A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF EVEREST INSURANCE COMPANY LTD. AND PRUDENTIAL INSURANCE COMPANY LTD.

By:
Bimala Shrestha
Shanker Dev Campus
Campus Roll No. 1432/061
T.U. Registration No.: 7-1-38-948-97

A Thesis Submitted To: Office of the Dean Faculty of Management Tribhuvan University

In partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS)

Kathmandu, Nepal August 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

BIMALA SHRESTHA

Entitled:

A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF EVEREST INSURANCE COMPANY LIMITED AND PRUDENTIAL INSURANCE COMPANY LIMITED

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

Rita Maskey	Prof. Bisheshwor Man Shrestha	Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)	(Head of Research Department)	(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva -voce examination of the thesis presented

by

BIMALA SHRESTHA

Entitled:

A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF EVEREST INSURANCE COMPANY LIMITED AND PRUDENTIAL INSURANCE COMPANY LIMITED

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled "A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF EVEREST Insurance Company LIMITED and Prudential Insurance Company LIMITED" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) under the supervision of Rita Maskey, Lecturer of Shanker Dev Campus.

.....

Bimala Shrestha
Researcher
Campus Roll No: 1432/061

T.U. Regd. No: 7-1-38-948-97

ACKNOWLEDGEMENT

I am extremely grateful to my thesis supervisor Mrs. Rita Maskey, Lecturer of Shanker

Dev Campus. I would like to express my gratitude for her invaluable suggestions, time

and effort paid to me for the completion of this thesis.

I am also thankful to Mr. Bachu Ram Khadka, Deputy Manager; Head Office, Hattisar,

Everest Insurance Company Ltd. and Mr. Rajan Chitrakar, Deputy General Manager of

Prudential Insurance Company Ltd. for providing such invaluable knowledge and

secondary data for this research work. My thanks go to all the teachers and staffs of

Shanker Dev Campus who taught me and providing me the materials requested with their

full cooperation. Specially I would like to thank my husband Mr. Biswombhar Pradhan

for his support and inspiration in preparing this thesis.

Last but not least, I would like to thank my family members for their constant

encouragement and co-operation in my academic pursuit.

There may be some errors in my study, I apologize for the errors.

Bimala Shrestha

September, 2021

TABLE OF CONTENTS

		Page No
Ack	knowledgement	
List	t of Tables	
List	t of Figures	
List	t of Abbreviations	
Ch	apter I: Introduction	
1.1	Background	1
1.2	Profile of sample insurance companies	5
1.3	Statement of the Problem	5
1.4	Objectives of the Study	6
1.5	Significance of the Study	7
1.6	Limitation of the Study	8
1.7	Organization of the Study	9
Ch	apter II: Review of Literature	
2.1	Conceptual Framework	10
	2.1.1 Meaning and Definitions of Insurance	10
	2.1.2 Historical Development of Insurance	13
	2.1.3 Types of Insurance	16
	2.1.4 Importance of Insurance	22
2.2	Insurance Development in Nepal	27
2.3	Review of Previous Studies	31
	2.3.1 Review of Related Journals and Articles	31
	2.3.2 Review of Thesis	34

Chapter III: Research Methodology

3.1	Resea	arch Design	42
3.2	Popul	lation and Sample	42
3.3	Natur	re and Sources of Data	43
3.4	4 Method of Data Analysis		43
	3.4.1	Unvaried Analysis	44
	3.4.2	Ratio Analysis	48
	3.4.3	Statistical Analysis	52
Ch	apter	IV: Presentation and Analysis of Data	
4.1	Analy	ysis of Financial Performance of Insurance Companies	56
	4.1.1	Analysis of Market Price per Share	56
	4.1.2	Analysis of Dividend per Share	58
	4.1.3	Analysis of Earning per Share	60
	4.1.4	Analysis of Price Earning (P/E) ratio	62
	4.1.5	Market/Book Value Ratio	64
	4.1.6	Analysis of Dividend Yield	65
	4.1.7	Analysis of Capital Gain Yield	67
	4.1.8	Analysis of Total Yield	69
4.2	Finan	cial Ratio Analysis	70
	4.2.1	Return Analysis	71
		4.2.1.1 Return on Assets Ratio	71
		4.2.1.2 Return on Equity Ratio	72
		4.2.1.3 Return on Investment Ratio	74
	4.2.2	Income Analysis	76
		4.2.2.1 Interest Income to Total Income Ratio	76
		4.2.2.2 Interest Income to Total Assets Ratio	78
	4.2.3	Investment Analysis	79

