &Korajczyk, 1988).

Despite these limitations, APT remains a valuable tool in financial economics, particularly for its contribution to understanding the multifactor nature of asset pricing. It has influenced the development of more complex asset pricing models and continues to be a topic of research and debate in academic and professional finance circles.

Conclusion

Arbitrage Pricing Theory provides a sophisticated and flexible approach to asset pricing by incorporating multiple risk factors. Its emphasis on arbitrage and market efficiency aligns well with real-world financial markets, where multiple economic variables can influence asset prices. However, the theory's lack of specificity regarding the factors to include in the model and its assumptions about market conditions pose challenges for its practical application. Nonetheless, APT is a significant advancement in financial theory and continues to offer valuable insights for both academic researchers and practitioners.

2.2.4 Behavioral Finance Theory

Behavioral finance theory challenges the traditional assumptions of rationality and market efficiency that underpin classical financial models such as the Efficient Market Hypothesis (EMH). While EMH assumes that investors process all available information logically and consistently, behavioral finance highlights that psychological biases, emotions, and cognitive errors often lead to irrational decision-making. These irrational behaviors can deviate from what is predicted by traditional financial theories, resulting in market anomalies like bubbles and crashes.

Key Concepts in Behavioral Finance

1. **Prospect Theory**: Developed by Daniel Kahneman and Amos Tversky in 1979, Prospect Theory is a cornerstone of behavioral finance. It explains how people perceive gains and losses differently. Investors tend to exhibit loss aversion, meaning they feel the pain of a loss more intensely than the pleasure from an equivalent gain. This often leads to risk-averse behavior when faced with potential gains but risk-

seeking behavior when trying to avoid losses. For example, an investor might hold on to a losing stock longer than rational analysis would suggest, hoping the price will recover rather than accepting the loss and reallocating the funds more effectively.

2. **Heuristics**: Heuristics are mental shortcuts or rules of thumb that individuals use to make quick decisions. While these shortcuts can be useful, they can also lead to biases and systematic errors in judgment. In the stock market, representativeness—the tendency to believe that past performance will continue indefinitely—may cause investors to overvalue stocks with a recent history of success, inflating prices beyond what fundamentals would justify.
3. **Overconfidence Bias**: Overconfidence is a prevalent bias where investors overestimate their knowledge, abilities, or access to information. This bias can lead to excessive trading, with the investor believing they can consistently "beat the market." In reality, this often results in underperformance due to transaction costs and the inability to predict short-term market movements accurately.
4. **Herd Behavior**: Herd behavior refers to investors' tendency to follow the crowd, buying or selling assets based on what others are doing rather than on independent analysis. This behavior can contribute to market trends and bubbles, where asset prices deviate significantly from their intrinsic values. For example, during the dot-com bubble of the late 1990s, herd behavior drove technology stock prices to unsustainable levels, which eventually collapsed when the bubble burst.
5. **Mental Accounting**: Introduced by Richard Thaler, mental accounting refers to the tendency of individuals to categorize and treat money differently depending on its source, use, or intended purpose. For instance, an investor might take more risks with money they consider "house money" (profits from previous investments) rather than treating all money as fungible. This can lead to irrational investment strategies that prioritize short-term gains over long-term wealth preservation.

Implications of Behavioral Finance in Stock Markets

Behavioral finance provides valuable insights into how psychological factors can cause stock prices to deviate from their fundamental values. Investors, influenced by emotions such as fear and greed, may cause stocks to be mispriced, resulting in speculative bubbles or sharp market corrections.

For example, during periods of excessive optimism, investors may ignore warning signs and continue buying overvalued stocks, driving prices even higher. Conversely, in times

of panic, such as the 2008 financial crisis, investors may sell off assets at a loss in a herd-like response, exacerbating market downturns.

In the context of customer satisfaction and fancy stores in Bouddha, understanding behavioral finance can help store owners recognize the irrational factors influencing customer spending habits. For instance, customers may exhibit a form of loss aversion by sticking with familiar stores, even when better options are available, or they may follow trends set by peers, similar to herd behavior in financial markets.

Criticisms of Behavioral Finance

While behavioral finance provides a more realistic view of investor behavior, it has been criticized for its lack of predictive power. Unlike models such as the Capital Asset Pricing Model (CAPM) or the Dividend Discount Model (DDM), behavioral finance does not provide a clear framework for making quantitative investment decisions. Moreover, the field is often seen as fragmented, with many different biases and heuristics but no unified theory to explain how they interact to affect market prices.

Nonetheless, behavioral finance remains a critical area of study, offering practical insights into the irrational aspects of market behavior that can lead to investment opportunities or risks.

2.2.5 Dividend Discount Model (DDM)

The Dividend Discount Model (DDM) is one of the oldest and most widely used methods for valuing a company's stock based on its dividends. The central premise of the DDM is that the intrinsic value of a stock is the present value of all future dividends the company is expected to pay, assuming that dividends are the primary source of returns for shareholders. This model is particularly useful for companies with a stable dividend policy, such as blue-chip firms or utilities that consistently pay dividends.

The Basic Formula

The basic form of the DDM is given by the following equation:

$$P_0 = \frac{D_1}{r-g}$$

Where:

- P_0 is the current stock price,
- D_1 is the expected dividend in the next period,

- r is the required rate of return (also known as the discount rate),
- g is the growth rate of dividends.

This equation is known as the Gordon Growth Model, named after Myron Gordon, who popularized this model in the 1960s. It assumes that dividends will grow at a constant rate indefinitely, making it suitable for mature companies with steady earnings and dividend growth.

Key Assumptions of DDM

1. **Stable Dividend Growth**: The DDM assumes that a company's dividends will grow at a constant rate forever. This assumption works well for firms with a long history of stable or predictable dividend payments. However, it becomes less reliable for firms with volatile or irregular dividend policies, such as those in emerging markets or high-growth sectors.
2. **Constant Discount Rate**: The model also assumes that the required rate of return, or discount rate, remains constant over time. This is typically derived from the Capital Asset Pricing Model (CAPM) or other risk-adjusted return models. The discount rate reflects the risk profile of the company and the broader market.
3. **Infinite Time Horizon**: The DDM calculates the present value of dividends over an infinite time horizon, which may not always be a realistic assumption for companies that might experience significant changes in their business models, dividend policies, or market conditions.

Applications and Variations

While the basic DDM is most applicable to companies with stable dividend payouts, there are several variations designed to handle different scenarios:

1. **Multi-Stage DDM**: This version of the DDM accounts for companies that may experience different growth phases. For example, a company may have a high growth rate in the short term, followed by a period of lower, stable growth. The multi-stage DDM calculates the present value of dividends during each phase, adjusting the growth rate as needed.
2. **Zero Growth DDM**: In cases where a company is expected to maintain a constant dividend with no growth, the DDM simplifies to P0=DrP_0 = \frac{D}{r}P0=rD. This model is often applied to companies in mature industries with little room for growth but stable earnings and dividend payouts.
3. **Variable Growth DDM**: The variable growth model accounts for companies with

fluctuating dividend growth rates. It is particularly useful for firms undergoing significant transitions, such as startups evolving into mature businesses or companies in cyclical industries where dividends are tied to market conditions.

Limitations of the DDM

The primary limitation of the DDM is its reliance on dividends as the sole measure of a company's value. In practice, many companies do not pay dividends or reinvest profits into growth opportunities. For high-growth companies, such as those in the technology sector, the DDM is not suitable because these firms often focus on capital gains rather than dividends.

Furthermore, the DDM assumes that dividends will continue indefinitely, which may not reflect reality, especially for companies facing financial distress or those with irregular dividend policies. Additionally, the model's accuracy is highly sensitive to the estimated growth rate (g) and required return (r). Small changes in either of these variables can lead to significantly different stock valuations.

2.2.6 Random Walk Theory

The Random Walk Theory **is** a financial concept that suggests stock price movements are random and cannot be predicted based on historical data. The theory was first introduced **by** Maurice Kendall **in** 1953 and later popularized by Burton G. Malkiel **i**n his influential *book,* A Random Walk Down Wall Street (Malkiel, 1973). The core idea of this theory is that stock prices follow a stochastic process, meaning their future movements are independent of their past behavior. According to this theory, any attempt to predict future price changes using past trends or patterns is futile because the price changes are random and driven by new information arriving unpredictably.

Key Components of the Random Walk Theory

Unpredictability of Stock Prices

The Random Walk Theory asserts that stock prices reflect all available information at any given time, and since new information enters the market randomly, price changes are also random. The future movement of stock prices is independent of their past movements. Hence, price changes resemble the steps of a "random walk," where each step is taken in an unpredictable direction. This implies that it is impossible to forecast stock prices based on historical performance or trends.

Efficient Market Hypothesis (EMH):

The Efficient Market Hypothesis (EMH) is closely related to the Random Walk Theory.

The EMH, first developed by Eugene Fama in the 1960s, suggests that stock markets are efficient and that stock prices always reflect all available information (Fama, 1970). Because new information is random and unpredictable, stock prices change randomly, and no amount of technical or fundamental analysis can consistently predict future price movements. In this context, the Random Walk Theory can be seen as a more practical expression of the EMH.

Independence of Price Changes: One of the most crucial aspects of the Random Walk Theory is the assumption that price changes are independent of one another. This means that the movement of stock prices today has no bearing on their movements tomorrow. Each day's price change is independent of the previous day's movement, and as a result, stock prices follow no predictable pattern or trend over time.

Short-Term vs. Long-Term Movements: While the Random Walk Theory generally focuses on the unpredictability of short-term stock price movements, its implications extend to the long term. In theory, because price changes are random, stock prices will not consistently move in a particular direction over time. Although stocks may increase or decrease in value over long periods, this is due to the accumulation of many random short-term price changes rather than a discernible long-term trend.

Evidence Supporting the Random Walk Theory

The Random Walk Theory has been tested in various empirical studies. For example, Kendall (1953) conducted an early study analyzing stock prices and found that stock prices did not follow any predictable pattern. He concluded that price movements were random, with no discernible trend over time. Similarly, Fama (1970) provided further support for the theory by demonstrating that stock prices followed random movements in efficient markets.

In Malkiel's (1973) study, he expanded on this concept, arguing that even professional fund managers cannot consistently outperform the market because prices move randomly. He emphasized that strategies like technical analysis, which rely on past price movements to predict future prices, are generally ineffective because stock prices do not follow trends that can be exploited for profit.

Criticism and Counterarguments

Although the Random Walk Theory has gained widespread acceptance, it is not without criticism. Several researchers have challenged the theory, pointing out anomalies and patterns in stock price movements that seem to contradict the idea of randomness.

Market Anomalies

Some empirical studies have found evidence of market anomalies that seem to contradict the Random Walk Theory. For example, the January Effect**,** a phenomenon where stock prices tend to rise in January, suggests that certain calendar-based trends exist in stock price movements (Keim, 1983). Similarly, momentum strategies, which involve buying stocks that have performed well in the past and selling stocks that have performed poorly, have shown that past performance can, in some cases, be predictive of future returns (Jegadeesh & Titman, 1993).

Behavioral Finance: Another area of criticism comes from behavioral finance**,** which argues that psychological factors, such as investor sentiment and irrational behavior, can influence stock prices in predictable ways. Robert Shiller (2003) has been a prominent critic of the Random Walk Theory, arguing that stock prices are influenced by human emotions, herd behavior, and overreaction to news, all of which can lead to predictable price patterns.

