DOI: https://doi.org/10.53555/nnbma.v8i12.1457 Publication URL: https://nnpub.org/index.php/BMA/article/view/1457

THE RISK MANAGEMENT APPROACH AS A MECHANISM TO REDUCE THE FINANCIAL RISKS FACING FINANCIAL INSTITUTIONS

Dr.Zeinab Asad Asad[1*], Dr.Omar Elsayed yaaqob[2]

[1*]*Lecturer, Department of Finance and Accounting International Academy for Engineering and Media Science (IAEMS)*
[2]*Lecturer, Accounting department, faculty of commerce, Cairo University*

Corresponding Author:-
Zeinabasad2012@yahoo.com omar.yaaqob@foc.cu.edu.eg

Abstract:
This research mainly aims to submit a proposed form to use the risk management approach in the face of financial risks. To achieve the goal of the research, previous studies were analyzed in the field of research to find out what accounting literature has reached in this field and use it in create the proposed research model. The study reached a set of results, one of the importants of it is creating a proposed model for financial risk management It helps the financial management to improve its performance in identifying, analyzing and evaluating those risks and taking the necessary actions to remedy them.

Key words: *Risk management approach, Financial risks, financial management.*

1- Introduction:

Financial institutions, and then financial management, are exposed to many risks that limit their ability to achieve their various objectives. Financial risks are one of the most important risks facing financial institutions, and the inability of these institutions to address and confront these risks leads to a low level of the facility's ability to achieve its objectives. Hence, exposure to major threats and challenges faced by financial institutions that may lead them to the risk of liquidation. On the other hand, government financial and service organizations in general face many problems that limit their ability to face the risks. Hence, the difficulty of reviewing and managing them; The most important of these problems are: The lack of a culture of facing risks with scientific methods within those organizations and the lack of formal processes, activities, procedures, and clear responsibilities for managing risks in these organizations (GAO, 2015).

The low level of experience and skill of workers in those organizations in the field of facing and managing risks, and the lack of defining the administrative levels, functions and competencies with regard to facing and managing those risks (The World Bank, 2002), the lack of databases and additional information on the classification and characterization of risks and the procedures to be taken to face those risks (HM Treasury, 2004), The lack of effectiveness, the failure to properly exploit the rules of corporate governance and transparency, and the failure to exploit the distinguished role of the government in managing risks in those organizations (Cai, et. al., 2009).

Looking at the previous two aspects, it becomes clear that there are many risks facing financial establishments that limit their ability to fulfill their tasks , and the multiplicity of problems facing governmental financial and service organizations in general that limit their ability to face, review and manage those risks, which requires the necessity of using these facilities for an effective approach that can From facing and managing the risks to which it is exposed in general. Therefore, the researcher suggests using the risk management approach as a mechanism to reduce financial risks, in order to face the risks that facing these establishments.

Accordingly, the research problem crystallizes in the way of answering the following question; **Is it possible to use the risk management as a mechanism to reduce financial risks by applying at a proposed model for using the risk management approach in facing this type of risks?**

2- Research objective

The main objective of the research is to present a proposed model for using the risk management approach as a mechanism toreducefinancialrisks.

This main objective is achieved through the following sub-objective:

1. Studying the risk management entrance, its importance, components and the stages of its application.
2. Presenting a proposed model for using the risk management approach in facing financial risks.

Research methodology and plan:3-

Methodology used in the current research is based on one axis, which is the review and analysis of previous studies and writings related to the research problem, with the aim of reaching answers to the research questions, which is what enables the current research to be classified as one of the basic research, or theoretical research, which aims to answer theoretical questions only.

- In the research problem and to achieve the goal of the research, the researcher can divide the rest of the research parts into four main points; Which:

1. The risk management approach: its meaning, importance, components and the stages of application.
2. A proposed model for using the risk management approach in facing financial risks.
3. Research summary.

1. The risk management approach:

Risk management meaning, importance, components and the stages of application.

1.1- The meaning of risk management approach:

The evolution of the risk management approach over time, and this development can be analyzed in three basic stages (Gallti,l, 2003; D'Acry, 2001).

