

# **SHARE PRICE BEHAVIOUR OF INSURANCE COMPANIES IN SECONDARY MARKET**

A dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment  
of the requirements for the Master's Degree

by

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Share Price Behavior of Insurance Companies in Secondary Market**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

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

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## REPORT OF RESEARCH COMMITTEE

Mr. Dharendra Kumar Shah has defended research proposal entitled “**Share Price Behavior of Insurance Companies in Secondary Market**”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Keshar Singh Khati and submit the thesis for evaluation and viva voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Share Price Behavior of Insurance Companies in Secondary Market**” presented by Dharendra Kumar Shah a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ABBREVIATIONS

BOD	:	Board of Directors
C.V.	:	Coefficient of Variation
D/Y	:	Dividend Yield
DPS	:	Dividend per Share
EPS	:	Earnings per Share
FNCCI	:	Federation of Nepalese Chamber Of Commerce and Industries
GDP	:	Gross Domestic Product
ICAN	:	Institute Of Chartered Accountants of Nepal
IPO	:	Initial Public Offering
LC	:	Letter Of Credit
LIC	:	Life Insurance Corporation Limited
MVPS	:	Market Value per Share
NLIC	:	National Life Insurance Company
NELIC	:	Nepal Life Insurance Company
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
P/E	:	Price Earnings
ROC	:	Registrar of Companies
S.D.	:	Standard Deviation
SEB	:	Securities Exchange Board
SEC	:	Securities Exchange Centre

## ABSTRACT

The purpose of this research is to examine the EPS, P/E ratio, SIZE, DY, DPS and market price of share in Nepalese insurance companies. It also includes structure of earning per share, Size, dividend yield, price earnings ratio, dividend per share and market value per share of insurance. Basically, stock price is determined by demand and supply forces. Both, the qualitative and quantitative factors determine the stock price. However, for some environmental changes, the stock exchanges have no effect. Through the financial sector has dominant position, most of the investors are not aware of the financial strength of the companies and they do not analyze company's financial indicators before they invest their funds through primary market-participating in IPO and secondary market NEPSE.

This research uses Market Value per Share (MVPS) as dependent variable and experiment variables as Earnings per Share (EPS), Price Earnings ratio (PER), Size of Firms, Dividend Yield (DY) and Dividend Payout Ratio (DPR). The secondary data has been collected from the annual report published by insurance companies for nine years' period from 2013/14 to 2022/23. Descriptive and Casual research design is used to analyze and interpret the data using SPSS version 24. Three insurance companies i.e. NELIC, NLIC and LIC are taken as sample out of 39 population using purposive sampling method. Multiple linear regression model has been used to show the impact of independent variables on MVPS. The result indicates that there is a positive and statistically significant relation of DPS, EPS and PER on MVPS but Size and DY is not significant even at significance level 0.10 with MVPS. Likewise, the regression result revealed that PER as independent variable is statistically significant at the significance level 0.01 and 0.05 but DY, DPS and EPS is not statistically significant even at 10% level of significance.

*Key Words: MVPS, EPS, DPS, SIZE, DY, PER*

# CHAPTER – I

## INTRODUCTION

### 1.1 Background of the Study

Stock markets serve as platforms where buyers and sellers come together to trade equity shares of publicly listed companies. They play a crucial role in a free-market economy by providing broad access to capital trading for investors across the spectrum. The term "stock market" refers to public venues where stocks are issued, bought, and sold, either through a stock exchange or over-the-counter. These stocks, or equities, represent partial ownership in a business, and the stock market allows investors to trade in these assets. A well-functioning stock market is viewed as essential for economic growth, as it enables companies to swiftly obtain capital from the public (Akram, 2020).

The stock market functions as a system where corporate sectors raise capital for productive projects by issuing securities. Likewise, it offers excellent investment opportunities for investors while ensuring liquidity for security holders. One of the key roles of the securities market is to facilitate continuous trading of securities. As a result, it provides a platform for investors to buy and sell securities (Ali & Hussain, 2022).

The stock market's behavior varies over time, influenced by the overall market trend and numerous other factors. Market trends can be divided into two main types: the primary trend and the secondary trend, with the primary trend largely shaping market behavior. The market's actions shift significantly depending on the trend; during a bull market, it behaves one way, while in a bear market, it acts differently. Additionally, the correction phase brings its own distinct market movements. To grasp the stock market's diverse behaviors, it's essential to understand these trends and their underlying causes (Gyalang, 2013).

The movement of shares cannot be accurately forecasted by any software or tool, although various methods are available to make predictions. The ability of the securities market to pool savings and channel them into profitable investments plays a vital role in the nation's trade and economic growth. However, the Nepalese market is still in its development stage. As a reliable source of long-term capital for both businesses and the public, the securities market is crucial to building a strong economy (Panday, 2017).

The stock exchange provides an affordable way for companies to raise capital, which can stimulate economic growth. Businesses often rely on bank loans to address short-term liquidity needs. However, for long-term financing, they might offer shares of ownership through common or preferred stocks. The stock market serves two main purposes: it links companies seeking funding for new projects or expansion with investors who have surplus funds. Furthermore, it offers a controlled stock market where prices are set by supply and demand. The stock market can drive economic growth by giving growing companies a cost-effective way to raise capital. While businesses often turn to bank loans for short-term liquidity needs, they can opt to sell equity through common and preferred shares for long-term financing.

The stock exchange serves two crucial roles. It provides a regulated market for shares with costs driven by market demand and acts as a vital link between investors with surplus capital and companies seeking funding to launch new projects or expand current ones (Tandon & Malhotra, 2013). The study's results are expected to offer valuable insights into the factors affecting the performance of the Nepalese stock market for both investors and policymakers.

## **1.2 Problem Statement**

Nepal's stock market is small in comparison to other sophisticated and effective markets worldwide. There are only a few listed businesses and brokers and relatively few transactions. Stock prices are influenced by supply and demand dynamics. Although it is debatable and uncertain to pinpoint the specific factors that influence the stock price, both qualitative and quantitative factors influence the price of the stock. Stock prices fluctuate frequently, and the stock exchange responds to external factors.

The problem with the Nepalese stock market has actually not been thoroughly investigated. The chiefs can't make arrangements that are proper for the development of the securities exchange. Just in the mid-1990s, following financial change and progression, did most of government endeavors toward the improvement of the securities exchange beginning around 1976 make a critical commitment; be that as it may, the public authority's changes to the capital market under the Drawn out Primary Change Program (ESAP) have affected

the development of the financial exchange. However, this endeavor is also unsustainable due to the policy's improper application.

The stock price behavior of listed companies has been the subject of a few studies conducted in Nepal. However, these studies do not cover all of the qualitative and quantitative factors that influence stock price significantly. The findings of the study may vary due to the symmetrical nature of the data, and it would be inappropriate to generalize given the significant volatility of stock prices. As a result, the purpose of this study is to resolve the following problems in Nepal:

- i. What are the major determinants of stock price in NEPSE?
- ii. Is there any relationship between EPS, P/E ratio, SIZE, DY, DPS and market price of share of Nepalese listed insurance companies?
- iii. What is the effect of EPS, P/E ratio, SIZE, DY and DPS to the movement price of share of listed insurance companies in Nepal?

### **1.3 Objective of the Study**

The study's overarching objective is to investigate insurance companies' share price movements. The following are the specific goals:

- i. To assess factor affecting the stock price in NEPSE focus to insurances companies listed at Nepal Stock Exchange.
- ii. To examine the relationship of EPS, P/E ratio, SIZE, DY, DPS and market price of share in Nepalese insurance companies.
- iii. To analyze the effect of EPS, P/E ratio, SIZE, DY and DPS to the movement price of share of insurance companies listed at Nepal stock exchange.

### **1.4 Research Hypotheses**

H<sub>1</sub>: There is no significant different between EPS and MVPS.

H<sub>2</sub>: There is significant different between P/E ratio and DPS on MVPS.

H<sub>3</sub>: There is no significant different between DPS and MVPS.

H<sub>4</sub>: There is significant different between DY and MVPS.

H<sub>5</sub>: There is no significant different between SIZE and MVPS.