	4.2.3.1 Investment to Total Assets Ratio	80
	4.2.3.2 Interest Earned to Total Investment Ratio	81
4.3. Time	Series Analysis	84
4.3.1	Net Profit Trend	84
4.3.2	Earned Premium Trend	86
4.4. Majo	or Findings of the Study	88
Chapter	V: Summary, Conclusion and Recommendation	
Chapter 5.1 Sumr	• ,	92
-	nary	92 93
5.1 Sumr5.2 Conc	nary	
5.1 Sumr5.2 Conc	lusion	93
5.1 Sumr5.2 Conc	nary lusion mmendation	93

List of Tables

Table	Table Title	Page No.
4.1:	Market Price per Share (MPS) of EICL and PICL	57
4.2:	Dividend per Share (DPS) of EICL and PICL	59
4.3:	Earning per Share (EPS) of EICL and PICL	60
4.4:	Price Earning (P/E) ratio of EICL and PICL	62
4.5:	Market/Book Value Ratio of EICL and PICL	64
4.6:	Dividend Yield of EICL and PICL	66
4.7:	Capital Gain Yield of EICL and PICL	68
4.8:	Total Yield of EICL and PICL	69
4.9:	Return on Assets Ratio (ROA)	71
4.10:	Return on Equity Ratio (ROE)	73
4.11:	Return on Investment Ratio (ROI)	75
4.12:	Interest Income to Total Income Ratio	77
4.13:	Interest Income to Total Assets Ratio	78
4.14:	Investment to Total Assets Ratio	80
4.15:	Interest Earned to Total Investment Ratio	82
4.16:	Calculation of Net Profit Trend Equation	84
4.17:	Calculation of Net Profit Trend Line	85
4.18:	Calculation of Earned Premium Trend Equation	86
4.19:	Calculation of Earned Premium Trend Line	87

List of Figure

Figure	Figure Title	Page No.
2.1:	Types of Insurance	16
3.1:	Method of Data Analysis	44
3.2:	Different Analytical Tools under Unvaried Analysis	44
3.3:	Different Analytical Tools under Ratio Analysis	49
3.4:	Different Analytical Tools used under Statistical Analysis	52
4.1:	Market Price per Share (MPS) of EICL and PICL	57
4.2:	Dividend per Share (DPS) of EICL and PICL	59
4.3:	Earning per Share (EPS) of EICL and PICL	61
4.4:	Price Earning (P/E) ratio of EICL and PICL	63
4.5:	Market/Book Value Ratio of EICL and PICL	65
4.6:	Dividend Yield of EICL and PICL	66
4.7:	Capital Gain Yield of EICL and PICL	68
4.8:	Total Yield of EICL and PICL	70
4.9:	Return on Assets Ratio (ROA)	72
4.10:	Return on Equity Ratio (ROE)	73
4.11:	Return on Investment Ratio (ROI)	75
4.12:	Interest Income to Total Income Ratio	77
4.13:	Interest Income to Total Assets Ratio	79
4.14:	Investment to Total Assets Ratio	81
4.15:	Interest Earned to Total Investment Ratio	83
4.16:	Net Profit Trend Line	85
4.17:	Earned Premium Trend Line	87

ABBREVIATIONS

A.D. : - Anno Domini

B.S. :- Bikram Sambat

Co. :- Company

C.V. : - Coefficient of Variation

DPS : - Dividend per Share

Dr. :- Doctor

e.g. :- Example

EPS :- Earning per Share

EICL :- Everest Insurance Company Ltd.

etc :- Excreta

GDP : - Gross Domestic Product

Govt. :- Government

PICL : - Prudential Insurance Company Limited

HMG :- His Majesty Government

HMG/N : - His Majesty Government of Nepal

i.e. :- That is

Ltd. :- Limited

M.B.S. : - Master in Business Studies

MPS :- Market Value per Share

NEPSE : - Nepal Stock Exchange

NICL : - Nepal Insurance Company Limited

NLGI : - National Life and General Insurance Limited

No. :- Number

NWPS :- Net Worth per Share

P/E Ratio : - Profit Earning Ratio

Pvt. :- Private

RBS :- Rastriya Beema Sansthan

ROA :- Return on Assets

ROE :- Return on Equity

ROI :- Return on Investment

Rs. :- Rupees

SD :- Standard Deviation

T.U. :- Tribhuvan University

UICL :- United Insurance Company (Nepal) Limited.

Viz. :- 'Videlicet' namely

& :- And