

The Behaviour of Macro and Micro Economic variables and the impact on Systematic Risk of Non-banking Finance Companies

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Abstract

The reforms initiated by the Government of India during 1990s have brought fundamental changes in the structure and functioning of Banking and Non-Banking Institutions, their business models and the products and services offered by them. Global economic developments have altered the macro economic conditions of the respective nations and make the nations and their economies vulnerable to economic shocks in the form of systematic risk associated with their business activities. Macro-economic factors and micro economic factors have had effect on the risk level, assessing risk, measuring and managing risk has become paramount for Non-Banking financial Institutions. Individual influence of factors on the systematic risk as there is weak relationship with Beta but combined effect of factors is very positive on the systematic risk of the companies.

I. Introduction

MACROECONOMIC PERFORMANCE IS linked with financial stability of the entire financial system. Economic growth and development depends on the strong and stable financial system . Economic and financial systems are judged as stable and strong when these are able to absorb and withstand the financial shocks, which occur in the course of functioning of the systems. Due to openness of different countries economic system and integration of the financial markets, the stability of the financial system depends and influenced not only by domestic economic factors but by international factors as well. The factors external to the system that influence the functioning of these financial systems are outside the control termed as system risk. If the financial sector is unable to withstand the external shocks, it may affect the systemic stability and possibility of the system facing the system risk.

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be drawn through the help of this research. Further researchers can help solve the uncertainty of the beta and the variables' behavior, if further researches are conducted on the impact of macroeconomic factors on beta value in the long run.

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