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Value of Bangladeshi Commercial Banks: Influence of Investment Decision, Financing Decision, and Dividend Policy

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ABSTRACT

The financial performance and valuation of Bangladeshi commercial banks are influenced by investment decisions, financing decisions, and dividend policy, yet their collective impact on firm value remains a critical concern. The banking sector faces challenges such as fluctuating profitability, rising non-performing loans, and inconsistent dividend policies, creating uncertainty in firm valuation. This study examines the relationship between these financial decisions and firm value by analyzing data from the annual reports of 28 banks listed on the Dhaka Stock Exchange (DSE) from 2017 to 2022. Investment Decisions, Financing Decisions, and Dividend Policy are represented by the Price Earnings Ratio, Debt Equity Ratio, and Dividend Payout Ratio, respectively, while firm value is measured using Price to Book Value (PBV), Tobin's Q (TQ), and Share Price (SP). Using STATA software, the study conducts descriptive analysis, correlation analysis, and panel data regression. The findings reveal that Investment and Financing Decisions significantly affect firm value, whereas Dividend Policy shows no significant impact. The study provides practical insights for companies to optimize their financial strategies for long-term value creation. However, it is limited to selected banks and does not account for external macroeconomic factors.

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1. INTRODUCTION

Banking sector in Bangladesh is crucial for promoting economic advancement. Commercial banks, being the primary financial intermediaries, make crucial decisions regarding investment, financing, and dividend policies that directly influence their firms' value. Understanding the relationships between these decisions and their effect on firm value are essential for investors, policymakers, and bank management.

Companies are typically formed with a certain goal in mind. Additionally, companies generally pursue two objectives i.e. short-term and long-term. The short-term objective focuses on generating profits, while the long-term objective aims at enhancing the overall firm value. The worth of a company reflects the extent of public trust in its reputation. For investors, corporate value is crucial because high company value affects

shareholder prosperity, driving up the demand for shares and vice versa. The high demand for shares has an impact on investors causing the business's stock value surpassing the value reflected on the statement of financial position of the company, resulting in a high Price Book Value (PBV), and also increasing the firm value. Firm value is influenced by diverse internal and external factors. Major financial decisions of a firm i.e. investment, financing, and dividend may significantly influence a firm's value.

Investment decisions involve the distribution of funds to various investment projects and activities. It is anticipated that making the appropriate investment choice would lead to favorable advancement for businesses and investors. Positive growth is a promising scenario for investors since well-placed investments can yield the best profits in the long run. The greater the investment activity, the greater the chance for growth. As a result of its better growth potential, the firm value will increase among investors. In their study, [1] discovered that the value of a company is significantly positively impacted by investment decisions. The more successfully the investment was made in the business, the more valuable it becomes.

The financing choice is a financial one that establishes the source of the money used to buy the assets. In their renowned 1963 article, [2] claimed that the market assesses a company's real assets' earning potential and that the choice of capital structure has no effect on the market valuation of a company's total debt and equity, provided that the company's capital investment program remains unchanged and certain other requirements are satisfied. Companies that use external financing do so by first using loans (debt financing), then if the debt is not enough, by issuing shares to raise external equity funding. Meeting the requirement for finances from external sources entails raising the amount of debt, which creates a responsibility for the company to settle in the future, including both the principal and the interest. A firm looks at the financing decisions that are good for the firm. In that case, it increases the firm value.

Dividend policy determines how much of the earnings must be reinvested in the business and how much is distributed as dividends to shareholders. The dividend policy of the corporation may be impacted by several variables, including dividend payment restrictions, investment opportunities, and other sources of funding [3]. The larger the dividends paid to shareholders, the higher the share price of the company, and thus the company's value. The ability of a corporation to deliver dividends to shareholders hinges on its capacity to generate profits. The more a company's capacity to earn profits, the greater its ability to distribute dividends. The ability to pay out large dividends increases the company's worth.

