



Prediction of Financial Contagion and Bank Failure in 5 Asean Countries Corporate Governance as a Moderation (Survey Commercial and Exchange Banking in Asean)

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ABSTRACT

This study analyzes the effects of financial contagion and good corporate governance (GCG) on bankruptcy prediction models in ASEAN banks (Indonesia, Singapore, Malaysia, the Philippines, and Thailand). Using secondary data from 145 banks (82 healthy, 63 bankrupt) covering 2016–2024, a logistic regression model was applied in three stages: without moderation, with contagion and GCG as moderating variables, and with them as independent variables. The results show that financial contagion increases the probability of bankruptcy, while GCG reduces it. Profitability and liquidity decrease bankruptcy risk, solvency increases it, and risk management shows no significant effect. The study highlights the dual role of contagion in amplifying risk and GCG in mitigating bankruptcy likelihood.

INTRODUCTION

Contagion or effect of financial transmission in the country. Detects Fincon,: (1) based on asset value. (2) Probability conditional currency crisis. (3) Transmission of volatility changes. (4) The Movement of capital flows (World Bank and Wang, 2010). The global financial crisis, occurred 2008 subprime mortgage defaults in the USA. In a row the domino effect occurs against solvency and financial liquidity. (2012) defines the financial contagion, the first; Board Defination, the occurrence of relations influence intertwined among several countries. Contagion can occur under normal conditions or crisis. Second restrictive defination, the occurrence of a fundamental relationship between countries. Third very restrictive definition, a phenomenon when relations between countries increases over a period of crisis compared with the relationship to the normal economy.

Al-Rjoub and Azzam (2011) The results of his research showed, the crisis in general gave a bad impact on the return of shares, which was influenced by the effect of monetary crisis that occurred in the year 2008-2009 impact on the fall of the world stock market. Khallouli and Sandretto (2012) reviewed the impact of the crisis in the United States, the Middle East, and North Africa, the results of the research return on low-stock returns during a crisis, after post-subprime mortgages in the United States. The World Bank defines three (3) recession in between; First, in 2008, Bank Lehman Brothers had a bankruptcy that impacted the crisis and dominno effect of the company. Second recession states in Greece in 2009 is due to a budget deficit. Third the country's spending budget in Spain suffered a deficit in 2009 to 11.2%. The popular financial difficulties and bankruptcy prediction Model was raised by Altman, (1968). The Altman Model that generates the Z score formula is the result of research predicting the bankruptcy of the company. The phenomenon of financial condition of the banking industry is 5 (five) countries in ASEAN.

The significance of research (1) Financial contagion in this study measured the level of correlation of stock indices between countries. The world stock market is very sensitive to the world market, the country of Singapore will influence to other ASEAN countries. The correlation of stock indices between countries measurements correlation between countries. The residual error is multiplied by the stock beta. If significant correlation can be inferred correlation between countries contagion effect occurs. (2) Individual stock sensitivity measurement against market changes used residual error and beta test with correlation result multiplied by residual error result. Return received (future stock return) derived from the difference in the sale price minus the purchase price from the company return is formulated $R_i = \alpha + \beta R_M + \varepsilon$. The study tested 3 (three) methods. First, the analysis of logistic regression with the main variables of financial contagion and good corporate governance. Both coefficient of logistical regression with contagion financial variable and good corporate governance. Third Test coefficient of logistic regression analysis with financial contagion and good corporate governance as independent variables. (4) This research tests the good corporate governance measurement Conten analysis of the ASEAN index of Good Corporate Governance Scorecard. AGS Index $\{\sum in/n\} \times 100\%$ (ASEAN Capital Market Forum ACMF 2014 (Conten analysis of as many as 185 items). The implementation of good corporate governance can reduce the impact of bank bankruptcy. Management supervision to drive decision making. Secondly, it prevents opportunistic action in risk

management. Thirdly, to reduce asymmetrical information between management, shareholders, agent, principal, and creditors.

