

## ***Impact of Financial Performance on Stock Price: A Study in Nepalese Insurance Companies***

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### ***Abstract***

*This study looked into how Nepalese insurance companies' stock prices were affected by their financial performance. A company's total financial health during a specific time period is gauged by its financial performance (FP). Return on equity (ROE), return on assets (ROA), earnings per share (EPS), book value per share (BVPS), and net profit margin (NPM) are the independent variables in the theoretical framework, while stock price is the dependent variable. Purposive sampling approaches were used to gather data for the study from five life insurance and five non-life insurance companies that have been in continuous operation for the past eight years without experiencing any significant changes. utilizing descriptive analysis, correlation, and other types of regression analysis by using EVIEWS. EPS has a substantial beneficial effect on stock values, according to the research findings. Return on assets (ROA) has a negative, large impact on stock prices, while ROE, NPM, and BVPS have negligible effects. Therefore, the insurance board should create unique regulations for life and non-life insurance companies, and any investor should take EPS and ROA into account while making stock market investments. The financial fundamental indicators are always at their best thanks to it. Because of this, insurance companies' stock values are consistently beneficial on the secondary market.*

**Key words:** *Stock Price, Return on Equity, Return on Assets, Net Profit Margin, Earning per Share, and Book Value per Share.*

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### **I. Introduction**

Stakeholders, regulators, investors, academics, and others must comprehend the financial performance of insurance businesses and how it affects the stock price in Nepal. It offers insightful information on how the stock market operates and aids in the decision-making of stakeholders. The insurance sector in Nepal is vital to ensuring the financial security of individuals and businesses operating there as well as to the general economic prosperity and stability of the nation (Khadka & Pradhan, 2023). Stock market dynamics and investor decisions are significantly impacted by the performance of insurance companies, which make up a significant portion of the financial sector.

The insurance industry has a shorter history in Nepal than in other countries. Prior to the founding of the first insurance business, Nepal Insurance and Transport business Ltd., in 1947, Indian Insurance primarily handled

Nepal's insurance operations in Nepal. In the context of Nepal, life insurance has been around for around fifty-six years, while nonlife insurance has been around for about seventy-seven. "Nepal Insurance Company" was the first general insurance firm established in 1947. Rastriya Beema Sansthan, the first insurance business, was founded in 1968 and offered both life and non-life insurance services. In 1971, B.S government of Nepal decided to form separate general insurance business of Rastriya Beema Sansthan and established Rastriya Beema Company. Currently, the life insurance business is looked at by Rastriya Beema Sansthan and non- life insurance business is looked by Rastriya Beema Company.

As of Ashad's end of 2081 BS, there were 14 life insurance firms, 14 non-life insurance companies, 2 re-insurance companies, and 2 micro-insurance companies functioning in

Nepal. Insurance business in Nepal has grown by about 2.87% in the last fiscal year 2080/81. According to the Insurance Board, companies collected 197.97 billion in premiums in the last fiscal year. The companies collected RS Rs 182.91 billion in insurance premiums for the preceding fiscal year 2079/780. Non-life insurance businesses collected RS 41.47 billion in premiums during the fiscal year 20780/81. The Insurance Board reports that for the fiscal year 2080–81, life insurance companies collected RS 156.50 billion in premiums.

According to Tandelilin (2010), financial performance is a subjective indicator of an organization's responsibility for the outcomes of its operations, policies, and activities as measured over a certain time period. Numerous additional variables, some of which are challenging to measure, affect financial performance. These variables include organizational structure, management caliber, and established procedures and controls (Osisanwo & Atanda, 2012). A company's capital structure can be used to gauge its success through financial performance (Nurlaily et al., 2013).

The ability of a company to create revenue is measured by its financial performance in Nepal. It evaluates the overall financial health of the company over a certain time frame (Adhikari & Mueller, 2001). Higher return on equity (ROA) is positively and significantly correlated with stock return, according to Lamichhane and Rai's (2021) research. Stock market is the mirror of economy. It has developed into a market that is now necessary for economic development, supporting capital generation and long-term economic expansion. Stock markets are essential for economic progress because they ensure that resources flow to the most profitable investment opportunities (Kurihara, 2006). Given the dynamic nature of the stock market, investors and fund managers have often had to

overcome the difficulty of accurately predicting stock prices in order to produce decent returns. Share price forecasting is an extremely challenging task, though. Since there are known extrinsic and intrinsic factors that could influence stock price variations, the nature of share price movement is not independent (Malhotra & Tandon, 2013).

