

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

The efforts of investors to find each other for buying and selling financial assets have brought them together in a particular place, that place is called financial market. The markets take different forms depending on the trading arrangement of assets. Basically there are four forms of markets: direct search markets, brokered markets, dealer markets and auction markets.

Common stock is an ownership share in a corporation. Common stock certificates are legal documents that evidence ownership in a company. They are also marketable financial instruments. Through the right to vote, holders of common stock have a legal control over the corporation. Common stockholders have limited liability. The common stock of most large corporations can be bought or sold freely on one or more stock exchanges. Common stockholders enjoy a number of rights such as dividend rights, assets rights, preemptive right, voting rights etc. The common stockholders are in an uncertain position about dividends, capital gains and residual claim. Therefore, they must bear the greatest risk. Common stocks are traded in Stock Exchanges and Over-the-Counter Markets (OTC). In Nepal, common stocks of only listed companies are traded in Nepal Stock Exchange (NEPSE).

The history of stock market is not long in Nepal. Securities Exchange Centre (SEC) was established in 1976 with an objective of facilitating and promoting the growth of capital market (Gurung, 2004). However, it opened its floor for secondary trading of shares only in 1981, which was only for government bonds (NRB, 1996). With enactment of Securities Exchange Act 1984, SEC opened its floor for corporate share trading also, but it was very limited. The organized and full-fledged stock market began with the conversion of Securities Exchange Centre into NEPSE Limited in 1993. The NEPSE opened its trading floor in the beginning of 1994. Till now, it is the only stock exchange in Nepal. Hence, the stock market in Nepal is still in evolving stage but of special interest as it has grown significantly since its

establishment. It was established in order to mobilize capital alternative to traditional banking sector for promoting economic growth and development in the country.

Within a short period of time since its inception, the NEPSE index witnessed significant ups and downs. Recently, after the results of the second CA election in November 2014, the NEPSE index took an upward trend until August 2014. On July 14, 2014 the benchmark index reached 1036.1, the highest in the last six years. Earlier on August 31, 2008, the NEPSE index had reached its all-time high of 1175 points before plunging to a record low of 292 on June 15, 2011. Normally, the stock market index is taken as a barometer of an economy. Growth in stock index is normally considered as a good sign since it implies the investors are confident about the future prospect of the economy. It helps promote investment in the economy. However, a rapid increase in the stock market index is always a matter of concern. If the increase in the index is not justified by the fundamentals, such a rise cannot be sustained and eventually the index will plummet endangering the economic and financial stability. Hence, it is essential that the policymakers keep eyes on the stock market development and be ready to take appropriate measures, if needs arise, to prevent the buildup of bubbles and collapse in the market. For this, it is necessary to understand the relationship between the stock market index and the factors that influence it. Several factors may affect the stock market. Any factors that have an effect on cash flows of firms or discount rate will have impact on the stock market. However, which factors affect to what degree will vary from country to country, depending on the size, type and other characteristics of the economy and the market.

Investment in its simplest form means employing money to generate more money in future. It is the sacrifice of current rupees for future rupees. The sacrifice takes place in the present and is certain. But the reward comes later and is an uncertain. Return is the primary motive of investment, but it always entails some degree of risk. Buying common stocks, bonds, deposited money into bank account, buying a piece of land, gold or silver are some example of investment. All these examples involve sacrifice of current rupees in expectation of future return. Hence, they are investment. The main objective of investment is to maximize the wealth of an investor.

Investment can be made on real assets or financial asset. Investment on real assets is known as real investment and investment on financial assets is known as financial investment. Real investment means investment on real assets like land buildings, factory etc. financial investment means on financial asset like share, debentures, and convertibles etc.

It is a generally accepted phenomenon that investors are risk averse and the volatility of their investments because great concern to them as it is a measure of the intensity of risk they bear. However, from an investor's point of view it is advisable to have knowledge and awareness about the determinants of share price in order to make an optimum investment decision. Scholars have attributed several internal factors and external factors as factors affecting stock price. The company specific or internal factors are company performance, a change in the board structure, asset position, dividends and earnings. The external factors include governmental regulations, business cycle, investor's attitude, market conditions, natural calamities and contingencies like strikes, lock outs etc. Investors have also been advised to be aware of the "Value Investing Strategy" a technique originally propounded by Graham and Dodd (1934). This is another successful investment strategy resorted to especially after the current 2007 global financial crisis and according to this strategy the investor has to examine firms with a low price earnings stocks, low price-to-cash-flow ratio or low price to book ratio stocks as it is assumed that these stocks may outperform growth stocks. Sharma (2011) suggests that there are two approaches namely the fundamental approach and technical approach for predicting share prices.

There are a lot of research studies on the determinants of stock market in other countries such as Asprem (1989), Yosuf and Majid (2007), Rahman et al. (2009), Singh (2010), Hsing (2011, 2014), Eita (2012), Quadir (2012), Naik and Padhi (2012), Jauhari and Yadav (2014), and Khan (2014). A very few studies have been done on the Nepalese stock market such as Dangol (2008, 2010), Pradhan and KC (2010), Bhatta (2010) and Regmi (2012). These studies mainly focused on micro perspective rather than macro and policy perspectives.

Market share price is the price of share that is offered to investors to subscribe them. It is affected by various factors. However, investors expect future share price from the value of

dividend stream. Share price is driven by estimation of dividend and expected future share price, i.e. “return”.

1.2 Statement of the Problems

Investors should make rational investment decision. For this purpose, knowledge for analysis of common stock is essential. Investor's attitude and perceptions are also considerable for rational investment decision. Many investors are manipulated and exploited by the financial institution and other market intermediaries since they are unknown about norms of security market. Not only general public but also the university graduates and post graduates cannot analyze risk and return while making stock investment decision.

In the context of Nepal investors are also facing the problems of lack of the institutions to provide adequate information about the investment options.

After the emergence of NEPSE in 1993 A.D. these type of problem somehow has been solved, but another problem to the Nepalese people is they feel more risk in stock investment than as its real risk, it keeps them in dilemma, whether they should invest in stock or not and this all conditions makes them to not utilize their funds as a result investors are not benefited nor the national economy as well.

Further, theory says that the stock price in market is guided by the intrinsic value which is calculated by aid of company's result of financial performance such as dividend, required rate of return and growth. In the efficient market condition stock price is equal to the intrinsic value since the buyer and the seller are fully aware of the facts and figures of the company. Therefore one can say that market price and financial performance are correlated but condition here is totally different from that. Courage and faith are intermediate factor to invest in common stock because there are several questions, which may be arising in the mind of the individual investors at the time of the investment.

There are seventeen listed insurance companies in Nepal, though there is no full information available regarding their annual report of every company in their respective websites. Similarly, there is no adequate researches available in context of Nepal as well as in foreign countries on this topic. This has added the complexity in performing research for the researchers. Hence, the study has deals with the following issues:

-)] What is the movement of MPS, ROA, ROE, DPS, EPS, BVPS, PE-R and Debt ratio in Nepalese insurance companies?
-)] Is there any relationship between stock price and its determinants?
-)] What are factors affecting the stock price of Nepalese insurance companies?

1.3 Objectives of the Study

The major objective of this thesis is to identify factors influencing market share price of insurance companies in Nepal. The specific objectives of this study are listed below:

-)] To examine the existing position of factors influencing market share price of Nepalese insurance companies.
-)] To investigate the relationship between MPS and its determinants of Nepalese insurance companies.
-)] To analyze the determinants of MPS of Nepalese insurance companies.

1.4 Significance of the Study

The present study highlights the determinants of stock prices in insurance companies in Nepal. On the basis of this information, the investors will be able to take rational decisions for investing in shares of insurance companies. As well as the companies will also be able to raise the market price of stock by increasing or decreasing respective variables. It will lead to huge market coverage and strong business. It ultimately leads profitable business with satisfied shareholders and the every types of investors with different financial capacities will be able to invest freely without any burden and risk.

This study will help to develop and progress share market and raise the economy of the nation as a whole. The study provide some knowledge about Nepalese stock market along with providing ideas to minimize the risk on stock investment. Apart from this study will be a matter of interest for academicians, students, researchers, teachers or persons practicing in the field of finance.

This study has attempted analysis of factors affecting market share price of insurance companies in Nepal with reference to their internal financial factor which will probably give real pictures of samples companies, to both the outstanding and potential investors in order

to take proper investment decision. Similarly, this piece of task may work as guide for future research and concerned persons.

1.5 Limitation of the Study

As every research has its own limitation, the study is not far from it. The limitations of the study are as follows:

-) The study considers only firm specific factors and excludes macro-economic factors like GDP, inflation, interest rates, business cycle, supply and demand, etc.
-) The study is based on the data set available on the websites of these insurance companies and annual report book.
-) The study only examines internal factors like ROA, ROE, Debt ratio, PE ratio, DPS, EPS and BVPS, and totally ignores external factors like political stability, demand and supply, interest rates, returns offered by other markets and so on.
-) This study is based on analysis of internal factors of the companies for the period of six years starting from the fiscal year 2066/67-2072/73 B.S. (2009/10-2015/16 A.D.)

1.6 Organization of the Study

The present study is organized in such way that the stated objectives can easily be fulfilled. The structure of the study will try to analyze the study in a systematic way. The study has presented the systematic presentation and finding of the study. The study is designed in five chapters.

The first chapter is introduction chapter. It describes the background of the study, statement of the problems, objectives of the study, significance of the study and limitations of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

The second chapter is review of literature. This chapter assures readers that they are familiar with important research that has been carried out in similar areas. This chapter includes conceptual review, reviews of previous studies, concluding remark and conceptual framework.

The third chapter is research methodology. Research methodology refers to the various sequential steps to adopt by researcher in studying a problem with certain objectives in view. It describes various source of data related with the study and various tools techniques such

as statistical and financial employed for presenting the data. This chapter includes research design, sources of data, population and sample, methods of analysis and research variables.

The fourth chapter is the main part of the research. It is Presentation and Data Analysis chapter which analyses the data related with study and presents the finding of the study. Data processing, data analysis and interpretation are given in this chapter. This chapter contains existing position of factors affecting market share prices of insurance companies in Nepal and major findings.

The fifth chapter is summary, conclusions and recommendations. It contains the findings of whole study after which major conclusions and recommendations are provided. It also gives important suggestions to the concerned organization for the better improvement.

CHAPTER-II

REVIEW OF LITERATURE

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so that all the past and previous studies, their conclusion and perspective of deficiency may be known and further researcher can be conducted or done. It is an integral mandatory process in research works. It is a crucial part of all dissertations. In other words it's just like fact are finding based on sound theoretical framework oriented towards discovery of relationship guided by experience, resonating and empirical investigation. It helps to find out already discovered things. Review of relevant literature implies putting new spectacle in old eyes to think in new way by posing the problem with new data and information to see that what results are derived. The primary purpose of literature is to learn and it helps researcher to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. For review study, the researcher uses different books and journal, reviews and abstracts, indexes, reports, and dissertation or research studies published by various institutions, encyclopedia etc.

This chapter includes conceptual framework and review from thesis for the related studies. More analysis is not sufficient to present real framework of the study. So, review of related materials should deal with giving research a clear vision. Past study and knowledge provides foundation to the present day.

2.1 Conceptual Review

2.1.1 Common Stock

Common stock is recipient of the residual income of the corporation. Through the right to vote, holders of common stock have legal control over the corporation. An element of high risk is involved with its investment due to its low priority of claims at liquidation. When investors buy common stock they receive certificate of ownership as a proof to their being part of the company. "The certificate states the number of shares purchased and their value per share" (Bhalla, 1997).

Common stock is source of long term financing and an ownership security. Its certificates are legal documents that are organized as a corporation, and they are also marketable financial instruments. Common stock holders of a corporation are its residual owners, their claim to income and asset comes after creditors and preference shareholders have been paid in full. As a result, a stockholders return on investment is less certain than the return to lender or to preference stock holder. On the other hand, the share of the common stock can be authorized either with or without per value. The par value of the stock is merely a stated figure in the corporate character and is of little economic significance. A company should not issue stock at a price less than par value because stock holders who bought stock for less than par value would be liable to creditors for the difference between the below pre price they paid and the par value (Van Horne, 1997).

But in Nepal, as per the provision of Nepal Company Act 2000 A.D., no common stocks are allowed to issue without par value. The par value must be either Rs. 10 or Rs. 100. Common stock has one important investment characteristics and is important speculative characteristics. Their investment value and average market price tend to increase regularly but persistently over the decreases as their net worth builds through the reinvestment of undistributed earnings. However, most of the time common stocks are subject to irrational and excessive price fluctuation in both directions, as most people to speculate or gamble i.e. give way to hope fear and greed.

2.1.2 Stock Market

Stock market refers to the place where financial assets are purchased and sold by owners and the investors. Nepalese financial system is characterized by small but a growing capital market. There are two types of market: The primary market and the secondary market.

a. Primary Market

The primary market is the place where companies issue initial public offerings (IPO) and the investors buy the shares of the company at par value. It is done to generate huge fund requirement and every public can purchase it at the minimum price and become investors. The primary market is the mechanism through which a firm can raise additional capital by selling stocks, bonds and other securities. All securities are first traded in primary market

and the proceeds from the sale of securities go to the issuing firm. These new issues of stocks typically are marketed to the public by investment bankers. This new market is called primary market. Primary market issues can be subdivided into seasoned and unseasoned issue.

i. Seasoned Issue

This involves the issue of more of an existing security which is already trading in the market. The shares are already well known to investors and traders in the marketplace, and they have an established track record.

ii. Unseasoned Issue

It has no track record. They are issues of completely new securities and are often referred to as initial public offering (IPOs). As unseasoned issues have no established trading history in the markets they are more difficult to value than seasoned issues.

b. Secondary Market

The secondary market is for outstanding securities. Its main function is to provide liquidity to the buyers of the securities. This market remains as a center to convert stocks, bonds and other securities into cash immediately. Since, it provides liquidity to the securities, the investors are encouraged to buy securities in the primary market. Nepal Stock Exchange (NEPSE) is an example of secondary market in Nepal. It is further categorized into the first market, over the counter market, third market, fourth market and bond market.

a. The First Market

This market is also known as organized stock exchange. It is the physical locations where the securities are traded under some established rules and regulations. Therefore, this type of stock market is registered in the government agency and only listed insurance companies' securities are traded.

b. Over The Counter Market

The market where the securities of the companies not listed in the stock exchange are traded is called over-the-counter market (OTC). Since the transactions are made informally, this market is also known as impersonal or curbs market.

c. Third Market

The third market refers to the trading of any securities in OTC market that are listed in organized stock exchange. It is notable that trading hours in the third market is not fixed like organized stock exchange. It is made up of securities dealers making markets anywhere on a few hundred securities. Thus third market brokers are the market makers who are in direct competition with the specialist that make markets on the organized exchange.

d. Fourth Market

The fourth market refers to those institutional investors and wealthy investors who buy and sell securities directly from each other. Thus, its participants completely bypass normal dealer services. It is essentially a communication network among institutional investors that trade large blocks without the aid of a brokerage house.

e. Bond Trading

Bond market is the market of long-term bond issued by corporations. Corporate bonds are riskier than that of government bonds. However, bonds are less risky than the stocks of the same corporation. Bonds are traded in the over the counter market and organized stock exchange. In Nepal, some companies have issued the bonds/debentures. Nepal bond market is dominated by the bonds of commercial banks.