THEORETICAL REVIEW

Agency Theory (Jensen & Meckling, 1976) memandang pemegang saham sebagai principal dan manajemen sebagai agent, dengan potensi konflik kepentingan dan information asymmetry. Asymmetric Information Theory (Akerlof, 1970) menggambarkan ketidakseimbangan informasi melalui konsep "The Market for Lemons", di mana kualitas rendah mendominasi pasar akibat ketidakpastian (Prayitno, 2012). Signalling Theory (Ross, 1977) menekankan insentif manajemen memberi sinyal positif, misalnya melalui tingkat utang yang tinggi.

Dalam konteks perbankan ASEAN pascakrisis subprime mortgage, corporate governance berperan penting melindungi pemegang saham, dengan fokus pada kecukupan modal, likuiditas, profitabilitas, solvabilitas, serta pengelolaan risiko (Pantalone & Platt, 2010). Financial contagion menggambarkan penyebaran krisis lintas negara, baik melalui keterkaitan pasar maupun mekanisme global (World Bank & Yang, 2012). Sementara itu, prinsip Good Corporate Governance (Susilo, 2018) mencakup transparansi, akuntabilitas, responsibilitas, independensi, dan keadilan bagi stakeholder.

Hypothesis Development

1. According to Francis et al. (2014), low liquidity lowers investor interest and makes it difficult for banks to pay short-term obligations.
H1: Liquidity has a negative effect on the probability of bank bankruptcy.
2. High profitability indicates healthy performance, while low profitability increases the potential for bankruptcy (Francis et al., 2014).
H2: Profitability has a negative effect on the probability of bank bankruptcy.
3. Prayitno (2012) stated that solvency reflects the ability to pay long-term debts. The higher the solvency, the better the bank's performance.
H3: Solvency has a positive effect on the probability of bank bankruptcy.
4. According to Pantalone and Platt (2010), poor risk management causes banks to be too bold to take risks, increasing the potential for bankruptcy.
H4: Risk management has a positive effect on the probability of bank bankruptcy.
5. The global crisis can weaken bank stability through cross-border transmission (Khallouli & Sandretto, 2012; Hsien & Yi Lee, 2012; Al-Rjoub & Azzam, 2011; Rose & Barry, 2010).
H5: Financial contagion weakens the negative relationship between liquidity and bank bankruptcy.
H6: Financial contagion weakens the negative relationship between profitability and bank bankruptcy.
H7: Financial contagion strengthens the positive relationship between solvency and bank bankruptcy.
H8: Financial contagion strengthens the positive relationship between risk management and bank bankruptcy.

6. Macey & O'Hara (2013), Bai & Monks (2010), and Hancock (2015) emphasize GCG as a mechanism to reduce conflicts of interest and protect investors.
- H9: GCG strengthens the negative relationship between liquidity and bank bankruptcy.
- H10: GCG strengthens the negative relationship between profitability and bank bankruptcy.
- H11: GCG weakens the positive relationship between solvency and bank bankruptcy.
- H12: GCG undermines the positive relationship between risk management and bank bankruptcy.

METHODOLOGY

Research Plan

This research plan aims to test the causal factors affecting the bankruptcy of banking in ASEAN. The analysis Unit is a banking sector company in ASEAN, covering 5 (five) countries including: Indonesia, Malaysia, Singapore, Philippines and Thailand. The secondary data type is the annual financial report during the 8 (eight) years observation period from 2008 to 2015. Data obtained from via: International Financial Statistic (IFS), website: <https://www.bi.go.id>, <http://bankscope.bvdep.com>,

1). Liquidity Reference; Prayitno 2012 Francis at al, 2014 the amount of cash required by the company to cover a range of due debts or funds available for day-to-day supporters

$$\text{Likuid} = \frac{\text{Cash}}{\text{Total Assets}} \times 100\% \dots\dots (1)$$

Current Liabilities

Profitability reference: Aryati and Cashmere 2015 company's profitability should be seen as a driving factor in monitoring the aspects of liquidity and solvency in the long term. So the company should make enough profit from his business so that he can pay his debts. Profitability calculates ROA (Return On Asset) which compares net profit with total assets

$$\text{Profit} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\% \dots\dots(2)$$