While prior research has extensively examined the influence of investment, financing, and dividend policy on firm value across various industries, limited studies have focused specifically on commercial banks in Bangladesh. Moreover, existing literature primarily considers individual financial decisions in isolation rather than analyzing their collective impact on firm value. Given the unique regulatory framework, risk exposure, and financial structure of commercial banks, a comprehensive investigation within this sector is necessary. This study aims to fill this gap by ascertaining how decisions about financing, investments, and dividend policies affect the value of commercial banks that are listed with Dhaka Stock Exchange (DSE), suggesting that the findings are relevant to this specific sector within the Bangladeshi stock market. The research questions are:

RQ1: What is the impact of investment decisions on firm value in commercial banks listed on the DSE?

RQ2: What is the impact of financing decisions on firm value in commercial banks listed on the DSE?

RQ3: What is the impact of dividend policy on firm value in commercial banks listed on the DSE?

2. LITERATURE REVIEW

Understanding the impact of decisions on financing, investment, and dividend policy on firm value is essential to comprehending commercial banks' financial management. Investment decisions shape future profitability and growth, while financing decisions impact the capital structure and cost of capital. Meanwhile, dividend policy reflects a company's approach to profit distribution, influencing investor perceptions and firm valuation. This literature review explores these three dimensions, examining their collective and individual impact on firm value, with a specific focus on Bangladesh's banking sector.

2.1 Theoretical Foundation

The Signaling Theory, introduced by [4], provides a strong theoretical foundation for analyzing the influence of investment decisions, financing decisions, and dividend policies on the value of Bangladeshi commercial banks. This theory suggests that corporate financial decisions act as signals to investors, conveying critical information about a firm's future prospects, stability, and profitability. Investment decisions signal growth potential, financing choices reflect financial risk and stability, and dividend policies communicate profitability and earnings reliability [5], [6]. Investors interpret these signals and adjust their expectations accordingly, influencing firm valuation. In the context of Bangladeshi commercial banks, these financial decisions play a pivotal role in shaping investor confidence and market perception. By incorporating Signaling Theory, this study enhances the understanding of how financial strategies impact firm value through the transmission of information to market participants.

2.2 Investment Decisions and Firm Value

Investment decisions are pivotal in shaping the value of a firm. These decisions involve allocating resources to various projects, assets, or initiatives to generate future returns and enhance the firm's overall value. Well-executed investments can lead to increased future cash flows and profitability, contributing to higher firm value. Strategic investments that enhance the firm's competitive position or expand its market presence can lead to increased valuation [7]. High-quality investments that generate positive net present value (NPV) can contribute to enhancing firm value. Firms need to carefully assess potential returns, risks, and alignment with their strategic objectives.

[8] has defined investment decisions as how financial managers must distribute cash into various types of investments that would be beneficial in the future". [9] explained that investment decisions had a positive and considerable impact on firm value. This meant that the company's value, as determined by the market value indicator, was heavily influenced by future investment prospects and discretionary expenditure. While it involves boosting the value of a company, investment decisions stand out as the most critical among all other choices. Investment decisions involve efficient allocation of funds, impacting return on investments. Companies influence these decisions to gain a competitive advantage. Multiple investments increase return on assets and firm equity, thus increasing earnings over time.

Investment decisions are crucial for managers since they influence the financial performance of the company. The investment funds of the company may signal potential future growth, which can therefore influence rising share values as a representation of the company's worth. Investment decisions, if made appropriately and with the profit potential, can gain investor trust. This, naturally, raises the company's share price and positively affects firm value, resulting in its rise as well. The more profit made by corporate investment activities, the higher the company's stock price [10]. According to studies by [7], as

well as [11], the choice of investment had a favorable, significant impact on the value of the company. Corporate capital spending, it has been shown, was essential to raising the company's worth because it predicted the company's future growth. In light of the literature, the following hypotheses are proposed:

H_1: Investment decision significantly influences Price to Book Value

H_2: Investment decision significantly influences Tobin's Q

H_3: Investment decision significantly influences Share Price

2.3 *Financing Decisions and Firm Value*

Financing decisions are critical in determining the capital structure of a firm and, consequently, its overall worth. These choices encompass choosing the appropriate mix of debt and equity to finance the firm's operations, investments, and growth initiatives. Firm value can be enhanced by an optimal capital structure that reduces the cost of capital while controlling financial risk [9]. A well-structured capital mix can enhance investor perception and positively affect share prices and valuation metrics. Striking the right balance between debt and equity is essential for maintaining firm value.

