

The Effect of Asset Securitization on Bank Profitability in Southeast Asia

Novia Sandra Dewi ^(1*) Indah ⁽²⁾ Nurlina ⁽³⁾ Sri Utami Permata ⁽⁴⁾

^(1,2,4) Universitas Sulawesi Barat, Indonesia

⁽³⁾ Universitas Nahdlatul Ulama Yogyakarta, Indonesia

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* Corresponding author.

E-mail addresses: noviasd29@unsulbar.ac.id

KEYWORDS	ABSTRACT
Keywords: Asset securitization; bank profitability; ROA; ROE; Southeast Asia. Conflict of Interest Statement: The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest. Copyright ©2026 Vifada Management and Digital Business. All rights reserved.	Purpose: This study examines whether asset securitization is associated with bank profitability in Southeast Asia and develops a regional explanation of the relationship. Research Method: The study uses an unbalanced panel of 82 publicly listed banks and 838 bank-year observations over 2009-2021. Asset securitization is measured as a dummy variable, while profitability is measured by ROA and ROE. The models include bank size, Tobin's Q, GDP growth, and year effects and are estimated using Generalized Least Squares (GLS). Results and Discussion: Asset securitization is positively and significantly associated with ROA ($\beta=0.001018$; $p=0.017$) and ROE ($\beta=0.010352$; $p<0.001$). The result is consistent with liquidity, funding, and financial-intermediation mechanisms, while the literature also indicates possible selection and risk channels. Implications: The findings are relevant to bank balance-sheet management and regulatory oversight of securitization. Originality: The article provides a full-length regional analysis of publicly listed Southeast Asian banks over 2009-2021 using two profitability measures and explicit controls for bank and macroeconomic characteristics.

1) Introduction

Banks rely on financial intermediation to transform funding into earning assets, making liquidity, funding costs, and balance-sheet efficiency important determinants of profitability. Asset securitization provides one mechanism through which banks can pool financial assets or receivables and transform their associated cash flows into securities that can be distributed to investors. By accelerating the conversion of asset-based cash flows into liquidity, securitization may alter how banks deploy funding, manage their balance sheets, and generate returns. However, the profitability implications of securitization are not necessarily uniform because the potential benefits of liquidity and funding flexibility may coexist with transaction costs, retained exposures, and differences between banks that choose to securitize and those that do not. Thus, whether securitization is associated with higher bank profitability remains an empirical question.

The theoretical logic behind securitization suggests several channels through which profitability may change. A bank that converts eligible assets into securities may obtain liquidity earlier than it would by waiting for the underlying contractual cash flows. The proceeds can be used to support new lending, replace other funding, or rebalance the asset portfolio. Securitization can therefore increase the flexibility of financial intermediation. The pooling and tranching framework developed by [DeMarzo \(2005\)](#) also emphasizes the informational and risk-allocation functions of structured finance. In banking, these functions can interact with capital management and funding decisions rather than operating independently.

Recent empirical research, however, indicates that the profitability effect is not uniform. [Bakoush et al. \(2019\)](#) identify liquidity, funding costs, bank risk, and regulatory capital as transmission channels linking securitization to profitability. [Abdelsalam et al. \(2022\)](#), using banks from different banking systems, report that securitization is associated with greater risk and lower financial stability, illustrating that a favorable performance measure may coexist with unfavorable risk consequences. [Filomeni \(2024\)](#) further shows that securitization and bank risk appetite can vary with the institutional and crisis environment. The evidence therefore supports a multidimensional interpretation: securitization may improve a particular performance indicator while simultaneously changing the bank's exposure to risk, liquidity, or funding costs.

A second issue concerns the direction of selection. Banks do not randomly choose whether to securitize. Bank size, liquidity conditions, capitalization, funding needs, and profitability can influence the decision to securitize. [Affinito and Tagliaferri \(2010\)](#) document that bank characteristics help explain securitization decisions, while [Casu et al. \(2013\)](#) show that securitizing banks can appear more profitable even when the performance effect attributable to securitization becomes weaker after matching. This distinction is important because an observed positive coefficient can reflect both the consequences of securitization and the characteristics of banks that choose securitization. Accordingly, the present study treats the estimated coefficient as an association within the specified model rather than as unrestricted causal evidence.

The measurement of securitization is another important methodological consideration. Bank-level studies use different indicators, including securitized amounts, securitization income, ratios, and activity indicators. [van der Plaats and Spierdijk \(2024\)](#) show that several bank-level securitization variables capture a common underlying dimension, but the choice of measure remains consequential because different indicators can emphasize different parts of the securitization process. In the present study, securitization is identified from annual reports and represented by a binary indicator. The measure is therefore intended to distinguish banks that engage in securitization from those that do not, rather than to estimate the intensity or volume of securitization.

