

Bank income diversification from stock market perspective: evidence from asean+3 / Natalia, M. Rudi Kurniawan, Rievinska R. Firsty

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Abstrak

This paper empirically examines the effect of banks' revenue diversification on the stock-based return and risk measures using data on the ASEAN-5, and addition from China, Japan, and South Korea banking sector. This paper use panel Fixed Effect and robustness test with Random Effect and TSLS. We use non-interest income share as a measure for revenue diversification. We find that revenue diversification has no effect on bank's market value but significantly decrease bank total risks. When non-interest income is decomposed, we find that fee-income business has significant positive effect on bank value. Furthermore, it's important to see characteristic of banks that practice diversification, such as bank size and capital. Overall, we provide evidence that banks, especially larger ones with good condition on capital, could increase their value and lower their risk by diversifying non-interest income, especially with fee income as well as other types of non-interest income.