According to [12], a firm can raise money from two different sources: internal sources like preferred shares, common shares, retained earnings, and reserves, as well as external sources like bank loans and bonds. [13] claim that the corporation will gain from using debt by saving money on taxes. Nevertheless, employing debt increases the company's expenditures, particularly those related to filing for bankruptcy if the company is unable to pay its debts.

Choosing the right funding option involves reducing the level of risk, which benefits investors and increases the demand for shares. This, in turn, positively influences the company's valuation, leading to an increase in its worth. This is consistent with past studies by the authors [14], [15] which demonstrate the significant impact of financing decisions on business value. Building upon the insights from the existing literature, the following hypotheses are proposed:

H_4: Financing decision significantly influences Price to Book Value

H_5: Financing decision significantly influences Tobin's Q

H_6: Financing decision significantly influences Share Price

2.4 *Dividend Policy and Firm Value*

The decisions a business makes about the distribution of its profits to shareholders in the form of dividend payments are referred to as dividend policy. Dividend policy and firm value have a complicated relationship that can change depending on investor preferences, the company's growth potential, financial stability, and market conditions. A stable dividend policy can signal financial stability and positive prospects, influencing investor confidence and valuation metrics. Balancing dividends with retained earnings for reinvestment is crucial for maintaining long-term firm value.

The annual profits of the firm are influenced by its dividend policy, which dictates whether these earnings will be distributed to shareholders as dividends or retained to fund future investments. According to [16], how to employ gains that are shareholders' rights is covered by the dividend policy. Essentially, these gains have two options i.e., they can be paid out as dividends or kept and reinvested." If the business chooses to pay out profits as dividends, retained earnings, which serve as a source of internal finance are diminished. On the other hand, it would be significantly simpler to generate money internally if the company decides to keep the earnings.

The tax difference argument asserts that since capital gains and dividends are subject to different tax treatments, investors favor capital gains over dividends to delay paying taxes.

While capital gains can be realized in a relatively short period of time compared to the relatively long waiting time for dividend payments, paying dividends to shareholders may provide a small firm value in the eyes of shareholders [17]. This is consistent with previous studies by [18] and [19] which found no significant impact of dividend policy on the value of a company. Hence, the following hypotheses are proposed:

H_7: Dividend policy significantly influences Price to Book Value

H_8: Dividend policy significantly influences Price to Book Value

H_9: Dividend policy significantly influences Price to Book Value

2.5 Research Gap

This study offers a chance to determine how financing choices, investment choices, and dividend policies affect the bank values in Bangladesh. Bangladesh's particular economic, regulatory, and market circumstances can have an impact on decisions about investments, financing, and dividend distribution and how they affect a company's worth. A research gap exists in terms of an integrated analysis of how these decisions interact and jointly influence firm value in the context of commercial banks. Bangladesh's economy and financial markets are characterized as emerging markets, which differ significantly from developed markets. The research gap lies in understanding how investment, financing, and dividend decisions influence firm value in an emerging market setting. Addressing these research gaps through an empirical study on commercial banks listed with the Dhaka Stock Exchange provides valuable insights into the financial decision-making strategies and their effects on firm value in the specific context of Bangladeshi commercial banks.

Figure 1 depicts the conceptual framework of this study.

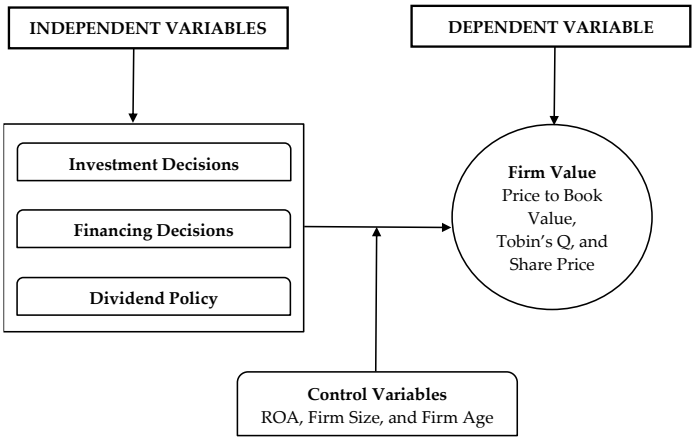

Figure 1. Conceptual Framework of the Study

3. RESEARCH METHODOLOGY

3.1 Sample and Data Collection

This study has followed a quantitative approach. Currently, 36 Commercial banks are listed on DSE. This study has chosen 28 commercial banks (Appendix 1). The sample size has been chosen based on the availability of at least six years of publicly available annual reports (2017-2022). The data have been meticulously evaluated for ease of comprehension, presentation, and analysis.