Stage One: Risk Management and the Insurance Function:

The appearance of the concept of risk management was linked to the existence of the risk itself, and risk is a phenomenon inherent in human life since the beginning of creation, its forms are many and its forms from one environment to another. Man has been trying to face these dangers since ancient times. But unconsciously and not on a scientific basis at first, the interest in managing those risks on a scientific basis began with the appearance of the insurance function. That is by relying on this job as a means to face the risks of theft, fire and other risks. That can be insured. Accordingly, it can be said that the focus at that stage was focused on managing the pure risks that can be insured.

Stage Two: Financial risk management:

The real revolution for risk management began in the seventies of the twentieth century, with the transformation of risk management thought at that stage from complete dependence on the insurance function as a means of facing risks to the thought of risk management that deals with each risk separately, and is based on management science in cost-benefit analysis, expected value and scientific method to make a decision under uncertainty. Accordingly, it can be said that the focus at that stage shifted to managing the sources or causes of risk by relying on an individual approach that deals with each risk separately without studying the interaction between the different risks.

Stage Three: Establishment risk management (ERM):
The thought of risk management at that stage, which began in the nineties of the twentieth century, shifted from relying on an individual approach for risking management to the necessity of managing all types of risks that the facility may face, whatever their source by relying on an integrated approach to risk management in the facility that takes into account the interrelationships between those risks; That is, it deals with all risks in an interactive and integrated manner this shift in risk management thought at that stage led to the emergence of many professional standards and publications related to the Enterprise Risk Management (ERM) process; Such as the British Risk Management Standard (IRM), the decisions of the Basel Committee (BCBS), the international risk management standards, and the publications of the Committee (COSO) and others.
It appears to the researcher that the risk management approach, with its modern idea based on managing all types of risks that the facility faces at the present time or that it may face in the future, regardless of their source, through an integrated approach to risk management in the facility, takes into account the interrelated relationships between those risks. For a moment, it came after a series of developments in which each stage is more general and comprehensive than the previous one.
There are many and different definitions contained in the accounting literature for the concept of risk management, which the researcher can summarize in two sets of definitions; The first group focused on the traditional concept of risk management; Which is represented in being an individual approach whereby the risks facing the facility are faced, especially financial and pure risks, through the management of each risk separately, with the aim of reducing the negative effects resulting from those risks and keeping them to their minimum.
In this regard, it should be noted that this traditional concept of risk management has many criticisms; of which)Aerts, 2001; Ekanayake&Subramaniam, 2009; Evans, 2004; Kelffner, et al., 2003; Mikes, 2009; Millo&Mackenzie, 2009; Smithson &Simkins, 2005; Wahlstrom, 2009).
(1) Focusing on financial and pure risks only, without other risks.
(2) Managing risks individually,
(3) Managing risks by departments and not at the level of the establishment as a whole,
(4) Paying attention to specific sectors - such as financial institutions - without the rest of the sectors.

While the second group focused on the modern concept of risk management; Which is represented in being an integrated approach implemented at the level of the facility as a whole and with the participation of all administrative levels to manage all types of risks facing the facility, with the aim of helping the facility achieve its goals by exploiting the available opportunities, avoiding potential threats or limiting their negative effects. (COSO, 2004-2007).

1.2- The importance of applying the risk management approach:
The application of the risk management approach has attracted the attention of establishments of all kinds, and the application of this approach is not a goal in itself, but establishments often seek to implement it in order to enjoy the benefits and benefits of its application.
In other words, it can be said that the importance of applying the risk management approach lies in the benefits that accrue to the facility from its application, which the researcher can summarize - in those studies - in two groups of benefits: the first group: benefits on the level of the overall performance of the facility, and the second group: benefits on The performance level of employees in the facility's sub-departments. Table (1) illustrates these benefits.

Table (1): Benefits of applying the risk management approach.

Benefits of applying the risk management approach	
Group1: benefits on the level of the overall performance of the facility.	**Group2: benefits on the performance level of employees in the sub-departments of the facility**
The most important benefits that accrue to the enterprise as a whole from the application of the risk management approach are as follows: -Identifying and managing the various risks facing the facility at the present time or that it may face in the future across all its different administrative levels and departments. -Improving the chances of success of the facility in implementing its plans, achieving and achieving its objectives, and providing a better vision for the future, by ensuring that the facility takes appropriate measures to bring risks under control. -Improving the facility's ability to seize the opportunities available to it and reduce the threats it faces -Improving the efficiency and effectiveness of the facility's use of its various resources in achieving its objectives. -Improving the level of transparency, activating accountability and defining authorities and responsibilities at all levels. - Continuous Supporting improvement of operations, and then achieving the quality of performance of those operations, and consequently customer satisfaction.	The most important benefits that accrue to the employees in the various sub-departments of the facility from the application of the risk management approach are as follows: - Contribute to establishing a culture of participation and strengthening the interactive performance among employees in all departments and different departments in the facility. -Increasing the ability of employees to understand, analyze, evaluate and confront the risks facing the facility at the present time or likely to face in the future. - Increasing employees' confidence in their ability to carry out their business tasks and achieve their goals efficiently and effectively. - Increasing and improving the level of communication between employees at the various administrative levels in the facility, and linking employees to the goals to be achieved, and thus clearly understanding their powers and responsibilities.