## **1.5 Rationale of the Study**

The primary focus of the study is the NEPSE's stock price movement for listed companies. Because of this, academics, government officials, bankers, stock analysts, brokers, investors, managers, students, and other stakeholders who are interested in learning more about how share prices behave are especially important to the study. An investor's capital market investments are made with the intention of achieving high returns on their capital. This study examines the traded stock performance and the sample companies' financial standing. The status of NEPSE's capitalization and financial situation are clarified by the analysis. Management may investigate the stock's performance and financial situation in order to make the necessary adjustments. Since the review offers wide outlines of the ongoing offer market, strategy making associations and government delegates must draft and revise arrangements in a convenient manner to guarantee the smooth activity, extension, and improvement of the securities exchange. Academics, bankers, stock analysts, and students who want to learn more about the NEPSE's stock price behavior as well as those who want to work in the share market or banking would all benefit from the study.

## **1.6 Limitations of the Study**

- The data of only ten fiscal years are taken for the studies from 2013/14 to 2022/23.
- Only three insurance companies are taken as sample for the study i.e. National Life Insurance Company Limited and Nepal life Insurance Company Limited and Life insurance Corporation Nepal.
- There are many factors that affect the dividend decision and valuation of the firms. However, only those factors related to dividend would be considered in this study.
- Time frame is limited to carry out microscopic study on the topic, thus the study may not reveal the exact results.
- Only limited sample have been taken which may surely lacks accuracy.

## **CHAPTER – II**

### **LITERATURE REVIEW**

The available journal articles, reports, manuals, workshop proceedings, internet home pages, previous theses, and additional studies on the cooperative program were the subject of the literature review.

- Theoretical Review
- Empirical Review

#### **2.1 Theoretical Review**

##### **2.1.1 Theory of Stock Price**

Stock prices are set by the market, where buyer demand and seller supply are in balance. But have you ever wondered what drives the stock market and how a stock's price changes? Unfortunately, there is no straightforward formula that can accurately predict a stock's price. Despite this, we do have some understanding of the factors that contribute to the rise or fall of a stock. Albeit various elements impact stock costs, organic market in the market at any one time decide the cost right then and there. Momentum, chart patterns, and investor and trader activity are all technical aspects of a stock's market price history (Om & Geol, 2017).

Numerous value-at-risk models that quantify market risk require the calculation of the volatility parameter. Data on stock behavior is also a crucial input for portfolio diversifications and hedging strategies. The erratic behavior of stock prices, which are now commonplace in the financial markets, raises concerns even more. The increasing connections between national markets for stocks, currencies, and commodities and the global market, as well as the presence of common actors, have resulted in the new characteristic of the rapid transmission of stock price behavior across markets. For academics, market participants, regulators, and financial professionals, risk and stock price behavior have become increasingly important in recent years. The objective of the flow study is to inspect the assortment of examination on hypotheses that make sense of stock cost conduct. (Silver & Ritter, 2007)

Long-term securities, such as those backed by debt and equity, are purchased and sold on the financial market known as the stock market. Stocks, also known as "shares" or "equity,"

are the securities that are traded the most frequently in financial markets. It is thought to be a source of money for the long term. Stockholders acquire ownership of a portion of the company and the right to profit or lose the same amount as shares in the event that the business succeeds. Businesses can access low-cost long-term financing through the stock market, which also provides investors and businesses with a platform to invest their savings. (Arkan, 2016)

Research on the way of behaving of stock costs has shown a lot of interest in the drawn out time series qualities of stock costs, with an emphasis on deciding if stock costs can be depicted as irregular strolls. If stock costs show a mean returning cycle, financial backers might have the option to anticipate future returns by using verifiable return information, as there is a penchant at the cost level to get back to its pattern way ultimately. On the other hand, a random walk process suggests that any shock to the stock price cannot be reversed and that the price level does not have a tendency to eventually revert to a trend path.

The two primary functional divisions of financial markets are money markets and capital markets. The first are markets for short-term funds, while the second are markets for long-term funds. (Gupta, 2008). The stock market is a crucial component of the capital market. The capital market is the most important part of any financial market. It is the market where long haul cash are gathered. Entrepreneurs who have great ideas but lack the resources to start, expand, and run their businesses can use the dispersed public savings to raise the necessary capital. Debentures and shares are two examples of securities they issue that can be traded. The principal market, frequently known as the Initial public offering (First sale of stock) market, is the market through which they issue new or additional issues. The public's response will decide if the issue is fruitful. A successful issue has a strong public response and a high number of subscriptions. Investing is the term used to describe buying securities. Investors put future profits ahead of current consumption. One of the most crucial considerations in this instance is the public's reaction to the public issue.

They won't respond unless they think they can get rid of their investment when they need it. In the wake of putting away their cash, the entrepreneurs created a gain. In addition, business owners allocate a predetermined portion of their earned profits to the expansion and diversification of their business. When they don't have enough money, some business owners will keep all of their profits and put them back into the business. Due to the

increased reserve and capital, investors anticipate a higher percentage of return. These investors can sell their holdings in the secondary market. They will want more for their money in this situation. Better venture open doors are pursued by different financial backers also. Subsequently, the cost of the protections controls both the organization's presentation and the data sharing instrument. As an indication of the market price, several methods are used to calculate the average value. A value of this kind is an index. The Nepal Stock Exchange, for instance, calculates the NEPSE Index to demonstrate the market price. If the capital market's reach extends beyond the Kathmandu valley, many investors may be drawn to it.

Economists do not agree on a definition or metric for evaluating the development of the stock market. However, a variety of metrics are used to evaluate the stock market's development, including market size, liquidity, volatility, and concentration. A large stock market size typically indicates a developed stock market. One way to gauge the size of the stock market is the number of businesses that are listed on the stock exchange at any given time. The size of the stock market goes up with the number of companies that are listed. The market capitalization proportion, which is determined by separating the all-out market worth of recorded shares by the Gross domestic product, is one more sign of the size of the financial exchange. This measure is based on the idea that the ability to raise capital and spread risk across the economy is positively correlated with the size of the stock market as a whole. In industrialized nations, market capitalization ratios should be greater than 1, but many emerging nations have ratios between 0.3 and 0.4. (K.C., 2006). Investors can easily and inexpensively alter their investment portfolios at any time thanks to market liquidity.

Financial assets that have more liquidity are less risky, which makes resource allocation more effective and encourages economic growth over the long term. The ability to buy and sell protections in the market effortlessly is alluded to as liquidity in the financial exchange. The liquidity of the stock market can be calculated using one of two approaches. In the first place, the market capitalization proportion is enhanced by the all-out esteem exchanged/Gross domestic product metric, which is the offer exchanged on the securities exchange separated by Gross domestic product. Even though it does not directly measure the cost of trading shares, this method demonstrates how simple it is to trade shares on a country's stock market. The volume of organized equity trading as a percentage of the country's output is anticipated to rise when it becomes simpler and less expensive. It is

interesting to note that the ratio of total sales to GDP in developed countries typically ranges from 0.001 to 0.01, whereas this ratio can reach 0.4 in developed nations. (K.C., 2006). The turnover ratio, or liquidity of the stock market, is the second metric that is determined by dividing the market capitalization by the value of each traded share. A high percentage of turnover indicates low transaction costs and relatively straightforward share purchases and sales. This ratio is greater than or very close to 1 in wealthy nations, whereas it ranges from 0.15 to 0.3 in many developing nations. (K.C., 2006).

Even though greater volatility is not always a sign of more or less stock market development, "less volatility" is sometimes referred to as "greater stock market development" for simplicity's sake. High volatility in the stock market does not always indicate a weak stock market; rather, it indicates the risk of investing in shares. It is a common assumption that developed stock markets absorb risk from financial assets while offering lower volatility and higher returns. As a result, as a metric for the development of the stock markets in eight nations, lower volatility is preferred to higher volatility. Volatility is yet another important metric for monitoring the stock market's development. The twelve-month standard deviation of this indicator was calculated using returns from the market. Standard deviations are correlated with higher levels of risk and volatility.

Risk diversification through globally integrated stock markets is yet another way that the expansion of the stock market may have an effect on economic growth. By putting money into projects with higher rates of return, increased risk diversification can affect growth. Because projects with higher predicted returns are typically riskier, better risk diversification through globally integrated stock markets will naturally encourage investment (Alexander, 1997).

In developing nations, it is unclear whether stock markets play a significant role in driving economic expansion or merely serve as casinos that draw an increasing number of gamblers. Stock markets play a crucial role in risk management, capital distribution, savings mobilization, and corporate control, according to one school of thought and another school of thought.

According to traditional proponents of growth theory, there is no link between economic expansion and stock market expansion. According to Singh (2012), stock markets are not

necessary for high levels of economic development. Many people viewed the stock market as a force that hinders economic progress due to their vulnerability to market failure, which is frequently reflected in the volatile nature of the market in many developing nations (Ahmed, 2013).

