



The Impact of the Capital Ratio on Returns of Bank Stocks: Evidence from Listed Commercial Banks in Indonesia, Malaysia, Singapore, and Thailand

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ABSTRACT

This paper examines the impact of the Basel regulation on bank stock returns from the available data in the Southeast Asian countries. The result of this paper states: (i) for non-crisis period, holding high capital ratio does not have a significant impact on bank stock prices; (ii) during a crisis period, banks with capital ratio higher than the average tend to benefit for their stock prices. In addition, the result states that tier 1 capital ratio plays a key role during a crisis period since it has a positive impact on bank stock prices; while, total capital ratio has a negative impact on bank stock prices during a crisis period.

Key word: Basel regulation, Bank capital, Bank stock returns, Financial crisis, Southeast Asian banks