



## ILLUMINATING MARKET CAPITALIZATION DRIVERS IN MALAYSIAN BANKING SECTOR

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### ABSTRACT

This study elucidates the drivers of market capitalization in the Malaysian banking sector by examining factors such as dividend yield, fintech disclosure, bank size, and return on assets (ROA) between 2018 and 2022. The study explores the complex dynamics influencing market capitalization by drawing on pertinent theoretical frameworks such as the Efficient Market Hypothesis Theory, Resource-Based View Theory, Signaling Theory, and Stakeholder Theory. The analysis explains how banks strategically respond to stakeholder interests by examining how dividend yield affects market capitalization via the lens of stakeholder theory. When fintech disclosure is assessed using Signaling Theory, it is discovered that investors' opinions of risk management techniques and technological innovation have a beneficial impact on market capitalization. Examined through the lens of Resource-Based View Theory, bank size shows a strong positive correlation with market capitalization, highlighting the benefits that larger banks have over smaller ones. Additionally, using the Efficient Market Hypothesis Theory as a guide, the study looks at the relationship between ROA and market capitalization, emphasizing how profitability influences investor confidence and financial resilience. The results highlight the strategic adaptability of Malaysian banks in matching the demands of stakeholders, legal specifications, and market conditions with their disclosure policies. Through the integration of insights from several theoretical viewpoints, this study provides a thorough comprehension of the multifaceted elements affecting market capitalization.

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### 1. INTRODUCTION

Market capitalization serves as a crucial metric in evaluating the performance and valuation of businesses, providing insights into investor sentiment, financial stability,

and future development potential (Damodaran, 2012). Globally, market capitalization shapes investment decisions and economic trajectories, representing the collective valuation of enterprises across various industries and regions (Kraemer, 2018). Understanding the determinants of market capitalization is essential for comprehending the dynamics guiding economic expansion and wealth generation (Bodie et al., 2014).

While market capitalization offers a quick glance into a company's worth, the variables affecting this measure are numerous and intricate. This complexity is particularly pronounced in the banking industry, where market capitalization is shaped by interrelated factors such as dividend yield, technology disclosure, bank size, and return on assets (ROA). Although macroeconomic factors are considered in certain research (Jones et al., 2019; Smith & Brown, 2020; Amir, Quayyum, Isa, & Zaidi, 2024) as factors influencing market capitalization, the precise determinants may vary based on industry-specific and market conditions.

Research by Bodie et al. (2014) underscores the importance of market capitalization as a measure of investor sentiment and corporate value. Their findings suggest that market capitalization captures investor confidence and broader market dynamics, reflecting not only the perceived value of a company's assets and future earnings but also the state of the economy and regulatory landscape. Additionally, empirical research by Jones et al. (2019) and Smith & Brown (2020) highlights the dominance of technology, finance, and consumer goods sectors among the world's largest companies by market capitalization. These sectors, driven by financial market trends, technological innovations, and changing consumer preferences, play a significant role in shaping global economic trajectories.

Al-Afeef (2020) conducted a comprehensive study on factors influencing market capitalization, utilizing data from companies listed on the Amman Stock Exchange (ASE) from 1978 to 2019. The study employed multiple regression models to analyze the effects of various independent factors on market capitalization, including dividend yield, technology disclosure, bank size, and return on assets. The findings underscore the importance of considering a variety of criteria in understanding market capitalization movements, providing analysts and investors with insightful information to make informed investment decisions.

In Malaysia, market capitalization plays a crucial role in promoting entrepreneurship, stimulating capital formation, and advancing economic growth. Research by Tan et al. (2017) highlights market capitalization as a key measure of Malaysia's economic health, attracting both foreign and domestic investment and fostering capital market expansion. While the Bursa Malaysia stock market encompasses a wide range of industries, the banking sector holds significant influence over market performance (Lim & Lee, 2019). Specifically, the market capitalization of the banking industry reflects its importance to Malaysia's economy as a pillar of financial intermediation and stability (Chong et al., 2018).

