

# **Ownership Concentration, Performance, and Risk in the Asian Banking Industry**

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## **ABSTRACT**

This paper studies the impact of ownership concentration on the performance and risk of Asian banks. The sample consists of 36 listed banks from 5 Asian countries, including Thailand, Singapore, Hong Kong, Indonesia, and Malaysia over the 2004-2008 periods. I use the sum of top five percentages of shareholders to be the representative of ownership concentration. The performance is measured using ROA, Sales asset ratio, Net interest margin (NIM), Cost, and Tobin's Q. The proxies for risk are Loan loss provision, Asset return volatility, and Insolvency risk.

With the aforesaid methods, three main findings emerged. First, there is negative relationship between ownership concentration and bank's performance. However the performance proxies that show significant result varies by country subsample groups. Second, I found the positive impact of ownership concentration on bank's risk taking behavior. In other words, the result indicates that the more concentration shareholder, the lower the performance and the risk taking for Asian banks. Third, the finding show that the corporate governance measured through the number of independent board of directors is insignificant to performance and risk taking for Thai banks.

*Keywords:* Asian banking; Ownership concentration; Performance; Risk