In contrast to the conventional viewpoint, Pardy (2006) argued in his ground-breaking study that capital markets may be able to mobilize domestic savings and allocate funds more efficiently in less developed nations. According to Alexander (1997), there is a strong and positive correlation between economic expansion and the growth of the stock market. In a similar vein, Archer and Ambrosio (2006) concluded that a robust stock market can, over time, support economic expansion. Additionally, it lends credence to the hypothesis that a sound stock market can accelerate capital allocation and fine-tune it through resource allocation in a way that is more effective.

### **2.1.2 Shareholder Value Theory**

The central narrative surrounding shareholder value is that management should prioritize maximizing shareholder wealth. Two signs of rising shareholder wealth are an increase in dividend payments and the investment's value (capital gains). Expanding the MVPS on the monetary record after some time is an indication of progress while assessing the exhibition of an organization's supervisory crew (Shin & Fligstein, 2007).

More prominent accentuation on investor esteem has been a significant perspective in entrepreneur nations since the 1980s (Martin et al. 2007). In the 1980s and 1990s, companies in the United States, Australia, and Great Britain identified shareholder satisfaction as a fundamental concept of corporate administration. Since then, the concept has gained traction in many other nations (Lazonick & O'Sullivan, 2000). Into the twenty-first hundred years, the accentuation on "boosting investor esteem" has kept on getting some decent forward movement. The rise of institutional shareholders in comparison to governments and individual shareholders has intensified the pursuit of maximizing shareholder value.

When stockholding changed from private individuals to institutions, it was easier to carry out the takeovers suggested by agency theorists (Lazonick & O'Sullivan, 2000). Performance indicators that motivate managers and inform investors of the organization's

level of success are based on the objective of increasing shareholder value. (Martin and co.) 2007). Ponomareva (2018), individual activist investors are becoming increasingly involved in businesses, primarily with the intention of influencing management's actions in order to raise the company's intrinsic value and market value and, ultimately, the value of their stakes. Armour and Cheffins (2009), hedge funds have become an increasingly significant part of institutional investors' shareholder activism.

### **2.1.3 Stakeholder Theory**

An alternative to the shareholder value theory is the "stakeholder theory." As indicated by this methodology, directors ought to create and execute arrangements that consider the requests of all partners impacted by the firm. This theory holds that important stakeholders' interests should be taken into consideration by a company's management in order to improve the company as a whole over the short and long term. An organization's capacity to really deal with the clashing requests of its partners decides its degree of progress (Schwab & Kroos 1971).

Freeman argued, in 1984, in his ground-breaking formulation of stakeholder theory that an organization's primary goal should be to meet the interests of its stakeholders rather than just its own financial gain. A stakeholder approach, according to Freeman and McVea (2001), includes actively promoting joint affairs, relationships, and business situations. According to Jensen (2001), managers are unable to make wise decisions because of the circumstances in which they are placed. As a result, the stakeholder approach was criticized. Since the thought doesn't determine execution measurements, supervisors are not considered responsible for their activities.

Therefore, managers who place their own interests above all else will find the theory appealing. Jensen (2001) further brought up that, as per information spreading over 200 years, cultural government assistance is most noteworthy in economies where each endeavor has the unlimited capacity to expand its fairly estimated worth. It has been found that organizations with powerful investor freedoms show more noteworthy execution on different boundaries (Gompers et al. 2003). According to a 1990s study of 1500 large companies, strong shareholder rights are linked to higher valuations, more profitability, higher revenue growth, lower costs for capital expenditures, and less need for acquisitions.

### **2.1.4 Arbitrage Pricing Theory (1976)**

The two APT variations are the macro variable model and the factor loading model. Fake factors delivered by factor examination are utilized in factor stacking models. Erdugan (2012) says that the macro variable model uses macroeconomic variables that affect stock prices in a way that can be understood economically. Roll and Ross (1995) explored the APT's benefits for portfolio management and provided a clearer explanation of the concept. Ross developed the APT in 1976. The APT is an alternative to the CAPM, which has emerged as the primary analytical tool for elucidating capital market phenomena. In that it explains risk factors related to an asset's risk and makes different assumptions than the CAPM, the APT is a different asset-pricing model. Returns are just determined as a straight capability of orderly gamble by the CAPM. The APT defines returns as a linear function of a number of factors. Utilizing a straight blend of factors, it conjectures a connection between the profits of a portfolio and the profits of a specific resource. With the Adept methodology, the idea of "valuing by exchange" was completely used, leaving from the gamble versus return reasoning of the CAPM. Since exchange hypothetical thinking is the principal rationale and interaction of practically all money hypothesis, it isn't elite to any one hypothesis, as Ross (1976) has brought up. Various multifaceted resource evaluating models have been made and distributed in the writing. Sinclair (1984) states that each multifaceted resource valuing model made in the writing can be considered a specific hypothetical occasion of the Well-suited.

The APT has been the focus of empirical research in the United States and other countries. Chen (1983), Chen et al. (1986), Consecrated (1996), Clare and Thomas (1994), Cheng (1995 and 1998), Chen and Jordan (1980) are a couple of models. Chen et al. publish in the International Journal of Islamic Banking and Finance Research. (1997), Merville et al. (2001), Beenstock and Chan (1986), and Cho et al. (1984). Various exact investigations on Able have been directed with Australian information, including those by Groenewold and Fraser (1997), Faff and Chan (1998), and Sinclair (1984). Groenewold and Fraser (1997) compared the CAPM, the macro variable model of the APT, and the factor loading model. In terms of within- and outside-of-sample explanatory power, there was no clear winner, despite the fact that both APT variants performed significantly better than the CAPM. The factor loading model employs a factor analysis method based on artificial factors to identify the number of factors and their significance in predicting the responsiveness of individual securities to various systematic risk variables.

## **2.2 Empirical Review**

Silwal and Napit (2019) examined fundamentals of stock price in Nepalese commercial banks. The purpose of this study is to determine the factors that influence the stock market price of Nepalese commercial banks from 2065/66 to 2074/75. It is based on aggregated cross-sectional data from ten banks whose stocks are traded on the Nepal Stock Exchange over a ten-year period. While DPS has a negative relationship with stock price and is statistically insignificant, dividend yield has a positive but minimal effect. In addition, it demonstrates that book value per share is the most significant determinant of stock price in Nepal.

Thapa (2019) researched influencing factors of stock price in Nepal. The goal of the study is to find out what influences the stock price in Nepal. Monetary and Factual examination with the proportions and relapse to figure out the outcomes which uncovered that acquiring per share (EPS), profit per share (DPS), market impulses and reports and company profiles have the huge positive relationship with share cost while loan fee (IR) and cost to income proportion (PER) showed the critical converse relationship with share cost. As a result, it can be concluded that the dividend and short-term interest rate may be the most significant determinants of stock prices in Nepal's secondary market.

Ashraf (2020) researched on the response of the stock markets to COVID-19 cases and deaths. The primary objective of this paper was to investigate how the COVID-19 pandemic affected stock markets. The study arrive at the conclusion that the rise in COVID-19 confirmed cases had a negative impact on stock markets by analyzing data on daily COVID-19 confirmed cases, deaths, and stock market returns from 64 countries from January 22, 2020 to April 17, 2020. To put it another way, stock market returns decreased as the number of confirmed cases increased. Also, the study find that stock markets reacted more aggressively to an increase in confirmed cases than to an increase in deaths. According to our analysis, there was also a strong negative market reaction in the first 40 to 60 days after the first confirmed cases. Overall, our findings suggest that the COVID-19 pandemic prompts a swift response on the stock market, which varies over time depending on the stage of the outbreak.

Badruzaman (2020) conducted an investigation on Nikkei 225 Index of issuers on the Japan Stock Exchange in 2018. To assess the impact of Profit per Offer and Return on Value on Stock Costs. There were 57 distinct issuers in this study. The data that was used came from the financial report for 2018. The results of processing the data using the SPSS version 25 program show that Earnings per Share and Return on Equity have a 67.3 percent impact on stock prices, with Earnings per Share having a slightly positive impact. Stock prices were also negatively impacted by Return on Equity. EPS had the greatest and most significant impact on stock prices when these two variables were evaluated, whereas return on equity had the opposite effect.

Panta (2020) conducted a research on macroeconomic determinants of stock market prices in Nepal. An autoregressive distributed lag (ARDL) model is used to investigate the relationship between stock market prices (the Nepal Stock Exchange Index) and five macroeconomic variables, namely real GDP, broad money supply, interest rate, inflation, and exchange rate. The finding suggests that the broad money supply, interest rate, inflation, and exchange rate strongly influence the NEPSE Index's long-term fluctuation. In the short run, the GDP, money supply, and exchange rate can all be positive, but only money supply has a positive relationship in the long run.

