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THE EFFECT OF MAJOR FINANCIAL INDICATORS ON MARKET CAPITALIZATION IN JORDANIAN FINANCIAL COMPANIES LISTED IN AMMAN STOCK EXCHANGE

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Abstract

This study 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. For the purpose of testing hypotheses, 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.

Keywords: Market Capitalization, Financial Indicators, Book Value Ratio, Earnings Per Share ratio, Stock Exchange, Total Assets Turnover

INTRODUCTION

Financial indicators mainly aim to assess the performance of industrial and financial companies objectively about many aspects of their activities, such as their strength and ability to realize profits and returns on their investments. It also enables us to know its ability to meet its financial obligations effectively and to know the true value of its various assets, the size of the debts owed by it, and its ability to activate new resources and to face internal and external problems and solve them.

These indicators are also derived from the companies 'general budget and profit and loss account. It should be noted, however, that many of these indicators have no value by themselves, but must be compared with standard values, which in turn form part of the company's main objectives. The deviation of the actual values from the expected values makes us shed light on the level of performance of the total productive organization.

The process of evaluating investment projects and many projects of various kinds through various financial indicators is one of the difficult, important and vital tasks that require many criteria and indicators. In order for the institution and the specialized supervisory authorities to be able to carry out these evaluations in the best possible way, there are many financial indicators for evaluations that are used depending on the nature and type of the case and the criterion to be evaluated in the institution or project.

Although each indicator expresses a specific aspect of financial performance, from all of these indicators it is possible to infer the level of the overall performance of the institution, and the important here is the selection of the main, appropriate and appropriate financial indicators for the institution that evaluates its performance.

Financial ratios are the oldest simple and practical financial and planning analysis tool. It can be used by internal and external financial data users for making their Financial decisions such as investing and performance evaluation decision. It is also the classical and fundamental power for the practical financial and planning analysis. The main objective of this study is to explore the effect of major financial indicators on market capitalization in the Jordanian financial companies listed in Amman Stock Exchange (ASE) during the period between 2013 and 2019.

Main indicators which will be used in this study are; Dividends Per Share to 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 importance of this study stems from the role that the financial sector plays in strengthening the Jordanian economy. This sector during Corona pandemic imposed itself on many economic sectors, after the World Health Organization announced the outbreak of the

epidemic in the world, and the financial sector had the most prominent role in addressing the effects of the pandemic, and the majority of central banks have taken many precautionary measures to face the repercussions resulting from the stoppage of various economic activities. , By reducing interest rates and reducing the compulsory reserve ratio to increase the ability of commercial banks to finance the private sector and small and medium-sized enterprises affected by the repercussions of the Coronavirus, in addition to providing facilities to customers and companies by postponing loan payments for a specific period of time, with the aim of continuing the economy.

This study will attempt to answer the following question: Do financial indicators effect the market capitalization of the Jordanian financial sector companies?

OVERVIEW OF THE AMMAN STOCK EXCHANGE

The Amman Stock Exchange was established on March 11, 1999 as an independent, not-for-profit corporation managed by the private sector and authorized to operate as a regulated market for trading securities in the Kingdom.

The Amman Stock Exchange is managed by a board of directors made up of seven members and an executive director who manages and follows up the day-to-day business of the stock exchange. The membership of the Stock Exchange consists of financial brokers and brokers for their account and any other bodies determined by the Board of Commissioners of the Securities Commission, who form the General Authority of the Stock Exchange.

The Amman Stock Exchange is committed to providing the principles of fairness, transparency, efficiency and liquidity, as the ASE seeks to provide a sound and healthy environment for trading securities, to establish the foundations for sound and fair trading, and to protect dealers in the capital market, and to do so, the ASE has implemented regulations and instructions in line with international standards.