All types of insurance companies in Nepal are operated under the Insurance Regulation, 2049. The insurance market in Nepal is at turning point. The COVID-19 pandemic's consequences on Nepal's insurance industry are only one of the many chances that the country offers insurance companies. With increased demand for insurance services, the Nepal insurance business has risen in recent years, although it still confronts considerable obstacles. The poor penetration of insurance is one of the major challenges. Among the primary obstacles are regulatory issues, competition from other financial service providers, and client illiteracy. Notwithstanding these obstacles, insurers in Nepal have many opportunities, such as rising insurance product demand, leveraging technology to boost operational and customer service effectiveness, funding CSR initiatives, and nurturing local talent. Both the demand for health insurance coverage and the number of insurance claims for life, health, and travel insurance have surged because of the outbreak. As a result, major indicators of financial performance such as ROA, ROE, EPS, NPM and BVPS go on increasing and which has significant impact on stock prices. The insurance sector has been increasingly significant to the Nepalese economy during the last ten years. A strong and financially stable insurance provider may provide its services to clients more effectively. Therefore, the performance of insurance companies is of equal significance to policyholders, shareholders, the government, the regulating body, and society at large.

Although the insurance industry in Nepal has a roughly seventy-seven-year history, it is now growing slowly. The primary issue is a lack of adequate insurance information; as insurance is not required in Nepal, the majority of individuals are ignorant of the insurance policy. The number of insurance businesses in Nepal is rapidly growing as a result of the implementation of open economic policies. The insurance industry is very important and has a lot of promise, but competition is getting fiercer. In the midst of this expansion, investors, regulators, legislators, and other industry stakeholders are now very interested in and concerned about the relationship between the financial performance of insurance companies in Nepal and their stock prices. In light of this, research on how financial performance affects the stock price of Nepalese insurance companies has not received the same level of attention as that conducted on other financial sectors, such as commercial banks. Only the association between stock returns and financial performance for companies registered on the Bombay Stock Exchange (BSE) has been extensively studied in the literature (Natarajan et al., 2020). Ghimire (2013) discusses the expansion of the insurance industry by taking

into account factors like premium collection, investments, number of policies, etc. However, focusing solely on these factors is insufficient to analyze the growth of the insurance industries in Nepal; we also need to take into account the stock price movement of the insurance sectors and its determinants, such as ROA, ROE, NPM, BVPS, and EPS.

The primary issue this study seeks to answer is: How does financial performance affect the stock price of insurance businesses in Nepal?

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

The study's main goal is to gain a better understanding of how financial performance affects Nepalese insurance companies' stock prices. Accordingly, the following are the precise goals:

- To investigate how Nepalese insurance companies' assets, book value per share, earnings per share, return on equity, net profit margin, and stock price relate to one another.
- To examine how the stock price of Nepalese insurance firms is impacted by return on equity, earnings per share, return on assets, net profit margin, and book value per share.

## **II. Review of Literature**

The Behavioral Finance Theory Behavioral finance is the study of how investors and financial markets are affected psychologically. Fundamentally, behavioral finance is the study of financial market inefficiencies and mispricing. Shiller (1981) stated that psychological factors and investor sentiment could impact stock returns. These theories explore how investor behavior, including reactions to financial performance information, can affect stock prices. Behavioral finance provides examples of how various investors understand and respond to market data. It is not always the case that

investors act logically or make objective predictions about quantitative models.

The interaction between principals, like shareholders, and agents, like managers, is examined by agency theory, which emphasizes the conflicts that result from asymmetric knowledge and divergent objectives. These conflicts, known as the principal-agent problem, can result in agency costs, including monitoring expenses, bonding costs, and residual losses. To mitigate these issues and positively impact stock prices, companies employ strategies such as performance-based compensation, transparent

financial reporting, and robust corporate governance. For example, tying executive pay to stock performance aligns managerial incentives with shareholder goals, encouraging decisions that enhance long-term value. Agency theory helps improve stock prices by aligning the interests of shareholders and managers. When managers are incentivized to act in the best interests of shareholders, such as through stock options or performance-based bonuses, they are more likely to make decisions that increase the company's value.