3.2 Variables of the Study

3.2.1 Dependent Variables

Firm Value is a bunch of three firm value measures which are Price to Book Value (PBV), Tobin's Q (TQ), and share Price (SP) respectively as described. PBV compares the share price to the company's net profit as determined by the formula from the

current stock price [20]. Price Book Value (PBV) metric can be formulated in the following manner:

PBV = Market Price per Share / Book Value per Share

Due to the high level of market trust in the company's long-term prospects, a rise in the stock price could raise the company's value [21]. This study employed the Tobin's Q ratio to estimate a company's value. Tobin's Q ratio examines the total capital at market value divided by the assets owned to assess a company's long-term prospects. This is the Tobin's Q formula:

Tobin's Q = Market Value / Total Assets

Share price (SP) is measured by the average value of the low and high market price of stocks in a whole year.

3.2.2 Independent Variables

Investment Decision: An investment decision consists of both current assets and future investment options with a positive net present value. A proxy is used in the calculation because iOS (Investments Opportunity Set) cannot be directly observed (latent) [22]. The Price Earnings Ratio (PER) was used in this analysis as the IOS proxy. The following formula, according to [23], is used to calculate the price-earnings ratio:

PER = Stock Price per Share / Earnings per Share

Financing Decisions: Debt Equity Ratio (DER) is a proxy used to determine financing. The higher the ratio, the more debt is utilized to fund the company's assets (1). Regarding DER, the formula is as follows:

DER = Total Debt / Own Capital

Dividend Policy: The amount of dividend payment is determined by a policy known as the dividend policy. As [24], the following formula is used to determine dividend policies using the Dividend Payout Ratio (DPR) variable:

DPR = Dividend per Share / Earnings per Share

3.2.3 Control Variables

According to [25], an organization's size can show the characteristics or states of an organization and help determine how big or little it is. The total resources of an organization should be able to show the scale of the organization, and the higher the worth of those resources claimed, as long as it is not larger than the total liabilities held, can show that the organization is capable of enduring over an extended period. According to the following, an organization's esteem is calculated:

Firm Size = Ln (Total Asset)

A ratio called profitability is made up of two different sorts of ratios: one that indicates profit from sales, and the other that shows profit from investment. In this study, the return on assets (ROA), a profitability ratio that displays profit from sales, is used. According to [26] systematically, ROA can be calculated using the formula:

ROA = Net Profit / Toal Assets

Firm Age is employed as a control variable to assess the value of the firm.

Firm Age = Ln (Firm Age)

3.3 Study Models

The three models below are designed to investigate hypothesized relationships. Here, α: Constant; $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, $\beta 6$: Regression coefficient; PBV: Price to Book Value; TQ: Tobin's Q; SP: Share Price; PER: Price Earnings Ratio; DER: Debt to

Equity Ratio; DPR: Dividend Payout Ratio; ROA: Return on Assets; e: Error.

Model 1:

$Firm\ Value\ (PBV) = \alpha + \beta_1 PER_{it} + \beta_2 DER_{it} + \beta_3 DPR_{it} + \beta_4 ROA_{it} + \beta_5 FirmSize_{it} + \beta_6 FirmAge_{it} + e$

Model 2:

$Firm\ Value\ (TQ) = \alpha + \beta_1 PER_{it} + \beta_2 DER_{it} + \beta_3 DPR_{it} + \beta_4 ROA_{it} + \beta_5 FirmSize_{it} + \beta_6 FirmAge_{it} + e$

Model 3:

$Firm\ Value\ (SP) = \alpha + \beta_1 PER_{it} + \beta_2 DER_{it} + \beta_3 DPR_{it} + \beta_4 ROA_{it} + \beta_5 FirmSize_{it} + \beta_6 FirmAge_{it} + e$

3.4 Data Analysis

This study employs descriptive, correlational and regression analyses to examine the data. In regression analysis, the pooled regression model (PRM), fixed effects model (FEM), and random effects model (REM) are utilized. The optimum model for this study is determined using the Hausman test and the Breusch and Pagan Lagrangian Multiplier (LM) Test. Data recording is performed in Microsoft Excel 2016, and STATA statistical software is used to conduct descriptive, correlation, and regression analyses.

