STOCK PRICE BEHAVIOUR OF LISTED COMPANIES IN NEPAL STOCK EXCHANGE LTD.

A Thesis

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RECOMMENDATION

This is to certify that the thesis

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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DECLARATION

I hereby declare that this thesis work entitled "**Stock Price Behaviour of Listed Companies in Nepal Stock Exchange LTD.**" submitted to Office of the Dean, Faculty Management, Tribhuvan University, is my original work done in the form in partial fulfillment of the requirement for the degree of Master of Business Studies which is prepared under the supervision of respected supervisor **Rabindra Bhattarai** Lecturer of Shanker Dev Campus and **Rajan K.C**.

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Bikash Khanal

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ABBREVIATIONS

BODs	: Board of Directors
DPS	: Dividend Per Share
EPS	: Earnings Per Share
HGI	: Himalayan General Insurance Company Limited
LGI	: Lumbini General Insurance Company Limited
Ltd.	: Limited
MBS	: Master in Business Studies
MBVS	: Market to Book Value Per Share
PE	: Price Earnings
ROA	: Return on Assets
SICL	: Shikhar Insurance Company Limited
SIL	: Siddhartha Insurance Company Limited
SPSS	: Statistical Package for Social Sciences
TU	: Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background of Study

Investors and fund managers have an enduring difficulty in the form of the task of navigating the constantly shifting terrain of the stock market (Fama, 1965). It is very necessary to have the capacity to effectively forecast future stock values in order to get good returns on investments. According to Malkiel (2003), this complicated endeavor entails a number of different elements, both intrinsic and extrinsic, that impact swings in stock values for a variety of reasons. It is essential to highlight the fact that variations in stock prices are not the result of random occurrences; rather, there are a number of factors that contribute to these shifts. Early studies, such as that conducted by Collins (1957), shed light on crucial elements that impact stock prices. These factors include dividends, net profit, operational profits, and book value. Earnings from operations also have a role in the stock price (Collins, 1957). Since that time, a great number of efforts have been done to determine the particular variables that impact equity values in various stock exchanges at a variety of investment levels.

According to Levine (1997), the stock market, which is a reflection of the economy as a whole, serves a significant purpose in the process of fostering economic development by supporting the generation of capital and growth over the long term. According to Bekaert et al. (2005), stock exchanges not only function as trading platforms for securities, but they also play the role of mediators, linking those who are saving money with others who are in need of finance. The pooling of financial resources, the sharing of risks, and the transfer of wealth are all made possible by these markets. According to Demirguc-Kunt et al. (2008), efficient stock and bond markets are essential for the development of the economy because they determine how resources should be distributed among the most attractive investment possibilities. All of these different sectors, including the government, industry, businesses, and central banks, are carefully following the dynamics of the stock market (Bekaert et al., 2005). The stock market's effect extends to a variety of other industries. In addition to providing liquidity, marketability, and investment security, it acts as a conduit through which individual and small investors may channel their resources into profitable company activities (Levine, 1997). For the purpose of

fostering economic progress, governmental authorities actively encourage the expansion of capital markets and regulate their activities.

According to Gertler et al. (1988), the financial market is comprised of a wide variety of various debt and equity instruments that have varying maturity profiles. These instruments include both short-term and long-term assets. It is possible to divide the stock markets into two distinct categories: major and secondary. According to Allen and Faulhaber (1989), the primary market is the place where previously untraded financial assets, such as stocks and bonds, are presented to investors for the very first time. This is accomplished via the use of certain procedures, such as initial public offerings (IPOs). For the duration of this period, businesses are allowed to directly raise cash. The secondary market, on the other hand, is concerned with securities that have already been issued and serves to facilitate the trading of these securities after they have been listed (Allen and Faulhaber, 1989).

Stock prices are determined by the interplay between supply and demand dynamics in the market (Fama, 1970). This interaction is how stock prices are determined. The equilibrium between these forces is continually shifting, which has an effect on the pricing of shares. Based on Miller and Modigliani's research from 1961, dividends are a significant factor in determining stock prices since they are intimately connected to the earnings potential of a firm. According to Campbell and Shiller (1988), economic variables, such as interest rates and patterns of the business cycle, have a considerable influence on stock values, chiefly via fluctuations in the profitability of corporations. Other variables, including as political movements, regulatory adjustments, environmental concerns, and cultural developments, also have a role (French and Roll, 1986). These factors are not related to the economy itself. According to Fama (1991), another type of influencing components is comprised of internal market factors, which are characteristics that represent market mood and supply-demand connections.

Stock prices are ultimately influenced by a number of factors, including the commercial success of a firm, its capitalization plan, the laws imposed by the government, and market signals overall (Fama and French, 2004). According to Levine and Zervos (1998), the engagement of the investment sector is a substantial contributor to the economic progress of developing economies. These dynamics may

be better understood by the application of theories of stock price behavior, such as the classical theory and the efficient market theory (Fama, 1970; Malkiel, 2003). While fundamental and technical analyses are crucial components of the classical theory (Graham and Dodd, 1934), many variations of the efficient market hypothesis question standard assumptions of market inefficiency (Fama, 1970). Both of these statements are based on the idea that markets are inefficient. In order to serve as a resource for both policymakers and investors, the purpose of this research is to give significant insights into the variables that impact the performance of the Nepalese stock market. The Nepal Stock Exchange (NEPSE) serves as the main focus of this study, and the complicated link that exists between firm-specific features and stock prices is still being investigated. This is especially true within the setting of the NEPSE.

1.2 Statement of Problems

Due to the inherent risks that are associated with investing in the stock market, it is essential to have a solid understanding of the elements that determine the value of different stocks. To accurately estimate possible profits, it is necessary to make accurate predictions about stock prices. In order to achieve consistency in the forecasting of stock prices, it is necessary to precisely identify the factors that have a substantial effect on such prices (Fama, 1970; Malkiel, 2003).

In the context of Nepal, the stock market is relatively modest in comparison to markets that are more established and efficient throughout the globe. Neither the quantity of transactions nor the number of brokers or publicly listed corporations is very high. There is a mix of qualitative and quantitative elements that impact stock prices in Nepal. These factors are driven by the dynamics of supply and demand among investors. On the other hand, determining the particular factors that influence stock prices continues to be a process that is fraught with controversy and uncertainty. In spite of the fact that policymakers have been working hard to develop efficient development plans, the Nepalese stock market has been persistently confronted with problems, and sustained success has been difficult to achieve owing to difficulties in the implementation of policy.

Throughout the course of history, academics have endeavored to discover the factors that determined stock values. The identification of major elements that impact share

prices in the United States, such as dividends, net profit, operational profitability, and book value, was a pioneering effort that was carried out by Collins (1957). After then, both theoretical and empirical research has been conducted to investigate the factors that influence stock market prices. Irfan and Nishat (2002) conducted research on the Karachi Stock Exchange and discovered that the values of shares are highly impacted by a variety of characteristics, including dividend yield, payout ratio, size, asset growth, leverage, and earnings volatility. According to Khan (2011), research that are comparable to this one have shown that the stock prices are significantly influenced by company-specific factors, such as dividend policy.

In the context of Nepal, Sapkota and Pradhan (2016) conducted a study on commercial banks and came to the conclusion that factors such as earnings per share (EPS), dividends per share (DPS), price-to-earnings ratio (P/E ratio), leverage, return on assets (ROA), and gross domestic product (GDP) have a significant impact on market price per share (MPS). In another research, Pradhan and Dahal (2016) investigated the variables that determine the share prices of commercial banks in Nepal. They focused on aspects such as earnings per share (EPS), dividends per share (DPS), price-to-earnings ratio (P/E ratio), book value per share (BVPS), return on assets (ROA), and size. In addition, it was discovered that share prices are affected by macroeconomic factors such as gross domestic product (GDP), inflation, and money supply, with GDP being the most important of these factors.

Having the ability to precisely estimate stock prices is a difficult undertaking, because the values of stocks are influenced by a variety of circumstances. Gaining an understanding of the qualities that are unique to a firm as well as the macroeconomic elements may give significant insights into the fluctuations of stock prices. The specific factors that influence stock prices on the Nepalese stock market, on the other hand, continue to be a topic of investigation and call for more study.

Despite these studies, a comprehensive investigation into the qualitative and quantitative aspects that significantly predict stock prices in Nepal remains scarce. The extreme volatility of the stock market and potential asymmetrical information underscore the need for a nuanced understanding. This research aims to uncover the determinants of stock prices and their degree of influence, responding to critical research questions within the Nepalese context.

- What is the current position of MPS, EPS, DPS, BV, MBVS, P/E and ROA of sample insurance companies?
- What is the impact of EPS, DPS, BV, MBVS, P/E and ROA on MPS of sample insurance companies in Nepal?
- Which variable affect mostly the MPS of sample insurance companies in Nepal?

1.3 Objective of the Study

The major objective of this study is to measure the effect of study variables on MPS of companies listed in NEPSE. Specifically, the study objectives are as follows:

- To find out the current position of MPS, EPS, DPS, BV, MBVS, P/E and ROA of sample insurance companies.
- To analyze the impact of EPS, DPS, BV, MBVS, P/E and ROA on MPS of sample insurance companies in Nepal.
- To examined the most affecting variable on MPS of sample insurance companies.

1.4 Rationale of the Study

The study on the determinants of market prices for insurance companies in Nepal holds significant importance on multiple fronts. Firstly, it provides valuable insights for investors, both individual and institutional, aiding them in making informed decisions about investing in insurance companies. By understanding the factors that influence market prices, investors can assess the associated risks and potential returns, enhancing portfolio management.

Secondly, this research is crucial for risk assessment. Insurance companies play a pivotal role in managing financial risks for individuals and businesses. Analyzing the determinants of market prices helps in evaluating the financial health and stability of these insurers, ensuring that policyholders are entrusting their assets to reliable and secure providers. From a policymaker's perspective, the findings of this study can inform regulatory decisions and policies that promote a stable and competitive insurance industry. By identifying the factors impacting market prices, policymakers can design interventions that encourage responsible behavior within the industry, safeguarding the interests of policyholders.

Moreover, a robust insurance sector is vital for economic development. Insurance companies facilitate financial intermediation and risk management, contributing to economic stability. Policymakers can leverage insights into market price determinants to create an environment conducive to the growth of the insurance sector, fostering economic development. Academically, this research contributes to the field of finance and insurance by offering insights into how specific factors unique to the Nepalese insurance market influence market prices. This knowledge can serve as a foundation for future academic research and enhance the global understanding of insurance markets.

For insurance companies operating in Nepal, understanding market price determinants can be a strategic advantage. It empowers them to make informed decisions on pricing, risk management, and product development, potentially leading to a competitive edge. Furthermore, this research enhances investor confidence. A transparent and well-researched analysis of market price determinants boosts investor trust in the Nepalese insurance sector, encouraging more engagement in the market when backed by credible information. Lastly, it aids insurance companies in risk mitigation. By identifying key factors influencing their market prices, insurers can proactively manage these variables and adapt to changing market conditions, ultimately contributing to their long-term stability and success.

1.5 Limitation of the study

There are some limitations in this study which are as follows:

- This study is based on secondary data published by the sampled companies over the period of ten years (2013/14 to 2022/23).
- This research is concentrated at five sampled listed non-life insurance companies only so, the conclusion derived thereof cannot be generalized on the total capital market.
- The study only examined the effect of internal factors (EPS, DPS, BV, MBVS, P/E and ROA). The study doesn't examine external factor affecting the share price behavior such as inflation, interest rate, macro-economic factors, etc.

- The topic of share price determinants of listed companies is much more dynamic and it stakes huge resources including human and financial to cover the whole aspects of this research.
- Only limited financial and statistical tool are used to conduct a study.

CHAPTER II

LITERATURE REVIEW

Reviewing the literature is the process of assessing research papers and other important concepts into the fields of study where the inquiry is mostly focused. This is done to enable further research to be done in the areas of study that are the secondary emphasis and to identify all earlier studies, their findings, and their limitations. Substantial study on the Nepalese financial industry has historically been unfeasible, especially with relation to the share market. More lately, this has been particularly true.

2.1 Theoretical Review

The stock price behavior of listed companies is influenced by various factors, including company-specific characteristics, market dynamics, and external influences. Company-specific factors such as dividends, net profit, operational profits, and book value, along with financial indicators like EPS, DPS, P/E ratio, leverage, and ROA, significantly impact stock prices. Market dynamics, including supply and demand dynamics, investor sentiment, and trading volumes, also play a role in determining stock prices. External influences such as regulatory changes, political developments, and global economic conditions can further influence stock prices. Understanding these factors is crucial for investors and analysts in evaluating stock values and making informed investment decisions.

2.1.1 Concept of Capital Market

The expansion of a country's capital market is a significant indication of the robustness of the commercial infrastructure of that country. To encourage investment from the private sector, it is necessary to have a capital market that is prospering. In the capital market, people and organizations join together to engage in a variety of financial instruments such as stocks, bonds, and mutual funds. These instruments are employed to support productive activity in industries such as agriculture and manufacturing, and they provide investors the possibility of better returns (Pandey, 1999).

As a result of its ability to facilitate the mobilization and deployment of resources, manage risks and liquidity, and provide supervision for firms, capital markets play an essential role in the whole financial system (Mishkin & Eakins, 2015). In addition to

this, they function as channels through which privatization projects may be carried out and assist to the execution of monetary policies. Not only do capital markets encourage the expansion of institutional investors such as pension funds, insurance companies, and mutual funds, but they also encourage the development of mortgage markets and measures to decentralize fiscal policy (Madura, 2017). There are many different financial institutions that participate in the capital market and engage in long-term lending and borrowing practices.

When the securities marketing center (SMC) was first established in Kathmandu in the year 2001, it marked the beginning of the Nepali capital market. In 1984, the Securities Exchange Act was passed, which resulted in the establishment of the Securities Exchange Center (SEC). This organization, along with the Nepal Rastra Bank and the Nepal Industrial Development Corporation, was subsequently acquired by the government of Nepal. By issuing government bonds and stocks, as well as acting as an underwriter and broker, the Securities and Exchange Commission (SEC) was established with the purpose of facilitating the growth of the capital market. The Securities Exchange Center was reformed in 1993 and given the name Nepal Stock Exchange Ltd (NEPSE) with the intention of improving the financial sector of the nation (Bhattarai, 2008).

When it comes to enabling the movement of investable resources across different sectors, the capital market is an extremely important player. Both the fundamental Market and the Secondary Market are the two fundamental components that make up this arrangement. During the Primary Market, securities are issued in order to obtain cash for the purpose of establishing new businesses or expanding existing ones. The market for initial public offerings (IPOs) is a word that is often used to characterize this economic sector. Securities that are traded on the Primary Market may be purchased and sold at a variety of prices, including par value, premiums, and discounts; however, the Company Ordinance 2005 places restrictions on the amount of discounts that can be applied to stock sales in Nepal. According to Thapa (2008), the primary market serves as a platform for exchanging freshly issued financial assets, bringing together the demand for available financial resources and the supply of such resources.

