

**FACTORS INFLUENCEING THE SHARE PRICE OF LIFE  
INSURANCE COMPANIES IN NEPAL**

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By

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## **CERTIFICATE OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**FACTORS INFLUENCING SHARE PRICE OF LIFE INSURANCE COMPANIES IN NEPAL**" the work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and co-operation 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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## **APPROVAL SHEET**

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## ABBREVIATIONS

ALICL	Asian Life Insurance Company Limited
ANOVA	Analysis of variance
APT	Appropriate
ARDL	Autoregressive Distributed Lagged Model
ASEAN	Association of Southeast Asian Nations
BVPS	Book Value Per Share
CPI	Consumer Price Index
CSE	Colombo Stock Exchange
DIV	Dividend
DPS	Dividend Per share
DY	Dividend Yield
EPS	Earning Per Share
GDP	Gross Domestic Product
Inc.	Incorporation
IPO	Initial Public Offering
IR	Interest Rate
IT	Information Technology
ITES	Information Technology Enabled Services
LICN	Life Insurance Corporation Nepal
Ltd.	Limited
MPS	Market Price Per Share
NAVPS	Net Asset Value Per Share
NEPSE	Nepal Stock Exchange
NLIC	Nepal Life Insurance Company
NLICL	National Life Insurance Company Limited
NPM	Net Profit Margin
NRB	Nepal Rastra Bank
NSE	National Stock Exchange
OECD	The organization for economic co-operation and development
OLS	Ordinary Least Square
P/E	Price Earning
RJBCL	Rastriya Jiban Beema Company Limited

x

ROA	Return on Asset
ROE	Return on Equity
SD	Standard Deviation
SEBON	Security Board of Nepal
SPSS	Statistical Package for Social Science

## ABSTRACT

The equity market plays a vital role in economy prosperity that fostering capital formation and sustaining economic growth and has become an essential market. As they ensure the flow of resources to the most productive investment opportunity, they are important for economic growth. Therefore, this study identifies and analyzes the factors influencing the share price of life insurance companies in Nepal. The whole study is based on secondary data and data collected from annual report of selected life insurance companies and supervision reports of central bank (Nepal Rastra Bank). The study has applied the descriptive and causal comparative research design. Only four among fourteen life insurance companies are selected for study purpose as per available information namely National life insurance company, Nepal life insurance company, Life insurance corporation Nepal and Asian life insurance company for the period of 2066/67 to 2078/79. Market price per share is considered as dependent variable while firm specific variables (EPS, BVPS, P/E ratio and firm size) and macro-economic variables (GDP, MS, CPI and remittance) are considered as independent variables for the study purpose. Hypothesis has been taken into consideration with supposition of positive and significant relationship with all independent variables considered above except one i.e., consumer price index which has negative and significant association. Among them my hypothesis has been found true and correct. Hence, the major conclusion of this study is that Nepalese life insurance companies' market price is highly influenced by the firm specific as well as macro-economic variables. Firm specific variables like earnings per share, book value per share, price earnings ratio and company size are the major determining stock price in the context of life insurance companies. It means increase in firm specific variables higher would be the market price per share. Thus, the Nepalese investors should consider these independent variables in making investment in share market.

**Key words:** *Market price per share, Earnings per share, Book value per share, P/E ratio, Firm size, Gross domestic product, Money supply, Consumer price index and Remittance.*

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Factors of share prices have often become a matter of debate. Both internal and external factors play a role in influencing share prices. Internal elements include things like size, book value per share, earning per share and so forth. Macro-economic variables or external influences include the interest rate, gross domestic product and government regulation. Dahal (2016) has stated that the market price per share is largely determined by factors that have relatively little influence, such as earnings per share, price earnings ratio, book value per share, and return on assets. The study's implications imply that, in the setting of an imperfect stock market like Nepal, a rational investor should take signaling and asymmetric information into account along with firm size, money supply, and dividends per share before making investment decisions. Sah and Maga (2021) found that return on assets of Nepalese Insurance Companies is positively and significantly impacted by the size of the organization. Similarly, Pantha et al. (2022) revealed that business size has a positive and substantial relationship with the performance of Nepalese Insurance companies measured by ROA and ROE. To forecast future stock prices, fundamental analysts use stock valuation ratios to derive a stock's current fair value and forecast future value. The other empirical studies viz. (Desta 2020, Ghimire & Mishra 2018, Pradhan & Dahal 2016) among others demonstrate that the share price is influenced by a variety of factors in different markets. Antono (2019) aimed to analyze that price of stock of insurance companies affected by several factors, such as inflation, investment returns and the expenses in the insurance service itself. The findings show that while investment returns have a positive and significant impact on stock price, inflation and expenses have a negative and large impact.

Bhattacharai (2018) looked at the influence of firm-specific and macroeconomic variables on the share prices of Nepalese enterprises; Kunwar et al. (2022) considered at the factors influencing the share prices of insurance companies in Nepal. The study came to the conclusion that the P/E ratio, firm size, and EPS were the main factors influencing a company's share price.

Gautam (2017) asserted that there is a positive correlation between stock return and leverage, market capitalization, dividend payout, and dividend yield. Similarly, Rakhal (2018) came to the conclusion that while interest rates and exchange rates have a negative impact on the stock market, remittances and the money supply have a favorable effect. Similarly, Karki (2018) found a favorable correlation between real gross domestic product, inflation, and money supply and stock market performance. Bhattarai (2020) explained that the dividend payout ratio has a statistically significant negative association with the market price of shares of insurance businesses, whereas other parameters like dividend yield and earnings per share have a positive and substantial link with the market price of shares. Hence, it is unsurprising that assets worth billions of dollars are traded on stock exchanges every day (Hoseinzade & Haratizadeh, 2019).

The establishment of SEBON in June of 1993 as the market regulator gave the Nepalese capital market a solid structure. From its founding, SEBON has focused its efforts on enhancing the legislative and regulatory frameworks that serve as the cornerstones for the robust growth of the capital market. The highest authority governing the securities market in Nepal is SEBON. On January 30, 1997, the Securities Exchange Act of 1983 underwent its second amendment as part of the ongoing attempts to create a reliable system. With the addition of Market Intermediaries directly under its purview and the requirement that corporate entities submit yearly reports, this amendment broadened the purview of SEBON and helped to establish it as the supreme regulatory authority. Rajopadhyaya (2020), NEPSE is the sole stock exchange in Nepal where you can buy and sell shares in secondary market.

Arkan (2016) stated that a stock is a kind of instrument that denotes a proportionate ownership stake in the issuing company. The entities that own that percentage of the company's assets and profits are the stockholders. Common stock and preferred stock are the two categories of stocks. Typically, common stock comes with dividend rights and the ability to vote at shareholder meetings. Preferred stock is entitled to a larger share of assets and earnings than shares alone, but it does not have voting rights. Fama (1970) looked at whether the prices of existing assets accurately reflect all available information, which would make the stock market efficient. Technical analysis and fundamental analysis would be used to evaluate stock prices in an efficient market. Technical analysis assesses the movement of the stock price and forecasts the price depending on historical

data of stock price.

Srinivasan (2012) disclosed that internal characteristics such as dividend, payout ratio, book value per share, size, age of establishment, dividend yield, leverage, and return on assets and equity all influence share prices for various markets. Investors will find it highly beneficial to understand how different fundamental factors affect share price, as this will enable them to make profitable investing selections. Equity markets are a vital source of money for long-term economic development and they also improve business efficiency and creativity. Additionally, they offer governments a practical way to raise money by selling state-owned businesses. Furthermore, when governments move their pension systems closer to the private sector, equity market investments become an increasingly significant part of peoples' assets. To put it briefly, it is clear that equities constitute an increasingly important capital market in the world economy (Mosley & Singer, 2008).

Institutions mostly use the stock market to increase funds and deploy stocks. Public institutions that are listed may use the market to sell their shares in order to raise additional capital for corporate expansion. Companies that refrained from trading on the stock market are required to initiate the process of initiating an Initial Public Offering (IPO). Since, stock market is the place where people get rich quickly, it has been receiving most attention from media and public interest has been increasing towards it (Ghimire & Mishra, 2018). Because the market unites buyers and sellers of these stocks, every company that is listed on the stock market is able to offer its shares. It could be said that the stock exchange has a primary function by supporting the economic growth of the country in the fields of industry and commerce. Market is the main cause for the development of industry and commerce as it plays an important role in developing industrial sector of the country (Sen & Ray, 2013).

The stock market is extremely important to any nation's economy. Thus, the stock market has even been referred to be the economy's mirror (Lokeshwarri, 2019). Sreenu and Pradhan (2023) discovered that verified cases of COVID-19 had an immediate and detrimental impact on stock market. By encouraging capital formation and boosting economic growth, it also aids in the nation's economic development. This market's securities trading helps savers and capital users by transferring wealth, sharing risk, and

pooling funds. Nisa and Nishat (2011) affirmed that reserves might be directed toward the most profitable investments in order to generate economic activity. Considering the share prices of the companies, investors decide which shares to purchase. The share's market price is one of the most important factors which affects investment decision of investors. The stock price in market is not static rather it changes every day. Fluctuation in share prices are occurs due to the supply and demand forces. But there is no foolproof or perfect system that indicates the exact movement of stock prices. Tarver 2019, In general the laws of supply and demand in the market dictate share price. Three primary categories of factors can be used to explain variations in the supply and demand of stock prices: market sentiments, fundamental reasons, and technical factors.

The life insurance sector performs a very strong position in the financial landscape, providing risk mitigation and financial security. The insurance sector plays key role in managing assets and contributing substantial inflows to economic and financial growth of the nation (Calderon et al. 2020) and provide a wide range of benefits from ensuring individual financial security to facilitating large scale social security (OECD, 2000). Life insurance companies help individuals to hedge risks by sharing among multiple people. They provide financial compensation when any unforeseen circumstance occurs, but that is just a small part of how these institutions supplement to the welfare enhancement of the economy (Ghimire, 2014). Life insurance companies are widely known for diverting consumer spending into savings. These savings are invested in important and profitable projects throughout the nation (Royal Bank of Canada, 1956).

Life insurance companies are thus, one of the major contributors of infrastructural development and financial market development of any nation. Sharma 2023 found that various insurance plans offer variety of features and advantages and can be tailored to a person's particular. Correspondingly, life insurance companies also possess significant number of shareholders and are responsible for maximizing their wealth. Investors are always interested towards maximizing the return and minimizing the risks of loss (Prayudha & Kuswanto, 2019). Therefore, these companies are accountable for the smooth functioning of stock markets along with the overall economy. The present study deals with an attempt to analyze the elements of share price of Nepalese life insurance companies on the basis of firm specific and macro-economic variables in Nepalese context.

## 1.2 Problem statement

Any economy's stock market prices are influenced by variety of factors. Demand and Supply considerations are the two most fundamental variables that affect the price of stock shares (Farooq et al. 2012). Investor's demand behavior is influenced by Government regulations, company and industry performance and potentials in both main and secondary markets. Prabath (2014) disclosed that the determination of stock price is influenced by firm-specific characteristics such as book value per share, earnings per share, and dividend per share. This study looked at how a sample of one hundred companies listed on the Colombo Stock Exchange (CSE) were affected by the stock price's DPS, EPS, and BVPS from 2008 to 2012. Using a single and multiple regression model, the result reveals that EPS, DPS and BVPS were positive and had a significant impact on share price in CSE. There are a lot of research studies on the factors of stock market in other countries such as Hasing (2014), Williams (2012), Yadav (2014), studies are also have done on Nepalese stock market such as Gurung (2004), Pradhan (2010) and Bhatta (2010). In this regard, how EPS, DPS and BVPS is going to affect the share price is the issue in context of Nepal?

Most of the Nepalese investors invest their fund in single securities because of less knowledge about risk-return behaviors of the securities (Shrestha et al. 2016). The performance of stock market in any country is a strong indicator of general economic performance and is an integral part of the economy in any country. With the introduction of free and open economic policies and advanced technologies, investors are finding easy access to stock market around the world. The fact that stock market indices have become an indication if the health of economy of a country indicates importance of stock markets. Sharif, Purohit, and Pillai (2015) developed that there is a strong positive correlation between the firm's size, EPS, BVPS, DY, P/E, and P/E, indicating that these variables actively influence share market price.

Karki (2018) discovered a negative correlation with interest rates and a substantial association between the GDP, money supply, and inflation and stock market price. Bhattarai (2020) ascertained that the market price of shares of insurance companies has a positive and statistically significant association with the dividend payout ratio, whereas other indicators like dividend yield and earning per share have a negative relationship. Sah and Maga (2021) found out the return on assets of Nepalese insurance companies is

positively and significantly impacted by the size of the organization. In the same way, Pantha et al. (2022) disclosed that there is a noteworthy and affirmative correlation between the size of the firm and the ROA and ROE metrics used to measure the performance of insurance companies in Nepal.

Both qualitative and quantitative factors determine the stock price. Besides that, many factors influence the share price. But exactly what factors influence the price of share is still controversial. To sum up, this study deals with the following issues in the context of Nepal.

- i. What is the relationship of market share price with firm specific factors and macro-economic factors of life insurance companies?
- ii. Whether there is significant relationship between GDP, money supply and inflation with market stock price and negatively relation with interest rate?
- iii. Is there any effect of firm specific factors and macro-economic factors in stock price?

### **1.3 Objectives of the study**

The primary goal of the research is to unravel the intricate web of factors affecting stock values of life insurance companies in Nepal in order to highlight their responsiveness to the market fluctuations and dynamic character. In order to fulfill the primary goal, the following goals are established:

- i. To assess the present status of market share price, firm specific factors and macro-economic factors of life insurance companies.
- ii. To examine how the gross domestic product, money supply, consumer price index and remittance relate to the price of market stock.
- iii. To analyze how firm specific factors and macro-economic factors affect stock price.

### **1.4 Hypothesis**

The section before this one contains the particular and primary goals of this investigation. The following are related research hypotheses:

**HYPOTHESIS: I**

H1: MPS and EPS have significant association.

