

**Are business group affiliation advantages and diversification
premium contingent on macro-economic environments?
Evidence from India**

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Although studies have examined the diversification-performance and business group affiliation-performance relationships, very few researchers have considered the impact of macro-economic environment on these relationships. This study examines the impact of diversification and business group affiliation on performance for firms operating in different macro-economic environments, such as a munificent and a scarce environment. Using five measures of diversification and three measures of performance across two time periods, we ran thirty panel data regression analysis to get robust results. Results indicate that diversification is influenced by macro-economic parameters while business group affiliation is immune to them. Diversification is associated with superior performance during munificent macro-economic environment while it has a negative impact on performance during scarce macro-economic environment. In contrast, business group affiliation has positive impact on performance, irrespective of macro-economic environment.

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