Investors engage in the trading of securities that have been issued in the past on the Secondary Market. Both the stock exchange and the over-the-counter (OTC) Market are considered to be the two primary examples of this phenomenon. Although the stock exchange is an organized market, the over-the-counter (OTC) market has traditionally been seen as having a lower level of regulation. The structure of the over-the-counter (OTC) market, on the other hand, has developed over time and is now equivalent to that of stock markets. The over-the-counter (OTC) market is generally where unlisted securities, which are securities that are not traded on stock exchanges, are exchanged. There are a variety of listing requirements that are specific to each stock exchange, and the over-the-counter (OTC) market is a platform that facilitates trading of unlisted securities. According to facts provided by Bhattarai (2008), the Nepal Stock Exchange (NEPSE) is the third-largest market in the nation of Nepal.

2.1.2 Stock Price

At the time that shares of a publicly traded business are issued, the company is given a price. This price is an assignment of the value of those shares, which, in an ideal world, ought to be equivalent to the value of the company itself. As a result of a broad range of different situations, the price of a share of stock will move up and down. These factors include shifts in the economy as a whole, shifts within certain sectors, political events, conflict, and changes in the environment that surrounds the company. Both extrinsic and intrinsic factors have been proven to exert effects on stock price movements (Tandon & Malhotra 2013). The movement of stock prices is not independent in nature, and both types of factors have been acknowledged to exert such affects.

2.1.3 Market Price of the Stock

It is an essential indicator in the financial markets that indicates the current value at which a single share of a company's stock is traded in the market. The market price per share is a measure of the current value of a single share of stock. According to Mishkin and Eakins (2015), it is governed by the dynamics of supply and demand, which represent the collective view of investors on the future prospects and performance of the firm. There are a number of variables that might cause the market price per share to change regularly during the trading day (Madura, 2017). These factors include the statements made by companies about their results, the

circumstances of the macroeconomic environment, the trends in the industry, and the mood of investors. The market price per share is something that investors and analysts pay special attention to because it offers vital insights into how the market perceives the worth of a business and its potential for development (Hull, 2018). According to Gitman et al. (2020) it is used in a variety of financial computations, such as price-to-earnings ratios and dividend yield calculations, and it acts as a benchmark for establishing the market capitalization of a firm. The market price per share is a dynamic indicator that represents the continuing mood of the market and makes a significant contribution to the decision-making processes that are involved in investment decisions.

2.1.4 Determinants of Market Price of the Stock

The fact that shareholders have a claim to the leftover revenues and assets of a firm after all other creditors have been paid, shareholders are sometimes referred to as "residual owners" (Almumani, 2001). According to Gautam and Bista (2019), investors in common stock, who are the genuine owners of a firm, always invest with the intention of receiving large returns on their investments. According to Gormsen and Koijen (2020), the return on an investment in common stock is commonly measured as the capital gain that will be achieved following the sale of an asset that was acquired using common stock. According to Shrestha and Subedi (2019), the prices of common shares are often vulnerable to price swings as a result of external variables such as the state of the economy and the performance of the firm.

The amount that a buyer is willing to pay to a seller for one share of a business's stock on the open market is what determines the market price of a share, which is a representation of the worth of a company and its shares (Acharya, 2020). Common shareholders have preference in the event that the firm is dissolved (Gyawali, 2022). This is because they are the proprietors of the organization. Internal and external environments are two categories that may be used to describe the environment of a firm. According to Ruzgar and Chow (2023), the leaders of the organization have an impact on the internal environment. According to Dhakal (2019), businesses make it a priority to cultivate an atmosphere that is favorable to the increase of their stock prices. In the external environment, market circumstances have a substantial influence on the stock market value of a company. As a result, businesses are compelled to modify their operations in order to improve their stock value (Goh et al., 2021).

Since stock prices are very susceptible to environmental factors, they tend to increase when market circumstances are favorable and decrease when conditions are unfavorable (Acharya, 2019). Both of these trends are seen. According to Prowanta and Siswanti (2021), the rise in stock prices is often linked to market fundamentals such as supply and demand. A rise in a company's stock price occurs when the company's profitability and dividend payments improve, resulting in an increase in the number of buyers rather than sellers (Giri, 2024). According to Hedau and Mishra (2023), the price that investors are prepared to pay for a business's shares is influenced by their opinions of the firm as well as their expectations for the company's capabilities in the future. According to Dhakal (2019), stock indexes are used to reflect the market worth of a single share. The NEPSE index, which is a forerunner to the NEPSE stock price, is a representation of all firms that are listed on the NEPSE. Indexes are generated ratios that tabulate the average value of a set of securities (Acharya, 2020). indexes are a kind of financial instrument. A rise in profits per share (EPS) is associated with an increase in market price (Bhattarai, 2014).

Bhattarai (2014) discovered that there is a statistically significant negative link between the market price and the dividend yield. However, Bhattarai (2014) also brought attention to the significance of the dividend payout ratio in determining the price of the stock market. Authors pointed out that there is an inverse link between the payout ratio and the volatility of the stock price. In addition, Bhattarai (2014) discovered that there is a positive association between the price-earnings ratio and the stock price that is statistically significant. Almumani (2001) concluded his discussion by examining the influence that dividends have on the returns that shareholders get. Author emphasized that the major goal for shareholders is to obtain returns on their investments.

2.1.5 The Fundamental Hypothesis

As per the fundamental analysis hypothesis, the value of a stock is established by calculating the present value of its future cash flows, taking into account the risk associated with the firm. According to this theory, every share of stock has an inherent worth that is determined by the anticipated future cash flow potential for the company's owners. According to Shape et al. (1999), fundamental analysis starts with the realization that the true worth of an asset is equal to the total of the cash flow possibilities that it will have in the future. According to Shape et al. (1999),

fundamental analysis is a method that is used by long-term investors to determine the inherent value of a security by analyzing economic, industry, and managerial aspects. They place a significant emphasis on future dividend payments and profitability as primary factors that determine the price of the company (Clark & Francis, 1997).

The objective of fundamental analysis is to predict stock prices by analyzing facts pertaining to the economy, the industry, and the firm. Within the context of a risk-return framework, the major elements that are taken into consideration are earnings and value. Additionally, earning capacity and the economic climate are taken into consideration (Clark & Francis, 1997). In order to determine whether a security is cheap or overpriced, fundamental analysis investigates a variety of aspects, including corporate profitability, management, economic outlook, rivals, and market circumstances (Clark & Francis, 1997). Fundamental analysts aim to unearth still unknown knowledge about the future of a company by conducting an analysis of fundamental information, which includes profits and asset values (Will, 1999). This allows them to make predictions about the future as well.

For fundamental analysis to be useful, it is necessary to make the assumption that the knowledge on the future prospects of companies is incomplete. It is possible that some companies in certain industries are cheap, while other equities may be overpriced. Identifying companies that are cheap and selling stocks that are overvalued is the task of investors, who are responsible for evaluating numerous factors. When determining the return on investment in an industry, it is important to take into account a number of factors, including the profitability of the industry, the performance of firms operating within the sector, the economic forecast for the industry, and the broader economic outlook (Shape et al., 1999). In order to make educated selections about investments, prospective investors examine the records of a firm and evaluate them in relation to those of other organizations (Shape et al., 1999).

Fundamental analysis is centered on determining the intrinsic value of a company by concentrating on the potential for future cash flow that the stock presents. When attempting to anticipate stock prices, it takes into consideration economic, industry, and corporate aspects of various kinds. The objective of fundamental analysts is to identify stocks that are either undervalued or overpriced via the analysis of fundamental information. In order to make educated selections about investments,

investors need take into consideration a variety of elements, such as the profitability of the sector and the economic forecast.

2.1.6 The Technical Analysis Hypothesis

Some theories of technical analysis make use of past data on the volume and price of stocks in order to make predictions about future price movements in the stock market. A strategy that includes evaluating different graphs and charts of historical share prices in order to recognize trends and make forecasts based on the premise that history has a tendency to repeat itself is called the historical price analysis approach. According to Clark and Francis (1997), technical analysis is founded on the idea that the price of a security is established by the supply and demand in the market. The purpose of this particular study is to evaluate several aspects that are associated with supply and demand. Charts are applied by analysts in order to capture and evaluate historical financial data. They look for important patterns within the data in order to make predictions about future price movements. The purpose of these charts is to forecast future movements, and they may concentrate on individual stocks, market indexes, or both (Will, 1999).

Charles Dow, the founder of the Dow Jones Company and editor of the Wall Street Journal, is credited with laying the groundwork for the development of technical analysis. The Dow Theory, which was established by Dow around the year 1900, is today considered to be one of the oldest and most well-known technical tools that are now in existence. According to Dow (1902), the Dow Theory is able to recognize trends in either the general market or in particular equities. Primary movements or trends, also known as bull and bear markets, secondary movements, also known as corrections, and testing moves, also known as daily variations, are the three kinds of market movements that are classified by this system. (Dow, 1902) The basic objective of the Dow Theory is to recognize and investigate the major patterns that are occurring.

Some analysts additionally take into consideration odd-lot trades and short sells as a means of supplementing their technical analysis practice. According to Fransis (1996), odd-lot transactions are transactions that include exchanges of fewer than one hundred shares of a company's stock. These transactions are sometimes employed as a measurement of ignorant sentiment or opposite opinion. Investors engage in short

sales when they borrow assets from a broker and then sell those securities on the open market with the intention of making a profit by purchasing the securities back at a lower price at a later time (Fransis, 1996). At the same time as low levels of short sales may indicate that a bear market is about to come to an end, high levels of short sales might be seen as a sign of negative sentiment.

Technical analysis is a method that forecasts future price changes in the stock market by using previous data on price and volume. The concept that past patterns tend to repeat themselves and that supply and demand are the primary factors that impact the price of a security is the foundation of this theory. The Dow Theory is a well-known technical technique that was invented by Charles Dow. It classifies market movements into three categories: major trends, secondary movements, and testing moves. Additionally, some analysts believe odd-lot trades and short sales to be indications of market mood. Short sales are also regarded to be important.

2.1.7 Efficient Market Theory

According to Fama (1970), the efficient market hypothesis (EMH), which is often referred to as the efficient market theory (EMT), is a financial theory that puts forth the idea that financial markets are very efficient and that asset prices accurately represent all of the information that is currently accessible. Since the theory's birth in 1965, it has been the topic of substantial controversy among both academics and practitioners in the field of finance. Eugene Fama was the one who first presented this hypothesis.

Due to the fact that the EMH proposes that stocks always trade at their fair value on exchanges, it is difficult for investors to either buy stocks that are undervalued or sell stocks at prices that are inflated. Therefore, it should be difficult to beat the entire market via the use of professional stock selection or market timing, and the only option for an investor to achieve larger returns is by selecting assets that are riskier (Ang et al., 2010).

If the EMH is applied to the behavior of stock prices of firms that are listed on stock exchanges, it argues that the prices of equities, which are shares in corporations, are always efficient regardless of the circumstances. To put it another way, these prices correctly reflect the genuine worth of the firms that they represent, which includes the

underlying corporations. It is usual practice to divide the EMH into three distinct forms: the weak form, the semi-strong form, and the strong form (Fama, 1970).

There is no way to utilize historical prices to forecast future prices, according to the weak form, which says that all previous prices of securities are represented in the current values of such securities. According to the semi-strong form, the current prices are in accordance with all of the information that is accessible to the public, which includes financial statements and other disclosures. According to Fama (1970), the strong form suggests that all information, whether public or private, has already been incorporated into the stock prices.

With that being said, the EMH is not devoid of criticism. Investors like Warren Buffett, for instance, have been able to regularly outperform the market over extended periods of time, which, according to the EMH, is impossible by definition. Detractors of the EMH also refer to occurrences such as the stock market collapse that occurred in 1987, when the Dow Jones Industrial Average (DJIA) plummeted by more than twenty percent in a single day, and asset bubbles as proof that stock prices may significantly diverge from their fair values (Shiller, 2003).

In recent years, there has been a change in the attention of both academics and professionals towards the behavioural finance theory; yet, this phenomenon does not remove the relevance of the EMH. With a particular focus on the Baltic stock market, the purpose of this article is to provide an overview of the current condition of the EMH. The problem of doing research on the effectiveness of stock markets on a worldwide scale has been tackled by a significant number of academics. This discipline has been there since the 19th century, when the very first concepts and discoveries were made. Over the course of time, the concepts underwent progressive development and gained popularity, eventually reaching their pinnacle in the eighth decade. Nevertheless, the Baltic stock market and the effectiveness of its operations have a far more recent past. Because a significant number of earlier works were constructed on the basis of erroneous assumptions, the market does not have a full study. A concept known as the efficient market In contemporary finance, the notion of an efficient market continues to be an essential component. However, the notion itself is sound, despite the fact that its actual proof is equivocal. Ang et al. (2010) state that the EMH has the potential to be applied to the capital markets. While the EMH offers

a basic framework for understanding the behavior of stock prices in efficient markets, it is essential to keep in mind that markets may not always operate in an efficient manner, and that other variables might have an impact on stock prices.

2.2 Review of Related Studies

Acharya (2019) examined the variables influencing stock prices and assess their relationship with market price per share (MPS) among randomly selected 13 commercial banks. Through regression analysis, the study aimed to identify the impact of various micro and macro variables such as earnings per share (EPS), dividends per share (DPS), information disclosure, political instability, and economic growth rate on share prices in the Nepal Stock Exchange (NEPSE). The major findings revealed that EPS had a significant positive relationship with market price per share across all sampled banks, indicating its predominant influence on share prices. However, variables such as interest rate, retention ratio, cost of equity, market liquidity, and change in management were found to have insignificant effects on share prices in NEPSE. The study concluded that EPS played a crucial role in determining share prices in Nepalese commercial banks. The implications suggest that investors should focus on earnings per share as a key determinant when evaluating investment opportunities in the NEPSE.

Dhakal (2019) investigated the determinants of share prices of finance companies listed on the Nepal Stock Exchange Limited over the period of 2009 to 2018. Utilizing data sourced from the annual reports of sampled banks, the study employed regression analysis to analyze the relationship between various factors and share prices. The major findings indicated a significant positive association between earning per share, price-earnings ratios, and the size of the company with share price, while dividend yield, debt ratio, and dividend payout ratio showed a significant inverse association. The study concluded that company size, earning per share, and price-earnings ratio were the most influential factors in determining share prices in Nepalese finance companies. The implications of these findings emphasize the importance of these factors for investors in assessing the valuation and investment potential of finance companies listed on the Nepal Stock Exchange Limited.

Gautam and Bista (2019) analyzed the factors influencing the share prices of Nepalese non-life insurance companies. Through their research, the study aimed to identify key

determinants affecting stock prices and provide insights for potential investors to optimize their investment strategies in Nepal's emerging economy. Utilizing data analysis, the study investigated various factors including firm size, inflation, dividend per share, return on assets, and earnings per share, and their relationship with market price of shares and price-earnings ratio. The major findings revealed a positive correlation between firm size and market price of shares, indicating that larger companies tend to have higher share prices and price-earnings ratios. However, inflation, dividend per share, return on assets, and earnings per share showed negative relationships with market price of shares and price-earnings ratio. The study concluded that despite increases in return on assets and earnings per share, these factors did not significantly explain the variation in stock prices of Nepalese non-life insurance companies. The implications of these findings underscore the importance of understanding these determinants for investors to make informed decisions regarding their investment strategies in Nepal's non-life insurance sector.