Raza et al. (2021) research focused on non-financial companies listed in the textile sector on the Pakistan Stock Exchange (PSX) and examined the effects of macro and micro factors on share prices. The study gathered data from publicly traded textile companies (PSX) by utilizing databases, annual reports, SBP, Data Stream, and other secondary sources. Between 2009 and 2017, panel data analysis was used in the study to examine the impact on share price. Descriptive statistics, correlation matrices, pooled OLS, Hausman tests, Breusch and Pagan LM tests, and fixed effect models were just a few of the many methods used in the analysis. In Pakistan's material industry, it was found that firm offer cost was emphatically and altogether connected with both large scale elements (Gross domestic product) and miniature elements (EPS, BVS, and LNFS). DPS and macro (INF) dynamics, on the other hand, were found to be insignificant. The study contributes to the existing body of knowledge and ongoing debate regarding the factors that influence share price in developing markets, particularly Pakistan's textile industry.

Niroula (2021) conducted a research on stock price behavior of commercial banks of Nepal. This study aims to investigate how stock prices in Nepalese commercial banks change over time. MPS is the dependent variable in this study, and the experiment variables are ROE, BV per share, ROA, EPS, PE Ratio, DY Ratio, DPS, and ROE. Clear and logical examination configuration is utilized to break down and decipher the information utilizing SPSS adaptation 23. The impact of independent variables on MPS was demonstrated using the multiple linear regression model. The finding suggests that banks' EPS, PE ratio, and DPS have a positive and statistically significant effect on MPS. The effects of other variables are insignificant.

Endri (2021) noted that the GRACH model captured the volatility of stock prices during the COVID-19 epidemic. This study looked at how COVID-19 affected stock prices on the Indonesia Stock Exchange (IDX) using an event study approach and the GARCH model. The research sample consists of businesses that were a part of LQ-45 40 days before COVID-19 occurred, one day on March 2, 2020, and ten days later, in January 2020. The closing price of the Composite Stock Price Index (JCI) is also used. 6, 2020 – March 16, 2020. The COVID-19-caused volatility in stock prices has an effect on abnormal returns, which has practical implications for investors. To deal with a stock portfolio despite future states of vulnerability and more noteworthy instability, numerous lines of chance administration are required. The GARCH model demonstrates that the COVID-19 pandemic increases stock price volatility, which in turn decreases anomalous returns. The theories of financial behavior that are related to uncertainty and the efficient market hypothesis theory that is related to the study of occurrences are also supported by the empirical results.

Saputra (2022) analyzed the total debt, revenue, and net profit of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period of 2018–2021. This study aims to determine the factors that influence the stock prices of Indonesian food and beverage companies listed on the Indonesia Stock Exchange between 2018 and 2021. The stock price was the subject of the investigation, while total debt, revenue, and net profit were the independent variables. Straightforward arbitrary inspecting is the examining approach used. The research method of the study was quantitative descriptive statistics. The tests that were used were the T-test, the F test for the coefficient of determination, the

multiple linear regression analysis, and the classical assumption test. The results of the study's combined F test show that income, total debt, and net profit all affect stock prices. Conversely, the T-test uncovers that Profit Net considerably affects stock costs, Absolute Obligation essentially affects stock costs, and Pay has no effect by any stretch of the imagination.

Devkota and Dhungana (2022) conducted a research on corporate payout policy and test of life cycle theory; evidence from Nepalese commercial banks. One of the most contentious topics in theoretical finance is the firm's dividend policy. Various theories of dividend policy attempt to explain the firm's dividend behavior. When viewed from the perspective of the company's life cycle, the dividend paid to shareholders by a company is very different. In the event that no guideline powers, firms at starting stage hold all their procuring and deliver no profit, since they have higher speculation amazing open doors. The organizations at development stage have less speculation open doors, slow speed of development rate and lower cost of raising outside capital, subsequently, mature firms hold less and delivers higher profit. According to DeAngelo, DeAngelo, and Stulz's (2006) empirical work on the life cycle hypothesis, a company's dividend rises as it matures, with maturity measured by the ratio of earned capital to total assets or earned capital to contributed capital. Using ten-year panel data from 2010 to 2019, this study examines the dividend behavior of Nepalese commercial banks. The study consistently demonstrates that dividend life cycle theory is followed by Nepalese listed commercial banks when conventional proxies of life cycle are used. Additionally, the result demonstrates that dividend history is positively correlated with dividend payment and that larger businesses pay a higher dividend. Profit yield has been utilized as intermediary for profit installment, which has been utilized to for the power test, which likewise upholds the profit life cycle hypothesis among Nepalese business bank.

Bhatt (2022) measured the study of economic policy uncertainty and dividend policy: evidence from commercial banks in Nepal. In order to provide some evidence from the perspective of developing nations, the study looked at how Economic Policy Uncertainty (EPU) affected dividend distribution strategy. The empirical results show that the Nepalese banking company does not initiate or terminate dividends during EPU. Further, the study found proof of no prudent motivating force of banking leaders as a response to strategy trouble. The banking company in Nepal's decision to pay dividends is intuitive rather than subject to uncertainty due to the shift in economic policy. The study suggest that banks

should consider, analyze, and modify their dividend policy in light of the opportunities and threats posed by the country's economic policy because our findings conflict with major previous studies conducted in developed market settings.

Ali (2022) studied micro-meso-level and macro-level determinants of stock price crash risk: a systematic survey of literature. This paper conducts a comprehensive evaluation and synthesis of the empirical research on the antecedents of stock price crash risk in order to identify the macro-meso and micro-level factors that influence stock price crashes. By methodically reviewing 85 empirical studies that were published in journals with an ABS ranking, the authors evaluated the macro-meso and micro-level factors that influence stock market collapses. Corporate governance, political and legal issues, socioeconomic indices, and religious attitudes are among the macroeconomic variables that influence firm-level business conduct and raise the likelihood of a stock market crash, according to the findings. At the meso-level, factors like media coverage, industry-level characteristics, consumer concentration, ownership structure, and behavioral aspects have a significant impact on the likelihood of a stock market crash. Finally, administrative qualities, firm-explicit elements, profit the board, business strategies, President Credits and remuneration, monetary straightforwardness, and monetary straightforwardness are miniature level factors that influence the probability of a financial exchange crash.

Carter et al. (2022) studied how the COVID-19 pandemic affected the stock prices of the travel, hotel, and airline sectors. In response to the COVID-19 pandemic, this study examines the stock market performance of US travel-related companies (hotels, restaurants, and airlines) between February and March 2020. The decline in travel undoubtedly hurt the travel industry, but our focus is on how market participants priced the news into stock prices. It has been observed that larger businesses with higher cash reserves, lower market-to-book ratios, and fewer negative returns experienced more negative returns than smaller businesses with higher debt levels. Additionally, the study discover that hotels particularly valued cash reserves.

Li and Pan (2022) conducted research on a unique ensemble deep learning model for news and stock price-based stock prediction. As methods for analyzing numerical, graphical, and textual financial data, machine learning and deep learning have recently gained popularity. One of the most popular and difficult deep learning subjects in finance is stock valuation

projections. In this study, the study use the S&P 500 Index as our test case. Our tests on the same dataset show that our blending ensemble deep learning model outperforms the best prediction model currently in use by a significant margin. Reducing the mean-squared error from 438.94 to 186.32, a reduction of 57.55%, and increasing precision rate by 40 percent, recall by 50 percent, F1-score by 44.78 percent, and movement direction accuracy by 33.34 percent. This paper aims to explain our design philosophy and show how ensemble deep learning technologies can actually predict future stock price patterns better than other traditional methods and help investors make better investment decisions.

Xing, Zhang, and Xiong (2023) conducted social capital, independent director connection, and stock price collapse risk. The impact of independent directors' social capital, which is proxied by a measure of their social network centrality, on the risk of a stock price crash is the focus of this study, which is the first of its kind to examine this topic. Utilizing a sizable example of Chinese recorded organizations for the years 2013-2019, the study find that organizations with free chiefs who have more prominent social capital ordinarily have a lower opportunity of a securities exchange implosion. Several model specifications, variable selections, and instrumental variable and propensity score matching regressions all hold this result well. According to additional research, companies that are not owned by the state, have strong external oversight, and have a high degree of ownership and control separation are more likely to suffer from the negative effects that independent directors' social capital has on the risk of a stock price collapse. Companies with more socially capitalized independent directors also have lower levels of board absenteeism, financial opacity, and corporate fraud, according to our research. When determining the factors that can lead to a crash in the stock market, our research suggests that social capital ought to be taken into consideration.