2.1.3 Market Share Price

Market Definition is one of the most important analytical tools to examine and evaluate the competitive constraints that institution faces and the impact of its behavior on competition. Market definition is a complex task in addition, there is broad agreement that in some cases its appropriateness can be called into question. The main concerns relate to the limited value of even accurately calculated market shares and concentration measures in specific kinds of markets (Monti, 2012).Market definition serves several goals in identifying the scope of competition in a market.

Market share price is the price offered to the public by the companies for subscribing issued shares in the primary or secondary market. In case of IPO, generally the price of per share is one hundred rupees. Whereas, the stock price per share varies with different insurance

companies and the market conditions in the secondary market. The major objective of market definition is to evaluate the existence, creation or strengthening of market power, which is defined as the ability of the firm to keep the price above the long-run competitive level. The market shares of the respective firms provide an indication of market strength. Furthermore, market definition facilitates the identification of relevant competitors and is useful in evaluating the risk of potential coordinated effects in mergers. Moreover, identifying the area of competition allows other relevant competition issues to be examined, such as potential barriers to entry. Even when the necessary data to perform the hypothetical monopolist test are not available, this test provides a coherent conceptual framework to define the relevant market.

The importance of market definition also extends beyond its role in analyzing competition concerns: the concept is used as a basis for calculating fines, for estimating the effects on trade between EU member states and has served as a procedural model for other areas of law (Monti, 2012).

The stock market is driven by supply and demand, much like any market. When a stock is sold, a buyer and a seller exchange money for share ownership. The price for which the stock is purchased becomes the new market price. When a second share is sold, this price becomes the newest market price, etc. The more demand for a stock, the higher it drives the price and vice versa. The more supply of a stock, the lower it drives the price and vice versa. So while in theory, a stock's IPO is at a price equal to the value of its expected future dividend payments, the stock's price fluctuates based on supply and demand.

Some factors affecting valuation of stock are:

- i. **Demand and Supply:** Demand and supply of securities influence price of securities. If the demand of securities is more than the supply (buyers are more than the sellers), prices of securities increase. On the other hand if the demand of securities is less than the supply (buyers are less than the sellers), prices of securities decrease.
- ii. **Bank Rate:** In case of lower bank rate (lower interest rate), the demand for funds would be higher and the demand for securities would be high. Whereas in case of

higher bank rate (high interest rate). The demand for funds would be lower and therefore the demand for securities would be lower.

- iii. **Market Players:** Security prices are influenced by the market players. If the number of bulls are more than the bears, then the prices of securities would increase. On the other hand, if the bears are more than the bulls, the prices of securities would decline.
- iv. **Dividend Announcements:** Dividends act as a signalling device for share price movement. Dividend announcements influence share prices. If companies announce dividends, generally share prices of those companies tend to increase. An important point to note is, if the rate of dividend announced is less than what was expected by investors, share prices would decline, whereas if they are up to are more than expectations. share prices would increase.
- v. **Management Profile:** Management profile significantly influences success of companies and therefore they have an important influence on share prices. If the management comprises of educated, experienced professionals with a successful track record then share prices would be higher. In case the company is taken over by a management having a poor reputation then the share prices would fall.
- vi. **Trade Cycle:** Trade cycles refer to cyclical fluctuations in economic activity. During boom conditions the share prices would be at their peak and during depression they would be at their lowest point. Share prices would gradually increase during recovery conditions and would fall during conditions of recession.
- vii. **Speculation:** In case speculation in the market is high or in case speculation in a stock is high, then the price of that share would be showing high fluctuations. In case speculation is at a low level then the fluctuations in share price would be lower.
- viii. **Political Factors:** Political factors such as ideology of the party in power, policies of the government, relations with other countries influence share prices. For e.g. when the UPA government won elections, share prices fell to a great extent because it was felt that the government policies would be influenced by the communist parties.

- ix. **Industrial Relations:** In case there is good relationship between the workers and the management of a company, the productivity would be high leading to better profits. Therefore share prices would be higher. In case of companies where industrial relations are poor and strikes and lockouts occur regularly, performance of the company would be poor. Therefore share prices would fall.
- x. **Stability of Government:** When there is a stable government, businessmen feel confident to invest in new businesses and expand existing businesses. Production, sales and profits are higher and consequently share prices would increase. In case of instability in the government, new investments do not take place. Demand, production and profits are lower and share prices fall.
- xi. **General Market Sentiments:** It is generally said that sentiments move the markets. If there is optimism among market players, more buying would take place leading to increase in share prices. In case market players are pessimistic, then more selling would take place pushing down share prices.
- xii. **Actions of Institutional Investors:** Share prices are influenced by Institutional investors such as mutual funds, investment trusts, pension funds etc. They have large amount of funds at their disposal. When they start buying, share prices would increase and when they sell, share prices decline.
- xiii. **Level of Foreign Investment:** In recent times, the levels of foreign institutional investors (FII's) have played a significant role in influencing share prices. If the level of foreign investment in the market increases (more buying of shares), then the share prices increase. If the level of foreign investment decreases or if FII's sell their investments, then the markets fall.
- xiv. **Returns offered by other markets:** If the Indian markets offer high returns, institutional investors (especially FII's) would invest in Indian markets. Demand for shares would increase and prices rise. In case returns offered by markets in other countries are attractive, then institutional investors would sell their securities in order to invest in those markets. In such cases, shares would be sold in large quantities lowering prices.
- xv. **Availability of Credit:** In case credit is available without much restriction, then investors would borrow to invest in the markets. Demand for shares would be

more and therefore prices rise. In case credit is restricted, then the level of borrowing would be less and demand for shares would also be lower.

- xvi. **Effective Regulation:** If the stock market is run in a transparent manner with effective regulation then the investors would feel confident to invest. Therefore more buying would take place and share prices increase. But when regulation is ineffective and if scams occur (Harshad Mehta scam, MS Shoes scam, CRB scam, Ketan Parekh scam and the recent IPO scam) investors would lose confidence. They would panic and sell their shares. So prices would fall.

There are various factors affecting market stock price. Besides, these factors there are also some other influencing factors for stock price determination. They are the internal factors of the organization such as: ROA, ROE, DPS, EPS, BVPS, PE ratio, Debt ratio, company age and so on. This thesis is based on analysis of these internal factors to find out the result.

2.2 Reviews of Previous Studies

No specific research studies have been found in the topics of finance. Specifically, it is rare in the case of this research topic, risk and return analysis. However, the available independent studies which are related to the topic factors affecting market share price of insurance companies are reviewed here. This thesis involves detail analysis applied to test the relationship between variables with market stock price. This dissertation has been written after studying various books journals article website and previous thesis. I here comprise the some previous thesis review, which are mainly concerned about factors influencing share price of insurance companies. It is observed that stock prices fluctuate with economic news. Macroeconomic variables have explanatory strength on market price. Some studies have been undertaken to clarify the factors influencing stock prices in different stock markets, which are reviewed as follows:

Jennergren and Korsvold (1975) have found considerable dependence in both Norwegian and Swedish stock market prices. Based on their findings, the study concluded, “price changes are not dependent random variable in case of the majority of the 45 investigated Norwegian and Swedish Stocks. This implies that the random walk hypothesis is probably not a very accurate description of share price behavior on the Norwegian and Swedish stock markets.

Dorkery (1980) has summarized that the capital structure and average pricing method is one factor that influence the investment decisions, the next is political and media coverage, the third factor is belief on luck and the financial education, and finally the fourth component for stock market movement is trend analysis.

Major characteristics of growth stock include higher price/earnings ratios than the market average, substantial potential for above average long-term price appreciation, price volatility and correlation of capital to fuel growth, therefore little or no dividend pay-out in the early years (Maturi, 1994).

Bajracharya and Koirala (2004) have found that the Nepal Stock Exchange (NEPSE) market opened an avenue to investors, both large and small, to invest in the enterprise sector and participate in the secondary market. Despite apprehensions of many, the secondary market proved to be successful, with both the entrepreneurs and the investors showing earnest acceptance and participation in the process. However, the performance of stock exchange during the latter years gives only a mixed result. The enthusiasm did not last long as, after 2000/01, both the size and trend began to shrink. The NEPSE index came down to 204 in about Rs. 575 million in 2002/03 compared to Rs. 2344 million in 2000/01. This scenario, despite increasing number of listed securities and scripts, is not a favorable situation. Generally, the problem is attributed to the prevailing politico-economic situation. No doubt, it is true to a large extent but the problem is not confined to the present situation alone. The management of the companies and the attitude of the board of directors and intermediaries are to blame a lot. The actors of financial markets are loosely tied together from legal provisions, which are not effectively implemented.

Gurung (2004) has concluded that the securities market plays a pivotal role in mobilizing savings and channeling them in productive purposes and many more like providing liquidity on securities so that one can minimize the risk and maximize the returns. The study on the securities market performance there is no synchronization among different securities market performance indicators, but it is true that they almost have depicted an erratic trend during the observed period. This indicates the unstable and poor performance of securities market. Relative to the overall economy, the size of securities market is very small and the liquidity of securities also is poor. These facts suggest that the Nepalese capital market now is

passing through a bearish situation. The existence of causality relationship between stock market and economic growth in Nepal based on the time series data for the year 2001 to 2005, employing Granger causality test and using an equally weighted single indicator of three stock market development indicators; the average of ratios of market capitalization to GDP, annual turnover to GDP and the annual turnover to market capitalization. The study finds the long-run integration and causality of macroeconomic variables and stock market indicators even in a small capital market of Nepal, implying that the stock market plays significant role in determining economic growth and vice versa (Neupane, 2006).

Bhatta (2009) has revealed that though the stockholders have not good enough return, market price of shares are increasing due to the high expectation in future. If there are rational investors and stable dividend influences considerable impact on valuation of shares. There is positive relationship between cash dividend and valuation of shares. There are five companies out of ten, having positive coefficient of correlation between cash dividend and valuation of shares. The market price is considerably higher than the actual net worth. In some cases, market price of share is two or three times higher than the net worth. This certainly includes that investors do not have adequate knowledge on how to evaluate the value of shares before investing in them. Stock market in Nepal is undeveloped and has failed to show significant impact on the overall national economy of the country. Small market size has made it vulnerable to manipulation and price rigging. Low turnover ratio and value-traded ratio to volatility, and high concentration ratio indicate that stock market in Nepal is highly illiquid and risky. Investors trend to avoid stock market because they cannot invest in securities according to their risk-return preference.

KC. (2010) has employed annual time series data for the period 2001 to 2009. The data related to market capitalization ratio, number of listed companies, total value traded, and turnover ratio are collected from various annual reports of securities board of Nepal and the data related to per capita GDP and GDP deflator is collected from the economic survey, Ministry of Finance, Government of Nepal. The relation of mid July 2000 to mid-July 2008 by using Karl Pearson correlation. The study finds that stock market development and economic growth during mid-July 2000 to mid-July 2008. The findings indicate that stock market has positive contribution to economic growth in Nepal (Joshi, 2010).

Shrestha (2010) has found the price changes of the past and present can be very helpful to forecast future price and present can be very helpful of future price changes. When log days increase, the mean value of serial correlation of coefficient is lower, that indicates the past price changes may have low power to predict the future price in the long run. The price changes in the present and the future stock market may not be independent of the price changes in the past and present respectively. There elitists no profitable trading rules to make greater profit than they would make the buy-and-hold strategy on past price changes.

Gautam (2011) has concluded that political instability and other laws related issues are the prominent factors for the underdevelopment of security market in Nepal. She further concluded that the stockbrokers and stock market are not being much active to create investment environment in stock market. Most of the investors are influenced through media only. Information deficiency in the capital market may be one of the reasons for determination of share price by excessive speculation. The available information is of low formation mechanism in NEPSE. Lack of effective laws for the less development of the capital market. She also argued that some of the major problems experienced by stock market are the poor regulatory controls and supervision by SEBON and NEPSE.

Almumani(2014) seeks to find quantitative factors that affect the banks listed on the Amman Stock Exchange share prices during the period 2005-2011 using the empirical analysis of a group of independent and dependent variables. In this study, the ratio analysis, Correlation and a linear multiple regression models have been chosen to determine the individual as well as combined effects of explanatory variables on the dependent variables. The empirical findings prove that there is a positive relationship between the independent variables PE positive correlation, BV positive correlation, EPS positive correlation, DPS positive correlation, and dependent variable MP and it is also important at 1% probability level. However, further empirical findings that, there is a significant positive relationship between EPS and the MP of the listed banks in Jordan, there is a significant relationship between banks BV and MP. Another empirical finding from the regression analysis shows a positive relationship between P/E and MP. Empirical findings from the regression analysis on the relationship between MP and S show that there is an inverse relationship between MP and S, other variables (DPS and DP) have insignificant influence on MP. Another study by

Geetha and Swaminathan in 2015 aims to study factors influencing stock price such as price earnings ratio, firm's book value and earnings per share to have a significant positive with the company's market price. A sample of four cars and information technology industries selected sample (listed on the BSE and NSE) for five years in 2010 to 2014.

Al Masum (2014) have examined the proceeds excess stock market for all banks included in the thirty Dhaka Stock Exchange for the period from 2007 to 2011. Attempts are being made to determine the existing relationship between the distribution of profits and stock market returns policy of the private commercial banks in Bangladesh kind, and to what extent return on equity can be explained through the distribution of their profits for the same period of time the policy. Various theories concerning the distribution of profits are being used in different parts of the world with different results and conclusions of the policy. Sample size is large i.e. all the listed commercial banks of Dhaka Stock Exchange so the results are reliable and valid. Panel data approach is used to explain the relationship between stock prices and dividends after the control variables such as Return on Equity, Earnings per Share, Retention Ratio have positive relationship with Stock Prices and significantly clarify the variations in the market prices of shares, while the Profit after Tax and Dividend Yield has negative, insignificant relationship with stock prices. The final results show that the dividend policy has an important positive impact on stock prices.

Shrestha and Subedi (2014) have found that performance of stock market responds positively to inflation and broad money growth, and negatively to interest rate. This suggest that in Nepal, share investors seem to take equity as a hedge against inflation and consider stock as an alternative financial instrument. Further, availability of liquidity and the low interest rates stimulate the performance of the Nepalese stock market. More importantly, stock market has been found to respond significantly to changes in political environment and the policy of Nepal Rastra Bank. These findings help to design policies to stabilize or stimulate the share market in Nepal.

Flora and Hutabarat(2015) have explored the factors affecting stock price of Indonesia. It found that all institutions are seeking to get the most profit in the shortest possible time. The companies can do different things, including funding to achieve their goals. There are different methods that can be used by the company to earn as much money as possible for

the survival of the company. One of the most important ways is to attract investors to invest their capital as a source of corporate finance. The investment of the capital markets is the way to find out those who have a surplus of money and in need of funds. In Indonesia, the banking industry is important. Such as Indonesia survives the financial crisis of 2008 the world, Indonesia has grown interest from other countries. The banking industry can support the growth of one nation. Investors are trying to find a suitable opportunity to invest in this sector, especially state-owned banks, which is based on the banking industry in Indonesia. However, banks have operating structures differ from normal industrial companies. For this reason, investors have different elements to think about them when evaluating banks and thinking about investing in a bank. The result of this study was a recommendation for investors to invest in Bank Mandiri and Bank BNI and Bank BRI because they found it through financial ratios alone is a useful and greatly affect the share price.

Sharif, Purohit and Pillai (2015) have found that the variables return on equity, BVPS, DPS, DY, PE and company size are significant determinants of share price in the Bahrain market. A high R² (0.80) revealed under both the applied models further documents the significant impact of these variables on the market price of shares. This suggests that investors can make optimum investment decisions and be assured fair returns if they consider these determinants which have evolved to be the significant contributors to the market price of shares in Bahrain. BNI, there is no significant financial ratios and inflation in the prices of shares relationship.