Shrestha and Subedi (2019) investigated the relationship between inflation, growth of money supply, and stock price changes in the Nepalese stock market. Utilizing data analysis, they aimed to assess the responsiveness of the Nepalese stock market to macroeconomic developments, particularly in the monetary sector. The study found a positive correlation between inflation, growth of money supply, and stock price changes, indicating the market's sensitivity to macroeconomic factors. Additionally, the research highlighted the potential risks of a loose monetary policy leading to asset price bubbles in the stock market, predominantly influenced by financial institutions. The study also emphasized the effectiveness of Nepal Rastra Bank's policy on lending against share collateral in influencing the share market. Moreover, it identified investor speculation, news, and rumors as influential factors in the market, emphasizing the importance of transparency and communication to mitigate market distortions.

Arumsari et al. (2020) examined the impact of profitability, leverage, and company size on stock prices in insurance companies listed on the Stock Exchange from 2014 to 2018. Utilizing quantitative research methods, the study employed purposive sampling techniques to select a sample of nine insurance companies. Data were collected from financial statements, and multiple linear regression, F-test, and T-test were employed for analysis. The major findings revealed that profitability, leverage,

and company size collectively influenced stock prices, with company size demonstrating a positive and significant effect, while profitability showed no significant impact and leverage exhibited a negative and significant influence. The adjusted determination coefficient indicated that these variables contributed to 26.6% of the variation in stock prices, suggesting that other factors also play a significant role. The study's implication lies in providing additional insights for researchers in the field of financial accounting, aiding in the development of knowledge and understanding in this domain.

Acharya (2020) evaluated the market position of five sample commercial banks by comparing various metrics including market price per share, earnings per share, dividend yield, dividend payout ratio, and price-earnings ratio. Employing a judgmental sampling method, the study utilized secondary data to assess these parameters. The major findings revealed significant relationships between these metrics and the market price per share. Earnings per share exhibited a positive and statistically significant relation with market price per share, while dividend yield demonstrated a negative but statistically significant relation. Similarly, dividend payout ratio and price-earnings ratio showed positive relations with market price per share, both statistically significant. These findings highlight the importance of these financial metrics in influencing market prices and suggest implications for investors and stakeholders in assessing the performance and valuation of commercial banks.

Gormsen and Koijen (2020) analyzed the impact of the COVID-19 pandemic on the stock market and its implications for economic growth in different countries. They utilized data from aggregate stock and dividend futures markets to quantify investors' expectations about economic growth following the outbreak of COVID-19 until July 2020. By examining dividend futures, they were able to compute a lower bound on growth expectations and forecast expected growth using a forecasting model. Their findings revealed a significant decline in annual growth in dividends in the United States, Japan, and the European Union compared to pre-pandemic levels. Additionally, they forecasted a decline in GDP growth in these regions. However, they noted that news about U.S. monetary policy and fiscal stimulus measures had a positive impact on the stock market and long-term growth expectations. The study concluded that expected dividend growth improved since April 1 across all geographies. The implications of these findings underscore the importance of

monitoring economic indicators and policy responses to navigate the financial impacts of the COVID-19 pandemic effectively.

Goh et al. (2021) assessed the determinants and prediction of the Jakarta Stock Exchange (JKSE) Composite Index during the COVID-19 pandemic, utilizing FFT curve fitting. The objectives included analyzing descriptive statistics, conducting multicollinearity tests, hypothesis tests, determination tests, and predicting stock market fluctuations using FFT curve fitting. The study unveiled significant findings indicating that interest rates had a positive and significant impact on the stock market index, while the exchange rate had a negative and significant impact. Additionally, the F-test revealed that both interest rate and exchange rate significantly affected the JKSE index simultaneously. The FFT curve fitting predicted fluctuations and increases in the stock market over time, with an Adjusted R-Square of 0.719 indicating a substantial impact of independent variables on the dependent variable. The implications of these findings highlight the importance of considering interest rates and exchange rates in predicting stock market movements during periods of economic uncertainty such as the COVID-19 pandemic.

Prowanta and Siswanti (2021) analyzed the impact of the claim expense ratio and the technical reserve ratio on stock price, with the solvency ratio as an intervening variable, in insurance companies listed on the IDX (Indonesia Stock Exchange). The research population comprised all 12 insurance companies in Indonesia, with purposive sampling criteria selecting eight companies that continuously published quarterly financial reports from 2017 to 2018. Path Analysis was utilized for data processing and analysis. The major findings indicated a significant positive effect of the claim expense ratio on the solvency ratio, while the technical reserve ratio showed no impact on the solvency ratio. Additionally, the claim expense ratio had a significant positive effect on stock prices, whereas the technical reserve ratio had a significant negative effect. The solvency ratio was found to mediate the relationship between the technical reserve ratio and stock prices but not between the claim expense ratio and stock prices. The study concluded that these financial ratios play crucial roles in determining stock prices in insurance companies, with implications for investors and stakeholders in understanding the factors influencing stock performance in the insurance sector on the IDX.

Gyawali (2022) investigated the determinants of stock prices for commercial banks in Nepal, utilizing various independent variables such as dividends per share (DPS), earnings per share (EPS), price-earnings (P/E) ratio, return on assets (ROA), GDP, and inflation rate, with stock price (MPS) as the dependent variable. Data spanning five years (2017-2021) from the annual reports of ten selected commercial banks were analyzed using SPSS version 23, employing descriptive and causal-comparative research design. The major findings revealed that DPS, EPS, and P/E ratio significantly influenced stock prices positively, indicating their importance as determinants. While ROA and GDP also showed positive effects on stock prices, they did not reach statistical significance. Conversely, the inflation rate exhibited a negative and insignificant impact on stock prices. The study concludes that DPS, EPS, and P/E ratio play crucial roles in determining stock prices for commercial banks in Nepal, emphasizing the need for investors and policymakers to consider these factors for informed decision-making.

Hedau and Mishra (2023) identified the factors predicting the market price of equity in India, recognizing the significance of stock prices as an attraction for savvy investors. Utilizing secondary data from 2017 to 2022 of NIFTY's Next 50 index companies, the researchers employed OLS regression analysis. Additionally, they incorporated a qualitative approach through semi-structured open-ended surveys and interviews with experts to validate the regression findings. The responses were transcribed, coded, and analyzed using NVivo for pattern identification. The study discovered that dividend rate, book value, and return on net worth had statistically significant and positive influences on the market price of the sample firms, while the debt-to-equity ratio had a negative impact. Moreover, economic value added (EVA) emerged as a new variable significantly affecting market price. The implications of the study include aiding market participants in making informed investment decisions and contributing to the existing knowledge on stock valuation.

Maskey (2023) explored the factors influencing market share prices of life insurance companies listed in the Nepal Stock Exchange (NEPSE), an area that has been relatively underexplored in Nepalese research. With a focus beyond the banking sector, the study spans from 2012/13 to 2017/18, encompassing descriptive and inferential statistical analyses. Utilizing panel data from all life insurance companies listed on the NEPSE, Maskey employs regression analysis to test hypotheses derived

from a multiple regression model. The findings unveil that earning per share, dividend per share, price-earnings ratio, age of the company, and dividend yield emerge as significant determinants of share price. Particularly, dividends emerge as pivotal factors influencing investor decisions in Nepal, highlighting the profound impact of dividend policy on investor sentiment. This underscores the importance for both investors and life insurance companies to carefully consider dividend strategies. In essence, the study underscores the critical role of dividends and dividend policy in shaping investor behavior and market dynamics within the Nepalese life insurance sector, offering valuable insights for stakeholders to enhance investment strategies and decision-making processes.

Ruzgar and Chow (2023) analyzed the impact of financial crises on the Canadian economy, particularly examining the daily closing stock prices of five large Canadian banks during five crisis periods spanning from January 1975 to December 2020. Their objective was to determine the most influential index prices on the daily closing stock prices of banks during these crisis periods. Utilizing multiple linear regression analysis, they assessed the impact of various price indexes on bank stock prices during crises. Their findings revealed a positive impact of the "price index financials" on the daily closing prices of banks during the studied economic crises in Canada. They concluded that the impacts of price indexes on bank stock prices varied depending on the banks' investment portfolios, which may have contributed to the occurrence of economic crises. The study underscores the importance of understanding the relationship between index prices and bank stock prices during crisis periods for effective crisis management and mitigation strategies.

Giri (2024) explored the impact of various financial factors on the Market Price Per Share (MPS) of commercial banks in Nepal. Through the analysis of panel data from four commercial banks over a period of ten years (2070/2071-2079/2080), comprising 40 observations, the study investigates the correlation and influence of Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Net Worth Per Share on stock price movements. Utilizing secondary panel data, the study employs regression analysis to evaluate the relationship between these variables and MPS. The major findings indicate a significant positive correlation between MPS and DPS, PER, and Net Worth Per Share, while EPS exhibits a negligible effect on MPS for commercial banks in Nepal. The study concludes that certain financial factors,

particularly DPS, PER, and Net Worth Per Share, play a substantial role in influencing stock price movements in the Nepalese banking sector.

2.3 Research Gap

Through the concentration on non-life insurance companies, which is a sector that is often neglected in simplistic studies, this study intends to address the research vacuum that exists in the area of understanding stock price trends. The objective is to get a better understanding of the influence that informational elements, such as signaling effects, have on the development of prices by relying on the expertise of individual investors, brokers, and market analysts. This will allow the organization to untangle the complexities of stock price volatility within this industry. In the study, it is acknowledged that macroeconomic issues, such as political instability and strategic direction, have a substantial effect on stock prices. Investors have a limited awareness of the nuances of the Nepalese stock market, despite the fact that the sector has been gradually growing over the years. On the other hand, insurance firms have become more appealing as investment opportunities owing to the fact that they have efficient management, increased dividend distributions, and excellent operational efficiency. By diving into the complex processes that influence stock prices, notably in the non-life insurance market in Nepal, the research aims to fill in these information gaps and bridge the knowledge gap currently existing.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Design

A research design refers to the organized and systematic grouping of components for the purpose of collecting and evaluating data in a manner that takes into account the objectives of the study while optimizing its efficiency. It performs the role of the theoretical underpinning that directs the process of doing research. In this specific examination, a practical research design is applied, which incorporates features of both descriptive research and causal research. This study approach is mostly descriptive in nature, with the primary emphasis being on determining the extent to which internal factors have an impact on corporate stock prices. In addition, a causal study design is used in order to investigate the cause-and-effect relationships that exist between these variables via the utilization of correlation and regression analysis.

3.2 Population and Sample

This study investigates the firm-specific factors influencing the share prices of non-life insurance companies in Nepal, employing a combined descriptive and causal research design. From the pool of 14 non-life insurance firms in Nepal, a selective sample comprising five companies Himalayan Everest Insurance (HEI) which is previously Himalayan General Insurance, NLG Insurance Company Limited (NLG), Sagarmatha Lumbini Insurance Company Limited (SALICO) which is previously Lumbini General Insurance Company Limited, Siddhartha Premier Insurance Limited (SPIL) which is known as previously Siddhartha Insurance Limited and Sikhar Insurance Company Limited (SICL) was chosen for the study. The sample selection was conducted using a purposive sampling approach.

3.3 Nature and Sources of Data

This study relies entirely on secondary data, with quantitative information sourced from secondary sources. The essential data for assessing the firm's stock price is obtained from the company's annual financial reports. These reports, including the company's balance sheets, income statements, financial ratios, and details such as dividends, earnings, book value, and market prices, are extensively utilized as secondary data sources. The collection of secondary data is based on the annual

reports of the chosen insurance companies, covering the period from 2013/14 to 2022/23.

3.4 Data Procedures

Data acquired from various sources cannot be directly utilized for analysis in their original state. Therefore, a process of verification, reevaluation, editing, and tabulation was undertaken to transform the data into a suitable format for the analysis's objectives. The researcher took steps to enhance the reliability of the collected data by sourcing them from authorized and credible sources. Additionally, when necessary, various graphical charts were employed to provide visual interpretations. The data were systematically organized into tables based on their subject matter, ensuring a sequential presentation. Furthermore, financial ratios played a key role in the analysis and interpretation of share price determinants within the selected sample insurance companies.

3.5 Data Analysis Tools

The secondary data collected from various sources can only lead to a logical conclusion if the appropriate tools and techniques are applied. To analyze the data, the following statistical and financial tools have been employed.

Mean

An average (mean) is a single valued related from a group of values to represent them in some way, a value, which is supposed to stand for whole group of which it is part, as typical of all the values in the group. There are various types of averages; Arithmetic mean (AM, simple and weighted), median, mode, geometric mean, harmonic mean, are the major types of averages. The most and widely used measure representing the entire data by one valued is the AM. The value of AM is obtained by adding together all the items and dividing this total by the number of items. The mean was calculated using following formula:

$$\text{Mean } (\bar{X}) = \frac{x_1 + x_2 + x_3 + x_4 \ldots\ldots\ldots\ldots + x_n}{n}$$

$$\text{Or, } \bar{X} = \frac{\Sigma x}{n}$$

Where,

$\bar{X}$ = Arithmetic Mean return

x_1, x_2, x_3, x_4 …… x_n = Set of Observation

Σx = Sum of given Observation

n = Total number of Observations

Standard Deviation

The standard deviation (σ) 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. . The standard deviation was calculating using following formula:

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Where,

X = number of observations in the sample

$\bar{X}$ = mean of number of observations in the sample

n = number of years

$\Sigma(X - \bar{X})^2$ = Sum of Total number of observations deviation from mean in the sample.

