

IABC

The 6th International
Accounting and Business
Conference

2019

THE 6TH INTERNATIONAL ACCOUNTING & BUSINESS CONFERENCE 2019

*Towards Greater Transparency, Accountability
& Sustainability in Financial Governance*

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TABLE OF CONTENT

No.	Particulars	Page
1.	Foreword – Vice Chancellor, Universiti Teknologi MARA	2
2.	Foreward - Chairman, Indonesia Banking School	3
3.	Foreword – Rector, Universiti Teknologi MARA Cawangan Johor	4
4.	Foreword – Chairperson, International Accounting and Business Conference 2019	5
5.	Foreword – Chairperson, International Accounting and Business Conference 2019	6
6.	Itinerary – Programme Schedule	7
7.	Keynote Speaker	8
8.	Parallel Session Schedule	9
9.	Abstracts	23
10.	Organising committee	101
11.	Collaborators	103
12.	Acknowledgement	104
13.	Sponsor	105

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**RISK OF SUBSIDIARIES OF FOREIGN BANKS IN INDONESIA: IMPACTS OF
THE PARENT BANK ECONOMIC CONDITION**

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Abstract

In this study, we investigated the influences of the parent bank condition on the total risk of foreign banks in Indonesia. We concentrated on the international transmission of accounting risk through the internal capital market of multinational banks. Accounting risk (total risk) is measured by the standard deviation of return on assets. Our results suggest that the total risk of the parent bank has influence on the subsidiaries' total risk. We suggest these results indicate a new channel of international risk transfer from parent bank countries to host countries through foreign-owned banks.

Keywords: *Total risk, banking crises, bank subsidiaries, Indonesia*