Al-Qaisi, Tahtamounj and Al-Qudah (2016) have found that there is an effect between (ROA, Debt Ratio, the age of the company, and the size of the company) and market stock price in insurance companies listed in Amman Stock Exchange. Moreover, the results found that there is no effect between ROE and market stock price in those insurance companies.

Therefore, this study is an experience to analyze the factors that affect the movement of the share price, either increase or decrease. The results of this research showed that four specific company factors P / E ratio, dividend yield, EPS, book value have been selected to compare the performance of the share price movements in the market. In spite of the emergence of several studies on the related topic, the findings reveal a mixed opinion regarding their positive or negative impact each makes on market price. We also cannot find a general

consensus in the factors affecting the market price of shares as they are the joint outcome of both micro and macro factors. This paper will therefore fill the gap by conducting a comprehensive study of seven firms specific factors such as earnings per share, dividend yield, dividend per share, book value per share, debt to assets , price earnings ratio and firm age to determine their extent of impact on the share prices in the Nepalese economy.

2.3 Concluding Remark

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. Although some previous MBS students have conducted their thesis in the similar topic the present researcher has selected, there is fundamental difference between those and this present one. Most of the previous researches reviewed have been carried out with less than five year data. Here, in this research six year's data has been taken for analysis.

Similarly, the number of sample firms takes by the previous researchers is more than ten. Whereas, this research has taken seven sample firms for the study. Previous studies have tried to establish a relationship between market price of shares (MPS) and ten other variables namely return on equity (ROE), return on assets (ROA), book value per share (BVPS), earnings per share (EPS), dividend per share (DPS), price to earnings ratio (PE ratio), dividend yield (DY), debt to total assets ratio (DA), firm size (logMCAP) and firm age. Here, we find similarity in previous and current researches, however, present research has focused on only eight variables excluding firm size and dividend yield. This research has been conducted with reference to seven sample firms which give the clear vision for all the investors who invest in common stock investment of listed insurance companies in Nepal. However, almost effort has been put upon to save it from allegation of being copy of previous research works done in the similar topic.

2.4 Conceptual Framework

Conceptual framework shows relationship between dependent variable and independent variable, which are in frequent use in researches regarding capital market and finance. Following conceptual framework shows the various independent factors affecting stock prices of insurance companies.

Figure 2.4 Conceptual Framework

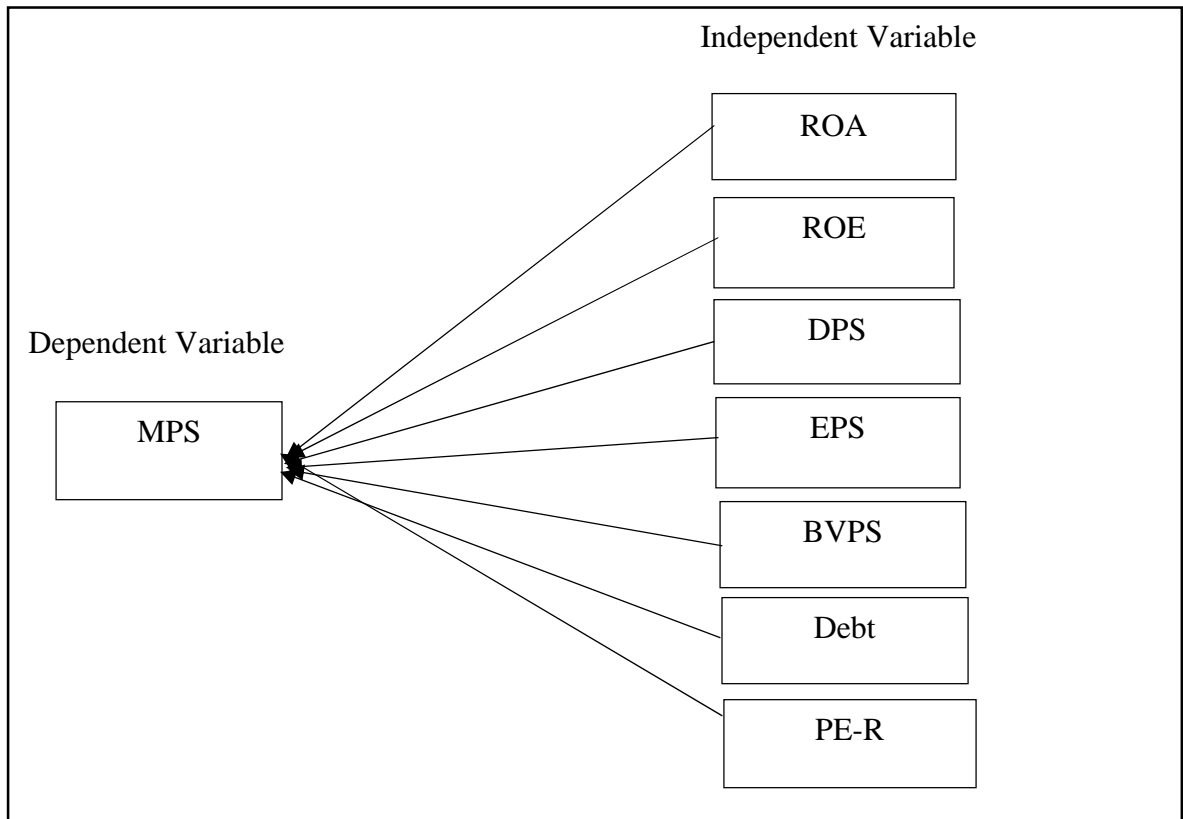


Fig: Conceptual Framework Developed by Researcher (2018)

The figure 2.4 shows conceptual framework, where dependent variable is market price per share (MPS) and independent variables are return on assets (ROA), return on equity (ROE), dividend per share (DPS), earnings per share (EPS), book value per share (BVPS), debt ratio and price to earnings ratio (PE_R).

CHAPTER - III

RESEARCH METHODOLOGY

Introduction

Research Methodology is a way to solve the research problem systematically. It may be understood as a science of studying how research is done scientifically. The research methodology considers the logic behind the method used in research and explains why particular method or technique is applied. Research methodology helps us to find out accuracy, validity and suitability of research. The justification on the present study cannot be obtained without help of proper research methodology. For the purpose of achieving the objectives of study, the applied methodology will be used. Research methodology describes the methods processes applied in the entire aspect of the study. It includes all the procedures from theoretical framework to the collection and analysis of the data. As most of the data are quantitative the research is based on the specific models. It is composed of both parts of technical aspect and logical aspect, on the basis of historical data. Research is systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well throughout activities of gathering recording, classifying, analyzing and interpreting the data with the purpose of finding answer to the problem. Thus the entire process by which we attempt to solve problems is called research.

3.1 Research Design

Descriptive as well as casual comparative research designs have been employed in this study. This research is based on the analysis of recent historical data, so, simply it is a historical research. It covers the data from 2066/67-2071/72 B.S. (2009/10-2014/15 A.D.) It deals with the factors affecting market share price of insurance companies in Nepal.

3.2 Population and Sample

Population is the group of interest of the research on which the results of the study can be generalized. All insurance companies operating in Nepal are population for the study. There are altogether 27 insurance companies in Nepal. Since, the study is concerned with the factors affecting market stock price of insurance companies in Nepal, among seventeen

listed insurance companies in Nepal, the sample for the study are all the seven listed insurance companies which are currently in operation in our country. They are namely, United Insurance Company Limited, Gurans Insurance Company Limited, Asian Insurance Company Limited, Himalayan General Insurance Company Limited, Surya Insurance Company Limited, National Life Insurance Company Limited and Neco Insurance Company Limited.

3.3 Sources of Data

For this study, secondary sources (insurance companies, annual report) have been used to collect data related to market share price (MPS), DPS, BVPS, Debt ratio, PE ratio etc.

3.4 Research Variables and Hypothesis

Investors need good knowledge of the factors or variables that cause fluctuation in stock prices, research hypothesis and so on. There are dependent variable and independent variables. They are briefly discussed below.

Dependent Variable

Market price per share (MPS)

Here in this study, each year closing price is taken as the market price of stock which has specific time span of one year and the study has focused in annual basis. To get the real average, volume and price of each transaction in the stock and duration of time of each transaction in the whole year are essential, which is tedious and impossible too, considering the data availability and maintenance.

Market value in the secondary market is determined by the supply and demand factors and reflects the opinion of investors and trader concerning the values of the stock closing price is used as market price of stock because it is very different to obtain and include these all information and average of high and low price may not be reliable and representative information.

Independent Variables

i. Dividend per share (DPS)

Dividend is the part of earning that is distributed to the shareholders as a part of their investment. Dividend is return to equity capital that consist price of time and price of risk taking by the investors. The total amount of dividend out of earning available to the shareholder if distributed, the common stock's portion is said Dividend per share (DPS). Symbolically DPS can be expressed as follows:

$$\text{DPS} = \frac{\text{The Total Amount of Dividend Paid}}{\text{No. of Common Shares Outstanding}}$$

Dividend is relevant during computation of rate of return, which is reward to the shareholders for their investment, which can be given in different for, for investment, which can be given in different form. For instance cash dividend and stock dividend etc. if company declares only cash dividend. There is no problem while taking the exact amount of dividend that is relevant. But if the company declares stock dividend (Bonus share), it is difficult to obtain the amount that really shareholders has grained. In this case, they get extra numbers of shares as dividend and simultaneously price of the stock declines as a result of increased number of stocks. To get a real amount of dividend following model has been used throughout.

H1: There is a positive relationship between dividend per share and share prices.

ii. Earnings per share (EPS)

Earnings per share measures the profit available to the cash equity holders. It only measures the overall operational efficiency bank. It is the profit tax figure EPS tells us what profit the common share holder get for every share.

$$\text{Earning per share} = \frac{\text{Profit after tax}}{\text{No. of common share}}$$

H2: There is a negative relationship between earnings per share and share prices.

iii. Book value per share (BVPS)

It is calculated by dividing total book value by total shares outstanding.

H3: There is a negative relationship between book value per share and share prices.

iv. Return on assets (ROA)

This ratio shows the relationship of Net profit and total assets and is to determine how efficiently the total assets and is to determine how efficiently the total assets have been used by the management. This ratio indicates the ability of generating profit per rupees of total assets. It also evaluates the present return on the total assets as a guide for return expected on future purchase of assets. Higher the ratio shows the more efficient operating of management and lower the ratio shows the low efficient operating of management. This ratio is computed by –

$$\text{Net profit to total assets ratio} = \frac{\text{Net profit}}{\text{Total assets}}$$

H4: There is a positive relationship between return on assets and share prices.

v. Return on Equity (ROE)

This ratio is calculated by dividing net profit of the company of a particular fiscal year by total equity or total value of common stock. It shows the return on total share investment of the company. In other words, this ratio indicates the ability of generating profit per rupees of total equity. It is computed by-

$$\text{Return on equity} = \text{Net profit} / \text{Total equity}.$$

H5: There is a negative relationship between return on equity and share prices.

vi. Debt Ratio

It examines the relationship between borrowed funds (i.e. total debt) and total assets. It shows the relative extent to which the firm is using borrowed money. A lower ratio is preferable since it reduces the distress of the creditors by using more amount of equity on total assets. Total debt includes both current liabilities and long term debt. Creditors prefer low debt ratios because the lower the ratio, the greater the cushion against creditors losses in

the event of liquidation. Stockholders on the other hand may want more leverage because it magnifies expected earnings. It is computed as:

$$\text{Total Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$$

H6: There is a negative relationship between debt ratio and share prices.

vii. Price to Earnings ratio (PE ratio)

This ratio shows the relationship between earning per share and market value per share. This ratio measures the profitability of the firm. Higher ratio shows the higher efficiency of the management and lower ratio shows the lower efficiency of the management. The ratio is computed by-

$$\text{Price to earnings ratio (PE ratio)} = \text{MPS} / \text{EPS}$$

H7: There is a positive relationship between price to earnings ratio and share prices.

3.5 Data Analysis Tools

The data collected from various sources leads to the logical conclusion, only if the appropriate tools and techniques are adapted to analyze such data. The collected data has been no meaning, if such data are not analyzed. To analyze the data in this research, this study has used some statistical tools that have been described as follows:

Regression Analysis

To examine the factors affecting stock price of Nepalese insurance companies of following econometric model have been used; the regression line where the dependent variable Y is determined by the independent variables X is given by:

$$Y = a + b x$$

Where, Y = dependent variable and share price is considered as dependent variable in the study.

a = constant term that represent the value of vertical section or intercept term

b = coefficient of independent variable

x = factor of independent variable

$$\text{MPS}_{it} = \beta_0 + \beta_1 \text{ROA}_{it} + \beta_2 \text{ROE}_{it} + \beta_3 \text{Debt}_{it} + \beta_4 \text{BVPS}_{it} + \beta_5 \text{DPS}_{it} + \beta_6 \text{EPS}_{it} + \beta_7 \text{P/E ratio}_{it} + e_{it}$$

Where,

MPS_{it} = Market price per share for i^{th} Insurance company in year t

ROA_{it} = Return on Assets for i^{th} Insurance company in year t

ROE_{it} = Return on Equity for i^{th} Insurance company in year t

$Debt_{it}$ = Debt ratio for i^{th} Insurance company in year t

$BVPS_{it}$ = Book value per share for i^{th} Insurance company in year t

DPS_{it} = Dividend per share for i^{th} Insurance company in year t

EPS_{it} = Earnings per share for i^{th} Insurance company in year t

$P/E\ Ratio_{it}$ = Price to earnings ratio for i^{th} Insurance company in year t

e_{it} = error terms for i^{th} Insurance company in year t

α_0 = Constant terms

α_2 to α_7 = regression coefficient for respective variables

Summary of the Variables

The selected study variables, their description, basis of measurement and priori expected sign have been depicted in Table 3.1.

Table 3.1

Variables definition, measurement and expected sign

Variable	Description	Measurement	Expected Sign
MPS	Market Price Per Share	Extracted form Annual Report	
ROA	Return on assets	Net profit/Total assets	+
ROE	Return on equity	Net Profit/Total equity	-
Debt	Debt to assets ratio	Total debt/Total assets	-
BVPS	Book value per share	Total book value/Total shares outstanding	-
DPS	Dividend per share	Total dividend/Total shares outstanding	+
EPS	Earnings per share	Total earnings/Total shares outstanding	-
P/E-Ratio	Price to earnings ratio	Market price per share / Earnings per share	+

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This chapter includes analysis of data collected and their presentation. In this chapter the effort has been made to analyze “Factors affecting Market share price of Insurance Companies in Nepal”. Detail data of MPS, DPS, EPS, BVPS, P/E ratio, ROA, ROE, Debt ratio of each insurance company is interpreted and analyzed with reference to the various reading and literature review. In the preceding chapter effort is made to analyze and diagnose the recent Nepalese stock market movement with a special reference to the listed insurance companies. The analysis of data consists of organizing, tabulating and assessing financial result from different tables to make the result more simple and understandable.

The study is focused on analyzing the factors affecting the market stock price of listed insurance companies. There are currently more than 10 insurance companies in Nepal and among them about 17 insurance companies are listed. Among them 7 insurance companies are taken as a sample for the study. They are United Insurance Company Limited, Gurans Insurance Company Ltd., Asian Insurance Company Ltd., Himalayan General Insurance Company Ltd., Surya Insurance Company Ltd., National Life Insurance Company Ltd., and Neco Insurance Company Ltd.