Menaje (2012) examined how certain financial factors affected the share price of Philippine publicly traded companies. The research employed stock price as a dependent variable and earnings per share (EPS), return on equity (ROE), net profit margin, and book value per share as independent variables. The OSIRIS electronic database provided the study with secondary data from the 2009 financial reports of fifty publicly traded companies. To determine the degree to which business financial performance influences stock prices, the multiple regression technique was used for the total data analysis. According to the study, return on assets has a negative effect on the share price of Philippine publicly traded companies, but earnings per share has a significant positive effect.

Idawati and Wahyudi (2015) examined how the share price of a coal mining firm listed on the Indonesia Stock Exchange was impacted by earnings per share (EPS) and return on assets (ROA). The study's independent variables were return on assets (ROA) and earnings per share (EPS), whereas the dependent variable was share price. Descriptive research design was adopted in the study. Eleven coal mining companies made up the study's entire sample, and the population consisted of all listed coal mining companies on the Indonesia Stock Exchange. The study's data came from secondary

sources. To have some confidence in the testing required to analyze the data with a panel data model, the study combined EVIEWS and SPSS. The Ordinary Least Square Method (common effect), Efek Tetap (fixed effects), and Efek Random (random effect) were used for the entire data analysis. According to the study, return on assets and earnings per share have a positive correlation with stock prices and have a big impact on them.

Saleh (2015) investigated the connection between stock returns from Pakistan's oil and gas industry and the financial performance of the company. With reference to Pakistan's oil and gas industry, the study examined the degree to which factors such as net profit margin, return on equity, and return on assets affect stock returns. Ten companies' secondary data was gathered for the study between 2010 and 2014. Correlation analysis and the Ordinary Least Squares (OLS) approach has been utilized for the proper and comprehensive examination of the data unit root test. According to the study, return on equity has a slight but positive impact on stock returns, whereas net profit margin and return on assets have a low but negative impact.

Anwaar (2016) looked into how company performance affected stock returns from companies listed on the London Stock Exchange's FTSE-100 Index between 2005 and 2014. The study examined how the stock return of companies listed on the London Stock Exchange was affected by the quick ratio, earnings per share, return on assets, return on equity, and net profit margin. Thirty companies from the London Stock Exchange's FTSE-100 index were chosen for the study in order to examine how company success affects stock returns. The information was gathered between 2005 and 2014. Secondary data from various annual reports was used in the study. The impact of firm performance on stock return was examined using panel

regression analysis and correlation analysis. While earnings per share were found to have a considerable negative impact on stock returns, the study indicated that net profit margin and return on assets had a positive impact. Additionally, the study discovered that quick ratio and return on equity have little effects on stock performance.

### Theoretical Framework and Definitions of variables

In addition to describing the variables employed in the study and their relationships, this part offers the theoretical foundation for the investigation. A sort of intermediate theory known as a theoretical framework makes an effort to link the problem definition, purpose, literature review, technique, data collection, and analysis to every facet of the investigation. The stock prices of Nepal's insurance companies serve as the study's dependent variables. Return on assets (ROA), earnings per share (EPS), return on equity (ROE), net profit margin (NPM), and book value per share (BVPS) are the metrics used to measure the independent variables. Consequently, the conceptual model that follows is designed to summarize the main objective and scope of this study in terms of the variables that are included. The study's independent and dependent variables are explained by the conceptual frameworks. A

#### Dependent Variable

The value of the stock a dependent variable in financial markets, represents the marketplace value of long-term securities, such as those backed by debt and equity, which are purchased and sold. Often regarded as a long-term financial indicator, stock price reflects the value of shares or equity, granting holders a portion of ownership in a firm, along with the potential to profit from the corporation's

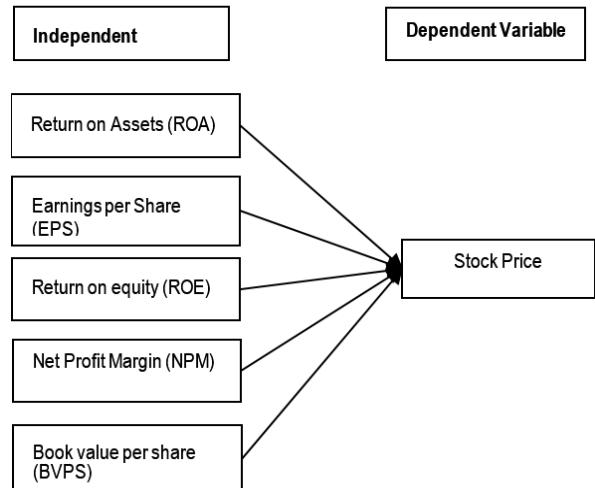
theoretical framework was created based on the works of Saleh (2015) and Anwar (2016). Figure 1 illustrates it.

