

FACTORS INFLUENCING MARKET CAPITALIZATION OF LISTED BANKS ON THE NEPAL STOCK EXCHANGE

A Dissertation submitted to the Office of the Dean, Faculty of Management, in partial
fulfilment of the requirements for the Degree of Masters of Business Studies

by

Priti Yadav

Campus Roll No.: 94/077

Exam Roll No.: 35877/21

TU Reg. No.: 7-2-39-350-2013

Shanker Dev Campus

Specialization: Finance

Kathmandu,

March, 2025

Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Factors Influencing Market Capitalization of Listed Banks on The Nepal Stock Exchange”. 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

.....

Priti Yadav

Date:.....

Report of Research Committee

Ms. Priti Yadav has defended research proposal entitled “Factors Influencing Market Capitalization of Listed Banks on The Nepal Stock Exchange” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

.....
Asst. Prof. Joginder Goet
Dissertation Supervisor

| |
|--|
| Dissertation Proposal Defended Date: |
|--|

| |
|--|
| Dissertation Submitted Date: |
|--|

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

| |
|--|
| Dissertation Viva-voce Date: |
|--|

Approval Sheet

We have examined the dissertation entitled “Factors Influencing Market Capitalization of Listed Banks on The Nepal Stock Exchange” presented by Priti Yadav a candidate for the degree of Master of Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

.....

Asst. Prof. Joginder Goet

Dissertation Supervisor

.....

Internal Examiner

.....

Internal Expert

.....

External Expert

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

.....

Asso. Prof. Dr. Kapil Khanal

Campus Chief

Acknowledgements

This dissertation has been completed in partial fulfillment of the requirements for the Master of Business Studies (MBS) as per the rules and regulations set forth by Tribhuvan University. The moment gives me an opportunity to thank all those people whose guidance and support enabled me to successfully accomplish my thesis. Acknowledgement is an important part of every research work and report. In this section of the report, I am providing the acknowledgement on both a personal and professional level for all the people whose advise and opinion been instrumental in making this research possible through there unrivaled expertise.

I owe a special debt of gratitude to all those who directly or indirectly, significantly contributed to achieving my goals, along with my research supervisors and examiners. In particular, I would like to thank Asst. Prof. Joginder Goet, my supervisor; Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of the Research Department; and Asso. Prof. Dr. Kapil Khanal, Campus Chief, for their invaluable support and encouragement throughout the research and during the preparation of this report.

I am grateful to share this study with a wider audience because it is the result of many dedicated experts. Thank you to everyone who helped out with completion this dissertation. A special mention goes out to my family, and friends, who always have a way of motivating me to work harder.

Priti Yadav

March, 2025

Table of Contents

| | |
|--|-------------|
| <i>Certification of Authorship</i> | <i>ii</i> |
| <i>Report of Research Committee</i> | <i>iii</i> |
| <i>Approval Sheet</i> | <i>iv</i> |
| <i>Acknowledgements</i> | <i>v</i> |
| <i>Table of Contents</i> | <i>vi</i> |
| <i>List of Tables</i> | <i>viii</i> |
| <i>List of Figure</i> | <i>ix</i> |
| <i>Abbreviations</i> | <i>x</i> |
| <i>Abstract</i> | <i>xi</i> |
| CHAPTER I: INTRODUCTION | 1 |
| 1.1 Background of the Study | 1 |
| 1.2 Problem Statement | 3 |
| 1.3 Objectives of the Study | 5 |
| 1.4 Research Hypothesis | 5 |
| 1.5 Rationale of the Study | 6 |
| 1.6 Limitations of the Study | 7 |
| CHAPTER II: LITERATURE REVIEW | 8 |
| 2.1 Conceptual Review | 8 |
| 2.1.1 Concept of Market Capitalization | 8 |
| 2.1.2 Importance of Market Capitalization | 9 |
| 2.1.3 Determinants of Market Capitalization in Banks..... | 10 |
| 2.1.4 Policy Implications for Enhancing Market Capitalization..... | 12 |
| 2.2 Theoretical Review | 12 |
| 2.2.1 Dividend Relevance Theory..... | 12 |
| 2.2.2 Signaling Theory | 14 |
| 2.2.3 Liquidity Preference Theory | 15 |
| 2.2.4 Agency Theory | 16 |
| 2.2.5 Market Timing Theory | 17 |
| 2.3 Empirical Review..... | 18 |
| 2.4 Research Gap | 38 |
| CHAPTER III: RESEARCH METHODOLOGY | 39 |

| | |
|--|--------------|
| 3.1 Research Design..... | 39 |
| 3.2 Population and Sample, and Sampling Design..... | 39 |
| 3.3 Nature and Sources of Data and Instruments of Data Collection..... | 40 |
| 3.4 Method of Analysis..... | 40 |
| 3.5.1 Descriptive Analysis..... | 41 |
| 3.5.2 Correlation Analysis..... | 41 |
| 3.5.3 Regression Analysis..... | 41 |
| 3.5 Research Framework and Definition of Variables..... | 42 |
| 3.5.1 Market Capitalization..... | 43 |
| 3.5.2 Earnings Per Share..... | 43 |
| 3.5.3 Dividend Payout Ratio..... | 43 |
| 3.5.4 Price-Earnings Ratio..... | 44 |
| 3.5.5 Liquidity..... | 44 |
| 3.5.6 No. of Shares..... | 45 |
| CHAPTER IV: RESULTS AND DISCUSSION..... | 46 |
| 4.1 Results..... | 46 |
| 4.1.1 Market Capitalization..... | 47 |
| 4.1.2 Earnings Per Share..... | 48 |
| 4.1.3 Dividend Payout Ratio..... | 50 |
| 4.1.4 Price Earnings Ratio..... | 52 |
| 4.1.5 Liquidity..... | 53 |
| 4.1.6 Number of Shares..... | 55 |
| 4.1.7 Summary of Descriptive Analysis..... | 57 |
| 4.1.8 Correlation Analysis..... | 59 |
| 4.1.9 Regression Analysis..... | 61 |
| 4.1.10 Summary of Research Hypothesis..... | 64 |
| 4.2 Discussion..... | 65 |
| CHAPTER V: SUMMARY AND CONCLUSION..... | 67 |
| 5.1 Summary..... | 67 |
| 5.2 Conclusion..... | 69 |
| 5.3 Implications..... | 70 |
| <i>References.....</i> | <i>.....</i> |
| <i>Appendices.....</i> | <i>.....</i> |

List of Tables

| | |
|---|----|
| Table 1 Summary of Empirical Review | 28 |
| Table 2 Market Capitalization..... | 47 |
| Table 3 Earnings per Share | 49 |
| Table 4 Dividend Payout Ratio | 50 |
| Table 5 Price Earnings Ratio..... | 52 |
| Table 6 Liquidity..... | 54 |
| Table 7 Number of Share | 55 |
| Table 8 Summary of Descriptive Analysis..... | 57 |
| Table 9 Correlation Analysis..... | 59 |
| Table 10 Model Summary..... | 61 |
| Table 11 Analysis of Variance (ANOVA) | 62 |
| Table 12 Regression Coefficients | 62 |
| Table 13 Summary of Research Hypothesis | 64 |

List of Figure

| | |
|-----------------------------------|----|
| Figure 1 Research Framework | 42 |
|-----------------------------------|----|

Abbreviations

| | |
|--------|--|
| DPS: | Dividend Per Share |
| DPR: | Dividend Payout Ratio |
| EBL: | Everest Bank Limited |
| EPS: | Earnings Per Share |
| HBL: | Himalayan Bank Limited |
| LIQ: | Liquidity |
| Ltd: | Limited |
| MC: | Market Capitalization |
| NABIL: | Nabil Bank Limited |
| NEPSE: | Nepal Stock Exchange |
| NSBL: | Nepal SBI Bank Limited |
| PER: | Price Earnings Ratio |
| SCB: | Standard Chartered Bank Nepal Limited |
| SD: | Standard Deviation |
| SPSS: | Statistical Package for Social Science |
| TU: | Tribhuvan University |

Abstract

The market capitalization of a firm is relevant to both its financial strength and its valuation in the market. In Nepal, the market capitalization of commercial banks which are listed in the Nepal Stock Exchange (NEPSE) is affected by different financial factors. The main objective of this study is to find out the aspects that determine market capitalization of Nepalese commercial banks earnings per share, dividends payout ratio, price of share to earnings P/E ratio, liquidity and number of shares. A descriptive and causal-comparative research approach was applied to conduct correlation and multiple regression analysis using SPSS for five purposively selected commercial banks. The study found that EPS, DPR, P/E ratio and the number of shares have a significant positive impact on market capitalization. A much larger percentage of shares indicates mild value of the shares especially where EPS and P/E ratio pointed out a strong profitability and confidence to invest. Other than reflecting the role of dividend policies on market value more striking effect was noted through number of shares outstanding. Higher level of liquidity is also associated with higher market valuation. The estimation further showed that liquidity is not statistically significant which indicates test of market capitalization is not impacted by level of liquidity. The research holds practical value for investors, banking companies and policymakers. These results can help investors make better choices regarding stock selection and portfolios. Banks can improve their market value by become more profitable and being open about their financial disclosures and structured dividend policies. This information can help policymakers improve the financial market stability and efficiency in Nepal. The study helps fill the gap in the literature regarding the most important financial determinants of market capitalization of the Nepalese banking sector. This framework can be enhanced in further studies by adding macroeconomic factors market capitalization like GDP growth inflations and interest rates.

Keywords: Market capitalization, earnings per share, dividend payout ratio, price-earnings ratio, liquidity, number of shares

CHAPTER I

INTRODUCTION

1.1 Background of the Study

A bank's market capitalization is determined through the total number of outstanding equities shares they have multiplied with the current market value of a share (Kuvshinov & Zimmermann, 2022). A low share price might negatively affect market capital, change the number of shares outstanding, or both. This emotion is referred to as market sentiment which indicates how the investors appraise the risk level any particular bank performs. In understanding the market capital, one is able to anticipate the risk level in regard to the performance and economic position of the said bank (Santoso et al., 2018). The value of a bank, when issued stock or debenture, or even when lending to the bank, is almost effortlessly accessible to investors in equity trusts the estimation of said bank's position in the market.

An investor's decision comes down to a bank's profit, its size, and even the risk it takes and the growth potential it has. The banking industry, like many others, has evolved tremendously in the past few decades and shifted from traditional banking to a more developed system where stock prices depend on the volume and quality of information a company provides about its operations to the investors (Singh et al., 2021). Now, investors and other stakeholders view banks using a wider lens and consider the financial ratios which show the results of economic activity and statutory compliance in a holistic, profit-centered approach. Undoubtedly, regulators are tasked with protecting stakeholder interests through investment safety and sustainable banking practices (Thach et al., 2021). To achieve a self-sufficient evaluation of a bank's financial standing, all investors need to take a calibrated approach to multi-functional performance indicators. Each investor has a different objective and timeframe when it comes to putting in money.

As with any firm on the stock market, the profitability of a bank is considerably influenced by the business's earnings per share (EPS), which serves as an indicator of the trust investors place in the business. A high EPS tends to put the shareholders in a better position, which in turn boosts traders' interest in the stock and market capitalization (Eriemo, 2014). Similarly, dividend yield ratios are important for income-focused investors since they reveal the bank's financial status and how

attractive it might be for investors. Regular dividend payments raise better valuation in the stock market as investors become more confident (Widyastuti, 2023).

Alongside this, another crucial factor that helps in estimating the value of a bank is the price-earnings ratio. This ratio informs how investors will feel about the bank's market stock in terms of profits. Though, investor sentiments and market demand always tends to be better than anticipated and speculative for a bank with high P/E ratios (Camilleri & Galea, 2019). In combination, the liquidity ratio determines the market capitalization of the business by ensuring that the bank is able to meet all short term obligations without putting any liquidity pressure. More recently, it was discovered that a higher ratio of liquidity is correlated to increased value in the market because low liquidity poses less risk and chance of defaulting and insolvency and increased financial resources reduces the likeliness of collapse happening, Das & Swain, 2019.

The number of shares that are outstanding has a direct effect on market capitalization. The number of outstanding shares will affect the total market value but there needs to be a balance to avoid other problems. Too many shares will reduce the earning per share (EPS), while too few will cause a lack of interest in investment. Thus, getting the optimal amount of outstanding shares directly influences the growth of the capital and return to the shareholders (Omodero, 2019).

The market capitalization of the Nepal Stock Exchange (NEPSE) experiences huge changes in relation to changes in EPS, dividends, liquidity and regulations. The share market as well does face structural limitations caused by the banking system which is part of the macro-economic system. It is clear that increased regulation and investment spend together with increased "over" regulation and clearer financial market will generate greater market capitalization and flows to it enhance the confidence of investors into Nepalese banks.

The aim of the study is to assess the different variables that affect the market capitalization of the listed commercial banks in Nepal with relation to the bank's EPS, dividend, P/E ratio, liquidity ratio, outstanding shares, and valuation. This research is significant in regard to banking in Nepal because it will help in fostering financial stability, economic growth and market productivity of the nation (Adhikari et al.,

2022). Additionally, it will show how these factors will determine the market capitalization of developing countries.

1.2 Problem Statement

The economic development of a country is greatly influenced by the banking industry, as it enables transactions, offers loans, and provides backing for investment activities. In terms of a bank's market strength and financial perception, one of its most notable markers is market capitalization, which accounts for the value of a bank's share in the stock market. Nevertheless, the banking industry in the developing world, and especially in Nepal, has not done enough research on the components that make market capitalization. In Nepal, as in other countries, financial assets, which consist of earnings per share (EPS), dividend payout ratio, price-earnings ratio (P/E ratio), liquidity ratio, and outstanding shares, are generally considered as a significant determinant of bank value, but how they are relevant to Nepali banking is still an open question and is unexplored.

In NEPSE, banking shares prices are extremely volatile due to its dependence on economic activities, regulatory actions, and even the moods of investors. Furthermore, low liquidity in the market, regulatory bottlenecks, and poor transparency of bank financial information increases the complexity of valuing banks in Nepal. While in more advanced financial markets stock prices are driven by fundamental performance indicators, in Nepalese banking stocks, speculative activity, inefficiency of the financial market and macroeconomic volatility might create a different impact. This calls into question the level of financial literacy among investors and policymakers and whether their decisions are informed or not.

Several studies attempt to understand the relationships that govern market capitalization of banks in various countries. Almunani (2018) studied commercial banks in Jordan and concluded that the market capitalization of banks was primarily dictated by the most critical factors: the return on equity and dividends payout ratio that strongly affected profitability and growth of further earnings. Bouaziz (2020) also did a study and found that market capitalization on the Amman Stock Exchange was positively influenced by ROA, cash liquidity ratio, bank size, and trading volume, but was negatively impacted by stock turnover and market value of the company as indicated by return on equity.

Das and Swain (2019) found that political risk and inflation had a negative impact on market capitalization. Underscoring the importance of macroeconomic conditions in developing a strong financial market. In Nigeria, Omodero (2019) indicated that capital market capitalisation was negatively affected by high interest rates, inflation, and fluctuations in exchange rates, stating that ultimately financial growth was stunted due to macroeconomic instability. In Western Europe, Alshubiri (2021) showed that stock market capitalization is determined by foreign direct investment, volume of stock traded, and level of financial development, though the GDP and inflation had a negative influence on financial development.

Fitrah et al (2022) discovered that in Indonesian Islamic Index, EPS, P/E ratio, ROA, and ROE contributed a positive impact on market capitalisation, however they noted that greater market capitalisation does not always provide greater stock returns, suggesting an imbalance between market value and stockholder value. Artha et al (2023) studied the state-owned banks and determined that a market capitalisation was significantly affected by the level of profitability, dividend policy, rate of economic growth, and liquidity ratios.

Notwithstanding these study findings, studies with respect to the Nepalese banking institutions are limited. The banking sector in Nepal functions in a distinct financial setting that suffers from low liquidity of the stock market, regulatory barriers, and macroeconomic instability. The Nepal Stock Exchange (NEPSE) suffers from volatility where bank stock prices vary due to economic policies, investor perception, and other institutional factors. Nonetheless, how the primary financial indicators like EPS, DPR, P/E ratio, and liquidity ratio affect market capitalization of Nepalese banks is an area that has not been studied.

This study is most important because it allows understanding the important factors that affect the market capitalization of banks in Nepal, which offers practical considerations for investors, policymakers, banking institutions, financial analysts, and even regulatory agencies. Since there is little literature on bank valuation in other developing countries, this study is important in exploring how the profitability of listed banks in Nepal and their dividend policies, liquidity, and even macroeconomic conditions affect their market capitalization. While theoretical approaches for capitalization exist, localized solutions should be applied in order to enhance

efficiency and valuation in Nepal's particular economic and regulatory context. So, this study raised the following issues:

- What is the current state of market capitalization and its key determinants earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and the number of shares in Nepalese banks listed on NEPSE?
- How do earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and the number of shares relate to market capitalization in Nepalese banks listed on NEPSE?
- What is the impact of earnings per share, dividend payout ratio, price-earnings ratio, liquidity and the number of shares on the market capitalization of Nepalese banks listed on NEPSE?

1.3 Objectives of the Study

The primary objective of this study is to examine the relationship between market capitalization and its determinants in Nepalese banks listed on the Nepal Stock Exchange (NEPSE). The specific objectives of the study are as follows:

- To assess the current state of market capitalization and its determinants, including earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and the number of shares, in Nepalese banks listed on NEPSE.
- To examine the relationship between market capitalization and its determinants earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and the number of shares in Nepalese banks listed on NEPSE.
- To analyze the impact of earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and the number of shares on market capitalization in Nepalese banks listed on NEPSE.

1.4 Research Hypothesis

Based on the research questions, objectives of the study and empirical evidences, the following hypothesis are formulated and tested using statistical tools.

H₁: EPS has a positive significant effect on the market capitalization of banks listed in NEPSE.

H₂: DPR has a positive significant effect on the market capitalization of banks listed in NEPSE.

H₃: The price-earnings (PE) ratio has a positive significant effect on the market capitalization of banks listed in NEPSE.

H₄: Liquidity has a positive significant effect on the market capitalization of banks listed in NEPSE.

H₅: The number of shares has a positive significant effect on the market capitalization of banks listed in NEPSE.

1.5 Rationale of the Study

The research will inform policymakers and regulators, such as the Nepal Rastra Bank (NRB) and Nepal Stock Exchange (NEPSE), on significant financial performance measures and macroeconomic aspects like inflation, interest rates, and even the government's regulatory measures that affect the valuation of the banks. This understanding helps in the development of appropriate policies and regulations that will ensure transparency, stability, and confidence in the banking sector of Nepal's economy. With the understanding of the determinants of market capitalization among the banking sector, regulators will be able to increase the efficiency of the financial markets and nurture the capital markets in Nepal.

For banking institutions, a greater level of market capitalization enhances the ability to attract additional investors, funding, and the long-term sustainability of the institution. These reserves also assist the banks in understanding the financial indicators, which include profitability, liquidity ratios, and dividend policies, that greatly affect the current market valuation of the banks. European banks can add value to these institutions through optimizing their bank stock prices, thereby improving the confidence of the investors with the expansion and competitiveness of the financial superpower's market.