Within the Malaysian banking industry, factors such as return on assets (ROA), bank size, technology disclosure, and dividend yield significantly influence market capitalization. Dividend yield reflects a company's profitability and commitment to shareholder returns, while technology disclosure impacts investor confidence and risk perception. Bank size, often measured by total assets, indicates systemic importance, market domination, and economies of scale. These factors collectively contribute to shaping market capitalization dynamics in the Malaysian banking sector.

## **2. LITERATURE REVIEW**

### **2.1 Market capitalization**

One crucial performance indicator used to evaluate the competitive environment is market shares. Market shares are crucial performance indicators in the banking industry that provide crucial information about an organization's competitive position in the financial market. They are essential for determining the customer base, market share, and major influence on market shape of a bank (Berger & Humphrey, 1997). Through the analysis of market shares, stakeholders can gain insight into the competitive dynamics and market concentration by comprehending the distribution of deposits and customers among rival banks (Hernando & Nieto, 2007). Furthermore, market shares show how well banks are able to draw in and keep consumers by demonstrating their competitiveness in providing goods and services (Jiang & Yao, 2016). Because of this, market shares are essential for evaluating banks' performance and competition in the financial industry.

Market shares are a useful measure of the competitiveness of the banking sector. Banks with a large market share, often regarded as industry leaders, are under more scrutiny from regulators, investors, and customers (Johnson, 2018). A key indicator in the financial markets, market capitalization shows the total worth of a company's outstanding shares. According to Damodaran (2012), market capitalization reflects what investors anticipate will happen to a company's earnings, growth potential, and risk profile in the future. According to Bodie et al. (2014), this statistic gives investors information about the relative relevance and scale of businesses within an economy and across industries. Additionally, market capitalization is a key factor in deciding how much weight a firm has in market indices like the S&P 500 or FTSE 100, which influences investment decisions and portfolio allocations (Kraemer, 2018).

Market capitalization in the global context spans a wide range of industries, and IT behemoths like Apple and Microsoft frequently rule the rankings (Jones et al., 2019). The significant market capitalizations of these businesses are indicative of their creativity, leadership in the industry, and aptitude for seizing new opportunities (Smith & Brown, 2020). Furthermore, according to Barber et al. (2016), market capitalization is a reflection of investor mood and broader market dynamics in addition to measuring the success of particular companies. According to Tan et al. (2017), variations in market capitalization can indicate modifications in investor inclinations, financial circumstances, and regulatory frameworks, which can impact asset values and market fluctuations.

In addition to affecting investor mood, market capitalization is a key indicator of a nation's economic health and appeal to investors. Large, active stock markets with high market capitalization tend to draw more international investment and promote economic growth in the nations they are in (Chen et al., 2021). Furthermore, market capitalization is frequently employed as a standard by which to compare the relative performance of various economies and gauge their level of competitiveness in the world market (Zhang et al., 2022). As a result, market capitalization fluctuations are carefully watched by economists and policymakers as a gauge of investor confidence and the state of the economy.

## **2.2 Dividend yield**

According to Freeman (1984), stakeholder theory underscores the importance for companies to consider the expectations and interests of various stakeholders, particularly investors, when making decisions. Investors, in particular, value transparency and comprehensive disclosure of a company's financial performance, with dividend yield being a crucial variable in assessing market capitalization (Kan et al., 2020).

Dividend yield, defined as the ratio of dividends per share to the stock price, plays a pivotal role in shaping investor preferences and corporate finance strategies. High dividend yields often attract income-seeking investors, as they are typically associated with mature businesses with stable cash flows and profit streams (Damodaran, 2012). Conversely, low dividend yields may signal growth-oriented companies reinvesting profits for further expansion (Mendenhall & Thomas, 2019).

Companies embracing stakeholder theory recognize the importance of aligning investment strategies, including dividend policies, with stakeholder expectations to enhance investor confidence and bolster market capitalization. Therefore, dividend yield disclosure becomes a vital component of financial reporting, facilitating informed investment decisions and fostering trust among stakeholders (Chen et al., 2021).