Emerging Markets

In developing or emerging markets, stock price behavior may deviate from the assumptions of the Random Walk Theory due to factors such as limited liquidity, market inefficiencies, and information asymmetry. In these markets, stock prices may not fully reflect all available information, leading to potential predictability in price movements.

The Random Walk Theory is a cornerstone of modern financial theory, emphasizing the unpredictability of stock prices and the efficiency of markets. According to the theory, stock prices move randomly because they reflect all available information, and new information arrives unpredictably. This makes it impossible to consistently predict future stock price movements based on historical data. However, the theory has faced criticism from researchers who have identified market anomalies and behavioral patterns that challenge its assumptions.

2.3 Empirical Review

Several studies has been conducted regarding the stock prices, its determinants and its effect in economic development.

Eugene and Kenneth (1992) investigated why stock returns differ across various companies, even within the same industry on study entitled "The Cross-Section of Expected Stock Returns". Fama and French analyzed a wide range of factors that could

potentially influence stock returns. They specifically focus on variables related to company fundamentals, such as earnings and dividends, to understand their impact on stock prices. It was discovered that the stock with higher earnings and dividend yields tended to have higher returns. The study also highlighted the importance of other variables, such as market capitalization and book-to-market ratio, in explaining cross-sectional variation in stock returns.

Chan, Jegadeesh, and Lakonishok (1996) explored the phenomenon of momentum in stock returns on study entitled “Momentum Strategies”. The study is based on the data set of primary stocks listed on the New York and American Stock exchange and on the Nasdaq market from January 1977 to January 1993. The authors of the study test price and momentum strategies by looking at how well a group of companies did in the six months before putting together a portfolio, and then seeing how they performed afterwards. According to this study, it was confirmed the existence of momentum effect in stock returns. The stocks that have performed well in the past tend to continue perform well in the future and vice versa which contradicted the efficient market hypothesis.

Agarwal (2001) studied at how the stock market's growth relates to economic progress in nine African nations from 1992 to 1997. Instead of diving into complex economic theories, the research simply compared stock market numbers like market size and trading volume to broader economic factors such as GDP growth and investment levels. Surprisingly, they found a clear connection between the size of the stock market and how much money was being invested in the economy. This suggests that when people invest more in stocks, it tends to boost economic growth. The study concluded that governments should take a more active role in supporting stock market growth, rather than just focusing on banking reforms. It's like realizing that to really help the economy grow, it's not just about fixing the banks but also nurturing a healthy stock market. So, the takeaway here is that policymakers should pay attention to developing stock markets as well, alongside their efforts in the banking sector, to give the economy an extra boost.

AI-Shubiri (2010) investigated the relationship of microeconomic factors with the stock price using the simple and multiple regression analysis. In this study, 14 commercial banks of Amman Stock Exchange, for the period of 2005 to 2008 were used as a sample. The study found highly positive significant relationship between market price of stocks and net asset value per share: market price of stock dividend percentage respective shares.

Naik and Padhi (2012) in their article entitled “The impact of Macroeconomic Fundamentals on stock prices Revisited: Evidence from Indian Data” investigated the relationship between the Indian stock market index and five macroeconomics variables, namely, Industrial production Index, Wholesale price index, money supply, treasury bills rates and exchange rates over the period of 1994 to 2011. The study found that the stock prices positively correlates to the money supply and industrial production, but negatively correlated to inflation.

Adhikari (2015), in an article titled Securities Market Regulation and Development, has examined and highlighted the underperformance of the market and the slow pace of its development. Despite several initiatives aimed at enhancing performance, these attempts have not yielded successful outcomes due to structural deficiencies within the market mechanism. A lack of an appropriate and standardized legal framework has been a significant factor impeding the efficiency of regulation. The author utilized technical analysis tools such as line charts, bar charts, Dow Theory, and moving averages to conclude that the Nepalese stock market is on an upward trend, heavily dominated by the banking sector, with the NEPSE index being influenced primarily by rising bank share prices. Furthermore, he noted that the Nepali stock market is largely driven by speculation rather than by new information, indicating market inefficiency.

Islam et al. (2015) conducted a study titled Determinants of Stock Price Movements: Evidence from Chittagong Stock Exchange, Bangladesh. This research examines the events surrounding the stock market crash in Bangladesh during 2010-2011. The study aims to reassess the relationship between stock prices, dividends, and retained earnings of 29 banks listed on the Chittagong Stock Exchange in the aftermath of the crash. Data were gathered from secondary sources using cross-sectional methods. Employing linear regression analysis, the findings indicated that both dividends and retained earnings significantly influence the stock price, although these variables had a moderate level of explanatory power. The study concludes that both dividends and retained earnings are crucial determinants of stock price at a statistically significant level.Atchyuthan (2017) conducted a study aimed at identifying the determinants of share prices in Sri Lanka. The research focused on 25 listed manufacturing firms in the Colombo Stock Exchange (CSE) from 2012 to 2016. Regression analysis was employed to analyze the data and test hypotheses. The results indicate a significant positive association between earnings per

share and dividend per share with share price. Consequently, the study concludes that earnings per share and dividend per share are the major determinants of share price. The findings underscore the importance for investors and fund managers to consider these determinants when making investment decisions. Additionally, manufacturing firms are encouraged to prioritize improving earnings per share and dividend per share to enhance the value of share prices.

Dhungana (2017), in his article Performance of Stock Market and Reform in Nepal had examined causal relationship between stock market development and economic growth in Nepal. The finding suggests that stock market development has significantly contributed to the economic growth in Nepal. In this perspective, a refined policy measures should be adopted to strengthen and improve the role of stock market in order to expedite and maintain the strong growth of the economy. Author concluded that NEPSE is not providing facilities for investors such as general awareness about investment, investment procedure for general public and movement of stock trend in different periods and their cause. Market makers, brokers, and NEPSE staffs are making coalition for fraudulent activities towards investors. He also concluded that signaling factors play major role for fluctuating NEPSE index.

Bhattarai (2018) examined how microeconomic and macroeconomic factors influence the stock prices of banks and insurance companies in Nepal. The research revealed a positive relationship between earnings per share, dividend per share, price-earnings ratio, firm size, GDP, and exchange rate with stock prices. Conversely, stock prices were negatively correlated with return on equity, return on assets, and money supply. Each variable demonstrated a significant impact on stock prices.

Dhakal (2018) investigated the factors influencing share prices of Nepalese commercial banks, focusing on twelve randomly selected banks. The findings indicated that the market price per share (MPS) of most banks showed minimal correlation with individual financial indicators such as book value per share (BPS), earnings per share (EPS), and dividends per share (DPS). This suggests that these indicators alone have little influence on share prices, but they collectively impact them. Many banks lack awareness of the rules and regulations governing the share market, and the ineffective regulatory

framework and poor enforcement by market makers are significant issues facing the Nepalese capital market.

Ghimire and Mishra (2018) in their study of Determinants of Stock price in Nepalese market explored the connection between stock price and several explanatory variables, including DPS, EPS, P-E ratio, BV, and Market to BV, spanning the years 2012 to 2017. Through simple and multiple regression analysis, as well as descriptive statistics, the study aimed to uncover the factors influencing stock prices. Using a sample size of 11 financial and nonfinancial firms in Nepal, the findings revealed that variables like Market to BV and P-E ratio emerged as significant determinants of stock price, directly impacting its movement. Additionally, DPS and BV were found to exert a positive influence on stock price, although to a lesser extent. Interestingly, while EPS showed a positive influence, its impact on stock price was minimal. This study sheds light on the factors driving stock prices in Nepal, offering valuable insights for investors and policymakers alike. By identifying the significant determinants of stock price, such as Market to BV and P-E ratio, the research provides a clearer understanding of the dynamics at play in the country's stock market.

Ghimire and Mishra (2018) investigated the factors affecting stock prices in the Nepalese market and examined the relationship between stock prices and various explanatory variables, such as DPS, EPS, P-E ratio, BV, and Market to BV, covering the years from 2012 to 2017. The research utilized simple and multiple regression analyses, along with descriptive statistics, to identify the elements influencing stock prices. Based on a sample of 11 financial and non-financial firms in Nepal, key findings indicated that variables like Market to BV and P-E ratio stood out as crucial determinants of stock prices, significantly influencing their fluctuations. Moreover, while DPS and BV had a positive impact on stock prices, their effects were comparatively smaller. Interestingly, although EPS demonstrated a positive influence, its effect on stock prices was minimal. This research offers insights into the elements that drive stock prices in Nepal, providing valuable information for both investors and policymakers. By pinpointing significant determinants like Market to BV and P-E ratio, the study enhances the understanding of the market dynamics in the country.

Gautam & Bista (2019) carried out a research study to explore the factors influencing the share price of Nepalese non-life insurance companies. Their findings indicate that a firm's size is positively associated with the market price of shares and the price-to-earnings ratio. This suggests that larger firms tend to experience an increase in both share price and price-to-earnings ratio. However, the research found that inflation has a negative correlation with the market price of shares and the price-to-earnings ratio. Furthermore, the study revealed that dividend per share and return on assets have a negative relationship with the market price of shares and price-to-earnings ratio. Similarly, earnings per share were found to negatively impact the market price of shares and the price-to-earnings ratio. The conclusion drawn from the study is that rising returns on assets and earnings per share do not account for the variations in stock prices of Nepalese non-life insurance companies. As Nepal is an emerging economy, the identified determinants will provide valuable knowledge to prospective investors regarding the primary factors influencing share prices, helping them refine their investment strategies.

Shrestha & Subedi (2019) conducted an analysis on the factors influencing stock market performance in Nepal, discovering that inflation and the growth of money supply are positively correlated with changes in stock prices. The study indicates that the Nepalese stock market responds notably to macroeconomic developments, particularly in the monetary sector. In addition, a loose monetary policy has the potential to create an asset price bubble in the stock market, which is primarily influenced by financial institutions. The main findings suggest that the Nepal Rastra Bank’s policy on lending against share collateral has been effective in shaping the stock market. The results further highlighted that stock prices are also affected by the speculative behaviors of investors, as well as news and rumors; therefore, it is essential to improve transparency in the market by making information related to listed companies readily available. In fact, the relevant authorities should enhance transparency and communication to dispel rumors and misinformation circulating in the market.

Gormsen & Koijen (2020) conducted a study titled "Coronavirus: Impact on Stock Prices and Growth Expectations," aiming to assess how the coronavirus has affected stock markets and growth expectations in various countries. The researchers utilized data from the aggregate stock and dividend futures markets to measure how investors' growth

expectations changed over different timeframes following the outbreak of COVID-19 and the subsequent policy measures implemented until July 2020. Dividend futures, representing claims to dividends in the aggregate stock market for a specific year, allow for the direct calculation of a lower limit on growth expectations across different maturities or for estimating expected growth through a forecasting model. The researchers illustrate how both the actual forecasts and the lower bounds evolve over time. As of July 20th, their dividend growth forecast indicates an 8% decline for both the United States and Japan, and a 14% drop for the European Union compared to January 1. Their GDP growth forecast suggests a 2% decrease for both the United States and Japan, along with a 3% reduction for the European Union. The minimum expected change in dividends is projected at -17% for the United States and Japan and -28% for the European Union over a two-year period. Announcements regarding U.S. monetary policy and the fiscal stimulus bill around March 24 resulted in a surge in the stock market and long-term growth expectations, but had minimal impact on short-term growth outlooks. Since April 1, expected dividend growth has shown improvement across all regions.