From an academic and research perspective, this study extends the financial literature on emerging market capitalizations. While ample studies have been conducted concerning stock valuation in developed markets, none seem to have empirically studied the Nepalese banks. This study addresses and fills a significant gap in the existing literature by providing region specific empirical evidence on the financial determinants of bank valuations and serves as a basis for comparative studies with other developing nations, longitudinal studies on the banking stock, and the economic shocks on the bank market capitalization.

In addition, the study raises other areas of concern, like economic development, especially that which involves the allocation of capital, investments, and financial services because banking as a sector has a central responsibility. Strong well-capitalized banking systems contribute to economic and financial stability through increased credit and investor confidence. This study has been able to provide the needed information that supports economic development by identifying the key drivers of market capitalization that Nepalses financial sector can focus on to during investment in banking stocks, both from the foreign and local investors' perspective.

Ultimately, the results of this research will be important for investors at the institutional level, and for foreign direct investment (FDI). As Nepal's financial markets continue to expand towards foreign investment, knowing the components that affect bank valuations will assist international investors in managing the risks and benefits of investing in Nepalese banking. This research will also assist corporate investors in making strategic financial decisions appropriate for the changing economic and regulatory environment of Nepal.

This research is of utmost importance due to the practical relevance it provides for investors, bankers, policy makers, and scholars, as well as for the overall growth of Nepal's economy. This study, and other similar studies identifying relevant features regarding the market capitalization of Nepalese banks, will contribute towards developing a more transparent, stable, and efficient financial market which is vital for economic growth and increased investor confidence.

1.6 Limitations of the Study

As part of any study's interpretation process, it is vital to recognize any limitations which might reduce generalizability or depth in its conclusions. Every study come with its own set of restrictions which must be acknowledged. The main limitations of the study are as:

- This study is limited to ten years data i.e., 2014/15 to 2023/24 which would missing the long-term analysis.
- The analysis is limited to descriptive analysis, correlation analysis, and regression analysis missing out on more advanced techniques in the future.
- The study focused on only six banks out of the total nineteen listed in NEPSE (Except RBB), limiting the generalizability of the findings in the future.

CHAPTER II

LITERATURE REVIEW

The existing research and studies form a firm basis for understanding the relationship between determinants and market capitalization. This review of literature summarizes the previous research on particular factors that affect market capitalization. In connecting these elements, the review combines aspects of concept, theory, and empirical evidence in which, all the determinants are presented within the context of banking studies. The definitional and the construct aspects are discussed in the conceptual review, while the related theories are analyzed in the theoretical review. The patterns and information within the historical data obtained from the previous quantitative and qualitative studies are evaluated in the empirical review. Regardless of broad coverage of the topic, one of the issues missing under the research is the interplay of these determinants within the emerging markets and economic disorder. The aim of this study fills this gap by proposing modification of methodologies, application of new approaches to methodology, and a renewed perspective to the problems of market capitalization within the field of banking studies which is known as research gap. So, this chapter is the combination of conceptual review, theoretical review, empirical review and research gap.

2.1 Conceptual Review

Market capitalization is a fundamental metric reflecting the overall market value of a bank, calculated by multiplying the current stock price by the total number of outstanding shares. In the banking sector, market capitalization is more than just a numerical representation; it serves as an indicator of investor trust, operational health, and financial stability. This review explores into its concept, importance, determinants, and policy implications and presents a detailed understanding of its significance in commercial banks.

2.1.1 Concept of Market Capitalization

Market capitalization, colloquially known as market cap, refers to the total value of a corporation's issued stock shares on the stock market. This is an important measure in determining the position and value of a bank in terms of size, profitability and market share. According to Fama and French (1992), market capitalization is sometimes

regarded as a measure of a firm's growth and rating, justifying its widespread use in finance.

On the part of commercial banks, market capitalization is indicative of investor confidence in the bank as well as its profitability. Generally, larger banks that have higher market caps are seen to be more solid, more stable, and therefore better able to weather the business cycle. Banz (1981) pointed out that market capitalization represents a measure of faith that the market has in a particular bank given what it perceives to be the prospects of the institution now and in the future.

Market capitalization is also an important factor in the financing decisions of any institution. Roll (1988), a bank's capacity to enter capital markets for lending or getting funds for its activities is significantly dependent on its market value. It is common that banks with bigger market caps often raise the required funds at reduced costs, thereby enhancing their competitive standing.

Market capitalization has another dimension that deals with comparative analysis. Fama (1998) noted that market cap is used as a yard stick for evaluating the performance of a bank against its competitors. Such leads result in high market caps for bankers, and consequently more capital is attracted to the institution, further entrenching its position in the market.

In addition, market capitalization takes into account general economic signals. Morck et al. (1988) contended that capitalization of firms is always growing side by side with macroeconomic indicators such as GDP and economic health. This trend is what makes the market capitalization an important quantitative measurement of microeconomic performance in the economy and the overall macroeconomic health.

2.1.2 Importance of Market Capitalization

Market capitalization is significant not only for the numbers eg. its value, but also .as an estimate of the performance of the bank in regard to its contestants. It is an important estimation for economic agents, policy makers and regulators as well. For shareholders, market capitalization matters because it has a straight bearing on their wealth and a choice to invest. Bekaert and Harvey (2000), growth in market capitalization is good because it increases wealth amongst shareholders, hence is one of the important indicators of effective investment. Investment market base trends are employed by shareholders to gauge performance of their investments.

Market capitalization is necessary for the planning and operational activities of a bank. Greater market capitalization improves a bank's reputation, hence making it easier to gain investment and funding for growth. Allen and Gale (2004), the market for bank capital is available to those banks which have larger market capitalization than others, thus giving them an edge in the competition. Regulation compliance holds significant attention to market capitalization. BCBS (2011) pointed out, the market cap is important for complying with the capital need set by Basel III. These caps will reduce risks while adding reserve capital, which increases the confidence of the investors.

Market capitalization has broader implications than just being a figure. It is also a measure of the contribution of a bank to the economic development. Boyd et al. (2001) noted that financial stability is built around a growing banking sector, which is epitomized by market capitalization as it ensures economic growth. It is this interdependence that puts market capitalization in its proper context beyond a single bank.

Market capitalization is used to measure systemic risk. Levine (2005) has suggested that there are problems in the real economy whenever a decrease in market capitalization of the banks takes place. This change indicates the existence of some underlying problems in the economy. If you monitor over time, it will be possible to give some necessary measures to reduce the risk of falling into market problems.

2.1.3 Determinants of Market Capitalization in Banks

Market capitalization is influenced by dividend policies. Lintner (1956) found that the ability to pay dividends regularly and predictably increases confidence in the financial strength of an institution, which in turn increases its market value. For commercial banks, dividends provide a cash return which increases shareholders' faith. One important factor is the dividend payout ratio. In his examination of the separation thesis, Bhattacharya (1979) contended that banks with higher payout ratios must be expected to be able to provide returns consistently and are therefore more profitable. This minimizes investment risks and in turn positively affects market capitalization.

Dividend signaling is also important. According to Aharony and Swary (1980), there are positive market reactions to dividend increases because they are perceived to have positive implications for company performance. Market fears that dividend reductions

will destroy value and do not provide adequate replacement confidence to sustain investments. The volatility of stock prices is further dampened by the stability of dividends, thus increasing market capitalization. Brav et al. (2005) have expressed, there is an increase in long term investors in banks with stable dividend policies, this improves market perceptions of the bank and increases market valuation. Dividend policies play a role in governance because they tend to solve agency problems. Regular dividend payments reduce agency costs, builds trust and increases market valuation (Easterbrook, 1984).

Another keystone element of concern is the management of liquidity. According to Diamond and Dybvig (1983), banks that invest and maintain a higher liquidity ratio have low risk exposure and enjoys superior market values, since they can adequately meet short-term obligations. By managing liquidity, banks are able to enhance the operational resiliency of the institution, which has implications for investor confidence.

Dividends policy lags behind earnings changes and adjusts in the gradual manner because of the liquidity of shares. Similarly, cash flows and dividends are linked positing that during periods of low economic activity, moderately liquid banks galas assurance amongst shareholders by still maximizing dividends (Kashyap et al., 2002). There is an improvement in operational performance and the market cap as a result of this dual effect.

Due to inter-relationships between investors and other banks, financial signaling systems serve to dampen the effects of asymmetric information. Spence (1973) maintained that investors gain confidence from the firm's corporate communication, declarations of dividends and earnings announcements have a positive correlation with the firm's anticipated growth. The effect of signaling is further strengthened by the mercantile transparency of finances. Verrecchia (2001) argued that high quality timely disclosure of financial information increases trust that averts price fluctuations and adds value to the firm.

Market capitalization is also greatly affected by the capital structure. Modigliani and Miller (1958) suggest that an appropriate blend of equity and debt lowers the capital cost, thus increasing the market value. However, too much debt can demonstrate a signal of poor financial health, and would discourage investors.

Factors such as GDP growth, interest rates, inflation, and exchange rate stability and fluctuations influence the situation of an economy. According to Bernanke and Gertler (1999), the economic environment determines the level of investor confidence in the market, taking into account the market value. Interest rate and inflation stability encourages banking operations in the country, resulting in the profitability of the banks.

2.1.4 Policy Implications for Enhancing Market Capitalization

The determinants of market capitalization can be leveraged to establish target policies. In building investor confidence and ultimately increasing the market value, regulatory authorities need to focus on transparency, dividend payouts, and liquidity issue. Dividend policies should be established with regard to specific parameters to assure continuity. Regulators may promote more moderated dividend payment policies to lessen adverse impacts on market fluctuations and optimize long term market capitalization growth (Al-Malkawi et al., 2010).

Liquidity requirements are an integral part of operational viability and stability. Amendment of Basel 3 rules demonstrates an effort to maintain the liquidity of the banks within acceptable levels for meeting short term liabilities and gaining the public's trust (BCBS, 2011). In order to achieve successful market capitalization, macroeconomic stability cannot be ignored. Synchronized monetary and fiscal policies are effective in reducing systemic risks and it is the prerequisite for banking stability (Boyd et al., 2001).

2.2 Theoretical Review

This study's theoretical review explores theories related to market capitalization dynamics within banks. By engaging with relevant theories, this study seeks to build a theoretical basis and framework for understanding factors affecting bank market capitalization in banking sector. By formulating hypotheses and conducting empirical data analyses providing deeper understanding into mechanisms behind listed bank market capitalization dynamics. Mainly, five related theories dividend relevance theory, signaling theory, liquidity preference theory, agency theory and market timing theory are analyzed in this study.

2.2.1 Dividend Relevance Theory

According to Gordon (1962) and Lintner (1956), the dividend relevance theory claims that dividends are important in deciding a firm's evaluation and what investors think of it. This theory also states that dividends are a means of immediate return to the shareholders and therefore help to increase the market capitalization of firms. The persistence and growth of dividend payments are interpreted as an indicator of financial soundness and credibility, achieving long term confidence from the investors. This credibility especially holds in difficult market environments where other forms of capital returns are less stable and guaranteed. Tran (2024) commented that in emerging markets with high uncertainty, dividends serve as a justified return that increases the confidence of investors regarding the firm which increases the stock value.

An important part of the dividend relevance theory is the focus on risk aversion of uncertain capital gains. The systematic risks in the banking industry can be cushioned, to an extent, by the promise of cushioning dividends. Miklus and Oplotnik (2016) examined dividend trends in Europe and revealed that banks with good dividend policies had higher stock prices and lower risks. This trend shows that an increase in dividend payouts is beneficial to the short-term interests of shareholders but also helps to set positive expectations for the market which is beneficial for the long term.

Determining market capitalization with respect to dividend payout ratios is another important issue. Miklus and Oplotnik (2016) perceive this ratio as a demonstration of a bank's readiness to return dividends to shareholders, which is consistent with investors' liking for 'sure' income. Even during economic recessions, such alignment could assist in maintaining stable valuations. Meanwhile, it demonstrates how banks need to change their payment policies in response to changes in investor expectations, and how those in valuations due to macroeconomic factors could be evened out.

This theory has equally deep ramifications in practice. Consistent and clear dividends will reduce information asymmetry gaps between investors and firms. Banks could foster even greater belief and market value by being conscious of such values. It is now so clear that it enables banks to develop strategic policies towards achieving a desired level of shareholders wealth, yet remain credibly constrained. Culham (2020) indicated that in turbulent times, known and invoked dividend policies can offer

additional reasons for trust, thus indirectly increasing the strength of financial institutions.

Ultimately, dividend relevance theory merges with the workings of the wider market to explain investor behavior more effectively. The persistence of dividend payments is often associated with good governance practices and strong risk management that aids in expanding market capitalization. The theory notes that bank dividends can be increased to improve marketing effectiveness while enhancing investor confidence. As a result, dividends are of primary significance in value and market reputation formation in the firm's activities.

2.2.2 Signaling Theory

Spence (1973) signalling theory argues that a company's declaration of dividends together with earnings reports are crucial in alleviating the information gap between firms and their investors. In the banking industry, where there is little trust, these signals are very important for investors. Dividend payments do not just indicate current earnings, but also demonstrate expectations of future profits, so they add value to the firm. The theory problematizes how such acts are appreciated on and affect the market.

Miklus and Oplotnik (2016), constant growth of dividends is a powerful endorsement of financial capabilities. Their investigation carried out within the less liquid Slovenian markets confirmed the relationship of stable dividend policies as being beneficial to investor confidence and capitalization. The capital market's sensitivity towards earnings disclosure further augments the effect in unstable situations. When banks manage to meet changes in the market expectations, they can signal stability and trustworthiness, which allows them to improve their valuation in the market.

This concept also emphasizes the importance of earnings per share (EPS) as a signal. In this context, Culham (2020) focused on how enhanced EPS and consistent dividends can lessen the uncertainties of a market characterized by lack of investor sophistication. Therefore, adopting good disclosure practices may enable banks to earn market credibility while lowering volatility. These signals are particularly effective during economic downturns, where reliable communication strategies can stabilize market perceptions.

Signaling theory is relevant in the strategic communication of banks. Kim and Viswanath (1998) showed that regular dividend announcements and earnings statements could signal the bank's business health, so forecasting frameworks should be developed. These are very important for emerging market banks that operate under trust deficits. Banks can eliminate the trust deficit by dealing with the investors and addressing the asymmetrical information gaps that exist.

The implications of the signaling theory can be translated into policies which require companies to adopt regular, open communication. These are great tools to strengthen investor confidence, more especially with illiquid and opaque markets. Tran (2024) noted that poor perceptions of the business environment can be mitigated through the adoption of strong signaling mechanisms which improve stock valuation. These strategies can help strengthen banks trust, increase capital and support sustainable growth in the market.

2.2.3 Liquidity Preference Theory

According to the investor behavior adoption proposed by Keynes (1936), investor's behavior concerning class of assets is determined by the level of liquidity ratios towards capitalization of the market. This theory holds that assets that are liquid have less risk since they can be easily converted to cash, thus attracting investors' preference even during difficult economic times. For banks, liquidity ratios are an indication of their ability to meet short term liabilities, therefore, maximized cash balances improves confidence among the investors and market capitalization. Culham (2020), market confidence is largely anchored on liquidity holding during periods of economic constriction.

Banks are able to gain investor capital more easily because of their high liquidity ratios. Sikes and Verrecchia (2015) study established that high liquidity ratios reduce negative market shocks and uncertainty. This phenomenon is highly applicable in the banking industry where primary risks have a negative multiplier-effect on capitalization of the market. By concentrating on managing liquidity, banks can buff these economic risks/decreases in value of the market.

Miklus and Oplotnik (2016) researched liquidity in Europe's financial markets and asserted that banks with stronger liquidity ratios faced lesser volatility in market capitalizations. Such stability is important in perceived shallow markets which tend to

rely on strength indicators for stability. By proportionately optimizing liquidity ratios, banks can ensure a measure of security during economic turmoil, while still delivering returns to investors.

The theory also has dire and important policy effects. Belgrove and Smit (2016) argued that more active management of liquidity can help boost market capitalization in developing countries that are laden with regulation. A tightening of the supervision within the banking sector increases investors' confidence in the expected capital outflows and the sustainable financial returns. Such policies are important during unstable economies when liquidity is key to mitigating underlying risks.

The liquidity preference theory opens a strategic blueprint for the management of the bank in a way that manages funds in accordance to the investors' expectations. Liquidity management ensures that the funds are utilized where they yield the highest returns. In particular, enhancing disclosure improves the image of the banks and attracts new clients. Such a stance not only improves market perceptions but also enhances growth of market capitalization. As such, liquidity management is an important variable of performance in the banking industry.

2.2.4 Agency Theory

Jensen and Meckling (1976), agency theory explains the conflicts that occur as a result of the separation of ownership and control in an organization. For commercial banks, this theory explains how policies on dividends can dampen agency conflicts between shareholders and managers. Individual managers may seek to achieve personal objectives, may want to 'build an empire', and may not be concerned about how the business performs for the shareholders of the bank. However, paying out dividends consistently serves as a tool for cash flows to be returned to shareholders, helping to limit the potential misuse of retained surpluses. For instance, Culham (2020) observes that banks implementing structured dividend policies are more trusted by shareholders and have more stable market value because such payments are made as a sign of transparency and trust.

From another angle, one of the most notable characteristics of agency theory is how it is used to form the basis for offering managerial incentives that maximize the wealth of shareholders. It is common for shareholders to offer managers stock options, which are aimed at getting them to perform the business effectively. It has been noted by

Sikes and Verrecchia (2015) that the market capitalization of banking firms is relatively higher when there is good corporate governance, including proper executive remuneration systems, because there are lower agency costs. Payments of dividends provide further benefits in that they indicate the surplus profits that should be shared instead of being kept for ineffective projects.

The essence of agency theory is demonstrated by the transparency of financial reporting. Such clear and disclosed dividend policies and disclosures enable shareholders to make informed decisions about the bank's performance level which builds confidence. Miklus and Oplotnik (2016) claimed, banks that communicated their dividend policies through constant and set policies reduced their market fluctuations even during periods of economic turbulence. This change to reduce the asymmetry of information has a direct relation to an increase in market capitalization.

Another aspect of agency theory is controlling shareholders for dividends. Control is exercised through voting for essential policies like dividend policy at annual general meetings. Tran (2024), shareholders may participate in overseeing governance behavior and also restrain extreme spending by managers. Further, regular dividends and consequent disclosures serve to strengthen investor confidence and reduce major concerns about banks' valuation in adverse periods.

This theory highlights the general consequences that a high level of firm governance can have on the economy. Banks with less agency problems have enhanced likelihood of soliciting investors that would prefer to “buy and hold” for the long term. Belgrove and Smit (2016) noted that strong agency made investors feel more confident and this would in turn bring more capital into the market, resulting in steady growth in market capitalization. Therefore, agency theory offers an essential explanation of governance, dividend policy, and valuation issues in the banking industry.

2.2.5 Market Timing Theory

Baker and Wurgler (2002) refer to planning and attitudes toward market movements in capital raising as ‘market timing’ – timing strategy. Based on this theory, a firm will select a favorable time when the market is performing well to minimize the cost of equity or debt when issuing funds to a corporation. This explains why in the banking industry, banks would issue shares or even restructure debts to take advantage of good market conditions. European banks have thrived in the past because of timing

strategies, especially during economic expansion periods. These techniques are employed to boost their capital and consequently market capitalization, making them more durable during economic recessions (Miklus & Oplotnik 2016).