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. The coefficient of variation was calculating using following formula:

$$\text{Coefficient of Variation (C.V.)} = \frac{\text{S. D.}}{\bar{X}} \times 100$$

Where,

$\bar{X}$ = Mean

S. D. = Standard Deviation

C.V. = Coefficient of Variation

Correlation Coefficient

Correlation may be defined as the degree of linear relationship existing between two or more variables. Two variables are said to be correlated is accompanied by the

change of another variable. If the increase (decrease) in the value of one variable on an average is associated with the increase (decrease) in the value of another variable, positive relationship is said to be existed. The relationship will be negative if increased (decreased) in the variable of one variable is associated with the decreased (increased) in the value of another variable. But the correlation coefficient always remains within the limit of +1 to -1. The correlation cofficient was calculationg using following formula:

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma xy - \Sigma x\Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2}\sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

Regression Analysis

Correlation coefficient measures the degree of relationship between two variables whereas the regression analysis is used to estimate the likely value of one variable from the now value of another variable. In regression analysis we establish. In regression analysis we establish a kind of average irreversible functional relationship between two variables. In other words, regression analysis is a mathematical measure of the average relationship between two or more variable in term original unit of data. To achieve this objective a multiple regression model is specified as:

$MP_{it} = \beta_0 + \beta 1 EPS_{it} + \beta 1 DPS_{it} + \beta 2 BVPS_{it} + \beta 3\ MBVS_{it} + \beta 4 P/E_{it} + \beta 5 ROA_{it} + \varepsilon$

Where:

MPS_{it} = Market Price Per Share

EPS_{it} = Earnings Per Share

DPS_{it} = Dividend Per Share

$BVPS_{it}$ = Book Value Per Share

$MBVS_{it}$ = Market to Book Value Per Share

P/E_{it} = Price Earnings Ratio

ROA_{it} = Return on Assets

$\beta 0$ = the intercept

$\beta 1$, $\beta 2$, $\beta 3$ $\beta 4$, $\beta 5$ = regression coefficient for respective variables

ε = error terms

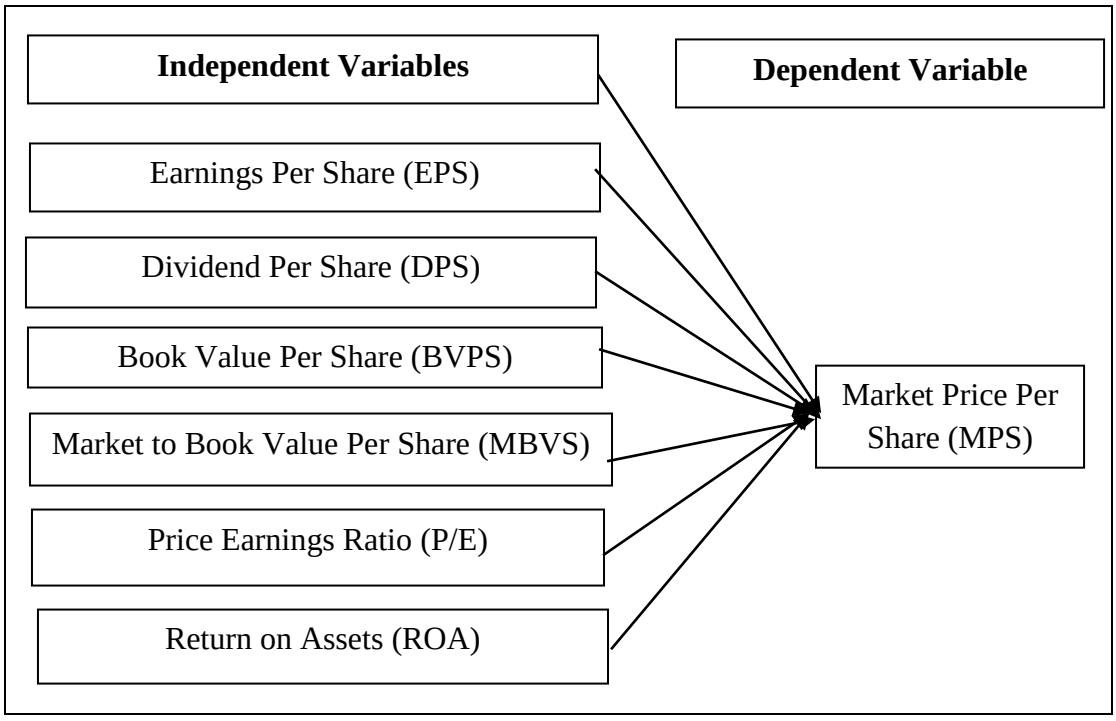
3.6 Research Framework

The study framework is derived from the previous empirical study of various researcher. Market price per share is used as dependent variable for the study while earnings per share, dividend per share, book value per share, market to book value per share, price earnings ratio and return on assets are taken as independent variables for the study. The framework for the study is presented in Figure 1:

$MP_{it} = \beta_0 + \beta 1 EPS_{it} + \beta 1 DPS_{it} + \beta 2 BVPS_{it} + \beta 3\ MBVS_{it} + \beta 4 P/E_{it} + \beta 5 ROA_{it} + \varepsilon$

Figure 1

Framework for the Study



(Source: Almumani 2014, Pradhan and Dahal, 2016 and Gautam & Bista (2019)

Market Price Per Share

The market price per share (MPS) is known as the current market value of a single share of a company's stock. This value is established by the forces of supply and demand that are present in the stock market. The opinions of investors about the present and future performance of a firm, as well as the growth potential and general market attitude towards the company, are reflected in this sentiment. MPS is affected

by a number of factors, some of which are the fundamentals of the firm, the circumstances of the market, the conduct of investors, and the macroeconomic variables itself. According to Acharya (2019), the market price of stock (MPS) has a positive correlation with profits per share (EPS). This suggests that greater earnings lead to enhanced investor confidence and demand for the company's stock, which ultimately results in the market price of the stock increasing. In a similar vein, Giri (2024) discovered that some parameters, including dividends per share (DPS), price-earnings ratio (PE), and net worth per share, had a favorable impact on the maximum price per share (MPS). This finding highlights the significance of financial performance and valuation indicators in the process of deciding stock prices in the Nepalese banking industry.

Earnings Per Share

EPS, or earnings per share, is an important financial indicator that evaluates the profitability of a firm on a per-share basis and reflects the part of a company's profit that is given to each existing share of common stock. EPS is also known as earnings per share. To determine earnings per share (EPS), divide the net income of the firm by the total number of shares that are currently outstanding. A higher earnings per share (EPS) number indicates a better possibility for shareholder returns and a higher level of profitability. Dhakal (2019) highlighted the positive association that exists between earnings per share (EPS) and share prices in Nepalese financial businesses. He also highlighted EPS as one of the most crucial aspects within the process of deciding stock prices. In a similar vein, Gyawali (2022) discovered that earnings per share (EPS) had a considerable impact on stock prices for commercial banks in Nepal. This finding highlights the significance of profitability measures in the process of company valuation and investment decision-making.

Dividend Per Share Per Share

The term "dividend per share" (DPS) refers to the proportion of a company's profits that is dispersed as dividends to each and every share of common stock that is currently in circulation. Dividends paid out (DPS) are a reflection of the dividend policy of the firm as well as its commitment to repaying earnings to shareholders. The higher the dividend payments and the opportunity for investors to generate income, the higher the dividend payouts and the higher the DPS value. Additionally, greater dividend yields contribute to increased investor demand, which in turn leads to better

stock prices for commercial banks in Nepal, according to Acharya (2020), who discovered that dividend payout ratio (DPS) has a considerable influence on market price per share. Furthermore, Prowanta and Siswanti (2021) emphasized the favorable impact that dividend payment systems (DPS) have on stock prices in insurance firms that are listed on the IDX. This finding suggests that dividend policies have a significant role in influencing the performance of stocks and the views of investors.

Book Value Per Share

The book value per share (BVPS) of a corporation is the entire equity of the company that is attributed to each existing share of common stock. This value is determined by dividing the shareholders' equity by the total number of shares that are now outstanding. The base value per share (BVPS) is a measure that measures the net asset value per share and gives insights into the inherent worth of a company's assets in comparison to its liabilities. According to Hedau and Mishra (2023), the book value per share (BVPS) has a positive impact on the market price of equities. This suggests that investors see higher book values as markers of better asset value and financial soundness, which ultimately results in higher stock prices. Furthermore, the BVPS acts as a fundamental tool for evaluating stock valuation and investment prospects, so assisting investors in making well-informed choices that are founded on the valuations of the underlying assets.

Market to Book Value Per Share

Market to book value per share (M/B) ratio is a comparison between the market value per share and the book value per share. This ratio offers insights into how the market values a firm in comparison to its accounting value. A ratio that is larger than one shows that the market values the firm higher than its book value, which may imply that the company is overvalued. On the other hand, a ratio that is less than one suggests that the company is undervalued. When it comes to understanding the dynamics of the stock market, especially during times of financial crisis, when deviations from book value may reveal market attitudes and speculative behaviors, Ruzgar and Chow (2023) stressed the relevance of the M/B ratio. Investors' opinions of a company's growth potential, profitability, and risk considerations are reflected in the M/B ratio, which in turn helps to influence stock prices and investment choices in accordance with those perceptions.

Price Earnings Ratio

Price-earnings ratio (PE) is a valuation indicator that compares the current market price per share of a business to its earnings per share (EPS). This comparison offers insights into the market's expectations for the growth of the firm's profits in the future. When the price-to-earnings ratio (PER) is high, it indicates that investors are prepared to pay a premium for each unit of earnings, which is an indication of confidence over the future success of the firm. On the other hand, a low PER may indicate that the company is undervalued or be concerned about its future growth prospects. A substantial positive connection exists between earnings per share (PER) and market price per share for commercial banks in Nepal, as stated by Giri (2024). This finding highlights the significance of earnings multiples in the process of stock valuation and the decision-making process of investors. A further function of PER is to act as a standard for comparing valuations across different firms and sectors. This allows investors to find prospective investment opportunities based on relative valuation criteria.

Return on Assets

Return on assets (ROA) is a profitability ratio that is determined by dividing net income by average total assets. It is a measure of a company's capacity to produce profits from its assets and is a measure of the company's ability to make profits. In addition to being an indicator of a company's operational success and financial health, return on assets (ROA) is a reflection of how effectively assets are used and managed in order to generate revenues or profits. Gyawali (2022) discovered that ROA has a positive impact on stock prices for commercial banks in Nepal. This finding suggests that better returns on assets contribute to enhanced investor confidence and demand for the company's stock, which ultimately results in higher market prices. Investors are guided in evaluating the quality of investment prospects and possible returns by the return on assets (ROA), which acts as a major performance statistic for measuring the efficacy of management and operational efficiency.

CHAPTER IV
DATA PRESENTATION AND ANALYSIS

This chapter extends the analysis and evaluation techniques discussed in Chapter third by employing a diverse set of financial and statistical tools aligned with the research strategy outlined in Chapter third. The analysis section presents a comprehensive range of data from various sources, organized into appropriate tables, and effectively utilizes different tables to present information based on their similarities. The research findings are compared with the conventional standards, incorporating ratio analysis, Bema samiti instructions, and other relevant factors.

4.1 Analysis of Financial Indicators

The summary of financial indicators of the sampled listed companies of this study are presented with ten years data (2012/13 to 2021/22) including market per share, market to book value per share, market to book value per share, dividend per share, earning per share, price earnings ratio, return on assets. Likewise descriptive statistics of panel data from five insurance companies was presented, while correlation analysis was presented to examine the relationship between dependent and independent variables and finally regression analysis was performed to analyze the effect of independent variables on dependent variable.

4.1.1 Market Price Per Share (MPS)

Market price per share, also referred to as the stock price or share price, signifies the current value at which an individual share of a company's stock is traded on a specific stock market or exchange. It mirrors the price at which potential buyers are willing to acquire shares and sellers are willing to sell them. The determination of market price per share is influenced by a multitude of factors, encompassing the company's financial performance, prevailing market conditions, investor sentiment, industry trends, and the overall interplay of supply and demand. These variables play a pivotal role in shaping investors' decisions to buy or sell, consequently impacting the stock's price. Stock prices are typically quoted in the currency of the respective stock exchange where they are listed, such as Nepalese Rupees (NPR) for companies listed on the Nepal Stock Exchange (NEPSE). Stock prices can exhibit fluctuations throughout the trading day due to market dynamics and news developments that influence either the company or the broader market. The market

share pricing data for selected insurance firms is presented in Table 4.1, covering the fiscal years from 2013/14 to 2022/23, appearing within the same row.

Table 4. 1 *Analysis of MPS*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	1125	863	120	800	940
2014/15	1283	559	490	649	690
2015/16	1380	1970	338	2520	3249
2016/17	745	1485	1450	1500	1941
2017/18	450	930	930	690	985
2018/19	350	930	430	455	771
2019/20	419	657	453	580	1019
2020/21	768	1220	780	1058	789
2021/22	520	478	382	543.7	807
2022/23	600	840	382	651.20	845
Mean	764.00	993.20	575.50	944.69	1203.60
S.D.	354.25	431.61	362.56	599.65	760.75
C.V.	46.37%	43.46%	63.00%	63.48%	63.21%

(Source: Annual Report of Respective Companies)

Table 4.1 is also shown in Figure 4.1 to show the trend on market price per share of sample insurance companies during the ten years of the study period.

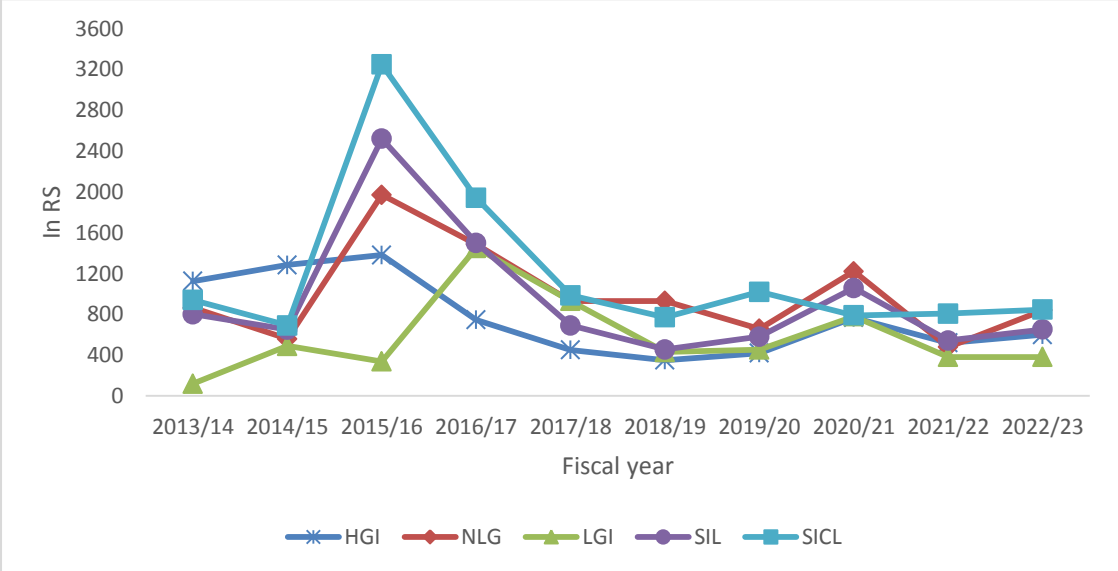


Figure 4. 1 *Trend of Market Price Per Share*

Table 4.1 and Figure 4.1 shows the market price per share of five sample insurance companies during the ten years of the study period i.e., 2013/14 to 2022/23. Himalayan General Insurance Company (HGI) has a mean market price per share of 764, with a minimum value of 350 and a maximum value of 1380. The standard

deviation of HGI's market price per share is 354.25, indicating a moderate level of variability. The coefficient of variation for HGI is 46.37%, suggesting a relatively moderate level of volatility compared to its mean price.

NLG Insurance Company (NLG) has a mean market price per share of 993.20, with a minimum value of 478 and a maximum value of 1970. The standard deviation of NLG's market price per share is 431.61, indicating a higher level of variability compared to HGI. The coefficient of variation for NLG is 43.46%, indicating a moderate level of volatility compared to its mean price.

Lumbini General Insurance Company (LGI) has a mean market price per share of 575.50, with a minimum value of 120 and a maximum value of 1450. The standard deviation of LGI's market price per share is 362.56, indicating a relatively lower level of variability compared to HGI and NLG. The coefficient of variation for LGI is 63.00%, suggesting a higher level of volatility compared to its mean price.

Siddhartha Insurance Company (SIL) has a mean market price per share of 944.69, with a minimum value of 455 and a maximum value of 2520. The standard deviation of SIL's market price per share is 944.69, indicating a higher level of variability compared to HGI and LGI. The coefficient of variation for SIL is 63.48%, indicating a higher level of volatility compared to its mean price.

Sikhar Insurance Company (SICL) has a mean market price per share of 1203.60, with a minimum value of 690 and a maximum value of 3249. The standard deviation of SICL's market price per share is 760.75, indicating a higher level of variability compared to HGI, LGI, and SIL. The coefficient of variation for SICL is 63.21%, suggesting a higher level of volatility compared to its mean price.