H2: MPS and BVPS have significant association.

H3: There is a significant correlation between MPS and Firm size.

#### **HYPOTHESIS: II**

H1: MPS and GDP have significant relationship.

H2: MPS and Money supply have significant relationship.

H3: MPS and CPI have significant relationship.

H4: There is a significant relationship between MPS and Remittance.

Hypothesis is tested based on regression analysis.

### **1.5 Rationale of the study**

On the securities listed in NEPSE, a few studies have been conducted. The majority of research done on the capital market to date has focused on risk and return, capital structure analysis, deposit mobilization, dividend policy, and financial performance assessment, among other topics. On the other hand, no research has yet been conducted on the fundamental viewpoint of the factors influencing share price. In order to achieve their own and organizational goals, investors, planners, researchers, students, and policy makers will find great value in the current study. The goal of this study is to establish a relationship between the MPS of life insurance businesses and key financial metrics such as EPS, BVPS, size, GDP, money supply, consumer price index, and remittance. The relation is hoped to show the status of life insurance companies with respect to the determiners of share price. These findings may be helpful to potential investors to make better investment decisions. Likewise, this thesis provides information about the position of share price in the share industry.

Moreover, the industrial average regarding different financial indicators is helpful to compare with the individual life insurance companies. This information is expected to be helpful to the managers of the respective life insurance companies to analyze their activities and to know about factors which influence the share price of companies. This research also be helpful to different policy makers such as SEBON, NEPSE and life insurance companies etc. to formulate better policy in the area of share market and share prices.

### **1.6 Limitations of the study**

The following are the limitations of the study:

- i. There are 14 life insurance companies are in operation in Nepal and listed in NEPSE but this study covers only four life insurance companies are trading in face value.
- ii. This study only focuses on internal and external variables that influences the market price of the life insurance companies such as earning per share, book value per share, size of the firm, P/E ratio, gross domestic product, money supply, consumer price index and remittance. So other variables are not focused for the study.
- iii. The 13 years of recent data and information included by this study span the fiscal years 2066/67 to 2078/79.
- iv. Only secondary data were used to create this study. The view that shareholders and investors have of the stock market, which is also a significant factor in determining share price, is not included in this study.
- v. The assumption of a linear relationship between the dependent and independent variables is the basis of the investigation. Therefore, the non-linearity biases that are typically present in emerging country markets have not been taken into consideration in this study.

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter reviews empirical research on the variables affecting Nepalese life insurance firms' stock prices. It is the act of analyzing as well as critically finding the similarities and differences in the previous related studies. It also warrants about the major findings as well as reviewing the tools and techniques used by the previous studies on behavior of share price of life insurance companies. This chapter presents the theoretical review, review of journal articles and research gap.

#### **2.1 Theoretical Review**

The share price variations are caused by a multitude of factors. Both economic and non-economic ones are among them. Securities prices are usually very responsive to all imaginable and actual events that provide insight into the future. It would be quite difficult to discover a widely recognized price formation theory, even though all of the elements contribute to the observed movement of share price. The investing industry has been growing recently, much like other economic sectors. These days, the investment sectors of the majority of developing nations are helping to propel their economies forward. These days, the investment sectors of the majority of developing nations are helping to propel their economies forward. It is vital to be familiar with the fundamental ideas of stocks and other related topics before delving into the main subject matter of stock price in the market. These topics are frequently used in stock market research.

The study came to the conclusion that the P/E ratio, firm size, and earnings per share were the main determinants influencing a company's share price. Gautam (2017) stated that there is a positive correlation between stock return and leverage, market capitalization, dividend payout, and dividend yield. Similarly, Rakhal (2018) deduced that while interest rates and exchange rates have a negative impact on the stock market, remittances and the money supply have a favorable effect. Similarly, Karki (2018) found a favorable correlation between real gross domestic product, inflation, and money supply and stock market performance. Bhattarai (2020) found out that the market price of shares of insurance companies has a positive and statistically significant association with the dividend payout ratio, whereas other indicators like dividend yield and earning per share

have a negative relationship. Technical, fundamental, or efficiency analysis would all be used to examine stock prices in an efficient market.

#### Technical analysis theory

The technical analysis theory is the study of past price and volume data of stocks to forecast further price movements. It is an alternative approach to predicting stock price behavior in literature of investment management. Because technical analysis is a philosophy based on the market, it can focus more on the forces influencing supply and demand for shares as seen in market movements than on the inherent value of shares. Technical analysts are analysts or potential investors who examine an asset to forecast price movement in the past.

According to technical analysts, the price of a share at any given moment is determined by the equilibrium reached by buyers and sellers. Price fluctuations occur due to shifts in the forces driving buying and selling. Numerous internal and external factors—such as profit, the political climate, forecasts, and the like—are to blame for this. When there is balance between buyers and sellers, prices stabilize. They think that a historical record of price fluctuation over time is evidence that history repeats itself, as the entire theory is predicated on this idea. That human nature does not change and that man is likely to repeat his patterns of past movements will repeat themselves in the future (Rashid & Rahman 2008).

The technician has a propensity to turn around. The techie gives future profits and dividends very little, if any, thought. In order to provide suggestions regarding the time of buying and selling of individual stocks or groups of stocks intended to address the question "when," technicians typically try to forecast short-term price movements (Aiali, et al., 2019). Technical analysts identify historical patterns or trends that they predict will recur in the future. Based on their prognosis of profitable patterns, they advise either timely holding and disposing of investments or short-term speculating. Technical analysts do not assess values; they estimate prices. They largely ignored the fundamental facts such as the firm's risks and earnings growth rates in favor of concentration on various barometers of supply and demand that they have devised (Fisher 1930).

## Fundamental analysis theory

Fundamentalists use corporate, industry, and economic data to predict stock prices. In the end, earnings and dividends serve as the primary deciding factors. The economic climate and earning potential are taken into consideration by the fundamentalists when determining the stock's worth using a risk-return framework. To determine the intrinsic value of a company's securities, the fundamental analysis approach entails examining a variety of factors, including those that affect the economy, the industry, government action, the firm's financial statements, its competitors, and relevant company information such as product, demand, earnings, dividends, and management. Fundamental analysis, or fundamentalism, is the word used to describe the analyst who bases their belief in the intrinsic value of a stock on fundamental facts. A fundamentalist assertion that a single stock has intrinsic value at all times is equivalent to the present value of the security's future cash flow discounted at a suitable rate that accounts for risk. The present value of all future income that the share owner will receive is what determines the value of common stock (Sharma, 2011).

The stock's intrinsic value, or a favorable estimate of its cash flows and a capitalization rate appropriate for the future, should be reflected in the real price. However, in actuality, it is first unknown beforehand what the proper discount rate for a given stock should be. Therefore, fundamentalists calculate their intrinsic value by closely examining every aspect of the business. The study would involve its sales profits, profit margins, dividends, management skill, industrial and business perspective, labor competence, and factors influencing its future performance (Arkan, 2016).

Fundamental analysis employs a variety of approaches, including probabilistic analysis and top-down vs bottom-up forecasting to determine the value of security. Fundamentalist projects like this should determine how much a firm should make in the future and how many of its shares it should own. We refer to this projected cost as intrinsic value. The stock's intrinsic worth is typically higher than its current market value. As a result, there is a difference in opinion between fundamentalists' conclusions and investment decisions; when this value is contrasted with the present market value, it is assumed that the price will increase. Fundamentalists will purchase shares in this scenario since they will profit from it.

In contrast, the shares are overpriced and should be sold by fundamentalists if the intrinsic value is less than the market value. According to this rule, they think that if the market is inefficient at pricing shares, over average returns can be obtained (Ifraan & Nishant, 2002).

#### Efficient market theory

The equilibrium price of any commodity or service in a competitive market is set at a point in time when the aggregate demand and available supply are equal. Based on the information that is readily available to the public, this price reflects the members of the market's consensus regarding the actual value of the product or service. The market evaluates and interprets new relevant information as soon as it is made available. The outcome could lead to a shift in the current equilibrium pricing. The new equilibrium price will remain in place until further data becomes available for evaluation and interpretation. Information has two purposes: first, it helps determine a set price for security. In order to help the individual investor who is faced with a particular set of prices in choosing the best portfolio of securities, there should be an optimal distribution of resources among businesses and an optimal distribution of securities among investors (Sharma, 2011). Regrettably, in the context of the securities market, the term "efficiency" has come to stand for a number of fundamentally different ideas. Specifically, it implies:

- Exchange efficiency
- Production efficiency and
- Information efficiency

Informational efficiency is the only topic of interest in this study. Security prices “fully reflect” the information that is available in an efficient market (Fama, 1970). Information is essential to determine stock values regardless of its format, making it the main concern of the efficient market theory. The following conditions must be met for there to be an efficient market.

- i. There are a lot of logical, profit-seeking investors out there who actively trade, analyze and value equities in order to participate in the market. These investors are price takers, meaning that no one player can affect a security's price on their own.
- ii. Market players have free access to a large amount of information at roughly the

- same time.
- iii. Announcements are essentially independent of one another because information is generated randomly.
  - iv. The stock price adjusts in response to investors' prompt and accurate reactions to the new information (Charles, 1986).
  - v. In an efficient market, members employ available portfolio positions (greater returns certify paribus) in their own self-interest. By doing this, they jointly guarantee that price changes in reaction to fresh information are impartial, quick, and "fully reflect" all pertinent data. In order for price changes in reaction to new information to be independent of previous price changes, competition among participants to obtain valuable information will drive security prices from one equilibrium level to another. Random walk-in price changes in reaction to the information will occur.
  - vi. In an idle efficient market, all participants have simultaneous access to all available information, interpret it consistently, and act sensibly (Charles, 1986). In this case, the sole reason for a price adjustment would be the outcome of fresh information. A fundamental and crucial assumption of an effective market is that a large number of astute and profit-driven investors quickly modify the information.
  - vii. The economy and those who make investment decisions are significantly impacted by the level of market efficiency. It is crucial that security prices offer precise signals that can be utilized for capital resource allocation; otherwise, mispriced securities lead to an inaccurate capital allocation from an economic perspective (Fisher, 1930).
  - viii. There are no "bargains" on the stock market and all prices are accurately stated in such a market. In this sense, efficiency refers to the capacity of the capital markets to operate in a way that allows securities prices to respond quickly to fresh information. With this level of efficiency, prices will be set in line with current information, and investors will be discouraged from making unintended investments. As a result, investors will also be less likely to score incredible deals, which will result in exceptionally high rates of return.

The informational efficiency of security prices is examined in one set of market efficiency tests. The current market price of a stock is supposed to represent all pertinent information about it, according to efficient market models. Depending on the kind of data

that is utilized to inform market decisions, this idea of market efficiency can be categorized into three groups. Here's an explanation of them.

a) Weak form market efficiency: This theory postulates that all information present in past security prices is fully reflected in current security prices. This suggests that by creating trading rules based on past price or return data, an investor cannot generate excess returns (Modigliani & Miller, 1958).

b) Semi-strong form market efficiency: Security prices are said to accurately reflect all information that is available to the public. As a result, no investor may profit excessively from publicly accessible materials such published investment adviser reports, NEPSE price data, and business annual reports. It includes all publicly available information on earnings, dividends, stock split announcements, the creation of new goods, funding challenges, and accounting adjustments. Semi-strong efficient markets swiftly adjust prices based on all available information. In the event that the semi-strong hypothesis is correct, the earnings from a buy-and-hold strategy will be much lower.

c) Strong form market efficiency: The strong kind of market efficiency, which maintains that prices accurately reflect all available information—public and private—is the strictest type of efficiency. In a market like this, no person or group should be able to generate excess returns over a reasonable time period by using information that is readily available to the public in a better way. An extreme interpretation of the strong form maintains that prices reflect all non-public information instantly, including knowledge that might be exclusive to specific groups like company insiders and exchange specialists. In essence, this version speaks of select market participants having monopolistic access to information.

These are three hypotheses that are not mutually exclusive; they differ only in the level of market efficiency. It is noteworthy that since price and volume data are a part of the broader collection of all publicly available information, a semi-strong efficient market includes the weak version of the hypothesis. The strongest degree of market efficiency is represented by strong-form efficiency, which includes both weak and semi-strong forms. For the semi-strong and strong form hypotheses to be valid, the weak form hypothesis must also be true.

## **2.2 Empirical Review**

Kattel and Pradhan (2023) determined the impact of firm-specific factors on the stock price of Nepalese insurance companies. The dependent variables chosen are market price per share and stock return. The company size, P/E ratio, earnings per share, and premium growth are the chosen independent variables. Based on secondary data from 20 insurance firms with 140 observations between 2014/15 and 2020/21, the analysis was conducted. To determine the importance and impact of firm-specific determinants on the stock price of insurance companies in Nepal, regression models are estimated. The research findings demonstrate that market price is positively impacted by earnings per share, P/E ratio, and firm size. Specifically, an increase in these metrics is linked to a rise in market share and stock return.

Gunawardhane, Wijesinghe and Kavinda (2022) examined the effect of company specific and macro-economic factors on insurance companies' financial and market performance in Sri Lanka. The analysis was conducted using panel regression. Nine listed insurance companies from both 2010 and 2019 were included in the sample. While GDP growth and inflation were seen as market-specific characteristics, capital structure, capital adequacy, liquidity, and firm size were thought to be company-specific determinants. The financial performance was measured using NPM, ROA, ROE, and EPS. On the other hand, market performance was assessed using market value-added, or MVA. While firm size is favorably correlated with both financial and market success, capital structure and capital sufficiency have a considerable negative correlation with financial performance. Studies on this phenomenon are scarce in Sri Lanka.

Qamruzzaman, Karim, and Jahan (2021) looked into the relationship between the stock market, remittances, and the covid-19 pandemic over the period of March 3, 2020 to December 14, 2020 to assess the influence of covid-19 and remittances on stock market during the pandemic. Through Toda-yam Moto causality tests, the study used the Auto-regressive Distributed Lagged (ARDL) for magnitude estimate and directional association. The study took 160 daily observations into account. According to the study's ARDL assessment, covid-19, as determined by the identification of new cases, has a detrimental long- and short-term impact on the stock market. The share price is positively impacted by remittances. The hypothesis results clarify the tenuous connection between Bangladesh's stock market and remittance inflows.