4. FINDINGS AND ANALYSIS

4.1 Descriptive Analysis

Table 1 presents a descriptive analysis of study variables. The average PBV is 0.6995, while the Tobin's Q ratio stands at 0.0477. The average share price is 18.9654. A PER of 9.31 means investors are paying about 9.31 times the earnings per share for the stock. A DER of 15.06 suggests that the company has significantly more debt compared to equity, which might imply higher financial leverage and potential risk. A DPR of 0.386 (or 38.6%) means the company is distributing about 38.6% of its earnings as dividends, while retaining the rest for reinvestment or other purposes. An ROA of 0.0068 (or 0.68%) indicates that the company is generating a return of 0.68% on its total assets. This relatively low ROA suggests that the company might not be very efficient in using its assets to generate profits. Additionally, the average firm size is 26.6231, and the average firm age is 3.2388 years.

Table 1. Descriptive Statistics of the Variables

Study Variables	Number of Observation	Arithmetic Mean	Standard Deviation	Minimum	Maximum
PBV	168	.6995374	.2468263	.2233607	1.498654
Tobin's Q	168	.0476795	.0248812	.0147273	.1711012
SP	168	18.9654	10.66591	6.76	66.48583
PER	168	9.306025	6.583727	2.062606	42.75593
DER	168	15.05664	5.23248	7.252269	41.01027
DPR	168	.3859381	.7418756	0	8.997133
ROA	168	.0067846	.0065569	-.0629988	.019692
Firm Size	168	26.62313	.390119	25.8831	28.23974
Firm Age	168	3.238769	.4530069	1.386294	4.143135

Source: Authors' data analysis

4.2 Correlation Analysis

Table 2. Correlation Statistics of the Variables

Variables	PBV	T Q	SP	PER	DER	DPR	ROA	Firm size	Firm age
PBV	1.0000								
T Q	0.8247	1.0000							
SP	0.6831	0.6141	1.0000						
PER	0.1443	0.0715	0.1957	1.0000					

Variables	PBV	T Q	SP	PER	DER	DPR	ROA	Firm size	Firm age
DER	-0.0821	-0.5102	-0.0096	0.1925	1.0000				
DPR	0.0728	0.0516	0.0329	0.3463	-0.0790	1.0000			
ROA	0.1796	0.2823	0.2218	-0.2470	-0.2452	-0.0628	1.0000		
Firm size	0.0374	-0.1255	0.2693	0.0630	0.4221	-0.0146	-0.2492	1.0000	
Firm age	-0.0625	-0.1858	0.1571	0.2838	0.2429	0.1388	-0.0047	0.1967	1.000

Source: Authors' data analysis

Table 2 shows that PBV and Tobin's Q has a significant positive correlation with a coefficient of 0.8247. In contrast, PBV and DPR exhibit only a weak positive correlation of 0.0728. There is a negligible negative correlation between SP and DER, with a coefficient of -0.0096, while SP and ROA display a moderate positive correlation of 0.2218. Additionally, firm size and age are positively correlated, with coefficients of 0.4221 and 0.2429, respectively. A strong negative correlation of -0.5102 is observed between Tobin's Q and DER. These results underscore the significance of examining the interplay between firm size, age, and debt-to-equity ratios in financial analysis.

4.3 Effect of Investment Decisions, Financing Decisions, and Dividend Policy on PBV

Table 3 presents regression results of price book value (PBV). The Breusch and Pagan LM Test result indicates that the random effect model is more suitable. However, the Hausman test indicates that the fixed effect model is more appropriate, thereby excluding the Pooled Regression Model and Random Effect Model. Thus, the Fixed Effect Model is suitable for studying this relationship, as the results indicate.

