International Academic Institute for Science and Technology

International Academic Journal of Accounting and Financial Management
Vol. 4, No. 1, 2017, pp. 9-17.

ISSN 2454-2350

International Academic Journal of Accounting and Financial Management

www.iaiest.com

Examine the relationship between the development of financial markets and economic risks

Yousef Parhizkar Jahan Abad, Mehrdad Moradi *

Department of Management, Yasoouj Branch, Islamic azad University, Yasoouj, Iran

Department of Economic, Yasoouj Branch, Islamic azad University, Yasoouj, Iran

Abstract

In this study, the relationship between the development of financial markets and risks in the economy of kohgiluyeh and Boyer Bank is sealed. The study population included all bank branches kohgiluyeh and Boyer-Ahmad is stamped economy that is a total of 8 branches. The economy of the entire population of every 8 October bank branch to collect information were used as samples. The research method in terms of purpose because the results can be applied in practice, and in terms of descriptive-survey method, As we review the situation without manipulation in data collection after events and panels Mehr Bank economy was used to. The study is a correlation research and the implementation of the survey. The descriptive analysis and research by collecting data bank branches, and by referring to the financial statements, explanatory notes, annual reports of banks were using the new software is the result of.. To test the hypothesis and significance tests given that this correlation study (consistent) is a model of solidarity, Durbin Watson and regression operation is. The results showed that financial market development with the bank's risk in Mehr Bank economy a significant relationship exists.

Keywords: Risk, financing, financial risk, the risk of non-financial

Introduction

Financial development represents a key source of opportunities and threats for the economy because the financial development can drive economic growth by allocating capital for companies to raise enough, but it can cause risk for the health of the financial system. Evidence of financial and banking crises in developing countries and in most developed countries there, and the impact of financial crises on the company as it is remarkable economy (Kaypvrn, 2014).

Key objectives and fundamental and strategic resource allocation from banks and financial institutions poses It results. And the role played special emphasis on providing banking services and an important indicator in assessing the success of numerous banks. In recent years, coinciding with the allocation of huge volume of financial resources through world banks, control crises, losses and even bankruptcies have been banking. Successful banks for various reasons such as risk or loss arising from fluctuations in interest rates, inflation, currency or facilities not refund payment, have faced several crises. And social crisis hidden, regulatory bodies and executive financial systems have prompted authorities to financial institutions, especially banks' risk management more seriously considered and More expertise day (Shayan Arani).

Organizations today operate in complex and changing environments. In these circumstances the company to achieve its objectives and reducing the adverse effect of fluctuation, to manage the risks they face, being very important. The nature of the business, financial services, risk is not without risk to profitability and growth. Due to the nature of the business, financial services, risk management is important for this type of company. In fact, the risks that institutions must accept, manage (Esmaeelinejad Ahangarani).

Financial providers such as banks, with big risks such as market risk (including exchange rate risk, interest rates and stock prices), liquidity risk, credit risk and operational risk (eg risk, IT, human resources and legislation) to be faced.

Mehr Bank to become one of the most prestigious institutions and banking, monetary and banking advanced and innovative services and banking money between banks, to pursue the following strategic objectives:

• increasing the profitability of banks

• Increase market share in the money market banks

• promoting competitiveness in providing electronic banking services

• Increased workforce productivity

• Open chain branches in the areas of economic efficiency

• maintain and improve the security of customer bank details

These are to promote growth, development and profitability and create value for stakeholders based economy Mehr Bank. At the same time, banks to implement these cases, according to their nature, must accept risks. These risks include risks such as IT, market (interest rate and exchange rate) and liquidity noted. Therefore, banks need to manage these risks, a balance between growth, profitability and risk cause. Lack of attention to risk, can create serious problems for banks.

As well as interest-free banking in the allocation of funds has been a part of the main task of the banking system. Banks must continually offer new services according to the needs of the changing society because banks primarily depends on the development of an increasing amount of resources and the allocation of those resources is the next stage.

Since the service became apparent in the everyday life of quality in services is also considered as the main feature competition between organizations as the quality of service and the organization of the contest distinct competitive advantage.usually the quality of the adaptability of crops with traits desired by the client or the extent to which the product can meet customer's previous expectations define(Johnson et al., 2003).

In this context it can be said that quality services that can meet the needs and desires of our customers. If the service meets customer expectations or beyond it, is quality. Organizations that continually provide quality services and to preserve the relationship between the importance of the relationship between the customer, the customer-focused organizations. Customer retention perhaps, one of the most important measures of quality. In banks and financial institutions, many factors affect the quality of banking services. Including interest rates, regulatory systems and complaints, accurate information to customers, speed and accuracy of provided services, performed timely commitments by the institute, staff politeness and humility in dealing with customers and employees about privacy and confidant of customer information all of which attract and allocate more financial resources dumped into.

Mehr Bank economy according to the strategies adopted, should be accorded the same importance for risk management. In this regard, a series of senior management, understand the importance of this issue, integrated risk management approach to risk management in banks is considered. In this approach, risks are comprehensive, integrated and independently investigated and managed.