Panta (2020) examined the relationship between the price of stocks and five macro-economic variables: the money supply, the gross domestic product, the interest rate, the consumer price index, and the exchange rate. The research design used for the study was analytical. The study's sample span spans 25 years, from 1993 to 2018. The APT model was employed in the study, with a little modification in the macroeconomic variables that affect stock price. The analysis discovered a high long-term correlation between the money supply, interest rate, and exchange rate and the NEPSE index variation. In the short term, the gross domestic product, money supply, and exchange rate can all be positively defined; however, in the long term, only the money supply can be positively defined.

Bajracharya (2020) identified the determinants of the stock price in Nepalese Commercial bank. The study's foundation included panel, multiple regression, and correlation data from twelve banks whose stocks are traded on the Nepal Stock Exchange. The banks were chosen using easy sampling and cluster analysis. The study used a causal comparative research design, and the findings showed that the market price per share was positively and significantly correlated with internal parameters such as earnings per share, dividends per share, and price earnings ratio. The money supply and share price had no discernible link. On the other hand, there was a considerable negative correlation between the market price per share and the consumer price index.

Gautam and Bista (2019) examined the factors influencing the share price of Nepalese life insurance companies. The research design used for the study was both analytical and descriptive. The study's sample consists of fourteen life insurance providers. To achieve its goal, the study used regression analysis, correlation matrices, and descriptive statistics. The study demonstrated that a larger firm increases market price share and the P/E ratio. Nonetheless, the market share price and P/E ratio have a negative relationship with inflation. According to the study, the market share price and P/E ratio have a negative relationship with DPS and ROA. Similar to this, there is a negative correlation between earnings per share and the market share price and P/E ratio. According to the study's findings, variations in the stock prices of Nepalese life insurance companies cannot be explained by increases in return on assets and earnings per share. Understanding the variables and how they could affect share price is very valuable since it will empower businesses to increase their market value and assist investors in making informed

investment decisions.

Thapa (2019) explored the variables that affect the price of stocks listed on the Nepal Stock Exchange. Descriptive and causal comparative research designs were used in the study. Using a linear regression model, the data was gathered from the concerned organization's financial statements and questionnaire. The results showed that whereas IR and P/E ratio demonstrated a strong inverse correlation with share price, EPS and DPS had a substantial positive association with share price. More importantly, it has been discovered that changes in interest rates and dividends have a big impact on the stock market.

Silwal and Napit (2019) investigated the determinants of the stock price in Nepalese Commercial bank. Based on aggregated cross-sectional data from ten banks with equities listed on the Nepal Stock Exchange, the study was conducted. The study used a causal comparative research design and correlation analysis, and the findings showed that the price of the stock, return on equity, book value per share, earnings ratio, and price of the stock all had a positive relationship with the stock price. While size has a negative link and is statistically insignificant with company price, dividend yield had a small but beneficial impact on the price of the stock. It was discovered that the most important factor influencing Nepalese stock prices is book value per share.

Aiali et al., (2019) examined the effect of dividend policy on the market value of common stocks of insurance companies listed at Kuwait stock exchange over the period 2009-2017. The unresolved dividend policy problem in the literature on financial management served as the impetus for the study. Share prices were the dependent variable in the study, whereas the independent variables were market price to book value ratio, earnings per share, book value per share, dividend yield, and dividend payout ratio. The results of the regression model showed that while earnings per share, book value per share, and the market price to book value ratio had a statistically significant positive effect on the share price, dividend yield and dividend payout ratio had a statically significant negative effect on the share prices. The results of this study supported Miller and Modigliani (1961) dividend irrelevance theory.

Ghani et al., (2019) analyzed the factors influencing share price through financial ratios as determinants of stock price in ASEAN area. Ten companies from Singapore, Malaysia, Indonesia, and Thailand make up the study sample. Multiple regression approaches, along with an analytical and descriptive research design, were employed in the study to ascertain the effect of exogenous variables on stock price. The findings indicate that the price-earnings ratio and return on equity are the important factors that have a statistically significant influence on the ASEAN market's stock price determination.

Karki (2018) examined the macroeconomic aspects of Nepal's stock market performance. It takes into account the yearly data for four macroeconomic variables: broad money supply, interest rate, real GDP, and inflation. The study addressed the macroeconomic factors impacting stock prices using a descriptive and informal comparative research design. The regression model's outcome showed that the real GDP, inflation, and money supply all had a positive impact on stock market performance, but interest rates had a negative one. More significantly, there is insufficient evidence to integrate macroeconomic variables with the stock market index, indicating that the macroeconomic variables do not explain the movement of stock prices in Nepal.

Dutta, Saha and Das (2018) identified the major factors for P/E ratios of manufacturing companies listed in Dhaka stock exchange. To achieve its goals, the study used regression analysis, correlation matrices, and descriptive statistics. The findings showed that the P/E ratio is significantly influenced by dividend yield, size, leverage, and net asset value per share, with dividend yield and size having a negative impact and leverage and net asset value per share having a positive influence. This study provides evidence for fundamental analysts or decision makers to assess factors that account for variances in Bangladeshi manufacturing firms' price to earnings ratios.

Ghimire and Mishra (2018) looked into the relationship between market to BVPS, EPS, DPS, P/E ratio, BVPS, and other explanatory variables and stock price for the years 2012 to 2017. This study used a sample of 11 financial and non-financial enterprises in Nepal to evaluate the factors impacting stock price using basic multiple regression analysis and descriptive statistics. The factors Market to BVPS and P/E ratio were found to be major influencers of stock price, directly influencing the stock price, according to the data. Similar to how EPS had no effect on stock price, DPS and BVPS likewise had a large

positive impact.

Qaisi, Tahtamouni, and Qudah (2016) determined the variables affecting insurance companies' market stock prices. Twenty insurance businesses that were listed on the Amman Stock Exchange between 2011 and 2015 were considered in the study. Descriptive, simple and multiple linear regression analysis are all included in the data analysis. The study's findings indicate that, among insurance businesses listed on the Amman Stock Exchange, there is a relationship between market stock price and ROA, debt ratio, company age, and company size. Furthermore, the results showed that there is no relationship between these insurance companies' market stock price and ROE. The study made several recommendations for further research, one of which was that insurance firms make sure they have a strong and reliable element in place. This will enhance their profitability and market stock price and attract investment to the organization.

Arkan (2016) looked into how useful financial measures that are obtained from financial statements are for forecasting movements in emerging market stock prices. Twelve financial parameters were examined using data from fifteen enterprises spread across three sectors in the Kuwaiti financial market between 2005 and 2014. After removing ineffective variables using the STEPWISE method, an equation was constructed using the multiple regression model to estimate the stock price in each sector. The outcome demonstrated that certain ratios might provide robust, positive, and statistically significant correlations to the behavior and trends of stock prices; the three most useful ratios for the industrial sector's stock price are ROA, ROE, and net profit ratio.

Malhotra and Sundaram (2016) analyzed the relationship between stock price and company specific intrinsic factors such as: DPS, EPS, book value, size in term of sales, dividend yield, dividend payout, return on net worth and price earnings ratio. Four samples were chosen for the study's multi-stage sampling approach between 2003 and 2012. Regression analysis and statistical tools were used in the investigation. The research findings indicate that the stock price of all the chosen companies is significantly influenced by BVPS, DPS, DY, EPS, size, and return on net worth. Because accounting factors have a high explanatory power and may be used to accurately estimate stock price in the future, they are advantageous to investors on the Bombay Stock Exchange.

Sharif, Purohit and Pillai (2015) examined the determinants influencing share price in the Bahrain Financial Market. Pooled OLS regression with robust standard errors, fixed effects, and random effect models form the basis of the methodology. The panel data set of 41 companies listed on the Bahrain Financial Market is analyzed in this study. The findings showed that important factors influencing share price include return on equity, book value per share, dividend yield, price earning, and business size. According to the report, if investors take into account these factors, which have developed into major contributors to the market price of shares in Bahrain, they may make the best investment decisions and be guaranteed a fair return.

Almumani (2014) used empirical analysis of a set of independent variables, such as DPS, EPS, BVPS, and P/E ratios, and market price as dependent variables to determine the quantitative elements that influence share prices for the listed companies on the Amman Stock Exchange throughout the period of 2005-2011. The explanatory variables' individual and combined impacts on the dependent variables were measured in this study using ratio analysis, correlation, and linear multiple regression models. The empirical results demonstrated a favorable association between the dependent variable MPS and the independent variables DPS, EPS, BVPS, and P/E ratios. Additionally, there is a strong correlation between banks' MPS and BVPS. An additional empirical result of the regression study indicated that P/E and MPS had a positive correlation. Lastly, DPS is significantly influenced by various factors on market pricing.

Mahlotra and Tandon (2013) made an effort to identify the variables influencing stock prices within the framework of the 100 companies listed on the National Stock Exchange (NSE). For the years 2007–2012, a sample of 95 businesses was chosen, and a linear regression model was applied. The findings showed that while dividend yield has a substantial inverse relationship with the market price of the firm's stock, book value, earnings per share, and price-earnings ratio had a large positive link with the firm's stock price.

Naik and Padhi (2012) investigated the relationship between the Indian stock market index and five macroeconomics variables namely Industrial production index, wholesale price index, money supply, treasury bill rate and exchange rate. The study revealed that macroeconomic variables and stock market in index are co-integrated and long-run

equilibrium relationship exists between them. It was observing the stock price positively relate to the money supply and industrial production but negatively relate to inflation. The short-term interest rate and exchange rate are found to have little bearing on stock price; macroeconomic factors influence stock price over the long term but not the short term.

Kabajeh and Dahmash (2012) studied the correlation between market share prices of Jordanian insurance public businesses and return on investment, return on equity, and return on assets. All publicly traded Jordanian insurance businesses listed on the Amman Security Exchange made up the study's population. Regression analysis and descriptive statistics form the study's foundation. The outcome demonstrates the positive correlation between share price and return on equity, return on assets, and return on investment. The outcome also demonstrates the weak but positive correlation between returns on investment and each of the return on equity separately and the public share price of insurance companies. The outcome, however, did not indicate a correlation between the market share price of Jordanian insurance public businesses and the return on equity measured separately.

Srinivasan (2012) analyzed the study of fundamental determinants of share price in India. The study used panel data, which included cross-section data about six important Indian economic sectors: banking, energy, heavy and manufacturing, pharmaceuticals, IT and ITES infrastructure, and annual time series data covering the years 2006–2011. To look into the goal, the Fixed Effects and Random Effects models were used. The empirical findings show that the share price of commercial banks was positively and significantly impacted by size, price-earnings ratios, and earnings per share.

Sharma (2011) examined the empirical relationship between equity share prices and explanatory variables such as: book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout ratio, size in terms of sale, and net worth for the period 1993-94 to 2008-09. The market price of a share was found to be significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that earnings per share and dividend per share were the two factors that most strongly influenced market price. For these reasons, the study's findings supported a generous dividend policy and advised companies to pay dividends on a regular basis.

Uddain (2009) looked into whether factors affected Bangladeshi banks', leasing firms', and insurance companies' stock market prices. In this study, archival research approaches were employed. NAVPS, DIV, and EPS were the independent variables, and MPS was the reliable variable. With 68 enterprises serving as a sample, the population consists of 86 listed companies on the Dhaka stock exchange. Regression and linear functional models were used in the investigation. The study discovered a strong linear correlation between market return and a few microeconomic variables, including bank leasing and insurance businesses' NAVPS, DIV, and EPS. At the 95 percent significance level, a non-linear relationship between the variables was also discovered to be significant.

Ifran and Nishant (2002) identified factors exerting impact on the share prices in Karachi StockExchange for the period between 1981 and 2000. Six factors were examined in this study: dividend yield, payout ratio, size, asset growth, leverage, and earning volatility. The analysis was done using cross-sectional weighted least square regression. Out of these, the payout ratio, size, leverage, and dividend yield were found to be the key determinants of Karachi stock market prices. This implies the importance of firm-specific characteristics. To investigate the impact of these variables on the market price per share of Nepali listed life insurance companies, a conceptual framework has been constructed.

Table 1

Review of studies

(The table shows the major findings of the previous studies on factors influencing stock price during various periods of time in various countries):

Author(s)	Variable(s)	Methodology	Major Findings
Ashim Jamar Kattel and Radhe Shyam Pradhan (2023)	Firm specific factors	Regression model	There is positive impact of EPS, P/E ratio and firm size on MPS
Gunawardhane, Wijesinghe and Kavinda (2022)	Firm specific and macro-economic variables	Panel regression model	Capital structure and capital adequacy have significant negative and size has positive association with financial and market performance
Qamruzzaman, Karim and	External factors	Auto regressive	There is positive relationship

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Jahan (2021)		distributed lagged model	between remittance and share price
Bajracharya (2020)	Internal factors	Correlation, panel data and multiple regression model	EPS, DPS and P/E ratio have positive relationship with MPS.
Ghani et al. (2019)	Exogenous variables	Multiple regression technique	P/E ratio and ROE have significant impact on determination of stock price in ASEAN region
Dutta, Saha and Das (2018)	Major factors for P/E ratio	Correlation matrix and regression analysis	DY, leverage, size and NAVPS are significant factors of P/E ratio
Ghimire and Mishra (2018)	Explanatory variables	Simple and multiple regression analysis	Explanatory variables like, BVPS, DPS, EPS, P/E ratio are the significant determinants of stock price
Qaisi, Tahtamouni and Qudah (2016)	Company specific factors	Simple and multiple linear regression analysis	There is an effect among ROA, debt ratio, age, size and MPS but no effect between ROE and MPS
Sharif, Purohit and Pillai (2015)	Firm specific variable	Pooled OLS regression with robust standard errors, fixed effect and random effect models	ROE, BVPS, DPS, DY, P/E ratio and Size are significant determinants of share price.
Malhotra and Tondon (2013)	Internal variables	Linear regression model	Internal factors have significant positive association with stock price
Naik & Padhi (2012)	Macro-economic variables	Time series data analysis and Johansen's co-integration vector error correction model	There is long run equilibrium relationship between stock market index and macro-economic variables

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Srinivasan (2012)	Firm specific variables	Fixed effect and random effect models	EPS, P/E ratio and Size have positive and significant impact on share price
Uddain (2009)	Micro-economic variables	Archival research methodology	There is significant linear relationship among market return and micro-economic variables
Irfan and Nishant (2002)	Firm specific factors	Cross-sectional weighted least square regression	The impact of DY, payout ratio, size, asset growth leverage and earning volatility is significant

### 2.3 Research Gap

Upon reviewing the literature on share price components that is currently accessible, it is evident that the majority of the research have made use of cross-section or time-series data. Attempts have also been made to use panel data to determine the factors that influence share price. Nonetheless, many investigations have utilized traditional regression analysis to determine if the information aligns with a fixed effect or random effect model. Because the time series features of the data are ignored in these exercises, it is likely that spurious relationships will be present in the results. It was discovered that no research had been done on life insurance businesses using these sample and these data during the evaluation of earlier publications and theses. The data used in this analysis came from four life insurance companies.

