FACTORS AFFECTING SHARE PRICE IN INSURANCE COMPANIES

(A study on life insurance companies of Nepal)

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

by

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February, 2021

Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**FACTORS AFFECTING SHARE PRICE IN INSURANCE COMPANIES (A study on life insurance companies of Nepal)**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

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Sirjana Adhikari

February, 2021

Report of Research Committee

Miss Sirjana Adhikari has defended research proposal entitled "**FACTORS AFFECTING SHARE PRICE IN INSURANCE COMPANIES (A study on life insurance companies of Nepal)**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Assistant Prof. Bhumi Raj Acharya and submit the thesis for evaluation and viva voce examination.

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19/01/2021

Approval Sheet

We have examined the dissertation entitled "**FACTORS AFFECTING SHARE PRICE IN INSURANCE COMPANIES (A study on life insurance companies of Nepal)**" presented by Miss Sirjana Adhikari for the degree of **Master of Business Studies.** We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS/ACRONYMS

DPR	:	Dividend payout ratio
DPS	:	Dividend per share
DYR	:	Dividend yield ratio
EPS	:	Earning per share
LIC	:	Life Insurance Corporation Ltd.
Ltd.	:	Limited
MPS	:	Market price per share
N	:	Number of Respondents
NALIC	:	National Life Insurance Company Ltd.
NELIC	:	Nepal Life Insurance Company Ltd.
NEPSE	:	Nepal stock exchange
NRB	:	Nepal Rastra Bank
PER	:	Price earning ratio
SEBON	:	Security board of Nepal
Sig.	:	Significance
SLIC	:	Surya Life Insurance Company Ltd.
SPSS	:	Statistical Package for Social Scientists
Std.	:	Standard

ABSTRACT

This study examines the factors affecting the share price of Nepalese life insurance companies. Market price per share is selected as dependent variable while earning per share, divided per share, price earnings ratio, dividend payout ratio, and dividend yield ratio were chosen as firm specific independent variables. The data were collected from the insurance and banking statistics and supervision report published by Nepal Rastra Bank and annual report of selected life insurance companies. The correlation and multiple regression models were estimated to test impact of firm specific factors on share price of Nepalese life insurance companies.

Using data of 4 insurance companies listed in NEPSE for the period 2012/13-2018/19, the result shows that company's specific variables like earnings per share, divided per share, price earnings ratio, dividend payout ratio, and dividend yield ratio are the major determining stock price in context of life insurance companies in Nepal. The correlation between MPS and EPS is 0.654 which is moderate degree positive correlation, similarly MPS and DPS is 0.538, MPS and DPR is 0.225, MPS and PER is 0.486, MPS and DYR is 0.256 respectively. There is positive relationship between market price per share and other dividend variables like, earnings per share, dividend per share, dividend payout ratio, price earnings ratio and dividend yield ratio.

Similarly, the value of R-square value as evident from multiple regression is 0.498 which means 49.8 % variation in Market price per share of Nepalese insurance companies is explained by the independent variables. However, the remaining 51.2 % is still unexplained in this research. In order to find out the awareness of investor towards impact of dividend on market price per share self- administrative questionnaire have been distributed among the investors. The response of respondent was positive it means investors are aware about the factors influencing market price of share.

Key Words*: Market price per share, Dividend per share, dividend payout ratio, price earnings ratio and dividend yield ratio.*

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The stock market plays an important role in economic development by promoting capital formation and raising economic growth. Trading of securities in this market facilitates savers and users of capital by fund pooling, risk sharing, and transferring wealth. Economic activities can be created by flow of reserves to the most productive investment. Investors take decisions to invest in particular shares of companies, keeping in view their share prices. Theories suggest that there is an association between changes in share prices and changes in financial fundamental variables (Nisa & Nishat, 2011).

Investors in underdeveloped countries like Nepal mostly look at the profitability of the firm while purchasing equity shares from the secondary market. Since dividend paid to the shareholders is one of the best indicators of profitability, it is generally believed that dividend plays a crucial role in determining market price of the corporate share (Khadka, 2012). A firm generally pays stock dividend if it plans to increase the capital so as to expand the business. The objective of dividend policy should be to maximize the shareholders return so that the value of their investment is maximized. Dividend decision is one of the major decisions taken by the firm. The amount of dividend declared by a firm is one of the factors that show the actual position of the earnings of the firm. The firm issues equity shares to raise ownership capital and the investors buy them with the ultimate expectation to receive a share of profit. The value of the firm is said to be high when the market price of the company's common stock is higher.

Firms that perform better than others have higher stock prices and can raise additional funds (both debt and equity) in more favorable terms. Therefore, it is important to identify the factors that determine the market price of equity shares of any organization. Financial institutions, including commercial banks in Nepal, are the institutions that mobilize monetary resources in the society. During 1990's along with the economic liberalization in Nepal many joint venture banks were established in the private sector, which mandatorily subscribed shares widely to the general public. Insurance companies appeared as the most profitable business and therefore in the beginning the price of shares of insurance companies continuously went up. However, the stock market had been much volatile in Nepal during the last decade because of internal conflict, political instability, poor corporate governance, and various other reasons.

It is said that when the firm needs to retain a high percentage of earning, they issue stock dividends so that the shareholders of the firms remain content. Managers strongly agree that stock dividends have a positive psychological impact on investors receiving them (Baker and Phillips, 1992). By issuing dividends, management is forced to go to the capital market for additional financing. Higher dividends can directly benefit shareholders because they reduce the free resources which managers can use sub-optimally. Some economists believe that management decides to pay dividends in order to reduce agency costs (Easterbrook, 1984). Each time it attempts to raise fresh capital, its operations are intensely scrutinized by investment bankers, accountants, and other market professionals because these parties have a comparative advantages over the bondholders in monitoring the firm's activities. Dividend payments accompanied by subsequent new financing may lower monitoring costs and thereby increase firm's value (Rao, 1992).

There are reasons for the efficacy of dividends as signals. Dividend announcements are backed by hard-core cash, as it has to be deposited to the shareholders account. The firm must generate this cash internally or convince the capital markets to supply it. In addition, dividend decisions tend to be future oriented as opposed to accounting statements which document past performance (Asquith and David, 1986). Besides credibility, dividends also have the advantages of simplicity and visibility. Many others announcements are, at the same time, complex and detailed in focus.

Dividend can be distributed to shareholders by a company in form of cash, shares or both. Some companies paid dividend whole amount of profit as dividend for good image, some retained all amount for reinvestment and same partially paid the amount as dividend.

1.2 Statement of the problems

Shareholders make investment in equity capital with the expectation of increasing their wealth. Dividend is a kind of earnings that the shareholders expect from their investment. But the dividend decision is still a fundamental as well as controversial area of managerial function. The effect of dividend policy on market price of share is a subject of long standing arguments. But, still there is no single conclusive result regarding the relationship between dividend payment and market price of the share.

There is no controversy that when a firm gets much earning, then the shareholders would expect much dividend. But earnings are also treated as financing sources for the firm. if the firm retains the earnings, its repercussion can be seen in many Factors such as decreased leverage ratio , expansion of activities and increase in profit in succeeding years whereas if the firm pays dividends , it may need to raise capital through capital market which may dilute the ownership control of existing shareholders. If the firm takes loan or raises debenture, it will affect on risk characteristics of the firm .Therefore, there are many dimensions to be considered on dividend theories, policies and practices.

The capital market is an important part of corporate development of a country .Even through the capital marketer is in the early stage of development in Nepal, Nepalese investors have heavily made investment on newly established companies, especially in financial sector -This trend will remain to continue until the investors are satisfied by the decision made by the management of the companies. Dividend is most inspiring aspect for the investment in the shares of various companies for an investors, Even if dividend affect the firm's value, unless management knows exactly how they effect value, there is not much that they can do to increase the shareholder's wealth. So it is necessary for the management to understand how the dividend policy affects the market value of the firm or market price of the stock or the wealth position of the shareholders.

Thus, this research is guided by the following questions:

i. What is the relationship of MPS with other financial indicators such as EPS, DPS, DPR, DYR and PER of listed insurance companies?
ii. Is there any effect of EPS, DPS, DPR, DYR and PER on MPS of listed insurance companies?
iii. Are the investors aware about the financial indicators which influence the MPS of the listed insurance company?

1.3 Objectives of the study

The major objective of the study is to obtain in-depth knowledge about the impact of dividend policy adopted by the selected companies to its market price of shares and the overall valuation of the firms. The specific objectives are as follows;

i. To explore the relationship between MPS with other financial indicators such as EPS, DPS, DPR, DYR and PER of listed insurance companies.
ii. To examine the effect of DPS, EPS, DPR, DYR and PER on MPS of listed insurance companies.
iii. To analyze the investor's awareness about financial indicators which influence the MPS of listed insurance companies.

1.4 Rationale of the study

Dividend is a source of return to shareholders. Shareholders invest in shares for the purpose of getting high return and maximize their wealth position .The dividend policy is an effective way to attract new investors, retain existing investors, and make them happy as well as to maintain the goodwill and desired controlling power in the management of the firm.

In Nepal, due to lack of enough knowledge, people are investing haphazardly in the shares. There is not adequate research conducted so far to improve the situation. Hence, it is necessary to establish clear conception about the return resulting from investing in the stocks this thesis will help to overcome this gap to some extent and has considerable importance. It is aimed at providing important information to the investors and respective firms that are taken as sample. The importance of the study can be pointed out as follows:

i. This research work provides the vital information about the impact of dividend on market price.

ii. The suggestion and recommendation given by this study would be helpful for further researchers, investors.

iii. This study might be helpful management and policy maker in setting and making a suitable dividend policy.

iv. This study may be useful to government for policy making, controlling, and monitoring.

1.5 Limitations of the study

The limitations of the study are:

i. The data of only seven fiscal years are taken for the studies from 2012/13 to 2018/19.

ii. Only four insurance companies are taken as sample for the study.

iii. There are many factors that affect the dividend decision and valuation of the firms. However, only those factors related to dividend would be considered in this study.

iv. Time frame is limited to carry out microscopic study on the topic, thus the study may not reveal the exact results.

v. Only limited sample have been taken which may surely lacks accuracy. .

Despite these limitations, this study has tried to provide valid result as well as in depth of dividend policy and its impact on marker share of Nepalese insurance companies.

1.6 Chapter plan

This study focuses on the investigation dividend policy of Nepalese insurance companies and the effects of dividend policy on market share price of Nepalese insurance companies. With the intent of the above broad objectives attainment, the study is organized or structured as follows:

Chapter 1: Introduction

The first chapter of the research project provides basic information related to the research topic and outline of the study. It showcases background of the study, statement of problem and research questions, objectives of the study, rationale of the study, limitation of the study.

Chapter 2: Literature review

The second chapter is literature review. Second chapter includes some relevant literature available on the subject matter of the study; it consists of literature on emergence of concept of dividend policy from the review of books, articles and thesis related to the study field.

Chapter 3: Research methodology

This chapter presents the research design and methodology utilized in this research. The research design and methodology includes the planned methods used while conducting the research which has helped to guide the research towards its main findings and conclusion. This chapter contains framework and procedure of the study, it deals with research methodology used to carry out the research. It includes research design, population and sample, sources and techniques of data collection, tools and techniques of data analysis.

Chapter 4: Result and discussion

The fourth chapter deals with the main results of the study. This chapter is heart of the study- This chapter contains presentation of data, their analysis and interpretation using financial and statistical tools such as financial indicators and variable analysis, multiple regression analysis, correlation coefficient analysis etc. It also deals with major finding and discussion.

Chapter 5: Summary and conclusion

This chapter outlines the discussion of results and suggestions for further research. This is final chapter of the research work; hence it revolves around showcasing summarized report of whole work. It focuses on concluding the work highlighting the main findings as well as making recommendations and providing guidelines for the prospective users, readers and future researchers.

CHAPTER 2

LITERATURE REVIEW

This chapter provides the reader with a literature review concerning the research area. So this chapter contains review of the relevant literature in the published books, journals, articles, theses and previous research works related to the past study.

2.1 Conceptual review of literature

"The functions of finance involve three major decisions a company must make: the investment decision, financing decision, and the dividend decision. Each must be considered in relation to firm's objective; an optimal combination of the three will create value"(Van Horne,1929).

Dividend refers to a portion of earning, which is distributed to shareholders in return of their investment in share capital. It is the periodic payment made to the shareholders to compensate them for the use of and risk to their investment. The important aspect of dividend policy is to determine the amount of earnings to be distributed to shareholders and the amount to be retained in the firm. Retained earnings are the most significant sources of financing the growth of the firm. On the other hand, dividends may be considered desirable from shareholders' point of view as they tend to increase their current wealth.

The firm's decision to pay dividends may be shaped by two possible viewpoints. When dividend decision is treated as financing decision, the net earnings of the firm may be considered as a source of long term funds. With this approach, dividend will be paid only when the firm does not have profitable investment opportunities. On the other hand, because of market imperfections and uncertainty, shareholders may give a higher value to the near dividends than the future dividends and capital gains. Thus the payment of dividends may significantly affect the market price of the share. Higher dividends increase the value of the shares and low dividends reduce the price of share. In other to maximize wealth under uncertainty, the firm must pay enough dividends to satisfy investors (William, 1973).

Most of the investors expect dividend to continue in each year as well as to receive price when they sell the stock". The expected final stock price includes the returns of the original investment plus a capital gain. If the stock is actually sold at price above its purchase price, the investor will receive a capital gain as such the shareholders expect an increase in market value of the common stock over time. At the same time, they also expect firm's earning in a form of dividend. So the shareholders may satisfy with dividend or capital gain. "Financial Manager is therefore concerned with the activities of corporation that affect the well-being of stockholders. That well-being can be partially measured by dividend received but a more accurate measure is the market value of stock (Weston, 1989).

Forms of dividend

Generally, dividends are paid in cash but when the company is unable to pay cash dividend they use different forms of dividend payment for satisfying stockholders. Such forms of dividends are stock dividend, script dividend, property dividend, bond dividend etc. But in Nepalese context, most of the companies are paying cash and stock dividend.

i. **Cash dividend**

   Cash dividend is one form of dividend, which is distributed to shareholders in form of cash out of company's profit. "The cash account and the reserve account of a company will be reduced when the cash dividend is paid. Thus, the total assets and net worth of the company are reduced when cash dividend is distributed. The market price of the share drops in most cases by the amount of the cash dividend distributed" (Pandey, 1979).

ii. **Stock dividend**

   If additional shares are issued to existing shareholders instead of cash dividend, it is known as stock dividend. "A stock dividend represents distribution of shares in addition to the cash dividend to the existing shareholders." This has the effect of increasing the number of outstanding share of the company. The shares are distributed proportionately. Thus, the shareholders retain their proportionate ownership of the company. The declarations of bonus share increases the paid-up share capital and reduce the reserves and surplus of the company. The total net worth is not affected by the issue of bonus shares (Shrestha, 1980).

iii. **Script dividend**

A dividend paid in promissory notes is called script dividends. "Script dividends are those paid in company's promise to pay instead of cash." When earning of the company justify dividends but the company's cash position is temporarily weak and does not permit cash dividend, it may declare dividend in the form of script. Script dividend may bear a definite maturity date or it may be left to the directors. Such dividends may be interest bearing or non-interest bearing (Miller & Modigliani, 1966).

iv. **Property dividend**

If payment of dividend made in the form of property rather than cash, than it is called property dividend. This form of dividend may be followed when there are assets that are no longer necessary in operation of the business or in extra ordinary circumstances. Companies' own products and securities of subsidiaries are the examples that have been paid as property dividends (Gautam, 1998).

v. **Bond dividend**

Bond Dividend is a dividend that is distributed to the shareholders in form of bond. When the company generates more profit for a long time, it is better to issue a bond which carries certain interest rate. In other words, corporation declares dividend in form of its own bond with a view to avoid cash outflows.