4.1. Existing position of factors influencing market share prices of Nepalese insurance companies

4.1.1 Market Price per Share

If the market price per share of any company is high, the investors are attracted to subscribe the share of the company and vice versa. So, it is very important factor for all the stakeholders. Any increase or decrease in market price per share of the company will affect favorably or adversely. For this study we have taken mean values of market price per Share Company wise as well as year wise for better analysis.

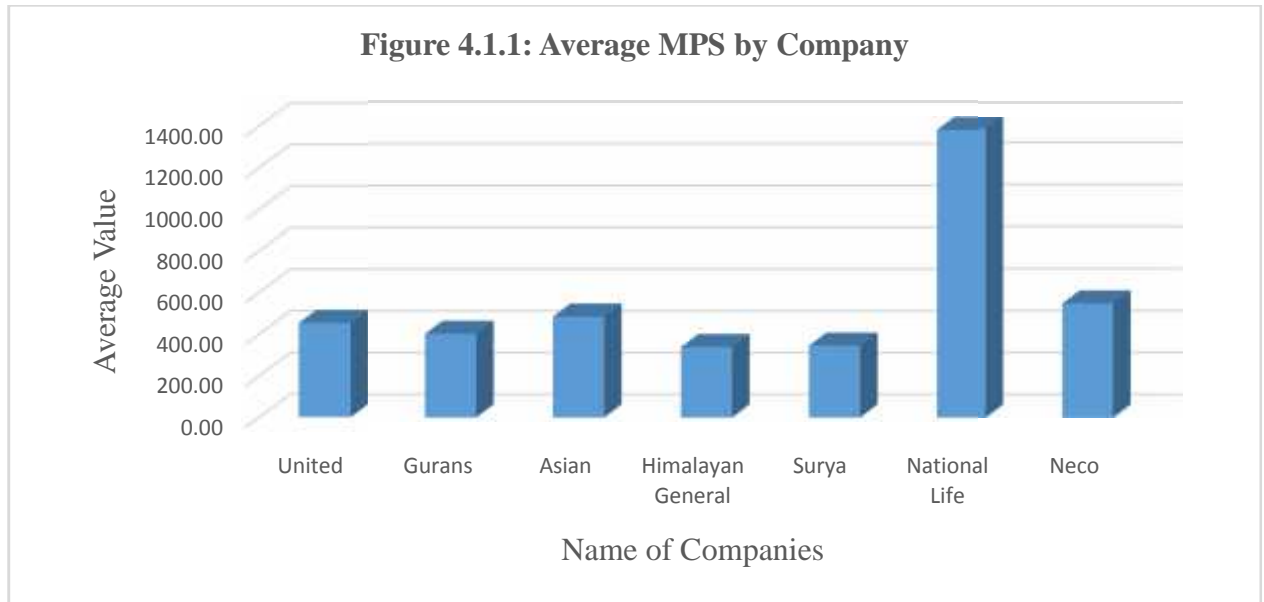
Table 4.1.1

Market Price per Share (MPS)

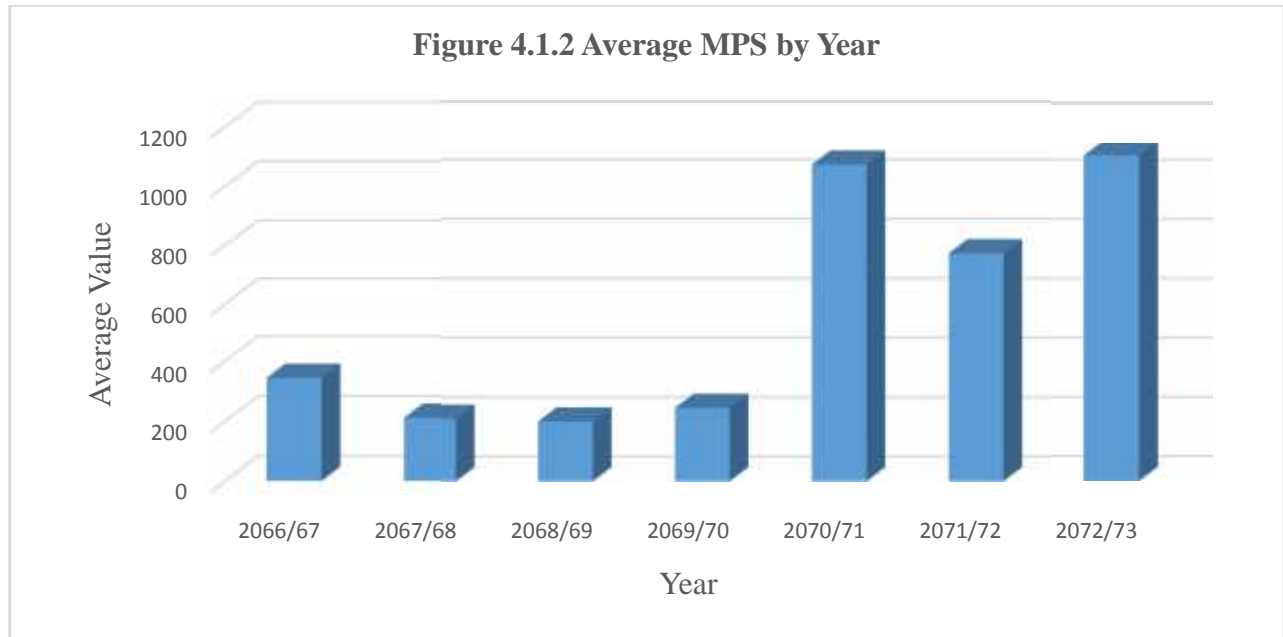
Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	290	290	142	270	911	392	870	452.14
Gurans	145	232	91	152	650	582	950	400.29
Asian	257	173	189	250	1250	1013	250	483.14
Himalayan General	234	200	197	182	590	378	580	337.29
National Life	486	334	529	596	2550	1840	3300	1376.50
Neco	900	118	118	113	770	462	1320	543.00
Average Value	343.86	210.57	201.43	247.00	1067.29	768.00	1097.86	562.30

Source: Annual report of sample companies from 2066/67 to 2072/73.

The table 4.1 shows market price per share of every sample insurance companies from fiscal year 2066/67 to 2072/73 and average MPS value company wise and year wise. The table 4.1.1 shows that National Life Insurance Company has highest average MPS value of Rs. 1376.50 which shows the company is performing well over the period. The lowest of all companies is the Himalayan General Insurance Company with average MPS of Rs. 337.29. It shows it is not performing as good as compared to other companies.



The figure 4.1.1 shows that the average market price per share of National Life Insurance Company is highest and that of Himalayan General Insurance Company is lowest recorded.



The figure 4.1.2 clearly shows that average MPS in fiscal year 2072/73 is highest and that of fiscal year 2068/69 is lowest.

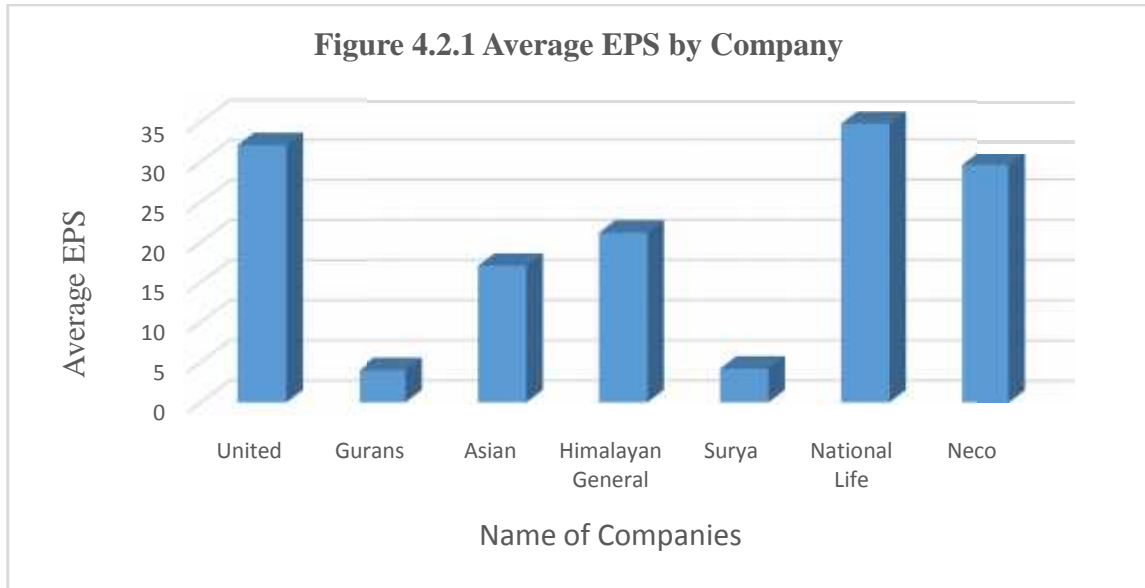
Table 4.2

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	8.62	10.72	18.98	27.17	45.57	44.58	69.00	32.09
Gurans	3.01	-2.51	5.01	9.21	5.05	3.43	4.84	4.01
Asian	16.65	12.47	32.00	25.00	14.00	8.00	10.86	17.00
Himalayan General	32.00	11.00	-54.00	72.00	37.00	53.00	-3.00	21.14
Surya	3.46	4.75	8.17	9.79	8.76	4.39	-10.00	4.19
National Life	11.00	36.00	24.00	88.00	32.00	26.00	26.00	34.71
Neco	12.00	15.00	25.00	27.00	27.00	33.00	68.00	29.57
Average Value	12.39	12.49	8.45	36.88	24.20	24.63	23.67	20.39

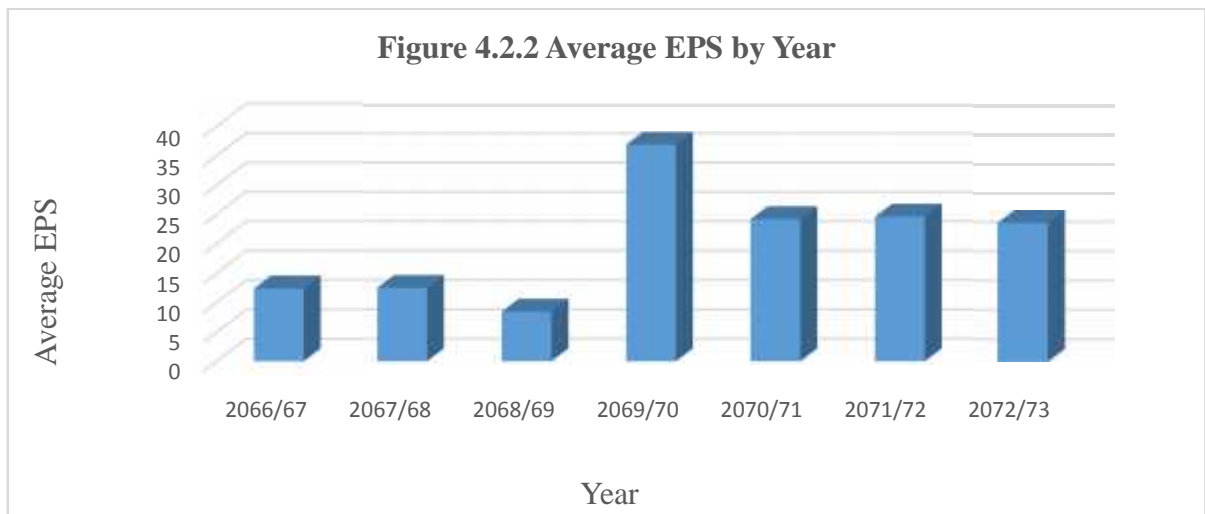
Earning Price per Share (EPS)

Source: Annual report of sample companies from 2066/67 to 2072/73

Table 4.2 shows that National Life insurance company has the highest average EPS value of Rs. 34.71 and Gurans insurance company has lowest average EPS value of Rs. 4.01. So, in this segment National Life insurance company is the market leader. The table can be also presented in graph to understand data more clearly. The following figure presents the average EPS of sample companies during the period of 7 years.



The figure 4.2.1 shows that the average EPS value of National Life Insurance Company is highest and that of Gurans Insurance Company is lowest. The higher level of EPS will generally increase the market price of stock.



The figure 4.2.2 shows that average EPS in fiscal year 2069/70 was highest and that in fiscal year 2068/69 was lowest.

4.3 Return on Assets (ROA)

Return on assets is one of the important factors affecting market price per share of any company. Literally it means the ratio of net profit after tax divided by total assets of the company of particular period. Higher the value of ROA higher is the profitability of the company performance. So, it is also known as profitability ratio. Following table and figures shows clear analysis of ROA affecting MPS of insurance companies.

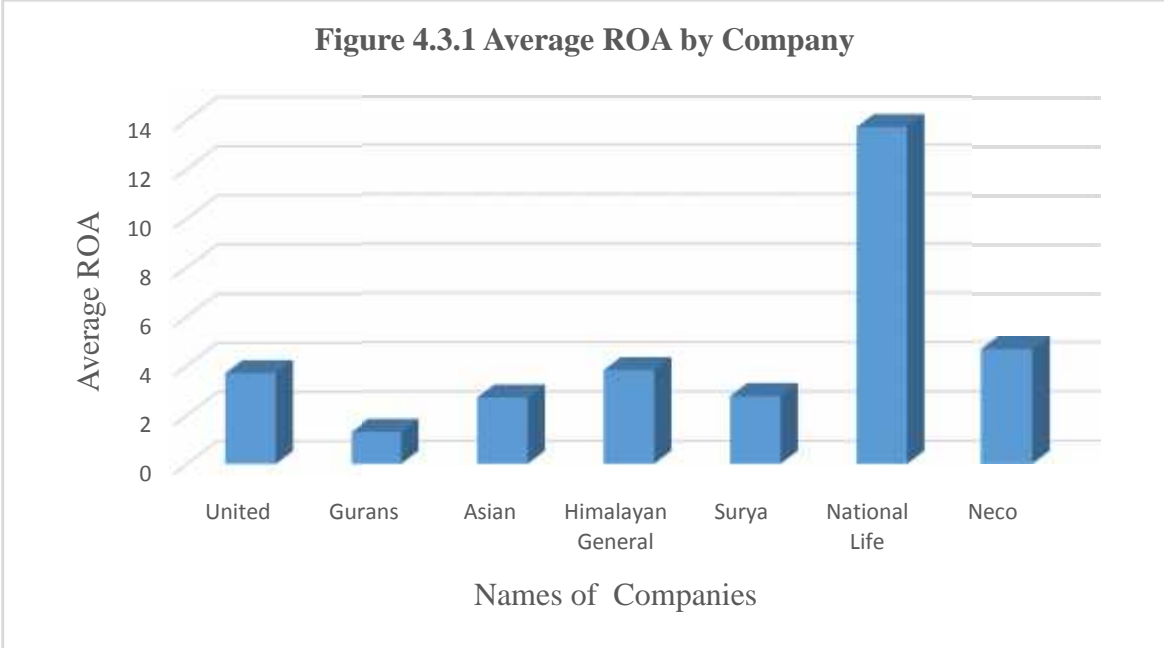
Table 4.3

Return on Assets (ROA)