This chapter aims to fill in these gaps in the research by identifying the fundamental firm-specific characteristics that affect life insurance firms' share prices. Among the numerous studies that have been carried out and surveyed to date, it has been discovered that the majority of them focus on life insurance companies in Nepal. Additionally, it has been discovered that the researchers only looked at the market trend of market price per share along with other financial indicators; in contrast, this study has looked at variables that are both firm- and market-specific and that are crucial in determining the market price of life insurance companies.

The impact and relationship between market price and other financial indicators, such as earnings per share, book value per share, price-earnings ratio, firm size, and macro

variables including the money supply, consumer price index, gross domestic product, and remittance, are also examined in this study. This research is centered on quantitative factors impacting stock price, whereas previous studies have solely examined qualitative factors. Using secondary data, the researcher has studied the behavior and movement of stock prices.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter explains the methodology employed in this study. There are five sections in this chapter. The first section discusses the research design. The demographic, sample, and sample design are explained in Section 2. The third section discusses the types, sources, and methods of data as well as the data gathering tool. Section 4 outlines the analysis methodology. Comparably, the research framework and variable definitions are stated in section five.

#### **3.1 Research Design**

Descriptive and causal comparative research designs have been used in the study to address the central questions surrounding the life insurance companies' stock price behavior in Nepal. The descriptive study approach has been used to gather sufficient information regarding the variables impacting the stock price behavior of life insurance businesses in Nepal. In order to ascertain the cause-and-effect relationship between the stock price behaviors of life insurance businesses, the study has also implemented a causal comparative research design. In addition, this study aims to determine the performance drivers revealed by the financial ratios and assess the stock price behavior of Nepalese life insurance firms in relation to their financial characteristics. The conditions, circumstances, and facts that underpin the study are true and authentic. Various methodological issues concerning this study are dealt broadly in the following sections.

#### **3.2 Population, Sample and Sampling Design**

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or procedure the researcher would adopt in selecting items for the sample. As of 21<sup>st</sup> Kartik 2080, there are 14 life insurance companies operating in Nepal, all of them are considered as population. For this study, four life insurance companies have been taken as samples covering the period of fiscal year 2069/70 to 2078/79 as listed in NEPSE. The four life insurance companies were selected by using a purposive sampling method from the list of life insurance companies. Here, sample insurance companies are selected on the basis of establishment.

Table 2

*Selection of Life Insurance Companies, study period and number of observations.*

S. No.	Insurance	Company	Established date (B.S)	Study period	Observations
1	National	Life Insurance Company Ltd. (NLICL)	2044	2066-2078	13
2	Life Insurance	Nepal Corporation (LICN)	2057	2066-2078	13
3	Nepal	Life Insurance Company Ltd. (NLIC)	2058	2068-2078	13
4	Asian	Life Insurance Company Ltd. (ALICL)	2064	2068-2078	13
Total number of observations					52

In terms of establishment over the years, only four life insurance companies have been selected as samples among 14 life insurance companies. The rule stating that the life insurance companies must have a minimum paid up capital of 5 Arba was directed by the Nepal Insurance Authority (NIA) on 10<sup>th</sup> of Chaitra 2078 with the motive of reduction in numbers of life insurance companies and other businesses merged, bringing the total number of life insurance companies in Nepal down from 19 to 14. Of this population, only six samples met the study requirements because the remaining samples did not require annual reports spanning thirteen observation years. Although the government founded Rastriya Jiban Beema firm Ltd. (formerly Rastriya Beema Sansthan) as the first life insurance firm in Nepal, reports from the RJBCL website are not available due to the possibility of sensitive information being exposed. It follows that of the six qualifying samples, five can still be used for the study. However, MetLife (ALICO), a division of MetLife Inc., is the first foreign business to be licensed to operate in Nepal. The company's EPS and other metrics are not calculated because it is a branch office of a foreign corporation without issued equity share capital. Because of the aforementioned rationale, only four samples from the population with a 13-year research period are included in this analysis. Table 2 presents the study period and observations for the sample life insurance businesses. The 13-year research study period runs from 2066 to 2078. In all 52 observations were made for this study.

### **3.3 Nature and Sources of Data and Instrument of Data Collection**

The primary source of data for this study is secondary information obtained from four Nepali life insurance firms between 2066–2067 and 2078–2079 years. The macroeconomic and firm-specific factors affecting life insurance firms and their share price have been studied and analyzed using secondary data sources. The following are the sources from which the data were gathered:

- i. Annual reports published by selected companies.
- ii. Financial Report published by NEPSE.
- iii. Economic report published by Nepal Rastra Bank.
- iv. Annual report published by SEBON
- v. [www.nrb.gov.np](http://www.nrb.gov.np)
- vi. Newspapers, journals etc.

#### Secondary data

The following sources of information were used to compile the data: annual reports of the concerned sampled insurance companies; supervision reports published by Nepal Rastra Bank (NRB); Securities Board of Nepal (SEBON); Nepal Stock Exchange (NEPSE); official websites of the concerned insurance companies; and the World Bank. The factors influencing the share price behavior include MPS, EPS, BVPS, P/E Ratio, GDP, Remittance, and MS. From 2066/67 to 2078/79, key data have been gathered for every stratum for every year. This study has used panel to examine the factors influencing the share price of insurance companies. The annual data series on macro-economic (external) variables such as GDP, MS have been obtained from the websites of World Bank.

#### The instrument of data collection

The data collected for this study was from secondary source. Data were collected through various sources like, annual reports of selected life insurance companies and related websites, journals, newspapers, graduate research projects and other organizations like, website of NRB, World Bank and many other websites. The data regarding the stock price behavior of life insurance companies are collected and coded with unique code. Those data are analyzed using Statistical Package for the Social Sciences Software (SPSS) and Microsoft Excel.

Both inferential and descriptive statistics are the tools. This study uses a variety of statistical methods, including percentages, means, medians, standard deviations, correlations, and tests of significance, to quantify the factors impacting life insurance firms' stock prices.

### **3.4 Methods of Analysis**

Analyzing the variables affecting the share price of Nepali life insurance firms is the primary goal of the data analysis conducted for this study. In this study, both qualitative and quantitative research methods are applied. While the qualitative research approach depends on using words to describe an event, the quantitative research strategy uses data and numbers that are typically presented in figures. Yin (1994) argues that the selection of a research approach should be based on the research questions in that specific scenario, as each approach has advantages and disadvantages related to the collection and analysis of empirical data. Furthermore, the primary criterion for selecting a study approach should be the level of emphasis on either historical or present events, as well as the nature of the questions posed. This study employed the quantitative research approach after a comparison of qualitative and quantitative research approaches was done.

The statistical and econometric models used to analyze secondary data are covered in this section. The study employs descriptive, correlation, and regression analysis techniques. The mean and standard deviation of the descriptive statistics are utilized to explain the features of the sample firms. The direction and strength of the relationship between dependent and independent variables are determined using the correlation analysis. The impact of independent variables on dependent variables is ascertained by regression analysis. It describes the many statistical tests of significance for the linear regression analysis model's validation. Using the statistical software for social science (SPSS), correlation and regression are used to assess each model for individual effects. The ensuing sections cover a detailed examination of the models and statistical tests of significance, including the t-test and F-test.

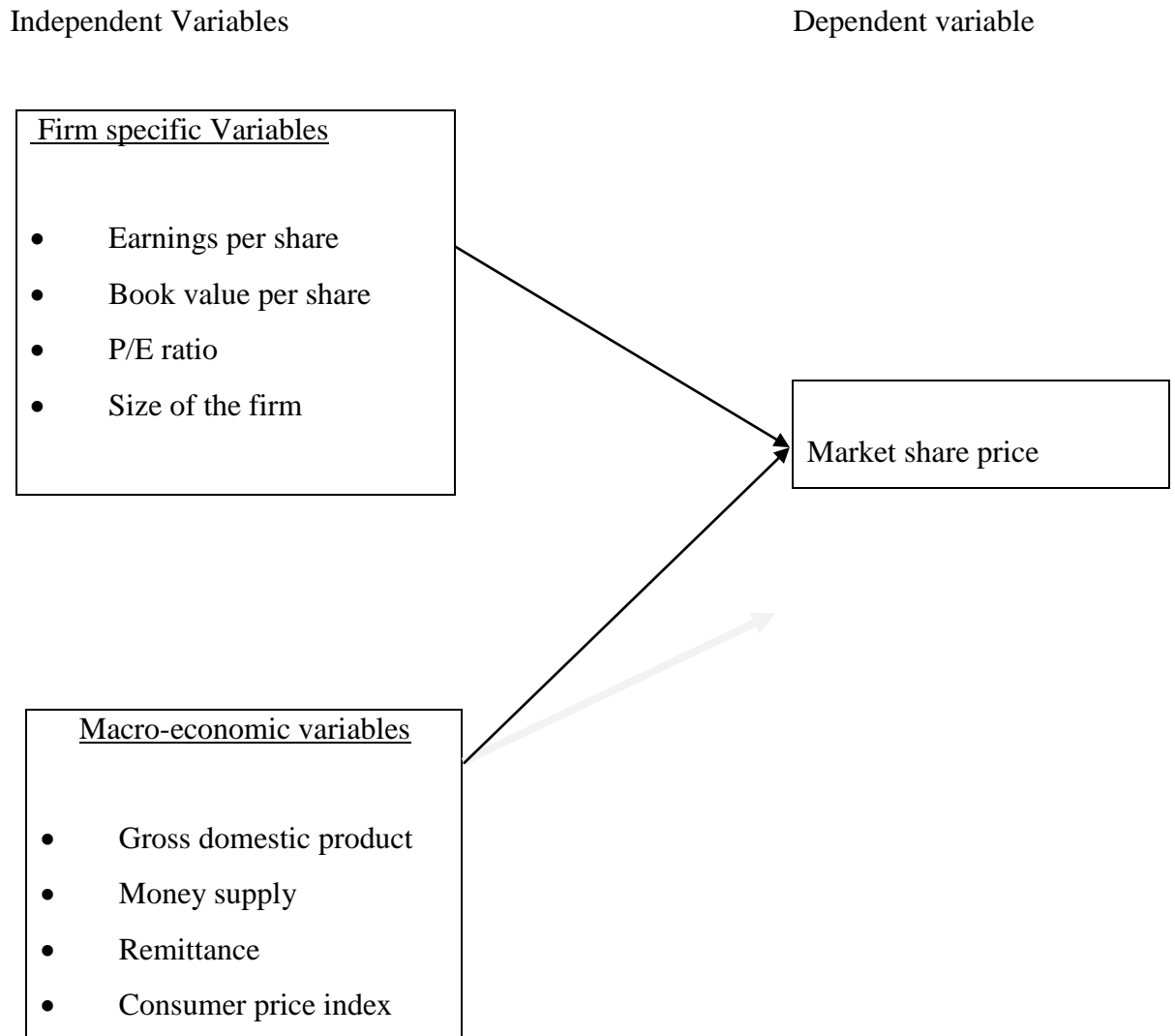
### **3.5 Research Framework and Definition of Variables**

#### **Research Framework**

The major dependent variable used in this study is market price per share (MPS). The major determinants taken in this study are earning per share, P/E ratio, book value per

share, size of firm, gross domestic product, remittance, money supply and consumer price index.

Figure 1: Schematic diagram



Source: Silwal and Napit (2019), Karki (2018), Ghimire and Mishra (2018)

### Model I

Model I have been designed to show the market price as a dependent variable and firm specific variables as independent variables: earning per share, book value per share, p/e ratio and firm size.

$$MPS_{it} = \alpha_0 + \alpha_1 EPS_{it} + \alpha_2 BVPS_{it} + \alpha_3 P/E \text{ ratio}_{it} + \alpha_4 S_{it} + \epsilon_{it} \quad [1]$$

Whereas,

$\alpha_0$  = constant

$MPS_{it}$  = Market price per share of  $i$  insurance company at time  $t$

$EPS_{it}$  = Earnings per share of  $i$  insurance company at time  $t$

$BVPS_{it}$  = Book value per share of  $i$  insurance company at time  $t$

$P/E\ ratio_{it}$  = Price earnings ratio of  $i$  insurance company at time  $t$

$S_{it}$  = Size of Company  $i$  at time  $t$

$\epsilon_{it}$  = a disturbance term for unit  $i$  at time  $t$ . Importantly the unit specific intercept  $\alpha_i$ , is designed to capture all unobserved, time-invariant confounders

## Model II

Model II has been developed to document the relationship between market price share as dependent variable and macro-economic variables: gross domestic product, money supply, remittance and consumer index price.

$$MPS_{it} = \alpha_0 + \alpha_1 GDP_{it} + \alpha_2 MS_{it} + \alpha_3 CPI_{it} + \alpha_4 R + \epsilon_{it} \quad [2]$$

Whereas,

$\alpha_0$  = Constant

$GDP_{it}$  = Gross domestic product of insurance company  $i$  at time  $t$

$MS_{it}$  = Money supply of insurance company  $i$  at time  $t$

$CPI_{it}$  = Consumer price index of insurance company  $i$  at time  $t$

$R_{it}$  = Remittance

## Definition of Variables

In this study, the market share price was the only dependent variable. The other internal and external variables, which also affected the dependent variable, were as follows: firm size, gross domestic product, money supply, earnings per share, book value per share, price earnings ratio, and remittances.