1.3-Elements of the application of the risk management approach:

Applying the risk management approach efficiently and effectively to achieve its objectives, the necessity of having a set of Elements, which the researcher can summarize in the most important studies that have been addressed (Brown et al., 2009; Bowling & Rieger, 2005; Coso, 2009)

In several main elements; which:

1- Providing the necessary financial and human resources during all stages of the application of the portal.
2- Forming a risk management committee - if possible - that includes human cadres with scientific qualifications and appropriate practical experience that qualifies them to deal efficiently and effectively with all risks to which the facility is currently exposed or to which it may be exposed in the future.
3- Use the necessary methods, tools and strategies to face and analyze risks and deal with them
4- The existence of an advanced and integrated information system that enables the facility to provide appropriate and timely information to manage risk efficiently and effectively.
5- A good system of communication - between all administrative levels and in all directions - helps the facility to quickly exchange information, understand, analyze and evaluate risks, and coordinate and integrate between its various departments and sections.
6- The existence of an efficient and effective system of internal control6.
7- The senior management adopts a culture of risk management and supports it to change the culture of the organization towards it, and accept the practices and concepts associated with that and develop them continuously.

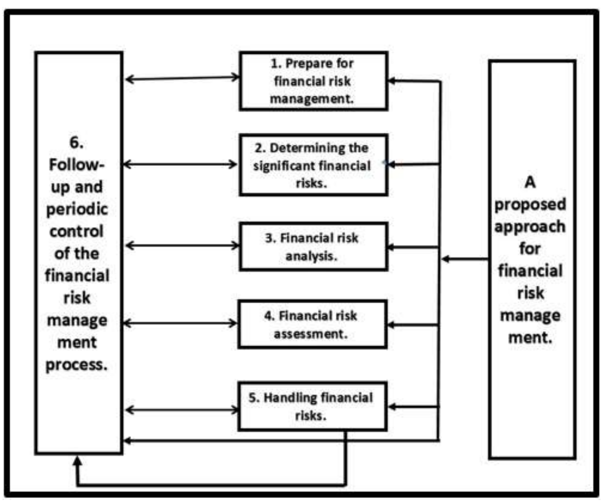
1.4- Stages of applying the risk management approach:

The risk management process goes through several interrelated and integrated stages. It should be noted in this regard that the terms used to express these stages varied from being; A framework, approach, activities, steps, or stages of implementing the risk management approach This, and the researcher concludes through the study and analysis of the standards and professional publications and the stages involved in the risk management process that the risk management process in its modern sense passes through several interrelated and integrated stages, which the researcher can summarize - in the most important of those standards and related professional publications previously presented - in five basic stages ; They are: risk identification, risk analysis, risk assessment, risk treatment, control and follow-up.

2. A proposed model for using the risk management approach in facing financial risks.

the researcher can present a proposed model for using the risk management approach in facing the financial risks facing the financial management. The proposed model is based on several basic stages, which the researcher can summarize in Figure (1).

Figure (1) A proposed model for using the risk management approach in facing financial risks



Based on the previous model, the researcher can clarify the basic stages of this proposed model and what each stage includes in it, as follows:

2.1-Preparing-for-Financial-Risk-Management:

This stage is intend to prepare the work environment and plan to manage the risks facing the financial department at the present time or likely to face in the future in general. This stage includes several steps or tasks to prepare for risk management, and the most important of these steps or tasks are as follows:

1. Define the basic objectives that the facility seeks to achieve, on the basis of which the risks that affect the achievement of those objectives can be identified, in mind that these objectives are consistent with the vision and mission of the facility, and its ability to face risks.
2. Determining the organization's objectives of risk management accurately and clearly, taking into account their alignment with its strategic objectives.

