

## Foreign Banks Taking More Risk: Evidence from Emerging Economies

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**Abstract :** This paper addresses the impact of foreign ownership on the risk-taking behavior of banks. Using bank-level panel data of more than 1,300 commercial banks in 32 emerging economies during 2000-2013, we find that foreign owned banks take on more risk than their domestic counterparts. We further examine several factors that may potentially contribute to foreign banks' differentiated riskiness from four perspectives, namely, foreign banks' informational disadvantages, agency problems, the contagious effect of parent banks' financial conditions and the disparity between home and host markets. We find supportive evidence that these factors play a significant role in affecting foreign banks' risk-taking.

**Keywords :** bank risk-taking, emerging economies, financial liberalization, foreign banks

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