Solvency reference: Handad at al., 2004 sovmability of Company's ability to meet long the debt. Solvency is measured using debt to total assets. This ratio measures the extent to which the company's operating assets with debts derived from creditors and their own capital originating from the company's shareholders will be increasingly easier to obtain third-party financing.

$$\text{Solva} = \frac{\text{Long Term Debt}}{\text{Total Assets}} \times 100\% \dots\dots(3)$$

Risk Management Reference; Lee 2012, Leo 2017 Pantalole and Plat 2010 Risk management relationship between problematic loans to total credits. Then risk management is measured by:

$$NPL : \frac{\text{Problematic Credit}}{\text{Total Credit}} \times 100 \% \dots\dots(4)$$

Control variables References: Albertus and B. Sandjaja (2006: 84) and Herfferman (2012) Santomero (2014)

$$SIZE : \frac{\text{Total assets}}{\text{Total revenue}} \times 100\% \dots\dots\dots(5)$$

$$EAT_t - EAT_{t-1}$$

$$GROWTH : \frac{\text{Total assets}}{EAT_t - 1} \times 100\% \dots\dots\dots(6)$$

$$LEVERAGE : \frac{\text{Shot term debt} + \text{Long term debt (Total debt)}}{\text{Total Shareholders Equity}} \times 100\% \dots\dots\dots (7)$$

The Financial Contagion is measured in three phases; 1). Measure the level of correlation between countries. 2) measure the sensitivity of individual stock returns to market changes in use of stock beta and residual error. 3) measuring the contagion effect of the ASEAN market to the bank, by measuring the contagion effect of the ASEAN market to the company, calculated from the correlation of multiplied beta shares (Wang and Huyghebaert 2010).

1. Between the countries of Hsien and Lee (2012) The measurement of interstate correlation is calculated based on the correlation of a country's market return in the same period as Singapore shares. The Singapore stock is used as a reference for detecting the existence of the contagion effect, since empirically it is evident that the Singapore stock market is a sensitive market on the world market (Wang and Huyghebaert 2010).

$$\frac{n (\sum XY) - (\sum X) (\sum Y)}{\sqrt{n ((\sum X^2) - (\sum X)^2) (n (\sum Y^2) - (\sum Y)^2)}} \dots\dots\dots (8)$$

2. The stock return sensitivity is done to test whether the results of the stock return analysis are consistent and applicable to sub-samples with homogeneous characteristics. Sensitivity test using the combined stock price index of each country, i.e. stock return index of 5 (five) countries, Indonesia (IDX), Malaysia (KLSE), Singapore (STI), Philipina (PSE), Thailand (SET).

Indices are formed from the entire bank company go public. The measurement of Return shares (Pincus, 1993) is formulated as follows:

$$R_{it} = a + \beta RM + \varepsilon \dots\dots\dots(9)$$

3. Financial Contagion Effect is measured by three phases: first; Measure the level of correlation between countries. Singapore with the ASEAN market, as Singapore is very sensitive to the world market. Second Measure the sensitivity of individual stocks against market changes in use of stock beta and residual errors. Third Measuring contagion effect of the ASEAN market to the company is calculated from the correlation result multiplied by the stock beta and residual error presented with the formula (correlation * Beta shares and correlation * Residual error)

$$R_i = a + \beta RM + e \dots\dots\dots(10)$$

Good Corporate Governance Moderating reference: Luo et al., (2012) ASEAN Capital Market Forum (ACMF 2014) OECD (Organisation for Economic Cooperation and Development) 2014 Good Corporate Governance is measured using a method of disclosure or content analysis in banking based on five principles and concepts using dichotomy which is a score of 1 (one) if yes, and a 100 score of Number of score weights is calculated by formula: value 1: Declare the disclosure. Value 0 (0): Declare no expression ASEAN Capital Market Forum (ACMF), ASEAN Good Corporate Governance scorecard $n \times 100\%$. N. where; CG : ASEAN Corporate Governance Scorecard, AGS Index: $(\sum in/N) \times 100\%$, AGS:ASEAN Governance Scorecard Indexs \sum at : 1 score number from the question table (item)N: Number of 185 item questions and statements.....(11)