Given that most of the operations of the bank's financial structure is closely linked with the risk increases the significance of the risks involved. The study and modeling of the risks and factors affecting the Bank's resources and expenditures, and evaluating the bank's market share is very important.

One of the ways forward on developing countries in order to provide context for the passage of underdevelopment stage, ensuring the financial markets.

Due to the unique character of the sectors of industry, services and agriculture in of Kohgiluyeh and Boyer-Ahmad, the development of financial markets is essential in this province.

The aim of this study was to investigate the relationship between the development of financial markets and economic risks in the October Bank of Kohgiluyeh and Boyer will be discussed. In this regard, the following key questions arise:

Is the development of the bank's risk in financial markets on the October Bank of Kohgiluyeh and Boyer economy, there is a relationship?

History Research

Here are a few titles from investing in research accepted banking risks are mentioned:

Divine, research has identified and prioritized strategic risks in banking is done. amnestied. In this study, the Delphi method, according to the strategy consists of four steps brainstorming, limiting, prioritization and consensus is used.

Mihrabs, in his study of risk management in the banking system, with an emphasis on credit risk, risks affecting the banking after introducing distinguished banking and risk management of the banking industry's interest in banking system has emphasized. In banking, this feature Radarnd exchange contracts, ie, contracts concluded with fixed interest rates and in front of it to prevent any failure in the context of repayment of credit facilities, bank usually attempt to get bail, but the contracts, primarily interest rate is uncertain and secondly to a partnership with the recipient's bank facilities, as well as collateral and the bank makes no sense recipient facility, and investment in the project is the project owner. Each of these cases, banks will be faced with many problems. 2. There is an assumption that the user of Partnership Facility (agent or partner) did not report actual profits, losses and to stabilize it even claimed that the case be referred to the ethical risk. recommended.

Ayvashyna and Sharfstyn (2010) report that during the financial crisis in 2007 -2009, in the United States with a high proportion of deposits banks assets significantly boosted lending to companies, although new lending for real investment such as capital flow and capital expenditure fell quickly.

Cornet et al (2011) show that banks in the United States that focuses heavily on deposits (ie application for certificates and time deposits) and investment fund shares, which are fixed sources of financing rely on lending the Company continued during the 2007-2009 financial crisis.

Allen and Palyngvrva (2011) have shown that the use of Canadian banks and corporations, banks that rely primarily on providing macro-financial lending greatly reduced during the global financial crisis 2007-2009.

Kyprn (2014) investigate the impact of financial market developments on bank risk presented evidence of Southeast Asian Nations survey on how to change the bank's risk as a result of changes in the development of financial markets in a broad set of financial data for 52 banks in five countries of Southeast Asia over a 23-year period between 1990 and 2012 deals. Evidence of a connection between the development of financial markets and banking capital there.

Jung et al (2015) study in Vatay bank loan as the financing structure of Monetary Policy: Evidence from Korea began: This study examines the relationship between finance and bank lending to the corporate structure's round of financial shocks. Our relationship using panel data for seasonal loans of all commercial banks in Korea, as well borrowing companies we analyzed them. increase, resulting in a decrease in lending due to liquidity shocks are adjusted. The trend in the banks that the banking relationship with the company's support is stronger. However, this financing is valid only for large banks. Our findings can be important policy implications for financial regulatory authorities in search of policies, legislation such as the Basel 3 liquidity they provide.

Da Silva and Dyvynv (2015) study entitled "The role of banks in a credit risk and liquidity shocks economy" did in Brazil. The results of this study showed that credit risk and the risk of default period depends on structural features. The bank policymakers can set policies to promote financial stability and efficiency, reduce fluctuations in output.

Astarysnv (2016) in their study investigating the relationship between liquidity shock, efficiency and financial performance of Islamic banks. According to the analysis results of the research showed that shock a significant impact on the financial performance of the bank's liquidity and efficiency of the banks. Castro (2016) study titled "Risk Factors macroeconomic liquidity in the banking system: the GIPSI" did. In this study, the relationship between macroeconomic developments and credit risk in countries: Greece, Ireland, Portugal, Spain and Italy have recently due to poor economic conditions and financial affected were studied.

Model and hypotheses



Figure 1: Conceptual Model Research

Research Methodology

panel data will be used Mehr Bank economy.

The population of this study included all bank branches Kohgiluyeh and Boyer-Ahmad is stamped economy that is a total of 8 branches. The sample every 8 October bank branches were selected economy.

