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## Contagion and systemic risks: the case of Indonesian banking

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**Abstract:** Contagion was the core of systemic risk (Djikman, 2010) and should positively correlate with systemic risk as Poghosyan and Cihak (2009) and Oet et al. (2013) studied. This study aimed at determining contagion effect on systemic risk and direction relationship by means of regression in the presence of, or in the absence of one-month lag. This verificatory study applied explorative research methodology and used secondary data. In contrast to the previous studies, the result showed that contagion negatively correlated to the systemic risk in the Indonesian banking 2007–2014. The study found contagion effect on the systemic risk with directional relationships ranging from –10.641% to +4.389%.

**Keywords:** contagion; endogenous risk; interbank liabilities; regression; systemic risk.

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Ernie Tisnawati Sule is a Full Professor at Padjadjaran University Indonesia. She is a consultant, researcher and trainer in human resources management, total quality management, communication, human resources planning, Islamic business. Her research interest covered the organisation and human resource management, intellectual capital, knowledge management, human capital, human champion, talent management, innovation, dynamic capability, dynamic