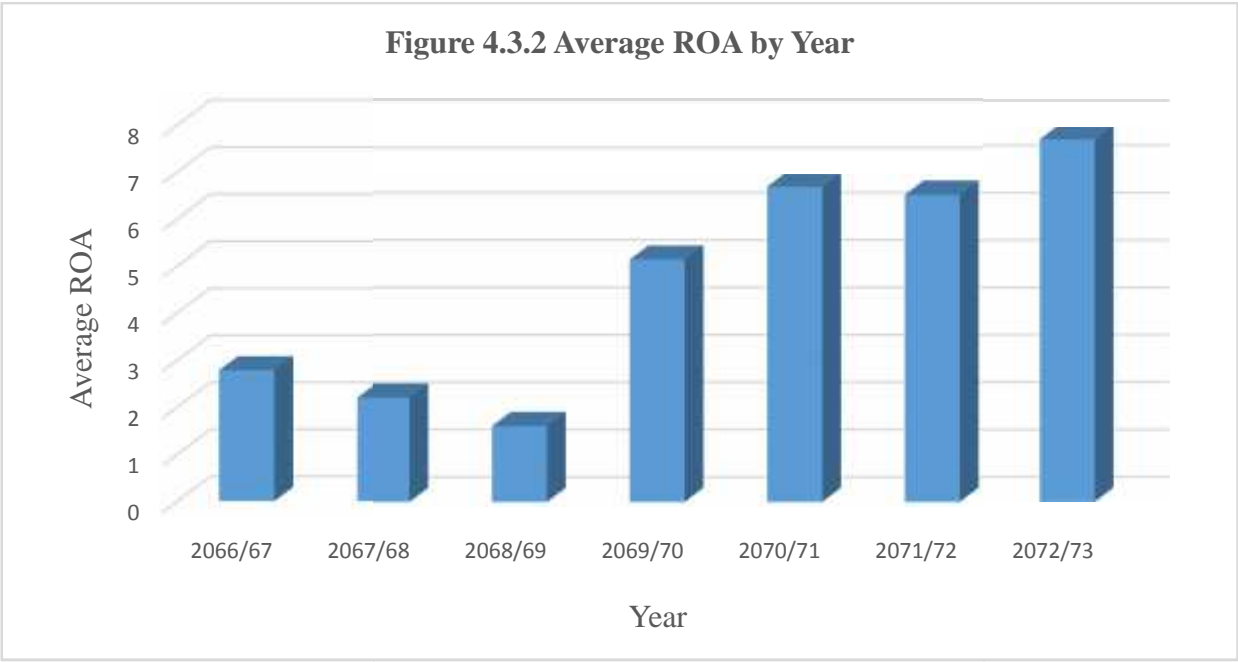
Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	1.64	3.19	1.91	5.03	5.01	4.12	4.90	3.69
Gurans	2.11	-0.86	1.83	2.95	1.44	0.73	0.85	1.29
Asian	5.08	2.25	4.06	3.14	1.28	0.82	2.15	2.68
Himalayan General	6.77	2.04	-7.74	9.70	8.06	7.97	-0.24	3.79
Surya	2.77	2.97	3.97	4.22	3.18	2.38	-0.34	2.74
National Life	0.52	1.72	1.22	4.78	22.87	20.14	44.15	13.63
Neco	0.58	4.11	5.92	5.95	4.69	9.19	2.06	4.64
Average Value	2.78	2.20	1.60	5.11	6.65	6.48	7.65	4.64

Source: Annual report of sample companies from 2066/67 to 2072/73

Table 4.3 clearly shows average ROA of National life Insurance Company is higher with value of 13.63 and that of Gurans Insurance Company is lowest with value of 1.29. This means that National Life Insurance Company is doing more profit. ROA is very important factor affecting MPS of the companies. This is more clearly shown in the following figures.



The figure 4.3.1 clearly shows that average ROA value of National Life Insurance Company is highest and that of Gurans Insurance Company is lowest. National Life Insurance Company seems to be in profitable situation among all of insurance companies over the period.



The figure 4.3.2 shows that average value of ROA in fiscal year 2072/73 was the highest, whereas, that in fiscal year 2068/69 was lowest. These values affect in MPS of the companies over the period.

4.4 Return on Equity (ROE)

Another very important factor influencing MPS of the companies is ROE. It is calculated by dividing net profit after tax by total equity of the firm for particular period. It shows the ability of company to generate profit per rupee of investment. This is clearly explained from the following table and figures.

Table 4.4

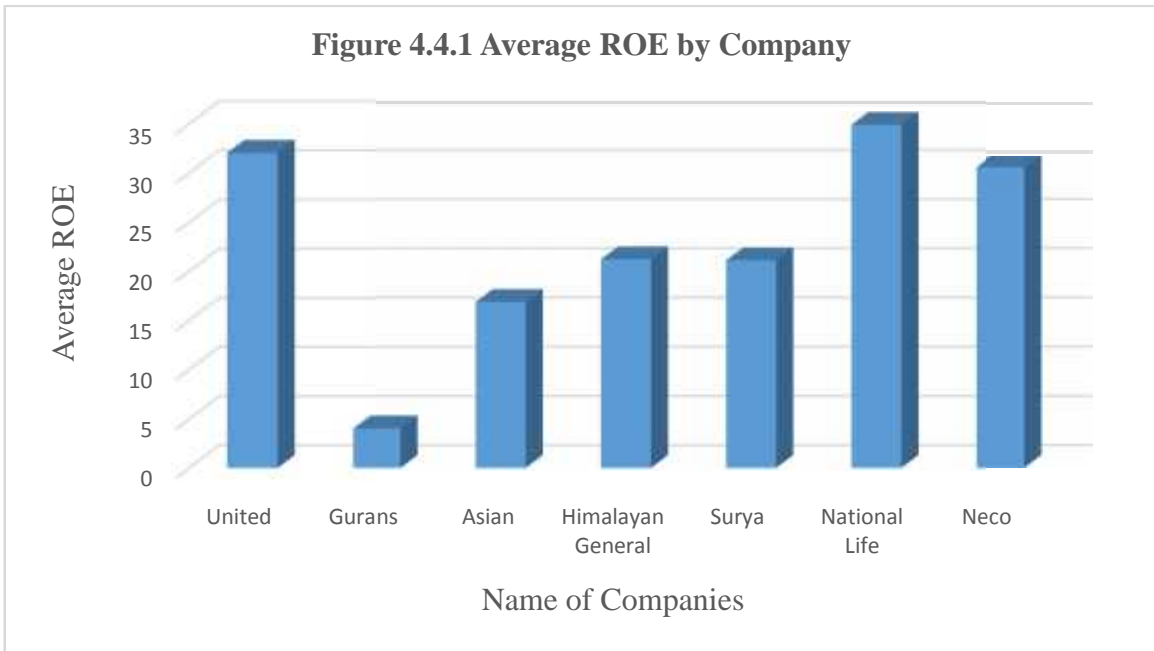
Return on Equity (ROE)

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	8.62	18.98	10.72	27.17	45.49	44.58	68.71	32.04
Gurans	3.01	-2.51	5.01	9.21	5.05	3.43	4.84	4.01
Asian	16.65	12.47	31.64	25.23	12.88	8.14	10.86	16.84
Himalayan General	31.71	11.26	-54.26	71.89	37.34	52.85	-2.51	21.18
Surya	3.46	4.75	8.17	9.79	87.58	43.88	-10.05	21.08
National Life	10.74	36.33	24.02	88.32	32.21	25.88	26.40	34.84
Neco	18.15	14.89	24.99	27.35	27.14	32.72	68.48	30.53
Average Value	13.19	13.74	7.18	36.99	35.38	30.21	23.82	22.93

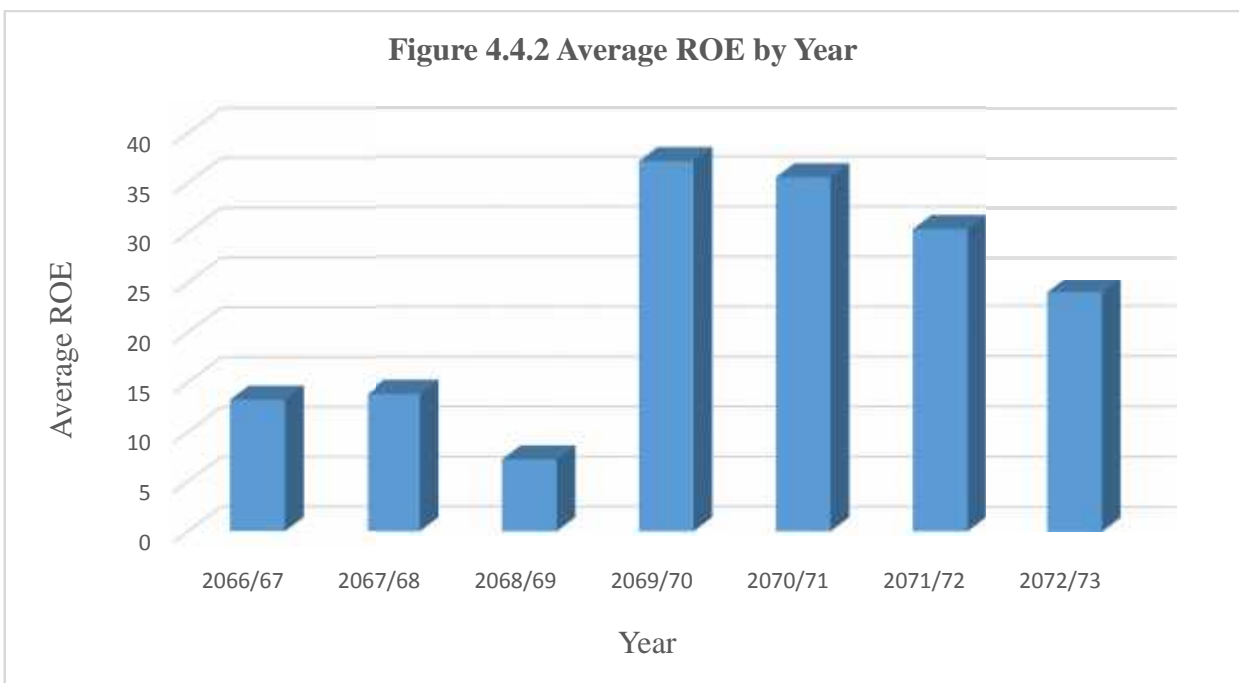
Source: Annual report of sample companies from 2066/67 to 2072/73

The table 4.4 shows that average value of ROE of National Life Insurance Company is highest with the value of 34.84 and that of Gurans Insurance Company is lowest with the value of 4.01. So, National Life Insurance Company has higher profitability in its share investment over the period as compared to other companies.

This is more clearly illustrated in the following figure 4.4.1 where, the figure of average ROE by sample companies are shown.



The figure 4.4.1 shows that National Life Insurance Company has the highest average value of ROE whereas, Gurans Insurance Company has the lowest.



The figure 4.4.2 shows that average ROE in fiscal year 2069/70 was the highest and that in fiscal year 2068/69 was lowest.

4.5 Debt Ratio

Debt ratio is the value obtained by dividing total debt of the company by total assets of particular period. Hence, it shows the situation of debt or liabilities of the firm on the basis of its assets. Higher the debt, higher is the risk or chance of loss. So, this ratio is also an important factor affecting MPS of the firm. It is more clearly explained from the following table and figures.

Table 4.5

Debt Ratio

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	62.24	39.95	55.62	60.10	100.97	100.91	283.97	100.54
Gurans	98.05	67.37	99.16	99.59	99.46	99.67	100.44	94.82
Asian	89.36	99.21	101.78	101.99	102.31	103.11	52.30	92.87
Himalayan General	54.49	49.69	47.88	58.52	57.70	70.48	204.90	77.67
Surya	98.72	98.53	98.57	99.61	99.36	195.05	100.15	112.86
National Life	99.52	96.50	97.57	98.53	100.53	102.23	207.69	114.65
Neco	102.45	58.61	55.69	56.31	58.29	59.26	99.72	70.05
Average Value	86.40	72.84	79.47	82.09	88.37	104.39	149.88	94.78

Source: Annual report of sample companies from 2066/67 to 2072/73

The table 4.5 shows that average debt ratio of National Life Insurance Company is highest with the value of 114.65 and that of lowest is 70.05 of Neco Insurance Company. National Life Insurance Company has more debt than its assets as compared to all other companies. It has higher risk. It is more clearly illustrated from following figures.

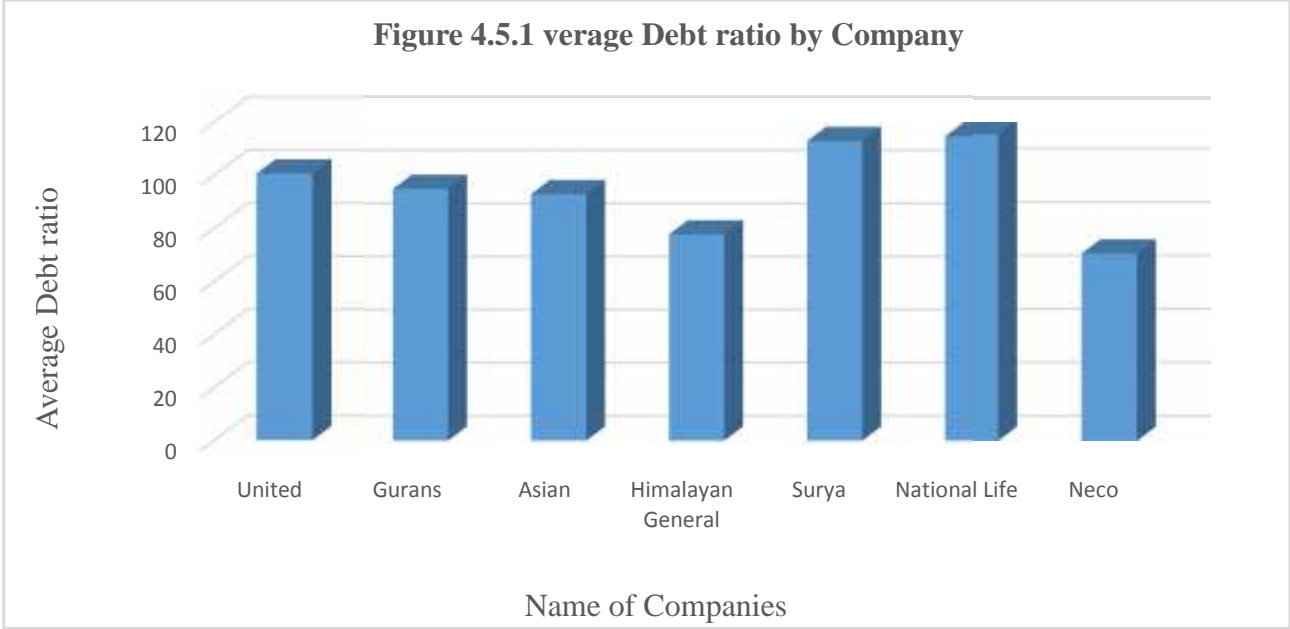
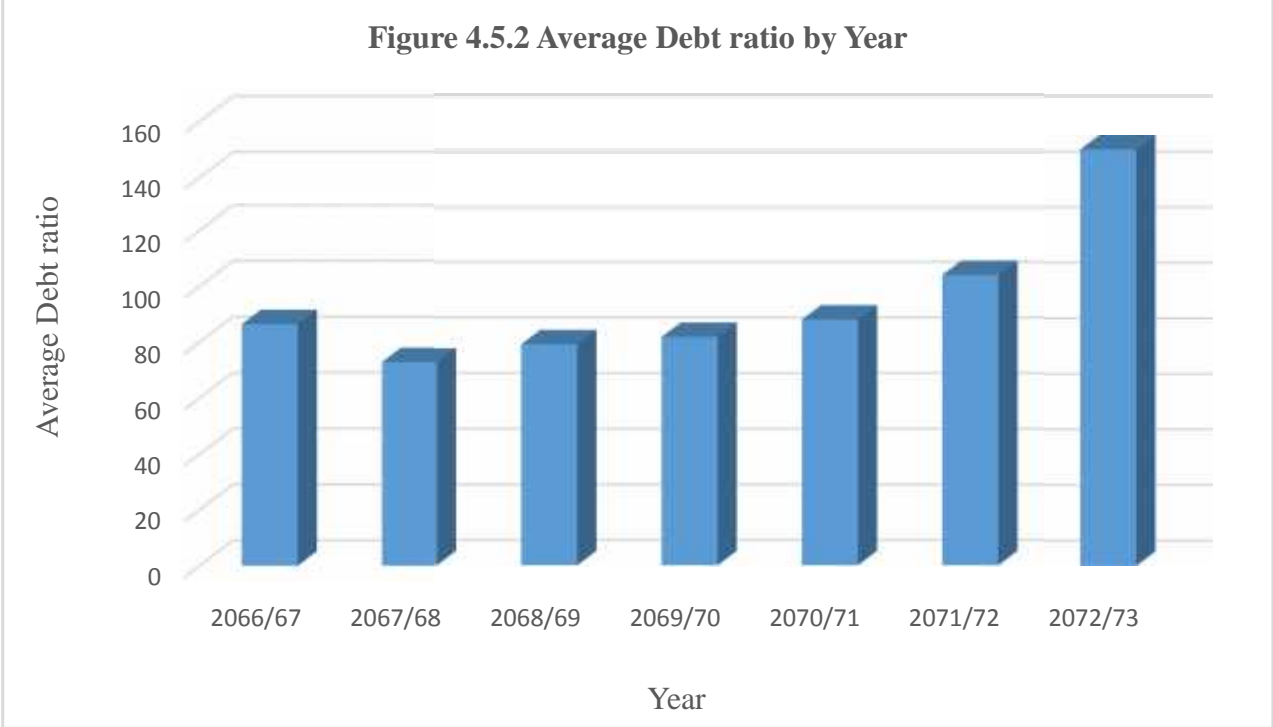