Table 1. Statistical Data (Main Indicators for Listed Companies at the ASE)

Key Statistics of the ASE	2013	2014	2015	2016	2017	2018	2019	2020
Number of Listed Companies	240	236	228	224	194	195	191	179
Market Capitalization (JD million)	18233	18083	17985	17339	16963	16123	14915	12908
Turnover Ratio (%)	38.00	32.81	37.30	27.21	25.74	18.83	18.23	17.35
P/E Ratio (times)	14.74	15.31	14.03	16.55	19.54	17.91	11.36	9.98
P/BV (times)	1.33	1.32	1.27	1.25	1.23	1.15	1.06	0.85
Dividend Yield Ratio (%)	4.60	4.18	3.63	4.14	4.56	4.96	5.72	1.82
Market Capitalization / GDP (%)	83.01	75.75	70.70	64.95	61.81	56.67	49.74	41.51

LITERATURE REVIEW

Pietro, P. (2019) conducted a study on Market Capitalization and Financial Variables: Evidence from Italian Listed Companies. He analyzed 307 companies listed on the Italian Stock Exchange over a period of 10 years (2008-2017). This study evaluated the impact of financial indicators on stock market capitalization. Six indicators were analyzed: ROE, ROA, PER, Operating Income / Turnover per share, Earnings Yield and Working Capital per Share, these representing the independent variables, and the dependent variable was the market capitalization. The results of the research were: there was a positive relationship between stock market capitalization and PER, operating income / Turnover per share and Working Capital per Share; a negative relationship between market capitalization and ROE, ROA, Earnings Yield was highlighted.

Another study was carried out by Siminica,et al. (2017) entitled 'The Impact of Economic and Financial Performance on Stock Exchange Performance of Manufacturing Companies listed on The BVB'. In this study 15 important Romanian companies were selected from the manufacturing industry for the period of time 2012-2016. For the analysis of the economic and financial performance the turnover, the operating profit, the net profit, the economic rate of return of the assets, the rate of financial return and the rate of return on sales were selected, while the stock market performance was measured by the number of shares issued on the capital market, the trading value of closing stock, the capitalized value, the value added by the market, the price-to-earnings ratio (PER), the stock value index and the capitalization index. Thus, the following analysis, shown that there were significant correlations between capitalization and performance indicators, the level of the capitalized value of the company decreased with the economic and financial performance indicators.

Another relevant study was conducted by Mohammad, A.M. (2018) entitled 'An Empirical Study on the Effect of Profitability Ratios & Market Value Ratios on Market Capitalization of Commercial Banks in Jordan'. This paper investigated the impact of profitability rates and market value rates on stock market capitalization for commercial banks listed on the Jordan Stock Exchange Market for the period of time 2010-2016. The independent variables chosen to measure profitability were ROA, ROE, and the dependent variables were EPS, PER, Dividend Payout Ratio. It turned out that the ROE and dividend payment rate was influencing market capitalization.

Furthermore, another study was conducted in same field by De Kai, K, & Bin Abd Rahman, I. (2018) namely "The Impact of Financial Indicators towards Stock Returns of Finance Companies Listed on Bursa Malaysia". This study analyzed the relationship between EPS growth, ROE, and DPS (Dividend per Share) and stock returns. The sample consists of 31

companies listed on the Malaysian Stock Exchange for the years 2011-2016. The result of the research was that: 5 companies showed a significant link between EPS growth and stock returns; another five companies showed a direct relationship between ROE growth and stock returns. The other six companies showed a significant relationship between DPS growth and stock returns.

Musallam, S.R. (2018) in his paper entitled “Exploring the Relationship between Financial Ratios and Market Stock Returns” analyzed the relationship between financial indicators and stock market profitability for 26 companies listed on the Qatar stock exchange for the period 2009-2015. Thus, it was found that earnings per share, earnings yield ratio, and dividend yield had a positive and significant relationship with stock market profitability, while market to book value ratio, return on assets, return on equity, price to earnings ratio, dividends earnings ratio and net profit margin did not influence stock market performance.

Similar study conducted by Bourgeois, et al. (2014) in respect to financial performance, particularly the profitability in a study which aimed to shed light on how the relative positions of an industry change over time. The study indicated as expected, often outperform low-performing firms in more profitable industries. Contrary to previous research, the paper shows that industries shift relative position over time: the industries with the highest return on equity in one year often are not the highest in subsequent years; and, contrary to IO theory, the paper finds that concentration is not a reliable predictor of profitability. Although certain industries may show increased profitability after undergoing concentration, there is no consistent relationship between an industry's concentration ratio and that industry's average profitability.

Another study conducted by Dias, A. (2013), in order to examine the role of market capitalization in the estimation of Value-at-Risk (VaR). The study indicated that VaR methods are performed differently for portfolios with different market capitalization. For portfolios with stocks of different sizes we obtain better VaR estimates when taking market capitalization into account.