In the fixed effects model, the independent variables explain approximately 8.89% of the variation in the dependent variable. Among these variables, PER exhibits a positive coefficient, whereas DPR, ROA, firm size, and firm age display negative coefficients. However, the impacts of PER and DER are found to be significant on PBV while other variables are insignificant. The F-statistic assesses the overall model significance, and its p-value of 0.0489 implies that the model may be of some significance. The findings imply that the independent factors taken together have a significant effect on PER, indicating the applicability of this model.

Table 3. Regression Results of PBV

Particulars	PRM		FEM		REM	
	β	p	β	p	β	p
α	-1.741404	0.213	-1.283382	0.656	-1.059182	0.927
PER	.0094233	0.004	.0078763	0.019	.0084689	0.049
DER	-.0045819	0.263	-.0176258	0.049	-.0106765	0.084
DPR	.0053695	0.842	-.0086749	0.666	-.0090551	0.667
ROA	9.66512	0.002	-1.23127	0.651	.5973802	0.780
FirmSize	.0978361	0.069	.0869792	0.525	.0739749	0.551
FirmAge	.0772251	0.082	-.0398145	0.884	-.0399354	0.722
R^2	0.1062		0.0889		0.0809	
F-statistic	0.0055		0.0489		0.0562	
Result of Breusch and Pagan LM Test			0.0000			
Result of Hausman test			0.0103			

Source: Authors' data analysis

4.4 Effect of Investment Decisions, Financing Decisions and Dividend Policy on Tobin's Q

A summary of the regression analysis results for Tobin's Q, considering factors related to investment decisions, financing decisions, and dividend policy, is presented in Table 4. The Breusch and Pagan Lagrangian Multiplier (LM) Test suggests that random effects model is more suitable while Hausman test indicates that fixed effects model is more appropriate. Thus, the fixed effects model is deemed the most appropriate for analyzing this relationship.

The R-squared value of 0.2374 represents that approximately 23.74% of the variance in Tobin's Q is accounted for by the variables included. PER exhibits a significant positive coefficient with a p-value of 0.016 while DER has a significant negative coefficient with a p-value of 0.000. ROA shows a positive coefficient but with a p-value of 0.689, meaning it does not have a statistically significant effect. The overall significance of the regression model is assessed using the F-statistic, which has a p-value of 0.0000, demonstrating that the model is collectively significant in explaining the variance in the dependent variable.

Table 4. Regression Results of Tobin's Q

Particulars	**PRM**		**FEM**		**REM**	
	β	**p**	**β**	**p**	**β**	**p**
α	-.2106096	0.074	-.1398444	0.528	-.110324	0.419
PER	.0011115	0.000	.0006245	0.016	.0007525	0.002
DER	-.0025835	0.000	-.0007828	0.000	-.0011598	0.000
DPR	-.0017128	0.449	-.0836693	0.613	.1074269	0.452
ROA	.9988974	0.000	.0102437	0.689	.0080212	0.537
FirmSize	.0116463	0.010	-.0127012	0.330	-.0060648	0.139
FirmAge	-.009057	0.016	-.1398444	0.544	-.110324	0.320
R^2	0.3776		0.2374		0.2310	
F-statistic			0.0000			
Result of Breusch and Pagan LM Test			0.0000			
Result of Hausman test			0.0017			

Source: Authors' data analysis

4.5 Effect of Investment Decisions, Financing Decisions and Dividend Policy on Share Price

The regression analysis of share price, considering factors such as investment decisions, financing decisions, and dividend policy, is presented in Table 5. The Breusch and Pagan LM Test and Hausman test reveal that random effect model is suitable. R-squared value of 0.1873 indicates that about 18.73% of the variability in the dependent variable is accounted for by the independent variables in the model. Among the independent variables, PER, DER, firm size are found to have a significant impact on share price. However, other variables are found to be insignificant.