Bhattarai et al. (2021) performed a study examining the complex interplay between stock market growth and economic expansion in Nepal. Employing the autoregressive distributed lag (ARDL) model with bound testing methods, the research analyzed annual time series data from 1994 to 2019. The study's results indicate a significant long-term one-way causality from the stock market development index to economic progress in Nepal. Specifically, the size and liquidity of the stock market are identified as crucial factors in this connection. These findings imply that a robust stock market in Nepal is essential for channeling capital and spreading risks, thus enhancing the facilitation of stock trading. Interestingly, the control variable of market inflation shows no notable effect on the main variables being analyzed.

Musah & Aryeetey (2021) explored the determinants of share prices for companies listed on the Ghana Stock Exchange. Their research centered on firm-specific factors, book ratios, and macroeconomic variables. Firm-specific attributes like the size of the firm and whether it is a financial institution were identified as significant and positively correlated with share prices. Conversely, book ratios such as the debt ratio, return on assets, and return on equity did not show statistical significance. In contrast, earnings per share and dividends per share exhibited a positive and statistically significant relationship with

share prices. Among the macroeconomic factors, only economic growth was positively correlated and statistically significant with share prices, while inflation and interest rates proved to be insignificant. The study concluded that book or investment ratios are the primary influencers of share prices for firms on the Ghana Stock Exchange.

Alom & Choudhry (2022) conducted a study to analyze the determinants of share prices in the National Stock Exchange of India. Covering a five-year period, the study employed a panel data approach focusing on twenty-five representative Nifty stocks. Data analysis was conducted using MS Excel 2013, Stata-13, and SPSS-2 software. The findings reveal that approximately 58% of share price fluctuations in India can be attributed to variables such as Earnings per Share, Price to Earnings Ratio, Price to Book Ratio, Return on Net Worth, Dividend Per Share, Price to Net Profit Ratio, Profit Before Dividend, Interest and Tax, and Gross Domestic Product. The study suggests that investors can make informed investment decisions by considering these significant determinants of share prices.

Maskey (2022) conducted a study to examine the factors that affect the market share prices of life insurance firms listed on the Nepal Stock Exchange (NEPSE). While earlier research in Nepal has mainly concentrated on the banking sector, this study aimed to address the gap by investigating the elements that influence the share prices of life insurance firms. The sample included all life insurance companies listed on the NEPSE, with panel data spanning from 2012/13 to 2017/18. The analysis of the data utilized both descriptive and inferential statistical methods, accompanied by hypothesis testing that employed regression coefficients derived from a multiple regression model. The results indicated that earnings per share, dividend per share, price-earnings ratio, company age, and dividend yield are crucial factors affecting share price. The research emphasizes the significant influence of dividends on the decision-making processes of Nepalese investors, implying that dividend policies notably impact investor choices in Nepal.

Hakim et al. (2023) examined the factors that affect share market prices in Indonesia's mining sector. Utilizing data from 22 coal mining companies between 2018 and 2021, they analyzed variables such as corporate social responsibility, governance, financial performance, and macroeconomic factors. Their results demonstrate that inflation, exchange rates, profitability, and firm size have a significant impact on share prices, whereas corporate social responsibility, governance, and liquidity do not play a significant role. The study highlights the necessity of understanding both internal and

external influences in determining share prices, suggesting potential strategies for gaining a competitive edge. However, it recognizes limitations in its scope and advises further research to enhance findings. The insights obtained are beneficial for managers, companies, and policymakers aiming to improve the financial performance of Indonesia's mining sector.

Subedi (2024) investigates the factors affecting stock prices in Nepal's secondary market, with a focus on the microfinance sector. By employing descriptive, analytical, and inferential research methods, the study reveals that the market prices of microfinance companies are significantly influenced by factors such as earnings per share, return on equity, price-earnings ratio, and book value. Conversely, variables like floating share size do not demonstrate statistical significance. The study highlights the importance of considering company-specific factors when making investment decisions in Nepalese capital markets. Additionally, it draws attention to a notable deficiency in financial literacy among market participants, which hampers investment optimization.

Table 1

Meta - Analysis

Topic	Year	Researcher Name	Objectives	Methodology	Conclusion
The Cross-Section of Expected Stock Returns	1992	Eugene F. Fama & Kenneth R. French	To investigate why stock returns differ across various companies, even within the same industry.	Empirical analysis on a wide range of company-level variables, focusing on fundamentals like earnings, dividends, market capitalization, and book-to-market ratio.	Stocks with higher earnings and dividend yields have higher returns. Market capitalization and book-to-market ratio also significantly explain variations in stock returns.
Momentum Strategies	1996	Chan, Jegadeesh, and Lakonishok	To explore the phenomenon of momentum in stock returns.	Analyzed primary stocks listed on NYSE, AMEX, and Nasdaq from January 1977 to January 1993, testing price and	Confirmed the existence of momentum effect in stock returns; stocks performing well in the past tend to continue to

				momentum strategies based on past performance.	perform well in the future, contradicting the efficient market hypothesis.
Stock Market Growth and Economic Progress in Africa	2001	Agarwal	To study the relationship between stock market growth and economic progress in nine African nations.	Compared stock market metrics like market size and trading volume with economic factors such as GDP growth and investment levels.	Found a clear connection between stock market size and economic investment; suggests that supporting stock market growth can boost economic growth.
Microeconomic Factors and Stock Prices	2010	AI-Shubiri	To investigate the relationship between microeconomic factors and stock prices in Amman Stock Exchange.	Used simple and multiple regression analysis on data from 14 commercial banks between 2005 and 2008.	Found a highly positive significant relationship between stock prices and net asset value per share, as well as dividend percentage.
Impact of Macroeconomic Fundamentals on Stock Prices	2012	Naik and Padhi	To investigate the relationship between Indian stock market index and macroeconomic variables.	Analyzed five macroeconomic variables over the period of 1994 to 2011.	Found positive correlations between stock prices and money supply and industrial production, and a negative correlation with inflation.
Securities Market Regulation and Development	2015	Adhikari	To analyze the performance and development of the securities market in Nepal.	Employed technical tools such as line charts and moving averages to assess market performance.	Concluded that the Nepali stock market is growing but is dominated by banking sector whims rather than new information, indicating inefficiency.
Determinants of Stock Price Movements	2015	Islam et al.	To examine the relationship between stock price, dividends, and retained	Used cross-sectional data and linear regression analysis on 29	Found strong influence of dividends and retained earnings on

			earnings post the 2010-2011 stock market crash in Bangladesh.	listed banks.	stock prices, with moderate explanatory power of these variables.
Determinants of Share Prices in Sri Lanka	2017	Atchyuthan	To identify the determinants of share prices in Sri Lanka.	Focused on 25 listed manufacturing firms and employed regression analysis for data analysis.	Established significant positive associations between earnings per share, dividend per share, and share price, highlighting their importance for investors.
Performance of Stock Market and Reform in Nepal	2017	Dhungana	To examine the causal relationship between stock market development and economic growth in Nepal.	Analyzed stock market development and economic growth indicators.	Concluded that stock market development significantly contributes to economic growth in Nepal; refined policy measures are needed to strengthen market roles.
mpact of Microeconomic and Macroeconomic Variables on Stock Prices	2018	Bhattarai	To study the impact of microeconomic and macroeconomic variables on stock prices of banks and insurance companies in Nepal.	Analyzed correlations between stock prices and various financial indicators.	Positive correlations found between stock price and indicators like earnings per share and GDP; negative correlations with return on equity and money supply.
Determinants of Share Price on Nepalese Commercial Banks	2018	Dhakal	To explore the determinants of share price of commercial banks in Nepal.	Randomly selected 12 commercial banks and analyzed financial indicators.	Found that individual financial indicators like BPS, EPS, and DPS have combined effects on share prices, but their individual influence is weak.
Determinan	2018	Ghimire and	To explore the	Conducted	Identified

ts of Stock Price in Nepalese Market		Mishra	connection between stock price and several explanatory variables.	simple and multiple regression analysis using data from 11 firms.	significant determinants like Market to Book Value and Price-Earnings ratio influencing stock prices, with lesser impact from EPS.
Factors Affecting Share Price of Nepalese Non-Life Insurance Companies	2019	Gautam & Bista	To examine the factors affecting the share price of non-life insurance companies in Nepal.	Analyzed relationships between firm size, inflation, dividend per share, and return on assets.	Found that firm size positively affects market price, while inflation and dividends negatively affect share price; earnings per share do not explain price variations.
Determinants of Stock Market Performance in Nepal	2019	Shrestha & Subedi	To identify the determinants of stock market performance in Nepal.	Analyzed relationships between macroeconomic variables and stock prices.	Inflation and money supply growth have positive relationships with stock price changes; suggested improving transparency and communication in the market.
Coronavirus: Impact on Stock Prices and Growth Expectations	2020	Gormsen & Koijen	To analyze the impact of COVID-19 on stock market expectations and growth across countries.	Used data from aggregate stock and dividend futures markets to assess changes in growth expectations following the pandemic.	Forecasts indicated significant declines in dividend and GDP growth across regions; short-term growth expectations were influenced by monetary policy and fiscal responses.
Stock Market Development and	2021	Bhattarai et al.	To explore the relationship between stock market	Employed the ARDL model with time series data from 1994	Found a long-run unidirectional causality

Economic Growth			development and economic growth in Nepal.	to 2019.	relationship from stock market development to economic growth; size and liquidity are significant contributors.
Factors Influencing Share Prices on the Ghana Stock Exchange	2021	Musah & Aryeetey	To investigate factors influencing share prices of firms listed on the Ghana Stock Exchange.	Focused on firm-specific factors, book ratios, and macroeconomic factors with data analysis.	Found firm size and financial institution status as significant determinants; earnings per share and dividend per share positively associated with share prices.
Determinants of Share Prices in the National Stock Exchange of India	2022	Alom & Choudhry	To analyze the determinants of share prices in the Indian stock market.	Employed a panel data approach and analyzed twenty-five Nifty stocks over five years.	Approximately 58% of share price fluctuations attributed to significant variables like Earnings per Share and Price to Earnings Ratio; provides insights for informed investment decisions.
Factors Influencing Market Share Prices of Life Insurance Companies in NEPSE	2022	Maskey	To investigate factors influencing the market share prices of life insurance companies listed in NEPSE.	Used panel data and regression analysis for data evaluation.	Found significant determinants including earnings per share and dividend per share; highlights dividends' role in Nepalese investor decision-making processes.
Factors Influencing Share Market	2023	Hakim et al.	To analyze factors influencing share market prices in the Indonesian	Data from 22 coal mining companies between 2018	Inflation, exchange rate, profitability, and firm size

Prices in the Indonesian Mining Sector		mining sector.	and 2021 analyzed for various determinants.	significantly affect share prices; suggests understanding internal and external factors for competitive advantage.
Determinants of Stock Prices in Nepal's Secondary Market	2024 Subedi	To explore the determinants of stock prices in Nepal's microfinance sector.	Employed descriptive, analytical, and inferential research methods.	Market prices significantly influenced by earnings per share and return on equity; emphasizes the gap in financial literacy impacting investment optimization.

