

# **Bank Capital Structure and Speed of Adjustment Evidence from ASEAN countries**

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## **ABSTRACT**

In general finance literatures, regulatory capital requirements have been placed as the main factor determining bank's capital structure choices. In this study, we examine the effect of standard determinants in bank's capital structure regarding size, profitability, tangibility, market-to-book ratio, dividend dummy, and asset risk. Furthermore, we estimate the optimal target and speed of adjustment in capital adequacy ratio. The results show evidence that the standard determinants have explanatory power over capital adequacy ratio and there exist target level of commercial banks in ASEAN countries. We present a theory of capital structure adjustment speed and model the main factors by adopting a dynamic adjustment model.

*Keywords:* Bank Capital Structure, Capital Adequacy Ratio, Speed of Adjustment, Dynamic adjustment model