Han, Kim, and Enke (2023) researched on a machine learning trading strategy for the stock market based on N-period Min-Max labeling utilizing XG Boost. A number of researchers use technologies like deep learning and machine learning to accurately anticipate stock price patterns in an effort to make a lot of money in the stock market. However, it is difficult to accurately predict the trend because stock prices are nonlinear and can appear random. To increment exactness, modelers commonly focus on improving the forecast model's exhibition. Nevertheless, it is essential to examine the model-training data. The majority of studies on stock price trend prediction always use an up-down labeling method to label

data. The problem with this labeling method is that it is not sensitive to small price changes, which makes model training ineffective. Accordingly, this study proposes marking information utilizing the N-Time frame Min-Max (NPMM) technique. Just at times to diminish the vulnerability to slight cost changes. The suggested model also uses XG Boost to create a trading system in order to automate trading and verify the suggested labeling method. The proposed trading system is evaluated through empirical analysis of 92 NASDAQ-listed businesses. In addition, the trading performance of the proposed labeling strategy is compared to that of other well-known labeling strategies. This study demonstrated that NPMM labeling was an effective labeling strategy for predicting stock price trends and outperformed other labeling methods in trading.

Table 1

*Summary of Empirical Review*

Auth or	Year	Topic	Objective	Methodology	Findings
Xing, Zhan, and Xiong	2023	Social capital, independent director connectedness, and stock price crash risk	investigates the previously unexamined influence on stock price crash risk of independent directors' social capital	Robust instrumental variable regressions and propensity score matching regression	According to the study, non-state-owned businesses, businesses with strong external monitoring, and businesses with a high separation of ownership and control are more likely to experience the negative impact of independent directors' social capital on stock price crash risk.
Han, Kim	2023	A machine learning	to accurately	this study proposes an	The proposed labeling method's trading

- and trading system for the stock market based on N-period Min-Max labeling using XG Boost y predict stock price and to achieve high returns in the stock market listed on the NASDAQ N-Period Min-Max (NPMM) labeling that labels data with empirical analysis of 92 companies listed on the NASDAQ performance is compared to that of other well-known labeling methods. In comparison to other labeling methods, NPMM labeling was found to be an effective labeling method for stock price trend prediction and to generate trading outperformance.
- Saput 2022 ra Analysis of Total Debt, Revenue and Net Profit on Stock Prices of Foods And Beverages Companies on the Indonesia Stock Exchange to determine the factors that affect the Stock Prices of Food and Beverage Companies listed The research method used in this research is quantitative descriptive statistics. The tests used were classical assumption test, multiple linear regression analysis, coefficient of determination F test, and T-test The T-test reveals that Total Debt has no significant impact on stock prices, Income has no significant impact on stock prices, and Earnings Net has a significant impact on stock prices. Together, the results of the study using the F test demonstrate that Total Debt, Income, and Net Profit influence stock prices.
- Ali 2022 Micro-meso-level To ascertain The authors systematically findings, firm-level

		and macro-level determinant s of stock price crash risk: a systematic survey of literature	the macro-meso and micro-level determinants contributing to stock price crashes	reviewed 85 empirical papers published in ABS-ranked journals to assess the macro-meso and micro-level determinants	corporate behavior is influenced by macroeconomic factors like political and legal factors, socioeconomic indicators, and religious beliefs, all of which contribute to the risk of a stock price crash.
Carte r, et. al	2022	The stock price reaction of the COVID-19 pandemic on the airline, hotel, and tourism industries	investigates the stock market performance through the latter portion	The study uses descriptive statistics with correlation and regression.	We find that bigger firms with more noteworthy money saves and higher market-to-book proportions experienced more positive returns, while firms with more noteworthy influence were punished more. Additionally, we discover that hotels particularly valued cash reserves.
Li and pan	2022	A novel ensemble deep learning model for stock	to explain our design philosophy and show that	Using the S&P 500 Index. The model employs a blending	Our blending ensemble deep learning model outperforms the best existing prediction model using the same dataset, with a mean-

		prediction based on stock prices and news.	ensemble deep learning technologies	ensemble learning method to combine two recurrent neural networks	squared error reduction of 57.55% from 438.94 to 186.32.
Raza, et.al	2021	Impact of micro and macro factors on share prices, especially non-financial enterprises listed on the Pakistan Stock Exchange in the textile sector (PSX).	to examine the impact of micro and macro factors on share price	Various statistical analysis methods were used, including descriptive statistics, correlation matrix, pooled OLS, Breusch and Pagan LM test, Hausman test, and fixed effect model.	(GDP) was found to have a positive and significant relationship with the share price of companies in Pakistan's textile industry. On the other hand, it was determined that neither the micro (DPS) nor the macro (INF) dynamics were significant.
Endri	2021	Stock price volatility during the COVID-2019 pandemic: The GRACH model	To examine the response of stock prices on the Indonesia Stock	using an event study approach and the GARCH model	The efficient market hypothesis theory for studying events and the theory of financial behavior for dealing with uncertainty are also supported by the empirical results.

Ashr af	2020	Stock markets' reaction to COVID-19: Cases or fatalities	Exchange (IDX)	To examine the stock markets' response to the COVID- 19 pandemic	Data from 64 countries were used with statistical methods.	According to our analysis, there was also a strong negative market reaction in the first 40 to 60 days after the first confirmed cases. Overall, our findings suggest that the COVID-19 pandemic prompts a swift response on the stock market, which varies over time depending on the stage of the outbreak.
Badr uzam an	2020	Nikkei 225 Index of issuers on the Japan Stock Exchange in 2018	To estimate the effect of Earnings Per Share and Return on Equity on Stock Prices.	Regression analysis were done through SPSS version 25.	Stock prices were also negatively impacted by Return on Equity. EPS had the greatest and most significant impact on stock prices when these two variables were evaluated, whereas return on equity had the opposite effect.	

### 2.3 Research Gap

There had been previous investigations into the stock price behavior practices of various insurance companies. Nonetheless, Bam and Thagurathi (2018) had concentrate on just a single example of 5 years information where this study has been finished with three

example with 10 years of information. This study uses MVPS as a dependent variable, while Silwal and Napit (2019) use BVPS, Size, and DPR as independent variables and ROA and ROE as dependent variables in the context of stock price determinants. The reason for this study is to figure out the stock cost conduct and its effect on stock cost regarding three insurance agency. The past investigation of Ali (2022) utilizes just five years information from 2016/17 to 2020/21 while this study covered the decade information from 2013/14 to 2022/23. The two auxiliary change of the individual organization's stock cost and the financial backer voice factors they liked while trading protections. Consequently, this study fills the research gap. During the study's analysis, secondary sources of data and information were used. In addition, this study investigates the connection between Earnings per Share (EPS), Dividend per Share (DPS), Market Value Per Share (MVPS), Size, Dividend Yield (DY), and Price Earnings Ratio (PER) as well as the impact of dividends on share price and stock price behavior volatility.

## **CHAPTER - III**

### **RESEARCH METHODOLOGY**

The various sequential steps that a researcher will take when examining a subject with specific objectives are referred to as "research methodology." (1989, Kothari) The procedures and methods utilized throughout the investigation are referred to as "research methodology." Therefore, research methodology has received the appropriate attention in order to achieve the study's objectives. Highlighted are the study's design, data sources, population and sample, analysis technique, financial indicator-specific tools, hypothesis testing, and utilized statistical methods.

#### **3.1 Research Design**

This study utilized both a descriptive and a causal comparative research design. Distinct examination configuration is the exploration that has been adjusted for this study's targets. To determine the effect that book value, dividends, and earnings have on stock price, a descriptive and casual comparative study design, regression analysis, and correlation analysis have all been altered. It has been possible to identify the qualitative factors that influence stock price through the utilization of a descriptive study design.

#### **3.2 Population and Sample**

This study examined the factors that influence the share price of an insurance company in Nepal. The sample for this study consists of 34 listed insurance companies. Three insurance companies, namely have been chosen as the study's sample. LIC, NLIC, and the NELIC. The analysis was conducted using the purposive sampling method.

#### **3.3 Nature and Source of Data**

The investigation's use of secondary data. The quantitative data that have been extracted have been provided by secondary sources. The organization's yearly monetary report gave the data expected to decide the stock cost of the organization. Secondary data sources include the company's balance sheet, income statement, and financial ratios, as well as other information like dividends, earnings, prices, and market prices. The chosen insurance companies' annual reports for the relevant years, 2013/14 to 2022/23, served as the source for the collection of secondary data.

