

# Managerial ability and banks' financial stability in Asia-Pacific

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## ABSTRACT

The study examines the role of managerial ability in ensuring banks' financial stability. We examine a panel of 386 commercial banks in Asia-Pacific from 2011 to 2021 and find that more capable managers are less able to safeguard the banks from possible distresses. We also find that firms with more competent managers are more inclined to make riskier investments in exchange for attracting deposits. To address endogeneity issues, we employ a two-step system generalized method of moment estimation. Our results are also robust to a range of different specifications.

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## Keywords:

Managerial ability, Financial stability, Distance to default model, GMM, Asia-pacific.