The Southeast Asian setting provides a relevant empirical context for this question. Banking systems in the region differ in size, market structure, regulatory arrangements, and the depth of capital markets. At the same time, banks remain important providers of credit and are closely connected to economic growth. [Nguyen and Le \(2022\)](#), for example, show that profitability, stability, and loan growth are interrelated among listed banks in ASEAN-5. [Pham \(2020\)](#) likewise documents interdependence among banking profitability, banking stability, and economic growth across ASEAN countries, indicating that bank performance should be interpreted within the broader regional economic environment. These relationships imply that any balance-sheet innovation that affects liquidity or lending capacity can have implications for bank profitability. Evidence from the region also indicates that macroprudential conditions can affect profitability differently before and during periods of stress ([Tarigan & Danarsari, 2023](#)).

Despite this context, direct evidence on the securitization-profitability relationship in Southeast Asian banking remains limited. [Ishak et al. \(2020\)](#), for example, examine 12 commercial banks from Indonesia, Singapore, Thailand, Malaysia, and the Philippines over 1998-2018 and report a positive association between asset-backed securities and ROA. The present study extends this regional evidence by examining 82 publicly listed banks and 838 bank-year observations over 2009-2021, using ROA and ROE as separate profitability outcomes. The empirical specification includes bank size, Tobin's Q, GDP growth, and year effects as observable controls. Liquidity, funding costs, regulatory capital, credit risk, and asset quality are instead treated as potential transmission mechanisms through which securitization may affect profitability rather than as baseline control variables. This distinction allows the model to remain focused on the association of securitization participation with profitability while the potential channels are considered in the theoretical and discussion sections.

The research question is: is asset securitization associated with bank profitability in Southeast Asia after accounting for observable bank characteristics and macroeconomic conditions? The objective is to estimate and interpret the relationship using two conventional profitability measures and to explain the result through the competing liquidity/funding and selection/risk mechanisms

identified in the literature. The contribution is not to claim that securitization is universally beneficial, but to provide a region-specific empirical test and a theoretically balanced interpretation of the observed association. The article is organized into five sections: the next section develops the literature review and hypothesis; the third section describes the data and empirical method; the fourth presents the results and discussion; and the final section summarizes contributions, limitations, and directions for future research.

2) Literature Review and Hypothesis Development

Asset Securitization as a *Balance-Sheet* and Intermediation Mechanism

Asset securitization can be understood as a process in which a pool of contractual cash flows is separated from the originating institution and transformed into tradable claims. In a bank, the underlying assets can include loans, mortgages, receivables, or other eligible claims. The process normally involves an originating institution, a special-purpose vehicle, investors, and a set of contractual rules concerning cash-flow distribution, credit enhancement, servicing, and *risk retention*. [DeMarzo \(2005\)](#) explains why pooling and tranching can improve the allocation of information and risk when heterogeneous assets are combined into securities. From the bank's perspective, the economic significance is that an asset that would otherwise generate cash flows gradually can be connected to a financing mechanism in capital markets.

The intermediation channel provides the most direct theoretical link to profitability. When securitization produces liquidity, a bank can use the proceeds to support new lending or other earning assets. [Altunbas et al. \(2009\)](#) show that securitization can affect the bank lending channel, indicating that securitization changes the way banks respond to funding and monetary conditions. The effect on profitability is therefore potentially indirect: securitization itself is not necessarily an income-producing asset, but it can alter the availability and cost of funds that support income-producing activities.

The *balance-sheet* channel is related but distinct. A bank may use securitization to manage asset concentrations, maturity structure, regulatory capital, or liquidity buffers. When a transaction changes the composition of assets and funding, the bank may be able to expand or rebalance its portfolio without relying entirely on deposits or wholesale borrowing. [Bakoush et al. \(2019\)](#) identify liquidity, funding costs, risk, and regulatory capital as interconnected channels. This framework is useful for interpreting profitability because ROA and ROE respond not only to the volume of income but also to the resources and risks employed to generate that income.

At the same time, securitization does not eliminate risk automatically. Depending on contractual arrangements, the originating bank may retain credit exposure, provide guarantees, service the assets, or retain residual interests. [Iglesias-Casal et al. \(2020\)](#) show that the relationship between securitization and financial stability depends on period and market conditions, while [Arif \(2020\)](#) reports that the effects on bank stability can differ with bank size and the type of funding instrument. These findings reinforce the need to separate the profitability question from the broader question of whether securitization improves bank resilience.

Securitization and Bank Profitability

Profitability captures the ability of a bank to generate earnings from the resources it controls. ROA relates net income to total assets and therefore emphasizes the efficiency with which the asset base generates profit. ROE relates net income to shareholders' equity and incorporates the effect of financial leverage and capital structure. Using both measures is useful because securitization can change the scale and composition of assets as well as the capital employed by the bank. A relationship that appears in both ROA and ROE is therefore less dependent on one particular denominator.

