Abstract

The aim of this thesis is to investigate the association of ownership structure and bank risk-taking as well as the effects of capital regulation. This study employs simultaneous equations, panel data and instrumental variables (IV) models on a sample of 192 banks from Eastern Central Europe and Asia Regions from 2005-2014. An assessment was made on how banks adjust their capital level as well as portfolio risks when there is a minimum capital regulatory ratio. The results indicate that firstly, banks react to the capital regulatory pressure by increasing capital and changes in capital and bank risk changes are positively related. Secondly, it is found that Foreign-owned banks have higher default risks than Domestic-owned banks; however, Government-owned banks are more stable in terms of asset risks measure during the year when there is election. When taking the market forces into account, in listed banks, insider owners and institutional owners have positive impacts on asset risks while positive asset risks on listed Government-owned banks only during the election. Finally, the findings also show that when capital regulation is taken as a moderating variable, it has influenced the impacts of ownership structure and bank risk, however, the increasing effects can only be proven for insider owners and government shareholders.