Munther, M. & Nimer, N. (2015) in their article named ‘The Effect of Profitability Ratios on Market Capitalization in Jordanian Insurance Companies Listed in Amman Stock Exchange was analyzed the impact of the rates of return on the market capitalization for 25 insurance companies listed on the Amman Stock Exchange for the period of time 2010-2013’. The results of the research indicated that: there was an impact of the return on investment (ROI) on the market capitalization for the companies operating in the insurance sector listed in the ESA; there was no relation of the ROE on the market capitalization for the companies operating in the insurance sector listed in the ESA; there was an impact of ROA on the market capitalization of

the companies; there was an effect of the profitability measured by (ROA, ROI, ROE) combined in the market capitalization for the selected companies.

Borhan, et al., (2012) examined the impact of financial ratios on the financial performance of a chemical company: by examining several ratios current ratio (CR) and quick ratio (QR) represent the liquidity ratios; debt ratio (DR) and debt equity ratio (DTER) represent the leverage ratios, while operating profit margin (OPM) and net profit margin (NPM) represent the profitability ratios. The findings showed that CR, QR, DR and NPM have a positive relationship while DTER and OPM have a negative relationship with the company's financial performance. Among the six ratios, CR, DR and NPM show the highest significant impact on the company's performance.

Peter, I. M. & Simon, K.G. (2013), in the article titled “Effect of Financial Performance Indicators on Market Price of Shares in Commercial Banks of Kenya”, it was analyzed whether the financial performance indicators (total assets, net advances, total liabilities, deposits and profit before tax) exert an influence on the market price of shares in the case of listed banks in Kenya for the period 2004-2011. The study showed that a single financial indicator was not enough to affect the market price of the shares. Secondly, it was found that the key financial indicators had a significant influence on the market price of the shares.

The study conducted by Prasad, H., & Shrimal, K. (2015) to evaluate the impact of profitability rates and market value on stock market capitalization for 23 companies in India listed with the CNX infrastructure index. The results were as follows: there was a significant relationship between stock market capitalization and profitability rates; there was a direct relationship between ROCE, ROE, EPS, and stock market capitalization.

METHODOLOGY

Data Collection

The necessary information was gathered from secondary data such as financial statements including income statements and balance sheets of the selected companies over the period of 2013 - 2019. In addition, data was also gathered from Amman Stock Exchange (ASE), Central bank of Jordan (CBJ), Books, papers, articles, specialized international journals, the world wide web (Internet), and relevant previous studies.

Time series analysis is used to examine how the changes associated with the chosen data point compare to shifts in other variables over the same time period. In order to make a good forecast three years of data or more are required to make a great forecast. In this study the researchers selected seven years of data for observations of data or experimental data.

The following process has been followed: Firstly, collecting the data which are required for this study and based on statistical methods, data were collected to extract the results to financial sector companies listed on the ASE. Secondly, the descriptive statistical methods for all dependent and independent variables were conducted. Thirdly, reliability test for the study variables was conducted. Fourthly, includes test hypotheses through multiple regression to access the results of the acceptance of the hypothesis or reject it, in addition to finding the equation that describes the effect between them which will be the introduction of the independent and dependent variables to the computer at the statistical program SPSS and based on independent study variables and the dependent variable that will obtain Multiple regression equations and to predict future values.

Study Sample

With reliance on Amman Stock Exchange Statistical data were collected from the financial sectors consisting the following six sub sectors:

1. Commercial banks consisted 13 companies.
2. Islamic banks consisted 3 companies
3. Diversified Financial Services consisted 37 companies
4. Insurance consisted of 21 companies
5. Islamic insurance 2 companies

In this study, a sample of 76 companies were considered with 608 observations for the period 2013-2019.