It is needless to mention that low-rate interest banks might choose to issue equity or refinance debt for enhancing profits, especially during positive market cycles since it places emphasis on the impact of cost of capital on valuation. Culham (2020), from the subscription of debt capital to equity, market timing strategy, financial risk is lowered and investor trust is built which improves overall reputation.

Furthermore, equity is issued irrespective of the unfavorable market in order to consider international significance. Sikes and Verrecchia (2015), the issuance leads to expansion which improves market capitalization. In correlation to market timing theory, perception of index composition has significant importance. When a bank issues equity in positive cycles, it reflects growth potential and strengthens the financial base.

Market timing theory impacts dividend policy choices. In thriving periods, it is plausible that banks will seek to pay out larger dividends to illustrate their strong performance within the economy. On the other hand, during times of economic contraction, their tendency may be to hoard earnings for positive retained reserves. According to Tran (2024), banks who operate under market timing principles are known to have an incoherent stance towards dividends in order manage dividend decisions, which averts negative market perceptions and fosters capitalisation growth in the long run.

Market timing theory offers a better way of looking at the capital structure for optimization. Using strong market conditions, banks can be able to obtain both equity and debt and use them in ways that minimize risk and maximize value. As noted by Belgrove and Smit (2016) these banks from developing countries where the costs of capital vary have much to gain by usually implementing those market timing strategies. Such strategies do not only ensure financial stability, but also prepare banks for continuous growth in very competitive markets.

2.3 Empirical Review

Al-Nimer and Alslihat (2015) assessed the effects of profitability ratios on the market capitalization of Jordanian insurance companies listed on the Amman Stock Exchange

(ASE). The study used time series data from 2010 to 2013 covering 25 firms. The study relies on the content analysis of annual reports to demonstrate the focus of the relevant data. The results reveal a significant effect of ROI, while ROE was insignificant. At the same time, ROA is expected to positively impact market capitalization. The study determined that these profitability measures are ROA, ROI and ROE are measures that affect market capitalization inversely to the magnitude of the profitability indicator. This study provides information into the relationship between the financial performance measures and the market capitalization of a developing country such as Jordan.

Qurashi and Zahoor (2016) examined the market capitalization of 44 banks located in the Middle East from 2005 to 2014 in relation to profitability, microeconomic, and macroeconomic factors by utilizing a panel dataset from the DataStream database. Using a fixed effect model, the results depict a positive relationship between market capitalization and return on investment (ROI). However, there were negative relations between market capitalization and credit risk, inflation, and year dummy variables. Moreover, the researchers also reported no relationship between market capitalization and growth, exchange rate, and others like return on assets (ROA) or return on equity (ROE) for the Middle Eastern banks under study.

Shahbaz et al. (2016) identified the macroeconomic factors affecting stock market development in Pakistan from 1974 to 2010. They employed Zivot Andrews unit root test to ascertain the integrating properties of the variables before applying the Autoregressive Distributed Lag bounds testing for cointegration. Using Vector Error Correction Model Granger Causality, the authors were able to establish that the variables are cointegrated signifying long run relationships. Their studies emphasize that economic growth, inflation, financial development, and investment aid development of the stock market, while trade openness harms it. The causality analysis reveals that at the very least, stock market development Granger causes economic growth, inflation, financial development, investment and trade openness. The paper suggests a broader approach that accounts trade openness when developing sound financial policies.

Soliman and Obi (2017) examined the theoretical and empirical relationship between ownership structure and liquid stock markets in Nigeria. By using the bivariate VAR-

GARCH (1.1) model, the authors were able to apply annual data from 1986 to 2014. It was observed that well-capitalized banks lends more to the public, which increases stock market capital. These capitalized banks are able to bear and manage risks, which increases the liquidity of the country's economy thus improving the stock market in Nigeria.

Almumani (2018) analyzed how profitability and market value ratios affect the market capitalization of Jordanian listed commercial banks from the year 2010 to 2016. The dependent variable, market capitalization, is measured by the total number of subscribed shares available multiplied by the market closing price of each share. Observed variables include market capitalization enhancing profitability measures return on equity (ROE), return on assets (ROA); and other measures like earnings per share, price earnings ratio (P/E), and dividend payout ratio that are expected to enhance market value. The results indicate that for the period of study, ROE and dividend payout ratio remain the most critical determinants for the market capitalization of the selected commercial banks. This indicates the importance of profitability and dividend policy for the market value of banks.

Das and Swain (2019) identified factors influencing stock market development and their relationship with market capitalization. This study employed descriptive and normality tests in order to examine the features and distributions of the data, as well as interdependence testing for the independent variables. Multiple regression analysis is performed afterwards in order to determine the effect of the independent variables on the market capitalization. The findings suggest that almost all independent variables, with the exception of political risk and inflation, positively influence stock market development. Knowing these factors is important for stock market managers as well as individuals and corporations wanting to understand how share prices are determined. This particular analysis offers key insights into the need for politically stable regions with minimal inflation, as conducive to the development of stock market. These will inform policy formulation as regards to stabilize the market.

Omodero (2019) analyzed the impact of economic variables on the capital market in the context of Nigeria with a focus on their contribution to national development and capacity building processes. This study used secondary information from a number of sources including the International Monetary Fund, World Bank Development

Indicators, CBN Statistical Bulletin 2018 Edition, and others between the years of 1998 to 2018, and analyzed this information with the help of regression analysis. The findings of the study reveal that even though inflation rate, exchange rate, interest rate, and GDP all have minor negative impacts on capital market capitalization (CMC), CMC suffers significantly from the repercussions of high rates of interest including, but not limited to, reduced productivity as well as GDP demonstrating strong inversely proportional relationship contributing factors. The study finally established that the performance of the capital market for it to be improved must be preceded by economic growth and therefore calls for the relevant authorities to control inflationary levels, interest rates and money minting activities which if unchecked may aggravate the market performance.

Pavone (2019) analyzed the effect of selected finance variables on market capitalization in the context of 307 Italian companies listed between 2008-2017. Market capitalization serves as the dependent variable, while other independent factors encompass return on equity (ROE), return on assets (ROA), earnings yield, working capital per share, price earnings ratio (P/E) and operating income per share/turnover. From the analysis, it was established that market capitalization positively relates with P/E, operating income per share/turnover, and working capital per share. ROE, ROA, and Earnings yield have a negative correlation with capitalization. While these variables may not be considered primary determinants of market capitalization, the research draws attention to the value of the financial data in Information asymmetries between management and potential investors which improves market efficiency.

Bouaziz (2020) examined the factors influencing the market value of commercial banks listed on the Amman Stock Exchange, analyzing a sample of 13 banks from 2005 to 2018 using panel data. The study explores the impact of independent variables such as stock turnover, return on assets (ROA), return on equity (ROE), ownership percentage, debt ratio, cash liquidity ratio, bank size, and trading volume on the market value of these banks. The findings reveal that ROA, cash liquidity ratio, bank size, and trading volume positively affect the market value, while stock turnover rate, ROE, and ownership ratio have a significant negative impact. The debt ratio was found to have no significant effect on the market value of commercial banks.

Permata and Alkaf (2020) assessed the impact of market capitalization and fundamental aspects for the manufacturing companies listed in the Indonesia Stock Exchange in the years 2014 – 2018. Market capitalization, company micro factors like company size, free cash flow, dividend payout ratio (DPR), as well as macroeconomic factors for example interest rate were all company performance valuation measures (Tobin's Q) used in this work. This study employs a cross-sectional survey, which uses purposive sampling of relevant sets of manufacturing companies, followed by multiple linear regression analysis to elucidate its data. These findings suggest that some variables do have a meaningful effect on the value of the firm, illustrating that both micro and macro fundamentals are significant determinants of the financial performance of manufacturing firms. This study finds that there is an important gap in performance evaluation, which is related to the lack of understanding that company factors are internal and other factors are external, these negative gaps can be minimized or closed. Undoubtedly, such conclusions need to inform investors and decision makers with a comprehensive set of conditions to understand the reality of situation of a manufacturing firm.

Sitorus et al (2020) examined the effects of intellectual capital, firm size, and profit on the disclosure of intellectual capital and its influence on the valuation of manufacturing firms on the Indonesia Stock Exchange (IDX) for a period spanning from 2014 to 2018. Out of the 146 companies listed, 73 were selected using purposive sampling method. The retrieved data was subjected to t-tests and F-tests. It was found that company size has an impact on the disclosure of intellectual capital, while intellectual capital itself does not have a significant impact on all ranges of company disclosures. All the other variables, market cap, profitability, and company size have a positive correlation market capitalization, and all are positively influenced by the disclosure of intellectual capital. Each of these three factors has no direct relationship with intellectual capital. It was also noted that intellectual capital disclosure fails to mediate the relationship between the three independent factors and market capitalization.

Almumani and Almazari (2021) examined the effect of major financial indicators on market capitalization in Jordanian financial companies listed in ASE mainly dividends per share, earnings per share ratio, price to book value ratio, return on assets ratio, return on equity ratio, total assets turnover ratio and debit ratio upon the market

capitalization in the Jordanian financial companies. The population of the study includes all listed companies in Amman Stock Exchange Market. A sample of 76 companies were considered with 608 observations for the period 2013-2019. The study adopted descriptive and analytical method. The study relied on statistical package for social sciences (SPSS) by using appropriate statistical methods viz. Descriptive Statistic measures, ANOVA, Reliability Test and Multiple Regression Test. The results showed that there is a statistically significant effect on the market capitalization for each of (Dividends Per Share, Earnings Per Share ratio, Price to Book Value Ratio, Return on Assets Ratio, Total Assets Turnover Ratio, and Debit Ratio.

Alshubiri (2021) analyzed to ascertain stock market capitalization and its connection with the financial development of Western Europe countries between 1989 to 2018 for purposes of knowing the sources of economic growth within the financial market. Employing pooled least squares analysis, fixed effect models, random effects models, pooled mean group models and quantitative regression analysis, the study demonstrates the positive and significant links between stock market capitalization, foreign direct investment, stocks traded and economic development as well as increase in stock market capitalization and foreign direct investments. A contrary scenario prevails where GDP per capita growth and inflation have negative and significant impacts on financial growth. All models and percentiles provided the same results although certain factors like inflation or foreign direct investment might be insignificant at some percentiles. Advocating the removal of barriers to market entry and providing measures for the protection of shareholders emerged as paramount to the development of the international financial market. In addition to these, sophisticated financial systems are, however, essential because they offer the firms additional sources of finance without the constraints inhibiting growth.

Kumar and Kumara (2021) examined the effects of COVID-19 on the dynamics of the stock and share market in India by analyzing the data for the six-month period starting from January of 2020. The analysis draws out certain factors which indicate a positive correlation with the change of market performance and the adjustment of market cap during the study period. This study brings out the major shifts that the pandemic brought upon the Indian stock market and provides an understanding of what influences the market during such uncommon conditions.

Fitrah et al (2022) explored the impact that EPS, PER, ROA, ROE, and ROI have on the market capitalization of Indonesian Islamic Index shares, as well as the returns on investments of these stocks. This causal research analysis was conducted using a quantitative approach utilizing secondary data and purposive sampling, which was followed by panel regression analysis. The findings for EPS, PER, ROA, and ROE are all positive. ROI and interest rates negatively affect the economy. While inflation and Indonesia's crude price have positive impacts, they are statistically insignificant. In contrast, the exchange rate has an indirect negative effect. These factors are crucial since they influence market capitalization. Market capitalization, on the other hand, has a negative impact on stock returns, which investors do not like. This research proposes that investors aiming for high stock returns should not base their strategies solely on market cap metrics. Increasing market cap is not beneficial for increasing stock returns. This research, therefore, concludes that there is no direct relationship between market capitalization and high stock returns suggesting that other considerations should be prioritized. The implication of this study is that market cap needs to be analyzed in more detail to improve the estimation of stock returns.

Puertas et al. (2022) explored targeting the relationship between corporate efforts to reduce global warming and the change of their market capitalization. A particular investment in R&D made by large European companies was analyzed by means of Data Envelopment Analysis (DEA) along with the multi-level regression (MR) on the effectiveness of environmental policies, the business landscape, and business innovation for the focus European market in the year 2019. European data from 2019 was used in this research project. From the report it can be derived that USD investment in R&D employment in specific countries and industries increases output and that certain environmental measures, along with innovation, policy confidence, and loosening restrictions on foreign direct investment benefit company share price. This research indicates that developing policies that emphasize specific environmental targets leads to improved climate outcomes as well as stronger market performance in the country, with policy implications that are wider than endorsing efficient R&D processes and strengthening the environment. How some economies stimulate research and development activities as well as environmental initiatives that result in effective market growth.

Alarussi (2023) analyzed market capitalization by focusing on listed companies in Malaysia and its importance in maximizing shareholders' wealth. This study has attempted to value several variables which include intelligent book shares value, leverage extraction, profitability, liquidity intangibles working capital, and quantity of shares from 595 annual reports from 2014 to 2019 with a total of 3570 observations. The regression and fixed effects model results show that market capitalization value can be increased with the increase of intelligent book shares value, leverage, profitability, and working capital requirements, and quantity of shares. However, negative correlation was also indicated with intangible assets and liquidity. This integrates study has been done during a period of sharp depreciation of Malaysian currency which will benefit managers who want to increase market capitalization and investors who want to make decisions. Determinants are essential for corporation and investment competitive strength because they help toward achieving higher market capitalization. They point out the importance of implications.

Artha et al. (2023) examined the impact of internal and external factors on the market capitalization of State-Owned Banks with an emphasis on profitability and dividend policy as intervening variables. The research used a saturated sampling technique where all population members were used as samples from 2011 to 2020 for the study period. SEM with AMOS software was utilized to analyze the data. The results indicate that the market capitalization in State-Owned Banks has contribution from profitability, dividend policy, economic growth, BOPO, and LAR. In addition, it was shown that LAR has a market capitalization not only but also direct reciprocation with profitability and dividend policy.

Dhodary (2023) examined the factors that affect stock prices of Nepalese commercial banks through the use of quantitative analysis and survey research on pooled cross-sectional data from NEPSE-listed banks during the period from FY 2011/12 to 2020/21. The target population was represented by 10 commercial banks. The set of other variables included in the study were book value per share (BVPS), PE ratio, firm size (FS), dividend payment (DIV), return on equity (ROE) and market price per share (MPS). The results of descriptive statistics indicate that BVPS and firm size increased while the dividends earned, and stock prices was volatile. Correlation BMPE analysis indicates that share prices positively correlate with BVPS, PE, ROE,

and DIV but negatively with firm size. Regression analysis suggests that while BVPS, PE, ROE, and DIV positively affect MPS, and that firm size negatively affects MPS.

Kwiatkowska (2023) explored the critical role of efficient banks in the development of the economy and studies factors, which affect banking institutions' valuation, particularly at the local bourses. From the analysis of the thirty selected publications, the study classifies determinants into one of the three groups: financial, corporate governance, and other factors not related to specific banks. Key indicators such as Tobin's Q and Market to Book (MTB) ratio are given focus as the most important measures of the banking institutions' market valuation. The review emphasizes the scarcity of scrutiny directed toward the market valuation of banks in developing countries, which is a huge gap to be filled in future studies. These factors are crucial for investors and contribute to the body of knowledge on bank business valuation.

Suharti et al. (2023) investigated how factors such as market capitalization of consumer goods firms listed in the Indonesia Stock Exchange and LQ45 Index in the period of 2015-2020 were affected by the return on equity (ROE), earnings per share (EPS), dividend per share (DPS), and dividend payout ratio (DPR), all these during the challenging economic times of the COVID-19 pandemic. Data analysis was carried out using purposive sampling and the software tool panel data regression Eviews 10. Studies conducted have shown that ROE and EPS have not influences on market capitalization; DPS also has no significant effects; while DPR has positive effects. This shows that dividend payout policies (DPR) is one of the major determinants of market capitalization of consumer goods companies, thus indicating ways of improving capitalization in this sector. Potential impact of these findings means looking at dividend policies could be an easy way to increase market cap.

Dibal and Ambam (2024) analyzed the determinants of capital market development specific to Nigeria within the context of how capital markets impact economic growth and economic strength. This study is based on the information in the 1996-2021 period and the methods used include Autoregressive Distributed Lag (ARDL) methodology and the net assets value has a long and short term indirect and positive effect on total market capitalization and total traded value. Furthermore, regulatory quality can potentially have a destructive impact on market capitalization in the short run, while inflation can negatively affect total market capitalization and total traded

value in both the long run and short run, as well as market capitalization in the short run. This study found that education will improve both investor confidence and development of the legal and institutional framework which will, in turn, improve the effectiveness and stability of the Nigerian capital markets. Furthermore, the insurance industry reform policies can contribute towards the development of capital markets to promote economic security.

Fadhil et al (2024) explored how the development of financial markets impacts the capitalization ratio of both banks in Tanzania against the background of the reforms over the financial system via deeper financial market development. The authors use two-step system GMM method within a dynamic panel data regression model during the years from 2012 to 2021, with macroeconomic and bank specific factors as control variables and using stock market turnover ratio as a proxy for development of financial market. The most important results reveal that the development of stock markets positively affects the bank capitalization ratio which enhances the stability of the financial market and banking sector. The study concludes that a developed capital market will improve the bank capitalization which helps in promoting stability of the market. This research has great benefit for Policymakers who must believe that more reforms designed to promote stock market turnover should be sought in order to maintain and deepen the stability of the banking and financial sectors of Tanzania.

Karna et al. (2024) examined the growth trend of the Nepalese securities market, focusing on market capitalization, the number of transactions, securities traded, and securities listed, amidst economic challenges exacerbated by the recent economic crisis. The study aims to provide insights into the operational hurdles and technical disparities affecting Nepal's well-developed but struggling share market. Through a trend analysis of these key metrics, the findings reveal a decline in share prices, attributed to increasing business and industry losses. The study underscores the critical state of the market, highlighting the necessity for strategic interventions to stabilize and foster growth. Conclusively, the research calls for enhanced guidance and reforms to address the operational challenges and boost investor confidence in the Nepalese stock market. Implications suggest the need for targeted policies to mitigate the economic crisis's impact on the market.

Naz et al. (2024) analyzed the impact of macroeconomic determinants on the market capitalization of the PSE 100 Index in Pakistan, highlighting the critical role of market capitalization as an indicator of economic activities in the country. The study analyzes independent variables such as exchange rate, GDP, inflation, and interest rate, with market capitalization as the dependent variable, covering the period from 2014 to 2023 and utilizing the VAR methodology. Key findings reveal significant relationships between interest rate, inflation, and market capitalization, whereas exchange rate and GDP show insignificant impacts. Granger causality analysis indicates mutual influence among most variables, suggesting that macroeconomic factors interact in shaping market dynamics. The study concludes that all variables except exchange rate and GDP significantly affect market capitalization, recommending that the State Bank of Pakistan implement stringent policies to enhance market capitalization.

