Climate Risk and Credit Risk of Banks: an Analysis of the Southeast Asia Region
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ABSTRACT

CLIMATE RISK AND CREDIT RISK OF BANKS: AN ANALYSIS OF THE SOUTHEAST ASIA REGION

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The objective of this research is to examine the effect of climate risk (Physical Risk and Transition Risk), Growth Domestic Products (GDP), LDR (Loan to Deposit Ratio), CIR (Cost Income Ratio) on bank stability in Southeast Asia from 2013 to 2023 using panel data regression. In this study, the sample includes only 37 banks operating in Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam due to data limitations. Based on regression panel results, the constant value of 1.867617 explains that if Climate risk and GDP do not change or have a value of 0, the average NPL will have a value of 1.867%. Meanwhile, the GCPR coefficient value of 0.4088 indicates that if climate risk increases by 1%, NPL will also increase by 0.4088 if ESG, GDP, LDR, and CIR remain constant. Moreover, based on F-Test hypothesis result, the variation in credit risk through the calculation of NPL can be explained by the variation in the relationship together with Climate Physical risk, ESG, GDP, LDR and CIR at 6.2415%, resulting in 93.7585% being influenced by other independent variables outside the model.

Keywords: *Climate risks, Banks, credit risk, GDP, LDR. CIR, Southeast Asia*.