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Analysing the Behaviour of Financial Risk Management and Its Impact on Success of Project

Anh Thu Luong Huynh

Faculty of Economics, Thu Dau Mot University, Thu Dau Mot, Binh Duong, Viet Nam

Email address:
thulha@tdmu.edu.vn
*Corresponding author

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Abstract: In this financial oriented business world, the risk and risk measuring activities such as identifying the issues, analysing and modifying of ambiguity in the credit creation and investment behavioural decision making. (Kishk et. al. 2008) Basically, the risk management process comes when a stakeholder of a corporation or the fund allocator decides on the basis of analysis and attempts to evaluate the probable losses in any investment. To avoid this kind of risk or technically termed as the moral hazard problem, the investor has to take certain necessary action for gaining better profitability or minimize the risk of loss. The risk management strategies are termed as behavior of the financial risk (Moles, 2016). The present paper aims to study the various behavioral decision-making process of the manager or the investor of the corporation towards the profitability. It also aims to emphasizes the impact of this strategic behavior of the firm or corporation's decision on the successful growth and establishment. The study is significant with respect to evaluate the cause and effect through the strategies implemented by the investors. It also attempted to reveal the project success story by implementing the risk averse practices. The project victory criteria are a measurable or quantifiable term of expected outcome of the running project which must be accepted by the stakeholder. Financial risk measurement is always being an implicit proportion of the management in the firm or industry. The present study adopts the descriptive research method and uses the secondary data sources published in the company's websites and annual statements. The collected data have been analyzed by an appropriate statistical and econometrical tool to evolve the relationship between the behavioural aspects of risk management strategies and its influence on the project success of the firm. The risk management of credit on commercial bank is most essential for the benefit and stop suffering from the losses on the project. Prevention and controlling the risk of loans and advances is a tough and very challenging target for the business project. It is statistically evidence that there is an association between the profit and credit loss expense. On the whole, the present study explores the profitability and the success of the financial organization.

Keywords: Behavioural Finance, Risk, Management, Decision Making Impact and Project.

1. Introduction

The risk is defined in a simple term as the possibility of happening something adverse. The risk involves uncertainty regarding implications of the any activity due to something that human values such as health, wealth, business and properties. Whereas the financial risk is the probability of losing the value in terms of physical cash or stocks in the business unit or in the investment made in the share market. The financial risk of the business is one of the major components of occurring losses. The financial sector encounters many financial risks in line with many macroeconomic indicators such as interest rate instability and the non-performing assets of the corporations. The individuals are also encountering many risks while they take financial decisions on various circumstances. Credit risk is one of the prominent reasons for the reduction of profitability or performance of the business projects. It is as known as the default risk would cause through the bad debt of the borrowers from the bank or from the financial corporations. The financial

risk is termed as the satisfaction with different aspects prevailing in the financial condition and it is also known as the subjective evaluation of the well being of financial strength. (Zurlo, K., A. 2009). Behavioural finance is aimed to understand and explore original behaviour of the investor and it is obviously varying from the traditional or the standard meaning of finance, it is based on the conventions that how would the investors and the markets will behave on the financial transactions and decision-making strategies. The concept of behavioural finance is also about the thoughtfulness of how the individual and the business firm will make appropriate decision under various financial circumstances. To achieve the financial stability, performance, profitability and making the financial projects successfully, the understanding of the market and individual decision is an essential source to improve economic progress. In contrast, the way stakeholders think and feel would reflect the way they behave while taking the decision on investment. Many of those investment behaviours are instinctively impacted by previous experiences and individual thoughts and belief as well. This would influence the rational investors to deviate from the logical approach and reasoning approach of decision-making process. These thought-provoking process of the individual and the corporate investors decision influences, which could be considered and recognized as behavioural biases, could impact the way in risk is alleged and how the risk is represented through someone to understand the individual level of tolerance. (Pompian, 2016). An important framework within the risk related theme of literature works out how does the investor evaluate the data to bring out the appropriate conclusions on decision making on risk management. His study also revealed the scope and objectives of the theories of the behavioural finance and how it influences the business people or the manager's perception on risk of distinct financial service decision making. The corporate governance to control the risk of loan has been viral during the recent years (Zhong et al, 2007). Salhi & Boujelbene (2012) have also studied the association between internal management or governance approach and risk holding in the financial industry. The important emphasis of their research work on the impact of ownership building and the board on the risk of the financial institutions. Along with these relevant studies, there were many research works are connected with the association between financial risk of the banks and non-banking financial institutions and proper governance of the corporation's project for the successful operations.