Probability of bankruptcy Status of variable banks dependent references: Handad at al., 2004 categoristic variable dependent variables, where the data is non-metric, with a nominal scale on the bound variable is the bankruptcy Status of the bank bound to be labeled if: value 0: Declare a healthy bank, value 1: Declare the bankruptcy bank *) variable probability (categororial)

Logistic Regression Model

$$\pi(x) = \frac{\exp(\hat{\beta}_0 + \hat{\beta}_1 x_1 + \dots + \hat{\beta}_p x_p)}{1 + \exp(\hat{\beta}_0 + \hat{\beta}_1 x_1 + \dots + \hat{\beta}_p x_p)} \dots\dots\dots (12)$$

$$g(\hat{x}) = \ln \frac{\pi(\hat{x})}{1 - \pi(\hat{x})} = \hat{\beta}_0 + \hat{\beta}_1 x_1 + \dots + \hat{\beta}_p x_p + e \dots\dots (13)$$

Model: 1 First stage logistic regression coefficient performs analysis of logistic regression model by using independent variables without moderation (Model 1). The goal is to prove that independent Variable can meet the requirements as a good predictor (goodness of fit).

$$\ln(p/1-p) = \alpha_0 + \beta_1 \text{FINCONT} + \beta_2 \text{GCG} + \beta_3 \text{LIKUID} + \beta_4 \text{PROFIT} + \beta_5 \text{SOLVA} + \beta_6 \text{RISK} + \beta_7 \text{SIZE} + \beta_8 \text{GROWTH} + \beta_9 \text{LEVERAGE} + \text{et} \dots\dots\dots (14)$$

Model: 2 The coefficient of logistic regression With the Financial Contagion moderation Variable and GCG MRA (Moderated Regression Analysis) variables moderating in this test, aimed at whether Financial Contagion and good corporate governance as a moderating variable, can strengthen or weaken the relationship between the variable liquidity, profitability, solvency and Risk Management against the bank's bankruptcy probability.

$$\ln(p/1-p) = \alpha_0 + \beta_1 \text{LIKUID} + \beta_2 \text{PROFIT} + \beta_3 \text{SOLVA} + \beta_4 \text{RISK} + \beta_5 \text{SIZE} + \beta_6 \text{GROWTH} + \beta_7 \text{LEVERAGE} + \beta_8 \text{FINCONT} * \text{LIKUID} + \beta_9 \text{FINCONT} * \text{PROFIT} + \beta_{10} \text{FINCONT} * \text{SOLVA} + \beta_{11} \text{FINCONT} * \text{RISK} + \beta_{12} \text{GCG} * \text{LIKUID} + \beta_{13} \text{GCG} * \text{PROFIT} + \beta_{14} \text{GCG} * \text{SOLVABLE} + \beta_{15} \text{GCG} * \text{RISK} + \text{et} \dots\dots\dots (15)$$

Model: 3 coefficient of financial contagion and good corporate governance model to 3 (three) conduct logistic regression analysis using independent variables plus contagion variables and GCG treated as independent variables

$$\ln(p/1-p) = \alpha_0 + \beta_1 \text{FINCONT} + \beta_2 \text{GCG} + \beta_3 \text{LIKUID} + \beta_4 \text{PROFIT} + \beta_5 \text{SOLVA} + \beta_6 \text{RISK} + \beta_7 \text{SIZE} + \beta_8 \text{GROWTH} + \beta_9 \text{LEVERAGE} + \text{et} \dots\dots\dots (16)$$

Sensitivity test is done to test the robustness of a research model. This test aims to see the difference in relationship testing results between variables, using the measurement differences over a given variable. In this research, testing beta sensitivity of stocks and default errors. The Financial contagion was measured using some of the items adopted from the research (Meyer and Gilbert 2009). While measuring good corporate governance with the disclosure (Lee and T. J Wang, 2010) uses ASEAN Corporate Governance Scorecard Index based on OECD and ACMF 2014 requirements..

$$R_{it} = a + \beta RM + \varepsilon \dots\dots\dots(17)$$

RESULTS AND DISCUSSION

Description of Object Research

This research examines banks’ financial statements in five ASEAN countries – Indonesia, Singapore, Malaysia, the Philippines, and Thailand – covering the 2008–2015 period. Using purposive sampling, 145 banks were selected, consisting of 82 healthy and 63 bankrupt banks. In total, 976 financial statements were analyzed: 656 from healthy banks (82 banks × 8 years) and 320 from bankrupt banks (statements prior to their declared failure). Descriptive statistics include minimum, maximum, mean, and standard deviation values.