Research variables

Based on the research objectives the study determined the independent variables and dependent variable as follows:

A- Independent Variables

1. Dividends per Share (DPS) is calculated by dividing (total dividends paid out over a period - any special dividends) by shares outstanding.
2. Earnings per Share ratio (EPS) is calculated by dividing net income - preferred stock dividends by outstanding shares
3. Price to Book Value ratio(P/B) is calculated by dividing the company's stock price per share by its book value per share
4. Return on Assets ratio(ROA) is calculated by dividing a company's annual earnings by its total assets

5. Return on Equity ratio(ROE) calculated by dividing a company's annual earnings by its total Shareholder's Equity
6. Total Assets Turnover ratio(AT) is calculated by dividing the net sales as a by total assets.
7. Debit ratio(D/A) is calculated by dividing a company's total debit by its total Assets

B- Dependent Variable

Market Capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share

Research hypothesis

To achieve the purpose of this study, hypothesis is formulated to examine the effect of major financial indicators on market capitalization in Jordanian financial companies as follows:

H1 (Main hypothesis):

There is an effect of financial indicators measured by (DPS, EPS, P/B, ROA, ROE, AT and D/A) on market capitalization for the companies operating in the financial sector listed in ASE.

The following sub-hypothesis are subtracted:

H1.1: There is an effect of financial indicators measured by DPS, on market capitalization for the companies operating in the financial sector listed in ASE.

H1.2: There is an effect of financial indicators measured by EPS on market capitalization for the companies operating in the financial sector listed in ASE.

H1.3: There is an effect of financial indicators measured by P/B in market capitalization for the companies operating in the financial sector listed in ASE.

H1.4: There is an effect of financial indicators measured by ROA in market capitalization for the companies operating in the financial sector listed in ASE.

H1.5: There is an effect of financial indicators measured by ROE in market capitalization for the companies operating in the financial sector listed in ASE.

H1.6: There is an effect of financial indicators measured by AT in market capitalization for the companies operating in the financial sector listed in ASE.

H1.7: There is an effect of financial indicators measured by D/A in market capitalization for the companies operating in the financial sector listed in ASE.

Research Model

Based on the previous literature review, it's noted that some of the previous studies found some relationship between the market capitalization with some financial indicators, especially (Al-Nimer, 2015) study revealed that there is an effect of profitability measured by

(ROA, ROI, ROE) on market capitalization for the companies operating in the insurance listed in (ASE). In addition to that, (Almajali et al (2012) examined in their model the Factors Effecting the Financial Performance of Jordanian Insurance Companies Listed at Amman Stock Exchange. This study specifies its models as follows:

$Y=B_0+B_1X_1+B_2X_2+B_3X_3+ B_4X_4+ B_5X_5+ B_6X_6+ B_7X_7+e$

Where: Y = Market Capitalization, X1 = DPS, X2 = EPS, X3 = P/B, X4 = ROA, X5 = ROE, X6 = AT, X7 = D/A and e= error

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 :Summary Of Descriptive Statistics N=154

Variables	MC	EPS	DPS	PB	ROA	ROE	DA	AT
Mean	8.033	0.181	0.094	1.010	1.723	8.700	23.043	59.111
Minimum	6.436	0.015	0.000	0.362	0.054	1.137	1.427	0.173
Maximum	9.621	0.677	0.450	2.569	6.572	19.479	78.754	92.495
Std.Deviation	0.767	0.128	0.089	0.435	1.189	3.720	28.163	40.298

The results of descriptive statistics are shown in table 2 taken from the variables that incorporated into the model. It can be observed that, the mean value of the log of total market capitalization (MC) is 8.033 with a minimum value of 6.436 and the maximum of 9.621, showing a limited disparity in the MC over the Jordanian companies in the sample. As to earning per share (EPS), the mean value is 0.181, and the minimum and maximum of the banks are 0.015 and 0.677, respectively. For dividend per share ratio (DPS), the result in the Table 1 uncovers that the value of the mean for credit risk is 0.094 with a minimum of 0.000 and the maximum of 0.450. The summary of the results reveals that the mean for price to book value ratio (PB) is 1.010 with the minimum 0.362 and the maximum 2.569 in the Jordanian companies.

With regards to the return on assets ratio (ROA), the result in Table 1 reveals that the mean of the firm size is around 1.723 for Jordanian companies with a minimum of 0.054 and a maximum of 6.572. In terms of return on equity (ROE), the mean is 8.7 years with a minimum of 1.137 and a maximum 19.479 for companies in Jordan.

The summary of the results reveals that the mean for debit to assets ratio (DA) is 23.043 with the minimum 1.427 and the maximum 78.754 in the Jordanian companies.

Lastly, for the total assets turnover (AT), the mean is 59.111. with the minimum 0.173 and the maximum 92.495 in the Jordanian companies.

