

## **Business Strategy and Systemic Risk - Evidence from Indian Banks**

### **Abstract**

This study examines the impact of business strategic choices on systemic risk using unique panel data from banks in India, for a 29-quarter period. Based on the publicly available quarterly revenue information on business segments, the study will associate the revenue segment information with choices related to business strategies of banks and allow equity prices to predict systemic risk associated with strategic choices related to focus, diversification and differentiation.

The results of panel data analysis show that systemic risk is reduced if state-owned banks focus less on corporate segments, consistent with prior empirical evidence. The study also find that diversifying across business segments by a private sector bank, reduces systemic risk, which is in contrast to the international evidence. Further, this study do not find any impact of differentiation strategy on systemic risk, which is also in contrast to international evidence.

**Keywords:** Business Strategy, differentiation, wholesale banking, Systemic Risk