In Model 2, logistic regression with financial contagion and good corporate governance (GCG) as moderating variables was applied. The model aims to test whether moderation strengthens the effect of independent variables on bankruptcy probability. Higher Nagelkerke R² and classification accuracy compared to Model 1 confirm the contribution of contagion and GCG as effective moderators.

Model MRA Tabel 4.1
Coefficient Regresi Logistik with Moderasi Financial Contagion dan Good Corporate Governance

$$\ln (p/1-p) = \alpha_0 + \beta_1LIKUID + \beta_2PROFIT + \beta_3SOLVA + \beta_4RISK + \beta_5SIZE + \beta_6GROWTH + \beta_7LEVERAGE + \beta_8FINCONT*LIKUID + \beta_9FINCONT*PROFIT + \beta_{10}FINCONT*SOLVA + \beta_{11}FINCONT*RISK + \beta_{12}GCG*LIKUID + \beta_{13}GCG*PROFIT + \beta_{14}GCG*SOLVABLE + \beta_{15}GCG*RISK + et$$

| Variabels in the Equation | | | | | | |
|---------------------------|-----------------|--------|--------|--------|-------|----------------|
| | Variabel | B | S.E. | Wald | df | Sig One Tailed |
| Step 1 ^a | Likuidity | -,528 | ,485 | 1,186 | 1 | 0,138 |
| | Profitability | -,683 | ,330 | 4,275 | 1 | 0,019 |
| | Solvability | 5,154 | 2,171 | 5,636 | 1 | 0,009 |
| | Risk Management | 1,166 | 1,490 | ,612 | 1 | 0,217 |
| | Size | 1,152 | ,256 | 20,200 | 1 | 0,000 |
| | Growth | ,849 | ,247 | 11,794 | 1 | 0,005 |
| | Leverage | ,754 | ,232 | 10,556 | 1 | 0,005 |
| | Fincont*Likuid | -1,652 | 1,702 | ,942 | 1 | 0,166 |
| | Fincont*Profit | -1,286 | 1,378 | ,870 | 1 | 0,175 |
| | Fincont*Solva | 1,789 | ,989 | 3,274 | 1 | 0,023 |
| | Fincont*Risk | ,749 | 1,930 | ,151 | 1 | 0,349 |
| | GCG*Likuid | ,607 | ,592 | 1,050 | 1 | 0,152 |
| | GCG*Profit | ,047 | ,277 | ,029 | 1 | 0,433 |
| | GCG*Solva | -6,944 | 2,761 | 6,325 | 1 | 0,006 |
| | GCG*Risk | -2,948 | 1,910 | 2,383 | 1 | 0,061 |
| Constant | -1,375 | ,270 | 25,961 | 1 | 0,000 | |

***)Significant at the 1% level, **)Significant at the 5% level, *)Significant at the 10% level

Description: Table 4.1 presents Test Tests test tests Koefisen Model regression logistics estimation model. Estimates are done using data panel analysis and pooled time Serieese bound variables are the probability status of the bank experiencing bankruptcy, variable free including liquidity, profitability, solvency, Risk Management by moderate Financial Contagion and Good Corporate Governance. Variable Size control, Leverage and Growth. Variable (s) entered on Step 1: Likuid, Profit, Solva, Risk, Fin_Con, Size, Growth, Leverage, Fincont * liquid, Fincont * Profit, Fincont * Solva, Fincont * Risk, GCG * liquid, GCG * Profit, GCG * Solva, GCG * Risk