In Malaysia, investors, particularly in the banking industry, continue to place significant value on dividend yield when evaluating equities. This emphasis reflects the perception that dividend policies in the banking sector signal stability and profitability (Kan et al., 2020). By demonstrating a commitment to sustainable financial operations and maximizing shareholder value through favorable dividend yield ratios, companies can potentially enhance their market capitalization.

The relationship between market capitalization and dividend yield encapsulates the principles of stakeholder theory, emphasizing the importance for companies to integrate relevant financial metrics into their decision-making processes to satisfy investors and other stakeholders. By becoming more competitive, gaining investor trust, and aligning with stakeholder interests through transparent disclosure, companies can enhance their market capitalization. Thus, it is hypothesised that:

H1: There is a positive relationship between dividend yield and market capitalization.

## **2.3 Fintech disclosure**

The banking industry has undergone a significant transformation with the advent of financial technology, or fintech, attracting considerable attention from investors and regulators alike. Fintech disclosure, encompassing transparency, accountability, and communication strategies employed by both traditional banks and fintech firms, has emerged as a crucial aspect of regulatory oversight and investor confidence (European Banking Authority, 2018).

As per signaling theory, companies utilize various signals to convey information about their quality or prospects to investors. In the context of fintech disclosure, companies actively sharing comprehensive information about their fintech initiatives and practices signal their commitment to innovation, technological advancement, and risk management (Katzner et al., 2019). Investors interpret these signals positively, perceiving the company as competitive, adaptable to market trends, and capable of managing fintech-related risks effectively.

Furthermore, effective fintech disclosure not only enhances investor confidence but also facilitates strategic alliances and cooperative efforts within the fintech ecosystem. Transparent communication about fintech ambitions attracts potential partners, including other fintech firms, technology suppliers, and strategic investors (Klein et al., 2018). By openly communicating their technological capabilities and innovation strategies, companies can forge partnerships that drive innovation, expand market reach, and create value for shareholders (Iansiti & Lakhani, 2017).

In the rapidly evolving fintech landscape, fintech disclosure serves not only as a means of communication with investors but also as a catalyst for strategic cooperation and ecosystem development. It enables companies to enhance investor confidence, foster innovation, and seize growth opportunities, ultimately contributing to higher market capitalization and sustained competitiveness. Ergo, it is hypothesised that:

H2: There is a positive relationship between fintech disclosure and market capitalization.

#### **2.4 Bank size**

A bank's size, typically measured by its total assets or market capitalization, reflects its operational scope, market dominance, and systemic significance. Larger banks often enjoy scale economies, diverse revenue streams, and easier access to capital markets, all of which contribute to higher market capitalization and shareholder value (Berger, Bouwman, & Kim, 2016). Conversely, smaller banks may find success by focusing on niche markets or providing specialized services to effectively compete in the banking sector (World Economic Forum, 2017).

In Malaysia, where larger banks exert considerable influence over market dynamics, bank size remains a critical factor in defining regulatory oversight, systemic stability, and market competitiveness (Remya & Srinivasa, 2019). The Resource-Based View (RBV) theory, as proposed by Barney (1991), suggests that a firm's distinct resources and capabilities drive its competitive advantage and success. Larger banks, with their substantial resource base including financial resources, extensive customer base, broad branch networks, advanced technology infrastructure, and established brand reputation, outperform smaller banks in realizing economies of scale, improving operational efficiency, and diversifying revenue streams (Kwiatkowski et al., 2016).

Moreover, the RBV framework, by considering the diminishing marginal returns associated with resource accumulation, provides insights into the logarithmic relationship between bank size and market capitalization (Penrose, 1959). As banks grow in size, the incremental benefits from additional resources may diminish, highlighting the importance of efficient resource management and strategic positioning within the banking industry.

In essence, the Resource-Based View theory elucidates why larger banks, endowed with greater resources and capabilities, tend to have higher market capitalizations than smaller banks. This underscores the significance of bank size in shaping market dynamics and emphasizes the importance of strategic resource management for sustainable competitiveness. Therefore, it is hypothesised that:

H3: There is a positive relationship between bank size and market capitalization.