Table 5. Regression Results of Share Price

Particulars	**PRM**		**FEM**		**REM**	
	β	**p**	**β**	**p**	**β**	**p**
α	-276.8408	0.000	-240.9543	0.001	-189.9454	0.000
PER	.4821241	0.039	.275838	0.001	.3181954	0.000
DER	-.3352604	0.407	-.7654921	0.001	-.5742371	0.001
DPR	-.8843469	0.000	-.7686693	0.117	-.9187614	0.066
ROA	570.0409	0.000	-19.55341	0.001	59.8431	0.296
FirmSize	10.872	0.549	10.92296	0.315	7.905631	0.000

FirmAge	1.048131	0.109	-6.636994	0.001	1.257166	0.672
R^2	0.2496		0.1999		0.1873	
F-statistic			0.0000			
Result of Breusch and Pagan LM Test			0.0000			
Result of Hausman test			0. 8429			

Source: Authors' data analysis

4.6 Results of Hypothesis

Table 6. Summary of Hypothetical Results

Hypothesis	Significance Value	Result
Hypothesis 1	0.019 < 0.05	Accepted
Hypothesis 2	0.016 < 0.05	Accepted
Hypothesis 3	0.000 < 0.05	Accepted
Hypothesis 4	0.049 < 0.05	Accepted
Hypothesis 5	0.000 < 0.05	Accepted
Hypothesis 6	0.001 < 0.05	Accepted
Hypothesis 7	0.666 > 0.05	Rejected
Hypothesis 8	0.613 > 0.05	Rejected
Hypothesis 9	0.117 > 0.05	Rejected

Source: Authors' data analysis

The study presents results on the relationships between investment decisions, financing decisions, dividend policy, and key firm value metrics, namely Price-to-Book Value (PBV), Tobin's Q, and Share Price. Findings are structured around the tested hypotheses, providing significance values and indicating whether each hypothesis was accepted or rejected. Based on the presented results, it appears that the study provides evidence supporting the accepted hypotheses that investment decisions and financing decisions significantly affect PBV, Tobin's Q, and Share Price. However, the study did not find evidence to support the hypotheses that dividend policy significantly affects these firm value metrics.

5. DISCUSSION AND SUMMARY OF FINDINGS

5.1 The Influence of Investment Decisions on Firm Value

Based on the panel data analysis results, it is evident that investment decisions positively influence firm value indicators such as Price-to-Book Value (PBV), Tobin's Q, and Share Price. Consequently, hypotheses 1, 2, and 3 are supported. Corporate values are shaped by stock market value metrics, which are significantly impacted by investment prospects. The company's investment activities influence the profit that must be achieved and, thus, affect the future performance of the bank. In line with grand theories of corporate finance, such as the Modigliani-Miller theorem, the strategic allocation of investments directly impacts a firm's long-term value creation. If the company is wrong in investing, the company's survival will be disrupted, affecting investors' assessment regarding the firm's value. Investments made by the company facilitate growth, enhancing effectiveness and boosting worth. This aligns with the current phenomena where the banking sector is under increasing scrutiny for making sustainable, high-return investment decisions in a volatile market. These findings align with research by [27], [9], and [19] stating that investment decisions positively affect firm value. Furthermore, recent studies underscore the importance of investment strategies in fostering resilience against economic uncertainty, a phenomenon that has become even more pertinent after the onset of global

economic disruptions (e.g., the COVID-19 pandemic) and digital transformation in banking.

5.2 The Effect of Financing Decisions on Firm Value

The panel data analysis confirms financing decisions. Indicated by debt-equity ratio, impact firm value metrics like Price-to-Book Value, Tobin's Q, and Share Price. In this study, some companies can use their debts to complete his projects so as to generate profits for company while other companies take on debt to close other debts. Many companies face difficulties in terms of capital and rely on debt to run the company's operations. Effective management of debt can enhance both a company's profitability and its overall value. Effective debt management involves companies taking on debt to finance projects that have the potential to generate profits. When a company's own capital is insufficient, it may choose to fund these projects through debt. It is crucial for the company to manage its debt efficiently and integrate it effectively into its operations to maximize profitability. To enhance the company's value, the company should use the optimal level of debt and equity. The findings of this study align with those of [28] and [29], who found that financing decision has effect on firm value.

