ABSTRACT

Analysis of Systemic Risk on Indonesia Banking

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The main purpose of this study was to measuring the level of systemic risk in the Indonesia banking sector, financial linkage and analyze the impact of financial ratio of CAMEL to the systemic risk. The concept of conditional value at risk (CoVaR), due to Adrian and Brunnermeier (2009) was used to quantify the level of systemic risk and financial linkage among 15 banks that listed on the Indonesia Stock Exchange over the period 2004-2010. To analyze the impact of financial ratio of CAMEL to the systemic risk employed by analysis of panel data covered quarterly from 2005-2010. The findings show that there was additional risk imposed onto overall system by individual bank. The additional risk from individual bank to overall system (ACoVaR) show the weak relationship between the bank’s individual risk (VaR). This study also found that the relative size of bank have a higher additional risk onto system. Through financial linkage analysis by applying the CoVaR concept, the findings show that each VaR bank that conditioning by other bank’s VaR do not all provide the additional risk. In average, the additional risk from individual bank to other banks seem related with the level of systemic risk bank’s. Regression analysis of panel data show that CAR, NPL and NIM has significant impact to systemic risk.