The empirical literature provides evidence in both directions. [Casu et al. \(2013\)](#) find that securitizing banks tend to be more profitable, but the apparent performance advantage is weaker when bank characteristics are balanced using matching techniques. [Bakoush et al. \(2019\)](#), by contrast, find that securitization activities tend to improve profitability and show that several intermediate variables contribute to the relationship. These studies are not necessarily contradictory. The first emphasizes the selection problem, whereas the second emphasizes the

channels through which securitization can affect profitability. Together they suggest that the sign of the observed coefficient depends on both bank selection and transaction effects.

More recent research also highlights measurement and institutional differences. [van der Plaats and Spierdijk \(2024\)](#) demonstrate that securitization measures used in bank-level studies are not identical in construction, even though many share a common underlying dimension. [Lacina et al. \(2020\)](#) show that securitization gains may still be associated with earnings-smoothing behavior after accounting rules became stricter. These findings matter for the interpretation of profitability because a higher reported profit may arise from operating consequences, transaction income, accounting recognition, or a combination of these mechanisms. A binary activity measure, as used here, deliberately avoids equating the occurrence of a securitization transaction with a specific amount of securitization income.

The regional context also matters. [Nguyen and Le \(2022\)](#) find that profitability, stability, and loan growth are mutually connected in ASEAN-5 banking. If securitization affects liquidity and lending capacity, its profitability implications can therefore interact with the broader banking model of the region. The regional banking literature also documents that macroeconomic and regulatory conditions influence bank profitability, including during the COVID-19 period ([Tarigan & Danarsari, 2023](#)). The use of GDP growth and year effects in the present specification is intended to reduce the possibility that the securitization coefficient simply captures common macroeconomic movements.

Table 1. Selected Literature on Securitization, Bank Performance, and Risk

Study	Context/ Sample	Main Focus	Relevance to This Study
Casu et al. (2013)	US commercial banks	Securitization and bank performance	Highlights selection and matching issues.
Bakoush et al. (2019)	Bank-level securitization	Profitability transmission channels	Identifies liquidity, funding cost, risk, and capital channels.
Ishak et al. (2020)	12 Southeast Asian banks	ABS and ROA	Provides direct regional evidence with a smaller sample.
Iglesias-Casal et al. (2020)	European banks	Stability and risk retention	Shows that profitability should be separated from stability.
Abdelsalam et al. (2022)	International banks	Securitization and stability	Documents risk implications across banking systems.
Nguyen & Le (2022)	79 ASEAN-5 listed banks	Profitability, stability, loan growth	Establishes regional intermediation-profitability context.
Filomeni (2024)	US bank holding companies	Securitization and risk appetite	Shows that risk effects depend on institutional setting.
van der Plaats & Spierdijk (2024)	Large US commercial banks	Measurement of securitization	Supports careful interpretation of the binary activity measure.

Selection Effects, Risk, and the Competing-Mechanism Argument

A positive relationship between securitization and profitability can arise through at least two broad mechanisms. Under the first, transaction-based mechanism, securitization releases liquidity, changes funding composition, or improves the utilization of capital. These changes can support additional lending and income generation. Under the second, selection-based mechanism, banks that securitize may already possess characteristics that make them more profitable or better positioned to access capital markets. If those characteristics are incompletely controlled, the estimated association may overstate the effect attributable to securitization itself.

Risk provides a further countervailing mechanism. Securitization can transfer some credit exposure but can also create recourse, retained interests, servicing obligations, or incentives to alter screening. [Keys et al. \(2010\)](#) document evidence that securitization incentives were associated with weaker screening in the U.S. subprime mortgage market. [Abdelsalam et al. \(2022\)](#) report that securitization can be associated with greater risk and lower financial stability across different banking systems. [Filomeni \(2024\)](#), however, finds a negative relationship between securitization and risk appetite in U.S. bank holding companies, illustrating that the risk effect can depend on institutional

arrangements and the period studied. The implication is that profitability should be interpreted as one outcome within a broader risk-return system.

For Southeast Asian banks, these mechanisms may operate simultaneously. Capital markets and securitization infrastructures are not identical across the region, and banks differ in their access to alternative funding sources. A transaction that provides meaningful liquidity relief for one bank may have a smaller incremental effect for another bank with abundant deposits or capital-market access. Likewise, the accounting, regulatory, and *risk-retention* treatment of securitization can influence whether the transaction produces a net economic benefit. The regional hypothesis therefore rests on the expectation that, on average, the liquidity and funding benefits associated with securitization are reflected in higher profitability after controlling for observable bank and macroeconomic characteristics.

The study does not assume that a positive profitability relationship implies improved financial stability. This distinction is important because securitization may affect profitability and financial soundness through different mechanisms. Evidence from the broader Southeast Asian analysis indicates that securitization is positively associated with ROA and ROE but negatively associated with the bank Z-score. The present study focuses specifically on profitability and therefore does not interpret the estimated profitability relationship as evidence of improved overall bank soundness.