Figure 4.5.1 clearly shows that average debt ratio of National Life Insurance Company is highest and that of Neco Insurance Company is lowest.

The following figure 4.5.2 clearly depicts average debt ratio by year of sample insurance companies from fiscal year 2066/67 to 2072/73.



The figure 4.5.2 shows average debt ratio in the fiscal year 2072/73 is highest and that in fiscal year 2067/68 is lowest.

4.6 Book Value per Share (BVPS)

Another crucial factor influencing MPS of company is book value per share (BVPS). It is calculated by dividing total book value by total number of shares outstanding.

Following table and figures illustrates this concept more clearly.

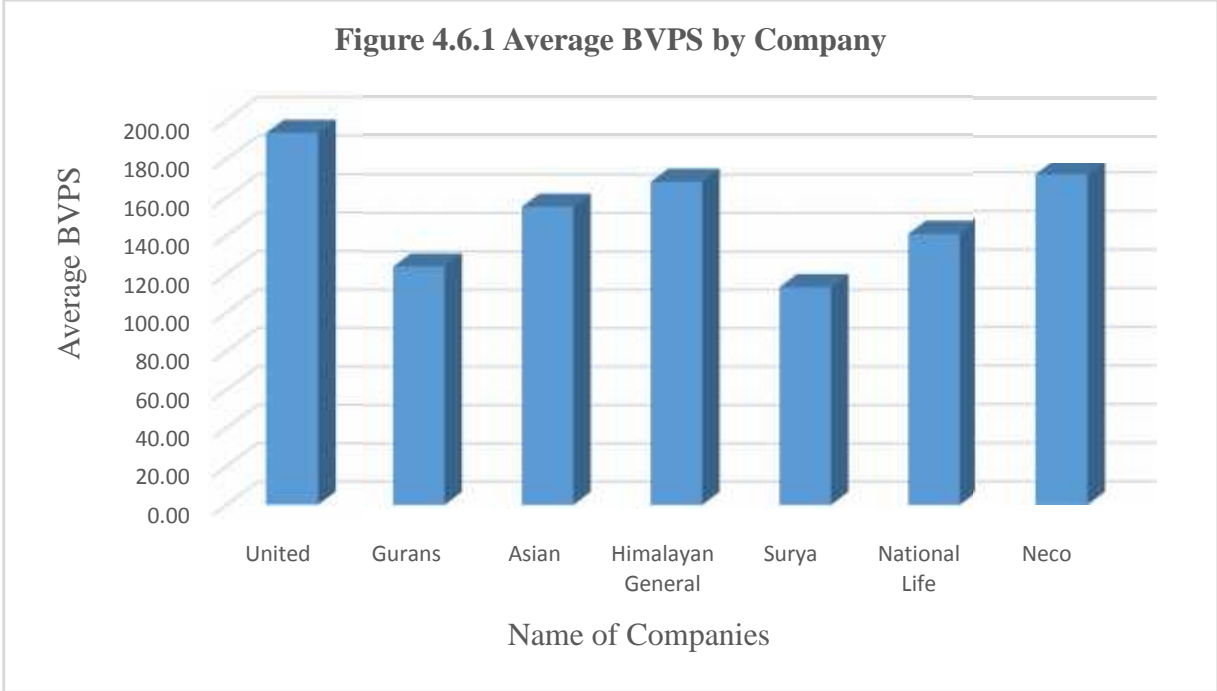
Table 4.6

Book Value per Share (BVPS)

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	130.47	141.19	159.97	187.93	262.81	304.42	167.00	193.40
Gurans	109.79	109.44	120.92	125.63	129.00	137.00	137.00	124.11
Asian	103.13	142.00	174.00	204.00	158.00	132.00	174.00	155.30
Himalayan General	170.00	181.00	126.00	198.00	181.00	212.00	110.00	168.29
Surya	105.00	109.00	117.00	112.00	125.00	128.00	98.00	113.43
National Life	122.00	135.00	126.00	172.00	155.00	143.00	135.45	141.21
Neco	106.00	150.00	167.00	177.00	255.00	176.00	166.00	171.00
Average Value	120.91	138.23	141.56	168.08	180.83	176.06	141.06	152.39

Source: Annual report of sample companies from 2066/67 to 2072/73

The table 4.6 shows average BVPS value of United Insurance Company is highest with the value of Rs. 193.40 and that of Surya Insurance Company is lowest with the value of Rs. 113.43. It directly affects the MPS of the Insurance Company.



The figure 4.6.1 shows average BVPS value of United Insurance Company is highest and that of Surya Insurance Company lowest.

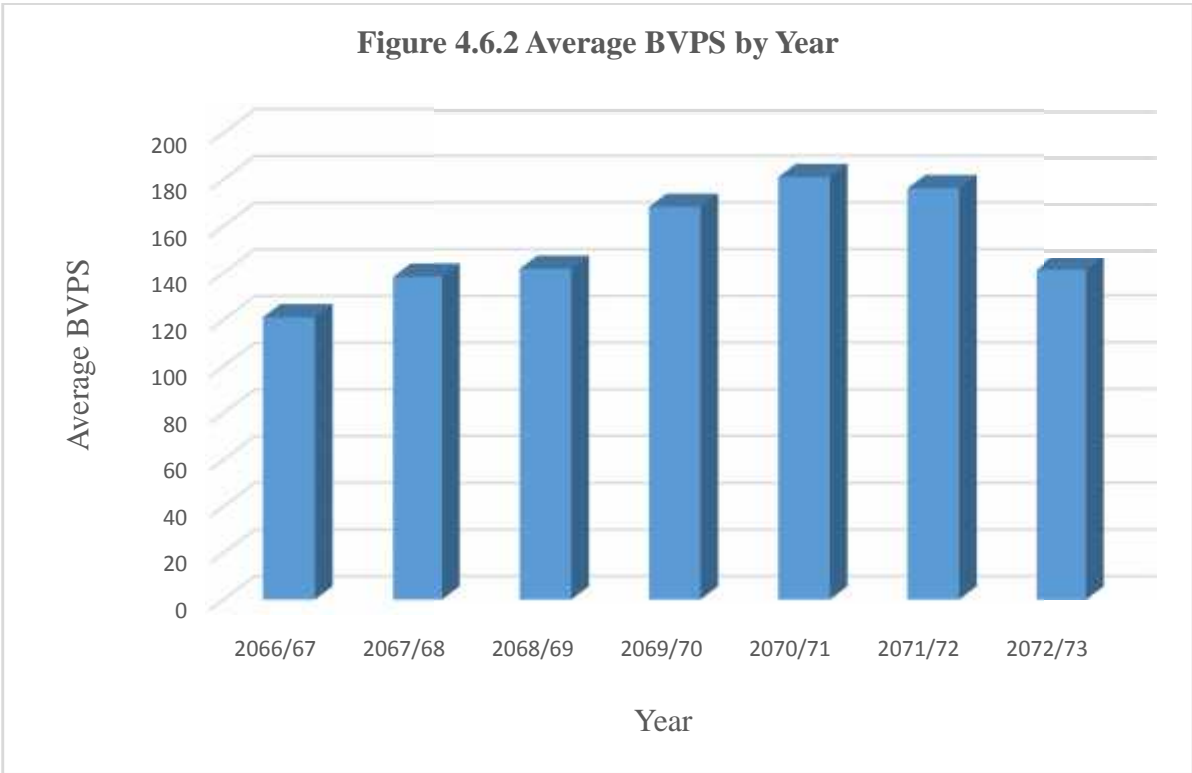


Figure 4.6.2 shows average BVPS value in fiscal year 2070/71 is highest and that in fiscal year 2066/67 is lowest.

4.7 Dividend per Share (DPS)

Dividend per share refers to the ratio of dividend paid by the company on its total shares outstanding. Any rational investor is attracted by higher amount of DPS to invest in shares of that particular company. So, it is the very important factor influencing MPS of the firm indeed. Investors want highest dividend as return on their investment. It is also the tool to measure the profitability of the firm. Higher the DPS higher is the firm's profitability. Any company pays higher dividend only if it earns maximum profit. So, higher dividend helps to increase market share coverage. Hence, DPS has positive relationship with the MPS of the firm. It is more clearly explained by following table and figures.

Table 4.7

Dividend per Share (DPS)

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gurans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asian	28.15	0.00	9.00	0.00	0.00	0.00	9.47	6.66
Himalayan General	13.00	0.00	0.00	0.00	10.00	21.00	5.00	7.00
Surya	0.00	0.00	0.00	0.00	0.00	5.26	0.00	0.75
National Life	21.00	32.00	26.00	73.00	38.00	32.00	26.00	35.43
Neco	0.00	5.00	12.11	0.00	25.00	16.00	65.79	17.70
Average Value	8.88	5.29	6.73	10.43	10.43	10.61	15.18	9.65

Source: Annual report of sample companies from 2066/67 to 2072/73

The table 4.7 clearly shows that the average value of DPS of National Life Insurance Company is highest with the value Rs. 35.43 and that of United Insurance Company and Gurans Insurance Company are lowest with the value of 0. The lowest valued companies have never paid dividend to their investors throughout the period because of their less profit. This directly effects on their MPS.

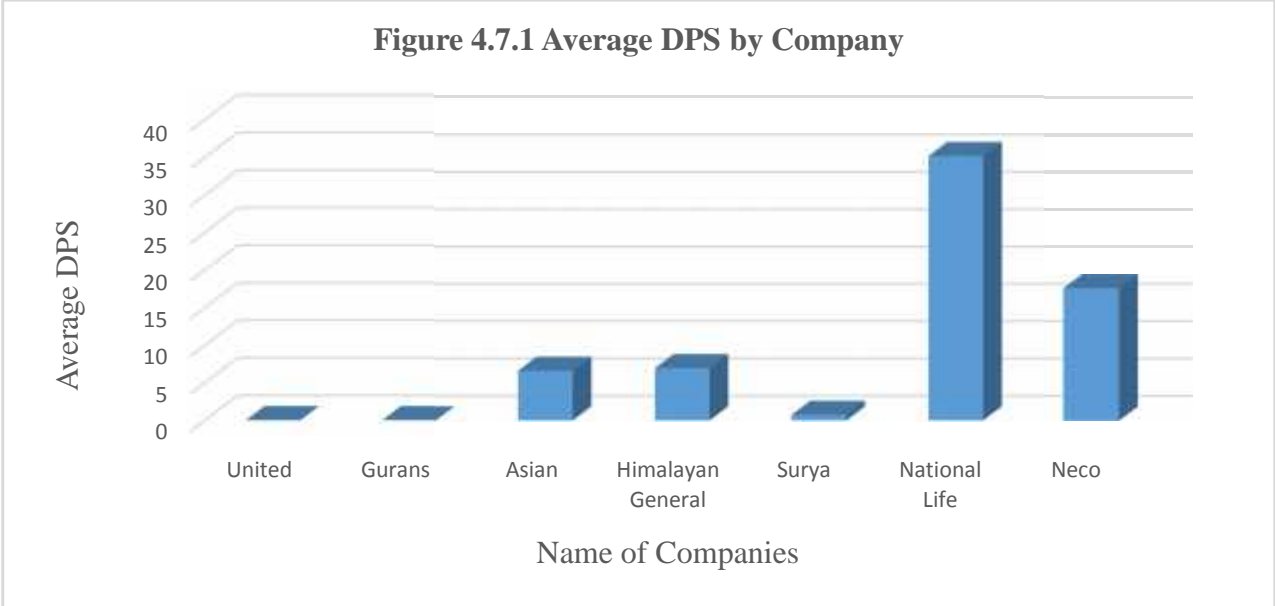
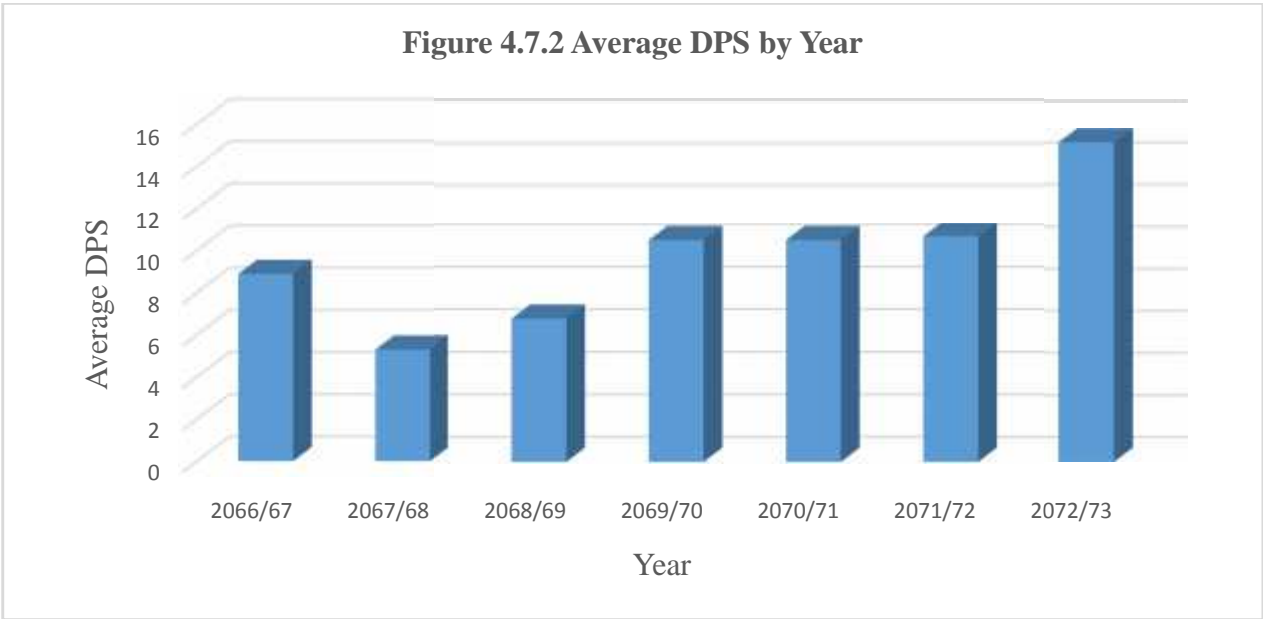


Figure 4.7.1 shows highest value of average DPS of National Life Insurance Company whereas, that of United and Gurans Insurance Companies are lowest.