2.2 Theories of dividend

Some theories related to dividend are as follows;

Residual theory of dividend

According to one school of thought, the residual theory of dividends suggests that the dividend paid by a firm should be viewed as a residual amount left after all acceptable investment opportunities have been undertaken. Dividend policy can be viewed as one of a firm's investment decision. A firm that behaves in this manner is said to believe in the residual dividends. According to this theory, dividend policy is a residue after investment whether or not a company pays dividends depends on the availability of investment opportunity.

The starting point in this theory is that investors prefer to have the firm retain and reinvest earning, instead of paying dividends, if the return on reinvestment is higher than the opportunity cost of fund for the investors. The dividend under residual dividend policy equals the amount left over from earning after investment, no dividends are paid and new shares are sold to cover deficit for investment that is not covered. If there is not any investment opportunity then cent percent earning is distributed as dividend to the shareholders. Dividend is therefore merely a residue i.e. percent remaining after all equity investment needs arc fulfilled (Irwin Friend & Marshall Pocket, 1964).

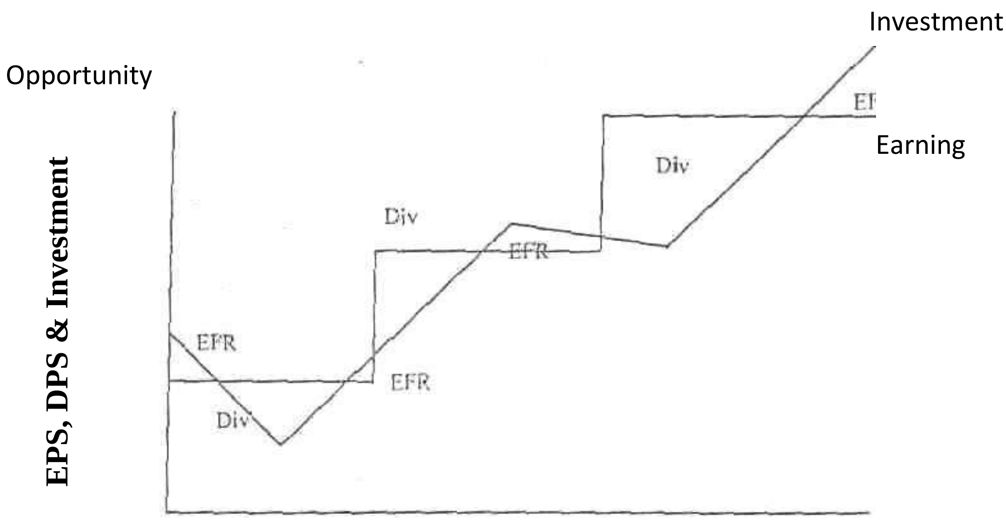

Fig. 2.1: EPS and DPS relationship under Residual Policy

In the above figure, the shaded part shows the dividend paid after deducting the fund required for investment. When the earning does not meet the fund required for investment, the firm will bring Required External Fund (EFR).

As long as there are investment projects with higher returns, the firm retains the earnings to invest in such profitable projects rather than paying dividends. The firm grows at a faster rate when it accepts highly profitable investment projects. External equity could be raised to finance investments. But the retained earnings are preferable because unlike external equity, they do not involve any floatation costs. The distribution of cash dividend causes a reduction in internal funds available to finance profitable .investment opportunities and thus, either constrains growth or requires the firm to find other costly sources of financing. Thus, earning may remain undistributed as a part of a long-term financing decision. The dividend paid to shareholders represents a distribution of earnings that cannot be profitably reinvested by the firm. With this approach, dividend decision is viewed merely as a residual decision.

Stability theory of dividend

Dividend stability refers to the consistency in stream of dividend. In other words, stability of dividend means regularity in paying dividend even though the amount of dividend may fluctuate from year to year. Stability of dividends is considered as a desirable policy by the management of most companies. Shareholders also generally favour this policy and value stable dividends higher than the fluctuating ones. All other things being the same, stable dividend may have a positive impact on the market price of the share (Panday, 1995).

By stability, we mean maintaining the position of the firm's dividend payments in relation to a trend line, preferably one that is upward sloping. There are some reasons to believe that a stable dividend policy does lead to higher stock prices. First, investors are generally expected to value more highly dividends they are sure of receiving, since fluctuating dividends are riskier than stable ones. Accordingly, the same average amount of dividend received under a fluctuating dividend policy is likely to have a higher discount factor applied to it than is applied to dividends under a stable dividend policy. This means that the company with stable dividend policy will have a lower required rate of return or cost of equity capital than one whose dividend fluctuates. Second, many stockholders live on income received in the form of dividends. These stockholders are greatly inconvenienced by fluctuating dividends and they will pay a premium for a stock with a relatively assured minimum dollar dividend. Third, from the stand point of both the corporation and its stockholders is that, stability of dividend is desirable for the requirement of legal listing.

There are three distinct forms of such stability of dividend payments. They are:

Constant dividend per share

The policy of constant dividend per share follows a policy of paying a certain fixed amount per share as dividend every year irrespective of the fluctuations in the earnings. This policy does not imply that the dividend per share or dividend rate will never be increased. When a company reaches new level of earnings and expects to maintain it, the annual dividend per share may be increased (Panday, 1995).

It is easy to follow this policy when earnings are stable. If the earning pattern is widely fluctuated, it is difficult to maintain such a policy.

The dividend policy of paying a constant amount of dividend per year treats ordinary shareholders somewhat like preference shareholders without taking into account the firm's or shareholders' investment opportunities. Those investors who have dividends as the only source of their income prefer the constant dividend policy. They are hardly concerned about the changes in share prices. In the long-run, such behavior helps to stabilize the market price of the share.

Constant dividend payout ratio

The ratio of dividend to earnings is known as payout ratio. Some companies may follow a policy of constant payout ratio, i.e. paying a fixed percentage of net earnings every year. With this policy, the amount of dividend will fluctuate in direct proportion to earnings.

This policy is related to company's ability to pay dividends. If the company incurs losses, no dividends shall be paid regardless of the desires of shareholders. Internal financing with retained earnings is automatic when this policy is followed. At any given payout ratio, the amount of dividends and additions to retained earnings increases with increasing earnings and decreases with decreasing earnings. This policy simplifies the dividend decision, and has the advantage of protecting a company against over or under payment of dividend. It ensures that dividends are paid when profits arc earned and avoided when it incurs losses (Brandt, 1972).

Low regular dividend plus extra dividend

According to this policy, the company pays fixed amount of stable dividend to the shareholders to reduce the possibility of ever missing dividend payment and in years of market prosperity, additional dividend is paid over and above the regular dividend. When normal condition returns, the company cuts the extra dividend and returns in its normal dividend payment. This types of a policy enables a company to pay constant amount of dividend regularly without default and allows a great deal of flexibility for supplementing the income of shareholders only when the company's earning are higher than the usual, without committing itself to make large payments as a part of the future fixed dividend.

2.3 Factors influencing dividend policy

A firm's dividend policy is influenced by a large number of factors. Some factors affect amount of dividend and some others affect types of dividend. Legal provision, Firm's liquidity position, need to repay debt, restrictions imposed by debt holders, expected rate of return, stability of earnings, shareholder's personal tax etc., are the major factors affecting dividend policy, which are described below:

Legal requirements

There is no- legal compulsion on the part of a company to distribute dividend. However, there are certain conditions imposed by law regarding the way of distributing dividend. Basically, we find the following three rules relating to dividend payment.

i) The net profit rule

The net profit rule states that dividends can be paid out of present or past earnings. However, it should be recognized that dividends greater than the sum of current earnings and past accumulated earnings could not be made.

ii) The capital impairment rules

This rule states that the firm cannot pay dividend out of its paid up capital, because it adversely affects the firm's equity base threatening the position of creditors. The basic idea behind this rule is to protect the claim of creditors by maintaining sufficient equity base.

iii) Insolvency Rule

If a firm's liabilities exceed the assets or if the firm is unable -to pay its current obligations, the firm is considered to be insolvent. If the firm is insolvent, it is strictly prohibited by law to pay dividends.

Firm's liquidity position

Dividend payout is also affected by the firm's liquidity position. No matter firm's balance sheet shows sufficient retained earnings, they are not held in cash, rather they are reinvested into firm's assets. Because of this, the firm may not be able to pay cash dividends.

Repayment need

Firm uses several form of debt financing for satisfying its investment needs. These debts are to be repaid at the maturity. The firm has generally two alternatives regarding the repayments of debt: either it can issue alternative securities to repay the existing debt at maturity or it can make provisions out of its earnings for the purpose of repayment.

Restriction imposed by debt holders

Debt holders may impose certain restrictions upon the firm regarding dividend payment. The restrictions may be such that the firm is prohibited to pay dividend out of past retained earnings in the book of company before performing such debt contract, or the firm may be restricted by its preferred stock holders to pay any dividends on common stock unless and until the firm pays its entire accrued dividend on preferred stock.

Expected rate of return

The quantum of dividend payment also depends on the expected rate of return on the investment. If a firm has relatively higher expected rate of return on its investment, the firm prefers to retain the earning for reinvestment rather than distributing cash dividends.

Stability of earnings

If a firm has relatively stable earnings it is more likely to pay relatively larger dividend than a firm with relatively fluctuating earnings. The firm with unstable earnings is relatively uncertain about its future earnings so that it prefers to retain more from current earnings.

Desire for Control

When the needs for additional finance arise, the existing management of the, firm may not prefer to issue additional common stock because of the fear of dilution in control on management of the company.

Access to the capital markets

If a firm has easy access to capital markets in raising additional financing, it does not require keeping more retained earnings. However, smaller and newly established firm generally finds difficulties in raising funds externally from capital market.

Stockholders' individual tax situation

For a closely held company, shareholders prefer relatively lower cash dividend because of higher tax to be paid on dividend income. The stockholders in higher personal tax bracket for closely held companies prefer capital gain rather than dividend gains.

Only the above-mentioned things are not enough to determine a sound dividend policy. Other many insights and considerations have to be taken into account. Such are: change in government policies, prospects of future growth, maturity and age of corporations, informational content of dividend and so on.

2.4 Empirical review of literature

Empirical review of literature has been conducted from many articles, papers, thesis etc. which are as follows;

Pradhan (1993) found that higher earning on stock leads larger of DPS. Stock with larger ratio of dividend per share to market price have lower leverage ratio. Positive relationship between the ratios of DPS to market price and interest coverage. Positive relationship between dividend payout and turnover ratios. Positive relationship between dividend payout and liquidity. Positive relationship between dividend payout and profitability. DPS and MFS are positively correlated, Liquidity and leverage ratios are more variable for the stock paying lower dividends. Earnings, assets turnover, and interest coverage are more variable for the stock paying higher dividends.

Bhattarai (1996) concluded that there are positive relationship between cash flow and current profit and divided percentage of shares. The degree of relationship is almost perfect. There is no criterion to adopt payout ratio and it is observed that there is a negative relationship between payout ratio and valuation of shares. In aggregate, there is no stable dividend paid by the companies over the years. Some companies have steadily increased dividend. Such increase in dividend has a considerable impact on valuation of shares if there are rational investors; however this is yet to be realized by Nepalese company management. Inflation rate in recent year are decreasing and the market price of share are increasing. Nevertheless, the companies are not able .to give required rate of return to the investors. There was negative relationship between price of share and stockholders required rate of return. Shareholders have foregone opportunity income in hope of getting higher return, but companies have not been able to return even equal to risk free rate of return.

Timilsina (1997) carried out that the relationship between dividend per share and stock price. To determine the impact of dividend policy on stock price. To identify whether it is possible to increase the market value of stock by changing dividend policy or payout ratio. To explain the price behaviour, the study used simultaneous equation models developed by Friend and Puckett (1964). The findings of his study were as follows; the relationship between dividend per share and stock price is positive in the sample companies. Dividend per share affects the share price differently in different sectors. Changing dividend policy or dividend per share might help to increase the market price of the share. The relationship between stock price and retained earnings per share is not prominent. The relationship between stock prices and lagged earning price ratio is negative.

Manandhar (2000) found significance relationship between change in dividend policy in terms of dividend per share and change in lagged earnings. There is relationship between distributed lagged profit and dividend. The difference is found significant between overall proportion of change dividend and due to increase and decrease in EPS during the study period. In overall increase in EPS has resulted to increase in the dividend payment in 66.6% of the cases while decrease in EPS is resulted decrease in dividend payments come to 33.3% of the cases. It is found that Nepalese Corporate firms have followed the practice of maintaining constant dividend payment per share or increase it irrespective of change in EPS as reflected by total percentage of constant and increase dividend payout of 78.33% of the cases. In other words forms are reluctant to decrease dividend payment. In overall Nepalese corporate firms are found reluctant to decrease dividend either keeping dividend payment constant or higher to take the advantages of information contents and signaling effects of dividend relating to the firm's continued progress and performance, sound financial strength, favorable investment environment, lower risk, ability to maintain sustained dividend rate and finally to increase the market price of the stocks in the stock market.

Gautam (2000) concluded that average EPS and DPS of all commercial banks are satisfactory. Analysis indicates that there is large fluctuation in EPS and DPS, on the other hand, there is relatively more consistency dividend per share in all the sample banks. No commercial bank seems to be guided by cleanly defined dividend strategy in spite of the good earnings and potentials. Shares of the financial institution are actively traded .and market prices are increasing. Commercial banks represent a robust body of profit earning organization in comparison to the other sectors such as manufacturing, trading etc. One of the most striking findings of the study is that no commercial bank sample for this study has clearly defined dividend strategy. On the other hand, there is significant relationship perceives between earnings and dividend of expansion program.

Adhikari (2000) highlighted the differences in financial position of high dividend paying and low dividend paying companies. The stocks with larger ratio of dividend per share to book value per share have higher liquidity. It is also more variable as compared to stock paying lower dividends. Other thing remaining the same, financial position of high dividend paying companies is comparatively better than that of low dividend paying companies. Another interesting conclusion is that market price of stock is affected by dividend for finance and non-finance sectors differently. There is positive relationship between dividend and stock price. There is negative relationship between dividend payout and earning before tax to net worth. Stocks with larger ratio of DPS to book value per share have higher profitability. Nepalese shareholders are not really indifferent towards payout or nonpayment of dividend. One of the major finding is that earning announcement helps to increase the market price of the share.

Khatiwada (2001) concluded that announcement of dividend and earnings did not affect the shareholders return in average. Other banks except Nepal SBI Bank Ltd. having different dividend rates did not provide abnormal return to the shareholders. Shareholder realized positive abnormal return from NBL, SBI and Grindlays.

Basnet (2004) justified that the dividend payment is not a regular and attractive phenomenon in Nepalese listed companies. The companies do not have any stable and consistent dividend practice. The market price' of share of banking and total companies is influenced by many factors oilier than DPS. Change in dividend per share affects the share price differently in different companies. The DPS and EPS are positively correlated in all sectors. Which means higher the EPS, higher will be the

DPS. Market Value per Share (MVPS) of the listed companies is higher than net worth per share (NWPS). There exist vast difference between MP and NWPS. This situation clearly indicates that the investors are not matching book value and market value of the share. They don't see the reported value of share from its books of account.

Rijal (2004) concluded that the primary objectives of investors investing in stocks are to earn dividend. But the earning of shareholders can be dividend as dividend gain and capital gain. High payout satisfies the dividend need whereas increase in market price of stock increases capital gain. Therefore, the firms make a proper balance between dividend distribution and retention of EPS. In Nepal, only a few listed companies have been paying regular dividends to their shareholders. Further companies have not been following stable dividend payout policy. On the other hand, the dividend payout ratio of listed Companies in Nepal has not been able to distribute fair dividends. In this regards, however commercial banks are also no exception. This study rests to conclude that the cash dividend can't be said as a sole factor to affect price of share. But there are some other factors like earning power, bonus share, information value of dividend decision etc. that also cause the share price fluctuation. In an imperfect market mechanism like Nepalese Share Market, the security brokers, other market makers and the rumors they spread in the market have also significant role in share price fluctuation.