2.4 Research Gap

The study of stock price determinants has been widely explored in various sectors globally, with significant attention given to industries like banking, manufacturing, and technology. However, the non-life insurance sector, particularly in emerging markets like Nepal, has received relatively less scholarly focus. While several studies have examined the factors influencing stock prices in the context of developed economies, there is a notable paucity of research on the determinants specific to non-life insurance companies in Nepal. Previous research in the Nepalese context has primarily concentrated on broader financial markets or specific industries such as banking (Shrestha & Subedi, 2014; Sharma, 2016). These studies have identified key determinants like interest rates, inflation, and market liquidity, but they often overlook the unique factors influencing the stock prices of non-life insurance companies. Furthermore, the studies that do address the insurance sector generally focus on life insurance, leaving a significant gap in the understanding of non-life insurance companies.

Additionally, existing literature largely concentrates on short-term data or specific economic events, limiting the generalizability of the findings. The proposed study, spanning from 2013/14 to 2022/23, aims to address these gaps by providing a comprehensive analysis of the factors that influence the stock prices of non-life insurance companies in Nepal over a decade. This period is particularly relevant as it encompasses

significant regulatory changes, economic shifts, and market developments in the Nepalese insurance sector, which are likely to have affected stock prices.

By focusing on this under-researched area, the study seeks to contribute to the existing body of knowledge by identifying the unique determinants of stock prices in the non-life insurance sector in Nepal. The findings will not only fill the existing research gap but also provide valuable insights for investors, policymakers, and industry stakeholders.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Research Design

A research design refers to the organization of conditions for data collection and analysis in a way that aligns with the research objectives while being efficient. It serves as the foundational framework within which the research takes place. This study has employed both descriptive and analytical research designs. For this investigation, descriptive research design has been utilized. To assess the impact of book value, dividends, and earnings on stock prices, a combination of descriptive and analytical research design has been implemented, along with correlation and regression analyses.

3.2 Population and Sampling procedure

This research investigates the unique factors affecting the share prices of non-life insurance firms in Nepal. The research design employed in this study is both descriptive and analytical. From the total of 20 non-life insurance companies in Nepal, a sample of three companies was chosen using a convenience sampling method for the analysis. They are:

1. Neco Insurance Company Limited (NIL),
2. Nepal Insurance Company Limited (NICL)
3 Sikhar Insurance Company Limited (SICL)

3.3 Nature and Sources of data collection

This research utilizes secondary data. The quantitative information is obtained from various secondary sources. The required data to analyze the firm's stock price has been derived from the company's annual financial statements. The balance sheet, income statement, and financial ratios, which provide information such as dividends, earnings, book value, and market price, have been heavily utilized as secondary data sources. Secondary data has been gathered from the annual reports of the chosen insurance companies for the fiscal years 2018/19 through 2022/23. Since this study focuses on the factors influencing stock prices, it relies on accounting, financial reports, and NEPSE data. Therefore, the study is founded on secondary data. The initial raw secondary data have been adjusted slightly for the purposes of this study. The primary sources of secondary data include brochures from the relevant companies, the Nepal Stock Exchange (NEPSE), the Securities Board of Nepal, and the respective company websites. All

gathered data and information have been systematically organized, arranged, tabulated, and computed to achieve a realistic and analytical synthesis. A random sampling method has been employed for the research.

3.4 Methods of Analysis

The primary goal of data analysis is to interpret raw data to derive conclusions from it. This study utilizes two methods of analysis: financial tools and statistical tools. The analysis is conducted based on the data's trends and significance. Various financial instruments, such as earnings per share and return on equity, are employed. Additionally, a range of statistical methods, including correlation and regression analysis, are applied to establish relationships between the variables.

Mean

An average (mean) is a singular value derived from a collection of values that serves to symbolize them in a particular manner, representing the entire group it belongs to and reflecting the typical characteristics of all values within that group. There are several forms of averages; the main types include Arithmetic Mean (AM, both simple and weighted), median, mode, geometric mean, and harmonic mean. The Arithmetic Mean is the most commonly used measure that conveys the overall data with a single value. To calculate the AM, one must sum all the elements and divide that total by the number of elements.

Standard deviation

The standard deviation measures the absolute dispersion. The greater the standard deviation, greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa.

Coefficient of variation

The standard deviation is absolute measures of dispersion; whereas the coefficient of variation (CV) is a relative measure. To compare the variability between two or more series, CV is more appropriate statistical tool.

Correlation coefficient

Correlation can be described as the extent of the linear association between two or more variables. When one variable changes, it is said that two variables are correlated if this change coincides with a change in another variable. A positive relationship is observed when an increase (or decrease) in the value of one variable on average correlates with an increase (or decrease) in another variable. Conversely, a negative relationship occurs when an increase (or decrease) in one variable is linked to a decrease (or increase) in the value of the other variable. However, the correlation coefficient consistently falls within the range of +1 to -1.

Regression analysis

The correlation coefficient indicates the strength of the relationship between two variables, while regression analysis is utilized to predict the possible value of one variable based on the current value of another. In regression analysis, we create a type of average irreversible functional relationship between two variables. Put differently, regression analysis serves as a mathematical representation of the average connection between two or more variables in their original data units. To fulfill this purpose, a multiple regression model is constructed as follows:

$MP = \beta 0 + \beta 1 DPS_{it} + \beta 2 DY_{it} + \beta 3\ EPS_{it} + \beta 4 P/E + \beta 5 DPR_{it} + \varepsilon$

Where:

MP = market price of the share

DPS = dividend per share

DY = dividend yield ratio

EPS = earnings per share

P/E = price earnings ratio

DPR = dividend payout ratio

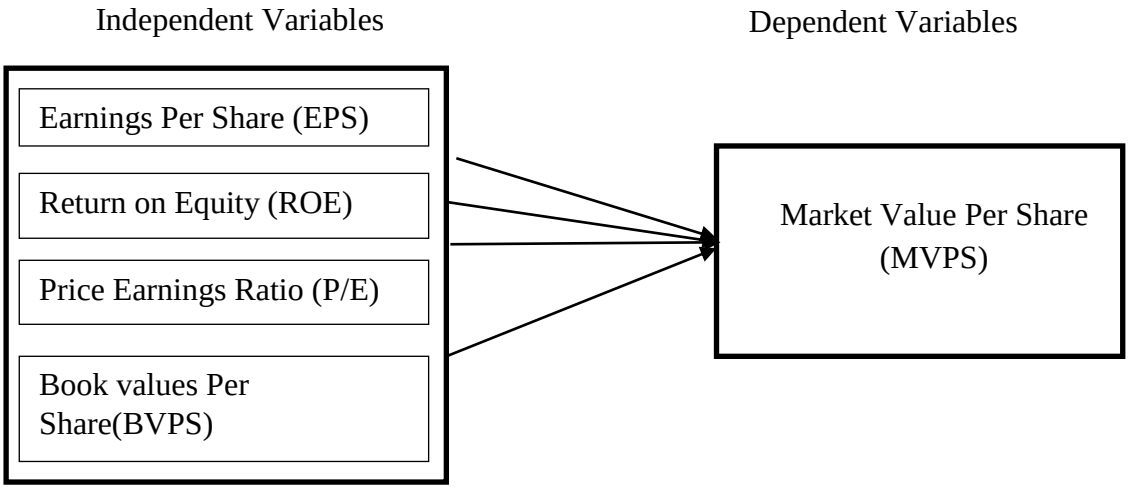
$\beta 0$ = the intercept $\beta 1$, $\beta 2$, $\beta 3$ $\beta 4$, $\beta 5$ = regression coefficient for respective variables (i.e. the slope which represents the degree with which share price changes as the independent variable changes by one-unit variable).

ε = error terms

3.5 Research framework and definition of variables

Based on literature review the researcher have developed the following conceptual

framework of the current investigation. The researcher states that market price per share of non-life insurance companies is the function of Earning per share, return on equity, price earnings ratio, book value per share. Price earnings ratio, and book value per share



Source :Gautam and Bista (2019)

Figure 1 Research Framework

Definition of Variables

Earnings Per Share (EPS)

One key indicator used by investors is the Earnings per Share (EPS), which measures the return on investment for shareholders based on a company's earnings. A higher EPS reflects greater profitability for the company and indicates better performance, which in turn may attract investors. Additionally, EPS can symbolically represent a profitability on a per-share basis, further illustrating its importance in assessing investment opportunities.

$$EPS = \frac{\text{Total Earning available to common shareholders}}{\text{Number of share outstanding}}$$

Return on equity (ROE)

Return on Equity (ROE) is a gauge of a corporation's profitability and efficiency, calculated by dividing its profits generated by shareholders' equity. A higher ROE indicates that the company is generating profits more efficiently (Neupane, 2019). There is a positive correlation between RoE and market price, with the formula for calculating book value per share being given as follows:

$$ROE = \frac{\text{Net Income}}{}$$

Shareholder's Equity

Price Earnings Ratio (PE Ratio)

The Price Earnings Ratio (PE Ratio) is widely used to assess the potential of a company's stock by comparing its market value to its earnings per share (EPS) (Malhotra & Tandon, 2013; Molodovsky, 1995). A higher PE Ratio typically indicates a higher market price for the company's stock, which may encourage investors to buy shares. This ratio is positively impacted by higher earnings per share, signaling better investment potential.

On the other hand, a lower PE Ratio suggests that the stock may be cheaper, while a higher ratio could indicate that the company is overvalued. Therefore, investors often use the PE Ratio as a symbolic representation of a company's performance and valuation.

Book value Per Share (BVPS)

The Book Value per Share (BVPS), which is calculated by dividing shareholders' equity by the number of outstanding shares, provides valuable insight into a company's valuation (Mutairi-AL & Omar-AL, 2013). Book Value Per share indicates a company's stock's value and future market price. The higher BVPS indicates better company value while lower BVPS weakens the value.

$$\text{BVPS} = \frac{\text{Total shareholders' equity - preferred equity}}{\text{Number of share outstanding}}$$

Market Value per Share

The share price of a company is generally seen as a significant indicator for investors seeking to optimize their investments. When the share price rises, it indicates that the company is performing well, prompting investors to buy shares and driving the price further up. Conversely, when the share price falls, it may signal weakness in the company's overall strength, prompting investors to sell shares or refrain from buying. Therefore, investors often try to identify optimal entry and exit points based on fluctuations in share prices.

CHAPTER IV
RESULTS AND DISCUSSION

In this chapter, we examine the factors influencing stock prices and their effects on the financial performance of non-life insurance companies listed on the Nepal Stock Exchange (NEPSE). To achieve this, we consider key variables that impact stock prices. The data analysis process includes organizing, tabulating, and evaluating statistical outcomes to derive significant result.

4.1 Data Presentation and Analysis

4.1.1 Analysis of Earnings per share

Earnings Per Share (EPS) is a key financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock. EPS is calculated by Net income minus preferred dividend divided by weighted average shares outstanding. Consistent growth in Earnings per share shows strong management, effective business strategies and there is potential for future growth.

Earnings Per Share (EPS) is a vital determinant of stock prices for non-life insurance companies listed on NEPSE. The strong correlation between EPS and stock prices underscores the importance of profitability and earnings growth in the valuation of insurance stocks.