## **2.5 Profitability (ROA)**

Return on assets (ROA), a fundamental metric for evaluating operational efficiency and financial performance, quantifies a company's profitability relative to its total assets. A higher ROA signifies efficient asset utilization and revenue generation, indicating management's ability to generate profits from its asset base (Damodaran, 2012). In the Malaysian banking industry, ROA remains a critical indicator of profitability, risk management effectiveness, and competitive positioning (Central Bank of Malaysia, 2020). Banks maintaining consistently high ROA levels often attract investor trust in their profit potential and financial stability, potentially leading to higher market capitalization (Khan et al., 2019).

According to the Efficient Market Hypothesis (EMH), stock prices reflect all available information, making it challenging for investors to consistently outperform the market (Fama, 1970). EMH suggests that investors promptly incorporate a bank's profitability, including its ROA, into stock prices. Consequently, banks demonstrating higher profitability, indicated by a higher ROA, may experience increased market capitalization as investors perceive them as more attractive investment prospects. Conversely, lower profitability may lead to decreased market capitalization as investor expectations adjust accordingly.

Moreover, increased profitability, as measured by ROA, can positively influence market capitalization through various channels. Firstly, banks with higher ROAs are perceived as more efficient and capable of sustaining profitability, instilling investor confidence and attracting investment (Haque et al., 2018). Additionally, a higher ROA may indicate superior risk management practices, reducing investor apprehension and enhancing the bank's perceived ability to withstand economic downturns (Rizvi & Arshad, 2017). Furthermore, banks with higher profitability possess greater financial flexibility to pursue growth opportunities, expand operations, or distribute dividends, enhancing their attractiveness to investors (Bauer et al., 2017).

Empirical research consistently demonstrates a positive relationship between market capitalization and profitability (ROA) in the banking industry. Studies by Smith et al. (2020) and Gupta and Jain (2019) highlight a substantial positive correlation between ROA and market capitalization, underscoring the significance of profitability in determining market value.

In summary, the Efficient Market Hypothesis influences the relationship between profitability (ROA) and market capitalization in the banking industry. Higher profitability, as indicated by ROA, can lead to increased market capitalization by inspiring investor confidence, demonstrating financial stability, and facilitating growth opportunities. Empirical evidence further supports the positive correlation between profitability and market valuation, reinforcing the importance of ROA in determining bank value (Haque et al., 2018; Rizvi & Arshad, 2017; Bauer et al., 2017; Smith et al., 2020; Gupta & Jain, 2019). Consequently, it is hypothesised that:

H4: There is a positive relationship between profitability (ROA) and market capitalization.

## **3.0 METHODOLOGY**

As part of a quantitative research methodology, this study employs secondary data that was extracted from the annual reports of Malaysian banks over a five-year period, from 2018 to 2022. With 50 firm-year observations, the dataset offers a

comprehensive view of the financial performance and disclosures of ten major listed banks in Malaysia. Borg and Gall (1979) and Cohen et al. (2000, p. 93) state that for quantitative research, a sample size of 50 is considered enough. It's crucial to keep in mind that in quantitative research, a sample size of roughly 30 is usually recommended. But whether a sample size of 30 or 50 is adequate depends on a variety of factors, including the specific study design, population size, expected effect size, and chosen statistical techniques, and precision preferences. In the end, choosing a suitable sample size should be in line with the particular needs of the research.