Source: Data Processed

Model 2 analyzes logistic regression with financial contagion and good corporate governance (GCG) as moderating variables. The results show that while liquidity initially has a negative effect on bankruptcy probability, its influence becomes insignificant when moderated. GCG weakens the relationship between liquidity and bankruptcy, confirming that effective governance reduces bank failure risk. Model 3 tests financial contagion and GCG as independent variables. Financial contagion significantly increases bankruptcy probability, highlighting its strong role in transmitting financial shocks. Conversely, GCG shows a significant negative effect, demonstrating its capacity to lower bankruptcy risk. A comparison of the three models – baseline, moderated, and independent variables – reveals that models incorporating financial contagion and GCG provide stronger predictive power, as summarized in Table 4.2:

Ikthisar comparison of each Model's Tabel 4.2

$$\ln (p/1-p) = \alpha_0 + \beta_1\text{LIKUID} + \beta_2\text{PROFIT} + \beta_3\text{SOLVA} + \beta_4\text{RISK} + \beta_5\text{FINCONT*LIKUID} + \beta_6\text{FINCONT*PROFIT} + \beta_7\text{FINCONT*SOLVA} + \beta_8\text{FINCONT*RISK} + \beta_9\text{GCG*LIKUID} + \beta_{10}\text{GCG*PROFIT} + \beta_{11}\text{GCG*SOLVABLE} + \beta_{12}\text{GCG*RISK} + \beta_{13}\text{SIZE} + \beta_{14}\text{GROWTH} + \beta_{15}\text{LEVERAGE} + \text{et}$$

| Dependent variable Failure | 1 : Bank Failure 0 : Bank Non | | Model Regresi Logistik (MRL) | |
|-------------------------------|----------------------------------|-----------|------------------------------|--|
| | Coefficient | | | |
| Variable | Model I | Model II | Model III | |
| Constant | -1,334*** | -1.375*** | 2,001 | |
| Financial Contagion | - | - | 1,004** | |
| GCG | - | - | -4,447** | |
| Likuidity | -,326 | -,528 | -,241 | |
| Profitability | -,810** | -,683** | -,826*** | |
| Solvability | -,085 | 5,154** | -,111 | |
| Risk Management | -1,078*** | 1,166 | -1,034*** | |

| | | | |
|-------------------------|----------|----------|----------|
| Size | 1,120*** | 1,152*** | 1,116*** |
| Growth | ,839*** | ,849*** | ,859*** |
| Leverage | ,754*** | ,754*** | ,770*** |
| Fincont*Likuid | - | -1,652 | - |
| Fincont*Profit | - | -1,286 | - |
| Fincont*Solva | - | 1,789* | - |
| Fincont*Risk Management | - | ,749 | - |
| GCG*Liquid | - | ,607 | - |
| GCG*Profit | - | ,047 | - |
| GCG*Solva | - | -6,944** | - |
| GCG*Risk | - | -2,948 | - |

Test Nagelkerke R Square dan Akurasi Classification Table^a

| | | | |
|------------------------|------------|------------|------------|
| Nagelkerke R Square | 0,051 | 0,132 | 0,117 |
| Akurasi Classification | 67,7 | 70,5 | 68,9 |
| Table ^a | | | |
| N | 976 | 976 | 976 |

***) Significant at 1% level, **) Significant at 5% level, *) Significant at 10% level

Source: Data Processed

Research hypothesis Results

The study uses secondary data in the form of bank financial statements using financial statements (financial statement ratio) published in Public (go public). By testing the financial contagion and good corporate governance moderation on the banking bankruptcy prediction model in ASEAN, the results of hypotheses for testing are as follows:

Liquidity Effect

Liquidity has no significant effect on the probability of bank bankruptcy (coefficient. -0.528; sig. 0.138 > 0.05). Whether short-term or long-term, liquidity is not a key indicator of bankruptcy predictions.

Impact of Profitability

Profitability has a significant negative effect on bankruptcy (coefficient. -0.683; sig. 0.019 < 0.05). The higher the profitability, the lower the probability of bankruptcy, so it becomes the strongest indicator.

Effects of Solvency

Solvency has a significant positive effect on bankruptcy (co. 5.154; sig. 0.009 < 0.05). Excessive leverage increases the risk of financial distress and triggers bankruptcy.