Based on the *balance-sheet*, liquidity, funding, and intermediation arguments, and taking into account the mixed evidence regarding selection and risk, the following hypothesis is proposed:
H1: Asset securitization is positively associated with bank profitability in Southeast Asia.

Theoretical Synthesis and Research Expectation

The literature reviewed above suggests that the profitability consequences of securitization cannot be reduced to a single transmission mechanism. Securitization changes the composition of a bank's balance sheet and may therefore influence profitability through several channels that operate at the same time. The first channel is liquidity conversion. When a bank converts a pool of relatively illiquid claims into securities that can be placed with investors, the institution may obtain cash before the contractual maturity of the underlying assets. This liquidity can subsequently be deployed in new lending or other earning assets. The profitability effect therefore depends not only on the transaction itself but also on what the bank does with the liquidity released from the transaction.

A second channel is funding diversification. Traditional deposit funding remains important for Southeast Asian banks, but banks may also face periods in which deposit growth, wholesale funding, and credit demand do not move together. Securitization can provide an additional funding route and may reduce dependence on a single source of financing. However, the effect on profitability is conditional on the cost of structuring the transaction, investor requirements, credit enhancement, servicing arrangements, and the price at which the securities can be issued. Consequently, a securitization transaction that increases liquidity but carries substantial transaction costs may not translate into higher accounting profitability.

A third channel concerns capital and balance-sheet flexibility. A bank that transfers qualifying assets may change the amount and composition of assets that must be supported by capital and liquidity buffers. This can create room for portfolio reallocation. [Altunbas et al. \(2009\)](#) show that securitization can affect the bank lending channel, while [Casu et al. \(2013\)](#) demonstrate that observed differences in bank performance associated with securitization can partly reflect differences in bank characteristics. These findings imply that securitization should be interpreted as part of a broader balance-sheet strategy rather than as an isolated financial transaction.

The fourth channel is risk retention and incentive effects. Securitization does not necessarily mean that all economic exposure to the underlying assets disappears from the originating bank. Depending on transaction design, the bank may retain residual interests, provide credit enhancement, continue servicing the assets, or otherwise remain exposed to performance deterioration. [Iglesias-Casal et al. \(2020\)](#) emphasize the importance of effective risk retention in understanding the relationship between securitization and financial stability. Similarly, [Keys et al. \(2010\)](#) provide evidence that securitization incentives can interact with loan-screening behavior. These studies suggest that any profitability benefit should be considered together with the risks and obligations retained after the transaction.

These mechanisms produce a theoretically ambiguous prediction. If liquidity release, funding diversification, and balance-sheet flexibility dominate transaction costs and retained risks, securitization may be associated with higher profitability. If transaction costs, adverse selection, retained exposure, or weak post-securitization asset performance dominate, the relationship may be weak or negative. The present study therefore formulates a directional hypothesis based on the liquidity and intermediation mechanisms, while recognizing that the empirical relationship remains an issue to be tested rather than assumed.

The regional setting provides an additional reason for testing this relationship directly. Southeast Asian banking systems share geographic proximity but do not operate under identical market structures, funding conditions, or capital-market depth. A securitization transaction may therefore have different economic meaning across banks. A regional analysis can capture common features of the banking environment while still allowing the empirical model to account for observable bank characteristics and common year effects. The focus on Southeast Asia also extends the empirical literature beyond the European and US settings that dominate earlier securitization studies. Accordingly, the conceptual framework of this study links asset securitization to bank profitability through liquidity conversion, funding diversification, balance-sheet flexibility, and intermediation capacity. SIZE, Tobin's Q, and GGDP are included as control variables because profitability may also vary systematically with bank scale, market valuation, and macroeconomic conditions. Bank profitability may also reflect differences in revenue composition and non-interest activities, suggesting that observed profitability should be interpreted within the broader business model of banks (Antao & Karnik, 2022). The framework does not claim that these controls exhaust all determinants of profitability; rather, they reduce the risk that the estimated securitization coefficient simply captures observable differences in bank characteristics or the economic environment.

3) **Research Method**

Research Design and Sample

This study uses a quantitative panel-data design to examine the relationship between asset securitization and bank profitability. The observation period is 2009-2021, covering the post-global-financial-crisis period and extending through the COVID-19 shock. The population is publicly listed banks in Southeast Asia for which information on securitization activity and the required financial variables could be identified. The final estimation sample contains 82 banks and 838 bank-year observations for both the ROA and ROE models. The panel is unbalanced because the number of available observations is not identical across banks and years.

Securitization information was collected from individual bank annual reports and related corporate disclosures. Bank financial data were obtained from Bureau van Dijk (Osiris) and Thomson Reuters Eikon, with bank websites used to verify information where necessary. Macroeconomic data, particularly annual GDP growth, were obtained from the World Bank. The use of multiple sources is intended to reduce missing information and to cross-check securitization disclosures. Bloomberg data were also available during the broader data collection process, but the present article reports only the sources directly relevant to the variables retained in the model.