In comparison, among the insurance companies, SICL has the highest mean market price per share, while LGI has the lowest. However, when considering volatility, SIL and SICL exhibit higher levels of variability compared to the other companies, as reflected by their higher standard deviations and coefficients of variation. It's important for investors to consider both the mean price and the volatility of market prices when making investment decisions in the insurance sector.

4.1.2 Earnings Per Share (EPS)

Earnings Per Share (EPS) significantly impact the Market Price Per Share (MPS) of insurance companies. EPS is a fundamental financial metric that reflects a company's profitability on a per-share basis, indicating how much profit is attributable to each outstanding share. When insurance companies report higher EPS, it often signals stronger financial performance and profitability, which tends to attract investors and drive-up demand for the company's shares. This increased demand can result in a higher MPS as buyers are willing to pay more for a share of the company's earnings. Conversely, lower EPS may lead to a decreased MPS, as it suggests weaker financial performance and may deter investors, reducing demand for the stock. In summary, EPS serves as a key driver in influencing investor sentiment and, consequently, the MPS of insurance companies. The earnings per share for sample insurance firms is shown in Table 4.2 for the fiscal years 2013/14 to 2022/23 in the same row.

Table 4. 2 *Earnings Per Share*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	37.34	58	24.92	48.05	44.04
2014/15	52.96	45	27.31	61.62	61.4
2015/16	39.75	49.07	42.78	53.96	60.13
2016/17	31.61	36.07	46	47.51	44.03
2017/18	13.81	24.57	46	49.29	37.76
2018/19	22.98	31.61	26.57	29.58	38.35
2019/20	16.08	25.78	17.51	33.6	38.55
2020/21	9.01	14.66	16.39	34.4	17.75
2021/22	12.85	15.97	14.00	28.72	14.47
2022/23	19.34	14.26	4.83	21.10	8.52
Mean	25.57	31.50	26.63	40.78	36.50
S.D.	13.55	14.55	13.56	12.37	17.09
C.V.	52.99%	46.19%	50.90%	30.32%	46.82%

(Source: Annual Report of Respective Companies)

Table 4.2 is also shown in Figure 4.2 to show the trend on earnings price per share of sample insurance companies during the ten years of the study period.

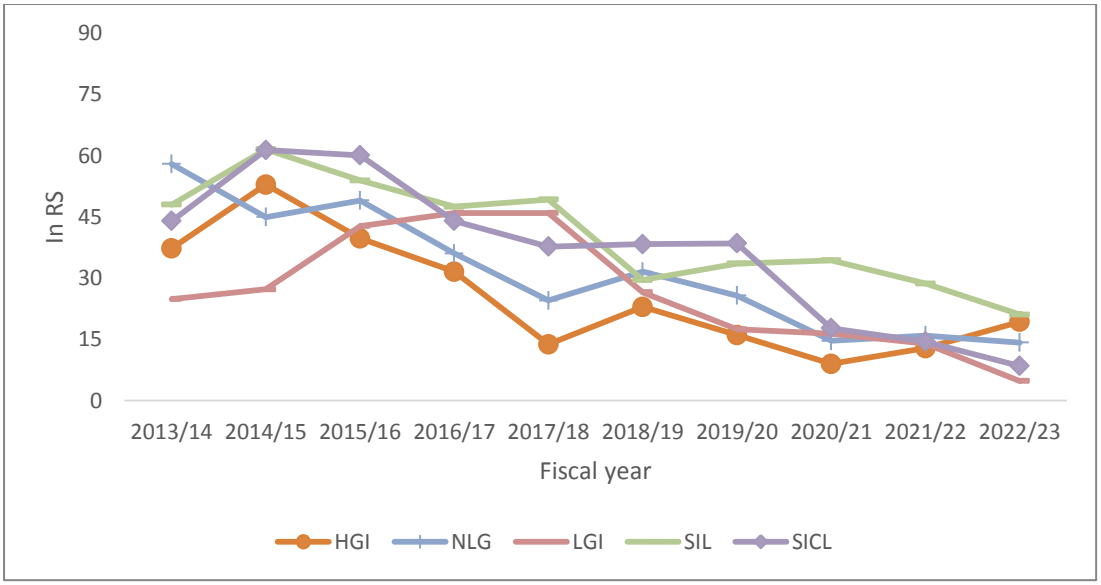


Figure 4. 2 *Trend of Earnings Per Share*

Table 4.2 and Figure 4.2 shows the earnings per share of five sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean earnings price per share of 25.57, with a minimum value of 9.01 and a maximum value of 52.89. The standard deviation of HGI's earnings price per share is 13.55, indicating a moderate level of variability. The coefficient of variation for HGI is 52.55%, suggesting a relatively moderate level of volatility compared to its mean price.

NLG Insurance Company (NLG) has a mean earnings price per share of 31.50, with a minimum value of 14.26 and a maximum value of 58.00. The standard deviation of NLG's earnings price per share is 14.55, indicating a lower level of variability compared to HGI. The coefficient of variation for NLG is 46.19%, indicating a moderate level of volatility compared to its mean price.

Lumbini General Insurance Company (LGI) has a mean earnings price per share of 26.63, with a minimum value of 4.83 and a maximum value of 42.78. The standard deviation of LGI's earnings price per share is 13.56, indicating a moderate level of variability. The coefficient of variation for LGI is 50.90%, suggesting a relatively moderate level of volatility compared to its mean price.

Siddhartha Insurance Company (SIL) has a mean earnings price per share of 40.78, with a minimum value of 21.10 and a maximum value of 61.62. The standard deviation of SIL's earnings price per share is 12.37, indicating a lower level of

variability compared to HGI and LGI. The coefficient of variation for SIL is 30.32%, suggesting a relatively moderate level of volatility compared to its mean price.

Sikhar Insurance Company (SICL) has a mean earnings price per share of 36.50, with a minimum value of 8.52 and a maximum value of 61.40. The standard deviation of SICL's earnings price per share is 17.09, indicating a moderate level of variability. The coefficient of variation for SICL is 46.82%, suggesting a relatively moderate level of volatility compared to its mean price.

In comparison, among the insurance companies, SICL has the highest mean earnings price per share, while LGI has the lowest. However, when considering volatility, HGI exhibits the highest level of variability compared to the other companies, as reflected by its higher standard deviation and coefficient of variation. It's important for investors to consider both the mean price and the volatility of earnings per share when making investment decisions in the insurance sector.

4.1.3 Dividend Per Share (DPS)

Dividend Per Share (DPS) has a notable influence on the Market Price Per Share (MPS) of insurance companies. DPS represents the portion of profits that a company distributes to its shareholders in the form of dividends on a per-share basis. When insurance companies consistently offer higher DPS, it signals their commitment to rewarding shareholders and often attracts income-focused investors. This increased demand for shares can drive up the MPS as investors are willing to pay more for a stock with a history of reliable dividend payments. Conversely, a lower DPS might lead to a decreased MPS, as it could indicate reduced returns for shareholders and potentially deter income-oriented investors. In essence, DPS plays a crucial role in shaping investor perception and, consequently, the MPS of insurance companies. Dividend per share of sample insurance companies during the ten years of the study period was presented in Table 4.3.

Table 4. 3 *Dividend Per Share*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	10.25	10.53	21	10.5789	21.05
2014/15	21.05	10.53	21	25	26.32
2015/16	21.05	13.2	26.31	30	63.158
2016/17	15	19.14	26.315	0	30.526
2017/18	0	26.99	0	0	0
2018/19	0	7.37	11.79	0	0
2019/20	7.75	10.53	11.44	3	38
2020/21	7	10.53	11.58	34.4	0
2021/22	2.89	10.53	10.53	9.4737	16.8241
2022/23	15.00	5.79	0	0	0
Mean	10.00	12.51	14.00	11.25	19.59
S.D.	7.48	5.88	9.07	12.86	19.87
C.V.	74.77%	46.96%	64.80%	114.38%	101.42%

(Source: Annual Report of Respective Companies)

Table 4.3 is also shown in Figure 4.3 to show the trend on dividend per share of sample insurance companies during the ten years of the study period.

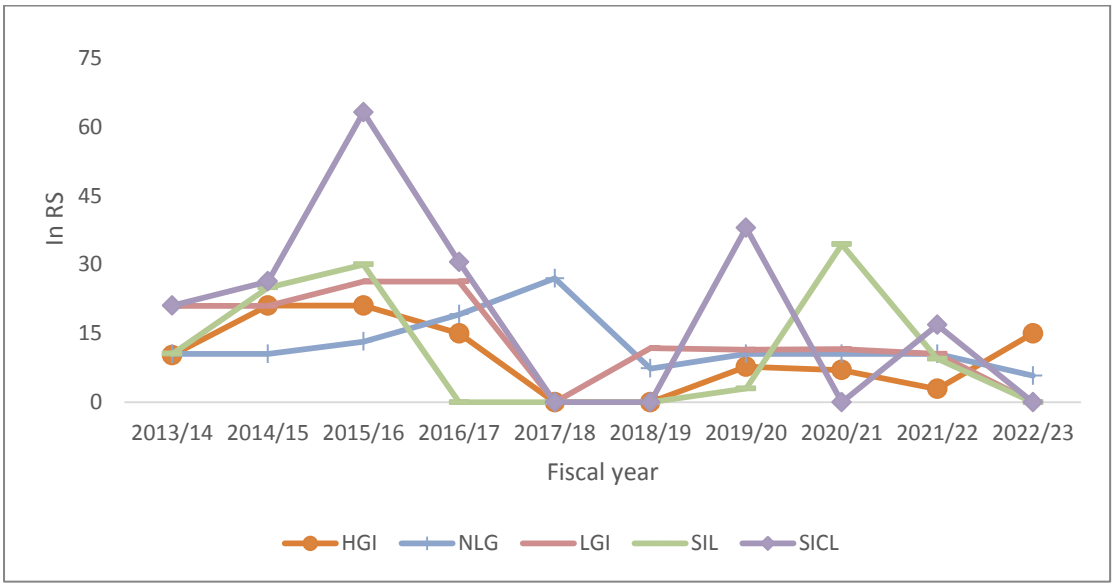


Figure 4. 3 *Dividend Per Share*

Table 4.3 and Figure 4.3 indicate the dividend per share of five sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean dividend per share of 10.00, with a minimum value of 0 and a maximum value of 21.05. The standard deviation of HGI's dividend per share is 7.48, indicating a moderate level of variability. The coefficient of variation for HGI is 74.77%, suggesting a relatively high level of volatility compared to its mean dividend.

NLG Insurance Company (NLG) has a mean dividend per share of 12.51, with a minimum value of 5.79 and a maximum value of 26.99. The standard deviation of NLG's dividend per share is 5.88, indicating a moderate level of variability. The coefficient of variation for NLG is 46.96%, suggesting a moderate level of volatility compared to its mean dividend.

Lumbini General Insurance Company (LGI) has a mean dividend per share of 14.00, with a minimum value of 0 and a maximum value of 26.31. The standard deviation of LGI's dividend per share is 9.07, indicating a moderate level of variability. The coefficient of variation for LGI is 64.80%, suggesting a moderate level of volatility compared to its mean dividend.

Siddhartha Insurance Company (SIL) has a mean dividend per share of 11.25, with a minimum value of 0 and a maximum value of 34.40. The standard deviation of SIL's dividend per share is 12.86, indicating a higher level of variability compared to the other companies. The coefficient of variation for SIL is 114.38%, suggesting a relatively high level of volatility compared to its mean dividend.

Sikhar Insurance Company (SICL) has a mean dividend per share of 19.59, with a minimum value of 0 and a maximum value of 63.158. The standard deviation of SICL's dividend per share is 19.87, indicating a higher level of variability compared to the other companies. The coefficient of variation for SICL is 101.42%, suggesting a relatively high level of volatility compared to its mean dividend.

In comparison, among the insurance companies, SICL has the highest mean dividend per share, while HGI has the lowest. However, when considering volatility, SIL and SICL exhibit higher levels of variability compared to the other companies, as reflected by their higher standard deviations and coefficients of variation. Investors should take into account both the mean dividend per share and the volatility of dividend payments when evaluating investment options in the insurance sector.

4.1.4 Book Value Per Share (BVS)

Book Value Per Share (BVPS) can significantly impact the Market Price Per Share (MPS) of insurance companies. BVPS represents the net asset value of a company divided by the number of outstanding shares. When BVPS is higher, it implies that the company's assets are relatively strong and that the stock may be undervalued,

attracting investors seeking favorable value propositions. This can lead to increased demand for the stock, pushing its MPS higher. Conversely, a lower BVPS may signal weaker asset positions, potentially resulting in a lower MPS as investors may perceive the stock as less attractive. In essence, BVPS serves as a fundamental metric that investors often consider when evaluating the intrinsic value of a stock, and it can significantly influence their buying decisions, subsequently affecting the MPS of insurance companies. Book value per share of sample insurance companies during the ten years of the study period was presented in Table 4.4.

Table 4. 4 *Book Value Per Share*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	180.64	228	156.28	189.07	196.51
2014/15	211.84	239	151.42	238.28	223.23
2015/16	170.93	256	181.69	243	279.14
2016/17	199.33	249	206	199.74	216.75
2017/18	154.78	237	219	208.76	205.42
2018/19	164.94	262	171	183.45	243.78
2019/20	170.93	229	204	215.37	298.45
2020/21	175.81	258	186	217.62	278.85
2021/22	177.30	211	192	225.38	240.15
2022/23	182.11	205	170	242.36	184.28
Mean	178.86	237.40	183.74	216.30	236.66
S.D.	15.59	18.49	20.92	20.28	36.57
C.V.	8.72%	7.79%	11.39%	9.37%	15.45%

(Source: Annual Report of Respective Companies)

Table 4.4 is also shown in Figure 4.4 to show the trend on book value per share of sample insurance companies during the ten years of the study period.

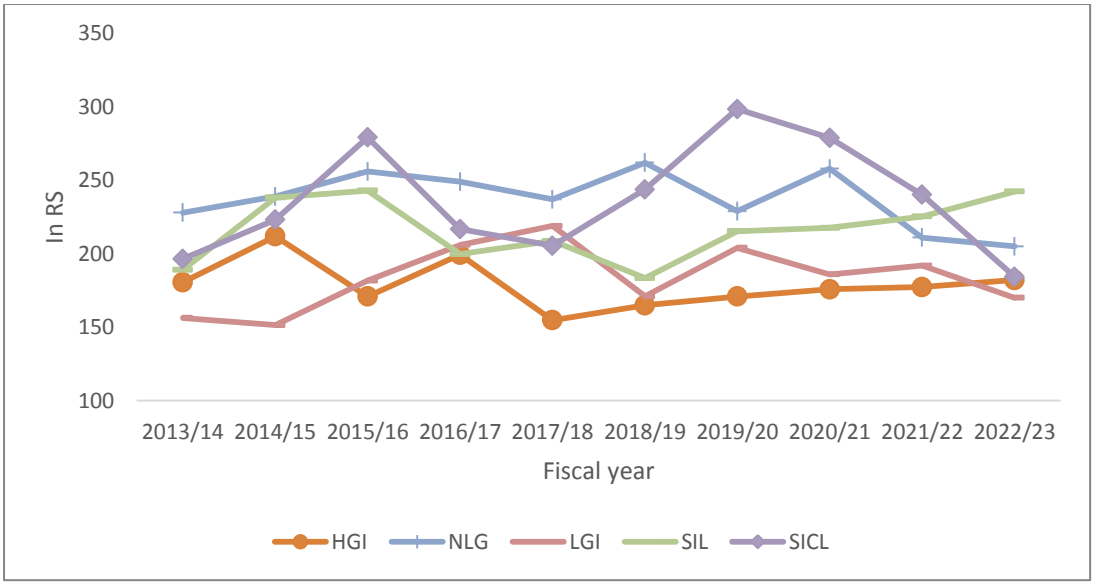


Figure 4. 4 *Trend of Book Value Per Share*

Table 4.4 and Figure 4.4 show the book value per share of five sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean book value per share of 178.86, with a minimum value of 154.78 and a maximum value of 211.84. The standard deviation of HGI's book value per share is 15.59, indicating a moderate level of variability. The coefficient of variation for HGI is 8.72%, suggesting a relatively low level of volatility compared to its mean book value.