The figure 4.7.2 shows average DPS value in fiscal year 2072/73 is highest and that in fiscal year 2067/68 is lowest. This directly affects MPS.

Table 4.8**Price to Earnings ratio (P/E Ratio)**

Company/Year	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	Average Value
United	33.63	27.05	7.48	9.94	20.03	8.79	12.66	17.08
Gurans	0.00	-92.44	18.15	16.50	129.00	170.00	196.00	62.46
Asian	15.44	13.87	6.00	10.00	87.00	124.00	23.00	39.90
Himalayan General	7.38	17.76	-3.63	2.53	15.80	7.14	-231.00	-26.29
Surya	0.00	26.71	17.64	16.95	85.63	161.57	-41.00	38.21
National Life	45.24	9.19	22.03	6.75	79.17	71.11	125.02	51.22
Neco	7.27	7.93	4.72	4.13	28.37	14.12	19.00	12.22
Average Value	15.57	1.44	10.34	9.54	63.57	79.53	14.81	27.83

Source: Annual report of sample companies from 2066/67 to 2072/73

The table 4.8 shows average P/E ratio of Gurans Insurance Company is highest with the value of 62.46 and that of Himalayan General Insurance Company is lowest with the value of -26.29. Hence, the MPS of Gurans Insurance Company is highest and that of Himalayan General Insurance Company is lowest. It shows the condition of MPS on EPS of the firm. Higher the ratio higher is the MPS. Hence, it has positive relation with the MPS. So, this is also very important influencing factor on MPS. Price to earnings ratio (P/E ratio) means market price per share (MPS) of the company divided by earning per share (EPS) of the company over the period.

It is illustrated and explained from the following figures.

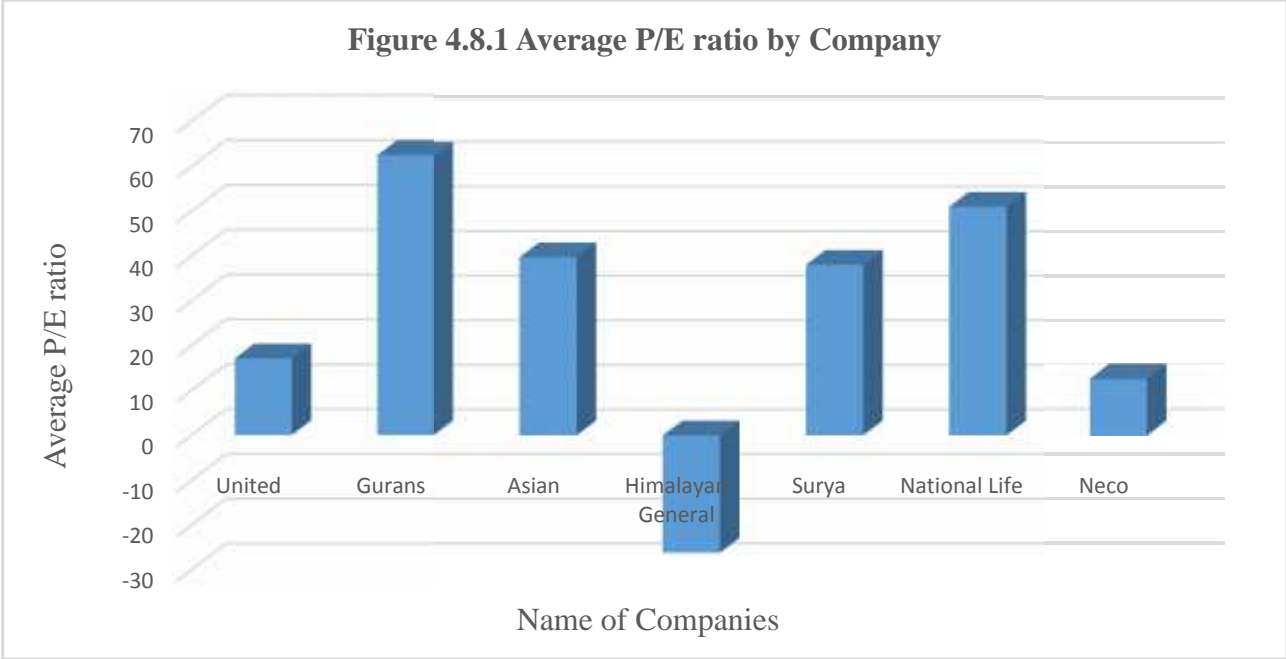
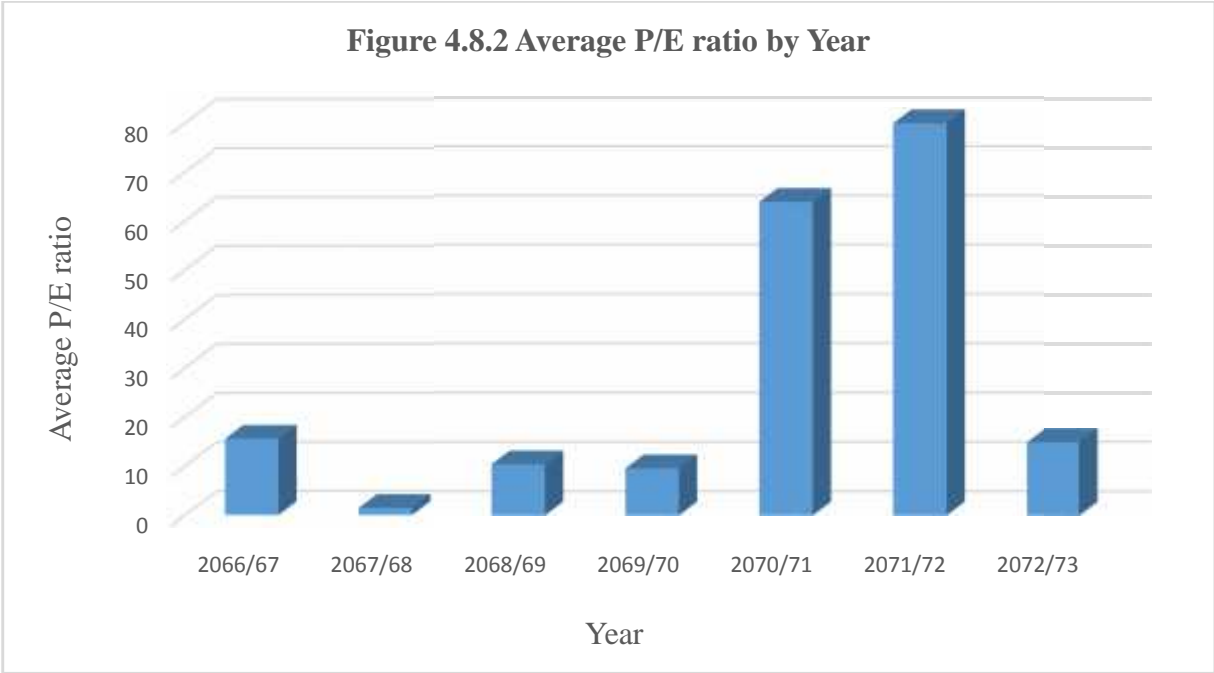


Figure 4.8.1 shows clearly that average value of P/E ratio of Gurans Insurance Company is highest and that of Himalayan General Insurance Company is lowest.

The following figure 4.8.2 shows average P/E ratio by year of sample insurance companies from the fiscal year 2066/67 to 2072/73.



The figure 4.8.2 clearly shows that average value of P/E ratio in fiscal year 2071/72 is highest and that in fiscal year 2067/68 is lowest.

4.9 Descriptive Statistics

Table 4.9

Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
MPS	49	91.00	3300.00	5.62	622.33
ROA	49	-0.08	0.44	0.05	0.07
ROE	49	-0.54	2.79	0.28	0.45
Debt	49	0.39	6.99	1.07	0.97
BVPS	49	98.00	304.42	1.52	43.00
DPS	49	0.00	73.00	9.65	16.57
EPS	49	-54.00	88.00	20.39	23.49
PE_R	49	-231.00	196.00	27.83	65.11

Source: Annual report of sample companies and results are drawn from SPSS.

Findings from the descriptive statistics as presented in table 4.9 shows that, MPS has obtained mean 5.62 with minimum value of 91.00 and maximum value of 3300.00 over the study period. In the terms of standard deviation this ratio registered 622.33 during the study period. On the other hand, ROA has obtained mean 0.05 with minimum value of -0.08 and maximum value of 0.44 having registered standard deviation 0.07 during the study period. The variable ROE has obtained mean 0.28 with minimum value of -0.54 and maximum value of 2.79 having standard deviation registered 0.45 over the study period. Debt has obtained mean 1.07 with minimum value of 0.39 and maximum value of 6.99 having standard deviation registered 0.97 during the study period. BVPS has obtained mean 1.52 with minimum value of 98.00 and maximum value of 304.42 having standard deviation registered 43.00 during the study period. Similarly, DPS has obtained mean 9.65 with minimum value of 0.00 and maximum value of 73.00 having standard deviation registered 16.57 over the study period. The variable EPS has obtained mean 20.39 with minimum value of -54.00 and maximum value of 88.00 having standard deviation registered 23.49 during the study period. At last but not the least, variable PE_R has obtained mean 27.83 with minimum

value of -231.00 and maximum value of 196.00 having standard deviation registered 65.11 over the study period.

4.2 To investigate the relationship between MPS and its determinants of Nepalese insurance companies

In order to assess the nature of the correlation between the dependent and the independent variables and to ascertain whether multicollinearity exists as a result of the correlation among variables or not, Pearson's Correlation coefficients are calculated and have been shown as correlation matrix in Table 4.10. The Pearson's Correlation coefficient is used to show the magnitude and direction of the relationship.

Table 4.10

Correlation Matrix of Variables (n=49)

Variables	MPS	ROA	ROE	Debt	BVPS	DPS	EPS	PE_R
MPS	1							
ROA	.433**	1						
ROE	0.023	0.186	1					
Debt	0.121	0.022	-0.087	1				
BVPS	-0.034	0.124	0.330*	-0.221	1			
DPS	0.350*	0.340*	0.199	-0.058	0.98	1		
EPS	0.170	0.339*	0.529**	-0.069	0.570**	0.554**	1	
PE_R	0.309*	0.244	0.018	-0.228	-0.005	0.015	-0.018	1
**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).								

Source: Annual report of sample companies and results are drawn from SPSS.

From table 4.10, Pearson Correlation was used to find the relationship between variables at 5% level of confidence. The Pearson correlation analysis result as presented in table 4.10 shows that, there is a positive correlation between the independent variable ROA (correlation coefficient = 0.433) and dependent variable MPS and it is significant at 1% probability level. The variables ROE, Debt and EPS have a positive correlation with dependent variable MPS, ROE (correlation coefficient = 0.023), Debt (correlation coefficient = 0.121) and EPS (correlation coefficient =

0.170) and they are not significant. On the other hand, variable BVPS has negative correlation with MPS, BVPS (correlation coefficient = -0.034) and it is also not significant. Independent variables DPS and PE_R have a positive correlation with dependent variable MPS, DPS (correlation coefficient = 0.350) and PE_R (correlation coefficient = 0.309) and they are significant at 5% level probability level.

4.3 To analyze the determinants of Market Price of Stocks of Nepalese insurance companies

Regression analysis is a set of statistical process for estimating the relationships among variables. It helps to know, how changes in any one independent variable leads to the changes in dependent variable, while other independent variables held constant.

Table 4.11

Regression Results

$$\text{Stock price (MPS}_{it}) = \alpha_0 + \alpha_1 \text{ROA}_{it} + \alpha_2 \text{ROE}_{it} + \alpha_3 \text{Debt}_{it} + \alpha_4 \text{BVPS}_{it} + \alpha_5 \text{DPS}_{it} + \alpha_6 \text{EPS}_{it} + \alpha_7 \text{P/E ratio}_{it} + e_{it}$$

Variables	Coefficients	Std. Error	t	P-Value Sig.	Collinearity Statistics	
					Tolerance	VIF
(Constant)	235.82	383.535	0.615	0.542		
ROA	2405.315	1219.976	1.972	0.055	0.779	1.283
ROE	-76.799	213.347	-0.36	0.721	0.703	1.423
Debt	117.333	87.907	1.335	0.189	0.87	1.149
BVPS	-0.344	2.455	-0.14	0.889	0.57	1.754
DPS	10.732	6.291	1.706	0.096	0.585	1.711
EPS	-0.652	5.866	-0.111	0.912	0.335	2.989
PE-R	2.654	1.314	2.019	0.05	0.868	1.152
No. of observation = 49, R square = 0.327, Adjusted R square = 0.212, F statistics = 2.850 and Sig. F change = 0.016						

Source: Annual report of sample companies and results are drawn from SPSS.

Table 4.11 shows the regression results of model and that there is a significant positive relationship between ROA and the MP of the listed insurance companies in Nepal. This is evident in the coefficient of 2405.315. This outcome basically implies that with all other variables held constant, an increase or a change in ROA of companies. That is an increase in the ROA will also

lead to a positive improvement in the MPS of the insurance companies. In essence, we can get from this result that the ROA of the companies has a significant positive impact on the MPS of insurance companies in Nepal.

This is in line with the propositions of Ball and that the dividend per share (DPS) has a positive relationship with market price, i.e., higher the DPS, higher will be the MPS. Moreover, Table 4.11 also shows a significant positive relationship between companies DPS and MPS. This is evident in the coefficient of 10.732. This outcome basically implies that a decrease in DPS will invariably bring about an insignificant decrease in the MPS. In other words with all other variables held constant, a decrease or a change in DPS of companies.

Another empirical finding from the regression analysis shows a positive relationship between PE-R and MPS. This is evident in the coefficient of 2.654. This outcome basically implies that an increase in PE-R will invariably bring about a significant increase in the MPS.

On the other hand, empirical findings from the regression analysis on the relationship between ROE and MPS indicate there is an inverse relationship. This is however evident in the coefficient of -76.799. This result basically means that with the influence of other variables held constant, ROE changes.

Similarly, debt has an inverse relationship with MPS. In Table 4.11 the coefficient is 117.333. This result basically implies that the other variables held constant, debt changes.

Another empirical finding from the regression analysis on the relationship between BVPS and MPS indicate there is negative relationship. This is evident in the coefficient -0.344. This result implies that other variables held constant, BVPS changes.

There is also inverse relationship between EPS and MPS. However, the evident in the coefficient is -0.652. This result basically means that with the influence of other variables held constant, EPS changes.