Normality Test

In order to determine whether the data is normal enough for further statistical test, normality test is conducted where the main concern is the distribution of score on variables, and this is conducted by examining the value of skewness (symmetry of the distribution) and kurtosis (peakedness of the distribution). According to Klein (1998), the data is normally distributed if the value of skewness is less ± 3 and the kurtosis does not exceed ± 10.

Table 3 : Summary Of Normality Test

Variables	MC	EPS	DPS	PB	ROA	ROE	DA	AT
Obs.	154	154	154	154	154	154	154	154
Kurtosis	-0.445	2.755	1.895	2.564	2.360	0.297	-1.215	-1.399
Skewness	-0.067	1.506	1.242	1.630	1.501	0.320	0.843	-0.776

Variance Inflation Factors (VIF)

The use of Variance Inflation Factor (VIF) for every independent variable is for identifying the multicollinearity (Naser et al., 2002). If VIF is more than 10, it demonstrates that the independent variable in the research has extreme relationships that prompt the multicollinearity issue. Table 4 reveals that the outcome of the multicollinearity issue as VIF for all independent variables is less than 10. It is accordingly presumed that the present study is free from serious multicollinearity problem.

Table 4: Collinearity Statistics

	Model	Part	Tolerance	VIF
1	(Constant)			
	EPS	0.219	0.326	3.072
	DPS	0.045	0.396	2.523
	PB	0.172	0.554	1.805
	ROA	0.019	0.115	8.658
	ROE	-0.089	0.167	5.987
	DA	-0.049	0.013	78.354
	AT	0.031	0.010	100.315

Autocorrelation

The traditional test for the presence of first-order autocorrelation is the Durbin–Watson statistic. The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a

statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4. A value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. From the analysis and results of Table 5, it is discovered that the value of Durbin–Watson is 1.935 which mean that no autocorrelation detected in the sample.

Correlation analysis

The correlation coefficient is the bivariate relationship between each two variables included in the current study as presented in Table 5. The table shows that MC has a positive relationship with each of EPS, DPS, PB, ROE and AT. It also has a negative relationship with ROA and DA. The high correlation between independent variables can be problematic in the regression analysis but the strongest relationship between independent variables is -0.990 between DA and AT which is not acceptable. According to Asteriou and Hall (2007), correlations of less than 0.9 do not cause a serious multicollinearity problem in regression analysis.

Table 5: Pearson Correlation

		MC	EPS	DPS	PB	ROA	ROE	DA	AT
MC	Pearson Correlation	1							
	Sig. (2-tailed)								
EPS	Pearson Correlation	.635**	1						
	Sig. (2-tailed)	0.000							
DPS	Pearson Correlation	.521**	.715**	1					
	Sig. (2-tailed)	0.000	0.000						
PB	Pearson Correlation	.443**	.526**	.585**	1				
	Sig. (2-tailed)	0.000	0.000	0.000					
ROA	Pearson Correlation	-.539**	0.101	0.050	0.103	1			
	Sig. (2-tailed)	0.000	0.211	0.537	0.205				
ROE	Pearson Correlation	0.150	.560**	.311**	.446**	.533**	1		
	Sig. (2-tailed)	0.063	0.000	0.000	0.000	0.000			
DA	Pearson Correlation	-.830**	-.252**	-0.136	-0.065	.730**	0.027	1	
	Sig. (2-tailed)	0.000	0.002	0.093	0.425	0.000	0.738		
AT	Pearson Correlation	.833**	.272**	0.146	0.100	-.731**	0.031	-.990**	1
	Sig. (2-tailed)	0.000	0.001	0.070	0.217	0.000	0.704	0.000	

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

Regression Analysis

Regression was used to find the coefficients and Analysis of variance (ANOVA) in testing the hypotheses and to measure the differences and similarities between the sample companies according to their different characteristics. The regression results by using enter method are stated in Table 6.