NLG Insurance Company (NLG) has a mean book value per share of 237.40, with a minimum value of 205 and a maximum value of 262. The standard deviation of NLG's book value per share is 18.49, indicating a moderate level of variability. The coefficient of variation for NLG is 7.79%, suggesting a relatively low level of volatility compared to its mean book value.

Lumbini General Insurance Company (LGI) has a mean book value per share of 183.74, with a minimum value of 151.42 and a maximum value of 219. The standard deviation of LGI's book value per share is 20.92, indicating a higher level of variability. The coefficient of variation for LGI is 11.39%, suggesting a moderate level of volatility compared to its mean book value.

Siddhartha Insurance Company (SIL) has a mean book value per share of 216.30, with a minimum value of 183.45 and a maximum value of 242.36. The standard deviation of SIL's book value per share is 20.28, indicating a moderate level of

variability. The coefficient of variation for SIL is 9.37%, suggesting a relatively low level of volatility compared to its mean book value.

Sikhar Insurance Company (SICL) has a mean book value per share of 236.66, with a minimum value of 184.28 and a maximum value of 298.45. The standard deviation of SICL's book value per share is 36.57, indicating a higher level of variability. The coefficient of variation for SICL is 15.45%, suggesting a moderate level of volatility compared to its mean book value.

In comparison, among the insurance companies, SICL has the highest mean book value per share, while HGI has the lowest. When considering volatility, LGI and SICL exhibit higher levels of variability compared to the other companies, as reflected by their higher standard deviations and coefficients of variation. Investors should take into account both the mean book value per share and the volatility of the book values when evaluating investment options in the insurance sector.

4.1.5 Market to Book Value Per Share (MBVS)

The Market-to-Book Value Per Share (M/BVPS) ratio is a critical factor influencing the Market Price Per Share (MPS) of insurance companies. This ratio compares the market value of a company's shares to its book value per share. When the M/BVPS ratio is greater than 1, it indicates that the market values the company's shares more highly than their book value, suggesting positive investor sentiment and growth expectations. This often drives up the MPS as investors anticipate future profitability and performance. Conversely, an M/BVPS ratio less than 1 implies that the market values the shares below their book value, potentially signalling concerns about the company's financial health or growth prospects. This can lead to a lower MPS as investors may be cautious or less optimistic about the company's future performance. In summary, the M/BVPS ratio reflects investor perceptions of a company's intrinsic value, and it can significantly impact the MPS of insurance companies based on market sentiment and growth expectations. Table 4.5 present the market to book value per share of five sample insurance companies during the ten years of the study period.

Table 4. 5 *Market to Book Value Per Share*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	6.23	3.79	0.77	4.23	4.78
2014/15	6.06	2.34	3.24	2.72	3.09
2015/16	8.07	7.70	1.86	10.37	11.64
2016/17	3.74	5.96	7.04	7.51	8.96
2017/18	2.91	3.92	4.25	3.31	4.80
2018/19	2.05	3.47	3.22	2.48	3.16
2019/20	2.38	2.83	2.11	2.69	3.41
2020/21	4.26	5.15	4.19	4.86	2.83
2021/22	3.34	2.24	3.59	2.41	3.36
2022/23	3.29	4.10	2.25	2.69	4.59
Mean	4.23	4.15	3.25	4.33	5.06
S.D.	1.84	1.62	1.64	2.51	2.77
C.V.	43.51%	39.00%	50.29%	58.01%	54.80%

(Source: Annual Report of Respective Companies)

Table 4.5 is also shown in Figure 4.5 to show the trend on market to book value per share of sample insurance companies during the ten years of the study period.

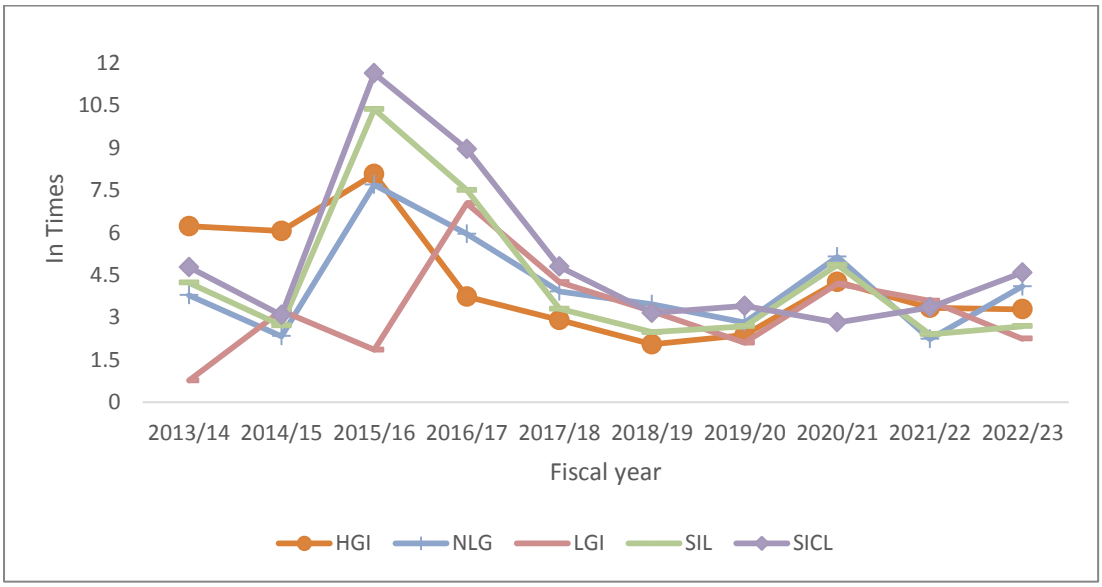


Figure 4. 5 *Trend of Market to Book Value Per Share*

Table 4.5 and Figure 4.5 show the market to book value per share of five sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean market to book value per share of 4.23, with a minimum value of 2.05 and a maximum value of 8.07. The standard deviation of HGI's market to book value per share is 1.84, indicating a moderate level of variability. The coefficient of variation for HGI is 43.51%, suggesting a relatively high level of volatility compared to its mean market to book value.

NLG Insurance Company (NLG) has a mean market to book value per share of 4.15, with a minimum value of 2.24 and a maximum value of 7.70. The standard deviation of NLG's market to book value per share is 1.62, indicating a moderate level of variability. The coefficient of variation for NLG is 39.00%, suggesting a relatively high level of volatility compared to its mean market to book value.

Lumbini General Insurance Company (LGI) has a mean market to book value per share of 3.25, with a minimum value of 0.77 and a maximum value of 7.04. The standard deviation of LGI's market to book value per share is 1.64, indicating a moderate level of variability. The coefficient of variation for LGI is 50.29%, suggesting a relatively high level of volatility compared to its mean market to book value.

Siddhartha Insurance Company (SIL) has a mean market to book value per share of 4.33, with a minimum value of 2.41 and a maximum value of 10.37. The standard deviation of SIL's market to book value per share is 2.51, indicating a higher level of variability. The coefficient of variation for SIL is 58.01%, suggesting a relatively high level of volatility compared to its mean market to book value.

Sikhar Insurance Company (SICL) has a mean market to book value per share of 5.06, with a minimum value of 2.83 and a maximum value of 11.64. The standard deviation of SICL's market to book value per share is 2.77, indicating a higher level of variability. The coefficient of variation for SICL is 54.80%, suggesting a relatively high level of volatility compared to its mean market to book value.

In comparison, among the insurance companies, SICL has the highest mean market to book value per share, while LGI has the lowest. When considering volatility, all companies exhibit a relatively high level of variability, as reflected by their moderate to high standard deviations and coefficients of variation. Investors should carefully assess the market to book value per share and take into account the volatility when evaluating investment options in the insurance sector.

4.1.6 Price Earnings Ratio (PE)

The Price Earnings (P/E) ratio is a crucial factor influencing the Market Price Per Share (MPS) of insurance companies. This ratio assesses the market's valuation of a company's shares relative to its earnings per share (EPS). A higher P/E ratio indicates

that investors are willing to pay more for each dollar of earnings, reflecting optimism about the company's growth potential and future profitability. This optimistic sentiment can drive up the MPS as investors compete to buy shares. Conversely, a lower P/E ratio suggests that investors are more cautious or less optimistic about the company's earnings prospects, potentially leading to a lower MPS. The P/E ratio, therefore, plays a significant role in determining the MPS of insurance companies, reflecting market sentiment and expectations regarding their financial performance and growth outlook. Table 4.6 present the price earnings ratio of five sample insurance companies during the ten years of the study period.

Table 4. 6 *Price Earnings Ratio*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	31.25	15	4.82	16.65	21.35
2014/15	30.2	12	17.94	10.53	11.24
2015/16	34.08	35.18	7.9	46.7	54.03
2016/17	23.57	41.17	32	31.57	44.09
2017/18	32.59	37.85	20	14	26.08
2018/19	15.23	29.42	21	15.38	20.1
2019/20	26.06	25.24	19	17.26	26.43
2020/21	25.28	35.02	58	30.76	23.45
2021/22	40.48	26.57	43.89	18.93	55.36
2022/23	31.03	58.95	78.87	30.87	98.59
Mean	28.98	31.64	30.34	23.27	38.07
S.D.	6.50	12.78	22.22	10.68	24.63
C.V.	22.44%	40.39%	73.24%	45.91%	64.70%

(Source: Annual Report of Respective Companies)

Table 4.6 is also shown in Figure 4.6 to show the trend on price earnings ratio of sample insurance companies during the ten years of the study period.

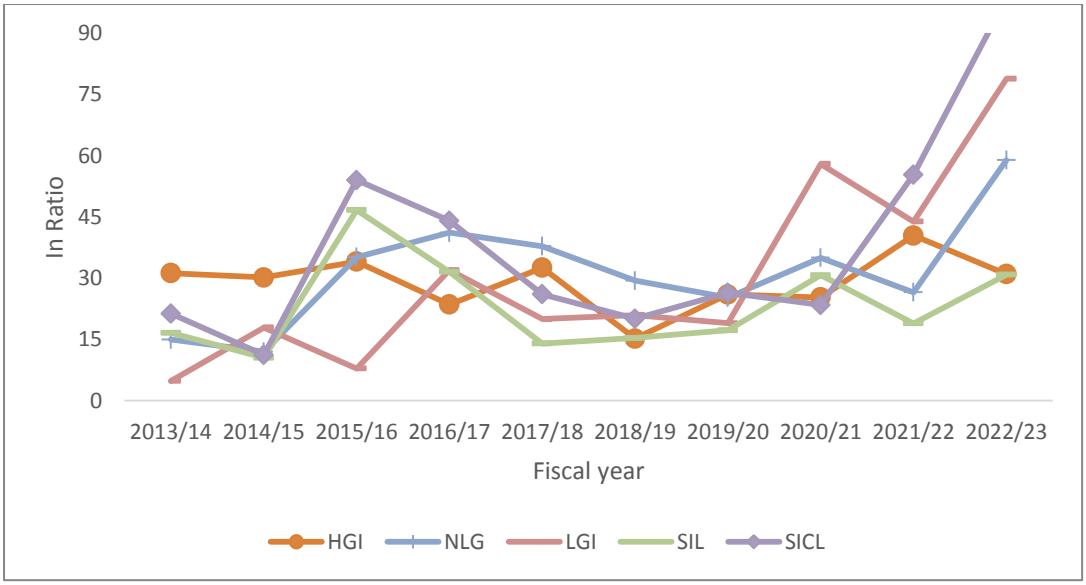


Figure 4. 6 *Trend of Price Earnings Ratio*

Table 4.6 and Figure 4.6 show the price earnings ratio (P/E ratio) of five sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean P/E ratio of 28.98, with a minimum value of 15.23 and a maximum value of 40.48. The standard deviation of HGI's P/E ratio is 6.50, indicating a moderate level of variability. The coefficient of variation for HGI is 22.44%, suggesting a relatively low level of volatility compared to its mean P/E ratio.

NLG Insurance Company (NLG) has a mean P/E ratio of 31.64, with a minimum value of 12 and a maximum value of 58.95. The standard deviation of NLG's P/E ratio is 12.78, indicating a moderate level of variability. The coefficient of variation for NLG is 40.39%, suggesting a relatively high level of volatility compared to its mean P/E ratio.

Lumbini General Insurance Company (LGI) has a mean P/E ratio of 30.34, with a minimum value of 4.82 and a maximum value of 78.87. The standard deviation of LGI's P/E ratio is 22.22, indicating a higher level of variability. The coefficient of variation for LGI is 73.24%, suggesting a relatively high level of volatility compared to its mean P/E ratio.

Siddhartha Insurance Company (SIL) has a mean P/E ratio of 23.27, with a minimum value of 10.53 and a maximum value of 46.7. The standard deviation of SIL's P/E ratio is 10.68, indicating a moderate level of variability. The coefficient of variation

for SIL is 45.91%, suggesting a relatively high level of volatility compared to its mean P/E ratio.

Sikhar Insurance Company (SICL) has a mean P/E ratio of 38.07, with a minimum value of 11.24 and a maximum value of 98.59. The standard deviation of SICL's P/E ratio is 24.63, indicating a higher level of variability. The coefficient of variation for SICL is 64.70%, suggesting a relatively high level of volatility compared to its mean P/E ratio.

In comparison, among the insurance companies, SICL has the highest mean P/E ratio, while SIL has the lowest. When considering volatility, LGI and SICL exhibit higher levels of variability compared to the other companies, as reflected by their higher standard deviations and coefficients of variation. Investors should carefully assess the P/E ratios and take into account the volatility when evaluating investment options in the insurance sector.

4.1.7 Return on Assets (ROA)

Return on Assets (ROA) plays a crucial role in influencing the Market Price Per Share (MPS) of insurance companies. ROA measures a company's ability to generate profits from its total assets. When a company exhibits a higher ROA, it signifies efficient asset utilization and profitability, instilling confidence in investors. This positive sentiment often leads to an increased demand for the company's shares, causing the MPS to rise. Conversely, a lower ROA may raise concerns among investors about the company's ability to generate profits from its assets, potentially leading to a lower MPS as demand for shares wanes. Table 4.7 present the return on assets of five sample insurance companies during the ten years of the study period.