### 3.4 Method of Analysis

The logical conclusion can only be reached by adapting the appropriate tools and methods to the secondary data gathered from a variety of sources. The statistical method was used to analyze the data.

### 3.5 Research Framework

Dividend per share (DPS), earnings per share (EPS), dividend yield (DY), price earnings ratio (P/E), and SIZE are the primary factors influencing stock prices that are taken into consideration in this study, according to the literature review.

#### Independent Variables

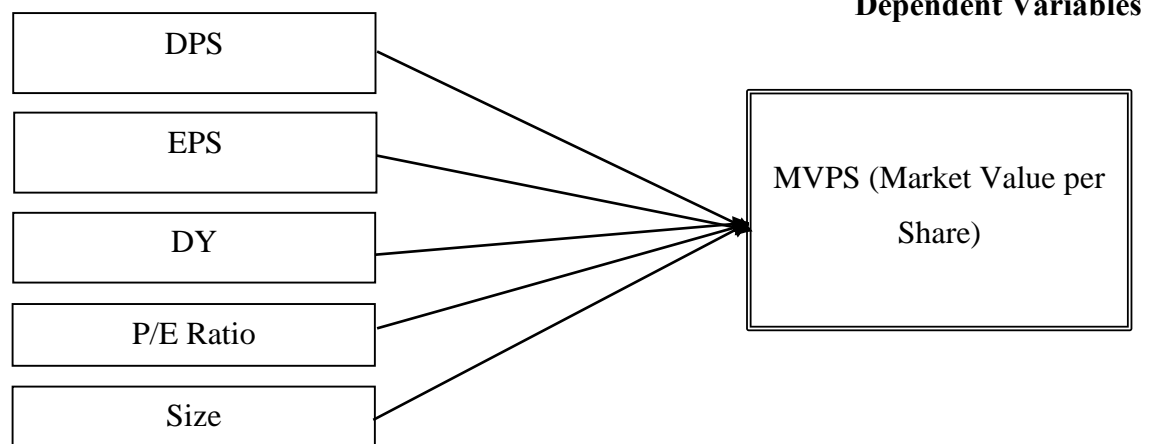


Figure 1

*Research framework*

*Source:* (Li, Pan and Xiang, 2023)

#### Market Values per Share (MVPS)

Use the share's market value per share to determine its market value. The MVPS of a company is the business's assessed market value divided by the total number of stockholder shares. The market value of a company is determined by the price at which its stock is traded on the stock market. In many situations, it is essential to comprehend a company's MVPS, or add market value in a broader sense. Shares that are transferred as a result of a divorce or inheritance are covered by this.

**Dividend per Share (DPS)**

On a per-share basis, the DPS indicates the portion of earnings distributed to shareholders. It is calculated by dividing the number of ordinary shares by the total dividend to equity shares.

**Earnings per Share (EPS)**

The profitability of the investment made by common shareholders can be evaluated using numerous additional metrics. The earnings per common share can be found in Earnings per Share. The income power per share (EPS) calculations after some time show whether the protection organizations' profit power has developed. Earnings per share (EPS) are calculated by dividing the net profit after taxes by the total number of outstanding common shares.

**Dividend Yield Ratio (D/Y Ratio)**

This ratio shows the relationship between market value per share and dividend per share. Investors greatly benefit from it. Partition the profit per share by the market esteem per offer to show up at the computation.

**Price Earnings Ratio (P/E Ratio)**

The market's current price for each rupee of reported earnings per share (EPS) is reflected in this ratio. Potential investors will also find it extremely helpful. It is determined by dividing the earnings per share (EPS) by the market value share (MVPS).

**Size**

Total assets can help determine a portion of the size. A company's assets are its resources. The resources of those organizations remember cash for hand, speculations, shares, and different ventures, as well as credits, progresses, solicitations settled completely, fixed resources, and different resources. A resource is viewed as current in the event that it very well may be sold in under a year, and long haul on the off chance that it takes more time than a year to arrange. It is important to note that the customer deposits that a bank holds comprise all of its obligations.

## CHAPTER - IV

### RESULT AND DISCUSSION

This chapter provides the data and carefully examines them. These additional details were only included in annual reports. The got information is introduced, assessed, and deciphered in this section in consistence with the review philosophy shrouded in the third part. The insurance industry's share price behavior is contrasted with pertinent facts and data.

At the beginning of the chapter, a descriptive analysis of the sample insurance companies' market share, earnings per share, dividend per share, yield on dividends, size, and price-earnings ratio is provided. This is followed by an explanatory and hypothetical analysis. The two statistical methods are used to compare the financial variables. This chapter concludes with a comprehensive table of the results as well as a correlation and regression analysis of the sample insurance companies.

#### 4.1 Descriptive Statistics of Variables

Table 1 displays the descriptive statistics for the variables used in the study. Along with other independent variables (market value per share, earnings per share, dividend per share, dividend yield, and price-earnings ratio of insurance companies in Nepal), the outcome reveals the lowest and highest performance of market value per share.

Table 2

#### *Descriptive Statistics of Variable of Insurance Companies*

Variables	Minimum	Maximum	Mean	Std. Deviation
<b>Dependent Variables</b>				
Market value per Share	124	4351	1475.42	1058.18
<b>Independent Variables</b>				
Dividend per Share	.00	78.40	27.2704	23.36919
Earnings per Share	10.11	100.81	29.6553	21.35969
Size of Firm	126.00	250.83	168.7560	38.78566
Dividend Yield	.19	.94	.7860	.24133
Price Earnings Ratio	10.11	100.81	48.9907	25.63025

*Source* Annual Report of Sample Companies

The descriptive statistics of the study's dependent and independent variables are presented in Table 2. The summary of MVPS reveals that the maximum market per share was 4351

and the minimum was 124, with an average market value per share of 1475.42 and a standard deviation of 1058.18. The companies' level of profitability is demonstrated by the market per share.

The main free factor is the profit per share (DPS). Over the course of the trial, the DPS averaged 27.2704 percent, with a standard deviation of 23.36919 percent. The DPS proportion went from negative 0.00 percent to 78.40 percent at its most elevated and bottommost extremes.

Comparable proportion changes are seen in the profit per share, which have a normal of 29.6553 percent and a standard deviation of 21.35969. The earnings per share range from a minimum of 10.11 percent to a maximum of 100.81 percent. Size, the third independent variable, has a standard deviation of 38.78566 and an average variance of 168.756 percent. Size ranges from a minimum of 126% to a maximum of 250.83%. The yield on dividends ranged from 0.94% to 0.94%.

The average deviation is 0.7860 percent, with a standard deviation of 0.24133. Last but not least, the price-earnings ratio has an average of 48.9907 and a standard deviation of 25.63025. A PER can range anywhere from 10.11 to 100.81.

## **4.2 Correlation Analysis**

The correlation coefficients between variables are shown in a table called a correlation matrix. The correlation between the various variables is shown in each cell of the table. A connection lattice is a helpful instrument for summing up information.

A succinct summary of the variables with varying degrees of correlation and importance can be found here. When the correlation value between two variables is zero, there is no linear connection. The correlation coefficient ranges from +1 (perfect positive link) to -1 (perfect negative relationship). Table 3 depicts the correlation matrix as follows:

Table 3

*Correlation Coefficients of Study Variables*

Variables	DPS	EPS	SIZE	DY	PER	MVPS
Dividend Per Share	1					
Sig. (2-tailed)						
Earnings Per Share	.591*	1				
Sig. (2-tailed)	.020					
Size	.573*	.222	1			
Sig. (2-tailed)	.026	.427				
Dividend yield	.238	.156	.331	1		
Sig. (2-tailed)	.393	.578	.228			
Price Earnings Ratio	.483	.553*	-.019	.198	1	
Sig. (2-tailed)	.068	.032	.947	.480		
MVPS	.795**	.573*	.332	.167	.605*	1
Sig. (2-tailed)	.000	.025	.227	.552	.017	

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

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

*Source SPSS Output*

The data in the table above illustrate the connection between the market price per share, earnings per share, dividend per share, size, dividend yield, and price earnings ratio. MVPS and DPS have a high positive correlation of 0.795, MVPS and EPS have a high positive correlation of 0.573, MVPS and DY have a low positive correlation of 0.167, MVPS and Size have a moderate positive correlation of 0.332, MPS and PER have a high positive correlation of 0.605, and MPS and PER have a high positive correlation of 0.605. There is positive yet immaterial relationship of Size and DY with market esteem per share while positive with critical connection of DPS with market esteem per share at 0.01 degree of importance. With MVPS at the 0.05 level of significance, both the price-earnings ratio and earnings per share are significant. This indicates that the market value per share of Nepalese insurance companies is positively correlated with all of these independent variables.