The Influence of Risk Management

Risk management had no significant effect on bankruptcy (co. 1.166; sig. 0.217 > 0.05). Bank failures are more caused by poor risk management practices.

Financial Contagion Moderation

The results of the study show that financial contagion has a different moderation effect on the relationship between financial variables and the probability of bank bankruptcy. Financial contagion has been shown to weaken the relationship between liquidity and bankruptcy (coefficient -1.625 ; sig. 0.166) and weaken the relationship between profitability and bankruptcy (coefficient -1.286 ; sig. 0.175). On the other hand, financial contagion actually strengthens the relationship between solvency and bankruptcy (coefficient of 1.789 ; sig. 0.023), which means that the higher the solvency level in the contagion condition, the greater the risk of bank bankruptcy. In addition, financial contagion has also been shown to weaken the relationship between risk management and bankruptcy (coefficient 0.749 ; sig. 0.349), so the role of moderation in this variable is relatively insignificant.

Moderasi Good Corporate Governance (GCG)

The results of the analysis show that good corporate governance (GCG) plays a role as a moderation variable in various directions. GCG has been shown to weaken the relationship between liquidity and bankruptcy (coefficient 0.607 ; sig. 0.152) and weaken the relationship between profitability and bankruptcy (coefficient 0.047 ; sig. 0.349). However, in contrast to these two variables, GCG actually strengthens the relationship between solvency and bankruptcy (coefficient of -6.944 ; sig. 0.006), so that the implementation of good governance can minimize the negative impact of solvency on the risk of bank bankruptcy. Meanwhile, in the risk management variable, GCG again played a weakening role, namely weakening the relationship between risk management and bankruptcy (coefficient -2.948 ; sig. 0.061).

CONCLUSIONS AND RECOMMENDATIONS

This study examines the moderating role of financial contagion and good corporate governance (GCG) in predicting bank bankruptcy across five ASEAN countries: Indonesia, Singapore, Malaysia, the Philippines, and Thailand. The comparison of logistic regression models shows that the inclusion of financial contagion and GCG as moderating variables provides the best predictive performance, as indicated by higher Nagelkerke values and classification accuracy. Measurement of financial contagion was carried out using two approaches, with the correlation of ASEAN and Singapore stock indices multiplied by beta values proving more accurate than the residual error approach.

The findings contribute theoretically to several established frameworks. First, they strengthen the relevance of Agency Theory (Jensen & Meckling, 1976) by showing how GCG can mitigate conflicts of interest between principals and agents in the context of banking stability. Second, they support Asymmetric Information Theory (Akerlof, 1970), highlighting the influence of information and regulation on stock prices, as well as their relationship with liquidity, profitability, solvency, and risk management. Third, they align with Signaling Theory (Ross, 1977; Spence, 1973), illustrating how corporate financial decisions

and cross-country signals can reduce information asymmetry and affect firm valuation. Finally, the study enriches the literature on financial contagion by showing its role in transmitting shocks across countries and shaping market responses.

From a managerial perspective, the results offer valuable implications. For regulators, the model serves as an early warning tool to anticipate bank distress before formal bankruptcy declarations by central banks or supervisory institutions. It also provides insights for organizations such as the ASEAN Corporate Governance Association (ACGA) in strengthening oversight and supervisory mechanisms. Furthermore, the findings emphasize the importance of solvency ratios in predicting banking crises and highlight the role of GCG implementation in minimizing bankruptcy risk. Overall, the study contributes both theoretical and practical insights for strengthening banking resilience in ASEAN.

FURTHER STUDY

Further studies are recommended to expand the scope of analysis by including more ASEAN countries or other regional financial markets to capture broader contagion dynamics. Future research should also consider integrating macroeconomic indicators, risk management practices, and external shocks (such as global financial crises) to better understand their interaction with good corporate governance in predicting bank bankruptcy. Additionally, employing alternative modeling techniques such as machine learning or survival analysis could provide more robust predictive accuracy and allow for deeper insights into the complex relationship between contagion, governance, and financial stability.

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