



Does Government Ownership Affect Bank Risk? Effects of Country Development and Financial Crisis

Huang, Yu-Li ¹, Chung-Hua Shen ¹, and Kun-Li Lin ^{2,*}

1. *Shih Chien University*

2. *National Taichung University of Science and Technology*

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ABSTRACT

This study examines whether government ownership can affect bank risk. We use Moody's individual and issuer ratings as proxies for banks' operating and default risks. We find that whether government ownership increases or reduces default risk depends on where the banks are from and when the banks obtain government support. We find that government injections of funds into banks depends on this government's income level and whether the distressed banks are in crisis periods. Even during a crisis, we have to identify the nature of the crisis.

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Keywords: bank default risk; individual credit rating; issuer credit rating, government ownership; financial crisis

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* Corresponding author. No.129, Sec.3, Sanmin Rd, North Dist., Taichung City 404, Taiwan (R.O.C.) 886-4-22195678; E-mail: linkl@nutc.edu.tw