Though there were above mentioned studies are related to dividend behavior in Nepalese context. It has now become necessary to find out whether their findings are still valid or not. In Nepalese context, many more changes have taken place in last few years. So, it is necessary to carry out a fresh study related to dividend pattern of Nepalese companies. In this study, it is tried to carry out by using the latest data for different companies for analyzing the dividend policies of Nepalese companies.

Bista (2006) focuses that the banks and manufacturing companies do not follow any specific dividend policy. DPR are fluctuating over the periods of those selected companies. MPS do not follow any specific trend, it fluctuates the future price. There is not any specific trend of EPS in the companies. There is great difference between market price per share and book value per share.

Adhikari (2007) concluded that there are differences in financial position of high dividend paying and low dividend paying companies. The stocks with longer ratio of dividend per share to book value per share have higher liquidity. It has more variable as compared to stock paying lower dividends. Other thing remaining the same, other thing remaining the same, financial position of high dividend paying companies are comparatively better than that of low dividend paying companies. Another interesting conclusion is that market price of stock is affected by dividend for finance and non-finance sectors differently. There is positive relationship between dividend and stock price. There is negative relationship between dividend payout and earnings before tan to net worth. Stocks with larger ratio of DPS to book value per share have higher profit ability. With respect to major motives for paying cash dividend, the majority of the respondent feels that it is to convey information to shareholders that the company is doing good. Nepalese shareholders are not really indifferent towards payout or nonpayment of dividend. One of the major findings is that earning announcement helps to increase the market price of share.

Jha (2007) highlighted dividend practice of the bank, insurance and financial companies. To analyze the relationship of dividend with various important variables. Major findings to the study are: Nepalese government NRB, SEBON, NEPSE should be conscious to discourage market imperfection. Companies should have long term policy regarding the adoption of suitable dividend policy. Even if not earning has been increasing, the dividend per share has widely fluctuated. Distribution of bonus share should be pre-evaluated. There needs a proper information discloser to the investor.

Bhattarai (2008) justified that the banks and manufacturing companies do not follow any specific dividend policy. DPR are fluctuating over the periods of those selected companies. MPS do not follow any specific trend, it fluctuates the future price. There is not any specific trend of EPS in the companies. There is great difference between market price per share and book value per share.

Gautam (2009) concluded that the average earning per share of both two banks is satisfactory and dividend per share is too much unsatisfactory. There is no consistency in dividend payment and its growth rate is not static as well. There is no prominent difference in DPS and D/P rate of both two banks however; there is no uniformity in EPS. R.R Gautam recommends as follows: To follow clearly defined dividend strategy as lack of it causes serious in convenience to may other sectors of finance. Banks should consider the interest and expectation of the investors while making dividend decisions.

Budhathoki (2012) conducted that the average earning per share (EPS) of the banks under study shows a positive result. But the coefficient of variation indicates that there is no consistency of EPS. The average dividend per share (DPS) shows that there is no regularity in dividend payment. The analysis of DPR shows that the Dividend Payout Ratio (DPR) of the banks is not stable. The average market price shows that there is quite high level of fluctuation.

Dhungel (2012) conducted a research to analyze the impact of dividend on the stock price movement of Nepalese banks and financial institutions. For that the research basically focuses on secondary data obtained from websites and published material of selected five commercial banks to examine the relationship of Market Price per Share (MPPS) with other financial indicators such as Earnings per Share (EPS), Dividend per Share (DPS) and DPSBS (including bonus share). Primary data were also obtained from the individuals who own equity shares using a self-designed questionnaire. The questionnaires were distributed to 100 shareholders and staff of the banks. The questionnaire focused on the behavior of the investors while purchasing the equity shares in the secondary market. Only 40 samples responded to the call for survey and send back the questionnaire after filling it. Data were analyzed using SPSS software. The findings from this study indicate that there is no significant impact of dividend on share pricing in most of the banks. There is significant correlation between MPPS and EPS as well as MPPS and DPSBS in case of only one commercial bank but there was no significant correlation among these variables in other four banks. However positive but insignificant correlation was seen in most of the cases. The results could not be generalized at this moment due to small sample size and there is a need for extensive research on this issue in Nepal.

Khan (2012) conducted the study to explicate the effect of dividend announcements on stock prices of chemical and pharmaceutical industry of Pakistan. A sample of twenty nine companies listed at KSE-100 Index is taken from the period of 2001 to 2010. Results of this study is predicated on Fixed and Random Effect Model which is applied on Panel data to explicate the relationship between dividends and stock prices after controlling the variables like Earnings per Share, Profit after Tax and Return on

Equity. The results show that Stock Dividend, Earnings per Share and Profit after Tax have a significant positive relation to stock market prices and significantly explicates the variations in the stock prices of chemical and pharmaceutical sector of Pakistan while Retention Ratio and Return on Equity have the negative insignificant relation with stock prices. This paper further shows that Dividend Irrelevance Theory is not applicable in case of chemical and pharmaceutical industry of Pakistan.

Botchwey (2014), tried to resolve the problems faced by companies listed on the Ghana Stock Exchange by analyzing their dividend payment and evaluate its effect on the share price of these companies. Management is usually caught up in dilemma on whether to pay large or small percentage of their earnings as dividends or to retain them for future investments. This has come out as a result of the need for management to satisfy the various needs of shareholders. The paper seeks to find out the impact of dividend payment and its relationship on the share price of some listed companies on the Ghana Stock Exchange (GSE) and how it helps shareholders to make an informed decision on whether to maintain or withdraw their investment and reinvest in other companies. For the purpose of the study, Eco bank, Cal Bank and AngloGold Ashanti were randomly selected out of the 36 companies listed on the Ghana Stock Exchange. About sixty (60) respondents (shareholders) were randomly selected out of the total number of shareholders of the companies mentioned above. The primary source of data was questionnaire while the secondary data consisted of information on dividend policy from the internet, journals such as the journal of risk finance, national tax journal, journal of finance and corporate finance. It was found out that as the dividend of companies increase, the share price also rises due to the pressure on the share. This suggest firms with higher dividend payment have their share price going up as well as a result of higher demand of shares and firms with lower dividend have their share price going down all else being equal.

Bhattarai, (2014) conducted that the trend of volume of stock traded was in fluctuating manner. Dividend & earning played the important role to fluctuate the share price. Signaling factors played major while determining stock price. Used secondary as well as primary data. Statistical tools such as correlation analysis, regression analysis, coefficient of determinants, test static were used. To examine the trend of securities market and volume of stock traded on the secondary market, to analyze the investors view regarding the decision on stock investment. To analyze the behavior of stock price of secondary market in Nepal. To measure composition of sector and their market capitalization of listed companies on NEPSE.

Masum (2014), Attempted made to examine, what kind of relationship exists between dividend policy and stock market returns of private commercial banks in Bangladesh, and to what degree the returns on stocks can be explained by their respective dividend policy for the same period of time. Various theories related to dividend policy are tested in various parts of the world with different results and findings. Various other articles are reviewed, written in Bangladesh and abroad to see the significance of dividend policy on the stock prices and to compare the results of this research with those conducted earlier. 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 dividends and stock prices after controlling the variables like Earnings per Share, Return on Equity, Retention Ratio have positive relation with Stock Prices and significantly explain the variations in the market prices of shares, while the Dividend Yield and Profit after Tax has negative, insignificant relation with stock prices. Overall results of this study indicate that Dividend Policy has significant positive effect on Stock Prices.

Paudel (2014) highlighted the research on the basic objective of the study are to examine whether MPS of listed companies, especially for selected companies under the study and to what extent the risk is involved in the investment of common stocks of those. There is no uniformity in the relationship of MPS with various financial indicators of the sampled companies. If considered on the basis of the average data for the past 5 years, MPS of 6 financial institutions has higher positive correlation with major financial indicators such as EPS, NWPS and DPS and such relationship in significant. The Nepalese stock markets in not efficient enough to determine MPS in accordance with respective financial performance. The market price of share in Nepal is not indicative of a company‟s financial performance in stock market. Value of share price is to be determined by the future financial indicators, unfortunately, the stock market does not run based on proper information about the company.

Khatiwada, (2014) has conducted study on “Stock Market Efficiency and Behavior of Share Prices.” He used serial correlation test and runs tests as statistical tools, further he used technical trading rule named filter rule for analyzing the data. He found that standard deviations of each and every individual stock’s price changes are higher than the mean. Therefore, the general shape of empirical frequency distribution is flatter than normal distribution's shape. Most of the results obtained from the serial correlation test for 30 stocks are absolutely large and significantly insulated from zero. The results obtained from the runs test are also consistent with the results of serial correlation tests. When the run test analyzed by lengths; it was found that actual numbers of runs are not normally distributed. Therefore, there exists significant determination is the successive price changes series of Nepalese stock market. Similarly, the results obtained from the filter test showed that difficult mechanical trading rule can beat the average market return. As-most of the filter's trading returned higher than buy and hold strategy, its supports the result of serial correlation and runs test. Hence, he concluded that today's price changes are not an unbiased outcome of yesterday's price changes.

Almumani (2014) identified the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011. In this study these variables (dividend per share, earning per share, size, price earnings ratio, book value, dividend payout ratio and market price) were considered and ratio analysis, correlation and a linear multiple regression models were used to measure the individual as well as combined effects of explanatory variables on the dependent variables. The empirical results showed that there was a positive correlation between independent variables (DPS, EPS, size, P/E ratio, and book value per share) and dependent variable (market price of share). Regression results showed that EPS, BV, P/E ratio and DPS have significant and positive relationship with market price of share.

Memon, Channa, Khoso (2017) conducted a study to observe the impact of dividend policy on market prices of firms' stocks of the nonfinancial sectors of Pakistan during the time period from 2006 to 2015, after controlling some other variables. Data is taken from sixty seven non-financial firms listed in KSE (PSX). The outcome of fixed effect Regression model exposed that there is the significant negative impact of dividend yield and significant positive impact of dividend payout on stocks market prices. The result of control variables showed that growth in assets, growth in earnings, growth in sales and size have a significant positive impact on stock market prices while liquidity, leverage and profit after tax have no significant impact on stock market prices during our study period. Therefore, all outcomes of this research signify that the dividend policy has a significant impact on market prices of stocks in Pakistan.

Dhakal (2018) had different specific objectives. In this study aimed to evaluate the qualitative as well as quantitative factors affecting the stock price in NEPSE with focus to commercial banks, to determine the effect of earning per share, book value and P/E ratio on the share price, to examine the individual effect of earning per share and dividend per share on the stock price, to analyze the market trends of market price per share with financial indicators and to examine the impact of share price fluctuation. This study found that the commercial banks performance is highly inconsistent in the relationship of MPS with EPS, DPS and BVPS. The MPPS is found to be highly correlated with the EPS and BVPS. From the primary data analysis, factors affecting the market price of share of commercial banks listed in Nepal Stock Exchange are identified. Such internal factors affecting the share price are earnings per share, book value, and dividend payment, price earnings ratio, paid up capital of the banks. Similarly, there are other environmental factors affecting the market price of share. Such environmental factors affecting the share price are government instability, NRB's policy, SEBON performance, political influences. NEPSE is in primitive stage and it has not significant effect of return on assets, retention ratio, non-performing loan of the bank, cash reserve ratio and cost of fund. After analyzing the secondary and primary data, the following conclusions have been achieved. It was found that the major findings of the study show that the market price per share has high degree of positive relationship with EPS, BVPS and DPS. Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability are the major factors affecting the share price in NEPSE, according to the respondents of the survey. Cost of capital, retention ratio cost of equity, market liquidity, and change in management does not significantly affect the share price in NEPSE.

Neupane (2018), this study was done with the objectives to analyze the moving average of stock price of Nabil bank, Standard Chartered bank and Everest bank, to determine the relative strength analysis of Nabil bank, Standard Chartered bank and Everest bank, to find relation between selected commercial bank (Nabil bank, Standard Chartered bank, Everest bank) stock price and NEPSE index. The major finding of this study was extracted from the analysis of primary and secondary data, and the conclusion has been made on the basis of major findings. This report concluded that from the observance and analysis of above data the commercial bank should move as per the direction given by the central bank. Bank should have optimum policy to collect the deposit in various accounts. Deposit is the major organ of commercial banks to live in the industry. Banks should invest in different sector very carefully, while advancing loan because loan is the blood of commercial banks for survival. If commercial banks do not apply sound deposit mobilization it will be in great trouble in future to collect it in time. Hence the possibility of bankruptcy there are too. Bank should invest their fund in various portfolios after the deep study of the project to be safe from being bankruptcy. If banks concentrate the investment in few organizations, there is high chance of default risk. Diversifications are indeed need to all the business houses but it has seen immense importance to commercial banks. Diversification of investment of collected deposit is very much important to commercial bank than other business houses because banks use the money to other people for the benefit of its own. And lastly is can be said that banks are important for the nation. It helps in the capital formation to the nations, which is the most important element for the economic growth of the country.

Matthew (2019) conducted a study on the effect of dividend payment on the market prices of shares in Nigeria: A study of 17 quoted firms using time series on dividend per share, dividend yield and dividend payout ratio that ranges between 2009 and 2019. The model specification for the analysis of data is ordinary least squares techniques applied as panel estimation. The researchers empirical results arising from the panel least squares suggests a positive effect between market price per share and dividend per share confirming that a rise in dividend per share brings about an increase in the market price per share of quoted firms; that dividend yield does not have a significant positive effect on the market prices of shares of quoted firms in Nigeria; that there exists a direct relationship between market prices per share and dividend payout ratio of selected firms on the NSE. Further, the study revealed that significant variations exist in the movement of the share prices of the selected firms which in theory could be attributed to the forces of demand and supply while in practice could be attributed to some other exogenous and endogenous variables such as economic policies, corporate managerial decisions, psycho-social variables, political situations and institutional parameters. Thus it was concluded and recommended that, earnings remain the most significant determinant of dividend payment averagely, hence it has significant influences on the market value of public owned firms in Nigeria and the world all over. The dividend payment, dividend per share, dividend yield, dividend payout ratio and earning per share are significant in explaining the observed differences in share market prices of quoted firms in Nigeria. The government must contribute by relaxing laws that spell threat to the objectives of firms i.e. maximization of shareholders' wealth.

2.5 Summary of literature review

In this following table, summary of articles and past unpublished thesis has been shown.