The primary objective of the research is to investigate the relationship between market capitalization, bank size, profitability (ROA), fintech disclosure, dividend yield, and the dependent variable, market capitalization. To conduct this examination, Stata, a dependable statistical tool ideal for regression analysis, is used. With the help of this method, it is possible to observe the intricate relationships that exist between the independent variables and market capitalization. It also provides valuable insights into the ways in which factors such as dividend yield, fintech disclosure, bank size, and profitability (ROA) influence and predict the level of market capitalization in Malaysian banks. Hence, the dependent variable (DV) and independent variables (IVs) are delineated as follows:

**Table 1: Key variables: measurements and sources**

Acronyms	Variable Name	Measurement	Source
MARCAP	Market Capitalization	Total Ringgit (RM) market value of a company's outstanding shares of stock.	Isa (2003); Lee & Azman-Saini (2010); Ho, Tai & Goh (2014); Hew, Yap, Tan & Leong (2015); Ismail (2016); Baharum & Alhabshi (2017)
DIVYLD	Dividend Yield	Dividend Yield; (Annual Dividend per Share / Stock's Current Market Price).	Daniel, Grinblatt, Titman & Wermers (1997); Brav, Graham, Harvey & Michaely (2005); Francis, LaFond, Olsson & Schipper (2005); Li (2010); Zang (2012); Kim & Gu (2019); Farag (2018); Booth, Zhou & Zhou (2019); Charitou & Neophytou (2018); Ahmed & Javid (2018); Mitra (2019)
FINTDIS	Fintech Disclosure	Quantitative Metrics: Fintech Disclosure = (Number of fintech-related words) e.g., IoT Integration, Blockchain and Cryptocurrency, AI and Machine Learning, Cybersecurity Measures, Mobile Banking and Apps, Digital Payment Solutions, Financial Inclusion Initiatives, Regulatory Compliance, Data Analytics and Customer Insights and Environmental, Social, and Governance (ESG) Integration / (Total words in the annual report) x 100%	Accounting Disclosure: Botosan (1997); Skinner (1997); Basu, Hwang and Jan (2001); Clarkson, Guedhami, Li and Yu (2018); Amir (2014); Alford, Jones, Leftwich and Zmijewski (1993), Simpson (2020); Marston and Ahrives (1991); Hussain, Alaya and Azizi (2023)

SIZE	Bank Size	Natural Log of Total Assets	(Demirgüç-Kunt & Huizinga (2010); Jayaratne & Strahan (1996); Petersen & Rajan (1995); Rajan (1992); Rangan (1998); Shleifer & Vishny (1997); Stiroh (2004))
ROA	Profitability (Return on Assets)	Net Profit divided over Total Assets	Azman, Amir, Zaidi, Isa, and Hassan (2024); Hazrin, Amir, and Radzi (2022); Sufian, Amir, and Radzi (2022); Amir, Shaari, and Ariff (2019); Demirgüç-Kunt & Huizinga (1999); Berger & DeYoung (1997); Claessens, Demirgüç-Kunt, & Huizinga (2001); Altunbas, Carbo, & Gardener (2001); Maudos & Pastor (1995); Goddard, Molyneux, & Wilson (2004); Altunbas, Liu, Molyneux, & Seth (2000)

In this study, descriptive tests are used to look at and explain the correlations between the different variables. As a result, the variables that will be measured for this study can be further separated into independent and dependent variables. The following is a list of the measurements made for each variable:

*Regression model:*

$$MARCAP = \alpha_{it} + \beta_1 DIVYLD_{it} + \beta_2 FINTDIS_{it} + \beta_3 SIZE_{it} + \beta_4 ROA_{it} + \mu_i \quad (1)$$

#### 4. FINDINGS AND ANALYSIS

The results of the empirical tests carried out with the research methods outlined in section 3 are presented in this part. This chapter mainly presents and examines the results of the model that evaluates the efficacy of Illuminating Market Capitalization Drivers in Malaysian Banking Sector.

**Table 2: Descriptive statistics of dependent variable and independent variables**

Variable	Mean	Median	Std. Dev.	Min	Max
MARCAP	33.93	20.23	33.33	2.94	108.73
DIVYLD	5.05	4.08	2.71	2.09	9.71
FINTDIS	57.84	60.70	15.97	26.72	84.07
SIZE	18.96	19.05	0.82	17.93	19.95
ROA	0.95	1	0.33	0.30	1.34

Notes: n=50. MARCAP is Market Capitalization; DIVYLD is Dividend Yield; FINTDIS is Fintech Disclosure; SIZE is Bank Size; ROA is Return on Assets.

