

## **Time Varying Volatility and Stock Predictability: A Systematic Literature Review**

**Meghpal Lahre<sup>\*</sup> and Gosala Raju<sup>\*\*</sup>**

*Department of Commerce, Guru Ghasidas Vishwavidyalaya  
Bilaspur, Chhattisgarh*

**Abstract:** Time varying volatility plays a vital role in determining stock predictability as it follows more realistic approach in determining volatility changes over time. High volatility period is followed by high price swings where low volatility period is followed by low price swing. The time varying volatility incorporates many features such as Volatility Clustering, Mean Reversion, Leverage Effect and Persistence. There are several GARCH family models, Stochastic Volatility models and Machine Learning Hybrid models which are used to capture specifically time varying volatility. Studying time varying volatility as a systematic literature review is significant because it gives the term volatility a modern approach to learn. This study aims to evaluate, summaries and find the research gap in existing literature related to time varying volatility in Scopus and Web of Science database which are openly accessible. Understanding the time varying volatility is important to understand efficient risk management, portfolio allocation, derivative pricing by forecasting future volatility.

**Keywords:** Time Varying Volatility, GARCH Family Models, Risk Management, Stock Return

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\* Research Scholar. Email: [meghpaullahre@gmail.com](mailto:meghpaullahre@gmail.com); \*\* Email: [gosala.raju39@gmail.com](mailto:gosala.raju39@gmail.com)