Chunhachinda, P.\(^{a}\), Li, L.\(^{b}\)

**Income structure, competitiveness, profitability, and risk: Evidence from Asian banks**


**DOI:** 10.1142/S0219091514500155

\(^{a}\) Faculty of Commerce and Accounting, Thammasat University, 2 Prachan road, Bangkok 10200, Thailand

\(^{b}\) School of Business, University of the Thai Chamber of Commerce, 126/1 Vibhavadee-Rangsit Road, Dindaeng, Bangkok 10400, Thailand

**Abstract**

This paper investigates the impact of Asian banks' income structure on competitiveness, profitability, and risk over the period 2005-2011. Exchange-listed commercial banks of eight Asian countries are included in the study sample. The cross-sectional regression results reveal that higher exposure of net non-interest income in Asian banks increases market risk and asset risk but lowers insolvency risk, ROA and ROE. On the other hand, higher exposure of net fees and commissions reduces return volatility, market risk, and asset risk but increases insolvency risk, ROA, and ROE. Further, exposure to trading and derivatives, along with other securities, tends to decrease banks' competitiveness. © 2014 World Scientific Publishing Co. and Center for Pacific Basin Business, Economics and Finance Research.

**Author Keywords**

Asian bank; competitiveness; Income structure; profitability; risk

**References**

- Baele, L., Jonghe, O.D., Vennet, R.V.
  **Does the stock market value bank diversification?**

- Berger, A.N., Hasan, I., Zhou, M.
  **The effects of focus versus diversification on bank performance: Evidence from chinese banks**

- Calmes, C., Theoret, R.
  **The impact of off-balance-sheet activities on bank returns: An application of the ARCH-M to canadian data**

- Chunhachinda, P., Jumreornvong, S.
  **Competitiveness of banks and finance companies in thailand: An investigation**

- Chunhachinda, P., Li, L.
  **Competitiveness of asian banks after recovering from the 1997 financial crisis**

- Demirguc-Kunt, A., Huizinga, H.
  **Bank activity and funding strategies: The impact on risk and returns**

- De Young, R., Roland, K.P.
  **Product mix and earnings volatility at commercial banks: Evidence from a degree of total leverage model**

- Elsas, R., Hackethal, A., Holzhauser, M.
  **The anatomy of bank diversification**
Esho, N., Kofman, P., Sharpe, I.G.  
**Diversification, fee income, and credit union risk**  

Gallo, J.G., Apilado, V.P., Kolari, J.W.  
**Commercial bank mutual fund activities: Implications for bank risk and profitability**  

Geyfman, V.  
**Commercial banks and securities underwriting: The impact on risk, return, and diversification**  

Landskroner, Y., Ruthenberg, D., Zaken, D.  
**Diversification and performance in banking: The Israeli case**  

Lepetit, L., Nys, E., Rous, P., Tarazi, A.  
**Bank income structure and risk: An empirical analysis of european banks**  

Lin, J., Chung, H., Hsieh, M., Wu, S.  
**The determinants of interest margins and their effect on bank diversification: Evidence from asian banks**  

Liu, H., Wilson, J.O.S.  
**The profitability of banks in Japan**  

Mercieca, S., Schaeck, K., Wolfe, S.  
**Small european banks: Benefits from diversification?**  

Rogers, K., Sinkey Jr., J.F.  
**An analysis of nontraditional activities at U.S. Commercial banks**  

Stiroh, K.J.  
**Diversification in banking: Is noninterest income the answer?**  

Stiroh, K.J.  
**A portfolio view of banking with interest and noninterest activities**  

Stiroh, K.J., Rumble, A.  
**The dark side of diversification: The case of U.S. Financial holding companies**  

Yang, D.H., Song, I., Yi, J., Yoon, Y.H.  
**Effects of derivatives on bank risk**  