## Market price (MPS)

The buying and selling pressure on stocks can fluctuate minute by minute. Selecting which market price to regress as a measure of independent variables becomes challenging as a result of these changes. The market price in this study is represented by the closing

price of the bank's stock at the conclusion of its fiscal year (Arkan, 2016). In this study, market price is utilized as a dependent variable.

#### Earnings per share (EPS)

The market prospect ratio known as earnings per share, or net income per share, calculates how much money would be received by each share of stock at the conclusion of the shares' outstanding shares if all profits were distributed to them. Earnings per share serve as an indicator of a company's profitability. EPS is expected to increase gradually over the year if financial market and other economic environment remain favorable which shows the strengths of insurance companies and otherwise. According to Silwal and Napit (2019) the study revealed that earning per share has a significant impact on the market price of share.

#### Book Value Per Share (BVPS)

Book value per share is just one of the methods for comparison in valuing of a company. Firm value, market value, market capitalization and other methods may be used in different circumstances or compared to one another for contrast. A financial metric known as BVPS is used to evaluate the minimal worth of a company's equity on a per share basis. According to Aiyabei, Tobias, and Macharia (2019), the significance is the share's accounting value that is traded publicly. The amount per share of common stock that would be obtained upon the sale of all the company's assets at their book value, with any remaining proceeds going toward paying off all outstanding debts. According to Ghimire and Mishra (2018), book value per share significantly affects the stock's market price.

#### Price Earning (P/E) ratio

The ratio for the corporation that compares its current share price to its earnings per share is called the price-earnings ratio, or P/E ratio (Nicholson, 1960). P/E ratio is equal to a stock's market capitalization divided by its after tax earnings over a year period usually the trailing period but occasionally the current or forward period. The value is the same whether the calculation is done for the whole company or on a per share basis.

### Firm Size (S)

Generally, large companies offer better investment opportunities to investors rather than the smaller ones. The shares of larger companies are actively traded and they provide more liquidity and marketability to the investors. Thus, the temptation to buy shares of large companies leads to increase its market price of shares. Size is a crucial financial tool that may be used to describe a company's volume in a variety of ways. A company's size can be determined in a number of ways, including turnover, paid-in capital, capital employed, total assets, net sales, and market capitalization. The current analysis uses total assets as a proxy for firm size. The study conducted by Bista and Gautam (2019) revealed that the firm size has a positive significant relationship with the market price of share.

### Gross domestic product (GDP)

According to Brynjolfsson and Collis (2019), GDP is the most commonly used macro-economic indicator to measure the total economic activity within an economy; its growth rate reflects the state of the economic cycle. It is used throughout the world as the main measure of output and economic activity. The total production of goods and services evaluated at current prices is known as nominal GDP. GDP in current dollars is known as nominal GDP. The total monetary worth of all completed goods and services produced in a nation over a given time period, expressed in current dollars, is known as nominal GDP per capita. One indicator of economic growth that has been utilized is the increase in nominal GDP per capita. In this case, the dependent variable is nominal GDP. Karki (2018) discovered a substantial correlation between gross domestic product growth and stock prices in macroeconomic indicators.

### Money supply (MS)

The total amount of money that is available in an economy at a given point in time is known as the money supply, also known as the money stock in economics. Although the term "monetary items" can be defined in a variety of ways, common metrics often involve demand deposits and currency in circulation. Money supply data are recorded and published usually by the government or the central bank of the country. The money supply is all the currency and other liquid instruments in a country's economy on the date measured. The money supply roughly includes both cash and deposits that can be used almost as easily as cash. According to Bajracharya (2020), one of the most fundamental indicators of an economy's richness or scarcity is its money supply. When an economy

has a large money supply, stock prices often rise. An abundance of money in circulation in the economy reduces the appeal of bonds and other alternative investment instruments while simultaneously increasing the amount of money accessible to invest in equities.

#### Consumer price index (CPI)

Consumer price index reflects changes in the cost to the average consumer acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly (<http://www.investopedia.com>). In accordance to Bajracharya (2020), there was a considerable negative association between the market price per share and the consumer price index, which is an external component.

#### Remittance

Remittances are funds transferred from migrants to their home country. They are the private savings of workers and families that are spent in the home country for food, clothing and other expenditures, and which drive the home economy. For many developing nations, remittances from citizens working abroad provide an import source of much-needed funds. Remittances and the market price per share had a favorable and significant link, according to Qamruzzaman, Karim, and Jahan (2021).

## **CHAPTER IV**

### **RESULT AND DISCUSSION**

In the context of Nepal, this chapter addresses a number of concerns related to the variables affecting the share price of life insurance businesses through the interpretation, analysis, and presentation of secondary data. Various statistical models described in chapter three have been used for this purpose. This chapter can be divided into two sections. The first section deals with the results that has arrived from evaluation of secondary data. That of the second section deals with the discussion of the output result with previously assumed hypothesis. The link between dependent and independent variables has been examined using descriptive, correlational, and regression analysis.

#### **4.1 Results**

The result is the outcome that has been determined through the use of regression, correlation, and trend analysis. The outcomes are the consequence of secondary data analysis. This section of the study examines the relationship, if any, between the independent and dependent variables.

##### Structure and pattern analysis

This section deals with the trend and movement of both dependent and independent variables of Nepalese life insurance companies. Market price per share is a dependent variable, and earning per share, book value per share, price-earnings ratio, size of the company, GDP, money supply, consumer price index, and remittance are independent factors.

The computed values of market share price per share for the selected life insurance companies are presented in Table 3. The average market price per share is largest for LICN (Rs. 1855.31) followed by NLIC (Rs. 1840.23), NLICL (Rs. 1208.39) and ALICL (Rs. 761). On an average, Nepalese life insurance companies have Rs. 1416.2 as market price per share. Over time, there have been fluctuations in the average market price per share calculated over the years. It increased and decreased year by year from Rs. 372 to Rs. 3061.5 in fiscal year 2066/67 to 2078/79.

Table 3

*Structure and Pattern of Market Price Per Share of Nepalese Life Insurance Companies for the period of 2066/67 to 2078/79*

This table displays the share price at market value of four sample life insurance companies associated with 52 observations. Last two rows show the mean value and standard deviation value of MPS for different life insurance companies and last two columns show the year wise mean value and standard deviation (SD) value for MPS.

(In Rupees per share)

Symbol	NLICL	NLIC	LICN	ALICL	Mean	SD
2066/67	486	770	580	257	523.25	213.22
2067/68	334	566	415	173	372	163.84
2068/69	529	785	870	187	592.75	306.88
2069/70	596	1425	1320	250	897.75	567.72
2070/71	2550	4351	4095	1250	3061.5	1446.16
2071/72	1840	2886	2799	1013	2134.5	885.21
2072/73	3300	4006	3580	1710	3149	1002.29
2073/74	2300	2148	2151	1458	2014.25	377.56
2074/75	799	1050	1622	683	1038.5	418.07
2075/76	585	901	1600	383	867.25	532.99
2076/77	662	1260	1330	607	964.75	383.07
2077/78	1151	1919	2342	1348	1690	543.15
2078/79	577	1856	1415	574	1105.5	637.93
Mean	1208.39	1840.23	1855.31	761	1416.2	
SD	963.72	1227.72	1108.8	534.76		

(Appendix-I)

Table 3 reveals that the market price per share varies widely within the individual life insurance companies as well. It varies from Rs. 486 to Rs. 577 for National Life Insurance Company, Rs.770 to Rs. 1856 for Nepal Life Insurance Company, Rs. 580 to Rs. 1415 for LIC (Nepal) and Rs. 257 to Rs. 574 for Asian Life Insurance Company in over period of 2066/67 to 2078/79. Thus, the variation in market price per share as indicated by SD is

lowest for ALICN followed by NLICL, LICN and NLIC. It is possible to observe that the market price changed, rising and falling annually, when the market price per share for various life insurance firms is compared throughout time.

As per appendix-I, the market price per share trends of Nepalese life insurance companies over the review period. A share price is the price of a single share of a company's stock. Share prices in a publicly traded company are determined by market demand and supply. Share price is volatile because it is largely depending upon the expectations of buyers and sellers. Somehow the trend of increasing and decreasing of all samples for MPS is similar. The MPS of National Life Insurance Company and Asian Life Insurance Company have gone up to Rs. 3300 and Rs. 1710 in fiscal year 2072/73. Likewise, the MPS of Nepal Life Insurance Company and Life Insurance Corporation have gone up to Rs. 4351 and Rs. 4095 at the same fiscal year 2070/71.

Table 4 illustrates how the earnings per share differ significantly throughout the various life insurance businesses. For NLICL, it ranges from Rs. 10.74 to Rs. 18.32, Rs. 1.68 to Rs. 4.30 for NLIC, Rs. -3.00 to Rs. 29.26 for LICN and Rs. 16.64 to Rs. 12.77 for ALICN. Thus, the variation in earnings per share as indicated by SD is lowest for ALICL (Rs. 8.39) followed by NLICL (Rs. 19.37), LICN (Rs. 30.25) and NLIC (Rs. 49.19). The earning per share is highest for NLICL and ALICN in fiscal year 2069/70, for NLIC in fiscal year 2068/69 and for LICN in fiscal year 2074/75. The earning per share is lowest for NLICL and NLIC in year 2066/67, for LICN in year 2067/68 and for ALICN in year 2074/75 with negative numbers. It is possible to observe that, in the majority of the chosen life insurance firms, earnings per share have declined recently when the earning per share for each company is compared over time.

As per appendix-II, the earning per share trends of Nepalese life insurance companies over the review period. EPS is an important indicator for performance of life insurance companies. An increase in EPS is an indicator of growing performance of life insurance companies which signifies the better position in stock market. The EPS of sample life insurance companies has started Rs. 10.74, Rs. 1.68, Rs. -3 and Rs. 16.64 in 2066/67 then after samples show the decreasing as well as increasing trend.

Table 4

*Structure and Pattern of Earnings per share of Life Insurance Companies for the period of 2069/70 to 2078/79*

This table shows the earnings per share of four life insurance companies with 52 observations. Last two column shows the year wise mean value and standard deviation of EPS and the last two rows shows the mean value and standard deviation (SD) value of EPS for different life insurance companies.

(In Rupees per share)

Symbol	NLICL	NLIC	LICN	ALICN	Mean	SD
2066/67	10.74	1.68	-3	16.64	6.52	8.84
2067/68	36.33	-	-10	12.47	9.7	19.99
2068/69	24.02	166.85	69	31.64	72.88	65.66
2069/70	88.23	121.51	68.00	25.00	75.71	8.03
2070/71	32.21	56.67	29.60	14.41	33.22	17.49
2071/72	25.88	30.42	29.11	8.14	23.39	10.34
2072/73	26.40	41.83	30.06	14.77	28.27	11.15
2073/74	24.71	32.44	10.11	6.00	18.32	12.37
2074/75	28.64	25.31	100.81	(2.46)	38.08	44.09
2075/76	11.67	21.51	20.76	10.91	16.21	5.70
2076/77	22.96	16.58	35.85	11.99	21.85	10.36
2077/78	20.25	18.88	35.17	18.23	23.13	8.07
2078/79	18.32	4.30	29.26	12.77	16.16	10.46
Mean	28.50	41.38	34.21	13.89	29.49	
SD	19.37	49.19	30.25	8.39		

(Appendix-II)

The average earning per share is largest for NLIC (Rs. 41.38) followed by LICN (Rs. 34.21), NLICL (Rs. 28.50) and ALICL (Rs. 13.89). On an average, Nepalese life insurance companies have Rs. 29.49 as earning per share.

Table 5

*Structure and Pattern of Book Value Per Share of Life Insurance Companies for the period of 2066/67 to 2078/79*

This table shows the Book Value Per Share of four sample Life Insurance Companies with 52 observations. Last two columns show the year wise mean value and standard deviation value for BVPS and the last two rows show the mean value and standard deviation value of BVPS for different life insurance companies.

(In Rupees per share)

Symbol	NLICL	NLIC	LICN	ALICL	Mean	SD
2066/67	121.86	108.51	108.00	103.12	110.37	8.03
2067/68	135.38	89.44	98.00	142.32	116.29	26.44
2068/69	126.86	195.93	167.00	173.6	165.85	28.79
2069/70	172.30	208.14	166.00	151.00	174.36	24.23
2070/71	154.58	171.10	150.00	158.00	158.42	9.07
2071/72	143.38	136.04	141.00	132.00	138.11	5.09
2072/73	135.45	149.16	146.00	147.00	144.40	6.11
2073/74	131.99	250.83	126.00	128.00	159.21	61.13
2074/75	138.65	178.45	188.00	117.00	155.53	33.41
2075/76	125.57	144.27	186.00	124.00	144.96	28.87
2076/77	144.37	126.03	173.00	134.00	144.35	20.52
2077/78	150.56	113.64	193.00	151.00	152.05	32.43
2078/79	136.88	112.29	188.00	133.00	142.54	32.17
Mean	139.83	152.15	156.15	138.00	146.65	
SD	13.62	46.33	31.3	18.56		

(Appendix-III)

The average book value per share is largest for LICN (Rs. 156.15) followed by NLIC (Rs. 152.15), NLICL (Rs. 139.83) and ALICN (Rs. 138.00). On an average, Nepalese life insurance have Rs. 146.65 as book value per share.