### 4.3 Regression Analysis

The relationship between the independent variables (market share, earnings per share, dividend per share, dividend payout ratio, and price earnings ratio) and the dependent variable (MPS) is examined in this section. The Table shows the MVPS regression results on five explanatory variables with three sample insurance companies listed in the NEPSE. The entire populace of 39 insurance agency authorized by NRB with 27 perceptions for the

period 2013/14 to 2021/22 is addressed by this table. The dependent variable is MVPS. The independent variables are the EPS, DPS, PER, SIZE, and DY. In business jargon, the terms "company size" (SIZE), "market value per share," "EPS," "dividend per share" (DPS), "price earnings ratio" (PER), "dividend yield" (DY), and "company size" (SIZE) are all used interchangeably. The risk sign and the t-value both indicate that the result is significant. Parenthesis separate these figures. The F-measurement and the Changed R square are signified by F and Adj. R2, separately.

Table 4

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837a	.701	.534	.53833

a. Predictors: (Constant), EPS, DPS, PER, SIZE and DY

b. Dependent Variable: MVPS

Because it takes into account the sample size as well, the adjusted r2 statistic is more reliable. Here, R2 address the level of the changeability of productivity that can be made sense of by autonomous factors. The coefficient of determination, R2, has a value of 0.701, which indicates that earnings per share, dividend per share, price earnings ratio, size, and dividend yield account for 70.10 percent of the variation in MVPS.

Table 5

*ANOVA*

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.105	5	1.221	4.214	.030b
	Residual	2.608	9	.290		
	Total	8.714	14			

a. Dependent Variable: MVPS ( $\alpha = 0.05$ )

b. Predictors: (Constant), EPS, DPS, PER, SIZE and DY

The overall summary and significance of the dependent and independent variables can be seen in the ANOVA table. This table shows that the impact of the independent variable, which is EPS, DPS, SIZE, and DY on the dependent variable, which is At significance level 0.05, MVPS is statistically significant, 0.030. Accordingly, got p-worth ought to be underneath 5% importance level to finish up critical connection between these factors.

Table 6

*Regression Coefficients*

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.664	.887		.749	.473
	DPS	.023	.010	.684	2.282	.048
	EPS	.002	.009	.044	.181	.860
	SIZE	-.001	.005	-.053	-.207	.841
	DY	-.118	.650	-.036	-.181	.860
	PER	.008	.008	.256	1.030	.330

a. Dependent Variable: MVPS ( $\alpha = 5\% = 0.05$ )

Regression analysis output: coefficient

The linear equation of this model is,

$$Y = \beta_0 + \beta_1 \text{ DPS} + \beta_2 \text{ EPS} + \beta_3 \text{ SIZE} + \beta_4 \text{ DY} + \beta_5 \text{ PER}$$

$$\text{MVPS} = 0.664 + 0.023 \text{ DPS} + 0.002 \text{ EPS} - 0.001 \text{ SIZE} - 0.118 \text{ DY} + 0.008 \text{ PER}$$

The constant's lack of significance is suggested by the fact that its p-value is greater than 0.05, as shown in the table of regression coefficients. MVPS is positively influenced by DPS, with a p-value of 0.048 or less than 0.05, while MVPS is negatively influenced by size and DY rate, with p-values of 0.841 and 0.860, respectively. In a similar vein, MVPS benefit insignificantly from the EPS and PER. The beta coefficients for DPS, EPS, and PER are 2.282, 0.181, and 1.030, respectively. This means that MVPS gains an average of 2.282, 0.181, and 1.030 units for every unit increase in DPS, EPS, and PER. In contrast, MVPS decreases by -0.207 and -0.181 units for every unit increase in size and DY, as indicated by their beta coefficients of -0.207 and -0.181, respectively. However, the EPS, Size, DY, and PER have p-values that are greater than 0.05, implying that they have no statistical significance in affecting MVPS, in contrast to DPS, which has significant positive effects on both.

#### 4.4 Discussions

The study's primary objective is to investigate the connection between MVPS, EPS, DY, and DPS. MVPS, EPS, DY, DPS, and PER all have a positive correlation with the sample companies. DPS has positive critical connection with MVPS. Size and DY are statistically insignificant even at the 10% level of significance, whereas EPS and PER are also statistically significant. It indicates that these businesses manage more effectively overall. The stock price should be in a positive relationship to each other in order to properly

manage it. As a result, the analysis's other objective justification reveals that EPS, DY, PER, and DPS have no overall impact on MVPS.

The EPS, PE ratio, and DY all have a positive impact on a share's market price, as shown by descriptive and inferential statistics. In accordance with Tiwari's research, DY and DPS have a positive effect on the market price, though not by a significant amount. DPS and DY have negative and insignificant effects. This study's findings back up the hypothesis that earnings per share, price earnings ratio, and DY have a positive but insignificant effect on insurance's market price per share from 2012/13 to 2020/21.

Market value per share is positively correlated with the DPS, EPS, DY, SIZE, and PER. This demonstrates that higher the DPS, EPS, DY, SIZE and PER, higher would be the stock cost of Nepalese insurance agency and it is more reliable with the discoveries of Karlsson, Häggqvist and Hedberg (2020). DY and MVPS have a positive correlation, but DY and DPS have a significant positive correlation, according to the findings. In any case, cost profit proportion has huge positive relationship with EPS however unimportant negative connection with Size. There are significant positive correlations between EPS and MVPS. Lastly, this analysis supports Niroula research by demonstrating that DPS has a significant positive relationship with EPS but a non-significant negative relationship with PER.

DPS, on the other hand, has a significant and positive effect on MVPS. The relationship between MVPS and EPS is also positive and statistically significant, as is the relationship between PER and MVPS. MVPS is significant statistically. To conclude that these variables have a significant relationship, the obtained p-value needs to be less than the 5% significance level. As an independent variable, PER is significant statistically. However, the results of Kengatharan and Ford (2021) are supported by DY, DPS, and EPS, but they are not consistent with Aktürk, Karan, and Pirgaip (2022) or Usman, Lestari, and Sofyan's findings.

MVPS decreases by respective coefficients when DY increases by Rs.1, as indicated by the negative coefficient of DY. It suggests that the stock prices of Nepalese insurance companies would decrease the higher the DY. The EPS, PER, and DPS beta coefficients are all positive. Similar to the findings of Bhatti, Patoli, and Kumar (2023) and Hikmah, Pahlevi, and Damang (2022), but in opposition to the findings of Kengatharan and Ford

(2021), Joseph and Symon (2019), and Bokpin (2016), this suggests that insurance company stock prices would rise as EPS, PER, and DPS rise.

## **CHAPTER – V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

The primary objective of this research is to examine the earnings per share, dividend yield, price earnings ratio, and market value per share of insurance companies. Additionally, investigate the connection between insurance company MVPS, EPS, DY, DPS, PER, and size, as well as their impact on insurance company MVPS. There are a lot of questions about whether to pay share prices or keep earnings. Research utilizing both engaging and causal examination techniques has been directed to meet the particular objective of the review. A descriptive design is used to examine dividend practices' current state and trend. Both a causal research design and an explanatory design are utilized in order to ascertain the ways in which EPS, DPS, PER, and DY influence the MVPS of insurance companies in Nepal. Auxiliary information were utilized in this examination. The data comes from the related office's yearly reports for a very long time, from 2013-14 to 2022-23. Every one of the 34 insurance agency that are at present recorded and carrying on with work in Nepal make up the populace information utilized in this review. The sample only contains three insurance companies: LIC, NELIC, and NLIC. These insurance are the top three in terms of dividends right now.

The securities exchange offers creating organizations a minimal expense method for raising money, which can invigorate financial development. Bank loans are typically taken out by businesses to meet their immediate liquidity requirements. However, if they require long-term financing, they may sell their ownership stake in the company using ordinary and preferred shares. There are two primary functions served by the stock exchange. It connects businesses in need of funding to start new ventures or expand their current operations with investors who have excess capital. Additionally, it provides a regulated share market where supply and demand determine pricing. To address the research objectives, the study has been organized into five chapters.

