

**Bank Lending and stock market performance:
Evidence from ASEAN Banks**

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ABSTRACT

The purpose of this study is to examine the impact of bank lending on bank stock performance through a panel data evidence on banks in ASEAN. The data for this study is retrieved from the DataStream. The sample consists of 68 listed banks from six countries (Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam) in ASEAN for the period 2000-2014. The results of the Panel Ordinary Least Square estimation showed that bank loans has a negative significant association with the stock performance of banks in ASEAN, implying that the fluctuations in bank lending negatively influence stock price movements, which then reduces stock returns. Bank size shows a positive and significant relationship with bank stock performance, indicating that the size of banks positively influences their stock performance since all the banks selected for this study are large banks listed on the stock exchange of their various countries in ASEAN. Bank capitalization and bank stock performance are positively related, implying that the capital of banks in ASEAN influences their stock performance because these banks have higher capital to asset ratio which make them to have a better margin of cushion and continuous profitability even during difficult periods. Net interest margin has a positive significant relationship with bank stock performance, indicating that interest margin has a positive influence on bank stock performance since ASEAN banks are well capitalized and more effective and which lead to increase in their stock performance. It is recommended that ASEAN banks need to improve in their bank lending policies by increasing their bank loan supply so as to influence stock price movements, and then improve stock returns.

Keywords: Bank lending, loan, capitalization, size, net interest margin, stock performance.