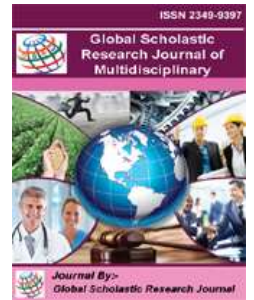




A PEER REVIEWED INTERNATIONAL
JOURNAL OF GLOBAL SCHOLASTIC
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THE RISK LEVEL OF VIET NAM INSURANCE INDUSTRY UNDER FINANCIAL LEVERAGE DURING AND AFTER THE GLOBAL CRISIS 2009-2011

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Abstract

This paperwork evaluates the impacts of external financing on market risk for the listed firms in the Viet nam insurance industry, esp. during and after the financial crisis 2009-2011. First of all, by using quantitative and analytical methods to estimate asset and equity beta of total 7 listed companies in Viet Nam insurance industry with a proper traditional model, we found out that the beta values, in general, for many institutions are acceptable.

Second, under 3 different scenarios of changing leverage (in 2011 financial reports, 30% up and 20% down), we recognized that the risk level, measured by equity and asset beta mean, decreases when leverage increases to 30% and increases more if leverage decreases down to 20%.

Third, by changing leverage in 3 scenarios, we recognized the dispersion of risk level, measured by equity beta var, increases from 0,162 to 0,168 if the leverage increases to 30% whereas decreases to 0,157 if leverage decreases to 20%. But the dispersion measured by asset beta var increases slightly to 0,047 (leverage up 30%), showing leverage impact.

Finally, this paper provides some outcomes that could provide companies and government more evidence in establishing their policies in governance.

keyword: equity beta, financial structure, financial crisis, risk, external financing, insurance industry

JEL CLASSIFICATION : G010, G100, G390

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