The final Southeast Asian estimation sample is part of a broader Asian banking dataset covering 494 banks across 34 Asian countries. For the present study, the analysis is restricted to the Southeast Asian component and focuses exclusively on bank profitability. This narrower research design allows the empirical analysis and discussion to be developed specifically around the institutional and banking characteristics of Southeast Asia.

Variable Measurement

Asset securitization (SA) is the main independent variable and is coded 1 when a bank is identified as conducting asset securitization and 0 otherwise. The main analysis uses contemporaneous annual bank-year observations rather than lagged values of the variables, with each observation corresponding to the reporting year of the respective bank. ROA is calculated as net income divided by total assets, while ROE is calculated as net income divided by total equity. Negative ROA or ROE values are retained because they represent economically meaningful

observations of bank losses and are not recoded as missing or removed solely because they are negative. To reduce the influence of extreme observations, continuous variables are winsorized as specified in Table 2. SIZE is measured as the natural logarithm of total assets, Tobin's Q captures market valuation relative to assets, and GGDP represents annual GDP growth in the country where the bank operates. The main specification uses contemporaneous variables, whereas the lagged specification of asset securitization is considered as a robustness analysis rather than the baseline model.

Table 2. Variables and Measurement

Variable	Code	Measurement	Treatment/ Transformation	Role	Source
Asset securitization	SA	1 = securitization; 0 = otherwise	Binary indicator	Independent	Bank annual reports
Return on Assets	ROA	Net income / total assets	Winsorized at 1%	Dependent	Bureau van Dijk (Osiris)
Return on Equity	ROE	Net income / total equity	Winsorized at 1%	Dependent	Bureau van Dijk (Osiris)
Bank size	SIZE	ln(total assets)	Winsorized at 1%	Control	Bureau van Dijk (Osiris)
Tobin's Q	Tobin's Q	Market value relative to assets	Winsorized at 5%	Control	Thomson Reuters Eikon / bank data
GDP growth	GGDP	Annual GDP growth	Winsorized at 1%	Control	World Bank

Empirical Specification and Estimation

The empirical analysis estimates two separate models because ROA and ROE capture different dimensions of profitability. The generic specification is: $ROA_{it} = \beta_0 + \beta_1 SA_{it} + \beta_2 SIZE_{it} + \beta_3 TobinQ_{it} + \beta_4 GGDP_t + Year_t + \varepsilon_{it}$, and $ROE_{it} = \beta_0 + \beta_1 SA_{it} + \beta_2 SIZE_{it} + \beta_3 TobinQ_{it} + \beta_4 GGDP_t + Year_t + \varepsilon_{it}$. The coefficient β_1 is the parameter of primary interest. A positive and statistically significant estimate indicates a positive association between securitization activity and the corresponding profitability measure, conditional on the included controls and year effects.

Generalized Least Squares (GLS) is employed with heteroskedastic panels and no first-order autocorrelation in the estimated panel structure. The regional estimation output reports 82 estimated cross-sectional covariances and 838 observations. The ROA model has a Wald χ^2 statistic of 827.40, while the ROE model has a Wald χ^2 statistic of 1,606.75; both overall models are statistically significant. Statistical significance is reported at the 1%, 5%, and 10% levels. Because the study is observational and SA is measured as a dummy, the coefficients are interpreted as conditional associations rather than unrestricted causal effects.

The specification also includes year effects because the observation window contains substantial changes in the international and regional banking environment. Year effects absorb common shocks and trends that could otherwise be correlated with both securitization activity and bank profitability. This is particularly relevant for the later years of the sample, which include the COVID-19 period. The use of year effects does not, however, remove all potential sources of endogeneity. Bank-specific time-varying factors that jointly influence securitization decisions and profitability may remain.

The empirical models are estimated using feasible generalized least squares (FGLS) with panel-level heteroskedasticity. A conventional R-squared statistic is not reported because the standard interpretation of R-squared as the proportion of total variation explained by the regressors does not directly carry over to GLS estimation. As noted in Stata's methodological documentation, an R-squared calculated from GLS sums of squares may not have the conventional variance-decomposition interpretation and may fall outside the zero-to-one range. Accordingly, model assessment in this study reports the Wald chi-squared statistic to indicate the joint statistical significance of the estimated coefficients. This statistic is not interpreted as a measure of the proportion of variation explained by the model.

4) Results and Discussion

a) Result

Analysis Results

The final estimation sample contains 82 publicly listed banks and 838 observations for both profitability models. The estimated GLS specification includes SA, SIZE, Tobin's Q, GGDP, and year effects. The results show a positive and statistically significant association between asset securitization and both profitability measures. For ROA, the SA coefficient is 0.001018 with a standard error of 0.0004275 and a z-statistic of 2.38 ($p=0.017$). The 95% confidence interval ranges from 0.0001797 to 0.0018556. For ROE, the SA coefficient is 0.0103523 with a standard error of 0.0028912 and a z-statistic of 3.58 ($p<0.001$), with a 95% confidence interval from 0.0046856 to 0.0160189. Both confidence intervals are positive.