Table 1

Summary of Empirical Review

| S.N. | Author(s) | Variables | Methodology | Major Findings |
|------|------------------------------|--|---|---|
| 1 | Al-Nimer and Alslihat (2015) | ROI, ROA, ROE, market capitalization | Time-series analysis of annual reports from 25 Jordanian insurance companies listed on ASE (2010–2013). | ROI significantly impacts market capitalization, while ROA has a positive effect and ROE shows no significant impact. Collectively, ROI, ROA, and ROE influence market capitalization, emphasizing the relevance of profitability indicators in the insurance sector. |
| 2 | Qurashi and Zahoor (2016) | ROI, credit risk, inflation, exchange rate, ROA, ROE, growth, year dummy variables | Panel data analysis using a fixed effects model on 44 Middle Eastern | Market capitalization is positively influenced by ROI but negatively impacted by credit risk, inflation, and year dummy |

- banks from 2005 variables. No significant relationship was found to 2014, sourced from the DataStream database. with ROA, ROE, growth, and exchange rate.
- 3 Shahbaz et al. (2016) Economic growth, inflation, financial development, investment, trade openness, stock market development Zivot–Andrews unit root test, ARDL bounds testing for cointegration, and VECM Granger causality analysis on Pakistan (1974–2010). Economic growth, inflation, financial development, and investment drive stock market development, while trade openness negatively affects it. Stock market development Granger causes economic growth, inflation, and other economic variables, suggesting trade openness should be integrated into financial policies.
- 4 Soliman and Obi (2017) Bank capitalization, stock market liquidity Bivariate VAR-GARCH (1.1) model applied to annual data from Nigeria (1986–2014). Higher bank capitalization facilitates increased lending, positively impacting stock market liquidity. Capitalized banks enhance risk absorption and diversification, improving stock market performance.
- 5 Almumani (2018) Market capitalization, ROE, ROA, EPS, P/E ratio, dividend payout ratio Regression analysis ROE and dividend payout ratio emerged as the most significant determinants of market capitalization for Jordanian commercial

| | | | | |
|---|----------------------|--|--|---|
| | | | | banks during 2010–2016. ROE demonstrated the bank’s profitability and effective use of equity, while the dividend payout ratio was critical in building investor trust. Market capitalization was also influenced by EPS and P/E ratio, though to a lesser extent. |
| 6 | Das and Swain (2019) | Political risk, inflation, other factors affecting stock market development | Descriptive, normality tests, multiple regression analysis | The study found that factors such as economic growth, financial development, and corporate governance positively impacted stock market development and market capitalization. Political risk and inflation, however, negatively influenced market development. Stable political environments and low inflation are critical for creating conducive market conditions. |
| 7 | Omodero (2019) | Inflation rate, exchange rate, interest rate, GDP, capital market capitalization | Regression analysis | The study revealed that inflation, high interest rates, and exchange rate fluctuations negatively impacted market capitalization in Nigeria, |

| | | | | |
|---|----------------|---|--|---|
| | | | | reducing investor confidence and productivity. GDP growth had only minor positive effects. The study recommended controlling inflation, stabilizing interest rates, and regulating monetary policies to improve market capitalization. |
| 8 | Pavone (2019) | ROE, ROA, P/E ratio, Operating Income/Turnover per share, Earnings Yield, Working Capital per Share | Panel data analysis over 10 years (2008–2017) on 307 Italian listed companies. | Market capitalization is positively related to P/E ratio, Operating Income/Turnover per share, and Working Capital per Share but negatively associated with ROE, ROA, and Earnings Yield. Financial information reduces information asymmetries, enhancing market efficiency. |
| 9 | Bouaziz (2020) | Stock turnover, ROA, ROE, ownership ratio, debt ratio, liquidity ratio, bank size, trading volume | Panel data analysis | Positive contributors to market value included ROA, cash liquidity ratio, bank size, and trading volume, as these signified operational efficiency and market activity. However, stock turnover, ROE, and ownership ratio negatively influenced market value, |

- suggesting overtrading and reduced investor confidence in some banks.
- 10 Permata and Alkaf (2020) Company size, free cash flow, dividend payout ratio (DPR), interest rate Cross-sectional survey, multiple regression analysis The study showed that both internal factors (e.g., company size, DPR) and external factors (e.g., interest rates) significantly affect financial performance. Larger companies with strong free cash flow and stable DPR performed better. High interest rates negatively influenced performance, demonstrating the need for balanced financial and macroeconomic policies.
- 11 Sitorus et al. (2020) Intellectual capital, company size, profitability, intellectual capital disclosure, market capitalization Purposive sampling and regression analysis (2014–2018) on 73 manufacturing firms listed on the IDX, using t-tests and F-tests. Intellectual capital does not directly affect intellectual capital disclosure but company size does. Profitability also lacks a direct effect. Market capitalization is positively influenced by company size, profitability, and intellectual capital disclosure. However, intellectual capital disclosure does not mediate the effects of

- intellectual capital, firm size, and profitability on market capitalization.
- 12 Alshubiri (2021) Stock market capitalization, foreign direct investment, GDP per capita, inflation Pooled least squares, fixed and random effects models Stock market capitalization and foreign direct investment were found to be positively associated with financial and economic growth. However, GDP per capita and inflation negatively impacted market development. Policymakers were encouraged to remove barriers to market entry and create robust shareholder protections to foster a vibrant financial market.
- 13 Kumar and Kumara (2021) Market performance, market capitalization, stock performance Comparative analysis using pre- and post-COVID-19 data (January–June 2020) for the Indian stock market. Market performance and market capitalization show significant positive relationships with various factors during the COVID-19 period, highlighting the pandemic's significant effects on market dynamics.
- 14 Fitrah et al. (2022) EPS, PER, ROA, ROE, ROI, inflation, exchange rate, market Quantitative approach, panel regression analysis EPS, PER, ROA, and ROE had significant positive impacts on market capitalization, indicating

| | | | | |
|----|-----------------------|--|---|---|
| | | capitalization | | their importance as profitability indicators. ROI negatively impacted market capitalization, as did exchange rate volatility. The study highlighted the need for stable macroeconomic conditions to support consistent growth in market value. |
| 15 | Puertas et al. (2022) | Environmental policies, R&D investments, market capitalization | Data Envelopment Analysis (DEA), multi-level regression | Investments in R&D and environmental policies positively influenced market capitalization. Firms adopting innovative environmental measures and policies benefited from increased investor confidence and improved share prices. The findings suggested that fostering innovation and targeting sustainability could drive both financial and environmental outcomes. |
| 16 | Alarussi (2023) | Intelligent book shares value, leverage, profitability, liquidity, intangibles, working capital, | Regression, fixed effects model | Positive effects on market capitalization were observed from profitability, leverage, working capital, and intelligent book share values. Conversely, |

- share quantity
- intangibles and excessive liquidity had negative effects, indicating inefficiencies. The study recommended optimizing resource allocation to enhance market value, particularly during economic downturns.
- 17 Artha et al. (2023) Profitability, dividend policy, economic growth, BOPO, LAR, market capitalization SEM with AMOS software Profitability and dividend policy were key mediators affecting the relationship between external factors (e.g., economic growth) and market capitalization. The study also showed that LAR (Loan to Asset Ratio) had significant indirect effects on profitability and dividend policy, emphasizing the interconnectedness of these variables in influencing market value.
- 18 Kwiatkowska (2023) Tobin's Q, Market-to-Book ratio (MTB), corporate governance, financial and non-financial factors Literature review Tobin's Q and MTB ratios were identified as critical indicators of bank valuation, especially in developing economies. The study stressed the need for improved governance and risk management to boost

- market value. A significant gap exists in analyzing banking valuation in developing countries, which future studies should address.
- 19 Suharti et al. (2023) ROE, EPS, DPS, DPR, market capitalization Purposive sampling, panel data regression with Eviews 10 The dividend payout ratio (DPR) had a positive impact on market capitalization, while ROE, EPS, and DPS showed no significant effects. The study highlighted the importance of dividend policies in boosting investor confidence and enhancing market value, particularly during challenging economic periods such as the COVID-19 pandemic.
- 20 Dibal and Ambam (2024) Inflation, interest rate, regulatory quality, market capitalization Autoregressive Distributed Lag (ARDL) methodology Inflation and poor regulatory quality negatively affected market capitalization in Nigeria. Long-term and short-term relationships revealed the necessity for educational improvements and reforms to build a stable investment environment and strengthen the capital market. Regulatory quality

| | | | | |
|----|----------------------|---|--|---|
| | | | | was identified as a crucial area for improvement. |
| 21 | Fadhil et al. (2024) | Stock market turnover, macroeconomic and bank-specific factors, bank capitalization ratio | Two-step system GMM method, dynamic panel regression | Development of stock markets positively impacted bank capitalization ratios, indicating a strong connection between financial market reforms and banking stability. The study urged policymakers to focus on promoting stock market turnover to ensure long-term financial stability and capital development in Tanzania. |
| 22 | Karna et al. (2024) | Market capitalization, transactions, securities traded, securities listed | Trend analysis | Declines in market capitalization in Nepal were attributed to increasing business losses and operational challenges. The study recommended strategic interventions to stabilize the market, enhance investor confidence, and address disparities in the securities market. Reforms were deemed necessary to the economic crisis's impact on Nepal's financial sector. |
| 23 | Naz et al. (2024) | Exchange rate, GDP, inflation, | VAR methodology, | Inflation and interest rates had significant negative |

interest rate, market capitalization, Granger causality analysis impacts on market capitalization, whereas exchange rates and GDP showed no direct effects. Interactions between macroeconomic variables highlighted the need for stringent monetary policies to stabilize and improve the performance of Pakistan's capital market.

2.4 Research Gap

The previous studies regarding market capitalization and its determinants have investigated many factors such as earnings ratios, macroeconomic factors, and company factors in various regions and economies. Yet, most of the research seems to be focused on developed countries or big emerging markets and there is scant attention on the Nepalese commercial banks' characteristics. This study intends to fill this gap through the use of unique independent variables like earnings per share, dividend payout ratio, price to earnings ratio, liquidity and the number of shares which are specific to Nepalese banks. In contrast with earlier studies where the focus was on larger macroeconomic or profits derived factors, this research looks towards more specific ones that are related to the core of investor decisions, as well as the performance of the bank.

Aside from this, while older datasets and cross-sectional design approaches were usually employed in earlier attempts, this study brings in new data which is further supported by demanding tools such as descriptive analysis, correlation analysis, and regression analysis that provide deeper clarity into the design relationships that exist between the selected variables and market capitalization. By restricting the scope to the Nepalese market, banking sector and adoption of newer methodologies and data, this study is not only filling a regional gap in research but also brings a new way of looking at prevailing financial and market specific factors of market capitalization. This is likely to be a departure from the business-as-usual approach and is expected to

provide benefits not only to policymakers and investors, but also to the banking practitioners in a growing financial market such as Nepal and beyond.

CHAPTER III

RESEARCH METHODOLOGY

A research methodology is a description and explanation of the steps and strategies that one follows in the process of completing a dissertation. Fundamentals of a methodology include a research design, a population and sample and sampling design, a type of data which include the nature and sources of data, methods of data collection and the procedure to analysis.

3.1 Research Design

This study employs an integrative research design, which utilizes both descriptive and causal-comparative methodologies to conduct the analysis. The purpose is to analyze the market capitalization for commercial banks and identify the primary drivers behind its expansion. A descriptive method is adopted to analyze the market capitalization and its fundamental determinants in a systematic and detailed manner. At the same time, a causal method is applied to investigate the relationships that may exist between the determining factors and market capitalization.

3.2 Population and Sample, and Sampling Design

The analysis for this study is based on the commercial banks that are listed in the Nepal Stock Exchange (NEPSE) other than the Rastriya Banijya Bank which is not listed publicly. This study takes into account all the 19 commercial banks that are listed in NEPSE. Out of this population, six banks are chosen using the purposive

sampling method, which are Himalayan Bank Limited (HBL), Everest Bank Limited (EBL), NABIL Bank, Standard Chartered Bank (SCB), Nepal SBI Bank Limited (NSBL) and NMB Bank. This list of banks was selected due to the fact that they incorporate foreign investment institutions, hence serving the purpose of the research by focusing specifically on a domain comprehensive analysis of banks with foreign investments. The criteria for selection appropriately capture data from the commercial banks that have market capitalization that reflects the characteristics that influence the trends and their determinants.

3.3 Nature and Sources of Data and Instruments of Data Collection

The primary sources are the annual reports of the respective banks as well as stated financial documents from the Nepal Rastra Bank (NRB) and the Nepal Stock Exchange (NEPSE). These sources serve to provide data on the market capitalization, profitability, financial performance, any banking activity, and the other relevant statistics. The study stands limited to these records to guarantee accurate, all-encompassing, and verifiable data for analysis. The use of multiple sources allows for the thoroughness of the research to be expanded with regard to the reasons behind market capitalization.

Data collection is done by capturing relevant financial metrics from the chosen banks' annual reports. This data includes records of crucial indicators such as earnings per share, dividend payout ratios, price-earnings ratios, liquidity ratios, and the number of issued shares. Other information is also sourced from the Nepal Rastra Bank (NRB) and the Nepal Stock Exchange (NEPSE) for a better understanding of the market and company's financial positions. Relating to the validity of the information, all data collected are cross-checked and collated in an organized manner prior to focusing on the analysis part. This strategy makes certain that the research is anchored on accurate, structured financial data which is very important in determining market capitalization for listed banks.

3.4 Method of Analysis

The study combines various statistical and methodological options to examine the relationships between different financial aspects as well as to evaluate their significance concerning market capitalization. The methods of analysis that are used in this study are descriptive analysis, correlation analysis and regression analysis.

These analyses are done using the Statistical Package for the Social Sciences (SPSS) software. With the application of these statistical methods, the study intends to identify patterns, relationships, and evaluate the effects of the different financial metrics on market capitalization. The key basic statistical tools used in this study are provided below in their basic form.

3.5.1 Descriptive Analysis

Descriptive analysis is utilized for summarizing and organizing a systematic presentation of the specific attributes of the financial variables being analyzed. This method uses calculations for the metrics of central tendency alongside the mean, and also incorporates measures of dispersion like standard deviation, range. These measures show the distribution of the data, the degree of variation and general patterns within it. Based on the descriptive statistics, the study obtains an overview understanding of the financial variables, which is important to evaluate trends in market capitalization and its other determinants.

3.5.2 Correlation Analysis

Correlation analysis is done to measure the market capitalization (dependent variable) relative to independent factors earnings per share, dividend payout ratio, price-earnings ratio, liquidity and number of issued shares. The value and direction of these relationships is measured by correlation coefficients, in this study with emphasis on Pearson correlation coefficient which assesses the extent of the linear relationship between two variables. A correlation coefficient greater than one indicates that there is a direct relationship among the two variables, and a correlation coefficient lower than one suggests that there is no relationship. As part of the analysis, the difference between correlation coefficients for the market capitalization and the influencing factors was identified to determine “which key financial factors changes in market value.”

3.5.3 Regression Analysis

The regression analysis states that the relationship between independent factors and the market capitalization is causal and is used to construct a predictive model. In this study, regression analysis measures the effect market capitalization of the company by applying the multiple linear regression analysis of the company’s earnings per share,

dividend payout ratio, price-earnings ratio, market liquidity and number of shares.

The regression model takes the general mathematical form as below:

$$MC = \beta_0 + \beta_1EPS + \beta_2DPR + \beta_3PER + \beta_4LIQ + \beta_5NOS + \varepsilon$$

Where,

β_0 = Intercept

MC= Market Capitalization

EPS= Earnings Per Share

DPR= Dividend Per Share

PER= Price Earnings Ratio

LIQ= Liquidity Ratio

NOS= No. of Shares

β_1 - β_5 = regression coefficients for each independent variable

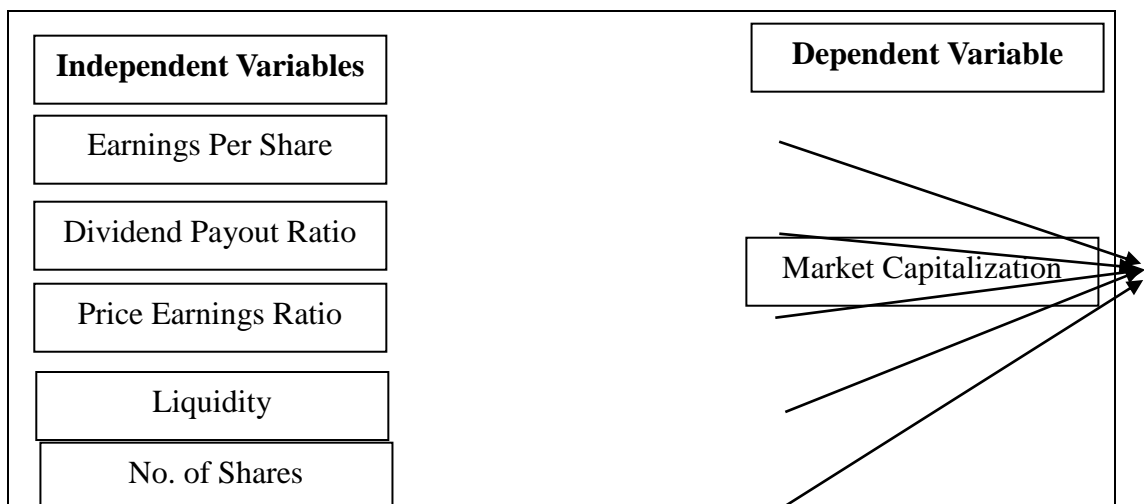
ε = the error term

3.5 Research Framework and Definition of Variables

The research framework of this study is based on previous empirical study conducted Fitrah et al. (2022). This study has offered vital data towards ascertaining the factors that determine market capitalization in the banking industry. From the analysis of this study the variables that are seen to form the research framework of this study are earnings per share, dividend payout ratio, price earnings ratio, liquidity and the number of shares. The framework of the study is presented in Figure 1.

Figure 1

Research Framework



Source: Fitrah et al. (2022)

3.5.1 Market Capitalization

Market capitalization is a term used to describe a firm's share which acts as an estimation indicator when determining the financial value of the firm. The measure of market capitalization is attained when the current market share price is multiplied by the total amount of shares that have been issued. Market capitalization is also used in the classification of companies such as small, mid and large caps which illustrate the amount of investment risks and growth opportunities there are (Kumar & Kumara, 2021). Companies corresponding to range market capitalization are perceived to be more stable and thus captures the attention of institutional investors and tends to be less volatile. In contrast, small cap stocks may proffer higher potential for growth, but accept greater risks. This is the opposite case for large cap stocks. At the same time, the volatility of market capitalization is determined by stock prices, business results, and market conditions which remains extremely relevant for investors and experts who want to know a company's position in the financial market (Soliman & Obi, 2017).

3.5.2 Earnings Per Share

Earnings per share (EPS) represents the company's total income allocated for every single share held by the shareholders of the company. The EPS is calculated by dividing the company's net income with the number of shares, which gives an even clearer insight into the company's financial performance as it provides a more granular view of profitability (Pavone, 2019). It is crucial to note that higher EPS indicates greater profit potential which boosts the investor's confidence as the company is likely to have more funds at its disposal and issue higher dividends (Fitrah et al., 2022). EPS is an important data point pertaining to share price analysis and stock investments especially when calculating the price to earnings ratio (P/E) and estimating other important investment figures (Almumani, 2018). Additionally, increased or decreased EPS over certain periods of time can demonstrate a company's growth, operating efficiency, and managerial performance or leads, which deeply impacts the stock prices.