5.3 The Effect of Dividend Policy on Firm Value

According to the findings from the panel data analysis conducted, dividend policy does not impact firm value metrics, including Price-to-Book Value (PBV), Tobin's Q, and Share Price, leading to the rejection of hypotheses 7, 8, and 9. Dividend policy involves deciding whether to distribute a company's annual profits to shareholders as dividends or to retain the earnings for reinvestment to support future growth and capital needs. A company that distributes dividends in substantial and consistent amounts is regarded as a large firm with profits available for shareholders. Therefore, a higher dividend payout ratio is often associated with a lower firm value, as a significant portion of the profit is allocated to shareholders. Consequently, such firms may forgo new investment opportunities. To reduce the company's value, the company should lower its dividend per share, according to the proxy dividend payout ratio (DPR).

In Bangladesh, dividend policies are influenced by regulatory frameworks such as the Bangladesh Securities and Exchange Commission (BSEC) guidelines, which require listed companies to disclose their dividend policy and the rationale behind it in their annual reports. Moreover, the BSEC mandates that companies maintain a minimum payout ratio to ensure that a fair portion of the profits is distributed to shareholders, which can influence the perceived value of the firm. This finding aligns with the studies conducted by [28] as well as [30], which indicated that dividend policy does not affect firm value.

6. CONCLUSION

This study provides valuable insights into the relationships among investment decisions, financing decisions, dividend policy, and firm value metrics. While investment and financing decisions are consistently associated with higher firm values, the role of dividend policy appears to be less influential according to the study findings. These can guide companies in their decision-making processes to optimize their strategies for maximizing firm value. However, it's crucial to recognize that these relationships may differ based on the unique characteristics of each company and the broader economic environment.

Drawing on the results of the study for commercial banks listed on Dhaka Stock Exchange, the following recommendations can be made:

1. Investment decisions significantly affect PBV, Tobin’s Q, and Share Price, so banks should focus on rigorous investment

analysis. Thorough due diligence is essential to ensure investments align with strategic goals and risk tolerance.

2. Financing decisions also play a key role in PBV, Tobin's Q, and Share Price. Banks should carefully manage their debt-to-equity ratio to balance the benefits of debt financing with its risks.
3. Although dividend policy showed limited impact on firm value, banks should still adapt their dividend policies to align with financial performance, capital needs, and market expectations.
4. To sustain long-term growth and profitability, banks should prioritize decisions that drive value creation, avoiding short-term, reactive approaches.

However, this study only looks at investment decisions, financing decisions, and dividend policies of selected commercial banks and how they affect firm value and findings are based on the specific dataset and methodology used. Different data or methods might yield different results. The study might not account for other external factors that could influence firm value, such as macroeconomic conditions, industry trends, or geopolitical events. Numerous determinants influence investment decisions, financing decisions, and dividend policies, but only a few have been studied. Future researchers can explore the impact of other variables like corporate governance and market competition on the value of commercial banks.

In the future, the researchers can focus on specific industries within Bangladesh to understand how the relationships between investment, financing, and dividend decisions vary across sectors. Different industries may have unique characteristics that influence these relationships. Additionally, scholars could investigate the role of digital transformation and fintech innovations in shaping these financial decisions. The researchers can also compare the findings from Bangladesh to those from other countries or regions to identify similarities, differences, and potential factors contributing to variations in the relationships studied. In the future, researchers could also examine how macroeconomic factors unique to Bangladesh, including inflation rates, interest rates, exchange rate, political stability, and regulatory changes, influence the connections between financial decisions and firm value metrics. Further studies could explore the integration of ESG (Environmental, Social, and Governance) factors in these decisions and their impact on firm value.

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Appendix 1: Sample of the study

Islami Bank Bangladesh PLC.	AB Bank PLC.	Pubali Bank PLC.
Al-Arafah Islami Bank PLC.	IFIC Bank PLC.	Rupali Bank PLC.
Social Islami Bank PLC.	Jamuna Bank PLC.	Exim Bank PLC.
Shahjalal Islami Bank PLC.	BRAC Bank PLC.	Bank Asia PLC.
Mercantile Bank PLC.	City Bank PLC.	Southeast Bank PLC.
Dhaka Bank PLC.	ONE Bank PLC.	Standard Bank PLC.
Dutch-Bangla Bank PLC.	Uttara Bank PLC.	National Credit and
Eastern Bank PLC.	Prime Bank PLC.	Commerce Bank PLC.
United Commercial Bank PLC	Premier Bank PLC.	
First Security Islami Bank PLC.	Trust Bank PLC.	

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