Table 4. 7 *Return on Total Assets*

Fiscal Year	HGI	NLG	LGI	SIL	SICL
2013/14	10.34	15.23	5.15	13.7	12.92
2014/15	9.24	9.91	7.01	15.01	15.85
2015/16	1.88	7.91	7.09	8.23	5.75
2016/17	2.21	7.65	7.4	7.41	5.58
2017/18	2.99	7.19	5.97	8.33	7.5
2018/19	2.62	5.22	6.54	5.66	5.52
2019/20	2.89	5.52	5.24	6.84	5.03
2020/21	5.42	3.84	3.88	5.7	4.02
2021/22	3.05	2.85	3.77	4.25	3.98
2022/23	5.48	2.67	4.89	4.68	3.79
Mean	4.61	6.80	5.69	7.98	6.99
S.D.	2.84	3.58	1.25	3.45	3.89
C.V.	61.66%	52.70%	21.88%	43.28%	55.67%

(Source: Annual Report of Respective Companies)

Table 4.7 is also shown in Figure 4.7 to show the trend on price earnings ratio of sample insurance companies during the ten years of the study period.

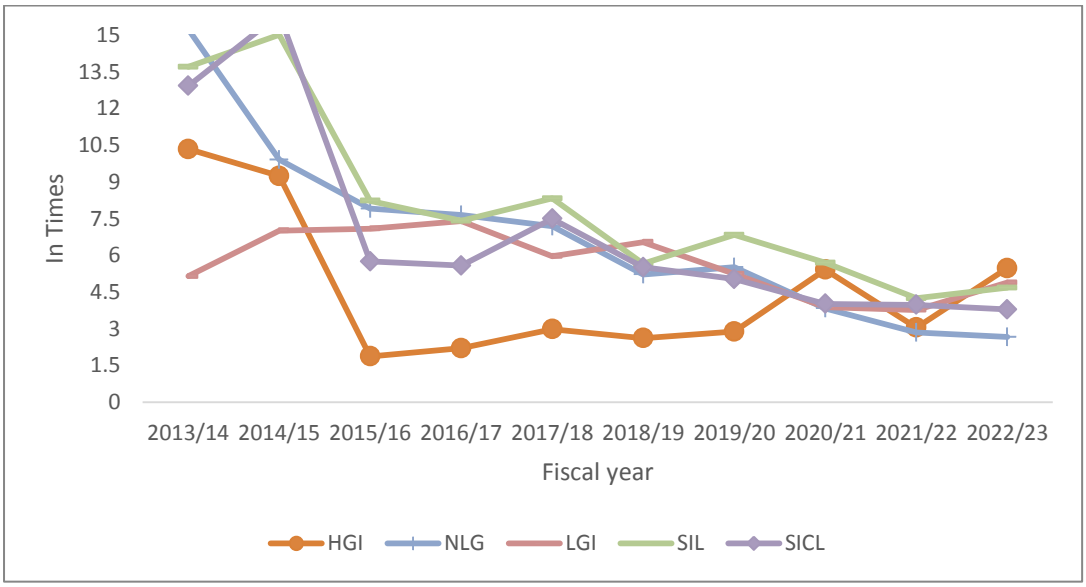


Figure 4. 7 *Trend of Return on Assets*

Table 4.7 and Figure 4.7 show the financial surplus to assets ratio or return on assets (ROA) of the sample insurance companies during the ten years of the study period. Himalayan General Insurance Company (HGI) has a mean ROA of 4.61%, with a minimum value of 1.88% and a maximum value of 10.34%. The standard deviation of HGI's ROA is 2.84%, indicating a moderate level of variability. The coefficient of variation for HGI is 61.66%, suggesting a relatively high level of volatility compared to its mean ROA.

NLG Insurance Company (NLG) has a mean ROA of 6.80%, with a minimum value of 2.67% and a maximum value of 15.23%. The standard deviation of NLG's ROA is 3.58%, indicating a moderate level of variability. The coefficient of variation for NLG is 52.70%, suggesting a relatively high level of volatility compared to its mean ROA.

Lumbini General Insurance Company (LGI) has a mean ROA of 5.69%, with a minimum value of 3.77% and a maximum value of 7.40%. The standard deviation of LGI's ROA is 1.25%, indicating a relatively low level of variability. The coefficient of variation for LGI is 21.88%, suggesting a relatively low level of volatility compared to its mean ROA.

Siddhartha Insurance Company (SIL) has a mean ROA of 7.98%, with a minimum value of 4.25% and a maximum value of 15.01%. The standard deviation of SIL's ROA is 3.45%, indicating a moderate level of variability. The coefficient of variation for SIL is 43.28%, suggesting a moderate level of volatility compared to its mean ROA.

Sikhar Insurance Company (SICL) has a mean ROA of 6.99%, with a minimum value of 3.79% and a maximum value of 15.85%. The standard deviation of SICL's ROA is 3.89%, indicating a moderate level of variability. The coefficient of variation for SICL is 55.67%, suggesting a relatively high level of volatility compared to its mean ROA.

In comparison, among the insurance companies, SIL has the highest mean ROA, while HGI has the lowest. When considering volatility, LGI exhibits the lowest level of variability, as reflected by its lower standard deviation and coefficient of variation. Investors should carefully assess the ROA and take into account the volatility when evaluating investment options in the insurance sector.

4.2 Descriptive Statistics

Descriptive statistics analysis is vital in summarizing and understanding the key features of a dataset, particularly when examining the interplay between EPS, DPS, BVPS, MVPS, PE, ROA, and market price per share in insurance companies. It involves calculating measures like mean, median, standard deviation, and range to reveal central tendencies and data spread. This aids in assessing variable distributions, spotting anomalies, and facilitates industry benchmarking to gauge performance.

Additionally, it assists decision-making by pinpointing influential metrics for market price per share, supporting strategic planning and informed choices. In essence, descriptive statistics are crucial for comprehending financial variables in the insurance sector, enhancing decision-making and performance assessment.

Table 4. 8 *Descriptive Statistics*

Variables	N	Min	Max	Mean	S.D
Market Price Per Share	50	120.00	3249.00	896.20	572.88
Earnings Per Share	50	4.83	61.62	32.20	15.59
Dividend Per Share	50	0.00	63.16	13.47	12.68
Book Value Per Share	50	151.42	298.45	210.59	34.79
Market to Book Value Per Share	50	0.77	11.64	4.20	2.23
Price Earnings Ratio	50	4.82	98.59	30.46	17.69
Return on Assets	50	1.88	15.85	6.42	3.39

(Source: Annual Report of Respective Companies)

Table 4.8 provides descriptive statistics of the study variables. The minimum market price per share is 120.00, while the maximum is 3249.00. The mean market price per share is 896.20, and the standard deviation is 572.88. These statistics suggest that the market price per share varies widely within the sample, with a significant range from the lowest to the highest value. The mean indicates the average market price per share, which can be used as a reference point for comparison with individual company values.

The minimum earnings per share (EPS) is 4.83, while the maximum is 61.62. The mean EPS is 32.20, and the standard deviation is 15.59. This suggests that EPS values in the sample exhibit a considerable range and variability. The mean value indicates the average earnings per share, providing a reference point for assessing the relative performance of individual companies.

The minimum dividend per share (DPS) is 0.00, while the maximum is 63.16. The mean DPS is 13.47, and the standard deviation is 12.68. These statistics indicate a wide range and variability in dividend per share values within the sample. The mean value represents the average dividend per share, serving as a benchmark for evaluating the dividend distribution of individual companies.

The minimum book value per share (BVPS) is 151.42, while the maximum is 298.45. The mean BVPS is 210.59, and the standard deviation is 34.79. This suggests that the

book value per share varies significantly across the sample, with a considerable range and some dispersion. The mean BVPS provides an average value that can be used as a reference for assessing the book value of individual companies.

The minimum market to book value per share (MVPS) is 0.77, while the maximum is 11.64. The mean MVPS is 4.20, and the standard deviation is 2.23. These statistics indicate a range and variability in market to book value per share within the sample, although the dispersion appears to be relatively smaller compared to other variables. The mean MVPS provides an average value that can be used as a benchmark for evaluating the market's perception of a company's value relative to its book value.

The minimum price earnings ratio (P/E) is 4.82, while the maximum is 98.59. The mean P/E is 30.46, and the standard deviation is 17.69. These statistics suggest a wide range and significant variability in price earnings ratios within the sample. The mean P/E value provides an average reference point for evaluating the relative valuation of companies based on their earnings.

The minimum return on assets (ROA) is 1.88, while the maximum is 15.85. The mean ROA is 6.42, and the standard deviation is 3.39. These statistics indicate a range and variability in return on assets within the sample. The mean ROA provides an average value that can be used as a reference for evaluating the profitability and efficiency of individual companies.

4.3 Correlation Analysis

Correlation analysis is a statistical method employed to gauge the strength and direction of associations between variables, and it holds significant importance when scrutinizing the connections among earnings per share (EPS), dividend per share (DPS), book value per share (BVPS), market to book value per share (MVPS), price earnings ratio (PE), and return on assets (ROA) in relation to the market price per share of insurance companies. This analytical approach furnishes investors with valuable insights, aiding in the assessment of financial performance, market perception, and the investment potential of insurance firms. By comprehending the correlations among these variables, both investors and insurance companies can make well-informed decisions and formulate effective strategies aimed at enhancing shareholder value and bolstering competitiveness within the industry.

Table 4. 9 *Correlation Analysis*

		MPS	EPS	DPS	BVPS	MVPS	PE	ROA
MPS	Pearson Correlation	1						
	Sig. (2-tailed)							
EPS	Pearson Correlation	.515**	1					
	Sig. (2-tailed)	.000						
DPS	Pearson Correlation	.581**	.468**	1				
	Sig. (2-tailed)	.000	.001					
BVPS	Pearson Correlation	.494**	.354*	.331*	1			
	Sig. (2-tailed)	.000	.012	.019				
MVPS	Pearson Correlation	.955**	.466**	.506**	.275	1		
	Sig. (2-tailed)	.000	.001	.000	.053			
PE	Pearson Correlation	.328*	-.401**	.018	.018	.373**	1	
	Sig. (2-tailed)	.020	.004	.899	.904	.008		
ROA	Pearson Correlation	.118	.727**	.218	.154	.093	-.373**	1
	Sig. (2-tailed)	.413	.000	.128	.285	.518	.008	

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

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

The correlation analysis reveals important insights into the relationship between the independent variables (earnings per share, dividend per share, book value per share, market to book value per share, price earnings ratio, and return on assets) and the dependent variable (market price per share).

In terms of EPS, there is a positive correlation of 0.515**, suggesting a moderate tendency for higher EPS to be associated with higher market prices per share. This correlation is statistically significant at the 0.01 level, indicating a reliable relationship.

Similarly, DPS shows a positive correlation of 0.581** with market price per share. This implies a moderate tendency for higher DPS to be associated with higher market prices per share. This correlation is also statistically significant at the 0.01 level, suggesting a reliable relationship.

The correlation between BVPS and market price per share is 0.494**, indicating a moderate positive relationship. This suggests that as the book value per share increases, there is a tendency for the market price per share to increase as well. The

statistical significance at the 0.01 level provides a high level of confidence in this relationship.

The correlation coefficient between MVPS and market price per share is 0.955**, indicating a very strong positive relationship. This suggests that companies with higher market-to-book value per share ratios tend to have higher market prices per share. The statistical significance at the 0.01 level further strengthens the confidence in this relationship.

Moving on to PE, the correlation coefficient is 0.328*, indicating a weak positive relationship. This suggests that there is a slight tendency for higher PE ratios to be associated with higher market prices per share. This correlation is statistically significant at the 0.05 level, indicating a somewhat reliable relationship.

Lastly, ROA exhibits a correlation coefficient of 0.118, indicating a very weak positive relationship. This suggests that there is a slight tendency for higher ROA to be associated with higher market prices per share. However, this correlation is not statistically significant, suggesting that the relationship may not be reliable.

It can be concluded that earnings per share (EPS), dividend per share (DPS), book value per share (BVPS), market to book value per share (MVPS), and price earnings ratio (PE) have statistically significant positive correlations with market price per share. However, return on assets (ROA) does not show a statistically significant relationship with market price per share, indicating that its relationship may not be reliable.

4.4 Regression Analysis

Regression analysis is a statistical method employed to explore and assess the association between a dependent variable and one or more independent variables. Its primary objective is to formulate a model that can forecast the value of the dependent variable based on the values of the independent variables. In the context of regression analysis, the dependent variable is commonly referred to as the outcome or response variable, while the independent variables are denoted as predictor variables or regressors. The overarching aim is to estimate the coefficients within the regression equation, which depict the magnitude and direction of the relationships between these variables. In the present study, regression analysis was conducted to scrutinize the

impact of earnings per share, dividend per share, book value per share, market to book value per share, price earnings ratio, and return on assets as independent variables on the market price per share, serving as the dependent variable. The structure of the regression model was as follows:

$$MP_{it} = \beta_0 + \beta 1 EPS_{it} + \beta 1 DPS_{it} + \beta 2 BVPS_{it} + \beta 3\ MBVS_{it} + \beta 4 P/E_{it} + \beta 5 ROA_{it} + \varepsilon$$

Table 4. 10 *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987	.974	.970	98.73847	2.083

a. Predictors: (Constant), ROA, MVPS, PE, BVPS, DPS, EPS

b. Dependent Variable: MPS

Table 4.10 summarizes the results of a regression analysis conducted on a set of variables. The model's R-squared value of 0.974 indicates that approximately 97.4% of the variance in the dependent variable (MPS) can be explained by the independent variables (ROA, MVPS, PE, BVPS, DPS, EPS) included in the analysis. This suggests that these independent variables collectively have a strong relationship with the market price per share (MPS). The adjusted R-squared value of 0.970 takes into account the number of predictors and the sample size, providing a more conservative estimate of the proportion of variance explained. The standard error of the estimate, which is 98.73847, represents the average distance between the observed values of MPS and the predicted values by the regression model. The Durbin-Watson statistic value of 2.083 suggests the absence of significant autocorrelation in the residuals. Overall, the analysis indicates that the selected independent variables have a strong influence on the market price per share of the insurance companies under consideration.

Table 4. 11 *ANOVA*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15662136.060	6	2610356.010	267.748	.000
	Residual	419219.310	43	9749.286		
	Total	16081355.370	49			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, MVPS, PE, BVPS, DPS, EPS

Table 4.11 shows the important information about the regression analysis conducted on the variables. The regression model, consisting of the predictors (ROA, MVPS, PE, BVPS, DPS, EPS), shows a significant overall relationship with the dependent variable, which is the market price per share (MPS) of the insurance companies. The F-value of 267.748 indicates the overall statistical significance of the relationship between the independent variables and the market price per share (MPS) of insurance companies. The extremely low p-value of .000 suggests that the likelihood of such a strong relationship occurring by chance is exceedingly low, further confirming the statistical significance of the regression model in predicting MPS.

Table 4. 12 *Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-877.291	94.813		-9.253	.000		
	EPS	1.909	2.210	.052	.864	.392	.167	5.972
	DPS	3.111	1.374	.069	2.265	.029	.655	1.526
	BVPS	3.794	.452	.230	8.391	.000	.804	1.244
	MVPS	213.115	11.332	.829	18.806	.000	.312	3.207
	PE	.616	1.251	.019	.493	.625	.406	2.463
	ROA	-6.823	6.878	-.040	-.992	.327	.366	2.730

a. Dependent Variable: MPS

Table 4.12 presents the results of a regression analysis where the dependent variable is the market price per share (MPS), and the independent variables are earnings per share (EPS), dividend per share (DPS), book value per share (BVPS), market to book value per share (MVPS), price earnings ratio (PE), and return on assets ratio (ROA).

