THE EFFECT OF RISK MANAGEMENT ON FINANCIAL PERFORMANCE IN TEHRAN STOCK EXCHANGE

[a*]MOHAMMAD MAFIHA, [b]TAHER POURPARTOVI

[a]M.Sc. Student, Department of Management, School of Management and Human Sciences, BuinZahra Branch, Islamic Azad University (IAU), BuinZahra, Iran*
[b]Faculty Member, Department of Management, School and Human Sciences, BuinZahra Branch, Islamic Azad University (IAU), BuinZahra, Iran

Email: [a]Mohammad_Mafiha@Yahoo.Com ,[b]Mtp2961@Gmail.com*

Abstract. The aim of this study was to measure the effects of risk management on the financial performance of companies listed on the Stock Exchange of Tehran. Research in terms of empiricist epistemology, it argued systems, inductive and from the study, is the archival field. The population of this research in terms of geographical scope is limited to firms listed in the Tehran stock exchange in terms of time, including a six-year period from the beginning of fiscal year 2011 up to the end of the fiscal year 2015 That statistical sample size of 95 firms among firms accepted in Tehran Stock Exchange were selected by systematic elimination. The results showed that the hypotheses of risk management reporting and management of risks of non-compliance with laws and regulations on the financial performance of companies listed in has a significant effect.

Keywords: Risk Management, Strategic Risk Management, Operational Risk Management, Financial Reporting Risk Management, Financial Performance

1. Introduction

Due to extensive changes and technological progress in various fields, the stock market as a factor in development of a society is faced with enormous changes (Hoyt and Liebenberg, 2009). With the growing competition between the threats and opportunities facing today's organizations and all organizations at national and international levels, the concept of risk has greatly increased. So threats can be mentioned that the organization fails. The managers for the growth and survival of the organization should think of ways to reduce the risks of undesirable (Lv and Dongping, 2015).

In the meantime, enterprise risk management with a systematic approach, the risks in an industry and commercial enterprise creates maximum opportunity. In the business environment, especially Stock Exchange, companies and industries with more risk and higher impact factor, face, therefore, the importance of risk management techniques in this firm is very essential and important (Boone and Kurtz, 2012).

Risk management system that the organization identify and analyze the risks and to adopt a set of techniques and strategies to deal with them. The definition of risk management is made up of three components; identifying and risk analysis, techniques, and strategies for coping with risk and feedback. These components make up the basic principles of risk management and risk management are more or less in all views (Gordon et al. 2009).

On the other hand, in recent years there has been a change of paradigm in the way of approach to risk management, so that instead of studying risk management from an island perspective, holistic approach to risk management is adopted. ERM interests of all stakeholders, including shareholders, creditors, senior managers, employees, customers and provides member associations (Bruce, 2014).

However, the results of many studies about the role and importance of risk management, emphasized that the company be considered when successful, the continuous development of its financial performance due to effective management of risk is comprehensive. The main problem is whether research, risk management and financial performance of companies listed on the stock exchange has a significant effect? To answer this question in the present study was to assess the financial performance of companies listed in Tehran Stock Exchange rate of return on equity (ROE) is used. Since the main objective of management is to benefit the shareholders, with a ROE accounting approach can now be considered the ultimate measure of financial performance. As well as risks that are studied in this research as risk management, includes four categories: strategic risk management, operational risk management, risk management reporting and management of risks of non-compliance with laws and regulations (Gordon et al. 2009).

Strategic risk management, strategic risk management and systemic risks in the industry (external risks) is formed, which includes the company's ability to reduce systematic risks. Management of operational risks; risk management techniques to increase staff efficiency as well. The output data rate is an accurate measure of the operational risk management of sales divided by the number of staff has been achieved.

Risk management reporting; accurate reporting is crucial to success in all aspects. A benchmark for low reliability of financial reporting, the combination of the three factors is important weaknesses in internal controls, qualified audit reports and the restated financial statements. Weaknesses in internal control auditing standard for quantification of variables that Tvsrt performance audit consultants and internal auditors is done, is used, which is calculated mandatory stock companies. As well as on weighted average standard variable qualified audit reports provided reports on company activities over the years is used. Variable restated financial statements as well as variable expressed qualified audit reports.

Manage the risks of non-compliance with laws and regulations, with the arrival of the company to the stock exchange, the company would have to observe the laws and regulations governing the relationship is not with the environment. That is why the risk of non-compliance with laws and regulations is a wide range of risks. One of the most efficient tools in the field of auditing standards is accepted. The measure of non-compliance with laws and regulations manage the risks involved in this research is audit fees to total assets.

2. Methodology

The variables in this study include variable risk management (including strategic risk management, operational risk management, risk management reporting and management of risks of non-compliance with laws and regulations) as independent variables and the rate of return on equity (ROE) as an indicator of financial performance as the dependent variable based on the research base Olamide et al (2015) based on the extraction and conceptual model that has been drawn. To assess the financial performance of companies listed in Tehran Stock Exchange rate of return on equity (ROE) is used.

As well as risks that are studied in this research as risk management, includes four categories: strategic risk management, operational risk management, risk management reporting and management of risks of non-compliance with laws and regulations.

Strategic risk management, strategic risk management and systemic risks in the industry (external risks) is formed, which includes the company's ability to reduce systematic risks. Management of operational risks; risk management techniques to increase staff efficiency as well. The output data rate is an accurate measure of the operational risk management of sales divided by the number of staff has been achieved.

