

A Two Factors Model on the Risk Level of Vietnam Construction Material Industry

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ABSTRACT

In this research paper, employing a two factor model, an endeavour is made to analyse the impact of financial leverage as well as the size of the firm's competitors on the market risk level of 57 listed companies in the construction material industry of Vietnam. This paper manifests commendable research results. Most notably, the risk dispersion level could be minimised by maintaining competitor's size approximate as current (quantified by equity beta value of 0,284) as well as decreasing down the financial leverage to 20%. In addition, the risk level could be diminished, if the size of competitor is slightly smaller (quantified by equity beta value of 0,933) and financial leverage increases by 30%. Moreover, inferred results has also been evinced in this paper, which might bestow appropriate recommendations to apropos government as well as private institutions for re-appraising their approaches and policies during and after the global financial crisis 2007-2011.

KEYWORDS: Risk Management, Market Risk, Competitive Firm Size, Construction Material Industry, Asset and Equity Beta, Vietnam.

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