Table 2 displays the descriptive statistics for the independent variables: MARCAP, DIVYLD, FINTDIS, SIZE, and ROA. The statistics provided offer valuable insights into the distribution and characteristics of the variables under consideration. Starting with MARCAP, the mean of 33.93 indicates an average market capitalization score,



with considerable variability evident from the standard deviation of 33.33. The median of 20.23 suggests that the distribution is skewed, with some observations having higher market capitalization scores. The minimum and maximum values of 2.94 and 108.73, respectively, demonstrate the wide range of market capitalization values observed in the dataset. Moving on to DIVYLD, the mean of 5.05 and median of 4.08 suggest a relatively consistent dividend yield score, with minor variations as indicated by the standard deviation of 2.71. The minimum and maximum dividend yield scores of 2.09 and 9.71, respectively, highlight the diversity in dividend yield practices among the analyzed companies. FINTDIS exhibits a mean score of 57.84, indicating a relatively high average fintech disclosure score. However, the standard deviation of 15.97 suggests considerable variability in fintech disclosure practices across the dataset. The wide range between the minimum and maximum scores of 26.72 and 84.07, respectively, underscores the diverse levels of fintech disclosure observed among Malaysian banks. Considering SIZE, the mean of 18.96 and median of 19.05 suggest a relatively consistent size for the companies analyzed. The minor standard deviation of 0.82 indicates minor variations in company size, with the dataset encompassing companies of varying sizes, as reflected in the range between the minimum and maximum size scores of 17.93 and 19.95, respectively. Finally, ROA demonstrates a mean of 0.95 and median of 1, indicating a relatively high average return on assets. However, the standard deviation of 0.33 suggests variability in ROA across the dataset. The range between the minimum and maximum ROA values of 0.30 and 1.34, respectively, highlights the diversity in profitability among the analyzed banks. Overall, these statistics provide valuable insights into the distribution and characteristics of the variables examined, shedding light on the diverse practices and performance metrics among Malaysian banks.

**Table 3: Pearson correlation matrix of the research variables**

	MARCAP	DIVYLD	FINTDIS	SIZE	ROA
MARCAP	1.00				
DIVYLD	0.15	1.00			
FINTDIS	0.57***	0.10	1.00		
SIZE	0.83***	-0.09	0.54***	1.00	
ROA	0.40***	-0.50***	0.24*	0.47***	1.00

Notes: n=50. MARCAP is Market Capitalization; DIVYLD is Dividend Yield; FINTDIS is Fintech Disclosure; SIZE is Bank Size; AGE is Bank Age. (\*\*\*) $p < 0.01$  (\*\*) $p < 0.05$  (\*) $p < 0.10$

The correlation matrix presented in Table 3 reveals several noteworthy relationships between key variables encompassed in the market capitalization (MARCAP) model. At the 1% significance level, significant positive associations emerge between FINTDIS and MARCAP ( $r = 0.57$ ), indicating a robust positive correlation between fintech disclosure and market capitalization. This suggests that banks with higher levels of fintech disclosure tend to have higher market capitalization, reflecting investors' positive perceptions of technological innovation and risk management practices.

Similarly, significant positive correlations are observed between SIZE and MARCAP ( $r = 0.83$ ), underscoring a robust positive relationship between company size and market capitalization. This implies that larger banks tend to have higher market capitalization, potentially due to their broader resource base, extensive customer reach, and operational scale.

Additionally, FINTDIS exhibits a notable positive correlation with SIZE ( $r = 0.54$ ), further emphasizing the strong positive relationship between fintech disclosure and company size. This suggests that larger banks are more inclined to disclose information about their fintech initiatives and practices, possibly due to their greater resources and capabilities.

At the 1% significance level, a significant positive correlation is also observed between ROA and MARCAP ( $r = 0.40$ ), indicating a positive relationship between return on assets (ROA) and market capitalization. This implies that banks with higher profitability, as measured by ROA, tend to have higher market capitalization, reflecting investor confidence in their financial performance and resilience.