The control variables also display statistically significant coefficients in the expected empirical direction within this specification. SIZE is positive in both models, with coefficients of 0.0021499 for ROA and 0.0196108 for ROE. Tobin's Q is also positive, with coefficients of 0.0194565 and 0.0703997, respectively. GGDP is positive in both models, with coefficients of 0.0003182 for ROA and 0.0018314 for ROE. These estimates indicate that the profitability models capture systematic variation associated with bank scale, market valuation, and the macroeconomic environment in addition to the securitization indicator.

Table 3. GLS Estimation Results for Bank Profitability in Southeast Asia

Variables	ROA	ROE
SA	0.001018** (2.38)	0.010352*** (3.58)
SIZE	0.002150*** (21.92)	0.019611*** (27.87)
Tobin's Q	0.019457*** (10.56)	0.070400*** (5.05)
GGDP	0.000318*** (3.16)	0.001831** (2.40)
Year effects	Yes	Yes
Observations	838	838
Banks	82	82
Wald χ^2	827.396	1,606.748

The models are estimated using feasible generalized least squares (FGLS) with panel-level heteroskedasticity. Conventional R-squared statistics are not reported because they do not have the standard variance-explained interpretation under GLS. Wald chi-squared statistics indicate the joint statistical significance of the estimated coefficients and should not be interpreted as measures of explained variance. Year effects are included in all specifications. Standard errors and significance levels are reported as indicated in the table.

b) Discussion

Interpretation of the Positive Profitability Association

The first substantive finding is that asset securitization is positively associated with ROA. The coefficient of 0.001018 is economically small in absolute terms, which is unsurprising given that ROA is a ratio, but the estimate is statistically distinguishable from zero at the 5% level. In the context of the model, banks identified as securitizing banks have, on average, higher ROA than non-securitizing banks after controlling for bank size, market valuation, GDP growth, and year effects. The result should be read as a conditional difference rather than as evidence that a securitization transaction mechanically raises annual profit by a fixed amount.

The ROE result is also positive and statistically significant, with a coefficient of 0.0103523. The presence of a positive relationship in both ROA and ROE is relevant because the two indicators use different denominators. ROA focuses on the earning capacity of the asset base, whereas ROE incorporates the equity base and therefore reflects the interaction between profitability and capital structure. The consistency across the two indicators suggests that the observed relationship is not confined to a single profitability definition.

One plausible explanation is the liquidity and funding channel. A bank that securitizes eligible assets can convert future contractual cash flows into current funding. If the proceeds are used to support lending or other earning assets, the transaction can increase the productive use of the bank's balance sheet. This interpretation is consistent with the bank lending channel emphasized by [Altunbas et al. \(2009\)](#) and the transmission-channel framework of [Bakoush et al. \(2019\)](#). The result is also consistent with the broader proposition that bank profitability is connected to lending capacity and financial intermediation in Southeast Asia ([Nguyen & Le, 2022](#)).

A second explanation concerns funding diversification. Traditional bank funding relies heavily on deposits and, in some markets, wholesale funding. Securitization provides an alternative way to mobilize the cash flows embedded in loan portfolios. If this alternative source of funding is competitively priced, the bank may obtain greater flexibility in allocating funds. The profitability consequence depends on the spread between the return on assets supported by the proceeds and the total cost of the securitization transaction. [Bakoush et al. \(2019\)](#) show why this channel should be treated as part of a system of liquidity, funding costs, risk, and capital rather than as a single isolated effect.

A third explanation is *balance-sheet* utilization. Securitization can permit a bank to reorganize its asset portfolio without waiting for the natural maturity of loans. In principle, this can reduce constraints associated with asset maturity and liquidity mismatches. Maturity mismatch provides another possible explanation for why banks may use securitization. However, this mechanism should be interpreted cautiously because the dataset does not separately identify the maturity profile of each securitized asset. The empirical finding supports the possibility that balance-sheet flexibility matters, but it does not establish which individual transaction mechanism generated the observed profitability difference.

Selection Effects and the Limits of Causal Interpretation

The positive coefficient should not be interpreted without considering selection. Securitizing banks may systematically differ from non-securitizing banks in ways that are not fully captured by SIZE and Tobin's Q. They may have more sophisticated treasury functions, stronger relationships with investors, different asset portfolios, or greater capacity to comply with the legal and operational requirements of securitization. [Affinito and Tagliaferri \(2010\)](#) show that bank characteristics influence securitization decisions, while [Casu et al. \(2013\)](#) demonstrate that apparent performance differences can weaken after controlling for observable selection characteristics.