**Figure 1**

#### *Theoretical framework*

*Note.* Saleh (2015); Anwar (2016)

A literature analysis of previous research on



the subject is usually the basis for developing theoretical frameworks, which can be written or visual. The influence of the aforementioned independent variables on dependent variables in Nepalese life and non-life insurance businesses is depicted in Figure 1. It is composed of five independent variables: book value per share, net profit margin, return on equity, earnings per share, and return on assets. The stock price is the dependent variable in this framework.

earnings or bear losses proportional to their shares (Arkan, 2016).

#### Independent Variable

Return on equity (ROE), return on assets (ROA), book value per share (BPS), earnings per share (EPS), and net profit margin (NPM) are the independent factors that affect the stock price. Return on assets, which gauges how profitable a company is in relation to its total assets, shows how effectively assets are

used to produce profits (Jewell & Mankin, 2011). The profitability derived from shareholder equity is assessed by return on equity, which shows how well the company can provide returns for investors (Brigham & Houston, 2007). A key measure of managerial effectiveness and shareholder value is earnings per share, which is the amount of money made on a share of common stock (Charles, 2009). The percentage of revenue

that is turned into net income is known as the net profit margin, providing insight into management's efficiency in controlling costs and maximizing profitability (Egam et al., 2017). Book value per share, which reflects a share's accounting value, helps in assessing whether a stock is over- or undervalued in the market, with significant implications for investment decisions (Almumani, 2014).

### III. Research Methodology

Both a descriptive research design and a causal-comparative research design were used in this investigation. Ten life and non-life insurance companies that operate in Nepal from the fiscal year 2016–17 to 2023–24 make up the population. However, the study used a sample size of ten insurance businesses that have been in continuous business without a margin for the past eight years and were chosen using purposive sampling. The nature of the data is quantitative, gathered from secondary sources such as annual reports available on each insurance companies and Insurance board of Neal website. Additional data on Stock price from NEPSE. The study used a panel data approach to analyze the collected data, focusing on examining relationships and causal effects among variables within the insurance companies. The pooled regression model is estimated using

correlation and the ordinary least squares approach. A sample of ten insurance businesses is selected from the population of twenty-eight life and non-life insurance companies. The acquire data were statistically examined using E-views software. The regression analysis started with the following model:

$$Y = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where, Y = Stock Price (SP) A = Constant Term,

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are the slopes of the five variables

X<sub>1</sub> : Return on Assets (ROA), X<sub>2</sub> : Earning Per Share (EPS),

X<sub>3</sub> : Return on Equity (ROE), X<sub>4</sub> : Net Profit Margin (NPM), X<sub>5</sub> : Book Value Per Share (BVPS) and e : Error term.

### IV. Results and Conclusion

#### Descriptive Statistics

Descriptive data on the study variables are included in the table below. The study's independent and dependent variables' mean, standard deviation, minimum, and maximum values are displayed in the table.

**Table 1**

*Descriptive Analysis*

| Vari<br>able | Obs | Mean | Std.<br>Dev. | Min   | Max   |
|--------------|-----|------|--------------|-------|-------|
| Price        | 80  | 2522 | 4270         | 415.  | 1829  |
|              |     | .561 | .743         | 17    | 2.5   |
| ROA          | 80  | 4.73 | 3.59         | -0.26 | 12.63 |
|              |     | 1    |              |       |       |
| EPS          | 80  | 40.7 | 60.5         | -4.3  | 289.7 |
|              |     | 81   | 33           |       | 3     |
| ROE          | 80  | 10.7 | 6.40         | -3.91 | 42.71 |
|              |     | 06   | 9            |       |       |

|     |    |      |      |      |       |
|-----|----|------|------|------|-------|
|     | 80 | 17.0 | 15.3 | -1   | 58.34 |
| NP  |    | 55   | 94   |      |       |
| M   |    |      |      |      |       |
|     | 80 | 480. | 1000 | 112. | 6641. |
| BVP |    | 313  | .969 | 29   | 73    |
| S   |    |      |      |      |       |