3.5.3 Dividend Payout Ratio

The DPR is a ratio that reflects how much of the net income from the company is paid out as dividends amongst the shareholders. DPR is an indicator of the company's paying ability, policies and its health in financial terms (Suharti et al., 2023). Higher DPR is usually associated with a company's willingness to return profits to shareholders which, therefore, builds confidence among investors, particularly those seeking for productive and passive income from the stock market (Alarussi, 2023). This is opposite for lower DPR ratios, where it is assumed that the company propels more profits as retention for business growth, curbing debt, or other avenues to improve the company's future (Almumani, 2018). The dividend payout ratio indicates the company's ability to deliver adequate returns to its investors. This metric is essential for investors because it demonstrates profitability with a rational dividend strategy. Investors typically monitor DPR across sectors and different periods to determine whether a company's dividend policy is viable.

3.5.4 Price-Earnings Ratio

The price-earnings ratio reveals how much investors are willing to spend on a company's shares based on the value of its stocks in comparison to the company's shares (Puertas et al., 2022). Investors may anticipate the future value of the stock, so they pay a premium, which accounts for a higher P/E ratio. Conversely, a lower P/E ratio implies a loss of faith in the company's stocks regarding future growth, meaning it is just as likely that the company is grappling with performing better than average (Fitrah et al., 2022). Financial analysts rely on the P/E ratio, since it allows for comparison between a company's standing and that of its competitors and all relevant companies operating in different periods (Pavone, 2019). Market commentators utilize the P/E ratio as one out of many metrics to get better judgments on the investment outcome and the expected growth of a firm.

3.5.5 Liquidity

Liquidity is one of the most important polices which means an organization's ability to settle short-term financial debts by changing some of their assets into cash. Liquidity can be assessed using ratios, for example, current assets turn over firm's liabilities. There is also quick liquidity which does not take inventory into account in the assessment (Bouaziz, 2020). A company that has high liquidity can easily cover its short-term debts and operational expenses, thus enhancing the risk of financial distress (Das & Swain, 2019). On the other hand, low liquidity indicates cash flow

issues where a firm is unable to fulfill its financial obligations which can result into bankruptcy coma or halt of operations (Omodero, 2019). The level of liquidity also impacts confidence among investors because a company with cash surplus is believed to be financially stable and can easily survive economic recessions or uncertain economic market conditions.

3.5.6 No. of Shares

The number of shares refers to the total issued equity capital of the company. They encompass the investments of institutional investors, retail investors, and company insiders, all of which directly influences the market value of a company and its stock's liquidity. It affects vital quantitative business parameters, like earnings per share (EPS) and price of stock, since the increase in the share count due to stock splits or new issuances will dilute EPS and may not sit well with the investors (Karna et al., 2024). This is the opposite with share buybacks, in which case the company reduces the amount of existing shares leading to an increase of EPS, which in turn, positively affects the stock value with the investors thinking that the company is doing well financially (Naz et al., 2024). This thinking also applies to the number of shares when trading, where both active trading volumes and market liquidity usually increase with the stock of issuers with a large number of publicly traded shares (Sitorus et al., 2020). Also, changes in the number of issued shares may arise due to corporate strategies such as mergers and acquisitions secondary offerings and so on which have an effect on investor sentiment and will in turn affect the value of the company.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter includes the results obtained from the study regarding the determinants of market capitalization in listed Nepalese banks. As part of the research, descriptive statistics, correlation and regression analysis of primary financial metrics earnings per share, dividend payout ratio, price-earnings ratio, liquidity, and number of shares were evaluated for their effect on market capitalization. Results are given on the financial attributes of listed banks analyzed in the market and the impact of these factors collectively on the banks' valuation on the stock exchange. In first section of this chapter the results are presented using different statistical tools while in the second sections of this chapter findings are discussed and compare with previous studies.

4.1 Results

The analysis is presented in a logical order, starting from individual variable analysis, a summary of descriptive findings, then a correlation analysis and finally a regression analysis. These results relate to the analysis of market capitalization identified within the scope of its determinants. The results are based on the financial figures of NEPSE listed banks from Nepal and their impact on market capitalization. Each sub-section

elaborates the discussion of one particular variable and proceeds with statistical discussion and analysis.

4.1.1 Market Capitalization

Market capitalization is the total market value of a bank's issued shares, and it is always an important measure of any firm's value in the stock market. In this part, the readers shall examine the market capitalization patterns of the listed banks showing the changes over some time and across different banks. The movements of stock prices, general attitude of investors, and variations in the number of issued shares are some of the reasons behind these changes. This analysis is useful in understanding the market in general and how the investors view the banking industry in Nepal. The market capitalization of sample commercial banks during the study period is presented in Table 2.

Table 2

| <i>Market Capitalization</i> | | <i>(In Natural Log)</i> | | | |
|------------------------------|-------|-------------------------|-------|-------|-------|
| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL |
| 2014/15 | 24.02 | 24.48 | 24.97 | 24.50 | 24.02 |
| 2015/16 | 24.94 | 25.21 | 25.44 | 25.34 | 25.01 |
| 2016/17 | 24.78 | 24.84 | 25.27 | 25.24 | 24.88 |
| 2017/18 | 24.52 | 24.70 | 25.03 | 24.83 | 24.42 |
| 2018/19 | 24.57 | 24.70 | 25.00 | 24.72 | 24.40 |
| 2019/20 | 24.65 | 24.77 | 25.07 | 24.67 | 24.39 |
| 2020/21 | 24.67 | 24.91 | 25.96 | 24.65 | 24.38 |
| 2021/22 | 24.38 | 24.45 | 25.96 | 24.34 | 24.05 |
| 2022/23 | 24.55 | 24.82 | 25.81 | 24.63 | 24.26 |
| 2023/24 | 24.51 | 24.91 | 25.68 | 24.76 | 24.26 |
| Mean (\bar{X}) | 24.56 | 24.78 | 25.42 | 24.77 | 24.41 |
| S.D. (σ) | 0.23 | 0.21 | 0.38 | 0.29 | 0.30 |
| C.V. | 0.95% | 0.84% | 1.51% | 1.18% | 1.24% |

Source: Appendix I and II

Table 2 shows the market capitalization of sample banks for the fiscal years 2014/15 to 2023/24 which is shown in natural logarithms. Among the banks, NABIL bank shows the highest average market capitalization 25.42 over the ten-year period. This shows its dominant position in terms of market value among the selected banks. It

also has the highest standard deviation 0.38. This suggests greater fluctuations in its market capitalization compared to the others. SCB and EBL follow closely with mean market capitalization values of 24.77 and 24.78 respectively. HBL and NSBL shows the lowest averages at 24.56 and 24.41 respectively. This shows relatively lower market valuations compared to other sample banks.

The coefficient of variation (C.V.) help assessing the relative stability of market capitalization. EBL shows the least volatility with a C.V. of 0.84%, followed by HBL 0.95%. This indicates relatively stable market capitalization trends. NABIL bank has the highest C.V. 1.51% which shows that its market capitalization experienced greater fluctuations over the years. SCB 1.18% and NSBL 1.24% also show moderate variability.

Over the years, all banks show a general increase in market capitalization up to 2016/17, followed by some fluctuations in thereafter. NABIL bank consistently maintains the highest market capitalization which shows strong investor confidence and market performance. NSBL maintains the lowest market capitalization throughout the period which shows a relatively lower valuation compared to its peers.

NABIL bank leads in market capitalization with higher fluctuations while EBL and SCB shows stability with moderate growth. HBL and NSBL remain at the lower end of the spectrum which comparatively lower investor valuations. These trends indicate that market capitalization is influenced by various factors such as financial performance, investor sentiment and overall market conditions in Nepal's banking sector.

4.1.2 Earnings Per Share

For a bank's operations, profitability is one of the single most important determiners of success and earnings per share (EPS) serves as one of the most important financial metrics. EPS is computed by dividing the net profit that is attributed to shareholders by the number of shares that are available in the market. This part shows what the EPS looks like among the listed banks and analyzes the value of market capitalization within it. The analysis also investigates instances when a high EPS does not lead to a corresponding high market value to which the explanation is offered through other prevailing market phenomena of investor sentiment and industry conditions. Table 3 shows the earnings per share of sample banks during the study period.

Table 3*Earnings per Share* (In NPR)

| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL |
|--------------------|--------|--------|--------|--------|--------|
| 2014/15 | 33.37 | 78.04 | 57.24 | 57.38 | 34.48 |
| 2015/16 | 43.03 | 40.33 | 59.27 | 45.96 | 36.78 |
| 2016/17 | 35.15 | 32.48 | 59.86 | 35.49 | 33.46 |
| 2017/18 | 23.11 | 32.78 | 51.84 | 27.33 | 25.16 |
| 2018/19 | 32.44 | 38.05 | 50.57 | 30.39 | 27.13 |
| 2019/20 | 27.6 | 29.71 | 36.16 | 24.81 | 17.23 |
| 2020/21 | 28.07 | 19.91 | 33.57 | 14.83 | 10.15 |
| 2021/22 | 18.26 | 26.3 | 18.64 | 23.92 | 16.67 |
| 2022/23 | 9.18 | 31.43 | 23.67 | 36.75 | 19.44 |
| 2023/24 | 5.72 | 31.47 | 22.9 | 34.73 | 19.05 |
| Mean (\bar{X}) | 25.59 | 36.05 | 41.37 | 33.16 | 23.96 |
| S.D. (σ) | 11.12 | 14.99 | 15.39 | 11.42 | 8.43 |
| C.V. | 43.46% | 41.58% | 37.19% | 34.44% | 35.19% |

Source: Appendix I

Table 3 presents the earnings per share (EPS) of sample banks over the fiscal years 2014/15 to 2023/24. Among the sample banks, NABIL bank maintains the highest average EPS 41.37 NPR. This shows its strong earnings performance over the years. It is followed by EBL 36.05 NPR and SCB 33.16 NPR. Both of which also exhibit relatively strong profitability. HBL 25.59 NPR and NSBL 23.96 NPR report the lowest average EPS values. These shows comparatively lower earnings generated per share compare to NABIL, EBL and SCB.

The standard deviation (S.D.) and coefficient of variation (C.V.) shows the consistency of EPS over time. NABIL Bank shows the highest EPS fluctuations with a standard deviation of 15.39 and a C.V. of 37.19%. This suggests higher earnings variability. EBL follows with a C.V. of 41.58%, while HBL 43.46% shows the highest EPS volatility among all banks. SCB 34.44% and NSBL 35.19% have the lowest variability which shows relatively more stable EPS trends over the years.

All banks seen a downward trend in EPS after 2017/18 which reflect declining profitability. NABIL bank's EPS peaked in 2016/17 at 59.86 NPR before declining to 22.9 NPR in 2023/24. Similarly, EBL recorded a sharp drop from 78.04 NPR in 2014/15 to 31.47 NPR in 2023/24 and HBL fell from 33.37 NPR to just 5.72 NPR in the same period. This shows a substantial decline in profitability. This downward

trend suggests increasing operational challenges, economic uncertainties, and possibly higher provisioning for non-performing loans, which may have affected earnings.

EPS plays a crucial role in determining market capitalization, as higher EPS generally leads to increased investor confidence, higher stock prices, and consequently, a larger market valuation. While higher EPS generally supports higher market capitalization, the declining EPS trend in recent years indicates potential concerns about profitability and financial stability in Nepalese banks. This decline may negatively impact market capitalization as investors adjust their valuations based on diminishing earnings potential.

4.1.3 Dividend Payout Ratio

Dividend payout ratio is the variable that shows the distribution of a company's earnings in the form of dividends among its shareholders. This section analyzes how dividend policies impact the market capitalization of a bank, particularly, whether or not banks with high payout ratios are more appealing to investors. The analysis revealed that while dividends create positive income for investors which increases stock price appeal, other banks decided to hoard cash which negatively affects their capitalization. Also discussed are the changes in investor leaning such as some preferring dividend yielding banks while the rest lean on capital appreciating rather than dividend income.

Table 4

| <i>Dividend Payout Ratio</i> | | | | | | <i>(In %)</i> |
|------------------------------|------------|------------|--------------|------------|-------------|---------------|
| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL | |
| 2014/15 | 126.19 | 38.44 | 64.36 | 77.05 | 82.42 | |
| 2015/16 | 73.39 | 173.57 | 75.92 | 76.35 | 80.29 | |
| 2016/17 | 74.88 | 101.60 | 80.19 | 296.59 | 48.83 | |
| 2017/18 | 68.33 | 61.01 | 65.59 | 64.03 | 62.76 | |
| 2018/19 | 67.82 | 65.70 | 67.23 | 74.04 | 62.07 | |
| 2019/20 | 72.46 | 16.83 | 97.51 | 47.72 | 54.96 | |
| 2020/21 | 92.63 | 30.14 | 113.20 | 88.06 | 52.32 | |
| 2021/22 | 104.65 | 49.43 | 160.94 | 69.02 | 63.17 | |
| 2022/23 | 0.00 | 33.50 | 46.47 | 51.70 | 54.27 | |
| 2023/24 | 0.00 | 49.35 | 87.34 | 73.42 | 55.91 | |
| Mean (\bar{X}) | 68.04 | 61.96 | 85.88 | 91.80 | 61.70 | |
| S.D. (σ) | 38.31 | 43.33 | 30.70 | 69.21 | 10.80 | |
| C.V. | 56.32% | 69.93% | 35.75% | 75.40% | 17.50% | |

Source: Appendix I

Table 4 shows the dividend payout ratio (DPR) of five listed Nepalese banks during the study period i.e., 2014/15 to 2023/24. Among the five banks, SCB has the highest average DPR of 91.80%. This shows that SCB distributes most of its earnings as dividends rather than retaining them for reinvestment. This suggests that SCB prioritizes rewarding shareholders over expanding operations. NABIL bank follows with an average DPR of 85.88% which shows a similarly high dividend policy.

On the other hand, EBL 61.96% and NSBL 61.70% have the lowest average DPR. This shows a more conservative dividend policy possibly due to reinvestment strategies or financial constraints. HBL's average DPR is 68.04% which shows a moderate payout approach.

The coefficient of variation (C.V.) highlights the consistency or volatility of DPR over the years. SCB has the highest C.V. 75.40% which indicate a high fluctuations in its dividend payout. This is evident from extreme variations such as 296.59% in 2016/17 dropping to 47.72% in 2019/20 then fluctuating again. Similarly, EBL 69.93% and HBL 56.32% also exhibit significant variability which shows a inconsistent dividend policies. NSBL has the lowest C.V. 17.50% which indicate the most stable dividend payout trend among the banks. NABIL bank 35.75% also has relatively lower variability which means it maintains a more predictable dividend policy.

In 2022/23 and 2023/24 HBL completely stopped dividend payouts 0.00% which could be due to declining profitability or strategic capital retention. EBL also reduced its DPR significantly compared to earlier years. These reductions align with declining earnings per share (EPS). This shows that lower earnings have constrained dividend distribution.

Dividend payout ratios directly affect market capitalization since higher and stable dividends generally attract investors which increase stock value. SCB and NABIL bank with the highest average DPRs also have relatively higher market capitalizations. However, SCB's highly volatile payout strategy might create uncertainty for investors. HBL and NSBL with lower and more inconsistent DPRs also exhibit lower market capitalizations. The sudden suspension of dividends by HBL in recent years could negatively impact investor sentiment, leading to decreased stock valuation.

The dividend payout ratio reflects each bank's financial stability and shareholder return policy. SCB and NABIL maintain high payout ratios attracting dividend-seeking investors but SCB's extreme fluctuations may raise concerns. NSBL demonstrates the most stable dividend trend which may appeal to risk-averse investors. HBL's and EBL's declining and inconsistent payouts could deter investors potentially impacting their market capitalization negatively.

4.1.4 Price Earnings Ratio

The price-earnings (P/E) ratio is a metric which compares a bank's stock price with its earnings per share. Generally, a higher P/E ratio indicates that investors are more optimistic and expecting growth in future earnings. This subsection evaluates the P/E ratios of the banks in the stock exchange and their correlational analysis with market capitalization. On the other hand, the study demonstrates the existence of extremely high P/E ratios that suggest overvaluation, thereby resulting in a correction of prices in the stock market. Table 5 shows the price earnings ratio for sample banks during the ten years of the study period.

Table 5

| <i>Price Earnings Ratio</i> | | | | | <i>(In Times)</i> |
|-----------------------------|--------|--------|--------|--------|-------------------|
| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL |
| 2014/15 | 24.36 | 27.17 | 33.37 | 33.86 | 25.73 |
| 2015/16 | 34.86 | 83.94 | 39.55 | 78.33 | 50.98 |
| 2016/17 | 25.21 | 41.66 | 25.44 | 64.67 | 27.64 |
| 2017/18 | 23.84 | 20.23 | 18.6 | 27.62 | 19.83 |
| 2018/19 | 17.02 | 17.5 | 15.82 | 22.44 | 17.29 |
| 2019/20 | 19.57 | 22.72 | 21.15 | 26 | 25.24 |
| 2020/21 | 17.25 | 37.06 | 40.48 | 36.16 | 40.3 |
| 2021/22 | 16.39 | 16.69 | 44.21 | 16.56 | 16.93 |
| 2022/23 | 23.18 | 17.91 | 25.31 | 14.42 | 17.54 |
| 2023/24 | 35.71 | 17.8 | 22.88 | 17.33 | 17.22 |
| Mean (\bar{X}) | 23.74 | 30.27 | 28.68 | 33.74 | 25.87 |
| S.D. (σ) | 6.55 | 19.70 | 9.49 | 20.28 | 10.85 |
| C.V. | 27.57% | 65.07% | 33.07% | 60.11% | 41.93% |

Source: Appendix I

Table 5 shows the price earnings ratio (P/E Ratio) of five sample banks during the study period. Among the banks analyzed, Himalayan Bank Limited (HBL) has the

lowest average P/E ratio 23.74 times followed by Nepal SBI Bank (NSBL) 25.87 times. This suggest that these banks might be considered more attractively priced by value investors. NABIL 28.68 times and Everest Bank Limited (EBL) 30.27 times have moderately high valuations whereas Standard Chartered Bank (SCB) has the highest average P/E ratio 33.74 times. This indicate that investors have consistently placed a higher premium on its earnings.

The coefficient of variation (C.V.) shows significant fluctuations in P/E ratios across the banks. EBL 65.07% and SCB 60.11% experiencing the highest volatility. This shows that investor sentiment toward these banks has been highly uncertain. HBL has the lowest variation 27.57%. This indicates more stable valuation over time. Between 2015/16 and 2019/20 the P/E ratios of SCB and EBL is declined which had exceptionally high valuations in 2015/16 but later experienced corrections. This may indicate that earlier periods saw overvaluation leading to subsequent market adjustments.

In recent years, some fluctuations remain evident. NABIL's P/E ratio peaked at 40.48 times in 2020/21 before declining while SCB's P/E dropped significantly to 14.42 times in 2022/23. This shows a weaker investor confidence. HBL's P/E ratio rebounded to 35.71 times in 2023/24 despite declining EPS possibly due to speculative interest. The P/E ratio significantly impacts market capitalization. Higher ratios often reflect investor confidence, though excessively high values may lead to corrections. Banks with lower stable P/E ratios like HBL and NSBL may be seen as safer long-term investments while those with higher and more volatile P/E ratios like SCB and EBL could carry greater risk despite their perceived growth potential. The analysis suggests that banks with low but stable P/E ratios tend to have stronger market capitalizations whereas those with highly fluctuating ratios may face uncertainty in investor sentiment.