3. Analyze and understand both the internal environment of the facility as the general framework and the environment in which risk management is applied, and the external environment as the environment that surrounds the work of the facility and affects and is affected by it.
4. Determining the advisory bodies that may be used during the various stages of risk management.
5. Accurately define the authorities and responsibilities related to risk management.

2.2-Identifying-financial-risks:
This stage means discovering and identifying the risks facing the facility at the present time or likely to face in the future, which could affect the achievement and achievement of its plans and objectives.
This stage includes several steps or tasks to determine the risks facing the facility. The most important of these steps or tasks are as follows:
1. List the risks that may affect the facility's ability to achieve its objectives, and provide a comprehensive vision for it.
2. Classifying those risks into similar groups, and categorizing them into internal risks and external risks.
3. Distinguishing between the available opportunities and the potential risks so that the available opportunities are exploited in achieving the objectives of the establishment, and to address the potential risks that may hinder the establishment from achieving its objectives.

2.3-Financial risk analysis:
This stage is intended to understand the nature of financial risks, and to study and analyze the causes of their occurrence or the factors leading to them.
This stage includes several steps or tasks for analyzing financial risks, and the most important of these steps or tasks are as follows:
1. Determining the causes of the occurrence of financial risks.
2. Determining the relationship and analyzing the mutual impact between financial risks and some of them, as the events that cause risks do not always occur in isolation from each other, as one event can trigger other events.

2.4-Financial-Risk-Assessment:
This stage is intended to assess the financial risks, and then schedule those risks according to their priorities, in preparation for determining the appropriate method to address them.

2.5-Handling financial risks:
This is the process stage through which appropriate methods, policies and strategies are identified and implemented to confront and treat financial risks, with the aim of trying to prevent and eliminate events leading to the occurrence of those risks, or reduce the probability and impact of their occurrence and control.
This stage includes several steps or tasks to treat financial risks, and the most important of these steps or tasks are as follows:
1. Studying and analyzing the various methods, policies and strategies that can be used to confront and address financial risks.
2. Choosing and implementing the appropriate treatment method and policy to deal with these risks, according to their importance and level of risk.

2.6-Follow-up and periodic control of the financial risk management process:
It means the periodic or continuous monitoring and control of the financial risk management process in all its stages, with the aim of identifying its efficiency and effectiveness in achieving its objectives, and making the required adjustments whenever necessary.

This stage includes several steps or tasks for follow-up and periodic control of the risk management process. The most important of these steps or tasks are as follows:
1. Conduct periodic or continuous follow-up to the risk management process in all its stages to identify and ensure its suitability, correct implementation, and achievement of the planned goals, and then measure the progress made in achieving those planned goals, and discover and identify performance problems and deviations.
2. Conducting periodic or continuous monitoring of the financial risk management process in all its stages to determine the extent of its need for an amendment or development in line with the results of the follow-up process and developments of events, and then taking the necessary adjustments and improvements whenever necessary and necessary.

3- Research summary:
The current study aimed mainly at presenting a proposed model for using the risk management approach as a mechanism to confront financial risks. This, the researchers concluded by reviewing and analyzing previous studies in the field of search to a set of results; which:
1. There are many and different definitions contained in the accounting literature for the concept of risk management, which the researcher can summarize in two sets of definitions; The first group focused on the traditional concept of risk management; Which is represented in being an individual approach whereby the risks facing the facility are faced,

especially financial and pure risks, through the management of each risk separately, with the aim of reducing the negative effects resulting from those risks and keeping them to their minimum.

2. While the second group focused on the modern concept of risk management; Which is represented in being an integrated approach implemented at the level of the facility as a whole and with the participation of all administrative levels to manage all types of risks facing the facility, with the aim of helping the facility achieve its goals by exploiting the available opportunities, avoiding potential threats or limiting their negative effects.
3. The application of this approach achieves many benefits and benefits on the level of the overall performance of the establishments applied to it, as well as on the performance level of the employees in the sub-departments of those establishments. The efficient and effective application of this approach requires the availability of a set of human, material, informational, communication, intellectual and cultural components.
4. Presenting a proposed model for using the risk management approach in the face of financial risks, based on six stages: Preparation for financial risk management, identification of financial risks, analysis of financial risks, assessment of financial risks, treatment of financial risks, follow-up and periodic control of the process of financial risk management

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