Table No. 2.1 Summary of literature review

S.N.	Author	Title	Methodology	Findings
1	Pradhan (1993)	Stock Market Behavior in a Small Capital Market: A Case of Nepal.	Descriptive research design was used to know the Stock Market Behavior in a Small Capital Market.	Finding shows that, higher earning on stock leads larger of DPS. Positive relationship between the ratios of DPS to market price and interest coverage. Liquidity and leverage ratios are more variable for the stock paying lower dividends. Earnings, assets turnover, and interest coverage are more variable for the stock paying higher dividends.
2	Bhattarai (1996)	Dividend decision and its impact on stock valuation in commercial	Descriptive as well as Analytical research design was used to know	Bhattarai concluded that there are positive relationship between cash flow and current profit with divided percentage of shares. There was negative relationship

		banks.	the relationship Dividend decision and its impact on stock valuation in listed companies with 5 samples.	between price of share and stockholders required rate of return. Shareholders have foregone opportunity income in hope of getting higher return, but companies have not been able to return even equal to risk free rate of return.
3	Timilsina (1997)	Dividend and Stock Price: An Empirical Study of NEPSE listed companies.	Survey research design had been used.	According to finding, dividend per share affects the share price differently in different sectors. Changing dividend policy or dividend per share might help to increase the market price of the share. The relationship between stock price and retained earnings per share is not prominent. The relationship between stock prices and lagged earning price ratio is negative.
4	Manandhar (2000)	Preliminary Test of Lagged Structure of Divided. Empirical Test: Case of Corporate Firms in Nepal.	Descriptive research design was used.	Manandhar concluded that, there is significance relationship between change in dividend policy in terms of dividend per share and change in lagged earnings. There is relationship between distributed lagged profit and

				dividend.
5	Gautam (2000)	Dividend Policy in commercial Banks: A Comparative Study of NGBL, & NABIL.	Descriptive research design used. A Comparative Study of NGBL, & NABIL.	Finding shows that average EPS and DPS of all commercial banks are satisfactory. Analysis indicates that there is large fluctuation in EPS and DPS, on the other hand, there is relatively more consistency dividend per share in all the sample banks.
6	Basnet (2004)	Dividend policy and its impact on share pricing.	Descriptive statistics is used.	According to result there is positive relationship between dividend policy and stock price.
7	Rijal (2004)	Impact of dividend policy on market price of shares.	Descriptive as well as analytical research design had been used.	Finding shows that, there is positive relationship between dividend policy and market price of share.
8	Bista (2006)	Dividend Policy and Practices in Nepal: A Comparative Study of Listed Joint Venture Commercial Banks and manufacturing	Descriptive research design used. Sample of 2 joint venture commercial banks and 2 manufacturing companies.	Result revealed that the banks and manufacturing companies do not follow any specific dividend policy. DPR are fluctuating over the periods of those selected companies. MPS do not follow any specific trend, it fluctuates the future price. There is not any specific

		Companies.		trend of EPS in the companies. There is great difference between market price per share and book value per share.
9	Adhikari (2000)	Corporate Dividend Practices in Nepal.	Descriptive research design used. Sample of 50 listed companies.	There is positive relationship between dividend and stock price. There is negative relationship between dividend payout and earning before tax to net worth. Stocks with larger ratio of DPS to book value per share have higher profitability. Earning announcement helps to increase the market price of the share.
10	Dhungel (2012)	Impact of Dividend on Share Pricing in Commercial Banks of Nepal.	Causal-analytical research design is used. Sample size of 5 commercial banks.	The findings from this study indicate that there is no significant impact of dividend on share pricing in most of the banks. There is significant correlation between MPPS and EPS as well as MPPS and DPSBS in case of only one commercial bank but there was no significant correlation among these variables in other four banks.
11	Khan (2012)	Effect of Dividends on	Descriptive as well as	The results show that Stock Dividend, Earnings per Share

		Stock Prices– A Case of Chemical and Pharmaceutical Industry of Pakistan.	analytical research design. Sample size of 20 Chemical and Pharmaceutical Industry of Pakistan	and Profit after Tax have a significant positive relation to stock market prices and significantly explicates the variations in the stock prices of chemical and pharmaceutical sector of Pakistan while Retention Ratio and Return on Equity have the negative insignificant relation with stock prices.
12	Botchwey (2014)	The impact of Dividend Payment on Share Price of Some Selected Listed Companies on the Ghana Stock Exchange.	Case study. Sample size was of 60 Listed Companies on the Ghana Stock Exchange.	It was found out that as the dividend of companies increase, the share price also rises due to the pressure on the share. This suggest firms with higher dividend payment have their share price going up as well as a result of higher demand of shares and firms with lower dividend have their share price going down all else being equal.
13	Masum (2014)	Dividend Policy and Its Impact on Stock Price – A Study on Commercial Banks Listed in Dhaka Stock Exchange	Analytical research design with stratified random sampling.	Overall results of this study indicate that Dividend Policy has significant positive effect on Stock Prices.

14	Paudel (2014)	Determinants of share price in Nepalese banking sector	Descriptive statistics is used. A total of 200 respondents were surveyed through questionnaire approach.	The market price of share in Nepal is not indicative of a company's financial performance in stock market. Value of share price is to be determined by the future financial indicators, unfortunately, the stock market does not run based on proper information about the company.
15	Khatiwada, (2014)	A Study on the Security Investment in Nepal	Descriptive statistics had been used.	Finding showed that difficult mechanical trading rule can beat the average market return. As-most of the filter's trading returned higher than buy and hold strategy, its supports the result of serial correlation and runs test. Hence, he concluded that today's price changes are not an unbiased outcome of yesterday's price changes.
16	Almumani (2014)	Determinants of equity share prices of the listed banks in Amman Stock Exchange.	Descriptive as well as analytical research design.	The empirical results showed that there was a positive correlation between independent variables (DPS, EPS, size, P/E ratio, and book value per share) and dependent variable (market

				price of share). Regression results showed that EPS, BV, P/E ratio and DPS have significant and positive relationship with market price of share.
17	Memon, Channa and Khoso (2017)	Impact of dividend policy on Market prices of shares: evidence from pakisthan.	Analytical research design. Sample size of 70 listed companies of pakisthan.	All outcomes of this research signify that the dividend policy has a significant impact on market prices of stocks in Pakistan.
18	Dhakal (2018)	Factors Affecting Share Price of Commercial Banks.	Descriptive statistics had been used. Sample size of 10 Commercial Banks.	The major findings of the study show that the market price per share has high degree of positive relationship with EPS, BVPS and DPS. Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability are the major factors affecting the share price in NEPSE, according to the respondents of the survey. Cost of capital, retention ratio cost of equity, market liquidity, and change in management does not significantly affect the share price in NEPSE.

19	Neupane (2018),	Stock Price Behaviour of Listed Commercial Banks in Nepal.	Descriptive survey design.	Bank should have optimum policy to collect the deposit in various accounts. Deposit is the major organ of commercial banks to live in the industry. Banks should invest in different sector very carefully, while advancing loan because loan is the blood of commercial banks for survival. If commercial banks do not apply sound deposit mobilization it will be in great trouble in future to collect it in time.
20	Matthew (2019)	Effect of Dividend Payment on the Market Price of Shares: A Study of Quoted Firms in Nigeria.	Descriptive as well as analytical research design had been used. A study of 17 quoted firms using time series.	It was concluded, earnings remain the most significant determinant of dividend payment averagely, and hence it has significant influences on the market value of public owned firms in Nigeria and the world all over. The dividend payment, dividend per share, dividend yield, dividend payout ratio and earning per share are significant in explaining the observed differences in share market prices of quoted firms in Nigeria.

2.6 Research Gap

The purpose of this study is to draw some ideas concerning to the dividend policy and to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation. In this context, the previous studies can’t be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. The various financing decision are vital for the financial welfare of the company. Dividend decision is one of the major decisions to be made.

There are many study have been done related to dividend policy on banking sector but there is little study in insurance companies, so this study has try to fill up this gap.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter is designed to explain the research methods used to meet the stated objectives of the study. This chapter hence provides information about research design, sources of data, data collection procedures, population and sampling, instrumentation, administration of instrument and data analysis plan etc.

3.1 Research design

A descriptive as well as analytical research design has been used for the purpose of this research. The research is descriptive and analytical in nature so, it has described all the collected information and data. It has also analyzed the impact of dividend policy on market share price of Nepalese insurance companies.

3.2 Population and sample

Population or universe refers to the entire group of people, events or things of interest that the researcher wishes to investigate. A sample is a representative portion of population which possesses all the characteristics that are exist in population.

As this study is based on the data of the companies listed in NEPSE, the population is taken from only those insurance companies which are listed, no. of listed life insurance companies in NEPSE are 7. But total life insurance companies registered in BIMA SAMITI are 19 which is regulatory body of insurance companies. Since the topic implies the study should be done among the dividend paying and actively traded life insurance companies, the sampling are done accordingly. The study covers altogether four insurance companies consisting. Convenience sampling method is used in this study.

The samples selected are as follows:

1. Life insurance Co. Nepal
2. Nepal Life insurance Co. Limited.
3. Surya Life insurance Co. Limited.
4. National Life insurance Co. Limited.

3.3 Sources of data collection

The data used in this study is both primary and secondary. Primary data were used for the study through the questionnaire method. A structured questionnaire was prepared and distributed to the respondents through personal visit. The responses were then collected from the respondents, mostly through personal network. The data collected from the questionnaire were analyzed using mean standard deviation and the result was presented in tables and charts for a clearer understanding. The secondary data collected from, annual reports from Fiscal year 2012/13 to 2018/19, magazines and bulletins of the companies under study, relevant information and data from the publication of Bima Samiti, SEBON, NEPSE, NRB, and web pages of the selected companies, various newspapers, previous studies, thesis and dissertation related to this field.

3.4 Data processing procedure

The analysis of data has been done according to the pattern of data available. Wide varieties of methodology have been applied according to the reliability and consistency of data. Firstly, the collected data are presented in proper forms, grouped in various tables and charts according to their nature. Then various financial and statistical tools have been applied. And then interpretations and explanations are made wherever necessary with the help of various statistical analyses.

3.5 Data analysis tools and techniques

This section reflects how analyses have been carried out in chapter four. Various financial and statistical tools have been used in the study. The analysis of data will be done according to the pattern of data. Financial tools and simple regression analysis, multiple regression analysis have been mainly the tools, of analysis. The relationship between different variable related to study topic would be drawn out using financial and statistical tools. The main, financial indicator EPS, DPS, MPS, and P/E. Dividend Yield and DPR has been calculated in this research, likewise statistical tools mean, regression analysis, standard deviation and coefficient of correlation in the research.

3.5.1 Financial tools:

A brief explanation of financial tools used in this study is as follows:

Earning per share (EPS)

Earning per share is one of the factors that affect the dividend policy and stock price of a firm. EPS calculation will be helpful to know whether the firm's earning power on per share basis. If EPS is greater the dividend will be larger and so is the market price. So, it is assumes as independent variable to determine the dividend and market price of stock. It is calculated by dividing the earning available to the common shareholder by the total number of common shares outstanding.

Dividend per share (DPS)

The earning distributed to the shareholders out of EPS is known as DPS. It also affects the market price of stock. If EPS is greater, DPS will be greater. It is calculated by dividing total dividend to equity shareholders by the total number of the equity shares.

Dividend payout ratio (DPR)

DPR reflect what percentage of profit is distributed as dividend and what percentage is retained as reserve and surplus for the growth of the company. It is calculated by dividing the DPS by the EPS.

Dividend yield ratio (DYR)

This ratio shows the relationship between dividend per share and market value per share. It is calculated by dividend per share by market value per share.

Price earnings ratio (P/E Ratio)

This ratio reflects the market value per share for each rupee of currently reported EPS. It is calculated by dividing the market value per share by earning per share.

3.5.2 Statistical analysis

Statistical analysis is important part of the study under which the data are presented and the analyzed in useful format. Data were processed and due consideration was taken that those data were accurate and consistent with the intent information obtained. To assess the situation of employees in Nepalese commercial banks and to analyze the factors affecting employee’s perceived performance, various statistical tools are used. Statistical tools were used primarily for two purposes: to see the distribution and tendency of the data collected through questionnaire and to test the hypothesis set to achieve the objective of the study. To see the distribution and tendency of the data, several graphical tools like tables, charts and diagrams were used. Particularly, the descriptive study part used graphs, tables, pie charts, mean, standard deviation and percentage distribution for presentation and analysis. And, the hypothesis testing part included tables, mean, standard deviation, Pearson's correlations and linear regression.

Mean or Average

An average line which represents group of values. In other words, the quantities which are the representative of the huge mass of quantities are known as average. The most popular mean is arithmetic mean or average, which is calculating the sum of all variables divided by the number of variables. The mean is the arithmetic average of a variable.

Standard deviation

Standard deviation (S.D.) is the most popular and the most useful measure of dispersion. It indicates the ranges and size of deviance from the middle or mean. It measures the absolute dispersion. Higher the values of standard deviation higher the variability and vice versa. It is the positive square root of average sum of squares of deviations of observations from the arithmetic mean of the distribution.

Correlation analysis

Correlation is one of the most useful statistics. In other words, correlation is the statistical tool measures the degree of relationship of one variable with other variable. Two or more variables are said to be correlated if change in the one variable appears to be related or linked with the change in the other variables value. Correlation says just degree of relationship between two or more variables. It does not tell us anything about cause and effect relationship. Correlation may be positive or negative. Correlation lies between -1 & +1. When Pearson's correlation(r) is close to 1 then there is strong relationship between two variables. This means that change in one variable are strongly correlated with change in second variable. When correlation(r) is close to zero then there is weak relationship between two variables.

Regression analysis

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables. It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Regression model

Multiple linear regression analysis is used to predict the impact of independent variables on Market Price per Share. The equation for Impact of independent variables on Market Price per Share is expressed in the following equation:

$\hat{Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e_i$

Where,

$\hat{Y}$	=	Market Price per Share (dependent variable)
X_1	=	Earning per share
X_2	=	Dividend per share
X_3	=	Dividend payout ratio
X_4	=	Price earning ratio
X_5	=	Dividend yield ratio
α	=	Constant
$\beta_1, \beta_2 \ldots \beta_5$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term

This model helps to predict in what extent EPS and DPS affect market price of share. In Correlation and regression analysis, following statistics have been calculated and interpreted accordingly.

3.6 Theoretical framework

Figure 3.1 shows the theoretical schema of this study depicting the different factors responsible for movement of market price per share. This framework indicates market price per share as dependent variable and contributing factors – earning per share, dividend per share, dividend payout ratio, dividend yield ratio and price earning as independent variable. Below figure is the schematic representation of factors that guide our research questions.

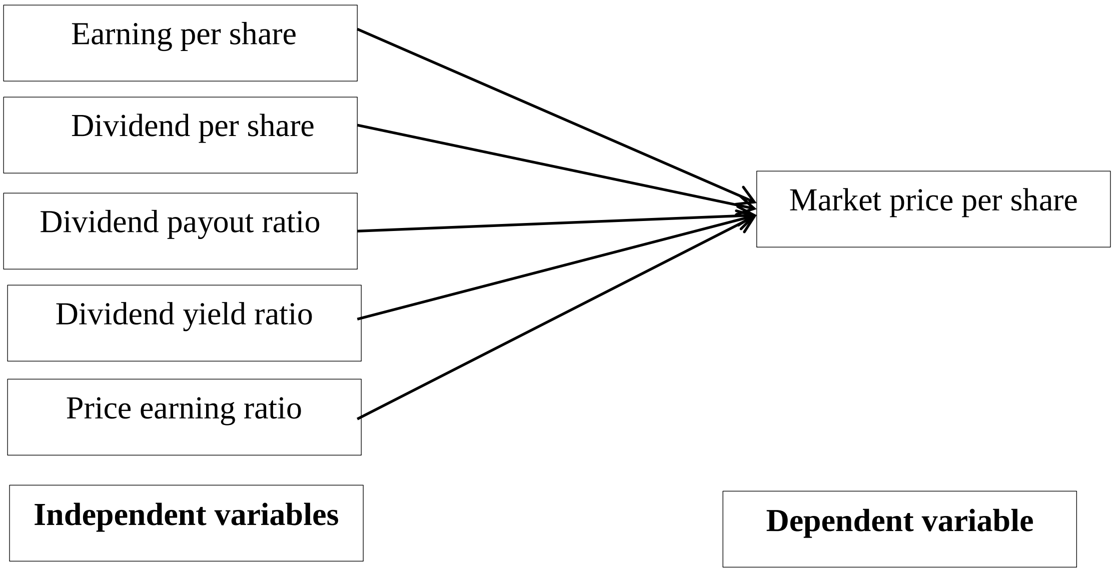

Figure no. 3.1 Theoretical framework

Source: Adopted from Khan et al. (2011). Can Dividend Decisions Affect the Stock Prices: A Case of Dividend Paying Companies of KSE. *Journal of Finance and Economics.*

CHAPTER 4

RESULT AND DISCUSSION

This chapter describes the analysis results generated from the process of data collection.

This is an analytical chapter, where an attempt has been made to analyze and evaluate the data collected. To analyze the data collected various presentation and interpretation is done in order to fulfill the objective of this study.