Risk management reporting; accurate reporting is crucial to success in all aspects. A benchmark for low reliability of financial reporting, the combination of the three factors is important weaknesses in internal controls, qualified audit reports and the restated financial statements. Weaknesses in internal control auditing standard for quantification of variables that Tvsrt performance audit consultants and internal auditors is done, is used, which is calculated mandatory stock companies. As well as on weighted average standard variable qualified audit reports provided reports on company activities over the years is used. Variable restated financial statements as well as variable expressed qualified audit reports.

Manage the risks of non-compliance with laws and regulations, with the arrival of the company to the stock exchange, the company would have to observe the laws and regulations governing the relationship is not with the environment. That is why the risk of non-compliance with laws and regulations is a wide range of risks. One of the most efficient tools in the field of auditing standards is accepted. The measure of non-compliance with laws and regulations manage the risks involved in this research is audit fees to total assets.
The research hypothesis test models;

$$ROE = \beta 0 + \beta 1\ (SRM) + \beta 2\ (ORM) + \beta 3\ (RRM) + \beta 4\ (NLRM) + \varepsilon it \qquad (1)$$

The research in the field of research funding is positive. According to the historic data is used to test the hypothesis, the research team used a quasi-experimental and post-event. Research in terms of empiricist epistemology, it argued systems, inductive and from the study, is the archival field. The study population includes firms listed in the Tehran Stock Exchange between the years 1389 to 1393 in which a financial faces in the years-have provided to the Stock Exchange. This is because access to reliable information and audited financial faces respectively. The number of active firms in Tehran Stock Exchange at the beginning of 1388, about 342 companies respectively. Sampling in this study is the systematic elimination.

1. Between 2011 and 2015 the number of companies that have participated in exchange and investment companies and banks are not.
2. Investment companies and banks and insurance companies that are not.
3. Companies that have their fiscal year ending on 29 March.
4. Companies with fiscal year not change during the study.
5. The companies whose financial information is available in the time period studied.

The number of firms for which data were collected (final sample of 122 companies).

3. Finding

The main hypothesis of this study: risk management on financial performance of companies listed in Tehran Stock Exchange has a significant effect.

H0: risk management on financial performance of companies listed in Tehran Stock Exchange had no significant effect.
H1: risk management on financial performance of companies listed in Tehran Stock Exchange has a significant effect.

Table 1: The results of researcher model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SRM	0.58425	0.111229	5.254110	0.0000
ORM	0.17017	0.03082	5.521425	0.0000
RRM	0.14811	0.035668	4.152410	0.0000
NLRM	0.13421	0.047509	2.824951	0.03944
C	0.0851	0.046638	1.824725	0.3348
	Effects Specification			
	Weighted Statistics			
R-squared	0.167448	Mean dependent var.		0.308503
Adjusted R-squared	0.164122	S.D. dependent var.		0.518174
S.E. of regression	0.449824	Sum squared resid.		76.68731
F-statistic	41.00459	Durbin-Watson stat		2.167485
Prob (F-statistic)	0.000000			

To test this hypothesis, the results of the model are presented in Table 1 have been used. The likelihood or significance level for each variable is less than 0.05, the null hypothesis is rejected at the 95% confidence level. The Durbin-Watson statistic is the amount 2.167, shows his lack of solidarity. Also, according to the t-statistic for the variables are significantly different (due to exposure to the centroid +1.96 and -1.96, or critical values at 95%), according to the above main hypothesis can be confirmed. as closed. This means that risk management on financial performance of companies listed in Tehran Stock Exchange has a significant effect. Given the significant level of 0.000 F test results (such as the amount is less than 0.05) showed that the scattering data of the regression line distribution is reasonable. The coefficient of determination risk management model shows the financial performance of companies listed in Tehran Stock Exchange 16.7 percent implications.

4. Conclusion

According to findings, following outcomes are proposed:
- Reform of corporate annual accounts
- Reform of the regulations and guidelines required
- Internal control system systematically up
- Reform of accounts between Groups
- Disclosure of related party transactions in accordance with Accounting Standard No. 12.
- The inclusion of binding rules and regulations for the statute
- The use of consultants and legal experts versed in company
- Executed auditor and legal inspector comments and criticisms point by point
- Trying to obtain quality assurance certificates and safety.

References

1. Boone, L. E. & Kurtz, D. L.: *The value of enterprise risk management*, Thomson Learning, Inc. 2012.
2. Bruce, M.: *Overview of enterprise risk management*, Business Press Thomson Learning. 2014.
3. Gordon, L., Martin, P., Loeb, A. & Chih-Yang T.: *Enterprise risk management and firm performance: a contingency perspective*, Account. Public Policy, 2009. P. 301-327.
4. Hoyt, R. E. & Liebenberg, A. P.: *The value of enterprise risk management*. Working Paper, 2009.
5. Lv, B. & Dongping H.: *The Relationship between Intellectual Capital and Corporate Performance in Chinese Bio-pharmaceutical Industry*, 2015. Article available at http//: www.shs-conferences.org or http://dx.doi.org/10.1051/shsconf/20151701024.
6. Olamide, O., Uwalomwa, U. & Uwuigbe O. R.: *The Effect of Risk Management on Bank's Financial Performance in Nigeria*, Journal of Accounting and Auditing: Research & Practice, 20, 2015. Article ID 239854, 7 pages.
7. Walker, S. W.: *Enterprise Risk Management*, Harvard Business review, 2013. P. 78-93.

Primary Paper Section: A

Secondary Paper Section: AE