4.4 Major Findings

1. The highest average Market Price per Share (MPS) is Rs. 1376.5 of National Life Insurance Company Limited and the lowest value is Rs. 337.29 of Himalayan General Insurance Company Limited.

2. The market leader in average EPS segment is again National Life Insurance Company Limited with the highest value of Rs. 34.71, whereas, the lowest average EPS is Rs. 4.01 of Gurans Insurance Company Limited over the period of 7 years.
3. The average value of DPS of National Life Insurance Company Limited is highest with the value of Rs. 35.43. It shows that the company is the most profitable insurance company among all the sample companies. Whereas, the lowest average value of DPS is of United Insurance Company Limited and Gurans Insurance Company Limited with the value of Rs. 0. This is because these companies have never paid dividend to its investors throughout the period due to their less profit or no profit at all.
4. The average book value per share (BVPS) of United Insurance Company Limited is highest with the value of Rs. 193.4 and that of Surya Insurance Company Limited is lowest with the value of Rs. 113.43.
5. The average P/E ratio of Gurans Insurance Company Limited is highest with the value of 62.46 and that of Himalayan General Insurance Company Limited is lowest with the value of -26.29.
6. The average Debt ratio of National Life Insurance Company is highest with the value of 114.65 and that of Neco Insurance Company Limited is lowest with the value of 70.05. This shows National Life Insurance Company Limited is in higher chance of risk or loss due to higher total liabilities than its total assets.
7. The average return on assets (ROA) of National Life Insurance Company Limited is highest with the value of 13.63. This shows that this company is more profitable among other sample companies. The lowest average ROA is of Gurans Insurance Company Limited with the value of 1.29. Similarly, this shows the company is less profitable among the sample companies.
8. The average return on equity (ROE) of National Life Insurance Company Limited is highest with the value of 34.84. It shows the company is earning more profit from its investment in shares among the sample companies throughout the period. The lowest value of average ROE is of Gurans Insurance Company Limited with the value of 4.01. This company is less profitable in term of investment compared to the sample companies.

9. The average company age of National Life Insurance Company Limited is highest with the value of 26 years. It shows this company has been established earlier among the sample companies. Whereas, the lowest average company age is of Gurans Insurance Company Limited with the value of 6 years. This shows the company is the youngest company over the period among other sample companies.

10. The Pearson Correlation analysis result shows that ROA and MPS has positive correlation and significant at 1% probability level. Whereas, ROE, EPS, Debt have a positive correlation with MPS and they are not significant. BVPS has negative correlation with MPS and it is also not significant. DPS, PE-R have positive correlation with MPS and they are significant at 5% probability level.

11. Regression result shows that independent variables ROA, DPS and PE-R have positive relationship with dependent variable MPS. And independent variables ROE, BVPS, EPS, and Debt have inverse relationship with dependent variable MPS.

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This research is about the factors affecting market share price of Insurance Companies in Nepal. In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis. Recommendation has been made which would be beneficial for the management of the insurance companies and other stakeholder.

5.1 Summary

Stock market or capital market plays the role of bridge between buyers or investors and sellers or the companies. So, it is very crucial element of the national economy. It ensures optimum allocation of funds between the savers and borrowers. There are primary market as well as secondary market. The company sells their shares for the first time to the public at primary market through Initial Public Offerings (IPO). Whereas, already traded shares at primary market are again traded with different market price on the basis of their performance and other various influencing factors at the secondary market. The stock exchange provides a market for government loans and securities, and increasingly involve in the buying and selling of securities in the overseas companies.

The review of literature has been conducted on determinants of MPS in Nepalese insurance companies on the basis of individual investors, share brokers and market analysts as primary sources of information. This study is based on only 7 listed insurance companies of Nepal among 17 listed insurance companies for the period of 7 years starting from fiscal year 2066/67 to 2072/73. The sample consists only about 41.2% of the total population. Hence, the study may not be totally relevant to the case of market price behavior as a whole in context of our country. So, it is necessary to test the validity of these studies and their applicability in our context.

The market price of stock is the present value of the future cash flows and the price of stock must be equal to this value. Besides, brokers, company, another very important factors

affecting market share price are Political turmoil, political stability, effective policies, demand and supply determinants, and other various macro-economic factors.

Further descriptive and analytical research design has been done to support this study. Where, descriptive research design describes the pattern of investors, business environment, problem of portfolio management etc. This study is based on the analysis of internal factors such as ROA, ROE, EPS, DPS, BVPS, P/E Ratio, Debt ratio, and MPS of the individual sample insurance companies. Some companies are well established since a long period so, they have strong financial base and employ higher capital and equity which increases company's above factors including MPS. All other variables have low standard deviation values which show consistency of data set and values close to the mean.

5.2 Conclusion

In this study, the quantitative factors that affect market share price of listed insurance companies in Nepal are analyzed from the fiscal period B.S. 2066/67 to B.S. 2072/73, i.e. 2009/10 A.D. to 2015/16 A.D. The study has chosen dividend per share, earning per share, P/E ratio, book value per share, ROA, ROE, company age and market share price as possible determinants of share price and employs the regression and correlation analysis to identify the share price determinants. Hence, the present study confirms that the study of financial factors prove to be beneficial for the investors in Nepal, as these factors have strong explanatory power and hence, can be used to make accurate future forecasts of stock prices. Therefore, investors are suggested to take care of accounting variables of company before investing.

There is a very high variation in the data set of MPS, EPS, DPS, BVPS, P/E ratio of listed insurance companies because of their work age and performance. Some of them are well established since a long period, therefore, they have strong financial base and employ higher capital and equity which increases their MPS, EPS, and DPS.

There is a positive correlation between the independent variable ROA (correlation coefficient = 0.433) and dependent variable MPS and it is significant at 1% probability level. The variables ROE, Debt and EPS have a positive correlation with dependent variable MPS, ROE (correlation coefficient = 0.023), Debt (correlation coefficient = 0.121) and EPS

(correlation coefficient = 0.170) and they are not significant. On the other hand, variable BVPS has negative correlation with MPS, BVPS (correlation coefficient = -0.034) and it is also not significant. Independent variables DPS and PE_R have a positive correlation with dependent variable MPS, DPS (correlation coefficient = 0.350) and PE_R (correlation coefficient = 0.309) and they are significant at 5% level probability level.

The regression analysis model explains about 57.20% of the systematic variation in the dependent variable. That is, about 42.80% of variations in Market Price Per Share of the sampled companies are accounted for by other factors not captured by the model. This result is complimented by the adjusted R-square of about 21.20%, which in essence is the proportion of total variance that is explained by the model.

5.3 Recommendations

The data presented in this thesis have been accumulated from various direct and indirect sources. They are analyzed using various financial tools and techniques and made conclusions. On the basis of those conclusions some recommendations are made in this study. It would be highly useful for concerned authorities like future researchers, academicians, investors and so on. This will help to improve present condition of insurance companies' performance. The major recommendations after this study are as follows:

- The listed insurance companies should disclose their financial statements timely.
- The regulatory body should ignore negative rumors that affect the share price.
- All the investors should consider these financial factors that affect market share price before investing.
- The insurance companies must analyze these researches as well as the financial factors for increasing their market share price and their market.
- The government must be able to implement the policies made by itself timely and appropriately.

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APPENDIX-I
FINANCIAL INFORMATION

Company	Year	ROA %	ROE %	Debt ratio %	MPS Rs.	BVPS Rs.	DPS Rs.	EPS Rs.	P/E ratio %
United	2066/67	1.64	8.62	62.24	290	130.47	0	8.62	33.63
	2067/68	3.19	18.98	39.95	290	141.19	0	10.72	27.05
	2068/69	1.91	10.72	55.62	142	159.97	0	18.98	7.48
	2069/70	5.03	27.17	60.10	270	187.93	0	27.17	9.94
	2070/71	5.01	45.49	100.97	911	262.81	0	45.57	20.03
	2071/72	4.12	44.58	100.91	392	304.42	0	44.58	8.79
	2072/73	4.90	68.71	283.97	870	167	0	69	12.7
Gurans	2066/67	2.11	3.01	98.05	145	109.79	0	3.01	0
	2067/68	-0.86	-2.51	67.37	232	109.44	0	-2.51	-92.44
	2068/69	1.83	5.01	99.16	91	120.92	0	5.01	18.15
	2069/70	2.95	9.21	99.59	152	125.63	0	9.21	16.5
	2070/71	1.44	5.05	99.46	650	129	0	5.05	129
	2071/72	0.73	3.43	99.67	582	137	0	3.43	170
	2072/73	0.85	4.84	100.44	950	137	0	4.84	196
Asian	2066/67	5.08	16.65	89.36	257	103.13	28.15	16.65	15.44
	2067/68	2.25	12.47	99.21	173	142	0	12.47	13.87
	2068/69	4.06	31.64	101.78	189	174	9	32	6
	2069/70	3.14	25.23	101.99	250	204	0	25	10
	2070/71	1.28	12.88	102.31	1250	158	0	14	87
	2071/72	0.82	8.14	103.11	1013	132	0	8	124
	2072/73	2.15	10.86	52.30	250	174	9.5	10.9	23
Himalayan General	2066/67	6.77	31.71	54.49	234	170	13	32	7.38
	2067/68	2.04	11.26	49.69	200	181	0	11	17.76
	2068/69	-7.74	-54.26	47.88	197	126	0	-54	-3.63
	2069/70	9.70	71.89	58.52	182	198	0	72	2.53
	2070/71	8.06	37.34	57.70	590	181	10	37	15.8
	2071/72	7.97	52.85	70.48	378	212	21	53	7.14
	2072/73	-0.24	-2.51	204.90	580	110	5	-3	-231
Surya	2066/67	2.77	3.46	98.72	95	105	0	3.46	0
	2067/68	2.97	4.75	98.53	127	109	0	4.75	26.71
	2068/69	3.97	8.17	98.57	144	117	0	8.17	17.64
	2069/70	4.22	9.79	99.61	166	112	0	9.79	16.95
	2070/71	3.18	87.58	99.36	750	125	0	8.76	85.63
	2071/72	2.38	43.88	195.05	709	128	5.26	4.39	161.57
	2072/73	-0.34	-10.05	100.15	415	98	0	-10	-41

Company	Year	ROA %	ROE %	Debt ratio %	MPS Rs.	BVPS Rs.	DPS Rs.	EPS Rs.	P/E ratio %
National Life	2066/67	0.52	10.74	99.52	486	122	21	11	45.24
	2067/68	1.72	36.33	96.50	334	135	32	36	9.19
	2068/69	1.22	24.02	97.57	529	126	26	24	22.03
	2069/70	4.78	88.32	98.53	596	172	73	88	6.75
	2070/71	22.87	32.21	100.53	2550	155	38	32	79.17
	2071/72	20.14	25.88	102.23	1840	143	32	26	71.11
	2072/73	44.15	26.40	207.69	3300	135	26	26	125
Neco	2066/67	0.58	18.15	102.45	900	106	0	12	7.27
	2067/68	4.11	14.89	58.61	118	150	5	15	7.93
	2068/69	5.92	24.99	55.69	118	167	12.11	25	4.72
	2069/70	5.95	27.35	56.31	113	177	0	27	4.13
	2070/71	4.69	27.14	58.29	770	255	25	27	28.37
	2071/72	9.19	32.72	59.26	462	176	16	33	14.12
	2072/73	2.06	68.48	99.72	1320	166	66	68	19

APPENDIX – I

Profile of the sample insurance companies.

1. United Insurance Company Limited.

United Insurance Co. (Nepal) Limited is an ISO 9001:2000 certified insurance company. The company has started its operation from December 1, 1993 (Mangsir 16, 2050) after its registration with the Company Registrar's Office and approved by Insurance Board. The company is promoted by leading industrialists and reputed trading and commercial houses of Nepal and have a wide participation. The Authorised Capital of the Company is Rs. 50 crores, Issued Capital 30.24 crores, out of which Rs. 30.24 crores have already been paid.

2. Gurans Life Insurance Company Limited.

Gurans Life Insurance Co .Ltd. has been established and registered under Company Act 2063 B.s.(Regd. No. 1005/063-64) and Insurance Act 2049 as a public Limited Co. and was issued a license to operate Life Insurance Business on 2064/12/18. Gurans Life Insurance Co .Ltd. is promoted by Dugar Group, Sunrise Bank Ltd. along with group of diverse and renowned Businessmen, Industrialist and Legal professionals.

3. Asian Life Insurance Company Limited.

Asian Life Insurance Company has got operating license as per Insurance Act 2049 from BeemaSamiti (Insurance Regulatory Authority of Nepal) on 27th February, 2008 (Falgun 15, 2064) and started functioning on 3rd April, 2008 (Chaitra 21, 2064). The Authorized Capital of the Company is Rs.1000 million. Out of which 671.32 million is currently paid up (70% by the promoter and the remaining 30% by the general public.)

There are 77 promoters of the company: 2 institutional and the remaining 75 individual promoters. Among the institutional promoters, there are prominent finance and development banks of Nepal. Following are the major institutional promoters.

- Mahalaxmi Development Bank Limited, Kathmandu
- Guheshwori Merchant Banking & Finance Ltd., Lalitpur.

4. Himalayan General Insurance Company Limited.

Himalayan General Insurance Co. Ltd. commenced operations in December 1993 to write Insurance Policies after obtaining license from the Insurance Board of Nepal to underwrite General Insurance (Non-life). It has issued first fire Insurance policy on

1st November, 1993. It worked with Swire Blanch Asia Ltd., Singapore, through a technical service agreement for the initial five years in order to arrange reinsurance with the world's best reinsurers.

5. Surya Life Insurance Company Limited.

Surya Life Insurance Company Ltd. has been established and registered under Company Act 2063 B.S.(Regd. No. 1006/063-64) and Insurance Act 2049 as a Public Limited Company and was issued a license to operate Life Insurance Business on 2064/12/06(19th March'08)

Authorized and Paid Up Capital:

The authorized capital of the company is NRs 200 crore and Issued and Paid up Capital is NRs 62.5 crore. The promoters have contributed 70% of this, amounting to NRs.43.75 Crore whereas the other Nepalese Citizens contributed remaining 30% of this capital amounting to NRs.18.75 Crore.

Re-Insurance :

The Company has made reinsurance arrangement with SCOR Global Life Reinsurance Company of Paris(France).

6. National Life Insurance Company Limited.

National Life Insurance Company Limited (formerly known as National life & General Insurance Co.Ltd.) was incorporated in 1988 A.D. under Nepal Company Act 1964 and the insurance Act 1968 of Nepal with prime objective to meet growing insurance requirements of the country.

For more than two decades, National Life has built reputation as a company that believes in highest level of customer's service. The company's well-known name and good reputation are reinforced by their commitment to deliver value and service to all who do business with us. Presently the company has paid up capital of around Rs.1019 million.

7. Neco Life Insurance Company Limited.

Neco Insurance Ltd. is a limited liability company registered under the Companies Act, 2021 BS. It was established on 1st Poush, 2051(16th December, 1994). It has been operating general insurance business in Nepal since 17th Jestha, 2053 (30th May, 1996) as per the license granted by Insurance Board of Nepal. The registered office of the company is at Anamnagar, Kathmandu and it is operating its business through 27 service outlets nationwide. Neco Insurance enjoys a reputation of expertise, stability

and strength. Our competitive edge, extensive range of products, wide network, claim servicing capabilities and the ability to provide all possible general insurance solutions under one roof, makes us the most preferred partner for our valued customers. Neco Insurance has been known in the market as being innovative and having a well-established relationship with the various reinsurance markets of the world.