Table 5 illustrates how the book value per share differs significantly throughout the various life insurance businesses. For NLI, it ranges from Rs. 121.86 to Rs. 136.88, Rs. 108.51 to Rs. 112.29 for NLIC, Rs. 108.00 to Rs. 188.00 for LICN, and Rs. 103.12 to Rs. 133.00 for ALI. Thus, the variation of book value per share as indicated by SD is lowest for NLI with Rs. 13.62, followed by ALI, LICN and NLIC with Rs. 18.56, 31.30 and 46.33 respectively. The book value per share is highest for NLI in 2069/70, for NLIC in year 2073/74, for LICN in year 2077/78 and for ALI in year 2068/69. When the book value per share for each life insurance company is examined over time, it can be observed that most of the chosen life insurance firms have seen a decline in book value per share in recent years when compared to prior ones.

As per appendix-III, the book value per share trends of Nepalese life insurance companies over the review period. Book Value Per Share is a market value financial ratio. The purpose of calculating book value per share is to relate shareholder's equity to the number of shares of common stock outstanding. The BVPS of NLI was highest in starting year then fluctuated with decrease value, BVPS of NLIC has gone up to Rs. 250.83 in year 2073, then after shows decreasing trend reaching Rs. 112.29, BVPS of LICN seems rising and BVPS of ALI seems to be moving downward.

Table 6 depicts that the Price Earnings Ratio varies widely within the individual life insurance companies too. It varies from 45.24 to 31.49 for NLI, 458.33 to 173.82 for NLIC, -231.00 to 48.36 for LICN and 15.44 to 44.93 for ALI. Thus, the variation in P/E ratio as indicated by SD is lowest for NLI with 34.70, followed by LICN with 105.13, NLIC with 118.88 and ALI with 885.72. The price Earnings ratio is highest for NLI in fiscal year 2072/73, for NLIC in fiscal year 2066/67, for LICN in fiscal year 2073/74 and for ALI in year 2074/75. It is possible to observe that the P/E ratio has changed recently in the majority of the chosen life insurance firms when the ratios are compared over time for individual life insurance companies.

Table 6

*Structure and Pattern of Price Earnings (P/E) Ratio of Nepalese Life Insurance Companies for the period of 2069/70 to 2078/79.*

This table shows the price earnings ratio of four sample life insurance companies with 52 observations. Last two columns represent the year wise mean value and standard deviation value for P/E ratio and last two rows represent the mean value and standard deviation value for different life insurance companies.

Symbol	NLICL	NLIC	LICN	ALICN	Mean	SD
2066/67	45.24	458.33	-231	15.44	72.00	285.76
2067/68	9.19	-	-41	13.87	-4.49	25.02
2068/69	22.03	4.7	12.66	5.97	11.34	7.94
2069/70	6.75	11.73	19.00	10.00	11.87	5.18
2070/71	79.17	76.78	138.00	87.00	95.24	28.84
2071/72	71.11	94.87	96.00	124.00	96.50	21.63
2072/73	125.02	95.77	119.00	116.00	113.95	12.69
2073/74	93.09	66.21	213.00	231.00	150.83	83.24
2074/75	27.90	41.49	16.09	278.00	90.87	125.18
2075/76	50.11	41.89	77.00	35.00	51.00	18.40
2076/77	28.83	76.00	37.00	51.00	48.21	20.67
2077/78	56.84	101.64	66.59	73.95	74.76	19.24
2078/79	31.49	173.82	48.36	44.93	74.65	66.51
Mean	49.75	95.63	43.9	83.55	68.21	
SD	34.7	118.88	105.13	885.72		

(Appendix-IV)

The average P/E ratio is largest for NLIC (95.63) followed by ALICL (83.55), NLICL (49.75) and LICN (43.9). On an average Nepalese life insurance companies have 68.21 as price earnings ratio.

As per appendix-IV, the Price Earnings ratio trends of Nepalese life insurance companies over the review period. The P/E ratio is a ratio used in business valuation that assesses the current share price in relation to earnings per share. The P/E ratio of NLICL has gone up to 125.02 in year 2072/73 then after shows decrease and increase. P/E ratio of NLIC has 458.33 in year 2066/67 then after fluctuating trend, P/E ratio of LICN was in its highest in year 2073/74 then started decrease and P/E ratio of ALICL has gone up to 278 in year 2074/75 and decrease then after. In overall P/E ratio of majority is similar going downward.

Table 7 indicates that the size varies widely within the individual life insurance companies as well. The amounts climbed to Rs. 5.31 billion for NLICL, Rs. 13.91 billion for NLIC, Rs. 5.09 billion for LICN, Rs. 0.99 to Rs. 37.46 billion for ALICL, and Rs. 99.46 billion to Rs. 146.01 billion for NLIC. Thus, the variation of size as indicated by SD is lowest for ALICL with 12.58 followed by NLICL with 19.62, LICN with 32.07 and NLIC with 49.44. Over time, the average size calculated for the entire year has grown. From Rs. 2.85 billion in 2066–2067 to Rs. 86.86 billion in 2078–2079, it grew. For all sample life insurance firms, 2078/79 had the greatest total assets. When the sizes of individual life insurance firms are compared throughout time, it can be observed that the sizes have been growing since the beginning of all the chosen samples.

As per appendix-V, the total assets trends of Nepalese life insurance companies over the review period. The size displays the company size in terms of its possession its cash and convertible securities. On the other side, it represents the company's structure on the basis of which company run. The size of all samples is in increasing trends from the fiscal year 2066/67 till 2078/79. Overall, size of life insurance companies is getting better.

The size is largest for NLIC (Rs. 50.95 billion) followed by LICN (Rs. 39.05 billion), NLICL (Rs. 24.69 billion) and ALICL (Rs. 13.34 billion). On an average, the Nepalese life insurance companies have Rs. 32.01 billion total assets which represent the size.

Table 7

*Structure and Pattern of Firm Size in terms of Total Assets of Nepalese Life Insurance Companies for the period of 2066/67 to 2078/79*

This table shows total assets (in billion) of four sample life insurance companies with 52 observations. It is measured as rupee total assets held by life insurance companies. Last two columns show year wise mean value and standard deviation value of total assets and the last two rows show the mean value and standard deviation (SD) value of total assets for different life insurance companies.

(In billion Rs.)

Symbol	NLCL	NLIC	LICN	ALICL	Mean	SD
2066/67	5.13	-	5.09	0.99	2.85	2.75
2067/68	6.29	-	6.90	1.81	3.75	3.38
2068/69	7.69	-	9.31	2.77	4.94	4.31
2069/70	9.13	13.91	12.45	0.39	8.97	6.06
2070/71	11.10	18.91	16.53	5.27	12.95	6.08
2071/72	13.39	26.65	21.51	6.74	16.82	8.43
2072/73	19.25	36.87	30.61	9.21	23.99	12.26
2073/74	22.68	51.25	38.18	11.37	30.87	17.47
2074/75	27.42	62.88	47.09	18.89	39.07	19.78
2075/76	34.96	77.82	59.47	20.08	40.08	25.63
2076/77	42.96	101.78	73.31	24.70	60.69	33.95
2077/78	56.30	127.28	87.76	33.80	76.29	40.56
2078/79	64.49	146.01	99.46	37.46	86.86	46.90
Mean	24.69	50.95	39.05	13.34	32.00	
SD	19.62	49.44	32.07	12.58		

(Appendix-V)

As per appendix-VI, the horizontal line represents the period of ten years i.e., from 2066/67 to 2078/79 and the vertical line represents the percentage change in GDP. Given figure shows that GDP seems fluctuating till 2075 and then reached to lowest of -2.1% in year 2076 owing Covid-19 hit. Recently, it seems recovering in 2077 and 2078.

Table 8

*Structure and Pattern of Macro-economic Variables of Nepalese Life Insurance Companies*

Gross Domestic Product, Money Supply, Consumer Price Index and Remittance are drawn under the categorization of macro-economic variables. The external data is same for all institutions, so average data is not necessary to calculate. The trends of external type of data is the Time Series data. The real interest rate data spans 13 years, from 2066–2067 to 2078–2079 years. The average trend of the money supply, consumer price index, remittances, and gross domestic product is displayed in Table 8.

Year	GDP (%)	MS (%)	CPI (%)	REMITTANCE (%)
2078/79	5.6	9.7	6.32	4.8
2077/78	4.8	22.6	3.6	9.8
2076/77	(2.1)	17.8	6.4	(0.5)
2075/76	6.7	8.6	4.6	16.5
2074/75	7.6	17.6	4.2	8.6
2073/74	7.5	13.1	4.5	4.6
2072/73	0.6	18.5	9.9	7.7
2071/72	2.7	19.7	7.2	13.6
2070/71	6.0	17.7	9.1	25.0
2069/70	4.1	14.4	9.9	11.7
2068/69	4.6	16.3	8.3	30.2
2067/68	3.9	11.1	9.6	8.9
2066/67	4.6	13.0	9.6	13.8

As per appendix-VII, money supply follows the decreasing trend in the first year then fluctuation. It can be said that the money supply is in decreasing trend in latest observation period.

As per appendix-VIII, the trend of consumer price index is also in fluctuation trend throughout the observation year. Although there are ups and downs in trend of CPI, it can be said as decreasing trend because the CPI of last year is lower than the first year. One of the most widely used statistics for determining periods of inflation or deflation is the CPI, which is used to evaluate price fluctuations related to the cost of living. The level of deposit depends on other variables as well.

As per appendix-IX, the trend of remittance highly fluctuated over the period of time. It has reached to the lowest and negative as well of 0.5% in year 2076 owing Covid-19 hit. Remittances represent one of the largest sources of income for people in low-income and developing nations, often exceeding direct investment and international development assistance. Comparing between first and last year of observation, it can be said that the trend of remittance is decreasing trend but there is no doubt the GDP of the nation is highly depend upon remittance.

### **Descriptive Table**

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population. Descriptive statistics are broken down into measures of variability (spread). Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation, variance and the minimum and maximum variables.

Table 9

#### *Descriptive Statistics*

	N	Minimum	Maximum	Mean	SD
MPS	13	372.00	3149.00	1416.23	923.63
EPS	13	6.52	75.71	29.49	21.68
BVPS	13	110.37	174.36	146.65	17.99
P/E	13	-4.49	150.83	68.21	44.21
Size	13	2.85	86.85	32.01	28.39

*Sources: SPSS output*

Table 9 the descriptive statistics for the selected variables considered in this study. Their market share price has a minimum value of 372 and maximum of 3149 with average of 1416.23. Similarly, its price earnings ratio, size, book value per share, and earnings per share have average values of 29.49, 146.65, 68.21, and 32.01, respectively, and lowest

values of 6.52, 110.37, -4.49, and 2.85, and maximum values of 75.71, 174.36, 150.83, and 86.85. Moreover, MPS, EPS, BVPS, P/E Ratio and Size have standard deviation value of 923.63, 21.68, 17.99, 44.21 and 28.39 respectively.

### Correlation Analysis

The market value of shares and internal and external factors influencing the market price of the share of the sample life insurance firms are related in a linear fashion, as indicated by the correlation coefficients, which also show the direction of the relationship. Tables 10 and 11 show the results of computing the Pearson's correlation coefficients of the market price of shares.

Table 10

#### Correlation Analysis

Table 10 displays bivariate Pearson's Correlation Coefficient between market value per share and firm specific variables affecting market price of the share, EPS, BVPS, P/E Ratio, Total Assets(size) as defined in the table 9. The correlation coefficients are based on the data from four sample life insurance companies with 52 observations for the period 2066/67 through 2078/79.

	MPS	EPS	BVPS	P/E Ratio	Size
MPS	1				
EPS	.608**	1			
BVPS	.733**	.609**	1		
P/E	.523**	.388**	.412**	1	
Size	.480**	.307	.246	.578	1

Source: SPSS results outcome

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

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

Table 10 shows that the correlation between market price per share and book value per share is 0.733, the strongest correlation, while the correlation between market share price and firm size is 0.480. All firm-specific variables have a positive relationship with the market price of shares, which is significant at the one percent significance level. The

findings indicate that a greater market price per share would be associated with higher earnings per share, book value per share, price earnings ratio, and company size.

Table 11

Correlation Analysis

This table shows bivariate Pearson's Correlation Coefficient between market value per share and firm specific variables affecting market price of the share, EPS, BVPS, P/E Ratio, Total Assets (size) as defined in the Table 9. The correlation coefficients are based on the data from four sample life insurance companies with 52 observations for the period 2066/67 through 2078/79.

	MPS	GDP	MS	CPI	REM
MPS	1				
GDP	.037	1			
MS	.474**	.317*	1		
CPI	.058	-.658	-.228	1	
REM	.151**	.067	-.101	.277	1

Source: SPSS results outcome

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

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

In Table 11, the money supply and market price per share have the strongest correlation (0.474) while the gross domestic product and market price per share have the lowest correlation (0.07). The market price of share is positively related to all independent macro-economic variables and only two variables money supply and remittance are significant at 1 percent level of significance. The results show that higher the gross domestic product, money supply, consumer price index and remittance, higher would be the market price per share.

The results show that;

- Higher the earnings per share, higher would be the market price of share
- Higher the book value per share, higher would be the market price of share
- Higher the price earnings ratio, higher would be the market price of share
- Higher the size of the firm, higher would be the stock market price

- Higher the gross domestic product, higher would be the market share price
- Higher the money supply, higher would be the market price of share
- Higher the consumer price index, higher would be the market price of share
- Higher the remittance, higher would be the market price of share

### Regression Analysis

The regression analysis is carried out to determine whether the dependent variable is influenced by the selected independent variables or not. While correlation analysis assumes no causal relationship between variables, regression analysis assumes causal relationship between two or more variables. Single linear regression shows the effect of an independent variable on single dependent variable while multiple linear regression shows the effect of multiple independent variables on single dependent variable. In this analysis, MPS is considered as dependent Variable and firm specific and macro-economic variables are considered as independent variables. This section of study basically deals with regression results from various specifications of the models to examine the impact of independent variables on share price for secondary data obtained from the observations. In this section, an attempt also has been made to test the validity of model through statistical test of significance such as t-test, F-test, coefficient of determination ( $R^2$ ). In general, the purpose of analysis of variance (ANOVA) is to test for significant differences between means.