In this chapter, the relevant data and information on dividend policy of the selected companies are presented and analyzed comparatively keeping the objective of the study in mind. To being with analysis of dividend payment practices of the banks is done at first. In the second part of the chapter, analysis of impact of dividend policy on market price of share and relationship of dividend with other key variables are done with the help of the statistical tools mentioned in the chapter. In the third part, hypothetical analysis is done. This is the main central nervous system, which helps to conclude the study through major findings, vital issues and recommendation. This chapter makes the proper linkage with other chapter.

4.1 Descriptive analysis of financial indicators and variables

In this study, descriptive statistics includes the information of market price per share, earning per share, dividend per share, dividend payout ratio, earning yield ratio and dividend yield ratio of each sample insurance companies for the period of 2012/13 to 2018/19 which has been presented in table. With the help of descriptive analysis, the classification of sample insurance companies and comparison of insurance companies based on sector is presented. The mean value of sample insurance companies under sector is computed to make comparison of sectors. The mean value gives the result of the average of each sector.

4.1.1 Analysis of mean and standard deviation of LIC

The Descriptive study of each variable MPS, EPS, DPS, DPR, PER, DYR from fiscal year 2012/13 to 2018/19 of Life Insurance Corporation Ltd is shown below;

Table No. 4.1 Mean and standard deviation of LIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	1425.00	98.62	64.82	0.66	14.45	0.05
2013/14	1622.00	100.81	78.40	0.78	16.90	0.05
2014/15	2151.00	10.11	12.63	1.25	213.00	0.01
2015/16	3580.00	30.06	26.11	0.87	119.00	0.01
2016/17	2799.00	29.11	26.32	0.90	96.00	0.01
2017/18	4095.00	29.60	31.58	1.07	138.00	0.01
2018/19	3850.00	28.40	30.95	1.09	135.56	0.01
Mean	**3253.67**	**54.45**	**45.14**	**1.10**	**122.15**	**0.02**
SD	**980.89**	**36.02**	**23.42**	**0.19**	**69.30**	**0.02**

Source: Annual Reports of LIC from 2012/13 to 2018/19

The above table shows descriptive statistic of life insurance corporation ltd, the maximum amount of market price per share of LIC is Rs. 4095 and minimum amount is Rs. 1425. The EPS is in the year 2013/14 is high and in the year 2014/15 is lowest. The maximum dividend per share is 78.40 and minimum is 12.63. The dividend payout ratio is in 2014/15 is highest and in the year 2012/13 is lowest. The price earning ratio is in the year 2017/18 is high and 2012/13 is low. The average MPS is 3253.67, EPS is 54.45, DPS is 45.14, DPR is 1.10, PER is 69.30 and DYR is 0.02 respectively.

4.1.2 Analysis of mean and standard deviation of NELIC

The Descriptive study of each variable MPS, EPS, DPS, DPR, PER, DYR from fiscal year 2012/13 to 2018/19 of Nepal Life insurance company Ltd is shown below;

Table No. 4.2 Mean and standard deviation of NELIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	950.00	22.35	32.45	1.45	42.50	0.03
2013/14	1050.00	25.31	48.50	1.92	41.49	0.05
2014/15	2148.00	32.44	70.53	2.17	66.21	0.03
2015/16	4006.00	41.83	30.08	0.72	95.77	0.01
2016/17	2886.00	30.42	26.32	0.87	94.87	0.01
2017/18	4351.00	56.67	68.00	1.20	76.78	0.02
2018/19	4450.00	60.50	69.95	1.16	73.55	0.02
Mean	**3306.83**	**44.92**	**57.64**	**1.58**	**81.86**	**0.03**
SD	**1319.51**	**11.53**	**17.87**	**0.53**	**22.03**	**0.01**

Source: Annual Reports of NELIC from 2012/13 to 2018/19

The above table shows descriptive statistic of Nepal life insurance company ltd, the maximum amount of market price per share of NELIC is 4450 and minimum MPS is 950. The earnings per share (EPS) of the NELIC is in the year 2018/19 is high and in the year 2012/13 is lowest. The maximum dividend per share is 70.53 and minimum is 26.32. The dividend payout ratio is in the year 2015/16 is high and 2013/14 is low. The average MPS is 3306.83, EPS is 44.92, DPS is 57.64, DPR is 1.58, PER is 81.86 and DYR is 0.03 respectively.

4.1.3 Analysis of mean and standard deviation of SLIC

The Descriptive study of each variable MPS, EPS, DPS, DPR, PER, DYR from fiscal year 2012/13 to 2018/19 of Surya Life insurance company Ltd is shown below;

Table No. 4.3 Mean and standard deviation of SLIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	560.00	12.82	10.65	0.83	43.68	0.01
2013/14	600.00	16.48	12.63	0.77	36.41	0.02
2014/15	1070.00	20.76	18.00	0.87	51.54	0.02
2015/16	856.00	26.49	11.00	0.42	32.31	0.01
2016/17	709.00	4.39	5.00	1.14	161.57	0.01
2017/18	750.00	8.76	0.00	0.00	85.63	0.00
2018/19	810.00	10.98	9.60	0.87	73.77	0.01
Mean	**892.50**	**16.78**	**11.15**	**0.82**	**80.82**	**0.01**
SD	**170.09**	**7.34**	**5.72**	**0.37**	**45.09**	**0.01**

Source: Annual Reports of SLIC from 2012/13 to 2018/19

The above table shows descriptive statistic of Surya life insurance company ltd, the maximum amount of market price per share of SLIC is 1070 and minimum MPS is 560. The earnings per share of the SLIC is in the year 2015/16 is high and in the year 2016/17 is lowest. The maximum dividend per share is 18 and not paid in 2017/18. The maximum dividend payout ratio is in the year 2016/17 and minimum in year 2017/18. The price earning ratio is in the year 2016/17 is high and 2015/16 is low. The average MPS is 892.50, EPS is 16.78, DPS is 11.15, DPR is 0.82, PER is 80.82 and DYR is 0.01 respectively.

4.1.4 Analysis of mean and standard deviation of NALIC

The Descriptive study of each variable MPS, EPS, DPS, DPR, PER, DYR from fiscal year 2012/13 to 2018/19 of National Life insurance company Ltd is shown below;

Table No. 4.4 Mean and standard deviation of NALIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	596.00	88.32	73.00	0.83	6.75	0.12
2013/14	2550.00	32.21	38.00	1.18	79.17	0.01
2014/15	1840.00	25.88	32.00	1.24	71.11	0.02
2015/16	3300.00	26.40	26.00	0.98	125.05	0.01
2016/17	2300.00	24.71	14.21	0.58	93.09	0.01
2017/18	2600.00	25.62	19.60	0.77	101.48	0.01
2018/19	2800.00	27.85	21.60	0.78	100.53	0.01
Mean	**2664.33**	**41.83**	**37.40**	**1.06**	**96.20**	**0.03**
SD	**837.15**	**23.00**	**19.16**	**0.23**	**36.76**	**0.04**

Source: Annual Reports of NALIC from 2012/13 to 2018/19

The above table shows descriptive statistic of National life insurance company ltd, the maximum amount of market price per share is 3300 and minimum MPS is 596. The earnings per share of the NALIC is in the year 2012/13 is high and in the year 2016/17 is lowest. The maximum dividend per share is 73 and minimum DPS is 14.21. The dividend payout ratio is in the year 2014/15 is highest and in the year 2016/17 is lowest. The price earnings ratio is in the year 2015/16 is high and 2012/13 is low. The maximum dividend yield is 0.12 in the year 2012/13. The average MPS is 2664.33, EPS is 41.83, DPS is 37.40, DPR is 1.06, PER is 96.20 and DYR is 0.03 respectively.

4.2 Inferential analysis of financial indicators and variables

The purpose of this section is to present the method for analyzing the empirical results, test the assumption or impact, built in previous chapter. Inferential statistics are procedures used that allow researchers to infer or generalize observations made with samples to the larger population from which they were selected. It enables use of one or more samples of observations to infer values of a population. It produces new information by making predictions and generalizations based on samples. This section consists of two analysis tools which are:

4.2.1 Correlation analysis

Pearson Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Meanwhile, a negative correlation reveals an inverse of the above; an increase in one when the other decreases. Correlation analysis is a statistical tool which studies the relationship among six variables. It indicates whether the relationship is significant or insignificant and the correlation analysis is used to identify the relationship between MPS, EPS, DPS, DPR, PER and DYR.

Table No. 4.5 Correlation among financial indicators of sample insurance companies

		MPS	EPS	DPS	DPR	PER	DYR
MPS	Pearson Correlation	1					
	Sig. (2-tailed)						
EPS	Pearson Correlation	.654(**)	1				
	Sig. (2-tailed)	.000					
DPS	Pearson Correlation	.538(**)	.703(**)	1			
	Sig. (2-tailed)	.002	.000				
DPR	Pearson Correlation	.225(**)	.269	.778(**)	1		
	Sig. (2-tailed)	.004	.151	.000			
PER	Pearson Correlation	.486(**)	.086	-.003	-.051	1	
	Sig. (2-tailed)	.007	.650	.986	.787		
DYR	Pearson Correlation	.256(*)	.267	.703(**)	.860(**)	.361(*)	1
	Sig. (2-tailed)	.009	.153	.000	.000	.050	

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

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

Source: Annual Reports of sample insurance companies from 2012/13 to 2018/19.

In the above table shows the data reflects significant correlations between market price per share, earning per share, dividend per share, dividend payout ratio, earning yield and dividend yield are each other. The correlation between MPS and EPS is 0.654 which is high degree positive correlation, similarly MPS and DPS is 0.538, MPS and DPR is 0.225, MPS and PER is 0.486, MPS and DYR is 0.256 respectively.

There is positive relationship between market price per share and other dividend variables like, earnings per share, dividend per share, dividend payout ratio, price earnings ratio and dividend yield ratio. It means these all independent variables have positive impact on market price per share of Nepalese insurance companies.

4.2.2 Regression analysis

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables. But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the two variables cannot be determined.

Multiple linear regression analysis is used to predict the impact of independent variables on Market price per share of Nepalese insurance companies. The equation for Impact of independent variables on Market price per share is expressed in the following equation:

$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$

Where,

$\hat{Y}$	=	Market price per share (dependent variable)
X_1	=	Earning per share
X_2	=	Dividend per share
X_3	=	Dividend payout ratio
X_4	=	Price earning ratio
X_5	=	Dividend yield ratio
α	=	Constant
$\beta_1, \beta_2 \ldots \beta_5$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term

The results of model summary, analysis of variance (ANOVA) and beta coefficients of impact of independent variables like, EPS, DPS, DPR, PER and DYR on Market price per share are presented in the following tables respectively:

Model summary of impact of independent variables EPS, DPS, DPR, PER and DYR on Market price per share of Nepalese insurance companies

Table 4.6 Model Summary

Model	R	R Square	Adjusted R	Std. Error of the Estimate
1	.646[a]	.498	.469	.32626

Predictors: (EPS, DPS, DPR, PER, DYR)

Sources: Annual Reports of sample insurance companies from 2013/14 to 2018/19.

Model summary indicates the R- square also known as coefficient of determination which can help in explaining variance. The value of R-square value as evident from Table 4.6 is 0.498 which means 49.8 % variation in Market price per share of Nepalese insurance companies is explained by the independent variables. However, the remaining 51.2 % is still unexplained in this research. In other words, there are other additional variables of dividend related to insurance companies' that are important in explaining dividend that have not been considered in this research.

Similarly, adjusted R-square is 0.469 which means 46.9% variation in Market price per share is explained by the independents variables after adjusting degree of freedom (df). This shows moderate relationship between all variables of dividend and Market price per share. Model summary also indicates the standard error of the estimate of 0.32626 which shows the variability of the observed value of Market price per share from regression line is 0.32626 units.

Table 4.7 Impact of independent variables of dividend on market price per share (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.548	7	1.078	10.131	.000[b]
	Residual	17.776	167	.106		
	Total	25.324	174			
Dependent Variable: Market price per share						
Predictors: (EPS, DPS, DPR, PER, DYR)						

Sources: Annual Reports of sample insurance companies from 2012/13 to 2018/19

Based on ANOVA, the p-value is 0.000 which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (earning per share, dividend per share, dividend payout ratio, price earning ratio and dividend yield ratio) are significant in explaining the variance in Market price per share. In other words, at least one of the 5 independent variables has important contribution to Market price per share.

Beta coeffecients of impact of independent variables on market price per share.

Table 4.8 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta	s	
1 (Constant)	2.034	.362		5.614	.000
EPS	.173	.036	.312	4.764	.000
DPS	.162	.035	.172	2.613	.010
DPR	.068	.047	.109	1.440	.152
PER	.080	.056	.109	1.429	.155
DYR	.044	.122	.116	.606	.545

Sources: Annual Reports of sample insurance companies from 2012/13 to 2018/19

The results presented in Table 4.8 also summarizes the values of unstandardized beta coefficients (β_1, β_2… β_5) and the constant α with which the estimated equation for Impact of independent variables on Market price per share can be written. Using the values of unstandardized beta coefficients and constant, we can write the estimated equation as follows:

$$\hat{Y} = 2.034 + 0.173X_1 + 0.162X_2 + 0.068X_3 + 0.080X_4 + 0.044X_5 + e_i.$$

Where,

Y= MPS, X1= EPS, X_2= DPS, X_3= DPR, X_4= PER, X_5= DYR

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable. The results presented in Table 4.8, shows that EPS (β_1=0.173, p=0.000) carries the heaviest weight for Market price per share, followed by DPS (β_2=0.162, p=0.010), DPR (β_3=0.068, p=0.152), PER (β_4=0.080, p=0.155), DYR (β_5=0.044, p=0.545). The results showed that a one-unit increase in earnings per share would lead to a 0.173 unit increase in Market price per share keeping other variables constant. Similarly one unit increase in dividend per share factor would lead to a 0.162 unit increase in Market price per share, one unit increase in dividend payout ratio factor lead to a 0.068 unit increase in in Market price per share and so on. In conclusion, earnings per share, dividend per share, and dividend payout ratio dimensions have significant impact on market price per share.

4.3 Investor's awareness about financial indicators influencing the market price per share.

In order to find out the Investor's awareness about financial indicators influencing the Market price per share of listed insurance companies 125 self-administrative questionnaire has been distributed on the basis of convenience sampling method. From 125 questionnaires 115 respondents had responded.

Reliability test of primary data

In order to understand whether the question in this questionnaire are reliable under study a Cronbach's Alpha(α) was run on sample of 15 items. Quality and consistency of survey was assessed with Cronbach's Alpha.

Table: 4.9 Reliability test of questionnaire

S.N.	Variable	Cronbach's Alpha	No of item (N)
1	Response of investors about MPS movement.	0.978	15

Table 4.9 shows the Cronbach's alpha coefficients of questions. It is typically associated with internal consistency with values ranging from 0 to 1. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good'

Sekaran(2000). Here, Cronbach's Alpha of all questions is 0.978 which is greater than 0.6 so they are acceptable. Therefore, the instruments used in this research are considered to be reliable.