2. Background of the Study

Zaleskiewicz, T. (2001) study stresses the individual uniqueness in personality characters, attitudes, and preferences would also impact the financial preferences and choices. Weber et al (2020) found that the individual is always exposed to take risk in any condition where there exists more than one relevant avenue of alternative. He also added that the individual attitude towards the risk differentiated among the individuals. Wood, R., & Zaichkowsky, J.L. (2004) have attempted to show the new methodology to measure the development in the financial risk-taking strategy. Zaleskiewicz, T. (2004) found the traditional model of taking the decision would typically disregard the variation between the technological and simulating aims in the behavioural risk. He also revealed that the taking the risk is driven by its requirement for excitement varies from the risk taking aimed by goal for a certain achievement near future.

Sahi and Kalra (2006) examined that the individual risk control is vey tough and the speculative framework will not constitute a significance association with financial satisfaction. But the clusters of risk frameworks are significantly unique with reference to the financial progress scores. They also found that the risk control scores did not have any significant association with the financial satisfaction, yet, once an individual achieved few amounts of risk control, any further rise in speculative risk tendency is highly correlated with their financial state of the art status.

Adam & Mehran (2008) exposed that board composition referred as a quantity of non-executive members contributing an objective dimension in consultation with other members and take the decision-making process of the committee. He also added that the overwhelmed percentage of the committee members could also spoil the recommendation or suggestive roles of the board.

Nieuwenstein et al (2015) the insentient thought rewards hypothesis could able to be tested by having the members either fleetingly or extensive research study the crowdfunding movements for the success of the project. Block et al., (2018) brought in his study that the scene of the entrepreneurial credit undergone many dramatic growths in the very recent period and also welcomed by a very large number of new and existing financial corporations came into existence.

Trihn et al (2015) studied that corporate governance had influence on business and trade of the economy as whole. He also indicated that the corporate governance on the financial risk of the commercial banks in Vietnam. His study resulted in corporate governance factors had statistically proven the impact of financial risk which includes strength of the board, capital receipts from foreign nations, information and stakeholder's role etc. Schwienbacher (2018) investigated the reward-based avenue for such as Kickstarter remove failure

movements, the risks of unsuccessful campaign are very limited, as there is constrained reputation risk. Schraven et al (2020) have analysed the concept of crowdfunding or crowd financing, which has considered as world by squall and offers new and updated opportunities for both companies and individuals and individuals who decides to take part in their business endeavours as investors. Pietrovito (2020) advocated that the environmental quality of management observation is more relevant for a company's growth and development for the global recognition and rewards. Though, dealing with the standards required and obtaining an international standard certification involves costs for employee training, document procedures and the outside expert audit fees paid by the companies. His study also found that financially embarrassed companies are less involved in possessing the good standards obtained along with associated international certification and that this influence was more relatively associated with small and tiny companies.

Ullah and Yulin (2020) observed that those who pursue in funding it is crucial to understand the essentials of the factors or determinants and processes that would make some crowdfunding drives are more considerable and influential than others. Consequently, it is not astonishing that one among the most investigated topics.

3. Research Methodology

Research approach or the methodology is the particular technique or the procedure applied to identify, choose, process and evaluate the data and bring the information about a particular topic taken for study purpose. In this paper, the descriptive method of research is adopted to carry out the study. The vital factors involved in determining the credit loss in the financial projects such as minimising the cost of credit, improvising outcome of the loans, preserving the capital, creating trust and belief among the clients, creating a premise to enhance the market size, to develop the position, prestige and image with standard and the market share of the prevailing project. The present study is based on the secondary data of a leading bank in Vietnam. The relevant data on bank loans, bank profit and the expenses made on credit loss have been collected from the year 2009 to 2019. The collected data is analysed through appropriate statistical tools to make the inference on the risk management expenses to control credit loss and the profit of the bank project. The profit is the main factor for determining the success of the banking project and progress. The purpose of the study is to establish the relationship between the credit management expense system and the success of the project. Sequential sampling method is adopted for the data collection from one bank for the study purpose.

4. Data Analysis and Discussion

The data is extracted from the annual statement of the leading financial institution to analyse the progress and performance of the financial project. The success of the financial profit is termed as project of the financial institution. The following table 1 depicts the mean value and standard deviation value of the collected data.

The mean value of the profit is calculated as 5135530.182 and the standard deviation is 2790921.2269, from the year 2009 to 2019. The mean value of credit loss expenses is 4715004 with the standard deviation of 1950040.6669. The gross loan offered by the financial institution also captured. The mean value of the gross loan of the project is 536479117.909 during the year 2009 to 2019.