Earnings per share (EPS) represents the portion of a company's profit allocated to each outstanding share of common stock. The coefficient for EPS is 1.909, suggesting that a one-unit increase in EPS leads to a 1.909 unit increase in MPS. However, this effect is not statistically significant, as indicated by the t-value of 0.864 and the p-value of 0.392. Therefore, it cannot establish a significant relationship between EPS and MPS in this analysis.

Dividend per share (DPS) refers to the amount of dividends distributed to shareholders per outstanding share of common stock. The coefficient for DPS is

3.111, indicating that a one-unit increase in DPS results in a 3.111 unit increase in MPS. This effect is statistically significant, as supported by the t-value of 2.265 and the p-value of 0.029. Hence, higher dividends per share have a significant positive effect on the market price per share of insurance companies.

Book value per share (BVPS) is the net asset value of a company divided by its total outstanding shares. The coefficient for BVPS is 3.794, suggesting that a one-unit increase in BVPS leads to a 3.794 unit increase in MPS. This effect is highly statistically significant, with a t-value of 8.391 and a p-value of 0.000. Thus, higher book values per share have a substantial positive effect on the market price per share of insurance companies.

Market to book value per share (MVPS) is the ratio of the market price per share to the book value per share. The coefficient for MVPS is 213.115, indicating that a one-unit increase in MVPS results in a 213.115 unit increase in MPS. This effect is highly statistically significant, with a t-value of 18.806 and a p-value of 0.000. Hence, companies with higher market values relative to their book values tend to have significantly higher market prices per share.

Price earnings ratio (PE) represents the ratio of a company's stock price to its earnings per share. The coefficient for PE is 0.616, implying that a one-unit increase in the price earnings ratio leads to a 0.616 unit increase in MPS. However, this effect is not statistically significant, as indicated by the t-value of 0.493 and the p-value of 0.625. Therefore, it cannot establish a significant relationship between PE and MPS in this analysis.

Return on assets ratio (ROA) measures a company's profitability relative to its total assets. The coefficient for ROA is -6.823, suggesting that a one-unit increase in the return on assets ratio leads to a -6.823 unit decrease in MPS. However, this effect is not statistically significant, as supported by the t-value of -0.992 and the p-value of 0.327. Therefore, it cannot establish a significant relationship between ROA and MPS in this analysis.

Among the independent variables, DPS, BVPS, and MVPS have significant effects on the market price per share (MPS) of insurance companies. EPS, PE, and ROA, on the other hand, do not show statistically significant effects on MPS in this analysis.

4.5 Major Findings of the Study

The major findings of the study are as follows:

- Sikhar Insurance Company (SICL) had the highest mean MPS at approximately 1203.60, while Lumbini General Insurance Company (LGI) had the lowest at approximately 575.50 *(Source: Table 4.1).*
- Siddhartha Insurance Company (SIL) had the highest mean EPS at approximately 40.78, with Himalayan General Insurance Company (HGI) having the lowest at approximately 25.57 *(Source: Table 4.2).*
- SICL had the highest mean DPS at approximately 19.59, whereas HGI had the lowest mean DPS at approximately 10.00 *(Source: Table 4.3).*
- NLG had the highest mean BVPS at approximately 237.40, and HGI had the lowest mean BVPS at approximately 178.86 *(Source: Table 4.4).*
- SICL had the highest mean MVPS at approximately 5.06, with LGI having the lowest at approximately 3.25 *(Source: Table 4.5).*
- SICL had the highest mean PE at approximately 38.07, while SIL Insurance Company (NLG) had the lowest mean PE at approximately 23.27 *(Source: Table 4.6).*
- SIL had the highest mean ROA at approximately 7.98%, and HGI had the lowest mean ROA at approximately 4.61% *(Source: Table 4.7).*
- The minimum market price per share is 120, while the maximum is 3249.00. The mean market price per share is 896.20, and the standard deviation is 572.88 *(Source: Table 4.8).*
- The minimum earnings per share is 4.83, while the maximum is 61.62. The mean EPS is 32.20, and the standard deviation is 15.59 *(Source: Table 4.8).*
- The minimum dividend per share is 0.00, while the maximum is 63.16. The mean DPS is 13.47, and the standard deviation is 12.68*(Source: Table 4.8).*
- The minimum book value per share is 151.42, while the maximum is 298.45. The mean BVPS is 210.59, and the standard deviation is 34.79 *(Source: Table 4.8).*

- The minimum market to book value per share is 0.77, while the maximum is 11.64. The mean MVPS is 4.20, and the standard deviation is 2.23 *(Source: Table 4.8).*
- The minimum price earnings ratio is 4.82, while the maximum is 98.59. The mean PE is 30.46, and the standard deviation is 17.69 *(Source: Table 4.8).*
- The mean PE value provides an average reference point for evaluating the relative valuation of companies based on their earnings *(Source: Table 4.8).*
- The minimum return on assets is 1.88, while the maximum is 15.85. The mean ROA is 6.42, and the standard deviation is 3.39 *(Source: Table 4.8).*
- There is a positive correlation of 0.515, suggesting a moderate tendency for higher EPS to be associated with higher market prices per share. However, this correlation is statistically significant at the 0.05 level, indicating that the relationship may is strong enough to draw definitive conclusions *(Source: Table 4.9).*
- DPS shows a positive correlation of 0.581 with market price per share *(Source: Table 4.9).*
- The correlation between BVPS and market price per share is 0.494, indicating a moderate positive relationship *(Source: Table 4.9).*
- The correlation coefficient between MVPS and market price per share is 0.9555, indicating a strong positive relationship *(Source: Table 4.9).*
- The correlation coefficient is 0.328, indicating a moderate positive relationship. This suggests that there is a slight tendency for higher PE ratios to be associated with higher market prices per share *(Source: Table 4.9).*
- ROA exhibits a correlation coefficient of 0.118, indicating a weak positive relationship.
- The model's R-squared value of 0.974 indicates that approximately 97.4% of the variance in the dependent variable (MPS) can be explained by the independent variables (ROA, MVPS, PE, BVPS, DPS, EPS) included in the analysis *(Source: Table 4.10).*

- The F-value of 267.748 indicates the overall statistical significance of the relationship between the independent variables and the market price per share (MPS) of insurance companies *(Source: Table 4.11).*
- The coefficient for EPS is 1.909, suggesting that a one-unit increase in EPS leads to a 1.909 unit increase in MPS. However, this effect is not statistically significant, as indicated by the t-value of 0.864 and the p-value of 0.392 *(Source: Table 4.12).*
- The coefficient for DPS is 3.111, indicating that a one-unit increase in DPS results in a 3.111 unit increase in MPS. This effect is statistically significant, as supported by the t-value of 2.265 and the p-value of 0.029 *(Source: Table 4.12).*
- The coefficient for BVPS is 3.794, suggesting that a one-unit increase in BVPS leads to a 3.794 unit increase in MPS. This effect is highly statistically significant, with a t-value of 8.391 and a p-value of 0.000 *(Source: Table 4.12).*
- The coefficient for MVPS is 213.115, indicating that a one-unit increase in MVPS results in a 213.115 unit increase in MPS. This effect is highly statistically significant, with a t-value of 18.806 and a p-value of 0.000 *(Source: Table 4.12).*
- The coefficient for PE is 0.616, implying that a one-unit increase in the price earnings ratio leads to a 0.616 unit increase in MPS *(Source: Table 4.12).*
- The coefficient for ROA is -6.823, suggesting that a one-unit increase in the return on assets ratio leads to a 6.823 unit decrease in MPS. However, this effect is not statistically significant, as supported by the t-value of -0.992 and the p-value of 0.327 *(Source: Table 4.12).*

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The capital market in Nepal is in a state of maturation, yet it faces several challenges. A significant issue is the lack of understanding among the general public regarding the intricacies of the capital market, including terms like shares, book value, par value, market price, pricing processes, and the various factors that influence share market prices. Despite a desire to invest, many individuals are unable to do so due to their limited knowledge in this area. This knowledge gap has repercussions not only for potential investors but also for the listed firms in the capital market, which are grappling with subdued trading activities. Furthermore, the dynamics of the Nepalese stock market are significantly influenced by the policies and attitudes of the major political parties. As a result, stock market policies and objectives have evolved over time. While the government has incorporated the development of the capital market in its three- and five-year plans, it has not taken substantial steps to promote its expansion. Consequently, the performance of publicly traded companies in Nepal often lacks the transparency necessary for informed investment decisions.

To navigate the complexities of stock speculation, investors need both expertise and access to information. This study focuses on understanding the key factors that influence the stock prices of commercial banks in Nepal. Its primary objectives include identifying the drivers of share prices, conducting an in-depth analysis of the correlations between financial indicators, and recognizing the qualitative elements that impact stock prices on the Nepal Stock Exchange (NEPSE). To achieve these objectives, the researcher has undertaken an extensive analysis of quantitative factors such as Dividend Per Share (DPS), Earnings Per Share (EPS), Price Earnings Ratio (PE), Book Value Per Share (BVPS), Market Value Per Share (MVPS), and Return on Assets (ROA) in relation to Market Price Per Share (MPS). This analysis has been conducted using correlation and regression analysis techniques applied to secondary data. Additionally, the significance of these relationships has been tested at a 95% confidence level.

It is crucial to highlight that while commercial banks and the financial and insurance sectors are performing well within the NEPSE, other sectors like manufacturing,

hydropower, commerce, and hospitality are facing significant challenges. In particular, the manufacturing sector plays a vital role in the growth of capital markets in well-established economies, acting as a pillar of economic progress. In Nepal, however, this sector is encountering difficulties. Overall, the success and performance of the NEPSE have been primarily influenced by commercial banks and the hydropower sector. Addressing the challenges faced by other sectors and improving transparency in the performance of publicly listed firms are essential steps in the continued development of Nepal's capital market.

5.2 Conclusion

In conclusion, this study within the insurance sector offers significant insights into the pivotal determinants that sway market price per share, offering invaluable guidance to prospective investors. The scrutiny of market price per share, earnings per share, dividend per share, book value per share, and market-to-book value per share has unveiled noteworthy trends and correlations intrinsic to the industry. Among these variables, certain factors, notably dividend per share, book value per share and market-to-book value per share, consistently exhibit positive associations with market price per share. These robust relationships underscore the influential roles of these variables in shaping market valuation within the insurance sector. This alignment with prior research conducted in diverse contexts reaffirms the critical importance of these factors in driving market prices.

However, it is important to acknowledge the nuanced nature of these relationships, return on assets do not demonstrate statistically significant associations with market price per share in this specific analysis. This nuanced understanding underscores the multifaceted nature of investment decisions, requiring a holistic consideration of various factors. The findings underscore the imperative for investors to weigh a spectrum of financial indicators when making informed investment choices in the insurance sector. While as some variables like earnings per share, dividend per share, price-earnings ratio, book value per share and market-to-book value per share emerge as potent influencers, investors must remain vigilant to other potential drivers and their varying impacts on market price per share. It is worth noting that the complex interplay between these variables and market price per share may exhibit divergences across different studies and industries. Factors such as the composition of the sample,

industry-specific dynamics, and the temporal scope under examination may contribute to the observed variations in existing literature.

In light of these findings, prudent investors in the insurance sector are well-advised to evaluate both the central tendencies and the volatility inherent in these financial indicators when formulating investment strategies. While dividend per share, book value per share and market-to-book value per share wield significant influence, comprehensive due diligence mandates an encompassing consideration of the broader financial landscape and its potential ramifications on market price per share.

5.3 Recommendations

Based on the findings, discussion and conclusion of the study, the following recommendations were made:

- Market price per share, earnings per share, dividend per share, book value per share, and market to book value per share are important indicators that provide insights for investors in the insurance sector *(Source: Findings one to Seven*).
- SICL demonstrates strong performance with the highest mean values in market price per share, earnings per share, dividend per share, and book value per share, indicating its favorable position among the sample insurance companies *(Source: Findings one to Seven).*
- HGI consistently exhibits the lowest mean values in market price per share, earnings per share, dividend per share, and book value per share, suggesting potential areas of improvement for company *(Source: Findings one to Seven).*
- When evaluating investment options, it is crucial for investors to consider both the mean and volatility across these financial indicators, reflected by standard deviations and coefficients of variation *(Source: Findings one to Seven*).
- SIL and SICL display higher levels of variability in market price, earnings, dividend, and book value per share compared to the other companies, indicating potential higher risk associated their shares *(Source: Findings one to Seven*).
- Market to book value per share provides insights into the market's perception of a company's value relative to its book value, and investors should take this into account when making investment *(Source: Findings one*).

- SICL has the highest mean market to book value per share, suggesting that the market values SICL's assets and potential growth prospects above their book value *(Source: Findings one*).
- LGI has the lowest mean market to book value per share, indicating that the market may perceive its assets and growth prospects as relatively undervalued compared to its book value *(Source: Findings Five*).
- Book value per share (BVPS) and market to book value per share (MVPS) show statistically significant positive correlations with market price per share in the insurance sector, implying that higher BVPS and MVPS are associated with higher market prices *(Source: Findings Fifteen to Twenty*).
- While earnings per share (EPS), dividend per share (DPS), price-earnings ratio (PE), and return on assets (ROA) do not show statistically significant relationships with market price per share, their weak tendencies highlight the need for considering a broader range of factors and conducting further research to understand their potential impact in the insurance industry *(Source: Findings Fifteen to Twenty three to Twenty eight*).

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CHAPTER I INTRODUCTION 1.1 Background of Study Investors and fund managers have an enduring difficulty in the form of the task of navigating the constantly shifting terrain of the stock market (Fama, 1965). It is very necessary to have the capacity to effectively forecast future stock values in order to get good returns on investments. According to Malkiel (2003), this complicated endeavor entails a number of different elements, both intrinsic and extrinsic, that impact swings in stock values for a variety of reasons. It is essential to highlight the fact that variations in stock prices are not the result of random occurrences; rather, there are a number of factors that contribute to these shifts. Early studies, such as that conducted by Collins (1957), shed light on crucial elements that impact stock prices. These factors include dividends, net profit, operational profits, and book value. Earnings from operations also have a role in the stock price (Collins, 1957). Since that time, a great number of efforts have been done to determine the particular variables that impact equity values in various stock exchanges at a variety of investment levels. According to Levine (1997), the stock market, which is a reflection of the economy as a whole, serves a significant purpose in the process of fostering economic development by supporting the generation of capital and growth over the long term. According to Bekaert et al. (2005), stock exchanges not only function as trading platforms for securities, but they also play the role of mediators, linking those who are saving money with others who are in need of finance. The pooling of financial resources, the sharing of risks, and the transfer of wealth are all made possible by these markets. According to Demirguc-Kunt et al. (2008), efficient stock and bond markets are essential for the development of the economy because they determine how resources should be distributed among the most attractive investment possibilities. All of these different sectors, including the government, industry, businesses, and central banks, are carefully following the dynamics of the stock market (Bekaert et al., 2005). The stock market's effect extends to a variety of other industries. In addition to providing liquidity, marketability, and investment security, it acts as a conduit through which individual and small investors may