The Earnings per share of three non-life insurance companies has been shown in table 2

Table 2

Earning Per Share

Years	NIL	NICL	SICL	Mean
2013/14	27.14	10.86	44.04	27.35
2014/15	32.72	-7.41	61.4	28.90
2015/16	37.52	19.43	60	38.98
2016/17	29.25	39.64	41	36.63
2017/18	25.71	13.32	43	27.34
2018/19	29.66	18.26	38	28.64
2019/20	31.72	23.01	39	31.24
2020/21	28.85	19.18	18	22.01
2021/22	31	24.05	14.47	23.17
2022/23	35	24.96	8.52	29.36
Mean	30.40	17.82	39.88	29.36

Source: Annual Reports, 2013/14 to 2022/23

The table shows the Earnings Per Share (EPS) for the fiscal years 2013/14 through 2022/23 for three non-life insurance companies in Nepal: Sikhar Insurance Company Limited (SICL), Nepal Insurance Company Limited (NICL), and Neco Insurance Company Limited (NIL).

In contrast to NIL, NICL's EPS exhibits greater volatility. The EPS begins at 10.86 in 2013/14, declines sharply to -7.41 in 2014/15 (signaling a loss), then sharply recovers to 39.64 in 2016/17 before fluctuating a little more. Over the years, NIL's EPS has been consistent and comparatively stable, indicating solid and stable financial success. The average earning per share over the study period is 29.36

4.1.2 Analysis of Return on Equity

ROE stands for Return on Equity. It is a financial metric used to measure the profitability of a company in relation to the shareholders' equity. ROE indicates how effectively a company is using its shareholders' equity to generate profit.

ROE demonstrates the amount of profit a business makes using the capital that shareholders have invested. Generally speaking, a greater ROE means that a business is making effective use of equity to produce profits. Extremely high ROE, however, can point to additional risk considerations or substantial financial leverage.

The Return on Equity of three non-life insurance companies has been shown in table 3

Table 3

Return on Equity

Years	NIL	NICL	SICL	Mean
2013/2014	8.13	3.88	29.14	13.72
2014/15	17.35	-2.8	34.12	16.22
2015/16	13.39	7.73	-8.74	4.13
2016/17	15.31	15.31	-0.17	10.15
2017/18	18.21	13.52	-5.82	8.64
2018/19	16	7.03	0.8	7.94
2019/20	19	3.64	13.91	12.18
2020/21	16	6.98	6.9	9.96
2021/22	15	7.25	9.23	10.49
2022/23	16	5.06	5	8.69
Mean	15.439	6.76	8.437	10.21

Source: Annual Reports, 2013/14 to 2022/23

The table 3 displays the Return on Equity (ROE) for the fiscal years 2013/14 through 2022/23 for the three non-life insurance companies in Nepal: Sikhar Insurance Company Limited (SICL), Nepal Insurance Company Limited (NICL), and Neco Insurance Company Limited (NIL). For every company, it provides the mean, standard deviation, and coefficient of variation (CV).

Over the years, NIL's Return on Equity (ROE) has exhibited a generally favorable trend. It began at 8.13% in 2013/14 and has fluctuated between 15% and 19% in subsequent years. Though there is some variation, the ROE is still high overall. Out of the three companies, NICL has the lowest average ROE of 6.76%, indicating comparatively lower profitability relative to equity. The average return on equity of the sampled company over the period is 10.21.

4.1.3 Analysis of Price earnings ratio

The Price-to-Earnings ratio (P/E ratio), is a widely used financial metric that provides insight into the valuation of a company's stock relative to its earnings.P/E ratio is calculated by dividing market price per share by earnings per share. To determine whether a stock is reasonably valued in comparison to its earnings, overvalued, or undervalued, the P/E ratio is generally employed as a valuation tool. The average price earning ration of the sampled company over the period is 35.86.

The Price of earning ratio of three non-life insurance companies has been shown in table 4

Table 4

Price Earnings Ratio

Years	NIL	NICL	SICL	Mean
2013/14	28.37	23.02	42.76	31.38
2014/15	14.12	-52.5	47.5	3.04
2015/16	53.04	63.53	54	56.86
2016/17	33.45	35.72	47	38.72
2017/18	38.15	30.69	23	30.61
2018/19	16	32.84	20	22.95
2019/20	17	18.54	26	20.51
2020/21	47	53.29	110	70.10
2021/22	22	18.54	56	32.18
2022/23	25	32.85	99	52.28
Mean	29.413	25.652	52.526	35.86

Source: Annual Reports, 2013/14 to 2022/23

The Price-Earnings (P/E) Ratio table shows on how the market assesses the earnings of Nepal's three non-life insurance companies for the fiscal years 2013–14, 2014–15, and 2022–23: Neo Insurance Company Limited (NIL), Nepal Insurance Company Limited (NICL), and Sikhar Insurance Company Limited (SICL).

With an average P/E ratio of 29.41 for NIL, investors are generally ready to pay roughly 29 times the company's earnings for its stock. The NICL P/E ratio exhibits a high degree of fluctuation, as seen by the standard deviation of 30.99. The P/E ratio for SICL varies a lot as well; it starts at 42.76 in 2013/14 and peaks at 110 in 2020/21.

4.1.4 Analysis of Book value per share

Book Value per Share (BVPS) is a financial measure that represents a company's net asset value on a per-share basis. It is calculated by dividing the company's total equity (book value) by the number of outstanding shares.

For non-life insurance companies listed on the Nepal Stock Exchange (NEPSE), Book Value per Share (BVPS) serves as an important indicator of financial stability and growth potential. The Book value per share of three non-life insurance companies has been shown in table 5

Table 5

Book value per share

Years	NIL	NICL	SICL	Mean
2013/14	255.02	174.42	196	208.48
2014/15	176.35	145.78	184	168.71
2015/16	189.82	163.9	205	186.24
2016/17	172.37	202.73	219	198.03
2017/18	166.683	170.82	314	217.17
2018/19	186.38	194.05	256	212.14
2019/20	194.46	181.43	314	229.96
2020/21	202.34	180.76	219	200.7
2021/22	208	181.43	205	198.14
2022/23	219	194.05	184	199.02
Mean	197.042	178.937	229.6	201.87

Source: Annual Reports, 2013/14 to 2022/23

The table 5 shows the Book Value per Share (BVPS) for the fiscal years 2013/14 through 2022/23 for the three non-life insurance companies in Nepal: Sikhar Insurance Company Limited (SICL), Nepal Insurance Company Limited (NICL), and Neco Insurance

Company Limited (NIL). For every company, it also provides the mean, standard deviation, and coefficient of variation (CV).

With the least amount of swings throughout time, NICL's BVPS has been the most consistent. The average book value per share (BVPS) for NIL is 197.04, suggesting that the book value per share has typically been greater during the time. The average book value of the sampled company over the period is 201.86

4.1.5 Analysis of Market price per share

The market price per share (P) of a company's stock is simply the current price at which the stock is trading in the market. It is determined by the intersection of supply and demand in the stock market. Investors, financial analysts, and company management should all understand the market price per share since it gives them insight into how the market players view the company's value at any particular time.

The Market price per share of three non-life insurance companies has been shown in table 6

Table 6

Market value per share

Years	NIL	NICL	SICL	Mean
2013/14	770	950	940	886.67
2014/15	462	389	690	513.67
2015/16	1990	1235	3249	2158
2016/17	989	1430	1941	1453.33
2017/18	989	658	985	877.33
2018/19	489	354	771	538
2019/20	607	504	1019	710
2020/21	1348	1022	1952	1440.67
2021/22	694	445.9	807	648.97
2022/23	891	820	845	852
Mean	922.9	780.79	1319.9	1007.86

The table 6 shows the Market Value per Share (MVPS) for the fiscal years 2013/14 through 2022/23 for the three non-life insurance companies in Nepal: Sikhar Insurance Company Limited (SICL), Nepal Insurance Company Limited (NICL), and Neco Insurance Company Limited (NIL). For every company, it also provides the mean, standard deviation, and coefficient of variation (CV).

The MVPS for NICL begins at 950 in 2013–14 and varies, peaking at 1430 in 2016–17. It drops sharply to 658 in 2017–18, but nears the conclusion of the term, it begins to rise again, reaching 820 in 2022–2023.The market value of NIL's shares is normally higher than that of NICL but lower than that of SICL, according to the average MVPS of 922.9 for NIL. The average market value of the share over the period is 1007.86

4.1.6 Descriptive Analysis

Table 7

Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EPS	10	22.01	38.98	29.3620	5.27174
ROE	10	4.13	16.22	10.2120	3.32265
PE	10	3.04	70.10	35.8630	19.52717
BVPS	10	168.71	229.96	201.8590	16.84681
MVPS	10	513.67	2158.00	1007.8640	521.44268
Valid N (list wise)	10				

The Table 7 presents descriptive statistics for key financial metrics: Earnings Per Share (EPS), Return on Equity (ROE), Price to Earnings Ratio (PE), Book Value Per Share (BVPS), and Market Value Per Share (MVPS). The sample size (N) for all metrics is 10. EPS values range from a minimum of 22.01 to a maximum of 38.98, with a mean of 29.36 and a standard deviation of 5.27, indicating moderate variation. ROE shows a minimum of 4.13 and a maximum of 16.22, with an average of 10.21 and a standard deviation of 3.32, reflecting relatively lower variability compared to other metrics. The PE ratio displays a wider range, with values between 3.04 and 70.10, a mean of 35.86, and a standard deviation of 19.53, suggesting substantial dispersion within the sample. BVPS, measuring the company's net asset value per share, has a minimum of 168.71 and a maximum of 229.96, averaging at 201.86 with a standard deviation of 16.85, indicating moderate variability. MVPS, representing the market’s valuation of the company's shares, ranges from 513.67 to 2158.00, with a mean of 1007.86 and a standard deviation of 521.44, showing the highest variability among the metrics. These descriptive statistics offer insight into the central tendency and spread of financial performance indicators

across the sample.

4.1.7 Analysis of Correlation

One of the most popular and practical statistical tools is the correlation. It displays the strength of the correlation between two variables. Correlation values range from -1 to +1. Variables are positively connected with one another if their calculated value is positive. It indicates that as one variable grows, the other variable increases as well. It indicates that there is no correlation between these variables if the calculation values have a negative sign. It implies that when one variable rises, another variable falls in proportion.

Table 8

Correlation Analysis

Correlations[a]

		EPS	BVPS	ROE	PE	MVPS
EPS	Pearson Correlation	1				
	Sig. (2-tailed)					
BVPS	Pearson Correlation	-.163	1			
	Sig. (2-tailed)	.653				
ROE	Pearson Correlation	-.381	-.137	1		
	Sig. (2-tailed)	.277	.705			
PE	Pearson Correlation	.010	.001	-.630	1	
	Sig. (2-tailed)	.979	.998	.051		
MVPS	Pearson Correlation	.560	-.228	-.622	.732	1
	Sig. (2-tailed)	.092	.527	.055	.016	

The table 8 shows the Pearson correlation coefficients for the five financial metrics—book value per share (BVPS), market value per share (MVPS), return on equity (ROE), price-to-earnings ratio (PE), and earnings per share (EPS)—are shown in table 6. With a sample size of 10 (N=10), the table also shows the significance levels (Sig. 2-tailed), which indicate whether these relationships are statistically significant. The table 6 indicates the correlation of negative low correlation between EPS and BVPS. There is positive correlation of EPS with PE and MVPS. Also, there is lower positive correlation between BVPS and PE of 0.001. The data indicates a moderate negative connection

between PE and EPS, indicating a negative relationship between lower PE ratios and greater EPS.