The table 2 depicts the test of hypothesis for the main operating variable of the financial institution to reveal the relationship between the variables. The profit or the project of the business is taken as the dependent variable and the credit loss and the gross loan is taken as the independent variables. The one-way sample test has been executed to find the association between the variables. The calculated t-test is 6.103 for the project profit with 0.000 significance level. In this test the individual one-sample for the profit is significant at 95 percent confidence level.

The Karl Pearson co-efficient of correlation is calculated to find out the association between the profit and the credit loss expenses of the project. The correlation is calculated as 0.020 and having the positive relationship. The profit and credit loss expenses are having the positive with lesser degree of correlation.

The regression model has been adopted to test the dependency of the one variable to another variable. The regression analysis id carried out the test variable such as profit and the credit loss expense. The regression value R is calculated at 0.20 for the credit loss expense with respect to profit of the business institution. The R square and adjusted R square is calculated as 0.000 and -0.111 respectively. The Durbin-Warson model resulted with the value of 2.139.

The table 5 portraits the ANOVA to find out the relationship between the variables. The ANOVA model expresses with regression model with the value of 29866812222.69 sum of squares. The mean square is

29866812222.469 with F test value of .003 and significant at 0.954. It shows that the significance level is more than 5 percent significance level. The confidence level is less than 95 percent. Hence the null hypothesis is accepted. It is statistically evidence that there is an association between the profit and credit loss expense.

The regression co-efficient model also reveals the same result of having the association between the profit and the credit loss expense of the financial institution. The regression co-efficient is calculated at the t-value of 2.070 for the profit (taken as constant) with the significance level of 0.068. The calculated t-value for the credit loss expense is 0.059 with significance at 0.954. Both the probability value of the dependent and independent values is greater than 5 percent of the significant value, so the null hypothesis is accepted.

Table 1. *Descriptive Statistics*

	Mean	Std. Deviation	Std. Error Mean
Profit	5135530.182	2790921.2269	841494.4117
Credit Loss Expenses	4715004.000	1950040.6669	587959.3835
Gross Loans	536479117.909	237511457.9562	71612399.0410

Table 2. *One-Sample Test*

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Profit	6.103	10	.000	5135530.1818	3260563.789	7010496.574
Credit Loss Expenses	8.019	10	.000	4715004.0000	3404948.854	6025059.146
Gross Loans	7.491	10	.000	536479117.9091	376916749.322	696041486.496

Table 3. *Correlations*

		Profit	Credit Loss Expenses
Profit	Pearson Correlation	1	.020
	Sig. (2-tailed)		.954
	N	11	11
Credit Loss Expense	Pearson Correlation	.020	1
	Sig. (2-tailed)	.954	
	N	11	11

Table 4. *Model Summary*[b]

Model	R	R Square	Adjusted R	Std. Error of the	Durbin-Watson

			Square	Estimate	
1	.020[a]	.000	-.111	2941325.2141	2.139

a. Predictors: (Constant), CreditLossExpenses

b. Dependent Variable: Profit

Table 5. *ANOVA[a]*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29866812222.469	1	29866812222.469	.003	.954[b]
	Residual	77862546135689.140	9	8651394015076.571		
	Total	77892412947911.610	10			

a. Dependent Variable: Profit

b. Predictors: (Constant), Credit Loss Expense

Table 6. *Coefficients[a]*

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5003390.629	2417499.687		2.070	.068
	Credit Loss Expense	.028	.477	.020	.059	.954

a. Dependent Variable: Profit

6. Conclusion

Credit risks are arising with respect to the debtors are fails to repay the borrowed amount as per the credit contract with the concern financial institutions. This situation may occur due to late repayment, non-payment of full loan balance and non-repayment of interest and principal due to financial loss in the business enterprises etc (Tu et al, 2014). There is positive relationship between success of the project and the credit loss management expense (Pyle, 1999). It is very similar to the present study results. The regression co-efficient model also reveals the same result of having the association between the profit and the credit loss expense of the financial institution. The regression co-efficient is calculated at the t-value of 2.070 for the profit (taken as constant) with the significance level of 0.068. The calculated t-value for the credit loss expense is 0.059 with significance at 0.954. Both the probability value of the dependent and independent values is greater than 5 percent of the significant value, so the null hypothesis is accepted. The ANOVA to find out the relationship between the variables. The ANOVA model expresses with regression model with the value of 29866812222.69 sum of squares. The mean square is 29866812222.469 with F test value of .003 and significant at 0.954. It shows that the significance level is more than 5 percent significance level. The confidence level is less than 95 percent. Hence the null hypothesis is accepted. It is statistically evidence that there is an association between the profit and credit loss expense. On the whole, the present study explores the profitability and the success of the financial organization.

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