The impact of firm-specific (independent) variables and macroeconomic variables on the market share price of life insurance companies in Nepal is predicted using multiple linear regression. The linear regression model used to analyze the 13-year time series data of life insurance businesses from 2066/67 to 2078/79 is the basis for the results. With t-statistics in parenthesis, the provided values are the intercepts and slope coefficients of the corresponding explanatory variables. F-ratio demonstrates the model fit, whereas R Square represents the model's predictive explanatory power. The influence of firm-specific variables on the market share price of Nepalese life insurance companies is examined using the findings of the model summary, analysis of variance (ANOVA), and beta coefficients. The estimated model of the study is:

$$MPS_{it} = a_0 + a_1EPS_{it} + a_2BVPS_{it} + a_3P/E\ ratio_{it} + a_4S_{it} + \varepsilon_{it} \dots\dots\dots(I)$$

$$MPS_{it} = a_0 + a_1GDP_{it} + a_2MS_{it} + a_3CPI_{it} + a_4REM_{it} + \varepsilon_{it} \dots\dots(II)$$

Table 12

*Model Summary of Firm specific Variables*

Model	R	R Square	Adjusted R <sup>2</sup>	Standard Error of Estimate
1	.808 <sup>a</sup>	.653	.624	603.48812

a) Predictors: (constant), EPS, BVPS, P/E Ratio and Size.

The coefficient of determination, or R-square, which is sometimes referred to as the model summary, can be used to explain variation. Table 12 clearly shows that the R2 value is .653, meaning that firm-specific factors such as EPS, BVPS, P/E ratio and size of firm account for 65.30 percent of the volatility in the stock price of life insurance businesses. However, the remaining 34.70% is explained by other variables. In other words, there are other additional variables that explained the stock market price of life insurance companies. Similarly, adjusted R<sup>2</sup> is .624 which means 62.40% in share price of Nepalese life insurance companies is explained by firm specific variables, EPS, BVPS, P/E Ratio and Size after adjusting degree of freedom. Model summary also indicates the standard error of the estimate of 603.48812 which shows the variability of the observed value of stock market price of Nepalese life insurance companies.

Table 13

*ANOVA of Firm-specific Variables*

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	24649792.910	3	8216597.637	22.561	.000 <sup>b</sup>
Residual	13111124.690	36	364197.908		
Total	37760917.600	39			

a. Dependent variable: MPS

b. Predictors: (Constant), EPS, BVPS, P/E Ratio, Size

F value presented in table 13 is 22.561 and the P value is .000, meaning that the P value is less than 0.05 and significant at the five percent significance level. This suggests that firm-specific characteristics have a substantial influence on the market share price of life insurance companies in Nepal.

Table 14

Coefficients of firm specific variables

Model	Unstandardized Beta	Standard Error	Standardized Beta	T	Sig.
1 (constant)	-5797.992	1911.750		-3.033	.000
EPS	3.168	2.165	.185	1.463	.032
BVPS	6.636	1.500	.549	4.423	.000
P/E Ratio	14.119	7.233	.676	1.952	.007
Size	35.721	24.737	.288	2.782	.009

a. Dependent variable: MPS

Table 14 also explains that EPS has beta of 3.168. Additionally, the beta coefficient suggests that, while other parameters stay the same, a change of Rs. 1 in the life insurance company's EPS results in a change of Rs. 3.168 in the MPS factor. The beta coefficient for the change in BVPS is 6.636, meaning that if other things stay the same, a change of Re. 1 in the book value per share of the Nepalese life insurance business will result in a change of Rs. 6.636 in the market share price. The beta coefficient for the P/E Ratio is 14.119, indicating that a change of Re.1 in the P/E Ratio of the Nepalese life insurance business results in a change of Rs.14.119 in the stock price. At last, size of life insurance company has beta of 35.721. Similarly, the beta coefficient shows that, when all other variables stay the same, a change of Re. 1 in the total assets of the Nepalese life insurance business causes a change of Rs. 35.721 in the market price of shares.

Table 15

Model Summary of Macro-economic Variables

Model	R	R Square	Adjusted R <sup>2</sup>	Standard Error of Estimate
1	.531 <sup>a</sup>	.282	.200	880.30323

- a. Predictors: (Constant), GDP, MS, CPI, Remittance

The R Square, sometimes referred to as the coefficient of determination, is a tool used in model summaries to assist explain variance. Table 13 clearly shows that the R<sup>2</sup> value is .605, meaning that macroeconomic factors such as the money supply, the consumer price index, the gross domestic product, and remittances account for 60.50% of the fluctuation in the market share price of Nepalese life insurance businesses. However, the remaining 39.50% variation is explained by other variables. In other words, there are other additional variables that explained stock price of Nepalese life insurance companies which has not been considered in this research. Moreover, adjusted R<sup>2</sup> is .407 which represents 40.70% variation in MPS of Nepalese life insurance companies is explained by gross domestic product, money supply, consumer price index and remittance after adjusting degree of freedom. Model summary also indicates the standard error of the estimate of 711.128 which shows the variability of the observed value of market share price of Nepalese life insurance companies.

Table 16  
ANOVA of Macro-economic Variables

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	10638235.248	4	2659558.81	3.43	.018 <sup>b</sup>
Residual	27122682.352	35	774933.781		
Total	37760917.600	39			

- a. Dependent Variable: MPS

- b. Predictors: (Constant), GDP, MS, CPI, Remittance

Value presented in table 16, F value is 3.43 and p value is .018 i.e., The fact that the p-value is less than 0.05 and significant at the five percent significance level suggests that independent variables have an effect on the stock price of life insurance businesses in

Nepal. The p value is .018, which is less than 0.05, according to the ANOVA. As a result, it is thought that the model accurately predicts the relationship between the independent and dependent variables. Thus, the independent variables, gross domestic product, money supply, consumer index price and remittance are significant in explaining the variance in market share price of life insurance companies in the context of Nepal.

Table 17  
Coefficients of Macro-economic Variables

Model	B	Standard Error	Beta	T	Sig.
(Constant)	(993.899)	1071.416		-.928	.036
GDP	40.269	90.038	.094	-.447	.046
MS	122.729	35.598	.525	3.448	.001
CPI	-67.339	92.618	(.153)	.727	.047
REM	11.640	13.910	.134	.837	.040

a. Dependent Variable: MPS

Table 17 characterizes that GDP has beta of 40.269. Further the beta coefficient implies that Re. 1 change in GDP leads to Rs. 40.269 change in market share price of Nepalese life insurance companies, other factors remaining unchanged. The beta coefficient for a change in MS is 122.729, meaning that for every Re. 1 change in MS, the MPS factor will vary by Rs. 122.729, with all other factors staying the same. The beta coefficient for a change in the CPI is (-67.339); this means that, assuming all other parameters stay constant, a change of Re. 1 in the CPI will result in a negative change of Rs. 67.339 in the MPS.

Lastly, remittance has beta of 11.640; similarly, the beta coefficient signifies that Re. 1 change in remittance leads to the change of Rs. 11.640 in MPS factor of Nepalese life insurance companies, other factors remaining unchanged.

## Major findings of the study

Based on the analysis of data, the major findings are summarized as follows:

- a) The average market price per share is largest for LICN (Rs. 1855.31) and lowest for ALICL (Rs. 761). On an average, Nepalese life insurance companies have Rs. 1416.2 as market price per share. The average market price of a share is Rs. 1416.2, with the market price ranging from Rs. 372 to Rs. 3061.5.
- b) The average earnings per share is largest for NLIC (Rs. 41.38) and lowest for ALICL (Rs. 13.89). On an average, Nepalese life insurance companies have Rs. 29.49 as earning per share. The range of earnings per share is 6.52 to 75.71, with an average earnings per share of 29.49.
- c) The average P/E ratio is largest for NLIC (95.63) and lowest for LICN (43.9). On an average Nepalese life insurance companies have 80.79 as price earnings ratio. The price earnings ratio realms from Rs. -4.49 to Rs. 150.83, majoring to the average price earnings ratio of Rs. 68.21.
- d) The average book value per share is largest for LICN (Rs. 156.15) and lowest for ALICL (Rs. 138.00). On an average, Nepalese life insurance have Rs. 146.65 as book value per share. Book value per share compasses from Rs. 110.37 to Rs. 174.36, outstanding to the average book value per share of Rs. 146.65.
- e) NLIC has the biggest size (Rs. 50.95 billion), whereas ALICL has the smallest size (Rs. 13.34 billion). On an average, the Nepalese life insurance companies have Rs. 32.01 billion total assets which represents the size. The total assets of the firm rank from Rs. 2.85 to Rs. 86.86 billion, well knowing to the average total assets of Rs. 32.01 billion.
- f) The result from bivariate correlation analysis indicates that firm specific variables such as earnings per share, book value per share, price earnings ratio and size of the firm are positive and significant at 1 percent level of significance with market price share. It suggests that rising firm-specific characteristics cause the market price per share to rise as well, and vice versa.

- g) Gross domestic product seems slightly fluctuating trend in case of Nepal. Likewise, money supply shows highly fluctuation over the observation period. In addition, consumer price index has increased highest in 2069/70 and 2072/73 and then in decreasing trend up to 2077/78. Remittance depicts a highly fluctuating from starting to ending of observation year. In 2076/77, GDP and Remittance hit lowest to negative 2.37 and 0.5 respectively due to COVID-19 which is now slowly recovering up.
- h) Gross domestic product seems slightly fluctuating trend in case of Nepal. Likewise, money supply shows highly fluctuation over the observation period. In addition, consumer price index has increased highest in 2069/70 and 2072/73 and then in decreasing trend up to 2077/78. Remittance depicts a highly fluctuating from starting to ending of observation year. In 2076/77, GDP and Remittance hit lowest to negative 2.37 and 0.5 respectively due to COVID-19 which is now slowly recovering up.
- i) The result from bivariate correlation analysis indicates that firm specific variables such as earnings per share, book value per share, price earnings ratio and size of the firm are positive and significant at 1 percent level of significance with a share of the market price. It suggests that rising firm-specific characteristics cause the market price per share to rise as well, and vice versa.
- j) The correlation result for macro-economic variables such as gross domestic product, money supply, consumer price index and remittance are positive and only money supply and remittance are significant at 1 percent level of significance, which denotes increase in such variables rule increase in market price per share and vice-versa.
- k) The estimated result of regression for firm specific variables i.e., earnings per share, book value per share, price earnings ratio and size of the company indicates that positive and significant beta coefficients are found at the one percent

significance level.

- l) The results of the estimated regression for the macroeconomic variables—the GDP, money supply, consumer price index, and remittances—indicate that the beta coefficient is positive and significant at the one percent significance level.
- m) The study indicates that, in contrast to other factors, earnings per share, book value per share, price earnings ratio, firm size, money supply, and remittance are seen to be the primary determinants of market share price.

#### Analysis of firm specific and macro-economic variables

The regression results denote that the price-earnings ratio, size, book value-per-share, and earnings-per-share beta coefficients are all positive and negative for book value per share, price earnings ratio, earnings per share, and total assets of the company, which is regarded as the firm's size. This suggests that an increase in these factors will raise the market share price, and vice versa. According to the regression analysis, all firm-specific variables have positive beta coefficients and are significant at the one percent significance level. The regression results show that the consumer price index, money supply, remittances, and gross domestic product all have positive but not statistically significant beta coefficients. This suggests that an increase in any of these variables will raise the market price per share and vice versa. The results of the regression show that only the money supply and remittances, with a market share price of 1% across all models, are significant.

## **4.2 Discussion**

This section's talks are intended to highlight the ways in which the goals and outcomes of the study align and diverge from those of earlier empirical investigations. This part also addresses the validity of the findings supporting or contradicting the pertinent ideas for important reasons. The majority of empirical studies have been carried out with the intention of determining the factors and how they affect life insurance firms' stock prices. According to this study, there is a positive correlation between the market price share of life insurance businesses and the following independent variables: firm size, gross domestic product, money supply, consumer price index, profits per share, book value per share, price earnings ratio, and remittance.

As regards to EPS, BVPS and P/E ratio, across all analyses and models, the results showed a positive and substantial relationship with the stock price. As a result, the findings supporting the study's first hypothesis (H1, H2, and H3), according to which there is a substantial association between MPS and EPS, MPS and BVPS, and MPS and P/E ratio, are in line with Ghimire and Mishra's (2018) earlier research.

As regards to size, the results demonstrated a positive and significant relationship with share price. Once more, the findings of the study's second hypothesis test (H4), which found a strong correlation between MPS and firm size, are in line with the findings of Pantha et al.'s earlier investigation (2022). This might be the result of larger companies growing their operations and turning a profit, which draws investors and raises share demand.

As regards to GDP, the findings showed a positive relationship between share price and all models and analyses. The GDP figure from the study is in line with Panta (2020) and Karki (2018). The analysis comes to the conclusion that stock price and GDP are positively correlated. This could be the case since rising GDP signals that a country's economy is doing well and that company is booming in its industry. As a result, investors become more confident in businesses and the stock market as a whole.

As regards to money supply, as a consequence of Money supply is one of the most fundamental indicators of an economy since it indicates the availability or shortage of money. Therefore, its positive significant relationship with MPS is consistent with the findings of Karki (2018) and Bajracharya (2020). When an economy has a large money supply, stock prices often rise. The economy is booming, which increases the amount of money accessible for stock investments and provides other tools for making decisions.

As regards to consumer price index, the result that the CPI and MPS have a positive association defies Bajracharya's (2020) results. This could be the result of rising living expenses and declining purchasing power due to an increase in the consumer price index. The public's tendency to save is impacted by this, and they won't have enough money to buy shares. As a result, as there is less demand for shares, share prices decline. On the other hand, as the CPI falls, living expenses rise. The public's savings are enhanced as a result, and share prices rise in response to increased demand.