4.1.5 Liquidity

Liquidity reflects a bank's capacity to satisfying its short-term financial commitments by swiftly converting its assets to cash. It is fundamental to financial stability and can impact investor confidence as well as market perceptions. Strong liquidity suggests high cash reserves and less risk of financial distress while weaker liquidity suggests cash flow constraints which can result to operational challenges. For this study,

liquidity is calculated using financial ratios to analyze its effects on the market capitalization of commercial banks in Nepal. Table 6 shows the liquidity of five sample commercial banks during the ten years of the study period.

Table 6

| <i>Liquidity</i> | | <i>(In %)</i> | | | |
|--------------------|-------|---------------|--------|--------|--------|
| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL |
| 2014/15 | 30.32 | 24.27 | 14.15 | 24.03 | 10.92 |
| 2015/16 | 28.74 | 16.61 | 6.77 | 7.98 | 8.33 |
| 2016/17 | 26.64 | 16.52 | 10.02 | 19.71 | 10.04 |
| 2017/18 | 23.05 | 17.75 | 10.05 | 18.91 | 7.18 |
| 2018/19 | 26.25 | 18.56 | 4.78 | 7.52 | 6.65 |
| 2019/20 | 31.39 | 14.43 | 11.2 | 14.49 | 8.89 |
| 2020/21 | 26.51 | 18.15 | 3.66 | 7.53 | 3.22 |
| 2021/22 | 23.48 | 6.5 | 4.13 | 4.44 | 3.05 |
| 2022/23 | 27.38 | 7.11 | 6.89 | 4.71 | 4.06 |
| 2023/24 | 29.68 | 9.23 | 4.31 | 6.23 | 4.13 |
| Mean (\bar{X}) | 27.34 | 14.91 | 7.60 | 11.56 | 6.65 |
| S.D. (σ) | 2.62 | 5.38 | 3.39 | 6.75 | 2.75 |
| C.V. | 9.56% | 36.05% | 44.69% | 58.44% | 41.37% |

Source: Appendix I

Table 6 shows the liquidity of sample banks during the study period. Himalayan Bank Limited (HBL) has the highest average liquidity 27.34%. This shows it maintains a relatively strong liquid asset position. Nepal SBI Bank (NSBL) has the lowest average liquidity 6.65%. This indicates a relatively tighter liquidity position. Everest Bank Limited (EBL) 14.91% and Standard Chartered Bank (SCB) 11.56% maintain moderate liquidity levels whereas NABIL bank has the second-lowest liquidity ratio 7.60%. This shows a high level of asset utilization or investment in less liquid assets.

The coefficient of variation (C.V.) shows liquidity stability. HBL has the lowest volatility 9.56%. This indicates consistently strong liquidity management. SCB has the highest liquidity volatility 58.44%. This means significant fluctuations in SCB's liquidity levels over the years. Similarly, NABIL 44.69% and NSBL 41.37% show substantial liquidity variations. This indicates fluctuating reliance on liquid assets. EBL 36.05% also shows moderate liquidity volatility which shows a mix of stability and periodic fluctuations.

Liquidity levels have generally declined for most banks over the years. This reflects increasing investments in loans and other assets rather than maintaining liquid reserves. SCB's liquidity dropped drastically from 24.03% in 2014/15 to 6.23% in 2023/24 and NABIL saw an even sharper decline from 14.15% to 4.31% during the same period. HBL has maintained relatively higher liquidity which may be viewed positively by risk-averse investors.

NABIL and SCB despite having lower liquidity have historically had strong market capitalizations due to investor confidence in their profitability. However, persistent declines in liquidity could lead to increased risk perception potentially impacting stock prices negatively. Meanwhile, banks like HBL with a balance between liquidity and profitability may sustain stronger investor confidence in the long term.

4.1.6 Number of Shares

Total equity shares a company can issue is referred to as the number of shares and it affects the company's market value and stock liquidity. Increased number of shares available in the market boosts trading activity and stock liquidity which makes the stock appealing to investors. On the other hand, firms selling their stocks or reducing the number of shares outstanding often leads to greater EPS, hence a higher stock price. This study aims at establishing the relationship between the number of shares and the market capitalization while investigating the impact of share volume changes on market capitalization. Table 7 shows the number of shares which was measured on natural logarithm of sample commercial banks during the ten years of the study period.

Table 7

Number of Share (In *Natural Log*)

| Fiscal Year | HBL | EBL | NABIL | SCB | NSBL |
|-------------|-------|-------|-------|-------|-------|
| 2014/15 | 17.32 | 16.82 | 17.41 | 16.93 | 17.24 |
| 2015/16 | 17.62 | 17.08 | 17.68 | 17.15 | 17.47 |
| 2016/17 | 17.99 | 17.63 | 17.94 | 17.51 | 18.05 |
| 2017/18 | 18.21 | 18.20 | 18.20 | 18.20 | 18.20 |
| 2018/19 | 18.26 | 18.20 | 18.32 | 18.20 | 18.25 |
| 2019/20 | 18.36 | 18.25 | 18.43 | 18.20 | 18.31 |
| 2020/21 | 18.49 | 18.30 | 18.75 | 18.27 | 18.37 |
| 2021/22 | 18.68 | 18.36 | 19.25 | 18.36 | 18.40 |

| | | | | | |
|--------------------|-------|-------|-------|-------|-------|
| 2022/23 | 19.19 | 18.49 | 19.42 | 18.36 | 18.43 |
| 2023/24 | 19.19 | 18.58 | 19.42 | 18.36 | 18.47 |
| Mean (\bar{X}) | 18.33 | 17.99 | 18.48 | 17.95 | 18.12 |
| S.D. (σ) | 0.57 | 0.58 | 0.68 | 0.52 | 0.40 |
| C.V. | 3.13% | 3.20% | 3.68% | 2.88% | 2.22% |

Source: Appendix I and II

Table 7 shows the number of shares outstanding which expressed in natural logarithm for five commercial banks during the study period. NABIL has the highest average logged number of shares \ln 18.48, followed by HBL \ln 18.33. This shows that these banks have the largest share volumes. SCB and NSBL have the lowest mean values \ln 17.95 and \ln 18.12 respectively. This shows relatively smaller share bases. EBL with an average of \ln 17.99 falls between these extremes. The consistent growth in the number of shares suggests that banks have been issuing additional shares over time, either through rights offerings, bonus shares or other capital-raising mechanisms.

The coefficient of variation (C.V.) shows the stability of share issuance across the banks. NSBL 2.22% and SCB 2.88% shows the least variation. This indicate a stable capital structure with minimal fluctuations in their number of shares. NABIL 3.68% has the highest variation which shows a more dynamic approach to capital expansion. EBL 3.20% and HBL 3.13% also show moderate variation. The fluctuations in share issuance strategies reflect different capital management policies among the banks with some opting for gradual expansions while others undertake more aggressive increases in their share base.

The number of shares directly influences market capitalization which is calculated as the product of the total number of shares and the market price per share. Banks with a higher number of shares such as NABIL and HBL likely have a larger market capitalization provided that their stock prices remain competitive. However, an increase in the number of shares does not always translate to higher market capitalization if it leads to share dilution. If the additional shares issued are not supported by proportional earnings growth the earnings per share (EPS) may decline. This leads to a decrease in stock price and limiting market capitalization growth.

Banks with relatively stable share numbers like SCB and NSBL may maintain better EPS stability. This can help sustain their stock prices and, in turn, market capitalization. A more controlled approach to increasing shares through strategic

issuance such as stock splits or carefully managed rights issues, can contribute to long-term value creation for shareholders.

4.1.7 Summary of Descriptive Analysis

This study summarizes important financial variables like market capitalization, earnings per share, dividend payout ratio, price-earnings ratio, liquidity and number of shares into a summary. The average or mean and the standard deviation are the two measures of central tendency that allow checking for the spread of values and discoloration through range in data values. This helps to assess the dominant tendencies and movements in the Nepalese commercial banks which depicts the financial features of the banks under study in the country's context. Table 8 shows the summary of descriptive analysis which were total 50 observations from five sample commercial banks with ten years data.

Table 8

Summary of Descriptive Analysis

| | N | Min | Max | Mean | SD |
|--------|----|-------|--------|-------|-------|
| LN_MC | 50 | 24.02 | 25.96 | 24.79 | .455 |
| EPS | 50 | 5.72 | 78.04 | 32.03 | 14.27 |
| DPR | 50 | .00 | 296.59 | 73.87 | 45.14 |
| PER | 50 | 14.42 | 83.94 | 28.46 | 15.05 |
| LIQ | 50 | 3.05 | 31.39 | 13.61 | 8.80 |
| LN_NOS | 50 | 16.82 | 19.42 | 18.18 | .598 |

Table 8 shows the summary of descriptive analysis of study variables. Market capitalization is dependent variable and EPS, DPR, PE, LIQ and NOS are independent variables. Total 50 observations are analyzed from five sample banks with ten years data. Market capitalization which was shown in natural logarithm

ranges from a minimum of ln 24.02 to a maximum of ln 25.96 with a mean of ln 24.79 and a standard deviation of 0.455. This shows that while the overall market capitalization of banks varies the dispersion remains relatively low. This indicates a stable size distribution among the selected banks.

Earnings per share (EPS) shows significant variability which ranges from NPR 5.72 to NPR 78.04 with an average of NPR 32.03 and a standard deviation of 14.27. The high standard deviation highlights notable differences in profitability across banks with some banks showing strong earnings while others have considerably lower EPS. This variation may be attributed to differences in revenue generation, cost structures and capital management strategies among the banks.

The dividend payout ratio has a broad range from 0% to 296.59% with a mean of 73.87% and a standard deviation of 45.14%. This substantial variability indicates that while some banks distribute a significant portion of their profits as dividends others retain earnings for reinvestment. The high average payout ratio suggests that Nepalese banks tend to prioritize shareholder returns but the extreme range also implies inconsistent dividend distribution policies across institutions.

The price-earnings (P/E) ratio varies widely from 14.42 to 83.94 with a mean of 28.46 and a standard deviation of 15.05. The significant dispersion suggests that market perceptions of bank profitability and growth potential differ considerably. Higher P/E ratios imply that investors are willing to pay a premium for future earnings growth whereas lower P/E ratios indicate either undervaluation or lower growth expectations.

Liquidity fluctuates between 3.05% and 31.39%, with an average of 13.61% and a standard deviation of 8.80%. This indicates considerable differences in liquidity management strategies across banks. Some banks maintain high liquidity levels to mitigate financial risks, while others operate with lower liquidity to optimize returns. The variation in liquidity levels may influence banks' ability to meet short-term obligations and affect investor confidence.

The number of shares measured in natural logarithm ranges from ln 16.82 to ln 19.42 with a mean of ln 18.18 and a standard deviation of 0.598. The relatively low standard deviation suggests that most banks have a comparable number of outstanding shares. This shows a similar capital structure. However, differences in share volume may

impact market capitalization as banks with a larger number of shares combined with strong stock prices to have higher market values.

Market capitalization is influenced by multiple factors EPS, P/E ratio, dividend payout, liquidity and the number of shares. Higher EPS and dividend payouts generally enhance investor confidence and contribute to higher valuations whereas excessive liquidity may indicate inefficiencies in capital utilization. The broad range in P/E ratios and dividend payout ratios suggests differing investor expectations and bank policies which influence stock prices and market capitalization.

4.1.8 Correlation Analysis

Correlation analysis assesses the relationship and the degree of association between market capitalization and its independent variables. This study analyzes the relationship of earnings per share, dividend payout ratio, price-earnings ratio, liquidity and number of shares with market capitalization using Pearson's correlation calculation. Finding a strong positive or negative correlation will help identify the most important factors market value. The relationship between independent variables and dependent variable is presented in Table 9.

Table 9

Correlation Analysis

| | | LN_MC | EPS | DPR | PER | LIQ | LN_NOS |
|--------|---------------------|-------|------|-------|--------|-------|---------|
| LN_MC | Pearson Correlation | 1 | .244 | .331* | .444** | -.236 | .210 |
| | Sig. (2-tailed) | | .088 | .019 | .001 | .099 | .143 |
| EPS | Pearson Correlation | | 1 | .140 | .160 | .076 | -.682** |
| | Sig. (2-tailed) | | | .334 | .268 | .598 | .000 |
| DPR | Pearson Correlation | | | 1 | .526** | .028 | -.280* |
| | Sig. (2-tailed) | | | | .000 | .849 | .049 |
| PER | Pearson Correlation | | | | 1 | .032 | -.441** |
| | Sig. (2-tailed) | | | | | .826 | .001 |
| LIQ | Pearson Correlation | | | | | 1 | -.230 |
| | Sig. (2-tailed) | | | | | | .107 |
| LN_NOS | Pearson Correlation | | | | | | 1 |
| | Sig. (2-tailed) | | | | | | |

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

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

Where,

LN_MC= Natural Log of Market Capitalization

EPS= Earnings Per Share

DPR= Dividend Payout Ratio

PER= Price-Earnings Ratio

LIQ= Liquidity

LN_NOS= Natural Log of Number of Shares

Table 9 correlation analysis shows the relationship between market capitalization (LN_MC) and its determinants earnings per share (EPS), dividend payout ratio (DPR), price-earnings ratio (PER), liquidity (LIQ) and the number of shares (LN_NOS). Earnings per share (EPS) shows a positive correlation 0.244 with market capitalization. The relationship is not statistically significant as indicated by its p value which is 0.088 and higher than 0.05. This shows that while higher EPS may contribute to higher market capitalization the relationship is not strong enough to be conclusive. A firm's profitability represented by EPS typically attracts investor confidence potentially leading to higher stock valuations and increased market capitalization.

The dividend payout ratio (DPR) has a moderate positive correlation with market capitalization 0.331 and the p value is 0.019. This means a significant relationship at the 5% level. This shows that firms distributing a higher proportion of their earnings as dividends tend to have higher market capitalization. Investors often view a stable and generous dividend policy as a sign of financial stability increasing stock demand and consequently, market value.

The price-earnings ratio (PER) has a strong and statistically significant positive correlation with market capitalization 0.444 with p value of 0.001. This shows that firms with higher valuation multiples tend to have larger market capitalizations. A high P/E ratio typically reflects investor optimism regarding future earnings growth leading to increased stock prices and higher market capitalization.

Liquidity (LIQ) has a weak negative correlation with market capitalization -0.236 with p value of 0.099. This shows that the relationship is not statistically significant. This indicate that firms with higher liquidity levels may not necessarily have higher market capitalization. While maintaining liquidity is essential for operational

efficiency and financial stability excessive liquidity may indicate inefficient capital utilization which could limit stock price appreciation.

The natural log of the number of shares (LN_NOS) has a weak positive correlation with market capitalization 0.210 with p value of 0.143. This indicate the relationship is not statistically significant. This shows that the number of outstanding shares alone does not strongly relate with market capitalization as stock prices also play a crucial role in determining overall market value.

Market capitalization is significantly related with the price-earnings ratio and dividend payout ratio while earnings per share shows a positive but weaker relationship. Liquidity appears to have a negative but insignificant relationship which indicate that firms balancing liquidity management with profitable investments may achieve higher market capitalization. The number of shares does not show a strong correlation which means that market capitalization is more dependent on profitability and investor valuation rather than the sheer volume of shares outstanding.

4.1.9 Regression Analysis

The regression analysis is conducted to analyze the effect of independent variables on dependent variable utilized in this study. It assesses the contribution of earnings per share, dividend payout ratio, price-earnings ratio, liquidity and number of shares to market capitalization. The regression model shows that relevant variables had calculable value and explanatory power supporting the determination of the factors that influence the value of market capitalization in commercial banks in Nepal.

Table 10

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .935 ^a | .875 | .861 | .16988 |

a. Predictors: (Constant), LN_NOS, LIQ, DPR, PER, EPS

b. Dependent Variable: LN_MC

Table 10 the model summary analyzes the regression model predictive power where the independent variables are LN_NOS, LIQ, DPR, PER and EPS and the dependent variable is LN_MC. The R-value of 0.935 shows a high degree of correlation between market capitalization and the selected predictors. The R-Square value of 0.875 shows

that 87.5% of the variation in market capitalization can be explained by the independent variables. The Adjusted R-Square of 0.861 which accounts for the number of predictors confirms that the model maintains strong explanatory power even after adjusting for potential overfitting.

Table 11

Analysis of Variance (ANOVA)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 8.894 | 5 | 1.779 | 61.637 | .000 ^b |
| | Residual | 1.270 | 44 | .029 | | |
| | Total | 10.164 | 49 | | | |

a. Dependent Variable: LN_MC

b. Predictors: (Constant), LN_NOS, LIQ, DPR, PER, EPS

Table 11 shows the ANOVA results which confirm the statistical significance of the regression model in explaining market capitalization (LN_MC). The F-statistic is 61.637 which is high. The associated p-value is 0.000 which is well the 0.05 threshold i.e., 5% level of significance. This confirms that the model is highly significant. This shows that the combined effect of the independent variables significantly contributes to explaining variations in market capitalization.

Table 12

Regression Coefficients

| Model | | Unstandardized | | Standardized | | Collinearity | | |
|-------|------------|----------------|------------|--------------|--------|--------------|-----------|-------|
| | | Coefficients | | Coefficients | | Statistics | | |
| | | B | Std. Error | Beta | t | Sig. | Tolerance | VIF |
| 1 | (Constant) | 6.457 | 1.271 | | 5.080 | .000 | - | - |
| | EPS | .030 | .002 | .930 | 12.332 | .000 | .500 | 2.002 |
| | DPR | .001 | .001 | .145 | 2.306 | .026 | .720 | 1.389 |
| | PER | .023 | .002 | .752 | 10.916 | .000 | .598 | 1.673 |
| | LIQ | -.003 | .003 | -.057 | -1.036 | .306 | .924 | 1.083 |
| | LN_NOS | .917 | .065 | 1.204 | 14.129 | .000 | .391 | 2.558 |

a. Dependent Variable: LN_MC

Table 12 shows the regression coefficients results of the study variables where independent variables are LN_NOS, LIQ, DPR, PER and EPS and the dependent variable is LN_MC. The model's constant term is 6.457. This indicates the baseline value of market capitalization when all independent variables are zero. The coefficients of each independent variable show their respective effects on market capitalization with some having stronger and more statistically significant effects than others.

Earnings per share (EPS) has a positive and significant effect on market capitalization with a coefficient of 0.030 and a p-value of 0.000. This means that a one-unit increase in EPS leads to a 0.030-unit increase in the natural logarithm of market capitalization holding all other factors constant. This strong effect suggests that investors perceive higher earnings as an indicator of a company's financial strength, driving up its valuation in the stock market.

The dividend payout ratio (DPR) has a positive effect on market capitalization. Dividend payout ratio has a coefficient of 0.001 and a p-value of 0.026. This indicates that this effect is statistically significant at the 5% level. This means that an increase in the DPR results in a slight increase in market capitalization. Companies with higher dividend payouts may be perceived as financially stable and shareholder-friendly which increase investor confidence and boosting market capitalization.

The price-earnings ratio (PER) has a strong positive effect on market capitalization with a coefficient of 0.023 and a significant p-value of 0.000. This shows that a one-unit increase in PER leads to a 0.023-unit increase in the natural logarithm of market capitalization. A higher PER reflects greater investor willingness to pay for a company's earnings which is often associated with growth potential and future profitability.