The binary SA measure also limits the identification of securitization intensity. It distinguishes banks that engage in securitization from those that do not, but does not capture transaction size, frequency, or specific securitization structures. The measure is therefore best understood as an activity indicator rather than an intensity measure. [van der Plaats and Spierdijk \(2024\)](#) emphasize that bank-level securitization measures differ in what part of the securitization process they capture. Future research should use transaction volume, securitized assets relative to total assets, retained interests, or other intensity measures when those data are consistently available.

The observational design also leaves open the possibility of reverse causality. More profitable banks may have greater access to capital markets and stronger incentives to optimize their balance sheets, making them more likely to securitize. Conversely, banks experiencing funding pressure may securitize precisely because they need liquidity. These two possibilities imply different selection mechanisms. The positive coefficient alone cannot determine which mechanism dominates. The use of controls and year effects reduces observable confounding but does not eliminate unobserved time-varying factors.

Profitability Does Not Equal Stability

The second important interpretive point is that higher profitability should not be equated with higher financial stability. Research after the global financial crisis demonstrates that securitization can redistribute risk rather than simply eliminate it. [Iglesias-Casal et al. \(2020\)](#) show that the relationship between securitization and systematic risk depends on period and market conditions. [Abdelsalam et al. \(2022\)](#) report evidence of greater risk and lower financial stability among banks involved in securitization across different banking systems. [Arif \(2020\)](#) similarly emphasizes that the stability implications of securitization and covered bonds can vary with bank

characteristics. [Michalak and Uhde \(2012\)](#) similarly find that credit risk securitization can be associated with weaker bank soundness, including lower profitability and a less favorable capital environment, reinforcing the need to distinguish profitability outcomes from broader measures of bank stability.

This distinction is particularly relevant in the Southeast Asian banking context. The broader regional evidence indicates that SA is positively and significantly associated with ROA and ROE but negatively and significantly associated with the bank Z-score. Although the present study does not estimate Z-score, this evidence provides an important boundary for interpretation: the profitability association cannot be used to conclude that securitization improves overall bank soundness. A bank can generate higher accounting returns while simultaneously assuming or retaining risks that become visible through other indicators.

The risk literature is not one-directional either. [Keys et al. \(2010\)](#) find that securitization incentives were associated with weaker screening in the U.S. subprime context, whereas [Filomeni \(2024\)](#) reports a negative relationship between securitization and risk appetite in U.S. bank holding companies. These findings suggest that institutional rules, asset classes, recourse arrangements, and market conditions matter. For Southeast Asian banks, this implies that regulatory oversight should focus not only on the volume of securitization but also on transaction structure, retained exposure, asset quality, and governance.

The Role of Control Variables

The positive SIZE coefficient in both profitability models is consistent with the empirical proposition that larger banks may possess operational, technological, funding, and diversification advantages. The result should nevertheless be interpreted as conditional within the sample rather than as evidence of a universal scale effect. Bank size may also proxy for access to capital markets, managerial resources, and institutional capacity, characteristics that can simultaneously influence securitization decisions.

Tobin's Q is positive and statistically significant in both models. This relationship is consistent with the idea that banks with stronger market valuation may have better growth opportunities or organizational characteristics that support profitability. Importantly, the inclusion of Tobin's Q also helps distinguish the securitization association from a simple market-valuation effect. The coefficient does not mean that market valuation causes profitability in a causal sense; rather, it indicates that the two variables are positively related within the estimated specification.

GGDP is positive and significant for both ROA and ROE. This result supports the inclusion of a macroeconomic control because bank profitability is affected by the broader economic environment. Stronger economic activity can support loan demand and borrower capacity, whereas weak activity can reduce credit demand and increase credit-risk pressure. In Southeast Asia, the relationship between macroeconomic conditions and banking performance is particularly relevant because countries differ in growth rates, financial structures, and policy responses. Year effects complement GGDP by absorbing common shocks that are shared across banks.

Hypothesis Assessment

Table 4. Summary of Hypothesis Assessment

Hypothesis	Evidence	Interpretation	Decision
H1: SA is positively associated with bank profitability	ROA: $\beta=0.001018$, $p=0.017$; ROE: $\beta=0.010352$, $p<0.001$	Positive and statistically significant association in both profitability measures	Supported within the model

The evidence supports this hypothesis within the specified model: the SA coefficient is positive and statistically significant for both ROA ($\beta=0.001018$; $p=0.017$) and ROE ($\beta=0.010352$; $p<0.001$). The decision to support H1 is limited to the empirical specification used in this study and should not be interpreted as definitive causal evidence.

Limitations and Directions for Future Research

The interpretation of GLS requires caution. The estimator accommodates the heteroskedastic panel structure reported for the Southeast Asian models, but it does not by itself eliminate

endogeneity. Unobserved bank characteristics and the possibility that profitability influences the decision to securitize remain relevant; accordingly, the article consistently uses terms such as “associated with” and “conditional relationship.”