Table 4.10 Descriptive Statistics of response of investors about MPS movement

Code	Statement	N	Test value	Mean	Std. Deviation
QN1	Political situation affect the share price and the share market.	115	3	4.213	0.852
QN2	Earnings per share determines the share price, higher earnings per share results higher price.	115	3	4.917	0.857
QN3	Dividend distribution pattern of the company increases or decreases the share price.	115	3	4.313	0.882
QN4	Management quality of organization is a factor to impact on share price.	115	3	4.117	0.617
QN5	The factors of moving stock market are interest rate, inflection, unemployment, economics growth.	115	3	4.413	0.782
QN6	Larger companies have higher share price.	115	3	2.017	0.557
QN7	Higher the risk associated with a company, higher would be the share price.	115	3	3.215	0.682
QN8	Share price also affected by the instability of the government.	115	3	4.723	0.657
QN9	Rules and regulations of Nepal Rastra Bank changes the rate of share price in market.	115	3	3.313	0.982
QN10	Share price decreases with the increase in liquidity in market.	115	3	4.657	0.757
QN11	Better capital structure results higher share price.	115	3	4.513	0.852
QN12	Organizations performance effects on share price and share market.	115	3	4.617	0.667
QN13	Financial aspects (assets, paid up capital etc.) influences on market price of share.	115	3	4.324	0.842
QN14	Economics conditions of investor affects the share price in market.	115	3	4.315	0.657
QN15	If a company provides some information on future prospective, it will increase market price of a share.	115	3	4.435	0.823
	Total	**115**	**3**	**4.140**	**0.764**

Sources: Field survey 2020

In above table, which is related for the items of variables of investor's response for MPS movement, the mean of each question is between 2 to 5. The highest value of mean is 4.917 with standard deviation of 0.857 for “Earnings per share determine the share price, higher earnings per share results higher price”. Similarly, the lowest value of mean is 2.017 with standard deviation of 0.557 for “Larger companies have higher share price.” which indicates most of the respondents neutral or disagree in the statement. Similarly, the average mean of all questions related to investor's response regarding share price moment is 4.140 which is ranges from agree to strongly agree and standard deviation is 0.764, and means all responses are agreed with the statement. This indicates that the Investor's awareness about financial indicators influencing the Market price per share is high.

4.4 Result of the study

This study focuses on the impact of dividend on Market per share of Nepalese insurance companies. The major finding or results obtained from descriptive statistics for the dependent variables and independent variables are summarized as below: The major findings or result obtained from the secondary data analysis are stated as follows:

i. The maximum amount of market price per share of LIC is 4095 and minimum amount is 1425. The EPS is in the year 2013/14 is high and in the year 2014/15 is lowest. The maximum dividend per share is 78.40 and minimum is 12.63. The dividend payout ratio is in 2014/15 is highest and in the year 2012/13 is lowest. The price earning ratio is in the year 2017/18 is high and 2012/13 is low. The average MPS is 3253.67, EPS is 54.45, DPS is 45.14, DPR is 1.10, PER is 69.30 and DYR is 0.02 respectively.

ii. The maximum amount of market price per share of NELIC is 4450 and minimum MPS is 950. The earnings per share (EPS) of the NELIC is in the year 2018/19 is high and in the year 2012/13 is lowest. The maximum dividend per share is 70.53 and minimum is 26.32. The dividend payout ratio is in the year 2015/16 is high and 2013/14 is low. The average MPS is 3306.83, EPS is 44.92, DPS is 57.64, DPR is 1.58, PER is 81.86 and DYR is 0.03 respectively.

iii. The maximum amount of market price per share of SLIC is 1070 and minimum MPS is 560. The earnings per share of the SLIC is in the year

2015/16 is high and in the year 2016/17 is lowest. The maximum dividend per share is 18 and not paid in 2017/18. The maximum dividend payout ratio is in the year 2016/17 and minimum in year 2017/18. The price earning ratio is in the year 2016/17 is high and 2015/16 is low. The average MPS is 892.50, EPS is 16.78, DPS is 11.15, DPR is 0.82, PER is 80.82 and DYR is 0.01 respectively.

iv. The maximum amount of market price per share is 3300 and minimum MPS is 596. The earnings per share of the NALIC is in the year 2012/13 is high and in the year 2016/17 is lowest. The maximum dividend per share is 73 and minimum DPS is 14.21. The dividend payout ratio is in the year 2014/15 is highest and in the year 2016/17 is lowest. The price earnings ratio is in the year 2015/16 is high and 2012/13 is low. The maximum dividend yield is 0.12 in the year 2012/13. The average MPS is 2664.33, EPS is 41.83, DPS is 37.40, DPR is 1.06, PER is 96.20 and DYR is 0.03 respectively.

v. The correlation between MPS and EPS is 0.654 which is high degree positive correlation, similarly MPS and DPS is 0.538, MPS and DPR is 0.225, MPS and PER is 0.486, MPS and DYR is 0.256 respectively. There is positive relationship between market price per share and other dividend variables like, earnings per share, dividend per share, dividend payout ratio, price earnings ratio and dividend yield ratio.

vi. The value of R-square value as evident from multiple regression is 0.498 which means 49.8 % variation in Market price per share of Nepalese insurance companies is explained by the independent variables. However, the remaining 51.2 % is still unexplained in this research. In other words, there are other additional variables of dividend related to insurance companies' that are important in explaining dividend that have not been considered in this research.

vii. In primary data analysis there was questionnaire which was related for the items of variables of investor's response for MPS movement, the mean of each question is between 2 to 5. The highest value of mean is 4.917 with standard deviation of 0.857 for “Earnings per share determine the share price, higher earnings per share results higher price”. Similarly, the lowest value of mean is 2.017 with standard deviation of 0.557 for “Larger companies have higher share price.” which indicates most of the respondents neutral or disagree in the statement. Similarly, the average mean of all questions related to investor's response regarding share price moment is 4.140 which is ranges from agree to strongly agree and standard deviation is 0.764, and means all responses are agreed with the statement. This indicates that the Investor's awareness about financial indicators influencing the Market price per share is high.

4.5 Discussion

This research demonstrated the interrelationships among dividend dimensions like DPS, EPS, DPR, DY & P/E and market price per share life insurance companies in Nepal. The stock market is all about dynamics and that is why investors and fund managers have been time and again confronted with the problem of accurately predicting the stock prices so as to earn decent returns. Investment in shares offers the benefit of liquidity as well as the opportunity to beat the market and earn high returns. But the task of predicting share prices is far from simple. Share price movement is not dependent in nature and both intrinsic as well as extrinsic factors have been established to exerciser influence over stock price movement. Using multiple regression analysis and descriptive statistics this study investigates the factor affecting the stock price. The study has chosen DPS, EPS, P-E ratio and dividend yield as the major variable of stock price with the sample size of 4 life insurance companies in Nepal.

The result indicates that the variables DPS, P-E ratio are the significance determinants of stock price which affects the stock price in direct manner. Likewise, Earning per share and dividend yield also have significance positive influence on stock price. Other researchers, like Thapa, (2019) also found earning per share (EPS), dividend per share (DPS), and price to earnings ratio (PER), have significant positive relation with share pricing. Similarly, Ghimire and Mishra, (2018) also claimed that, the variables DPS, P-E ratio are the significant determinants of stock price which directly affect the stock price. From this discussion, it can be said that, there are many factor which influences the market price of share among them earning per share (EPS), dividend per share (DPS), and price to earnings ratio (PER) are main determinants. So investors needs to considers these all above factors while invest in share market.

CHAPTER 5

SUMMARY AND CONCLUSIONS

This chapter is final chapter which summarizes the research summary, conclusion and implications of the study. The entire chapter is summarized in three sections. The first one summarizes the study and general overview about research findings. The second section derives the conclusion of the study and the third one suggests few recommendations.

5.1 Summary

The main objective of the research study is to find out the factors affecting the share price on insurance companies. To answer this question, several literatures with the subject of dividend policy and dividend variables have been discussed. Dividend policy is one of the three major decisions of the financial management. The dividend refers to that portion of the firm's net earnings, which is paid out to the shareholders as a return for their investments. The dividend decision affects the operation, and prosperity of the organization. To attract the new investors and to maintain the existing ones, dividend can be used as an effective tool. There are others who argue that dividend policy does affect value due to uncertainty factor. Many factors affect the dividend payment depending upon the investors' need and preference on one hand and the financing need of the financial institution to the potential investment on the other hand. The dividend decision, in one hand affects the company's structure. In other hand it has an information value to the investors. The dividend decision is factors which impact on share price. These institution got opportunity and appropriate environment to expand their activities, it is because the initially established financial institutions are unable to supply credit needs and meet the market expectation that market activities towards the growth position. The stockholders have a high desire and expectation that market price of share will be higher than net worth and getting high percentage of dividend from earnings. So, distributing dividend to the shareholders is effective way to achieve the trust of investors and encourage them to invest in shares.

This study mainly aims the prevailing practices of listed companies regarding dividend payment. The study is mainly focused on factor affecting share price in insurance companies. Instability of dividend and haphazard payout ratio is the most common practice of Nepalese companies. Companies do not adequately maintain cash balance for dividend payment. So, it covers some specific objectives to find out the relationship between other financial indicators and also to find out the appropriate dividend policies for different insurance companies. The study of relationship between the dividend and stock prices have been accomplished by collecting and calculating the earning per share, dividend per share, dividend payout ratio, dividend yield, earning yield and price earning ratio. To make the research reliable, many more analysis are conducted to find out appropriate relationship between dividend and other variables, which affects the dividend. The consistency of dividend distribution of different companies is also analyzed by using statistical tools.

5.2 Conclusions

The main purpose of the study was to examine the relationship between dividend policy factors i.e. DPS, EPS, etc. and the market share price of selected 4 life insurance companies of Nepal and to what extent these factors affect the share price during the study period. The results of the study depict that there are several considerations made prior to issuing dividends to the shareholders. These consist of dividends paid in the previous years, the dividends to be paid to the preferred shareholders, what the rival company pay, the net earnings during the period, the amount in the reserve fund and the investment prospects.

In Nepal, only a few listed companies have been paying regular dividends to their shareholders. Further companies have not been following stable dividend payout policy. Above major findings led this study conclude that the earning and dividend payout of insurance companies are comparatively high than finance and manufacturing companies and it is said to be satisfactory in Nepalese context. On the other hand, the dividend payout ratio of listed companies in Nepal has not been able to distribute fair dividends. None of these companies have well defined and appropriate policy regarding dividend payment. The insignificant relationship between DPS and other variables indicates that dividend policy of all these companies is not better. This study rests to conclude that the cash dividend can't be said as a sole factor to affect price of share. But there are some other factors like earning power, bonus shares, information value of dividend decision etc. that also cause the share price fluctuation. In an imperfect market mechanism like Nepalese Share Market, the security brokers, other market makers and the rumors they spray in the market have also significant role in share price fluctuation. The leverage effect is positive when the earnings of the firm are higher than the fixed financial charges to be paid for the lenders. The dividend policy has positive impact on the market price of share. Even though the fluctuations in share prices are arising due to economic conditions, government policies, prospects of Engineering Industry and activities of market forces but important one is dividend policy which should be optimum in maximizing shareholders wealth. Therefore it is suggested to the company that it should modify the existing dividend policy and practices so that market value of share is maximized but it should not affect its growth prospects.

5.3 Implications

Based on the research findings of this study, the following implications are prescribed to serve as a guideline for future research other sector benefit. It is necessary to conduct a study regarding the factors affecting the share price movement of insurance companies in Nepal. Thus, based on the findings of the study, investors and portfolio analysts are recommended to use the information regarding the factors they should consider for their investment decision and while predicting future dividends. When they want to select the dividend paying firms, they have to consider the factors before selecting investment options.

Board of directors and directors of financial department of insurance companies are also advised to consider which factors have more determinant impact when they determine the dividend. The result of this study suggests investors, board of directors and head of finance department of Nepalese insurance companies to give consideration to dividend announcement, EPS, P/E ratio, DPR before they invest and set the dividend policy. This will help to decide whether firms should keep retained earnings for future projects, for debt settlement, and or for dividend decisions which is an efficient, effective, and reasonable dividend payout decision.

Due to the shortcomings of regression and correlation models, Wilcoxon Signed Rank Test; other models can be used to explain the various relationships between EPS, P/E, DPR and the value of the firms. Since, there are qualitative characteristics such as the political factors, legal factors. Similarly, quantitative factors like company size, age, goodwill, market to book value, CEO tenure, CEO duality among others which can influence the share price apart from the dividend, a study should be carried to determine their combined effect and their relationship with the share price.

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Appendix-1

QUESTIONNAIRE

Name (Optional): ……….…..... Position: ………Qualification:………………………

Rate the following statements? (Please make a tick-mark at the appropriate number as per following scheme).

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree.

S.N	Statement	1	2	3	4	5
1	Political situation affect the share price and the share market.					
2	Earnings per share determine the share price, higher earnings per share results higher price.					
3	Dividend distribution pattern of the company increases or decreases the share price.					
4	Management quality of organization is a factor to impact on share price.					
5	The factors of moving stock market are interest rate, inflection, unemployment, economics growth.					
6	Larger companies have higher share price.					
7	Higher the risk associated with a company, higher would be the share price.					
8	Share price also affected by the instability of the government.					
9	Rules and regulations of Nepal Rastra Bank change the rate of share price in market.					
10	Share price decreases with the increase in liquidity in market.					
11	Better capital structure results higher share price.					
12	Organizations performance effects on share price and share market.					
13	Financial aspects (assets, paid up capital etc.) influences on market price of share.					
14	Economics condition of investor affects the share price in market.					
15	If a company provides some information on future prospective, it will increase market price of a share.					

Thank you for your time and consideration.

Appendix- 2

Analysis of Mean and Standard Deviation of LIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	1425.00	98.62	64.82	0.66	14.45	0.05
2013/14	1622.00	100.81	78.40	0.78	16.90	0.05
2014/15	2151.00	10.11	12.63	1.25	213.00	0.01
2015/16	3580.00	30.06	26.11	0.87	119.00	0.01
2016/17	2799.00	29.11	26.32	0.90	96.00	0.01
2017/18	4095.00	29.60	31.58	1.07	138.00	0.01
2018/19	3850.00	28.40	30.95	1.09	135.56	0.01
Mean	**3253.67**	**54.45**	**45.14**	**1.10**	**122.15**	**0.02**
SD	**980.89**	**36.02**	**23.42**	**0.19**	**69.30**	**0.02**

Source: Annual Reports of LIC from 2012/13 to 2018/19

Appendix- 3

Analysis of Mean and Standard Deviation of NELIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	950.00	22.35	32.45	1.45	42.50	0.03
2013/14	1050.00	25.31	48.50	1.92	41.49	0.05
2014/15	2148.00	32.44	70.53	2.17	66.21	0.03
2015/16	4006.00	41.83	30.08	0.72	95.77	0.01
2016/17	2886.00	30.42	26.32	0.87	94.87	0.01
2017/18	4351.00	56.67	68.00	1.20	76.78	0.02
2018/19	4450.00	60.50	69.95	1.16	73.55	0.02
Mean	**3306.83**	**44.92**	**57.64**	**1.58**	**81.86**	**0.03**
SD	**1319.51**	**11.53**	**17.87**	**0.53**	**22.03**	**0.01**

Source: Annual Reports of NELIC from 2012/13 to 2018/19

Appendix- 4

Analysis of Mean and Standard Deviation of SLIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	560.00	12.82	10.65	0.83	43.68	0.01
2013/14	600.00	16.48	12.63	0.77	36.41	0.02
2014/15	1070.00	20.76	18.00	0.87	51.54	0.02
2015/16	856.00	26.49	11.00	0.42	32.31	0.01
2016/17	709.00	4.39	5.00	1.14	161.57	0.01
2017/18	750.00	8.76	0.00	0.00	85.63	0.00
2018/19	810.00	10.98	9.60	0.87	73.77	0.01
Mean	**892.50**	**16.78**	**11.15**	**0.82**	**80.82**	**0.01**
SD	**170.09**	**7.34**	**5.72**	**0.37**	**45.09**	**0.01**

Source: Annual Reports of SLIC from 2012/13 to 2018/19

Appendix- 4

Analysis of Mean and Standard Deviation of NALIC

Year	MPS	EPS	DPS	DPR	PER	DYR
2012/13	596.00	88.32	73.00	0.83	6.75	0.12
2013/14	2550.00	32.21	38.00	1.18	79.17	0.01
2014/15	1840.00	25.88	32.00	1.24	71.11	0.02
2015/16	3300.00	26.40	26.00	0.98	125.05	0.01
2016/17	2300.00	24.71	14.21	0.58	93.09	0.01
2017/18	2600.00	25.62	19.60	0.77	101.48	0.01
2018/19	2800.00	27.85	21.60	0.78	100.53	0.01
Mean	**2664.33**	**41.83**	**37.40**	**1.06**	**96.20**	**0.03**
SD	**837.15**	**23.00**	**19.16**	**0.23**	**36.76**	**0.04**

Source: Annual Reports of NALIC from 2012/13 to 2018/19

Appendix- 6

Correlation among financial indicators of sample insurance companies

		MPS	EPS	DPS	DPR	PER	DYR
MPS	Pearson Correlation	1					
	Sig. (2-tailed)						
EPS	Pearson Correlation	.654(**)	1				
	Sig. (2-tailed)	.000					
DPS	Pearson Correlation	.538(**)	.703(**)	1			
	Sig. (2-tailed)	.002	.000				
DPR	Pearson Correlation	.225(**)	.269	.778(**)	1		
	Sig. (2-tailed)	.004	.151	.000			
PER	Pearson Correlation	.486(**)	.086	-.003	-.051	1	
	Sig. (2-tailed)	.007	.650	.986	.787		
DYR	Pearson Correlation	.256(*)	.267	.703(**)	.860(**)	.361(*)	1
	Sig. (2-tailed)	.009	.153	.000	.000	.050	

Source: SPSS Result

Appendix- 7

Regression Model Summary

Model	R	R Square	Adjusted R	Std. Error of the Estimate
1	.646[a]	.498	.469	.32626

Source: SPSS Result

Appendix- 8

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	**Std. Error**	**Beta**		
1 (Constant)	2.034	.362		5.614	.000
EPS	.173	.036	.312	4.764	.000
DPS	.162	.035	.172	2.613	.010
DPR	.068	.047	.109	1.440	.152
PER	.080	.056	.109	1.429	.155
DYR	.044	.122	.116	.606	.545

Source: SPSS Result

FACTORS AFFECTING SHARE PRICE IN INSURANCE COMPANIES
(A study on life insurance companies of Nepal)

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

by

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Table of Content

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1. Background of the study

The stock market plays an important role in economic development by promoting capital formation and raising economic growth. Trading of securities in this market facilitates savers and users of capital by fund pooling, risk sharing, and transferring wealth. Economic activities can be created by flow of reserves to the most productive investment. Investors take decisions to invest in particular shares of companies, keeping in view their share prices. Theories suggest that there is an association between changes in share prices and changes in financial fundamental variables (Nisa & Nishat, 2011).