Liquidity has a negative but statistically insignificant effect on market capitalization. It has a coefficient of -0.003 and a p-value of 0.306. This shows that changes in liquidity levels do not have a significant direct effect on market capitalization in this study. The negative sign although not statistically significant shows that higher liquidity levels might not always translate into higher market capitalization. This is because excess liquidity may indicate inefficiencies in capital utilization or lower investment in growth opportunities.

The number of shares (LN_NOS) has the significant effect on market capitalization with a coefficient of 0.917 and a significant p-value of 0.000. This means that a one-unit increase in the natural logarithm of the number of shares leads to a 0.917-unit increase in the natural logarithm of market capitalization. This strong positive effect indicates that companies with a larger number of shares tend to have higher market capitalization as more shares generally mean greater investor participation and higher overall valuation in the stock market.

The variance inflation factor (VIF) values for all independent variables are below the commonly accepted threshold of 10. This shows no severe multicollinearity issues in this regression model. The regression analysis shows that the number of shares (LN_NOS), EPS and PER have the statistically significant effects on market capitalization. DPR also exerts a positive but relatively weaker effect while liquidity does not have a significant impact.

4.1.10 Summary of Research Hypothesis

The research hypotheses outline the interrelation between defined variables of the study with market capitalization as a dependent variable. The regression analyses will confirm or disconfirm these hypotheses which showing the financial determinants of market capitalization of commercial banks in Nepal. The hypotheses are tested using regression analysis and the results of hypothesis testing is presented in Table 13.

Table 13 *Summary of Research Hypothesis*

Summary of Research Hypothesis

| Hypothesis | Beta Value | t Value | p Value | Results |
|--|------------|---------|---------|-----------|
| H1: EPS has a positive significant effect on the market capitalization of banks listed in NEPSE. | .030 | 12.332 | .000 | Supported |
| H2: DPR has a positive significant effect on the market capitalization of banks listed in NEPSE. | .001 | 2.306 | .026 | Supported |
| H3: The price-earnings (PE) ratio has a positive significant effect on the market capitalization of banks listed in NEPSE. | .023 | 10.916 | .000 | Supported |

| | | | | |
|--|-------|--------|------|---------------|
| H ₄ : Liquidity has a positive significant effect on the market capitalization of banks listed in NEPSE. | -.003 | -1.036 | .306 | Not Supported |
| H ₅ : The number of shares has a positive significant effect on the market capitalization of banks listed in NEPSE. | .917 | 14.129 | .000 | Supported |

Source: Table 12

Table 13 shows the summary of hypothesis which were presented in chapter one. The results indicate that EPS, DPR, PE ratio and the number of shares have a significant positive impact on the market capitalization of banks listed in NEPSE. This support H₁, H₂, H₃ and H₅. However, liquidity does not show a significant effect which leads to the rejection of H₄.

4.2 Discussion

This study was aim to exploring the correlation between the market capitalization and its determinants in the case of Nepalese banks listed on the Nepal Stock Exchange (NEPSE). Market capitalization is the dependent variable while its determinants, earnings per share (EPS), dividend payout ratio (DPR), price earnings ratio (PER), liquidity (LIQ) and number of shares (LN_NOS) were independent variables. The analysis showed that there is significant variation in these factors amongst the banks. It shows that market capitalization of Nepalese banks is a function of several financial variables. With regards to market capitalization, banks that report greater EPS and PER usually have higher market capitalization which reflects the nature of profitability as well as optimism of investors. Furthermore, banks with larger market capitalization appear to have bigger dividend payouts indicating the bank's stability with investor confidence. Market liquidity did not have a strong bearing on capitalization value and therefore, while liquidity is important for the financial stability of a bank, it does not enhance the market valuation in this case.

The study also focused on estimating the correlation between market capitalization and its determinants. The analysis confirms the existence of positive relationships between market capitalization and EPS, DPR and PER. This means that more profitable banks that pay higher dividends and have optimistic investor expectations about future earnings have larger market capitalizations. On the other hand, liquidity was not found to have any noticeable effect on market capitalization. This may be the

case because liquidity ratios on their own do not dictate how investors view the bank's growth potential for the long term. Market capitalization was positively influenced, but to a lesser extent, by the number of shares issued by the banks. This is because larger issuances of shares than the secondary market value usually results to increase in market value however, this profit was less than the profitability indicators. The mentioned relationships point towards the significant impact finances and external expectations have on the stock market value of the banks.

This study found earnings per share (EPS) has positive significant impact on market capitalization. This finding is consistent with the earlier findings by Almunani (2018) who also noted that EPS affects market capitalization of commercial banks in Jordan. Also, Fitrah et al. (2022) highlighted the impact of EPS on their market capitalization which strengthens the role of profit indicators in the valuation of the stock market. This is consistent with the observation that companies with greater profitability and higher EPS are more likely to be invested in, thus raising their market capitalization.

This study found the positive effect of dividend payout ratio (DPR) on market capitalization. This finding is consistent with Almunani (2018) who noted DPR to be one of the determinants of market capitalization in Jordanian banks. Also, Sitorus et al. (2020) noticed a positive impact of dividend policies on the market capitalization of firms. This may indicate that larger dividend payments are likely to increase market capitalization as they reflect perceived investor confidence and financial strength. On the other hand, this finding is contradicted the results of Suharti et al. (2023) who reported no observable impact of market capitalization in their sample of Indonesian firms.

This study discovered a positive effect of PER on market capitalization which is in consistent with Almunani (2018) who found PER as a highly influential factor of market capitalization in Jordanian banks. Fitrah et al. (2022) also indicated that PER positively impacted market capitalization underlining the importance of market appreciation and investor's attitude towards anticipated earnings. This is an important finding which shows the significance of PER as an indicator of market confidence and possibility of growth in the future.

This study found liquidity to have a insignificant impact on market capitalization which is the opposite of Soliman and Obi (2017) who stated that increased bank

capitalization tended to have a positive impact on stock market liquidity thereby enhancing market performance. Liquidity was, however, suggested to be positively connected to market value by Bouaziz (2020). Nonetheless, in the case of Nepalese banks, this study proposes that while liquidity is important for the operational health of a firm, it does not change market capitalization as much as some other factors do, like EPS and PER.

This study showed that the number of shares issued had a positive but weaker relationship, with market capitalization which is consistent with Pavone (2019) who noted that financial indicators such as operating income and working capital did impact market capitalization but their influence was more indirect through the number of shares. As well, the findings by Sitorus et al. (2020) on company size and its impact on market value is known to suggest that greater valued firms or firms with greater number of publicly traded shares, tend to have a greater market value. However, the effect of share issuance is generally less than that of other factors such as profitability and valuation, which was automated in this study.

These comparisons show the general agreement on the role of profitability and market perception dominating a company's market capitalization while the degree to which factors such as liquidity or issued shares affect the market tend to vary explaining the discrepancies in the results.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The stock market of a country is used to judge a company's reputation. In Nepal, the NEPSE stock market participates significantly in estimating the market capitalization of listed banks. Considering all the factors that influence the market capitalization, it is hypothesized why there are differences in value of emerging Nepalese banks publicly offered shares. Analysts, investors and even officials use these values to determine how compressed or diffused the risks, growth opportunities, and investment interest in Nepalese banks are. Heuristic methods of estimating capitalization are

useful in measuring investors' trust and the general state of the banking industry in Nepal. This is especially true given the young stage of the development of Nepal's financial markets. Market capitalization is single-handedly the most important measure of the overall value of all issued stock shares and is an essential characteristic of the financial condition of a firm.

This study is essential because the development of the stock market in Nepal has become increasingly important as has its effect on the financial sector. Banks are the pillars of the Nepalese economy. Their value in the stock market indicates their financial power and confidence. However, there is limited research regarding the market capitalization of Nepalese banks and the reasons behind it. This study aims to address this gap by investigating certain financial determinants of market capitalization. This study set out to help stock market investors, regulators and banking institutions make informed financial decisions by determining the factors influencing the stock market performance.

This study employs combining descriptive and causal-comparative methodologies to analyze market capitalization in Nepalese commercial banks. The population consists of 19 listed commercial banks with five selected through purposive sampling based on foreign investment inclusion. Data are sourced from annual reports, Nepal Rastra Bank, and Nepal Stock Exchange. Descriptive, correlation and multiple regression analysis is conducted using SPSS to identify relationships and determinants of market capitalization.

The study found that market capitalization in Nepalese banks listed on NEPSE is significantly influenced by earnings per share (EPS), dividend payout ratio (DPR), price-earnings ratio (PER) and the number of shares (LN_NOS) while liquidity (LIQ) does not have a statistically significant impact. The regression results indicate that a one-unit increase in EPS leads to a 0.030-unit increase in the natural logarithm of market capitalization $p = 0.000$. Similarly, PER has a strong positive effect, with a one-unit increase resulting in a 0.023-unit increase in market capitalization $p = 0.000$. DPR has a weaker but significant positive effect, where a one-unit increase leads to a 0.001-unit rise in market capitalization $p = 0.026$. The number of shares outstanding (LN_NOS) has the strongest impact, with a one-unit increase leading to a 0.917-unit

rise in market capitalization $p = 0.000$. However, liquidity (LIQ) has a negative but statistically insignificant effect -0.003 , $p 0.306$.

The results of the study bring several advantages to those involved in the financial markets. The investors can use the results to make rational choices concerning stock picking and to manage the portfolio in regard to profitability, liquidity and dividend policies. Banking institutions would improve their financial strategies and other important measures that affect market capitalization by applying this knowledge. Regulators and policymakers can foster more open and stable financial markets for sustainable economic growth by using the results of the study to formulate policies and legislations. The study also adds on the existing literature by establishing the factors that determine market capitalization of Nepalese banks which will be helpful for further investigations in this area.

5.2 Conclusion

This study examined the relationship in the capital market of listed commercial banks in Nepal regarding a stock's market capitalization and its key drivers' earnings per share (EPS), dividend payout ratio (DPR), price earnings (P/E) ratio, liquidity and number of shares. In examine the current market capitalization and its determinants for Nepalese banks there were noticeable differences for all banks. The study shows that there are different trends for every included variable of EPS, DPR, liquidity, P/E ratio and number of shares. This shows not only differences in financial performance but also in investor's behaviors and market conditions. In terms of profitability, EPS is one of the most powerful constituents and its varying amounts across the commercial banks clearly points to how much the banks are able to generate earnings. Banks also varied in DPR which is an indicator of differences in banks' dividend policies. The amount of P/E ratio in question also greatly differed which indicates how much trust they have in the Nepalese banks. Further, the amount of liquidity and the shares that were available highly determined the market capitalization of the banks.

The analysis of relationship between market capitalization and its drivers was understanding. The study showed a significant positive correlation between EPS and market capitalization which means that banks with greater earnings tend to possess higher market capitalization. The DPR also showed a positive relation with market capitalization which means that the payment of dividends is viewed by investors as a

firm's strength and indicator of more profits to come. The P/E ratio was found to have a positive effect depicting the influence of investors' views on the market value. Moreover, liquidity had a positive relation with market capitalization which indicate that there is an impression among investors that the banks with greater liquidity are more solvent and thus, more attractive. The outstanding shares also showed a considerable effect as the greater amounts of shares traded resulted in higher market capital, confirming the influence of market activity on the value of the firm.

The examination of the effects of these variables on market capitalization verified once again the bearers of financial performance benchmarks in the valuation of Nepalese banks. EPS was one of the most powerful determinants which once again proved that profitability deeply considers the drive in market value. Likewise, DPR and P/E ratio which also proved to be very important. These findings showed the important role of dividend policies as well as the market's anticipation in an investors' decision. The number of shares were also found to be significant. This suggest that market activity and financial stability increases the market capitalization of a firm as a whole.

This supports the clear finding in the study that to a greater proportion speaks to the importance of financial ratios as contributors to market capitalization of Nepalese commercial banks. The results confirm that the market capitalization of banks is a function of both profitability and investor expectations, dividend policies, liquidity and market activity.

5.3 Implications

Based on the findings of the study, discussions of the study and conclusion of the study, the following implications are made:

- The study found the importance of earnings per share (EPS) as a key determinant of market capitalization. This is suggested that banks should focus on improving profitability to enhance their market value.
- The positive relationship between dividend payout ratio (DPR) and market capitalization shows that banks with higher dividend payouts are more attractive to investors. This is suggested that banks should need the well-structured dividend policies.

- The impact of the price-earnings (P/E) ratio on market capitalization shows that investor sentiment and market expectations play a significant role. It is suggested that banks should consider the importance of transparency and financial disclosures.
- The role of liquidity in influencing market capitalization indicates that banks should maintain strong liquidity positions to build investor confidence and ensure financial stability.
- The study found the significance of the number of shares outstanding in determining market capitalization. This is suggested that market activity and trading volumes influence investor perceptions and firm valuation.
- The findings give an important information for investors and policymakers in making informed decisions regarding stock valuation, investment strategies, and regulatory measures in Nepalese financial markets.
- The study's framework can be expanded in future research by including macroeconomic factors such as GDP growth, inflation and interest rates to understand broader market capitalization dynamics.

References

- Aharony, J., & Swary, I. (1980). Quarterly dividend and earnings announcements and stockholders' returns: An empirical analysis. *Journal of Finance*, 35(1), 1–12. <https://doi.org/10.1111/j.1540-6261.1980.tb03466.x>
- Alarussi, A. S. (2023). Determinants of market capitalization: The case of Malaysian companies. *YMER*, 22(5), 334–352. <http://ymerdigital.com>
- Allen, F., & Gale, D. (2004). Competition and financial stability. *Journal of Money, Credit and Banking*, 36(3), 453–480.
- Almumani, M. A. Y. (2018). An empirical study on effect of profitability ratios & market value ratios on market capitalization of commercial banks in Jordan. *International Journal of Business and Social Science*, 9(4), 39–45. <https://doi.org/10.30845/ijbss.v9n4p6>
- Almumani, M. A. Y., & Almazari, A. A. (2021). The effect of major financial indicators on market capitalization in Jordanian financial companies listed in Amman Stock Exchange. *International Journal of Economics, Commerce and Management*, 9(6), 1–15.
- Al-Nimer, M., & Alslihat, N. (2015). The effect of profitability ratios on market capitalization in Jordanian insurance companies listed in Amman Stock Exchange. *Journal of Economics and Sustainable Development*, 6(6), 140–146.
- Alshubiri, F. (2021). The stock market capitalization and financial growth nexus: An empirical study of Western European countries. *Future Business Journal*, 7(1). <https://doi.org/10.1186/s43093-021-00092-7>
- Artha, I. W. B., Widyastuti, T., Gustari, I., Zulkifli, & Purwoko, B. (2023). Determinants of market capitalization with profitability and dividend policy as intervening variables of state-owned banks. *Davao International Journal of Economics, Finance and Accounting*, 4(1), 50–66. <https://doi.org/10.38035/dijefa.v4i1>
- Banz, R. W. (1981). The relationship between return and market value of common stocks. *Journal of Financial Economics*, 9(1), 3–18. [https://doi.org/10.1016/0304-405X\(81\)90018-0](https://doi.org/10.1016/0304-405X(81)90018-0)

- Basel Committee on Banking Supervision (BCBS). (2011). *Basel III: A global regulatory framework for more resilient banks and banking systems*. Bank for International Settlements.
- Bekaert, G., & Harvey, C. R. (2000). Foreign speculators and emerging equity markets. *Journal of Finance*, 55(2), 565–613.
- Belgrove, J. B., & Smit, E. (2016). The controllable determinants of liquidity in the context of securitised real estate companies in South Africa. *Management Dynamics: Journal of the Southern African Institute of Management Scientists*, 25(1), 2–15.
- Bhattacharya, S. (1979). Imperfect information, dividend policy, and ‘the bird in the hand’ fallacy. *Bell Journal of Economics*, 10(1), 259–270. <https://doi.org/10.2307/3003554>
- Bouaziz, A. (2020). Factors affecting the market value of commercial banks listed on the Amman Stock Exchange. *Finance and Business Economics Review*, 4(3), 147–163. <https://doi.org/10.58205/fber.v4i3.1375>
- Boyd, J. H., De Nicolò, G., & Alier, S. (2001). Bank risk-taking and competition revisited: New theory and new policy implications. *IMF Working Papers*, 1(1), 1–37. <https://doi.org/10.5089/9781451840245.001>
- Brav, A., Graham, J. R., Harvey, C. R., & Michaely, R. (2005). Payout policy in the 21st century. *Journal of Financial Economics*, 77(3), 483–527. <https://doi.org/10.1016/j.jfineco.2004.07.004>
- Camilleri, S. J., & Galea, F. (2019). The determinants of securities trading activity: Evidence from four European equity markets. *Journal of Capital Markets Studies*, 3(1), 47–67. <https://doi.org/10.1108/JCMS-02-2019-0007>
- Culham, J. (2019). Revisiting the concept of liquidity in liquidity preference. *Cambridge Journal of Economics*, 44(3), 491–505. <https://doi.org/10.1093/cje/bez057>
- Das, C. P., & Swain, R. K. (2019). Determinants of market capitalization in India and its impact. In *Advances in finance, accounting, and economics book series* (pp. 163–176). IGI Global. <https://doi.org/10.4018/978-1-5225-7399-9.ch009>

- Dhodary, S. (2023). Determinants of stock market price in Nepalese commercial banks. *The Harvest*, 1(1), 71–86.
- Dibal, H. S., & Ambam, A. P. (2024). Institutional determinants of capital market development in Nigeria. *African Banking and Finance Review Journal*, 11(11), 107–126. <https://www.abfrjournal.com/article/view/181>
- Diamond, D. W., & Dybvig, P. H. (1983). Bank runs, deposit insurance, and liquidity. *Journal of Political Economy*, 91(3), 401–419. <https://doi.org/10.1086/261155>
- Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. *American Economic Review*, 74(4), 650–659.
- Eriemo, N. O. (2014). An empirical analysis of the determinants of market capitalization in Nigeria. *Journal of Economics and Sustainable Development*, 4(7), 67–78.
- Fadhil, D. M., Macha, S., & Yusuf, S. (2024). Effects of financial market development on bank capitalization ratio: Evidence from commercial and non-commercial banks in Tanzania. *International Journal of Business Management and Economic Review*, 7(2), 55–75. <https://doi.org/10.35409/ijbmer.2024.3564>
- Fama, E. F., & French, K. R. (1992). The cross-section of expected stock returns. *Journal of Finance*, 47(2), 427–465. <https://doi.org/10.1111/j.1540-6261.1992.tb04398.x>
- Fitrah, A., Apriyanto, G., & Respati, H. (2022). Determinants of market capitalization and its effect on Sharia stock returns in Jakarta Islamic Index. *International Journal of Economics, Business and Accounting Research*, 6(4), 1827–1842. <https://jurnal.stie-aas.ac.id/index.php/IJEBAR>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Keynes, J. M. (1936). *The general theory of employment, interest and money*. Macmillan.
- Karna, S. K., Sahani, S. K., & Sharma, D. K. (2024). Analysis of stock market trends for market capitalization and securities management: An approach to