*Note.* Author's Calculation by E-views

The dependent variable in Table 1 above is the stock price, which has a mean value of 2522.561 and a standard deviation of 4270.473. It indicates that the average stock price of ten life and non-life insurance businesses during an eight-year period has a minimum value of Rs 415.17 and a high value of Rs 18292.5. As with independent variables, the mean value of Return on Assets (ROA) is 4.731% with a standard deviation of 3.59%, ranging from a minimum of -26% to a maximum of 12.63%. With a mean of Rs 40.781 and a standard deviation of Rs 60.533, earnings per share (EPS) is also present. This has a range of Rs -4.30 as the smallest value and Rs 289.73 as the maximum. The same is true for Return on Equity (ROE), which has a mean of 10.706% and a standard deviation of 6.409%, ranging from a minimum of -3.91% to a maximum of 42.71%. Similarly, the Net Profit Margin (NPM) runs from a minimum of -1% to a maximum of 58.34%, with a mean value of 17.055% and a standard deviation of 15.394%. Book Value per Share (BVPS) ranges from a low of Rs 112.29 to a maximum of Rs 6641.73, with a mean value of Rs 480.313 and a standard deviation of Rs 1000.969.

## Correlation

A statistical metric called correlation is used to determine how much two variables change together. It evaluates the direction and strength of a linear relationship between two continuous variables, to put it explicitly.

**Table 2**

*Correlation Matrix*

| Variabl<br>es | RO<br>A | EPS  | RO<br>E | NP<br>M | BV<br>PS | Pric<br>e |
|---------------|---------|------|---------|---------|----------|-----------|
| (1)           | 1.00    |      |         |         |          |           |
| ROA           | 0       |      |         |         |          |           |
| (2)           | 0.30    | 1.00 |         |         |          |           |
| EPS           | 1**     | 0    |         |         |          |           |
| (3)           | 0.35    | 0.06 | 1.00    |         |          |           |
| ROE           | 3**     | 6    | 0       |         |          |           |
| (4)           | 0.74    | 0.75 | 0.16    | 1.00    |          |           |
| NPM           | 1**     | 3**  | 8       | 0       |          |           |
| (5)           | 0.13    | 0.86 | -       | 0.64    | 1.00     |           |
| BVPS          | 4       | 2**  | 0.15    | 4**     | 0        |           |
|               |         |      | 4       |         |          |           |
| (6)           | 0.11    | 0.90 | -       | 0.65    | 0.87     | 1.00      |
| Price         | 7       | 4**  | 0.14    | 7**     | 2**      | 0         |
|               |         |      | 0       |         |          |           |

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

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

*Note.* Author's Calculation by E-views

As stated at the bottom of the table, the single asterisk sign(\*) indicates that correlation is significant at the 0.05 levels or 95 percent confidence level. The double asterisk sign(\*\*) indicates that correlation is significant at the 0.01 or less than 0.01 levels or 99 percent or less than 99 percent confidence level.

In table 2, a correlation analysis of different variables have been done. At the significant level of 0.01 or 99% confidence level, with a 99% confidence level, the double asterisk (\*\*) symbol indicates a substantial positive correlation between return on assets and the variables earning per share, return on equity, and net profit margin. The double asterisk (\*\*) indicates a significant positive association (99% confidence level) between earnings per share, net profit margin, book value per share, and stock price. At a 99% confidence level, the double asterisk (\*\*) indicates a substantial positive correlation between the net profit margin and the stock price and book value per share. Similarly, a double asterisk (\*\*) indicates a significant positive link between

stock price and another variable, book value per share, with a 99% confidence level.

### Variance Inflation Factor (VIF)

To find out if the independent variables in a regression model are correlated, the multicollinearity test is used. In particular, it assesses the connections between independent variables in order to spot any possible problems. Multicollinearity may cause the sample's variance to be exaggerated, which would raise the standard errors. As a result, when testing for coefficients, the t-statistic can be less than the crucial t-value, suggesting that there isn't a distinct linear relationship between the independent and dependent variables. The Variance Inflation Factor (VIF) and the tolerance value are two important indicators used to identify multicollinearity in a regression model.