4.1.8 Regression Analysis

Table 9

Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.862	.752	259.65219
a. Predictors: (Constant), PE, BVPS, EPS, ROE				

The model summary reveals a strong correlation between the predictors and the dependent variable. R: 0.929 indicates a very strong positive correlation. R Square (R^2): 0.862 suggests that the model can explain approximately 86.2% of the variance in mvps. Adjusted R Square: 0.752 accounts for the number of predictors, indicating a substantial explanatory power even after adjustment. Standard Error of the Estimate: 259.65219 reflects the average distance of the observed values from the regression line.

Table 10

ANOVA[a]

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2110025.952	4	527506.488	7.824	.022[b]
	Residual	337096.308	5	67419.262		
	Total	2447122.260	9			
a. Dependent Variable: MVPS						
b. Predictors: (Constant), PE, BVPS, EPS, ROE						

The ANOVA table assesses the overall significance of the regression model. -statistic: 7.824 with a significance level (p-value) of 0.022 indicates that the regression model is statistically significant. This suggests that at least one of the independent variables significantly predicts mvps

Table 11

Coefficients[a]

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-544.757	1720.265		-.317	.764
	EPS	54.189	19.585	.548	2.767	.040
	BVPS	-4.122	5.450	-.133	-.756	.484
	ROE	6.932	40.119	.044	.173	.870
	PE	20.154	6.158	.755	3.273	.022
a. Dependent Variable: MVPS						

The regression analysis demonstrates that EPS and PE are significant predictors of market value per share, while BVPS and ROE do not have a meaningful impact. The model effectively explains a substantial portion of the variance in MVPS, highlighting the importance of earnings performance and market perception in determining stock value

The regression equation derived from this analysis can be written as:

MVPS =-544.757+ 54.189EPS-4.122BPS+6.932ROE

4.2 Discussion

A number of financial indicators, such as Book Value Per Share (BVPS), Market Price Per Share (MPS), Return on Equity (ROE), and Price Earnings (P/E) Ratio, were used to assess the financial performance of three non-life insurance firms that are listed on the Nepal Stock Exchange (NEPSE): NIL, NICL, and SICL.

Sikhar insurance has the highest mean in BVPS at 229.60 but also the highest standard deviation of 49.06, indicating significant fluctuations in its net asset value. Neco insurance appears to have consistent financial performance with moderate variability in its book value and stock price, and a stable return on equity. NICL has the lowest mean values across most metrics with higher variability, indicating potential instability and less consistent financial performance.

Sikhar insurance has the highest values in BVPS, market price, and P/E ratio, but also the highest volatility, suggesting it is seen as a high-risk, high-reward investment. Neco insurance has a mean ROE of 15.44%, with a standard deviation of 3.03, demonstrating consistent profitability. NICL has a mean ROE of 6.76% with a standard deviation of

5.08, showing less consistent profitability and greater variability.

The correlation analysis revealed several notable relationships among the variables. Earnings per share (eps) had a moderate positive correlation with market value per share (mvps) ($r = 0.560$, $p = 0.092$), although this association was not statistically significant at the conventional level. Price-to-earnings ratio (pe) exhibited a strong positive correlation with mvps ($r = 0.732$, $p = 0.016$), which was statistically significant. Interestingly, pe had a strong negative correlation with return on equity (roe) ($r = -0.630$, $p = 0.051$), which approached statistical significance. Roe also showed a moderate negative correlation with mvps ($r = -0.622$, $p = 0.055$), nearing the threshold for significance. Book value per share (bvps) did not demonstrate any significant relationships with the other variables. These findings suggest that profitability measures, such as eps, and market perception, as reflected in pe, play a more prominent role in determining mvps compared to book value-based indicators. The results are common to various findings concluded by Naik, G., & Padhi, N. (2012), Dhakal, B. (2018).

The regression analysis revealed that the model, which included pe, bvps, eps, and roe as independent variables, explained a significant portion of the variance in mvps, the dependent variable. The model summary showed a strong correlation between the predictors and the outcome, with an R^2 of 0.862, indicating that approximately 86.2% of the variance in mvps was accounted for by the model (Adjusted $R^2 = 0.752$). The overall regression model was statistically significant, as indicated by the F-statistic of 7.824 and a p-value of 0.022, suggesting that at least one of the independent variables significantly predicted mvps.

The coefficients table revealed that eps ($B = 54.189$, $p = 0.040$) and pe ($B = 20.154$, $p = 0.022$) were significant positive predictors of mvps, while bvps ($B = -4.122$, $p = 0.484$) and roe ($B = 6.932$, $p = 0.870$) did not significantly contribute to the prediction of the dependent variable. These findings indicate that higher earnings per share and price-to-earnings ratios were associated with higher market values per share, emphasizing the importance of profitability and market perception in determining stock valuation.

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

The study looks into the factors that affect the stock prices of non-life insurance businesses that are traded on the Nepal Stock Exchange (NEPSE). To determine how book value, dividends, and earnings affect stock prices, the study uses a descriptive and analytical design using regression analysis. The analysis emphasizes how crucial financial indicators like EPS, BVPS, ROE, and PE are in figuring out stock values for Nepalese non-life insurance firms. When making investing decisions, investors should keep a close eye on these variables, according to the strong positive connections. The financial performance and valuation of non-life insurance companies listed on the NEPSE are better understood in light of these facts.

The analysis is done by using secondary data that was obtained from the chosen insurance companies' annual financial statements for the fiscal years 2018–19 through 2022–2023. Financial and statistical technologies are used in data analysis. Together with statistical techniques like regression analysis and correlation, financial instruments like earnings per share (EPS) and return on equity (ROE) are used. These instruments aid in delineating the correlations between stock prices and certain firm-specific parameters.

Important correlations between the variables are shown by the correlation analysis. There are strong positive correlations between ROE and MVPS (0.83) and between EPS and MVPS (0.85), indicating that greater market values of shares are linked to better earnings and returns on equity. The somewhat favorable association (r = 0.72) between PE and ROE suggests that higher PE ratios are often associated with stronger returns on equity for corporations.

The analysis reveals significant insights into the relationship between financial performance metrics and stock prices for non-life insurance companies in Nepal. A high EPS generally correlates with a higher stock price, as seen with companies like SICL. Conversely, companies with inconsistent EPS, such as NICL, experience more volatility in their stock prices. BVPS serves as a strong indicator of a company's financial health, with higher BVPS correlating with higher market prices.

MVPS varies significantly across the companies, influenced by both internal performance metrics and external market conditions. ROE, while a critical profitability metric, also shows variance in its impact on stock prices, with some companies displaying strong

ROE but inconsistent stock performance, suggesting the presence of other influencing factors. The P/E Ratio provides a mixed picture, with significant volatility observed in companies like NICL, indicating market uncertainties and varying investor perceptions.

It is essential for market analysts, legislators, and investors to comprehend the factors that influence stock prices. This report offers insightful information about the state of Nepal's insurance industry's finances and performance. It supports regulators in creating sensible market laws, managers in refining their financial strategies, and investors in making well-informed judgments. A wide spectrum of stakeholders, including investors, managers, bankers, stock analysts, government officials, and academics, are expected to gain from the study's conclusions.

In conclusion, this study adds the knowledge of how stock prices behave in the context of Nepal's stock market and makes useful suggestions for raising investor confidence and market efficiency.

5.2 Conclusion

The study looks at three non-life insurance businesses that are listed on the Nepal Stock Exchange (NEPSE) and their financial performance from 2013/2014 to 2022/2023. The examination focuses on how important financial measures affect stock prices, including Price-to-Earnings Ratio (P/E Ratio), Market Price Per Share (MVPS), Book Value Per Share (BVPS), Return on Equity (ROE), and Earnings Per Share (EPS). NICL had a mean EPS of 18.53, which was lower than NIL and SICL. Financial difficulties are indicated by years with negative EPS. SICL had the highest mean BVPS at 229.60, indicating a robust asset base. However, the high standard deviation reveals significant fluctuations in net asset value.

SICL had the highest P/E ratio with a mean of 52.53. This high ratio suggests strong market valuation but also reflects higher investor expectations and potential risk. NICL’s MVPS was the highest among the three companies, with a mean value of 1319.9. This reflects strong market confidence and the company's perceived high value.

In terms of EPS, BVPS, and MVPS, SICL Insurance Company did better than the rest, indicating solid financial performance and a fair market value. NIL Insurance's ROE and EPS were both consistently high, although its MVPS fluctuated a lot. NICL Insurance had lower EPS and ROE, with higher variability in its financial metrics, indicating less consistent performance and market perception.

5.3 Implications

Investors should carefully assess the three non-life insurance businesses' varying financial performance in the context of the Nepalese stock market. Strong financial parameters, such as high Earnings Per Share (EPS), Book Value Per Share (BVPS), and Market Value Per Share (MVPS), set SICL Insurance Company apart. SICL's strong profitability and stable market valuation make it a potentially appealing long-term investment opportunity. The elevated investor expectations indicated by the high Price-to-Earnings (P/E) ratio, however, carry a larger risk in the event that the company fails to live up to these expectations. NIL Insurance Company is a more reliable investment option due to its steady profitability and steady return on equity.

The varied performance of these companies highlights the critical role of strategic financial management and market perception in the Nepalese insurance industry. Companies with strong financial metrics and stable performance generally attract more investor confidence, while those with fluctuating metrics face greater challenges. The analysis emphasizes the importance for insurance companies in Nepal to adopt effective financial strategies and risk management practices. Companies should focus on improving profitability, managing asset values, and ensuring consistent performance to enhance their standing in the competitive market. Industry stakeholders should also be mindful of market fluctuations and investor sentiment, making informed decisions based on comprehensive financial

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Appendices

Appendix I

Five Year Major Indicator of sampled company as per Annual Report 2079/80

Shikhar Insurance Company Ltd.