- Nepalese stock market. *Asian Journal of Early Childhood and Elementary Education*, 2(3), 217–259. <https://doi.org/10.58578/ajecee.v2i3.3003>
- Kaweny, S. P. (2007). A study of the relationship between dividend payout ratio, financial leverage, and investment in testing the pecking order hypothesis [Unpublished master's thesis]. Jakarta Stock Exchange.
- Kuvshinov, D., & Zimmermann, K. (2021). The big bang: Stock market capitalization in the long run. *Journal of Financial Economics*, 145(2), 527–552. <https://doi.org/10.1016/j.jfineco.2021.09.008>
- Kwiatkowska, K. (2023). Determinants of bank market valuation: A review of the literature. *Scientific Papers of Silesian University of Technology Organization and Management Series*, 2023(176). <https://doi.org/10.29119/1641-3466.2023.176.21>
- Levine, R. (2005). Finance and growth: Theory and evidence. In *Handbook of economic growth* (Vol. 1A, pp. 865–934). Elsevier.
- Lintner, J. (1956). Distribution of incomes of corporations among dividends, retained earnings, and taxes. *American Economic Review*, 46(2), 97–113.
- Miklus, M. Z., & Oplotnik, J. (2016). Capital market response to the change in the dividend policy: The case of Slovenian stock market. *Research in Applied Economics*, 8(1), 42–57. <https://doi.org/10.5296/rae.v8i1.8839>
- Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance, and the theory of investment. *American Economic Review*, 48(3), 261–297.
- Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management ownership and market valuation. *Journal of Financial Economics*, 20(1), 293–315. [https://doi.org/10.1016/0304-405X\(88\)90048-7](https://doi.org/10.1016/0304-405X(88)90048-7)
- Naz, N., Naji, A. S., Khan, A. A., & Gaffar, A. (2024). Macroeconomic determinants of market capitalization of PSX 100 index: An application of VAR approach. *Bulletin of Business and Economics*, 13(2), 752–762. <https://doi.org/10.61506/01.00390>
- Omodero, C. O. (2019). Capital market determinants and market capitalization in Nigeria. *International Journal of Financial Research*, 11(1), 462–473. <https://doi.org/10.5430/ijfr.v11n1p462>

- Pavone, P. (2019). Market capitalization and financial variables: Evidence from Italian listed companies. *International Journal of Academic Research in Business and Social Sciences*, 9(3), 1357–1371. <https://doi.org/10.6007/ijarbss/v9-i3/5802>
- Permata, I. S., & Alkaf, F. T. (2020). Analysis of market capitalization and fundamental factors on firm value. *Journal of Accounting and Financial Management*, 1(2), 61–78. <https://doi.org/10.38035/jafm.v1i2>
- Puertas, R., Carracedo, P., Garcia-Mollá, M., & Vega, V. (2022). Analysis of the determinants of market capitalization: Innovation, climate change policies, and business context. *Technological Forecasting and Social Change*, 179, 121644. <https://doi.org/10.1016/j.techfore.2022.121644>
- Qurashi, M., & Zahoor, M. (2016). Impact of profitability, bank, and macroeconomic factors on the market capitalization of the Middle Eastern banks. *International Journal of Business and Management Invention*, 5(11), 56–62.
- Santoso, W., Yusgiantoro, I., Soedarmono, W., & Prasetyantoko, A. (2018). The bright side of market power in Asian banking: Implications of bank capitalization and financial freedom. *Otoritas Jasa Keuangan, Sampoerna University, Faculty of Business, & Atmajaya Catholic University of Indonesia*.
- Shahbaz, M., Rehman, I. U., & Afza, T. (2016). Macroeconomic determinants of stock market capitalization in an emerging market: Fresh evidence from cointegration with unknown structural breaks. *Macroeconomics and Finance in Emerging Market Economies*, 9(1), 75–99. <https://doi.org/10.1080/17520843.2015.1053820>
- Sitorus, H., Yahya, I., & Sirojuzilam. (2020). The influence of intellectual capital, company size, and profitability on disclosure of intellectual capital and the effect on market capitalization in manufacturing companies. *International Journal of Innovative Science and Research Technology*, 5(9), 27–34.
- Soliman, A., & Obi, J. (2017). Bank capitalisation and stock market liquidity: Assessing the evidence. *Theoretical Economics Letters*, 7(1), 1747–1760. <https://doi.org/10.4236/tel.2017.76118>

- Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>
- Suharti, E. T., Aminda, R. S., Rinda, R. T. K., Hurryaturohman, & Azis, A. D. (2023). Determinants of market capitalization in consumer goods industrial sector companies. *International Journal of Economic Research, Business and Accounting*, 6(4), 1827–1842. <https://doi.org/10.47750/QAS/24.195.38>
- Yong, T. M., & Mustapha, M. (2016). Determinants of dividend payout ratio: Evidence from Malaysian public listed firms. *Journal of Applied Environmental and Biological Sciences*, 6(1S), 48–54.

Appendices

Appendix I

Data for the Study

| BANKS | FY | EPS | DPR | PER | LIQ | MPS | DPS | MC | NOS |
|-------|---------|-------|----------|-------|-------|-------|--------|-----------------|-------------|
| HBL | 2014/15 | 33.37 | 126.1912 | 24.36 | 30.32 | 813 | 42.11 | 27,094,851,000 | 33,327,000 |
| | 2015/16 | 43.03 | 73.39066 | 34.86 | 28.74 | 1500 | 31.58 | 67,487,175,000 | 44,991,450 |
| | 2016/17 | 35.15 | 74.87909 | 25.21 | 26.64 | 886 | 26.32 | 57,515,784,210 | 64,916,235 |
| | 2017/18 | 23.11 | 68.3254 | 23.84 | 23.05 | 551 | 15.79 | 44,711,056,994 | 81,145,294 |
| | 2018/19 | 32.44 | 67.81751 | 17.02 | 26.25 | 552 | 22 | 47,031,812,016 | 85,202,558 |
| | 2019/20 | 27.6 | 72.46377 | 19.57 | 31.39 | 540 | 20 | 50,610,319,560 | 93,722,814 |
| | 2020/21 | 28.07 | 92.62558 | 17.25 | 26.51 | 484 | 26 | 51,712,499,872 | 106,844,008 |
| | 2021/22 | 18.26 | 104.655 | 16.39 | 23.48 | 299.2 | 19.11 | 38,802,427,294 | 129,687,257 |
| | 2022/23 | 9.18 | 0 | 23.18 | 27.38 | 212.8 | 0 | 46,085,277,997 | 216,566,156 |
| | 2023/24 | 5.72 | 0 | 35.71 | 29.68 | 204.2 | 0 | 44,222,809,055 | 216,566,156 |
| EBL | 2014/15 | 78.04 | 38.44182 | 27.17 | 24.27 | 2120 | 30 | 42,768,619,240 | 20,173,877 |
| | 2015/16 | 40.33 | 173.5681 | 83.94 | 16.61 | 3385 | 70 | 88,775,148,785 | 26,226,041 |
| | 2016/17 | 32.48 | 101.601 | 41.66 | 16.52 | 1353 | 33 | 61,242,555,957 | 45,264,269 |
| | 2017/18 | 32.78 | 61.01281 | 20.23 | 17.75 | 663 | 20 | 53,218,103,679 | 80,268,633 |
| | 2018/19 | 38.05 | 65.70302 | 17.5 | 18.56 | 666 | 25 | 53,458,909,578 | 80,268,633 |
| | 2019/20 | 29.71 | 16.82935 | 22.72 | 14.43 | 675 | 5 | 57,173,896,143 | 84,702,068 |
| | 2020/21 | 19.91 | 30.13561 | 37.06 | 18.15 | 738 | 6 | 65,635,632,774 | 88,937,172 |
| | 2021/22 | 26.3 | 49.42966 | 16.69 | 6.5 | 439 | 13 | 41,386,023,478 | 94,273,402 |
| | 2022/23 | 31.43 | 33.50302 | 17.91 | 7.11 | 563 | 10.53 | 60,230,271,675 | 106,980,944 |
| | 2023/24 | 31.47 | 49.34859 | 17.8 | 9.23 | 560 | 15.53 | 65,900,261,728 | 117,679,039 |
| NABIL | 2014/15 | 57.24 | 64.36059 | 33.37 | 14.15 | 1910 | 36.84 | 69,861,191,400 | 36,576,540 |
| | 2015/16 | 59.27 | 75.92374 | 39.55 | 6.77 | 2344 | 45 | 111,493,991,424 | 47,565,696 |
| | 2016/17 | 59.86 | 80.1871 | 25.44 | 10.02 | 1523 | 48 | 94,205,271,610 | 61,855,070 |
| | 2017/18 | 51.84 | 65.58642 | 18.6 | 10.05 | 921 | 34 | 74,078,065,410 | 80,432,210 |
| | 2018/19 | 50.57 | 67.23354 | 15.82 | 4.78 | 800 | 34 | 72,094,763,200 | 90,118,454 |
| | 2019/20 | 36.16 | 97.51106 | 21.15 | 11.2 | 765 | 35.26 | 77,245,855,110 | 100,974,974 |
| | 2020/21 | 33.57 | 113.1963 | 40.48 | 3.66 | 1359 | 38 | 188,146,091,808 | 138,444,512 |
| | 2021/22 | 18.64 | 160.9442 | 44.21 | 4.13 | 824 | 30 | 188,143,166,864 | 228,329,086 |
| | 2022/23 | 23.67 | 46.47233 | 25.31 | 6.89 | 599.2 | 11 | 162,125,524,226 | 270,569,967 |
| | 2023/24 | 22.9 | 87.33624 | 22.88 | 4.31 | 524 | 20 | 141,778,662,708 | 270,569,967 |
| SCB | 2014/15 | 57.38 | 77.04775 | 33.86 | 24.03 | 1943 | 44.21 | 43,681,772,116 | 22,481,612 |
| | 2015/16 | 45.96 | 76.349 | 78.33 | 7.98 | 3600 | 35.09 | 101,247,336,000 | 28,124,260 |
| | 2016/17 | 35.49 | 296.5906 | 64.67 | 19.71 | 2295 | 105.26 | 91,931,166,135 | 40,057,153 |
| | 2017/18 | 27.33 | 64.0322 | 27.62 | 18.91 | 755 | 17.5 | 60,486,301,785 | 80,114,307 |
| | 2018/19 | 30.39 | 74.03751 | 22.44 | 7.52 | 682 | 22.5 | 54,637,957,374 | 80,114,307 |
| | 2019/20 | 24.81 | 47.72269 | 26 | 14.49 | 645 | 11.84 | 51,673,728,015 | 80,114,307 |
| | 2020/21 | 14.83 | 88.06473 | 36.16 | 7.53 | 590 | 13.06 | 50,576,161,720 | 85,722,308 |
| | 2021/22 | 23.92 | 69.02174 | 16.56 | 4.44 | 396 | 16.51 | 37,340,637,444 | 94,294,539 |
| | 2022/23 | 36.75 | 51.70068 | 14.42 | 4.71 | 530 | 19 | 49,976,105,670 | 94,294,539 |

| | | | | | | | | | |
|---------|---------|----------|----------|-------|-------|-------|----------------|----------------|-------------|
| | 2023/24 | 34.73 | 73.42355 | 17.33 | 6.23 | 602 | 25.5 | 56,765,312,478 | 94,294,539 |
| NSBL | 2014/15 | 34.48 | 82.42459 | 25.73 | 10.92 | 887 | 28.42 | 27,124,987,765 | 30,580,595 |
| | 2015/16 | 36.78 | 80.2882 | 50.98 | 8.33 | 1875 | 29.53 | 72,820,042,500 | 38,837,356 |
| | 2016/17 | 33.46 | 48.83443 | 27.64 | 10.04 | 925 | 16.34 | 64,055,260,250 | 69,248,930 |
| | 2017/18 | 25.16 | 62.75835 | 19.83 | 7.18 | 499 | 15.79 | 40,154,057,447 | 80,469,053 |
| | 2018/19 | 27.13 | 62.07151 | 17.29 | 6.65 | 469 | 16.84 | 39,626,984,845 | 84,492,505 |
| | 2019/20 | 17.23 | 54.96228 | 25.24 | 8.89 | 435 | 9.47 | 38,959,494,360 | 89,562,056 |
| | 2020/21 | 10.15 | 52.31527 | 40.3 | 3.22 | 409 | 5.31 | 38,828,733,611 | 94,935,779 |
| | 2021/22 | 16.67 | 63.16737 | 16.93 | 3.05 | 282.3 | 10.53 | 27,738,383,301 | 98,258,531 |
| | 2022/23 | 19.44 | 54.26955 | 17.54 | 4.06 | 341 | 10.55 | 34,511,343,867 | 101,206,287 |
| 2023/24 | 19.05 | 55.90551 | 17.22 | 4.13 | 328 | 10.65 | 34,440,499,544 | 105,001,523 | |

Appendix II

Natural Log of Market Capitalization and No. of Shares

| BANKS | FY | Market Capitalization | LN_MC | Number of Shares | LN_NOS |
|---------|-----------------|-----------------------|-------------|------------------|------------|
| HBL | 2014/15 | 27,094,851,000 | 24.0226095 | 33,327,000 | 17.3218784 |
| | 2015/16 | 67,487,175,000 | 24.9352034 | 44,991,450 | 17.621983 |
| | 2016/17 | 57,515,784,210 | 24.7753253 | 64,916,235 | 17.9886083 |
| | 2017/18 | 44,711,056,994 | 24.5234867 | 81,145,294 | 18.2117519 |
| | 2018/19 | 47,031,812,016 | 24.5740901 | 85,202,558 | 18.260542 |
| | 2019/20 | 50,610,319,560 | 24.6474213 | 93,722,814 | 18.3558522 |
| | 2020/21 | 51,712,499,872 | 24.6689654 | 106,844,008 | 18.4868805 |
| | 2021/22 | 38,802,427,294 | 24.3817486 | 129,687,257 | 18.6806364 |
| | 2022/23 | 46,085,277,997 | 24.5537594 | 216,566,156 | 19.1934066 |
| 2023/24 | 44,222,809,055 | 24.5125065 | 216,566,156 | 19.1934066 | |
| EBL | 2014/15 | 42,768,619,240 | 24.4790705 | 20,173,877 | 16.8198991 |
| | 2015/16 | 88,775,148,785 | 25.2093726 | 26,226,041 | 17.0822634 |
| | 2016/17 | 61,242,555,957 | 24.8381081 | 45,264,269 | 17.6280285 |
| | 2017/18 | 53,218,103,679 | 24.6976645 | 80,268,633 | 18.2008895 |
| | 2018/19 | 53,458,909,578 | 24.7021792 | 80,268,633 | 18.2008895 |
| | 2019/20 | 57,173,896,143 | 24.7693633 | 84,702,068 | 18.2546506 |
| | 2020/21 | 65,635,632,774 | 24.9073846 | 88,937,172 | 18.3034407 |
| | 2021/22 | 41,386,023,478 | 24.4462091 | 94,273,402 | 18.3617097 |
| | 2022/23 | 60,230,271,675 | 24.8214409 | 106,980,944 | 18.4881613 |
| 2023/24 | 65,900,261,728 | 24.9114083 | 117,679,039 | 18.5834715 | |
| NABIL | 2014/15 | 69,861,191,400 | 24.9697761 | 36,576,540 | 17.4149176 |
| | 2015/16 | 111,493,991,424 | 25.4372365 | 47,565,696 | 17.6776224 |
| | 2016/17 | 94,205,271,610 | 25.268742 | 61,855,070 | 17.9403046 |
| | 2017/18 | 74,078,065,410 | 25.0283853 | 80,432,210 | 18.2029253 |
| | 2018/19 | 72,094,763,200 | 25.0012472 | 90,118,454 | 18.3166355 |
| | 2019/20 | 77,245,855,110 | 25.0702591 | 100,974,974 | 18.4303833 |
| 2020/21 | 188,146,091,808 | 25.9604846 | 138,444,512 | 18.7459802 | |

| | | | | | |
|------|---------|-----------------|------------|-------------|------------|
| | 2021/22 | 188,143,166,864 | 25.960469 | 228,329,086 | 19.2462985 |
| | 2022/23 | 162,125,524,226 | 25.8116367 | 270,569,967 | 19.4160413 |
| | 2023/24 | 141,778,662,708 | 25.677533 | 270,569,967 | 19.4160413 |
| SCB | 2014/15 | 43,681,772,116 | 24.5001967 | 22,481,612 | 16.9282083 |
| | 2015/16 | 101,247,336,000 | 25.3408322 | 28,124,260 | 17.1521431 |
| | 2016/17 | 91,931,166,135 | 25.2443059 | 40,057,153 | 17.5058178 |
| | 2017/18 | 60,486,301,785 | 24.8256828 | 80,114,307 | 18.198965 |
| | 2018/19 | 54,637,957,374 | 24.7239947 | 80,114,307 | 18.198965 |
| | 2019/20 | 51,673,728,015 | 24.6682153 | 80,114,307 | 18.198965 |
| | 2020/21 | 50,576,161,720 | 24.6467462 | 85,722,308 | 18.2666237 |
| | 2021/22 | 37,340,637,444 | 24.343348 | 94,294,539 | 18.3619338 |
| | 2022/23 | 49,976,105,670 | 24.6348108 | 94,294,539 | 18.3619338 |
| | 2023/24 | 56,765,312,478 | 24.7621913 | 94,294,539 | 18.3619338 |
| NSBL | 2014/15 | 27,124,987,765 | 24.0237212 | 30,580,595 | 17.2358762 |
| | 2015/16 | 72,820,042,500 | 25.0112571 | 38,837,356 | 17.4748931 |
| | 2016/17 | 64,055,260,250 | 24.883012 | 69,248,930 | 18.0532183 |
| | 2017/18 | 40,154,057,447 | 24.4159893 | 80,469,053 | 18.2033832 |
| | 2018/19 | 39,626,984,845 | 24.4027762 | 84,492,505 | 18.2521734 |
| | 2019/20 | 38,959,494,360 | 24.3857883 | 89,562,056 | 18.3104423 |
| | 2020/21 | 38,828,733,611 | 24.3824264 | 94,935,779 | 18.3687112 |
| | 2021/22 | 27,738,383,301 | 24.046083 | 98,258,531 | 18.4031126 |
| | 2022/23 | 34,511,343,867 | 24.2645539 | 101,206,287 | 18.4326714 |
| | 2023/24 | 34,440,499,544 | 24.262499 | 105,001,523 | 18.4694854 |

Formula Utilized:

Market Capitalization = No. of Outstanding Shares × Market Price Per Share

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend Per Share (DPS)}}{\text{Earnings Per Share (EPS)}} \times 100$$

Natural Log=LN(MC) for Market Capitalization

Natural Log=LN(NOS) for Number of Shares

PAPER NAME

FACTORS INFLUENCING MARKET CAPITALIZATION OF LISTED BANKS ON THE NEPAL STOCK EXCHANGE

AUTHOR

Priti Yadav

WORD COUNT

22070 Words

CHARACTER COUNT

127179 Characters

PAGE COUNT

72 Pages

FILE SIZE

131.9KB

SUBMISSION DATE

Apr 9, 2025 11:44 AM GMT+5:45

REPORT DATE

Apr 9, 2025 11:45 AM GMT+5:45**● 8% Overall Similarity**

The combined total of all matches, including overlapping sources, for each database.

- 7% Internet database
- 4% Publications database
- Crossref database
- Crossref Posted Content database
- 0% Submitted Works database

● Excluded from Similarity Report

- Bibliographic material
- Quoted material
- Small Matches (Less than 10 words)