Conversely, a significant negative correlation is observed between ROA and DIVYLD ( $r = -0.50$ ) at the 1% significance level, suggesting an inverse relationship between ROA and dividend yield. This implies that banks with higher profitability may prioritize reinvesting profits for future growth rather than distributing dividends to shareholders.

Moreover, ROA demonstrates a significant positive correlation with SIZE ( $r = 0.47$ ) at the 1% significance level, indicating a positive relationship between profitability and company size. This suggests that larger banks tend to achieve higher profitability, potentially due to their economies of scale and operational efficiencies.

Lastly, at the 10% significance level, a marginally significant positive correlation is observed between ROA and FINTDIS ( $r = 0.24$ ), suggesting a weak positive association between profitability and fintech disclosure. This implies that banks with higher profitability may also be more inclined to disclose information about their fintech initiatives, although the relationship is relatively weak compared to other variables.

All things considered, these correlation matrix findings shed important light on the interactions between the variables under investigation and emphasize the intricate dynamics that influence market capitalization in the banking industry. According to Pallant (2007), there are no multicollinearity problems in the model as indicated by the observed correlation values, which show significant relationships between important variables.

**Table 4: Regression analysis of factors influencing market capitalization in Malaysia's banking sector**

MARCAP	Exp. Sign	Coeff	Std. Error	P-value
DIVYLD	+	3.77	1.01	0.001***
FINTDIS	+	0.31	0.17	0.076*
SIZE	+	27.97	3.72	0.000***
ROA	+	19.03	9.31	0.047**
Adj. R <sup>2</sup>	76.33			

Notes: n=50. MARCAP is Market Capitalization; DIVYLD is Dividend Yield; FINTDIS is Fintech Disclosure; SIZE is Bank Size; AGE is Bank Age. (\*\*\*) $p < 0.01$  (\*\*) $p < 0.05$  (\*) $p < 0.10$ )

Table 4 indicates the regression analysis of factors influencing market capitalization in Malaysia's banking sector. The adjusted R<sup>2</sup> value of 76.33% in the regression model indicates that a significant portion of the variance in market capitalization (MARCAP) can be explained by the independent variables, namely dividend yield (DIVYLD), fintech disclosure (FINTDIS), company size (SIZE), and return on assets (ROA).

DIVYLD has a positive significant relationship with MARCAP at 1% level at a p-value of 0.001 indicates that there is a statistically significant positive relationship between dividend yield and market capitalization. The p-value of 0.001 further supports this, indicating that there is only a 0.1% chance of observing this relationship due to random variation in the data. Similarly, SIZE has a positive significant relationship with MARCAP at 1% level at a p-value of 0.000 highlights a statistically significant positive relationship between bank size and market capitalization. With a significance level of 1%, the observed association between SIZE and MARCAP is deemed highly significant. Moving on the ROA, it has a positive significant relationship with MARCAP at 5% level at a p-value of 0.047. It suggests a statistically significant positive relationship between return on assets and market capitalization. Although the significance level of 5% indicates a slightly lower confidence level compared to the previous variables, the relationship between ROA and MARCAP is still considered statistically significant. Finally, FINTDIS has a positive significant relationship with MARCAP at 10% level at a p-value of 0.076.

In line with the tenets of Stakeholder Theory, dividend yield is an important factor in investor decision-making and corporate finance strategies (Freeman, 1984). Mature companies with high dividend yields tend to draw income-focused investors and may also increase market capitalization (Kan et al., 2020). Therefore, Hypothesis 1 (H1) about the positive correlation between dividend yield and market capitalization is supported by the positive link between DIVYLD and MARCAP.

Furthermore, good fintech disclosure promotes investor trust in digital financial services by lowering information asymmetry and boosting investor confidence (World Bank, 2020). By revealing fintech information, businesses can use Signaling Theory to demonstrate their dedication to innovation and risk management, which could increase their market capitalization (Kattner et al., 2019). Regarding the positive correlation between market capitalization and fintech disclosure, Hypothesis 2 (H2) is supported by the positive relationship between FINTDIS and MARCAP.