Annexure III

Major Financial Indicator

S.N.	Particular	Indicators	Fiscal Year				
			2079/80	2078/79	2077/78	2076/77	2075/76
	Equity:						
1	Net worth	NRs.	4,886,766,576	4,696,198,780	3,843,602,198	3,322,862,901	2,709,939,515
2	Number of Shares	Number	26,549,473	22,860,812	17,585,240	10,573,106	10,573,106
3	Book value per shares	NRs.	184	205	219	314	256
4	Net Profit	NRs.	226,125,314	273,164,331	311,987,941	409,258,334	402,574,306
5	Earning per Shares (EPS)	NRs.	8.52	14.47	18	39	38
6	Dividend per Shares (DPS)	NRs.	-	16.00	-	38	-
7	Market Price per Shares (MPPS)	NRs.	845	807	1,952	1,019	771
8	Price Earning Ratio	Ratio	99	56	110	26	20
9	Change in Equity	%	4%	22%	16%	23%	19%
10	Return on Equity	%	5%	9.23%	6.90%	13.91%	0.80%
11	Capital to Total Net Assets Ratio	%	38%	33%	30.88%	17.82%	22.57%
12	Capital to Technical Reserve Ratio	%	225%	197%	-	-	-
13	Affiliate Ratio	%	1.49%	1.13%	1.37%	2.39%	11.21%
	Business:						
14	Total Premium Growth Rate						
	Property	%	5%	3.39%	42.36%	10.67%	20.43%
	Motor	%	-6%	2.56%	2.90%	-9.32%	0.02%
	Marine	%	-19%	88.24%	1.37%	5.78%	-3.75%
	Engineering	%	31%	310.04%	27.49%	59.08%	-58.67%
	Micro	%	21%	-94.97%	18.09%	4869.45%	379.82%
	Aviation	%	-18%	-48.82%	1.57%	-5.56%	19.41%
	Cattle and Crop	%	57%	62.87%	108.46%	8.97%	41.69%
	Miscellaneous	%	16%	27.85%	-20.81%	-6.55%	16.18%
15	Net Premium Growth Rate						
	Property	%	44.72%	-27.65%	-1.21%	14.45%	-2.45%
	Motor	%	7.68%	-4.01%	-1.98%	-3.92%	-25.05%
	Marine	%	27.75%	343.76%	-26.33%	-37.93%	149.12%
	Engineering	%	5.55%	12691.87%	-64.29%	-33.63%	-97.40%
	Micro	%	-83.04%	-26.46%	167.27%	424.81%	379.81%
	Aviation	%	-16.70%	44.73%	22.28%	396.35%	-85.70%
	Cattle and Crop	%	56.72%	79.66%	3.56%	-25.81%	50.31%
	Miscellaneous	%	-6.52%	3.12%	-35.91%	-24.71%	23.35%
16	Net Premium /Gross Insurance Premium						
	Property	%	10.59%	7.16%	11.83%	15.24%	14.03%
	Motor	%	57.58%	56.18%	60.13%	59.19%	58.74%
	Marine	%	24.94%	35.86%	8.71%	77.37%	26.68%
	Engineering	%	4.37%	7.66%	0.17%	0.67%	1.31%
	Micro	%	50.72%	33.68%	25.88%	20.70%	100.00%
	Aviation	%	8.97%	6.62%	3.51%	2.80%	0.55%
	Cattle and Crop	%	19.73%	20.02%	19.80%	30.75%	43.31%
	Miscellaneous	%	14.44%	18.74%	18.30%	24.72%	31.76%
17	Reinsurance commission/ Gross Reinsurance Premium	%	16.33%	21.09%	19.16%	25.68%	27.95%
18	Gross Premium/ Owner Equity	%	106.15%	93.54%	97.67%	99.48%	124.40%
19	Net Premium/ Equity	%	27.42%	26.29%	30.04%	36.34%	53.75%
20	Gross Insurance Premium/ Total Assets	%	51.54%	39.00%	39.49%	40.82%	45.85%
21	Return on Investment & Loan	%	5.98%	4.62%	4.92%	4.23%	5.23%
22	Net Profit/ Gross Insurance Premium	%	4.25%	6.01%	8.31%	12.38%	11.94%
	Expenses:						
23	Reinsurance Ratio	%	73.99%	71.90%	69.24%	63.47%	62.55%
24	Management expenses/ Gross Insurance Premium	%	15.11%	15.93%	16.82%	18.07%	16.69%

Source: Financial Annual Report 2079/80,SICL

Nepal Insurance Company Limited

Major Financial Indicator

Fig. in NPR

S.N.	Particulars	Indicators	Fiscal Year				
			2079-80	2078-79	2077-78	2076-77	2075-76
	Equity:						
1	Net worth	NPR	2,900,549,910	2,501,926,380	2,245,645,262	1,960,468,988	1,712,761,759
2	Number of Shares	No.s	14,947,654	13,789,958	12,423,386	10,955,367	10,191,039
3	Book value per shares	NPR	194.05	181.43	180.76	178.95	168.07
4	Net Profit	NPR	373,095,379	331,665,411	238,253,692	252,054,729	216,614,278
5	Earning per Shares (EPS)	NPR	24.96	24.05	19.18	23.01	18.26
6	Dividend per Shares (DPS)	NPR	10.53	8.42	11.58	10.00	7.89
7	Market Price per Shares (MPPS)	NPR	620.00	445.90	1,022.00	504.00	354.00
8	Price Earning Ratio (PE Ratio)	Ratio	32.85	18.54	53.29	21.91	19.38
9	Change in Equity	%	16.47	11.41	14.55	14.46	57.20
10	Return on Equity	%	7.03	3.64	6.98	7.25	5.06
11	Capital to Total Net Assets Ratio	%	0.58	0.52	0.50	0.39	0.27
12	Capital to Technical Reserve Ratio	%	3.89	3.47	2.91	2.66	1.73
13	Affiliate Ratio	%	-	-	-	-	-
	Business:						
14	Total Premium Growth Rate						
	Property	%	-0.22	0.55	0.01	-0.03	0.07
	Motor	%	-0.28	0.63	0.21	-0.17	0.52
	Marine	%	-0.44	1.14	-0.17	-0.17	0.07
	Engineering	%	-0.13	0.56	0.32	-0.27	1.18
	Micro	%	-0.33	2.80	34.14	-0.50	
	Aviation	%	19.08	3.81			
	Cattle and Crop	%	-0.03	0.97	0.44	-0.24	0.95
	Miscellaneous	%	-0.05	0.83	0.24	-0.05	0.11
15	Net Premium Growth Rate	%					
	Property	%	0.18	-0.03	-0.14	0.02	-0.03
	Motor	%	-0.12	0.13	0.36	-0.14	0.39
	Marine	%	0.16	0.14	-0.11	-0.23	0.32
	Engineering	%	0.10	0.46	1.31	0.21	-0.29
	Micro	%	-0.32	-1.69	-135.53	-0.50	
	Aviation	%	0.23	3.54			
	Cattle and Crop	%	0.37	-0.73	6.30	-0.24	0.89
	Miscellaneous	%	1.00	0.13	0.33	0.09	-0.15
16	Net Insurance Premium/ Gross Insurance Premium						
	Property	%	0.37	0.24	0.39	0.45	0.43
	Motor	%	0.63	0.52	0.75	0.66	0.64
	Marine	%	0.52	0.25	0.47	0.43	0.47
	Engineering	%	0.22	0.17	0.18	0.10	0.06
	Micro	%	0.70	0.70	-3.83	1.00	1.00
	Aviation	%	0.06	0.94	1.00		
	Cattle and Crop	%	0.20	0.14	1.06	0.21	0.21
	Miscellaneous	%	0.32	0.15	0.24	0.23	0.20
17	Reinsurance Commission Income/ Gross Reinsurance Premium	%	25.69	29.33	14.70	27.52	28.76
18	Gross Premium Revenue/ Equity	%	54.42	63.15	86.90	59.67	59.47
19	Net Premium Revenue/ Equity	%	24.98	27.28	30.19	30.47	28.64
20	Gross Insurance Premium/Total Assets	%	29.68	30.39	40.68	24.68	23.61
21	Return on Investments & Loan	%	8.96	6.69	7.73	7.93	6.39
22	Net Profit/ Gross Insurance Premium	%	24.69	20.99	12.21	21.55	21.27

Continue...

Source: Financial Annual Report 2079/80,NICL

Annexure III

Major Financial Indicator

Fig. in NPR

S.N	Particular	Indicators	Fiscal Year				
			2079/80	2078/79	2077/78	2076/77	2075/76
	Equity						
1	Net worth	NRs.	4,409,812,911	3,643,098,743	3,078,843,457	2,561,874,411	2,192,359,305
2	Number of Shares	Number	20,123,606.19	17,498,788	15,216,337	13,174,318	11,762,784
3	Book value per shares	NRs.	219	208	202	194	186
4	Net Profit	NRs.	705,012,511	547,344,015	506,981,534	482,622,491	348,924,741
5	Earning per Shares (EPS)	NRs.	35	31	29	32	30
6	Dividend per Shares (DPS)	NRs.	-	16	16	16	9
7	Market Price per Shares (MPPS)	NRs.	891	694	1,348	607	489
8	Price Earning Ratio	Ratio	25	22	47	17	16
9	Change in Equity	%	21	18	20	17	20
10	Return on Equity	%	16	15	16	19	16
11	Capital to Total Net Assets Ratio		46	48	49	51	54
12	Capital to Technical Reserve Ratio		1.16	1.15	1.05	1.19	1.19
13	Affiliate Ratio		-	-	-	-	-
	Business						
14	Total Premium Growth Rate						
	Property	%	12.19	16	15	17	13
	Motor	%	4.26	8	8	1	13
	Marine	%	178.43	22	(5)	6	(88)
	Engineering	%	20.31	36	4	51	1,044
	Micro	%	(28.03)	(29)	574	1,172	100
	Aviation	%	(100.00)	(33)	(53)	(205)	(100)
	Cattle and Crop	%	58.69	94	49	4	(62)
	Miscellaneous	%	12.29	21	8	(15)	538
15	Net Premium Growth Rate						
	Property	%	(0.83)	17.71	31.11	22.56	-