**Table 3**

*Variance Inflation Factor*

| Variable | VIF   | 1/VIF |
|----------|-------|-------|
| NPM      | 8.092 | .124  |
| EPS      | 5.94  | .168  |
| BVPS     | 5.305 | .189  |
| ROA      | 4.306 | .232  |
| ROE      | 1.324 | .755  |
| Mean VIF | 4.993 | .     |

*Note.* Author's Calculation by E-views

A predictor variable with a VIF of 1 or higher should not be included in the model since it shows the presence of a multicollinear relationship. The VIF values for NPM, EPS, BVPS, ROA, and ROE are 8.092, 5.94, 5.305, 4.306, and 1.324, respectively, as indicated in the above table. The model does not exhibit multicollinearity, as indicated by the mean VIF value of 4.993, which is less than 10.

### Regression Model (Pooled OLS)

The pooled regression model is estimated using the ordinary least squares approach. With the exception of industry and time

effects, the pooled ordinary least square (OLS) model aids in determining how independent variables affect dependent variables. The first is the panel least squares or pooled OLS model.

**Table 4**

*Panel Least Squares(Pool OLS Method)*

| Variable           | Coefficient | Std. Error | t-Statistic | Prob.  |
|--------------------|-------------|------------|-------------|--------|
| C                  | 3.077212    | 0.048796   | 63.06307    | 0.0000 |
| ROA                | 0.029585    | 0.012757   | 2.319124    | 0.0232 |
| EPS                | 0.005501    | 0.000889   | 6.19072     | 0.0000 |
| ROE                | 0.006515    | 0.003963   | 1.643922    | 0.1044 |
| NPM                | 0.001648    | 0.004078   | 0.404021    | 0.6874 |
| BVPS               | 1.42E-05    | 5.08E-05   | 0.279029    | 0.7810 |
| R-squared          |             | 0.771213   |             |        |
| Adjusted R-squared |             | 0.755755   |             |        |
| F-statistic        |             | 49.88913   |             |        |
| Prob(F-statistic)  |             | 0.000000   |             |        |

*Note.* Author's Calculation by E-Views



The outcomes of the pooled OLS regression model are shown in Table 4. According to the Pooled OLS Model, the F-value has a significant p value and the R squared is 77.12%. This demonstrates how well the model fits. The independent factors account for 22.88 percent of the variance in the dependent variable, according to the R squared value of 77.12%. However, the Breusch and Pagan Lagrangian Multiplier Test for Pools' OLS model or FEF/FFM should be required for this investigation.

### Breusch and Pagan Lagrangian Multiplier Test for Random Effects/Fixed Effect

The purpose of this test is to select between the Random Effects Model/Fixed Effect Model (REF/FEM) and the Pooled OLS Model. The alternative hypothesis, H1: REF/FEM Model is acceptable, and the null hypothesis, Ho: Pooled OLS Model is appropriate, are both included in this test.

**Table 5**

*Breusch and Pagan Lagrangian Multiplier Test for random effects*

|         |        |
|---------|--------|
| P value | 0.2042 |
|---------|--------|

*Note.* Author's Calculation by E-Views

The p-value in Table 5 of the Breusch and Pagan Lagrangian Multiplier Test for OLS or Random Effects/Fixed Effect Model is 0.2042, which is greater than 0.05. As a result, we can accept the null hypothesis, reject the alternative hypothesis, or decide that the REM/FEM test is not necessary. The appropriate method for this study is Pool OLS.

**Table 6**

*Hypothesis Table*

| Hypotheses   | P-value | Remarks   |
|--|---------|-----------|
| H <sub>1</sub> : There is a significant impact of Return on Assets on stock price in Nepalese insurance companies. | 0.0232  | Supported |

|  |        |               |
|--|--------|---------------|
| H <sub>2</sub> : There is a significant impact of Earning per Share on stock prices in Nepalese insurance companies.   | 0.0000 | Supported     |
| H <sub>3</sub> : There is a significant impact of Return on Equity on stock prices in Nepalese insurance companies.    | 0.1044 | Not Supported |
| H <sub>4</sub> : There is a significant impact of Net profit Margin on stock price in Nepalese insurance companies.    | 0.6874 | Not Supported |
| H <sub>5</sub> : There is a significant impact of Book Value Per Share on stock price in Nepalese insurance companies. | 0.7810 | Not Supported |

