Independent study title	FINANCIAL STRUCTURE AND IMPLICATIONS FOR SYSTEMIC RISK
Author	Miss Pinthip Srichart
Degree	Master of Science (Finance)
Major field/Faculty/University	Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy Thammasat University
Independent study advisor	Assistant Professor Wasin Siwasarit, Ph.D.
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ABSTRACT

Banks and markets function differently to perform the important task of efficiently channeling funds in the economy. Therefore, the merits of bank-based and market-based economies have been discussed at length, especially given that there is a tight connection between financial system and macroeconomic performance. Against the backdrop of the Global Financial Crisis in the 2008, studies focusing on implications of different financial structure to systemic risk have been growing. In this study, we explore the relationship between financial structure and systemic risk, using fixed effects regression and GMM panel estimation. The analysis covers yearly unbalanced data of 31 countries from 2000 – 2017. The balanced panel data model and the model based on only advanced economies are included in this study to compare results. The results from both linear fixed effect estimation and GMM panel estimation suggest that systemic risk increases as financial structure or bank-to-market financing ratio increases. Also, balanced, and unbalanced dataset do not affect this relationship. The results from advanced economies are consistent with the ones from all-countries but show greater relationship. From this study, the regulators should be mindful when they look at the how they promote financial landscape of the economy.

Keywords: Financial structure, Systemic risk, Bank financing, Market financing