As regards to remittance, the research's remittance result is in line with Qamruzzaman, Karim, and Jahan's (2021) findings. The analysis finds a strong positive correlation between remittances and stock price. It's possible that remittances have a significant impact on the national economy. Remittances can be used for share markets, entrepreneurship, and profitable investments. The life insurance industry has expanded by 2.84 percent in the fiscal year 2079–2080, despite room for development.

## **CHAPTER V**

### **SUMMARY AND CONCLUSIONS**

This chapter includes an overview of the full investigation as well as a synopsis of the key conclusions drawn from the secondary data analysis. Additionally, a separate section of this chapter discusses the main conclusions, which are then followed by various implications and suggestions regarding the variables affecting life insurance firms' share values. The chapter concludes with a discussion of the potential for more research in the same area.

#### **5.1 Summary**

The stock market is essential to economic progress because it encourages capital formation and increases economic growth. Securities trading in the financial market helps capital users and savers by transferring wealth, sharing risks, and pooling funds. Money can move from reserves to the most profitable investments to generate economic activity. Investors consider the share prices of firms when deciding which shares to purchase. According to theories, there is a correlation between changes in financial fundamental variables and changes in share prices (Nisa and Nishat, 2011). Market share price per share is found to be positively and significantly correlated with firm-specific characteristics such as earnings per share, book value per share, price earnings ratio, and size (Ghimire and Mishra, 2018). According to Pantha et al.'s (2022) investigation, there is a positive and significant correlation between market share price and firm size. According to Karki (2018), there is a substantial positive correlation between market price per share and macroeconomic factors such as the money supply, remittances, and gross domestic product, but there is no significant correlation with the consumer price index.

This chapter provides a brief summary of the full body of work and focuses on the study's main conclusions. The price volatility of shares in Nepal is erratic and unpredictably fluctuating. How supply and demand interplay determine stock price. Undoubtedly, the market share price is determined by both qualitative and quantitative elements. However, it is still debatable precisely which elements influence the market stock price. The primary goal of this research is to evaluate the current market price per share of Nepalese

life insurance companies in relation to firm-specific and macroeconomic variables, and to investigate the impact of these variables on the stock price of these companies. To achieve their personal and professional goals, investors, planners, researchers, policy makers, and students will find great value in the current study. Potential investors may find this finding useful in making wiser and more informed selections. In general, life insurance firms are essential to maintaining the country's financial and economic stability (Karim & Jhantasana, 2005).

This study uses a causal-comparative and descriptive research design, using secondary data that was obtained from historical data. Data are gathered from annual reports published by Nepal Rastra Bank, annual reports of respective sample life insurance companies, Securities Exchange Board of Nepal, Nepal Stock Exchange, official websites of concerned companies, and various economic surveys published by Government of Nepal, Ministry of Finance, and World Banks for both dependent and independent variables, such as market price per share, earnings per share, book value per share, price earnings ratio, firm size, gross domestic product, consumer price index, money supply, and remittance. From fiscal year 2066/67 to fiscal year 2078/79, pertinent data has been gathered for every year. Based on establishment, four life insurance businesses were selected as samples for this study out of a total of fourteen life insurance companies across a 13-year study period. The data's availability and source have been confirmed. Multiple regression analysis showed that the share price of Nepalese life insurance companies was positively correlated with profits per share, book value per share, price earnings ratio, firm size, gross domestic product, money supply, consumer price index, and remittance.

## **5.2 Conclusion**

These days, there is a lot of interest in researching the variables that affect life insurance firms' share prices in Nepal. Furthermore, finding out what influences share price is a topic of great interest, particularly in the insurance industry. The study's main finding is that both firm-specific and macroeconomic factors have a significant impact on the market price per share of Nepalese life insurance businesses.

With regard to the first objective of this study to assess Nepalese life insurance firms' current market price per share, firm-specific factors, and macroeconomic indicators. The

examination of market price per share shows that ALICL has the lowest average market price per share while LICN has the highest. NLIC has the highest average earnings per share and ALICL has the lowest, according to the earnings per share research. According to the examination of book value per share, ALICL has the lowest average book value per share while LICN has the highest. NLIC has the highest average price earnings ratio, while LICN has the lowest, according to the price earnings ratio research. In line with the size of the company based on the total assets, NLIC has the greatest average size of the company and ALICL has the lowest. In accordance with macro-economic variables, the macro-economic variables like, gross domestic product, money supply, consumer price index and remittance are in fluctuating trend.

Regarding the study's second goal, which was to examine the relationship between the market price per share of Nepalese life insurance companies and the money supply, remittance, consumer price index, and gross domestic product, it can be said that all of the macroeconomic variables that were sampled had a significant positive relationship with the market price per share, including the money supply, remittance, and gross domestic product. Market price per share has a substantial negative correlation with the consumer price index.

With regards to the third objective of the study, it is assumed that firm specific variables positively affect the market stock price, which is to analyze the effect of firm specific and macro-economic variables on MPS of Nepalese life insurance companies. This means that an increase in company specific variables results in an increase in market price per share, and vice versa. Furthermore, macroeconomic variables have a positive impact on market price per share, meaning that an increase in these variables corresponds to a rise in market price per share. The market share price of Nepalese life insurance firms is negatively impacted by consumer price, one of the macroeconomic determinants of life insurance companies. This indicates that an increase in the consumer price index causes the market stock price to decline, and vice versa.

### **5.3 Implications**

Based on significant discoveries, this study has a number of implications that suggest intriguing directions for further investigation; a few of these are covered below:

- a. The study discovered a favorable correlation between stock market earnings per share and market price per share. Therefore, the life insurance companies ought to raise their earnings per share if they are prepared to raise the market price of their shares.
- b. In the stock market, it has been noted that market price per share and book value per share are positively correlated. Thus, book value per share should rise for insurance businesses willing to grow their pricing and market share.
- c. The price earnings ratio and the market price of shares are shown to be positively correlated. For this reason, life insurance firms should raise the price-earnings ratio if they are willing to raise the market price of a share.
- d. In the stock market, the market price of a share and the size of the company are positively correlated. Therefore, life insurance businesses that are prepared to raise the market price of a share ought to expand their company's size.
- e. It is discovered that there is a positive correlation between the consumer price index and market share of price, and a negative correlation between the money supply, remittances, and gross domestic product. For this reason, before investing in the stock market, investors must evaluate the country's economic status.

#### Scope for future research

The study has investigated the factors influencing the share price of life insurance companies in the NEPSE, which is an example of an emerging market in South Asia. The analysis has produced some interesting results and one avenue for future research is to extend the study to other emerging markets, especially south Asian region.

- i. The outcome primarily stems from observations made by Nepalese life insurance firms. In order to generalize the findings and further explore the relationship between share price and factors influencing the share price, a similar study may include other financial institutions such as manufacturing firms, microfinance companies, hydropower companies, etc.

- ii. Not all financial indicators and variables that could affect market share price have been covered in this study. Therefore, additional research is required to examine other factors that may affect market price share, such as dividend per share, return on assets, net profit margin, government policy, technology, and regulatory framework. Therefore, there is still a great deal of space for additional research into the variables affecting life insurance firms' stock prices in Nepal.
- iii. There were few elements taken into consideration for the study that affected the share prices of life insurance businesses. Future studies could take into account a number of additional factors, including paid-up capital, branch operations, actual interest, ownership structure, investment opportunities, and the firm's profitability, among many others.
- iv. The analysis excludes the preferences of various investors and stockholders and is solely dependent on secondary data. Thus, primary data or a combination of primary and secondary data may serve as the foundation for future research.
- v. This study can be regarded as a preliminary step in investigating the relationship between share price and its determinants in four sample life insurance companies in Nepal, which are established earlier among 14 life insurance companies. Thus, the result may not be representative of all life insurance companies of Nepal. So that, this can be the future scope for the researcher.

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Appendix I  
Correlations

		<b>MPS</b>	<b>EPS</b>	<b>BVPS</b>	<b>P/E Ratio</b>	<b>Size</b>
<b>MPS</b>	Pearson	1	.608**	.733**	.523**	.480**
	Correlation					
	Sig. (2-tailed)		.000	.000	.012	.002
	N	52	52	52	52	52
<b>EPS</b>	Pearson	.608**	1	.609**	.388**	.307
	Correlation					
	Sig. (2-tailed)	.000		.000	.016	.054
	N	52		52	52	52
<b>BVPS</b>	Pearson	.733**	.609**	1	.412**	.246
	Correlation					
	Sig. (2-tailed)	.000	.000		.016	.126
	N	52	52	52	52	52
<b>P/E</b>	Pearson	.523**	.388**	.412**	1	.578
	Correlation					
	Sig. (2-tailed)	.012	.016	.004		.164
	N	52	52	52	52	52
<b>Size</b>	Pearson	.480**	.307	.246	.578	1
	Correlation					
	Sig. (2-tailed)	.002	.054	.126	.164	
	N	52	52	52	52	52

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

Appendix II  
Correlations

		MPS	GDP	MS	CPI	REM
MPS	Pearson Correlation	1	.037	.474**	.058	.151
	Sig. (2-tailed)		.820	.002	.722	.353
	N		52	52	52	52
GDP	Pearson Correlation	.037	1	.317*	-.658**	.067
	Sig. (2-tailed)	.820		.047	.000	.682
	N	52	52	52	52	52
MS	Pearson Correlation	.474**	.317*	1	-.228	-.101
	Sig. (2-tailed)	.002	.047		.158	.536
	N	52	52	52	52	52
CPI	Pearson Correlation	.058	-.658**	-.228	1	.277
	Sig. (2-tailed)	.722	.000	.158		.083
	N	52	52	52	52	52
REM	Pearson Correlation	.151**	.067	-.101	.277	1
	Sig. (2-tailed)	.353	.682	.536	.083	
	N	52	52	52	52	52

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

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

Appendix III  
Model Summary

Model	R	R Square	Adjusted R <sup>2</sup>	Standard Error of Estimate
1	.808 <sup>a</sup>	.653	.624	603.48812

a. Predictors: (constant), EPS, BVPS, P/E Ratio and Size.

Appendix IV  
ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	24649792.910	3	8216597.637	22.561	.000 <sup>b</sup>
Regression					
	13111124.690	36	364197.908		
Residual					
	37760917.600	39			
Total					

a. Dependent variable: MPS

b. Predictors: (Constant), EPS, BVPS, P/E Ratio, Size

Appendix V  
Coefficients

Model	Unstandardized Beta	Standard Error	Standardized Beta	T	Sig.
1 (constant)	-5797.992	1911.750		-3.033	.000
EPS	3.168	2.165	.185	1.463	.032
BVPS	6.636	1.500	.549	4.423	.000
P/E Ratio	14.119	7.233	.676	1.952	.007
Size	35.721	24.737	.288	2.782	.009

a. Dependent variable: MPS

Appendix VI  
Model Summary

Model	R	R Square	Adjusted R <sup>2</sup>	Standard Error of Estimate
1	.531 <sup>a</sup>	.282	.200	880.30323

Predictors: (Constant), GDP, MS, CPI, Remittance

Appendix VII  
ANOVA<sup>a</sup>

Model	Sum of Square	Df	Mean Square	F
<b>Regression</b>	10638235.248	4	2659558.81	3.43
<b>Residual</b>	27122682.352	35	774933.781	
<b>Total</b>	37760917.600	39		

- a. Dependent Variable: MPS  
b. Predictors: (Constant), GDP, MS, CPI, Remittance

Appendix VIII  
Coefficients

Model	B	Standard Error	Beta	T	Sig.
<b>(Constant)</b>	(993.899)	1071.416		-.928	.036
<b>GDP</b>	40.269	90.038	.094	-.447	.046
<b>MS</b>	122.729	35.598	.525	3.448	.001
<b>CPI</b>	-67.339	92.618	(.153)	.727	.047
<b>REM</b>	11.640	13.910	.134	.837	.040

- a. Dependent Variable: MPS

Appendix IX  
Pattern of Gross domestic product

Fiscal year	<b>Gross domestic product</b>
2066/67	4.6
2067/68	3.9
2068/69	4.6
2069/70	4.1
2070/71	6.0
2071/72	2.7
2072/73	0.6
2073/74	7.5
2074/75	7.6
2075/76	6.7
2076/77	-2.1
2077/78	4.8
2078/79	5.6

Appendix X  
Pattern of Money Supply

Fiscal year	Money supply
2066/67	13.0
2067/68	11.1
2068/69	16.3
2069/70	14.4
2070/71	17.7
2071/72	19.7
2072/73	18.5
2073/74	13.1
2074/75	17.6
2075/76	8.6
2076/77	17.8
2077/78	22.6
2078/79	9.7

Appendix XI  
Pattern of Consumer price index

<b>Fiscal year</b>	<b>Consumer price index</b>
2066/67	9.6
2067/68	9.6
2068/69	8.3
2069/70	9.9
2070/71	9.1
2071/72	7.2
2072/73	9.9
2073/74	4.5
2074/75	4.2
2075/76	4.6
2076/77	6.3
2077/78	3.6
2078/79	6.3

Appendix XII  
Pattern of Remittance

<b>Fiscal year</b>	<b>Remittance</b>
2066/67	13.8
2067/68	9.4
2068/69	41.8
2069/70	20.9
2070/71	25.0
2071/72	13.6
2072/73	7.7
2073/74	4.6
2074/75	8.6
2075/76	16.5
2076/77	-0.5
2077/78	9.8
2078/79	4.8

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ABSTRACT The equity market contributes significantly to economic prosperity by encouraging capital development and maintaining economic growth and has become an essential market. As they ensure the flow of resources to the most productive investment opportunity, they are important for economic growth. Therefore, this study identifies and analyzes the factors influencing the share price of life insurance companies in Nepal. The whole study is based on secondary data and data collected from annual report of selected life insurance companies and supervision reports of central bank (Nepal Rastra Bank). The study has applied the descriptive and causal comparative research design. Only four among fourteen life insurance companies are selected for study purpose as per available information namely National life insurance company, Nepal life insurance company, Life insurance corporation Nepal and Asian life insurance company for the period of