Given that the regression coefficient of Return on Assets (ROA) has a p-value of 0.0232 and a negative coefficient of -0.029585, it is suggested that (H1) is accepted. Consequently, it can be said that the stock price of Nepalese insurance companies is negatively impacted by ROA. As a result, the stock price decreased by 0.0295 units with a t-statistic of -2.319 for every unit rise in return on assets. Since the p-value of the Earnings per Share (EPS) regression coefficient is 0.0000, or less than 5% significance, and the EPS coefficient is 0.00550, or positive, H2 is accepted. Therefore, it can be said that the stock price of Nepalese insurance companies is significantly positively impacted by earnings per share. If the t-statistic is 6.190 and the stock price increases by 0.0055 for every unit rise in EPS. The p-value of the regression coefficient of return on equity is 0.1044, which is higher than 0.05, and the coefficient is negative 0.0065, as the following table shows. H3 is turned down. Thus, it can be said that the stock price of Nepalese insurance companies is negatively and negligibly impacted by return on equity. There is insufficient evidence to reject the null hypothesis (H0) and endorse the alternative hypothesis (H1), as indicated by the net profit margin coefficient of 0.001648

and the regression coefficient's p-value of 0.6874, both of which are greater than 5%. Thus, it can be said that the stock price of Nepalese insurance companies is not much impacted by net profit margin. The regression coefficient's p-value is 0.7810, which is higher

than 5% and suggests that there is insufficient data to support the alternative hypothesis (H1) and reject the null hypothesis (H0). Thus, it can be said that the stock prices of Nepalese insurance companies are not much impacted by book value per share.

## **V. Discussion**

The study's main focus is on how Nepalese insurance companies' stock prices are affected by their financial performance. It attempts to demonstrate the extent to which independent variables such as book value per share, net profit margin, earnings per share, return on equity, and return on assets have an impact. On the basis of independent variables and dependent variables, such as stock price, five hypotheses were developed. Certain independent variables were shown to have a negligible effect on stock prices, while others were found to be positively and negatively significant with respect to stock prices.

According to the fourth and fifth hypotheses, the influence on stock prices is negligible. According to the second hypothesis, stock prices are significantly impacted. On the other hand, the third hypothesis suggested that stock prices are negatively impacted, albeit little. In contrast to our investigation for the first hypothesis, Talamati and Pangemanan's (2015) study shown a significant impact on stock prices. The second hypothesis, however, is fully supported by Menjae's (2012) study, which reveals a positive significant relationship between earnings per share and stock price.

Similarly, the study conducted by Tran (2015) showed the third hypothesis, which supported the study. In addition, the study conducted by Anwaar (2016) showed the positive impact on stock price, which is, contradicts to the fourth hypothesis. Furthermore, the fifth hypothesis

is supported by Martina's (2019) study, which revealed no discernible effect on stock price. This chapter wraps up the thesis by providing a concise synopsis of the main study findings and describing the conclusions so that conclusions may be drawn from the research. The present chapter encompasses a comprehensive summary of the findings derived from the preceding chapter, along with contributions or implications, conclusion and recommendations that are grounded in those findings. The researchers' conclusion is also included along with the suggestion of areas for further study. Recommendations that are grounded in those findings. The researchers' conclusion is also included along with the suggestion of areas for further study.

## **VI. Conclusion**

The results show that the stock price is significantly positively impacted, meaning that higher EPS results in a higher stock price. It entails attempting to forecast how the stock prices of life and non-life insurance businesses will behave in the future. In order to raise the stock price of these chosen companies in the secondary market, financial analysts and managers of insurance companies should concentrate on raising the EPS of each life and non-life insurance company. The stock price is significantly impacted negatively by the return on assets. The stock price of certain corporations is not significantly impacted by the remaining three criteria, which are Return on Equity, Net

Profit Margin, and Book Value per Share. It means insurance companies should give more emphasis on these indicators and should do more in-depth analysis and give more attention because they are also major indicators of the financial performance to increase or decrease the stock price in

secondary market. As investors who wanted to invest in these insurance companies in secondary market and they look first at these indicators. So, ROA, ROE, NPM & BVPS are also equally important factors in order to analyze the stock price in the secondary market.

## VII. References

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