Table 6. The Results of Regression Analysis

Variables	B	Beta	T	sig
(Constant)	7.396		22.842	0.000
EPS	2.298	0.384	10.973	0.000
DPS	0.613	0.071	2.249	0.026
PB	0.407	0.231	8.597	0.000
ROA	0.037	0.057	0.972	0.333
ROE	-0.045	-0.218	-4.464	0.000
DA	-0.012	-0.434	-2.453	0.015
AT	0.006	0.314	1.571	0.118
R	.970[a]			
R Square	0.942			
Adjusted R Square	0.939			
F Change	337.01			
Sig. F Change	0.000			
Durbin-Watson	1.935			
Predictors: (Constant), AT, ROE, PB, DPS, EPS, ROA, DA				
Dependent Variable: MC				

It is observed that a large F ratio appeared when the null hypothesis is wrong (the data are not sampled from populations with the same mean), and when random sampling happened to end up with large values in some groups and small values in others.

The relatively high coefficient of multiple determination suggests that with a conservative coefficient of multiple determination of R-Square =0.942 (Table 6), the model summary shows that 94.2 % of the variations in the market capitalization of Jordanian companies are explained by the independent variables in the research model. The adjusted R- square value is .939 which shows that 93.9 % of the MC is explained by the independent variables. The value of F is 337.011 and statistically significant. This indicates that the combination of the predictors

significantly (P (P<0.05) predict the market capitalization. The Durbin- Watson statistics value is 1.935 which means that the error term is independent and is free of autocorrelation.

The regression result reveals that not only does **EPS** have strong positive relationships with market capitalization; it also impacts significantly on market capitalization of the companies. The beta value shows that 38.4 % changes in the MC is observed as a result of 1% increase in the EPS.

PB of the Jordanian companies has the positive and significant relation with the MC. The beta value shows that 23.1% changes in the MC is observed as a result of 1% increase in the PB. Our result is in consonance with the findings of Bratamanggala (2018) who found a significant impact of P/BV, EPS on the stock market price.

DPS of the Jordanian companies has a positive and significant relation with the MC. The beta value shows that 7.1% changes in the MC is observed as a result of 1% increase in the DPS. Hasan (2018). Becchetti & Giacomo (2007) ,Warrad (2017) found some evidence of a positive relationship between MC and DPS for 90 banks in Europe, North America and Australia from 1972 to 1981, while Molyneux and Thornton (1992) and Goddard, et al (2004) find mixed evidence of a negative relationship between the two variables for European banks in the late 1980s and mid-1990s, respectively. Liquid assets are generally included as a control variable in these studies with very limited discussion around the estimated parameter.

ROA of the Jordanian companies has a positive and insignificant relation with the MC. The beta value shows that 5.7% changes in the MC is observed as a result of 1% increase in the ROA. Our result is in consonance with the findings of Bratamanggala (2018)

ROE of the Jordanian companies has a negative and significant relation with the MC. The beta value shows that 21.8% changes in the MC is observed as a result of 1% decrease in the ROE. Our result is in consonance with the findings of Al-Nimer and Alslihat (2015).

DA of the Jordanian companies has a negative and significant relation with the MC. The beta value shows that 43.4 % changes in the MC is observed as a result of 1% decrease in the DA. Our result is in consonance with the findings of Borhan, et al (2012).

AT of the Jordanian companies has a negative and insignificant relation with the MC. The beta value shows that 31.4 % changes in the MC is observed as a result of 1% increase in the AT.

CONCLUSION

This study aims to examine effect of major financial ratios on market capitalization in Jordanian financial companies listed in ASE mainly; Dividends per Share to 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 in Jordanian financial companies. Moreover, it aims to provide investors with some useful recommendations that will improve the level of trading.

The result showed that there is a statistically significant effect 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 on the market capitalization,

The results of this study agreed with some of the previous studies and differed with others. The difference may be due to the characteristics and nature of the financial markets, the different nature of the sample of companies and the sector to which they belong, or perhaps the different time periods for those studies from the current study.

RECOMMENDATIONS FOR FURTHER STUDIES

-Many empirical studies were conducted in this area, but more specific studies on Jordanian financial companies are required to be carried out by other researchers in the same area which would be a source of help to academicians, researchers and the concerned practitioners in the financial companies. Furthermore, may this study add new value to the literature.

- Moreover, comparative studies in the same area are required for groups of financial markets to reach to the results that can help to improve the trading in those markets.

- Investors and analyst may use the following model to make informed investment decisions.

Market capitalization=7.396+2.298 EPS +0.613 DPS +0.407 PB + 0.037 ROA - 0.045 ROE - 0.012 DA + 0.006 AT

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