Source: Financial Annual Report 2079/80, NECO

Appendix II

Major Indicator of sampled company as per Annual Report 2074/75

शिखर इन्स्योरेन्स कम्पनी लिमिटेड

अनुसूची- २७

प्रमुख सूचकाङ्कहरू

क्र.सं.	विवरण	सूचकाङ्क	आर्थिक वर्ष							
			२०७४/७५	२०७३/७४	२०७२/७३	२०७१/७२	२०७०/७१	२०६९/७०	२०६८/६९	२०६७/६८	२०६६/६७	२०६५/६६	२०६४/६५
१	नेट वर्थ	रु.	१,७७१,९०७,८४४	१,७७३,७७८,७१७	१,४२३,३४८,०८५	७९८,४७३,३९३	५८८,९९१,८४९	३९२,१९१,९७९	२८१,२१६,३४३	२२७,२३१,१२२	१७१,४१७,२२९	१५२,५९१,४७४	१४२,८९१,०७४
२	शेयर संख्या	संख्या	१०,५७५,१०६	८,१७८,६८३	५,०९८,९७०	३,४७६,९१०	२,९७७,७२०	१,७४०,०००	१,२४०,०००	१,२४०,०००	१,२४०,०००	१,२४०,०००	१,२४०,०००
३	प्रति शेयर किताबी मूल्य	रु.	२०५.४१	१७८.७५	१४९.१४	१२३.२३	१९६.४१	१०६.१७	२२४.९७	१८१.७९	१३७.१५	१२२.१८	११४.२९
४	खुद नाफा	रु.	३९९,२७४,७८२	३६०,००७,७८९	३०६,६१५,३९२	२१९,६१८,८४६	१४१,१२७,१३१	८२,४४६,५९९	५७,२१४,५४१	४६,२३४,७६५	३२,४३५,५९१	२५,५०१,३०५	१२,६९१,५४६
५	प्रति शेयर आय (EPS)	रु.	४४.०३	६०.१३	६१.४०	४४.०४	४७.१९	४६.०१	४४.९९	२६.३५	२०.४०	२०.४०	१०.५५
६	प्रति शेयर लाभांश (EPS)	रु.	३०.५२५	६३.१५८	२६.३२	२०.००	२१.०५	४२.१०	-	१२.६३	१३.५०	-	-
७	प्रति शेयर बजार मूल्य (MPPS)	रु.	१,६४५	३,२४९	६९०	९४०	४०६	२९९.००	३०४.००	३२७.००	३९१.००	४५५	४५५
८	मूल्य आम्दानी अनुपात (PE Ratio)	अनुपात	२६.०८	४४.०९	११.२४	२१.३५	८.६२	६.३३	६.७६	१२.४१	१६.२२	४५.४९	२४.४९
९	खुद बीमाशुल्क र कुल बीमाशुल्क	प्रतिशत	४७.७१	५१.५३	४७.५०	४२.७६	३६.६१	३६.३८	३१.७०	३०.३९	२७.७९	२७.७९	२४.१९
१०	खुद नाफा र कुल बीमा शुल्क	प्रतिशत	२५.०८	२५.४४	३४.१२	२९.१४	२४.५८	२१.१६	९.१५	६.२१	६.०२	६.०२	३.६९
११	कुल बीमा शुल्क र कुल सम्पत्ति	प्रतिशत	१५३.६३	१५४.८९	१४०.८४	१६९.७२	१८२.१०	२४२.६५	३०७.९९	८०.४२	८६.५३	१०५.६४	८९.१९
१२	लगानी र कर्जाबाट आय र कुल लगानी र कर्जा	प्रतिशत	८.६७	५.४९	१४.१८	७.५६	७.५७	१०.५२	१०.५२	९.८४	७.३७	६.८०	६.१४
१३	पुनर्बीमक कमिशन आयर कुल बीमाशुल्क	प्रतिशत	११.४८	१०.१९	९.५२	११.२२	१०.१४	१०.१९	१२.३४	११.२६	१४.००	१२.२२	१३.२२
१४	व्यवस्थापन खर्च र कुल बीमाशुल्क	प्रतिशत	१९.८६	१०.८८	९.८७	११.३६	१५.६७	१५.१९	१६.२९	१५.५१	१५.०५	१५.०५	१५.०१
१५	बीमा अभिकर्ता सम्बन्धी खर्च र कुल बीमाशुल्क	प्रतिशत	१.०३	०.९८	०.९२	३.३८	३.८७	४.३७	३.४८	३.७७	४.४५	४.१५	४.६६
१६	बीमा अभिकर्ता संख्या	संख्या	७५	६४	६५	५०	६२	७६	७४	७९	८३	८३	७८
१७	कर्मचारी संख्या	संख्या	४४०	२८४	२२९	१७३	१४०	१२८	१००	१०२	८७	७९	७९
१८	कार्यालयको संख्या	संख्या	८७	४४	३०	१८	१४	१३	१०	१०	६	६	६
१९	कर्मचारी खर्च र व्यवस्थापन खर्च	प्रतिशत	४८.४५	५४.४६	५४.३६	५१.९९	४६.४२	४०.२३	४०.८१	४८.१०	४३.१०	४६.७८	४९.३६
२०	कर्मचारी खर्च र कर्मचारी संख्या		४५८,२४९	४८५,४४४	३६५,४४४	३६८,९३३	३६८,९३३	३४९,००१	३०७,३४७	२९२,५०२	२६०,२९९	२४१,७७९	२६५,४०८
२१	भुक्तानी हुन बाँकी दाबी रकम र भुक्तानी भएको दाबी रकम	प्रतिशत	३५.०७	३९.४५	५५.३३	६३.५८	८९.२५	८७.२९	९३.०३	७२.००	१९.००	४५.५५	
२२	भुक्तानी हुन बाँकी दाबीको संख्या र यस वर्ष भुक्तानी भएको दाबीको संख्या	प्रतिशत	५९.१४	५७.७७	७२.९७	६५.४५	४९.०३	७२.८८	७२.९२	५०.२०	२५.८४	९.७१	
२३	कुल कायम रहेको बीमालेखको संख्या	संख्यामा	३०९,४४४	२६५,७१८	२१४,९७२	१७१,२७२	१४९,१४२	१६,८४४	३६,४८६	३६,४९६	१८,१५८	१८,१०८	
२४	पस वर्ष कायम रहेको बीमालेखको संख्या र गत वर्ष कायम रहेको बीमालेखको संख्या	प्रतिशत	२०.१४	१८.१९	१५.१९	१५.२९	२९.२०	३१.२८	३८.६९	३८.४९	७७.२०	४१.००	३७.००
२५	दाबी परेको बीमालेखको संख्या र कुल कायम रहेको बीमालेखको संख्या	प्रतिशत	१.७४	१.१८	१.७१	२.५५	२.६३	२.७७	४.२०	७.०९	६.२१	७.५४	९.८३
२६	सोल्भेन्सी मार्जिन	प्रतिशत	१.७८	५.०१	५.०२	३.२०	२.३७	-	-	-	-	-	-

Source: Financial Annual Report 2074/75,SICL

नेपाल इन्स्योरेन्स कम्पनी लिमिटेड

वित्तीय विवरणको अभिन्न अंगको रूपमा रहने अनुसूचीहरू

प्रमुख सूचकाङ्कहरु

अनुसूची- २७

क्र.स.	विवरण	सूचकाङ्क	आर्थिक वर्ष				
			२०६६/६७	२०६७/६८	२०६८/६९	२०६९/७०	२०७०/७१
१.	नेट वर्थ	रू.	२१,४९,७७,१००.४६	२२,३१,३४,६६४.२०	२६,२७,७५,०७०.२९	३०,०९,७९,७७६.३४	४५,०२,९०,३४०.०२
२.	शेयर संख्या	संख्या	१०,२६,८२४	१०,२६,८२४	१०,९८,२२६	१३,१९,०१६	२५,८१,६८८
३.	प्रति शेयर किताबी मूल्य	रू.	२०९.०७	२१९.२७	२३९.२७	२२८.१९	१७४.४२
४.	खुद नाफा	रू.	३,८४,३५,६७८.४३	९,०४,७८,३६३.७४	४,००,३३,३४६.३७	४,४९,१०,८२९.९२	२,८०,३८,००२.७४
५.	प्रति शेयर आय (EPS)	रू.	३७.४३	१०.२०	३६.४५	३४.८१	१०.८६
६.	प्रति शेयर लाभांश (DPS)	रू.	-	७.३७	२१.०५	-	९.४७
७.	प्रति शेयर बजार मूल्य (MPPS)	रू.	३६०.००	३६०.००	२०४.००	२३०.००	२५०.००
८.	मूल्य आम्दानी अनुपात (PE Ratio)	अनुपात	९.४९	३८.२९	५.६०	७.१८	२३.०२
९.	खुद बीमाशुल्क/कुल बीमाशुल्क	प्रतिशत	४८.६१	५३.४३	३९.२७	३९.२८	४९.०१
१०.	खुद नाफा/कुल बीमाशुल्क	प्रतिशत	११.२४	२.६४	७.४३	६.४६	३.८८
११.	कुल बीमाशुल्क/कुल सम्पत्ति	प्रतिशत	५६.९३	५३.४०	३८.०५	६०.१३	३४.००
१२.	लगानी र ऋणबाट आय/कुल लगानी र ऋण	प्रतिशत	६.६९	७.७३	८.९४	७.१०	७.०२
१३.	पुनर्बीमा कमिशन आय/कुल पुनर्बीमा शुल्क	प्रतिशत	२३.७३	२०.४६	२५.१८	२१.०६	२४.४६
१४.	व्यवस्थापन खर्च/कुल बीमाशुल्क	प्रतिशत	१८.६१	२१.७१	१७.७९	१३.३०	१६.२२
१५.	बीमा अभिकर्ता सम्बन्धी खर्च/कुल बीमाशुल्क	प्रतिशत	६.८३	६.१२	६.३६	६.२०	६.४०
१६.	बीमा अभिकर्ता संख्या	संख्या	१०४	९४	९४	१०२	१०२
१७.	कर्मचारी संख्या	संख्या	११२	१२२	१२४	१३७	१३७
१८.	कार्यालयको संख्या	संख्या	१३	१३	१५	१७	१७
१९.	कर्मचारीको खर्च/व्यवस्थापन खर्च	प्रतिशत	५८.३१	७७.३४	७२.१५	६७.२६	७२.३८
२०.	कर्मचारी खर्च/कर्मचारी संख्या	रू.	३,८९,०८३.७७	४,१८,६८२.९३	३,३८,०२२.०२	४,४७,२९३.६३	६,१८,८०९.७०
२१.	बुझ्नुनी हुन बाँकी दावी रकम/बुझ्नुनी भएको दावी रकम	प्रतिशत	४३.७९	६९.२४	९८.३५	७६.६४	८३.७९
२२.	बुझ्नुनी हुन बाँकी दावीको संख्या/वर्ष भरी बुझ्नुनी भएको दावीको संख्या	प्रतिशत	३२.६९	९४.९१	११९.४३	६५.३५	७७.८६
२३.	कुल कायम रहेको बीमालेखको संख्या	संख्याmा	३७,४३१	४०,३४७	४६,८९२	७०,८३७	९१,६७७
२४.	यस वर्ष नवीकरण भएको बीमालेखको संख्या/गत वर्ष कायम रहेको बीमालेखको संख्या	प्रतिशत	५७.४१	५३.४४	२८.०४	३२.४७	११.०३
२५.	दावी परेको बीमालेखको संख्या/कुल कायम रहेको बीमालेखको संख्या	प्रतिशत	२.३४	३.३१	२.८१	२.९६	३.४०
२६.	सोल्भेन्सी मार्जिन	प्रतिशत	-	-	-	-	-

NECO INSURANCE LIMITED

Comparative Statement of Financial Postion for 5 Years

Description	Financial Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	
	2070/71	2071/72	2072/73	2073/74	2074/75	
Source of Funds						
Share Capital	135,221,625	281,777,082	324,043,632	712,895,990	1,176,278,400	
Reserve and Funds	62,835,468	87,748,834	96,779,777	206,948,706	309,063,965	
Insurance Fund	73,216,320	119,308,170	180,095,367	284,361,253	435,591,329	
Long term loan/Calls in Advance	69,859,801	-	-	-	-	
Catastrophy Reserve	3,715,406	8,089,024	14,167,744	24,594,333	39,717,341	
Current Liabilities & Provisions	438,772,242	506,524,370	714,027,068	1,121,407,932	1,455,688,103	
Total Source	783,620,862	1,003,447,480	1,329,113,588	2,350,208,214	3,416,339,138	
Application of Funds						
Fixed Assets(Net)	12,935,191	15,749,548	29,064,069	199,196,437	217,780,949	
Investment	531,371,792	626,945,670	825,730,042	1,644,744,911	2,533,089,110	
Current Assets, Loans and Advances	238,496,310	360,182,395	473,997,313	506,266,866	665,469,079	
Deffered Expenses	817,569	569,867	322,165	-	-	
Brought Forward Losses	-	-	-	-	-	
Total Application	783,620,862	1,003,447,480	1,329,113,588	2,350,208,214	3,416,339,138	
Other Financial Indicators						
Net Worth	344,846,620	496,923,110	615,086,520	1,228,800,282	1,960,651,034	
Book Value Per Share	255.02	176.35	189.82	172.37	166.683	
Earning Per Share (EPS)	27.14	32.72	37.52	29.25	25.71	
Number of Branches	15	15	23	29	48	
No. of Staffs	96	129	167	239	285	
Total No. of Policies	44,176	51,182	126,254	204,557	269,822	

Source: Financial Annual Report 2074/75,NECO

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