The specification is intentionally parsimonious. SIZE, Tobin’s Q, GGDP, and year effects capture key bank-level and macroeconomic dimensions, while variables such as capital adequacy, liquidity, non-performing loans, ownership, and funding composition are not included because consistent definitions across the full regional sample were not assured. Annual reports provide important institution-specific evidence for identifying securitization, but differences in disclosure limit comparability; a transaction-level database would allow future work to examine intensity, asset type, transaction size, and risk retention more precisely.

The final sample of 82 banks and 838 observations is unbalanced because information is not available for every bank-year. The results therefore apply to the available bank-year observations rather than to a hypothetical complete panel. The broader research dataset covers a wider set of Asian banks, whereas the present article deliberately narrows the sample to Southeast Asian listed banks and the two profitability outcomes examined here.

Economic Magnitude and Interpretation of the Coefficients

The economic magnitude complements the statistical significance of the SA coefficients. The ROA coefficient of 0.001018 corresponds to approximately 0.10 percentage point when ROA is expressed as a percentage, with a 95% confidence interval of 0.000180 to 0.001856. The ROE coefficient of 0.0103523 corresponds to approximately 1.04 percentage points, with a 95% confidence interval of 0.004686 to 0.016019. Both intervals remain above zero.

The larger numerical coefficient for ROE should not be interpreted as a tenfold stronger economic effect than the ROA coefficient because the two measures use different denominators. The coefficients summarize conditional average differences associated with the securitization indicator and cannot be translated into an optimal securitization volume or the profitability of a specific transaction. The coefficients should therefore be interpreted as average associations across banks rather than as evidence about the profitability of a particular securitization transaction.

Interpreting the Findings within the Regional Banking Structure

The positive association is consistent with the role of securitization as a balance-sheet management instrument in a region where banks remain important providers of credit. More broadly, [Saklain and Williams \(2024\)](#) show that financial structure influences banks’ revenue choices and that market-based financial environments are associated with differences in bank profitability and risk. This provides additional context for interpreting securitization within the diverse financial structures of Southeast Asian banking systems. When securitization releases liquidity that can be redeployed efficiently, it may support earning capacity. Selection also remains relevant. Banks with stronger organizational capacity, larger balance sheets, better capital-market access, or more developed risk-management systems may be more able to securitize and may also be more profitable. The controls address observable dimensions but do not eliminate all possible selection bias.

Relationship with Previous Empirical Evidence

The findings are broadly consistent with [Bakoush et al. \(2019\)](#), who identify liquidity, funding costs, risk, and regulatory capital as channels linking securitization to profitability. The positive ROA and ROE coefficients are compatible particularly with liquidity and funding mechanisms. They also complement [Casu et al. \(2013\)](#), whose results show that differences between securitizing and non-securitizing banks can partly reflect selection characteristics.

The result should also be distinguished from evidence focused on risk. [Abdelsalam et al. \(2022\)](#) and [Filomeni \(2024\)](#) show that securitization can have important risk-related implications that do not necessarily move in the same direction as profitability. Thus, the present positive profitability association should not be interpreted as evidence of improved overall bank stability.

5) Concluding Remarks and Recommendation

This study examined whether asset securitization is associated with bank profitability in Southeast Asia. The findings provide consistent evidence across the two profitability measures: asset

securitization is positively and significantly associated with both ROA and ROE. This result suggests that participation in securitization is associated with stronger profitability among the sampled listed banks, although the relationship should be interpreted as an empirical association rather than definitive evidence of causality. The findings therefore support the view that securitization can be relevant to bank profitability through changes in liquidity, funding flexibility, and balance-sheet management, while its broader financial consequences require separate consideration.

The study contributes to the literature by extending empirical evidence on securitization and bank profitability to publicly listed banks in Southeast Asia, a regional setting with diverse banking and financial-market structures. It also demonstrates the relevance of examining profitability through both ROA and ROE rather than relying on a single performance measure. Importantly, the study distinguishes securitization participation from securitization intensity: the binary measure identifies whether a bank engages in securitization but does not imply that the magnitude or frequency of securitization is associated with profitability. The findings further support a cautious interpretation in which profitability effects are considered separately from broader implications for bank stability. These contributions position securitization not as an inherently beneficial or harmful activity, but as a balance-sheet mechanism whose profitability implications depend on how it is used and the institutional conditions surrounding it.

Several limitations should be considered when interpreting the findings. First, the binary measure of securitization does not capture transaction volume, intensity, asset type, or retained exposure. Second, the observational panel design and GLS estimation do not fully resolve selection, reverse causality, or other time-varying sources of endogeneity. Third, the unbalanced sample and differences in disclosure, regulation, and securitization infrastructure across countries may limit comparability and generalization. Future research can therefore employ transaction-level or continuous securitization measures, incorporate additional bank-specific variables, and use research designs that more directly address endogeneity and country-level heterogeneity.

Statement of Use of Generative AI

During the preparation of this work, the author used ChatGPT to assist in improving clarity and readability of the text. The author reviewed and edited the output and takes full responsibility for the content of the publication.

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