

The Impact of Ownership Structure on Bank Risk Taking: Evidence from Listed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - This research study is one of the pioneering research study that has been carried out to determine the relationship between bank ownership structure and bank risk taking in the Sri Lankan context in order to fill the gap using information from listed banks in the CSE.

Design/Methodology/Approach - This study incorporated with bank risk through Z-Score model whereas ownership variable comprises four types of ownership structures including government, insider, institutional and other ownerships while bank size, leverage and capital adequacy ratio considered as the control variables. The research has adopted a deductive research method and the study selected 11 listed banks during the period of 2010Q1 to 2019Q2. Also panel least square regression method has initially used to analyze the collected data.

Findings - Based on the analyzed result every variable contains stationarity and model residuals are normally distributed whereas analysis has followed a fixed effect model and it includes GOVOWN, INSTOWN and OTHER ownership variables are negatively significant towards bank risk taking whereas INSIDER ownership variable is negatively insignificant.

Conclusion - The final result emphasizes that the overall model is statistically significant, and researcher conclude that there is a relationship between bank ownership and bank risk taking hence different ownership structures affect differently towards bank risk.

Keywords: *Z-Score Model, Ownership Structures, Bank Risk, Fixed Effect Model, Panel Least Square Regression*