Investors in underdeveloped countries like Nepal mostly look at the profitability of the firm while purchasing equity shares from the secondary market. Since dividend paid to the shareholders is one of the best indicators of profitability, it is generally believed that dividend plays a crucial role in determining market price of the corporate share (Khadka, 2012). A firm generally pays stock dividend if it plans to increase the capital so as to expand the business. The objective of dividend policy should be to maximize the shareholders return so that the value of their investment is maximized. Dividend decision is one of the major decisions taken by the firm. The amount of dividend declared by a firm is one of the factors that show the actual position of the earnings of the firm. The firm issues equity shares to raise ownership capital and the investors buy them with the ultimate expectation to receive a share of profit. The value of the firm is said to be high when the market price of the company's common stock is higher.

Firms that perform better than others have higher stock prices and can raise additional funds (both debt and equity) in more favorable terms. Therefore, it is important to identify the factors that determine the market price of equity shares of any organization. Financial institutions, including commercial banks in Nepal, are the institutions that mobilize monetary resources in the society. During 1990's along with the economic liberalization in Nepal many joint venture banks were established in the private sector, which mandatorily subscribed shares widely to the general public. Insurance companies appeared as the most profitable business and therefore in the beginning the price of shares of insurance companies continuously went up. However, the stock market had been much volatile in Nepal during the last decade because of internal conflict, political instability, poor corporate governance, and various other reasons.

It is said that when the firm needs to retain a high percentage of earning, they issue stock dividends so that the shareholders of the firms remain content. Managers strongly agree that stock dividends have a positive psychological impact on investors receiving them (Baker and Phillips, 1992). By issuing dividends, management is forced to go to the capital market for additional financing. Higher dividends can directly benefit shareholders because they reduce the free resources which managers can use sub-optimally. Some economists believe that management decides to pay dividends in order to reduce agency costs (Easterbrook, 1984). Each time it attempts to raise fresh capital, its operations are intensely scrutinized by investment bankers, accountants, and other market professionals because these parties have a comparative advantages over the bondholders in monitoring the firm's activities. Dividend payments accompanied by subsequent new financing may lower monitoring costs and thereby increase firm's value (Rao, 1992).

There are reasons for the efficacy of dividends as signals. Dividend announcements are backed by hard-core cash, as it has to be deposited to the shareholders account. The firm must generate this cash internally or convince the capital markets to supply it. In addition, dividend decisions tend to be future oriented as opposed to accounting statements which document past performance (Asquith and David, 1986). Besides credibility, dividends also have the advantages of simplicity and visibility. Many others announcements are, at the same time, complex and detailed in focus.

Dividend can be distributed to shareholders by a company in form of cash, shares or both. Some companies paid dividend whole amount of profit as dividend for good image, some retained all amount for reinvestment and same partially paid the amount as dividend.

2. Statement of the problems

Shareholders make investment in equity capital with the expectation of increasing their wealth. Dividend is a kind of earnings that the shareholders expect from their investment. But the dividend decision is still a fundamental as well as controversial area of managerial function. The effect of dividend policy on market price of share is a subject of long standing arguments. But, still there is no single conclusive result regarding the relationship between dividend payment and market price of the share.

There is no controversy that when a firm gets much earning, then the shareholders would expect much dividend. But earnings are also treated as financing sources for the firm. if the firm retains the earnings, its repercussion can be seen in many Factors such as decreased leverage ratio , expansion of activities and increase in profit in succeeding years whereas if the firm pays dividends , it may need to raise capital through capital market which may dilute the ownership control of existing shareholders. If the firm takes loan or raises debenture, it will affect on risk characteristics of the firm .Therefore, there are many dimensions to be considered on dividend theories, policies and practices.

The capital market is an important part of corporate development of a country .Even through the capital marketer is in the early stage of development in Nepal, Nepalese investors have heavily made investment on newly established companies, especially in financial sector -This trend will remain to continue until the investors are satisfied by the decision made by the management of the companies. Dividend is most inspiring aspect for the investment in the shares of various companies for an investors, Even if dividend affect the firm's value, unless management knows exactly how they effect value, there is not much that they can do to increase the shareholder's wealth. So it is necessary for the management to understand how the dividend policy affects the market value of the firm or market price of the stock or the wealth position of the shareholders.

Thus, this research is guided by the following questions:

i. What is the relationship of MPS with other financial indicators such as EPS, DPS, DPR, DYR and PER of listed insurance companies?
ii. Is there any effect of EPS, DPS, DPR, DYR and PER on MPS of listed insurance companies?
iii. Are the investors aware about the financial indicators which influence the MPS of the listed insurance company?

3. Objectives of the study

The major objective of the study is to obtain in-depth knowledge about the impact of dividend policy adopted by the selected companies to its market price of shares and the overall valuation of the firms. The specific objectives are as follows;

i. To explore the relationship between MPS with other financial indicators such as EPS, DPS, DPR, DYR and PER of listed insurance companies.
ii. To examine the effect of DPS, EPS, DPR, DYR and PER on MPS of listed insurance companies.
iii. To analyze the investor's awareness about financial indicators which influence the MPS of listed insurance companies.

4. Theoretical Framework

Figure 1.1 shows the theoretical schema of this study depicting the different factors responsible for movement of market price per share. This framework indicates market price per share as dependent variable and contributing factors – earning per share, dividend per share, dividend payout ratio, dividend yield ratio and price earning as independent variable. Below figure is the schematic representation of factors that guide our research questions.

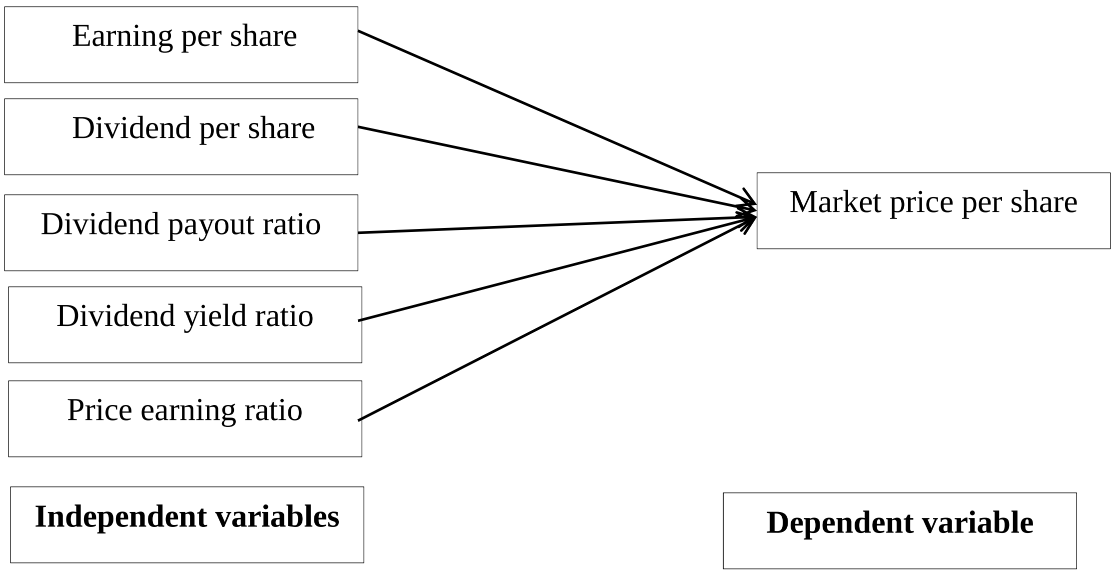

Figure no. 1.1 Theoretical framework

5. Significance of the study

Dividend is a source of return to shareholders. Shareholders invest in shares for the purpose of getting high return and maximize their wealth position .The dividend policy is an effective way to attract new investors, retain existing investors, and make them happy as well as to maintain the goodwill and desired controlling power in the management of the firm.

In Nepal, due to lack of enough knowledge, people are investing haphazardly in the shares. There is not adequate research conducted so far to improve the situation. Hence, it is necessary to establish clear conception about the return resulting from investing in the stocks this thesis will help to overcome this gap to some extent and has considerable importance. It is aimed at providing important information to the investors and respective firms that are taken as sample. The importance of the study can be pointed out as follows:

v. This research work will provide vital information about the impact of dividend on market price.

vi. This study will make suggestion and recommendation that will be helpful for further researchers, investors.

vii. This study will help management and policy maker in setting and making a suitable dividend policy.

viii. This study may be useful to government for policy making, controlling, and monitoring.

6. Limitations of the Study

The limitation of the study is:

vi. The data of only seven fiscal years will be taken for the studies from 2012/13 to 2018/19.

vii. Only four insurance companies are taken as sample for studies.

viii. There are many factors that affect the dividend decision and valuation of the firms. However, only those factors related to dividend would be considered in this study.

ix. Time frame is limited to carry out microscopic study on the topic, thus the study may not reveal the exact results.

x. Only limited sample have been taken which may surely lacks accuracy. .

7. Literature Review

Review of literature means looking back or past event of experiences. Every scientific research must be based on past knowledge. The previous studies cannot be ignored because it provides the foundation to the present study of the perspective titles. So this chapter contains review of the relevant literature in the published books, journals, articles, theses and previous research works related to the past study.

7.1. Conceptual review of literature

"The functions of finance involve three major decisions a company must make: the investment decision, financing decision, and the dividend decision. Each must be considered in relation to firm's objective; an optimal combination of the three will create value"(Van Horne 1929).

Dividend refers to a portion of earning, which is distributed to shareholders in return of their investment in share capital. It is the periodic payment made to the shareholders to compensate them for the use of and risk to their investment. The important aspect of dividend policy is to determine the amount of earnings to be distributed to shareholders and the amount to be retained in the firm. Retained earnings are the most significant sources of financing the growth of the firm. On the other hand, dividends may be considered desirable from shareholders' point of view as they tend to increase their current wealth.

The firm's decision to pay dividends may be shaped by two possible viewpoints. When dividend decision is treated as financing decision, the net earnings of the firm may be considered as a source of long term funds. With this approach, dividend will be paid only when the firm does not have profitable investment opportunities. On the other hand, because of market imperfections and uncertainty, shareholders may give a higher value to the near dividends than the future dividends and capital gains. Thus the payment of dividends may significantly affect the market price of the share. Higher dividends increase the value of the shares and low dividends reduce the price of share. In other to maximize wealth under uncertainty, the firm must pay enough dividends to satisfy investors (William, 1973).

Most of the investors expect dividend to continue in each year as well as to receive price when they sell the stock". The expected final stock price includes the returns of the original investment plus a capital gain. If the stock is actually sold at price above its purchase price, the investor will receive a capital gain as such the shareholders expect an increase in market value of the common stock over time. At the same time, they also expect firm's earning in a form of dividend. So the shareholders may satisfy with dividend or capital gain. "Financial Manager is therefore concerned with the activities of corporation that affect the well-being of stockholders. That well-being can be partially measured by dividend received but a more accurate measure is the market value of stock (Weston, 1989).

7.2. Empirical Review of literature

Empirical review of literature has been conducted from many articles, papers, thesis etc. which are as follows;

Gautam (2000) concluded that average EPS and DPS of all commercial banks are satisfactory. Analysis indicates that there is large fluctuation in EPS and DPS, on the other hand, there is relatively more consistency dividend per share in all the sample banks. No commercial bank seems to be guided by cleanly defined dividend strategy in spite of the good earnings and potentials. Shares of the financial institution are actively traded .and market prices are increasing. Commercial banks represent a robust body of profit earning organization in comparison to the other sectors such as manufacturing, trading etc. One of the most striking findings of the study is that no commercial bank sample for this study has clearly defined dividend strategy. On the other hand, there is significant relationship perceives between earnings and dividend of expansion program.

Adhikari (2000) highlighted the differences in financial position of high dividend paying and low dividend paying companies. The stocks with larger ratio of dividend per share to book value per share have higher liquidity. It is also more variable as compared to stock paying lower dividends. Other thing remaining the same, financial position of high dividend paying companies is comparatively better than that of low dividend paying companies. Another interesting conclusion is that market price of stock is affected by dividend for finance and non-finance sectors differently. There is positive relationship between dividend and stock price. There is negative relationship between dividend payout and earning before tax to net worth. Stocks with larger ratio of DPS to book value per share have higher profitability. Nepalese shareholders are not really indifferent towards payout or nonpayment of dividend. One of the major finding is that earning announcement helps to increase the market price of the share.

Khatiwada (2001) concluded that announcement of dividend and earnings did not affect the shareholders return in average. Other banks except Nepal SBI Bank Ltd. having different dividend rates did not provide abnormal return to the shareholders. Shareholder realized positive abnormal return from NB, SBI and Grindlays.

Basnet (2004) justified that the dividend payment is not a regular and attractive phenomenon in Nepalese listed companies. The companies do not have any stable and consistent dividend practice. The market price' of share of banking and total companies is influenced by many factors oilier than DPS. Change in dividend per share affects the share price differently in different companies. The DPS and EPS are positively correlated in all sectors. Which means higher the EPS, higher will be the DPS. Market Value per Share (MVPS) of the listed companies is higher than net worth per share (NWPS). There exist vast difference between MP and NWPS. This situation clearly indicates that the investors are not matching book value and market value of the share. They don't see the reported value of share from its books of account.

Adhikari (2007) concluded that there are differences in financial position of high dividend paying and low dividend paying companies. The stocks with longer ratio of dividend per share to book value per share have higher liquidity. It has more variable as compared to stock paying lower dividends. Other thing remaining the same, other thing remaining the same, financial position of high dividend paying companies are comparatively better than that of low dividend paying companies. Another interesting conclusion is that market price of stock is affected by dividend for finance and non-finance sectors differently. There is positive relationship between dividend and stock price. There is negative relationship between dividend payout and earnings before tan to net worth. Stocks with larger ratio of DPS to book value per share have higher profit ability. With respect to major motives for paying cash dividend, the majority of the respondent feels that it is to convey information to shareholders that the company is doing good. Nepalese shareholders are not really indifferent towards payout or nonpayment of dividend. One of the major findings is that earning announcement helps to increase the market price of share.