The first chapter covers the primary topic of the study, the general background, a brief description of the sample insurance companies, the problem statement, the goals, the significance of the study, and the study's limitations. Theoretical analysis is the primary focus of the second chapter, which also includes a brief synopsis of the relevant and related

literature. An explanation of the conceptual framework and a general synopsis of the significant research are included. The study's research strategy is explained in detail in the third chapter. This section covers various subjects, including the meaning of measurable instruments, research plan, information source, investigation system, and assessment of monetary pointers and factors. The fourth chapter presents and analyzes data using statistical methods to demonstrate quantitative factors affecting dividend policy. Using correlation and regression, the data study demonstrates that dividend per share (DPS), EPS, SIZE, and MVPS all have significant positive relationships. This chapter also contains the discussions. The fifth chapter offers a recommendation, a summary, and a conclusion. In addition, it offers some suggestions and makes some comparisons with other empirical data.

## **5.2 Conclusion**

The study's primary objective was to determine how insurance companies in Nepal's current structure of EPS, DPS, DPR, DY, PER, and MVPS affects share price over time. The aftereffects of the review portray that there are a few contemplations made before giving profits to the investors. These include the dividends that have been paid in the past, the dividends that are going to be paid to preferred shareholders, the amount paid by a competitor, the net earnings that have been made during the period, the amount in the reserve fund, and the prospects for investments.

The second level headed of the review us to look at the connection between EPS, DY, DPR, DPS, PER and MPS of insurance agency in Nepal. Size and DY had a positive but insignificant correlation with market value per share, while DPS had a positive and significant correlation with market value per share at the 0.01 level of significance. With MVPS at the 0.05 level of significance, both the price-earnings ratio and earnings per share are significant. This indicates that the market value per share of Nepalese insurance companies is positively correlated with all of these independent variables.

Finally, the third goal shows the effect of EPS, DY, DPR, DPS and PER on MPS of insurance agency in Nepal. DPS, PER, and EPS all have a positive correlation with market value per share, whereas DY and Size have a negative correlation with MPS, according to the regression results. This suggests that the stock prices of Nepalese insurance companies

would rise in tandem with DPS and EPS. The finding demonstrates a negative correlation between PER and market value per share. Similar to Niroula's research, it suggests that a rise in DY results in a fall in stock price. The percentage of how much higher the DY, EPS, PER, and DPS would be the stock prices of Nepalese insurance companies is represented by the coefficient of determination  $r^2$ . As shown in the table, the independent variable DPS is statistically significant due to its p-value of 0.000 at the 0.05 significance level. DY and EPS, on the other hand, are not statistically significant, even though they are greater than the significance level at 0.10, which is in line with Ashraf's (2020) research but not Endyi's (2021).

### 5.3 Implications

The recommendation is based on the study's observation of MVPS with DPS and another variable from sampled insurance companies as well as the empirical view of how financial performance affects the impact of dividends on share price. The suggestions that follow are made.

- Each company ought to have a strategic dividend policy that is documented. Before it can be made public, it must be approved by the Supervisory Board or the General Meeting in accordance with the rules for public corporations.
- The sample insurance companies' dividend policies are inconsistent, according to the DPS analysis. As a result, these businesses need to find a way to pay a dividend that is reasonable each year. This is because investors and shareholders, who are seen as valuable assets on their own, benefit from higher dividend payments. DPS, EPS, DY, and MVPS vary greatly among the sample insurance companies. Controlling the fluctuation is essential, and keeping the variable consistent has become especially important. Both businesses' stakeholders would be pleased if major financial indicators indicated positive market sentiment; otherwise, it would be detrimental to the financial institution in the long run.
- The company has inconsistent dividend payout policies. It tends to be hard to decide an offer's actual market esteem when profits are paid in humble sums without considering the gamble free pace of return. This is especially true when shares for which there is no dividend are rising in price. Therefore, a precise DPS payment policy should be developed, and dividends should be controlled, stable, and assessed fairly. In order for insurance companies to thrive in today's fiercely

competitive market, they should have long-term goals for earnings and dividend payments. Before making a choice, a number of internal and external factors should be taken into consideration.

- The dividend policy of a strategic company ought to be in line with the NRB's recommendations for regulatory and supervisory authorities. The adoption of the proposals ought to take precedence over the company's value to shareholders in this instance. This primarily pertains to suggestions regarding financial stability and energy security. The two organizations the executives board ought to propose measure of the profit to be paid for a given financial year and impart this data to the public well before the yearly comprehensive gathering of the organization's investors.
- Formal vital profit strategies ought to be executed by insurance agency. Before it can be made public, it must be approved by the Supervisory Board or the General Meeting in accordance with the rules for public corporations.



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## APPENDICES

### APPENDIX- I

#### Nepal Life Insurance 10 year's data

Fiscal Year	MPVS	EPS	DPS	DPR	PER	DYR
2013/14	1425	121.51	98.5	1.23	11.73	0.03
2014/15	4351	56.67	68	0.83	76.78	0.05
2015/16	2886	30.42	26.32	1.16	94.87	0.03
2016/17	4006	41.83	30.08	1.39	95.77	0.01
2017/18	2148	32.44	70.53	0.46	66.21	0.01
2018/19	1050	20	48.5	0.41	53	0.02
2019/20	901	24	51	0.47	37	0.02
2020/21	1260	15	14.74	1.02	82	0.05
2021/22	1919	24	15.79	1.52	80	0.05
2022/23	768	26	17.92	1.45	79.32	0.05

(Source: Annual Report)

#### LIC Nepal 10 year's data

Fiscal Year	MPVS	EPS	DPS	DPR	PER	DYR
2013/14	1320	68	65.79	1.03	19	0.01
2014/15	4095	30	31.58	0.95	138	0.01
2015/16	2799	29	26.32	1.10	96	0.01
2016/17	3580	30.06	26.11	1.15	119.11	0.01
2017/18	2151	10.11	12.63	0.80	212.76	0.01
2018/19	1622	100.81	78.4	1.29	16.09	0.05
2019/20	1600	19.85	14.15	1.40	80.59	0.05
2020/21	1330	35.81	23.16	1.55	37.14	0.05
2021/22	1653	34.32	22.63	1.52	42.61	0.06
2022/23	1552	28.61	29.31	0.98	40.18	0.05

(Source: Annual Report)

National life insurance 10 year's data

Fiscal Year	MPVS	EPS	DPS	DPR	PER	DYR
2013/14	596	88.32	73	1.21	6.75	0.01
2014/15	2550	32.21	38	0.85	79.17	0.01
2015/16	1840	25.88	32	0.81	71.11	0.01
2016/17	3300	26.4	26	1.02	125.05	0.01
2017/18	2300	35.36	14.21	2.49	93.09	0.01
2018/19	799	30.87	14.63	2.11	25.88	0.01
2019/20	585	13.99	10.53	1.33	41.83	0.12
2020/21	662	24.17	22	1.10	27.39	0.01
2021/22	1151	21.49	18.79	1.14	53.56	0.02
2022/23	664	22.34	16.2	1.38	59.42	0.05

(Source: Annual Report)

APPENDIX- II

Relationship between MVPS, EPS, DPS, DPR, PER and DYR

Variables	DPS	EPS	SIZE	DY	PER	MVPS
Dividend Per Share	1					
Sig. (2-tailed)						
Earnings Per Share	.591*	1				
Sig. (2-tailed)	.020					
Size	.573*	.222	1			
Sig. (2-tailed)	.026	.427				
Dividend yield	.238	.156	.331	1		
Sig. (2-tailed)	.393	.578	.228			
Price Earnings Ratio	.483	.553*	-.019	.198	1	
Sig. (2-tailed)	.068	.032	.947	.480		
MVPS	.795**	.573*	.332	.167	.605*	1
Sig. (2-tailed)	.000	.025	.227	.552	.017	

(Source: SPSS Calculation)

APPENDIX- III

Impact of DPS, EPS, Size, DY and PER on MVPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837a	.701	.534	.53833

a. Predictors: (Constant), DYR, EPS, DPR, PER, DPS

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.105	5	1.221	4.214	.030b
	Residual	2.608	19	.290		
	Total	8.714	29			

a. Dependent Variable: MVPS

b. Predictors: (Constant), DYR, EPS, DPR, PER, DPS

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.664	.887		.749	.473
	DPS	.023	.010	.684	2.282	.048
	EPS	.002	.009	.044	.181	.860
	SIZE	-.001	.005	-.053	-.207	.841
	DY	-.118	.650	-.036	-.181	.860
	PER	.008	.008	.256	1.030	.330

a. Dependent Variable: MVPS

(Source: SPSS Calculation)

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ABSTRACT