



موسسه عالی آموزش و پژوهش مدیریت و برنامه ریزی

Bank Capital Structure and the Impact of National Culture and CEO Power on Bank Risk: Evidence of International Banks

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Abstract:

We examine the determinants of capital structure and funding sources of 347 large global banks from 57 countries around the world. We find that the capital structure of banks does not evolve only as a result of capital regulations, it is also affected by market forces. We find that bank capital structure corresponds to corporate finance theory and buffer view, and in particular, that market-to-book ratio, size and risk are positively related and that profitability is negatively related to bank leverage. We also investigate the CEO characteristics and national culture on banks risk. We uncover three new findings. First, variations of bank risk-taking across national culture and CEO power are more pronounced when culture values and CEO power indicators are high. Second, while the individualism dimension of national culture has a moderating influence, the uncertainty avoidance dimension has a reinforcing effect, on the relationship between CEO power and bank risk-taking. Third, ‘tight’ cultures (e.g. strong social norms) are more pronounced than ‘loose’ cultures (e.g. heterogeneous values) in influencing bank risk.