Larger banks, aside from DIVYLD and FINTDIS, gain from economies of scale and abundant resources, which raises market capitalization (Berger et al., 2016). According to Barney (1991), the Resource-Based View (RBV) highlights the competitive advantages of larger banks, which are demonstrated by their strong market capitalization. Thus, Hypothesis 3 (H3) about the positive correlation between bank size and market capitalization is supported by the positive link between SIZE and MARCAP.

Ultimately, return on assets (ROA) is a crucial measure of profitability and financial performance that affects market valuation and investor trust (Central Bank of Malaysia, 2020). According to the Efficient Market Hypothesis (Fama, 1970), more profitability as measured by ROA results in a rise in market capitalization. The positive link between market capitalization and profitability (ROA) is supported by empirical evidence, which is consistent with Hypothesis 4 (H4).

In conclusion, the study model's hypotheses are empirically supported by the regression analysis, which emphasizes the importance of corporate size, profitability, dividend yield, and fintech disclosure in determining market capitalization in the banking industry. Insightful information for banks looking to maximize their market positioning and investor relations strategies, these findings expand our knowledge of the many variables impacting market valuation.

## **5. CONCLUSION**

This research explores the intricate dynamics that impact the market capitalization of Malaysian banks, with a particular emphasis on the effects of dividend yield, fintech disclosure, bank size, and return on assets (ROA). We have gathered important insights into the relationship between these factors and market capitalization through thorough investigation and application of pertinent theoretical frameworks, including Stakeholder Theory, Signaling Theory, Resource-Based View Theory, and Efficient Market Hypothesis Theory.

This study adds a great deal to the body of literature already in existence. First of all, it clarifies how crucial fintech disclosure is to market capitalization, highlighting how openness and creativity influence investor opinions and market price. Furthermore, our results emphasize the impact of bank size and profitability—especially return on assets (ROA)—on market capitalization, emphasizing the importance of effective resource management and financial performance in raising shareholder value. Furthermore, by analyzing these connections in the context of Malaysian banks, this research adds to our knowledge of market dynamics in developing nations by providing perspectives that go beyond conventional banking frameworks.

Even with the progress made in comprehending the factors that influence market capitalization, there are still useful gaps that need to be investigated further. The changing nature of fintech disclosure methods and their effects on market value represent one such gap. Research on the efficacy of disclosure tactics and their influence on investor behavior and market outcomes is necessary because the fintech scene is still changing quickly. Additionally, it is important to keep an eye on the practical effects of industry trends and regulatory developments on market capitalization, especially in emerging nations where regulatory frameworks may be changing.

From a theoretical standpoint, our study points to a number of topics that need more investigation. First, by utilizing knowledge from information economics and behavioral finance, further research must be done to determine how fintech disclosure affects market capitalization. Further theoretical investigation is necessary to fully understand how market dynamics and institutional factors influence the correlation between bank size, profitability, and market capitalization. Moreover, incorporating other theoretical stances like behavioral finance and institutional theory could improve our comprehension of market capitalization dynamics in various settings.

Future research projects could investigate a number of directions to expand on the results of this study and enhance our comprehension of the factors that influence market capitalization. First off, long-term research examining the development of fintech disclosure policies and how they affect market value over time may offer insightful information about the relationship between investor behavior and technology progress. Furthermore, studies that compare various banking systems and regulatory frameworks could clarify how institutional elements influence market capitalization results. Additionally, in addition to quantitative analyses, qualitative research methods like case studies and interviews may provide more in-depth understanding of the underlying processes influencing market capitalization fluctuations.

To sum up, this research constitutes a noteworthy advancement in deciphering the intricacies of market capitalization in Malaysian banks. We have produced

important findings that support both scholarly discourse and real-world decision-making in the banking sector by fusing theoretical insights with empirical data. There is still a lot to learn, so we hope that our research helps to advance efforts to better understand the dynamics of market capitalization in a constantly shifting financial environment.

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