Jha (2007) highlighted dividend practice of the bank, insurance and financial companies. To analyze the relationship of dividend with various important variables. Major findings to the study are: Nepalese government NRB, SEBON, NEPSE should be conscious to discourage market imperfection. Companies should have long term policy regarding the adoption of suitable dividend policy. Even if not earning has been increasing, the dividend per share has widely fluctuated. Distribution of bonus share should be pre-evaluated. There needs a proper information discloser to the investor.

Bhattarai (2008) justified that the banks and manufacturing companies do not follow any specific dividend policy. DPR are fluctuating over the periods of those selected companies. MPS do not follow any specific trend, it fluctuates the future price. There is not any specific trend of EPS in the companies. There is great difference between market price per share and book value per share.

Gautam (2009) concluded that the average earning per share of both two banks is satisfactory and dividend per share is too much unsatisfactory. There is no consistency in dividend payment and its growth rate is not static as well. There is no prominent difference in DPS and D/P rate of both two banks however; there is no uniformity in EPS. R.R Gautam recommends as follows: To follow clearly defined dividend strategy as lack of it causes serious in convenience to may other sectors of finance. Banks should consider the interest and expectation of the investors while making dividend decisions.

Budhathoki (2012) conducted that the average earning per share (EPS) of the banks under study shows a positive result. But the coefficient of variation indicates that there is no consistency of EPS. The average dividend per share (DPS) shows that there is no regularity in dividend payment. The analysis of DPR shows that the Dividend Payout Ratio (DPR) of the banks is not stable. The average market price shows that there is quite high level of fluctuation.

Dhungel (2012), conducted a research to analyze the impact of dividend on the stock price movement of Nepalese banks and financial institutions. For that the research basically focuses on secondary data obtained from websites and published material of selected five commercial banks to examine the relationship of Market Price per Share (MPPS) with other financial indicators such as Earnings per Share (EPS), Dividend per Share (DPS) and DPSBS (including bonus share). Primary data were also obtained from the individuals who own equity shares using a self-designed questionnaire. The questionnaires were distributed to 100 shareholders and staff of the banks. The questionnaire focused on the behavior of the investors while purchasing the equity shares in the secondary market. Only 40 samples responded to the call for survey and send back the questionnaire after filling it. Data were analyzed using SPSS software. The findings from this study indicate that there is no significant impact of dividend on share pricing in most of the banks. There is significant correlation between MPPS and EPS as well as MPPS and DPSBS in case of only one commercial bank but there was no significant correlation among these variables in other four banks. However positive but insignificant correlation was seen in most of the cases. The results could not be generalized at this moment due to small sample size and there is a need for extensive research on this issue in Nepal.

Khan (2012) conducted the study to explicate the effect of dividend announcements on stock prices of chemical and pharmaceutical industry of Pakistan. A sample of twenty nine companies listed at KSE-100 Index is taken from the period of 2001 to 2010. Results of this study is predicated on Fixed and Random Effect Model which is applied on Panel data to explicate the relationship between dividends and stock prices after controlling the variables like Earnings per Share, Profit after Tax and Return on Equity. The Results show that Stock Dividend, Earnings per Share and Profit after Tax have a significant positive relation to stock market prices and significantly explicates the variations in the stock prices of chemical and pharmaceutical sector of Pakistan while Retention Ratio and Return on Equity have the negative insignificant relation with stock prices. This paper further shows that Dividend Irrelevance Theory is not applicable in case of chemical and pharmaceutical industry of Pakistan.

Botchwey (2014), tried to resolve the problems faced by companies listed on the Ghana Stock Exchangeby analysing their dividend payment and evaluate its effect on the share price of these companies. Management is usually caught up in dilemma on whether to pay large or small percentage of their earnings as dividends or to retain them for future investments. This has come out as a result of the need for management to satisfy the various needs of shareholders. The paper seeks to find out the impact of dividend payment and its relationship on the share price of some listed companies on the Ghana Stock Exchange (GSE) and how it helps shareholders to make an informed decision on whether to maintain or withdraw their investment and reinvest in other companies. For the purpose of the study, Eco bank, Cal Bank and AngloGold Ashanti were randomly selected out of the 36 companies listed on the Ghana Stock Exchange. About sixty (60) respondents (shareholders) were randomly selected out of the total number of shareholders of the companies mentioned above. The primary source of data was questionnaire whilst the secondary data consisted of information on dividend policy from the internet, journals such as the journal of risk finance, national tax journal, journal of finance and corporate finance. It was found out that as the dividend of companies increase, the share price also rises due to the pressure on the share. This suggest firms with higher dividend payment have their share price going up as well as a result of higher demand of shares and firms with lower dividend have their share price going down all else being equal.

Bhattarai, (2014), conducted that the trend of volume of stock traded was in fluctuating manner. Dividend & earning played the important role to fluctuate the share price. Signaling factors played major while determining stock price. Used secondary as well as primary data. Statistical tools such as correlation analysis, regression analysis, coefficient of determinants, test static were used. To examine the trend of securities market and volume of stock traded on the secondary market, to analyze the investors view regarding the decision on stock investment. To analyze the behavior of stock price of secondary market in Nepal. To measure composition of sector and their market capitalization of listed companies on NEPSE.

Masum (2014), Attempted made to examine, what kind of relationship exists between dividend policy and stock market returns of private commercial banks in Bangladesh, and to what degree the returns on stocks can be explained by their respective dividend policy for the same period of time. Various theories related to dividend policy are tested in various parts of the world with different results and findings. Various other articles are reviewed, written in Bangladesh and abroad to see the significance of dividend policy on the stock prices and to compare the results of this research with those conducted earlier. 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 dividends and stock prices after controlling the variables like Earnings per Share, Return on Equity, Retention Ratio have positive relation with Stock Prices and significantly explain the variations in the market prices of shares, while the Dividend Yield and Profit after Tax has negative, insignificant relation with stock prices. Overall results of this study indicate that Dividend Policy has significant positive effect on Stock Prices.

Paudel (2014) highlighted the research on the basic objective of the study are to examine whether MPS of listed companies, especially for selected companies under the study and to what extent the risk is involved in the investment of common stocks of those. There is no uniformity in the relationship of MPS with various financial indicators of the sampled companies. If considered on the basis of the average data for the past 5 years, MPS of 6 financial institutions has higher positive correlation with major financial indicators such as EPS, NWPS and DPS and such relationship in significant. The Nepalese stock markets in not efficient enough to determine MPS in accordance with respective financial performance. The market price of share in Nepal is not indicative of a company's financial performance in stock market. Value of share price is to be determined by the future financial indicators, unfortunately, the stock market does not run based on proper information about the company.

Khatiwada, (2014) has conducted study on “Stock Market Efficiency and Behavior of Share Prices.” He used serial correlation test and runs tests as statistical tools, further he used technical trading rule named filter rule for analyzing the data. He found that standard deviations of each and every individual stock’s price changes are higher than the mean. Therefore, the general shape of empirical frequency distribution is flatter than normal distribution’s shape. Most of the results obtained from the serial correlation test for 30 stocks are absolutely large and significantly insulated from zero. The results obtained from the runs test are also consistent with the results of serial correlation tests. When the run test analyzed by lengths; it was found that actual numbers of runs are not normally distributed. Therefore, there exists significant determination is the successive price changes series of Nepalese stock market. Similarly, the results obtained from the filter test showed that difficult mechanical trading rule can beat the average market return. As-most of the filter’s trading returned higher than buy and hold strategy, its supports the result of serial correlation and runs test. Hence, he concluded that today’s price changes are not an unbiased outcome of yesterday’s price changes.

Almumani (2014) identified the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011. In this study these variables (dividend per share, earning per share, size, price earnings ratio, book value, dividend payout ratio and market price) were considered and ratio analysis, correlation and a linear multiple regression models were used to measure the individual as well as combined effects of explanatory variables on the dependent variables. The empirical results showed that there was a positive correlation between independent variables (DPS, EPS, size, P/E ratio, and book value per share) and dependent variable (market price of share). Regression results showed that EPS, BV, P/E ratio and DPS have significant and positive relationship with market price of share.

Memon, Channa, Khoso (2017) conducted a study to observe the impact of dividend policy on market prices of firms' stocks of the nonfinancial sectors of Pakistan during the time period from 2006 to 2015, after controlling some other variables. Data is taken from sixty seven non-financial firms listed in KSE (PSX). The outcome of fixed effect Regression model exposed that there is the significant negative impact of dividend yield and significant positive impact of dividend payout on stocks market prices. The result of control variables showed that growth in assets, growth in earnings, growth in sales and size have a significant positive impact on stock market prices while liquidity, leverage and profit after tax have no significant impact on stock market prices during our study period. Therefore, all outcomes of this research signify that the dividend policy has a significant impact on market prices of stocks in Pakistan.

Dhakal (2018) had different specific objectives. In this study aimed to evaluate the qualitative as well as quantitative factors affecting the stock price in NEPSE with focus to commercial banks, to determine the effect of earning per share, book value and P/E ratio on the share price, to examine the individual effect of earning per share and dividend per share on the stock price, to analyze the market trends of market price per share with financial indicators and to examine the impact of share price fluctuation. This study found that the commercial banks performance is highly inconsistent in the relationship of MPPS with EPS, DPS and BVPS. The MPPS is found to be highly correlated with the EPS and BVPS. From the primary data analysis, factors affecting the market price of share of commercial banks listed in

Nepal Stock Exchange are identified. Such internal factors affecting the share price are earnings per share, book value, and dividend payment, price earnings ratio, paid up capital of the banks. Similarly, there are other environmental factors affecting the market price of share. Such environmental factors affecting the share price are government instability, NRB's policy, SEBON performance, political influences. NEPSE is in primitive stage and it has not significant effect of return on assets, retention ratio, non-performing loan of the bank, cash reserve ratio and cost of fund. After analyzing the secondary and primary data, the following conclusions have been achieved. It was found that the major findings of the study show that the market price per share has high degree of positive relationship with EPS, BVPS and DPS. Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability are the major factors affecting the share price in NEPSE, according to the respondents of the survey. Cost of capital, retention ratio cost of equity, market liquidity, and change in management does not significantly affect the share price in NEPSE.

Neupane (2018), this study was done with the objectives to analyze the moving average of stock price of Nabil bank, Standard Chartered bank and Everest bank, to determine the relative strength analysis of Nabil bank, Standard Chartered bank and Everest bank, to find relation between selected commercial bank (Nabil bank, Standard Chartered bank, Everest bank) stock price and NEPSE index. The major finding of this study was extracted from the analysis of primary and secondary data, and the conclusion has been made on the basis of major findings. This report concluded that from the observance and analysis of above data the commercial bank should move as per the direction given by the central bank. Bank should have optimum policy to collect the deposit in various accounts. Deposit is the major organ of commercial banks to live in the industry. Banks should invest in different sector very carefully, while advancing loan because loan is the blood of commercial banks for survival. If commercial banks do not apply sound deposit mobilization it will be in great trouble in future to collect it in time. Hence the possibility of bankruptcy there are too. Bank should invest their fund in various portfolios after the deep study of the project to be safe from being bankruptcy. If banks concentrate the investment in few organizations, there is high chance of default risk. Diversifications are indeed need to all the business houses but it has seen immense importance to commercial banks.

Diversification of investment of collected deposit is very much important to commercial bank than other business houses because banks use the money to other people for the benefit of its own. And lastly is can be said that banks are important for the nation. It helps in the capital formation to the nations, which is the most important element for the economic growth of the country.

Matthew (2019) conducted a study on the effect of dividend payment on the market prices of shares in Nigeria: A study of 17 quoted firms using time series on dividend per share, dividend yield and dividend payout ratio that ranges between 2009 and 2019. The model specification for the analysis of data is ordinary least squares techniques applied as panel estimation. The researchers empirical results arising from the panel least squares suggests a positive effect between market price per share and dividend per share confirming that a rise in dividend per share brings about an increase in the market price per share of quoted firms; that dividend yield does not have a significant positive effect on the market prices of shares of quoted firms in Nigeria; that there exists a direct relationship between market prices per share and dividend payout ratio of selected firms on the NEPSE. Further, the study revealed that significant variations exist in the movement of the share prices of the selected firms which in theory could be attributed to the forces of demand and supply while in practice could be attributed to some other exogenous and endogenous variables such as economic policies, corporate managerial decisions, psycho-social variables, political situations and institutional parameters. Thus it was concluded and recommended that, earnings remain the most significant determinant of dividend payment averagely, hence it has significant influences on the market value of public owned firms in Nigeria and the world all over. The dividend payment, dividend per share, dividend yield, dividend payout ratio and earning per share are significant in explaining the observed differences in share market prices of quoted firms in Nigeria. The government must contribute by relaxing laws that spell threat to the objectives of firms i.e. maximization of shareholders' wealth.

8. Research Methodology

This chapter will provide the information about research design, sources of data, data collection procedures, population and sampling, instrumentation, administration of instrument and data analysis plan.

8.1 Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the necessary information. A descriptive as well as analytical research design will be carried out for the purpose of this research. The research will be descriptive in nature so, it will be describes all the collected information and data. It also will be analyze the impact of job satisfaction on employees' performance as an analytical nature.

8.2 Population and Sampling

Population or universe refers to the entire group of people, events or things of interest that the researcher wishes to investigate. A sample is a representative portion of population which possesses all the characteristics that are exist in population.

As this study is based on the data of the companies listed in NEPSE, the population is taken from only those insurance companies which are listed, no. of listed life insurance companies in NEPSE are 7. But total life insurance companies registered in BIMA SAMITI are 19 which is regulatory body of insurance companies. Since the topic implies the study should be done among the dividend paying and actively traded life insurance companies, the sampling are done accordingly. The study will cover altogether four insurance companies consisting. Convenient sampling method will be used in this study.

The samples selected are as follows:

5. Life insurance Co. Nepal
6. Nepal Life insurance Co. Limited.
7. Surya Life insurance Co. Limited.
8. National Life insurance C. Limited.

8.3 Data Collection and Processing Procedure

The data used in this study is both primary and secondary. Primary data will used for the study through the questionnaire method. A structured questionnaire will be prepared and distributed to the respondents through personal visit. The secondary data will be collected from, annual reports from Fiscal year 2012/13 to 2018/19, magazines and bulletins of the companies under study, relevant information and data from the publication of Bima Samiti, SEBON, NEPSE, NRB, and web pages of the selected companies.

8.4 Data analysis tool and techniques

Data analysis is an important stage of the research process. The purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. Raw data must be compiled, analyzed, and interpreted carefully before its full meaning and implications can be understood. For this research study, tables, graphs and charts will be used to present the data collected during the field work. Similarly, various statistical tools will be used for descriptive analysis like minimum, mean maximum, standard deviation, and other tools will be used for inferential analysis of data like correlation, regression and ANOVA according to the need of the study. Computer software like Microsoft Excel and SPSS will also be used to analyze the data.

9. Chapter plan

This study will be divided into five chapters which are as follows:

First chapter i.e. Introduction will deal and include the background of the study, statement of the problem, objectives of the study, significance of the study, limitations of the study, and organizations of the study.

Second chapter will deal with the review of available literature. It takes in review of the related books, journals, articles and previous unpublished Master’s Degree thesis etc.

Third chapter will explain about the research methodology used in the study. It will include research design, population and sampling, source of data, method of data analysis and research variables etc.

Fourth chapter, the most important chapter of the study, is the presentation and analysis of data as well as the major findings of the study.

The fifth and the last chapter will cover the summary of the study, the main conclusion that flows from the study and some recommendations as well as suggestions for further improvement.

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