Analysis variables

The study hypotheses based on regression model of the research is as follows:

The first hypothesis

$$\mathrm{BCR}_{it} = \alpha_0 + \alpha_1 FR_{it} + \alpha_2 FR_{it} + \alpha_3 MB_{it} + \alpha_4 ROA_{it} + \varepsilon_{it}$$

The second hypothesis

$$\mathrm{BCR}_{it} = \alpha_0 + \alpha_1 MR_{it} + \alpha_2 MR_{it} + \alpha_3 MB_{it} + \alpha_4 ROA_{it} + \varepsilon_{it}$$

Table 1: How to measure variables

calculation method	Acronyms	Variable type	Variable name
The ratio of total debt to total assets $FR_{it} = \frac{TotalDebts}{TotalAssets}$	FR_{it}	Independent	financial risk
$MR_{it} = \frac{Cov\,(Share\ \mathrm{Return} \times Market\ \mathrm{Return})}{Var\,(Market\ \mathrm{Return})}$	MR_{it}	Independent	Non-financial risks
The sum of deposits, credits divided by total assets $\mathrm{BCR}_{it} = \frac{Deposits + Captal + LDebts}{TotalAssets}$	BCR_{it}	Dependent	Financial market development
The ratio of market value to book value of equity. $MB_{it} = \frac{MValue}{BValue}$	MB_{it}	control	Market value to book
Earnings before taxes to total assets ratio of banks $ROA_{it} = \frac{EBT_{it}}{TotalAssets}$	ROA_{it}	control	Market value to book

data analysis

Normality Test Data

The first step to begin the process of hypothesis testing, data normalization is. For data normalization hypothesis is formulated as follows:

H0:The data is normally distributed

H1:No data is normally distributed

To test this hypothesis Jarkv- test is used for the results presented in Table 2.

Table 2: Test for pre-normalization

Significance level	Statistics	Variable name
0.000	20.76307	financial risk
0.457	1.563795	Non-financial risks
0.343	2.136051	Development of financial markets
0.578	1.094415	Return on assets

0.000	136.0474	Market value to book value

* The level of 5 percent

According to the above table variables significant level of non-financial risks, lending and asset efficiency level of 5 per cent more than normal data distribution is so.

Check heterogeneity of variance

In this test the hypotheses are defined as follows:

H0: homogeneity of variance

H1: heterogeneity of variance

Using the statistic F (Fisher) can easily judge that model, dissonance or not. This means that if the probability of statistic F (Prob (F- Static)) More than the error level (alpha), the hypothesis H0 is accepted and therefore accepted the same variance. In contrast, if the condition is fulfilled and anisotropy model to fix the method of least squares can be generalized (GLS) used.

To check for heterogeneity of variance of residuals, the white test ((White is used. The results of variance heterogeneity White, is as follows:

Table 3: test results dissonance White

Possibility	Statistic value	Description
0.00000	55.45697	F-statistic
0.00000	241.1925	Obs*R-squared

According to the statistics of this test is significant at the 5% level, so the assumption of homogeneity of variance was rejected and heteroscedasticity of residuals will be accepted.

This assumption violations result. Such problems may cause the results of OLS regression is not the most efficient. To fix the problem of generalized method of least squares is used.

F test and Hausman test

Given that the F-Limmer test p-value obtained is equal to zero, the null hypothesis is rejected (p-value ≤ 0.05) and Panel Data method is accepted. F-Limmer to test the null hypothesis and the alternative hypothesis is as follows:

Ho: method of data compilation

H1: panel data methods

Table 4: Test F Limer

F	p-value
6.55	0.00

According to the Hausman test p-value obtained is equal to zero, the null hypothesis was rejected Hausman test (p-value ≤ 0.05) and fixed effects approach is acceptable.

The null and alternative hypothesis for the Hausman test is as follows:

Ho: method of random effects

H1: fixed effects approach

Table 5: Test Hausman

Hausman test	p-value
92.12	0.00

Regression analysis (hypothesis testing process)

To test the hypothesis using panel data regression analysis was used to summarize the results using software Eviews, in Table 6. In other words the following equation has been tested.

Table 6: Results of regression

The level of significance	P value	T-statistic	Standard error	Coefficient	The independent variable
٪95	0/0000	4/458154	0/026170	0/116669	Financial market development
٪95	0/0050	2/821693	0/172971	0/487072	financial risk
_	0/8983	-0/127871	0/198095	-0/025331	Non-financial risks
٪95	0/0050	2/984385	0/172971	0/116669	Market value to book value
٪95	0/0000	7/630339	0/009991	0/487072	Return on assets
-Vatsvn Camera D-W	F statistic	Deviation from the mean regression	Adjusted coefficient of determination	The coefficient of determination	
1.975215	9.402158	0.625014	0.520677	0.721580	Weighted statistics
1.965258	--	--	--	0.275128	No weight statistics

According to the results test regressions in Table 6, we see that the P-Value of the F statistic which indicates the significance of the regression analysis, 0.000 times, and indicate that the model is significant at 95% confidence level. Adjusted coefficient of determination R2 is equal to 0.520677 indicates that approximately 52% of the variation in the dependent variable explained by the independent variables that represent good explanatory power of the regression.

The first major hypothesis: the development of banking risks in the financial market there is a significant relationship Mehr Bank economy.

As seen in Table 6, 4.45 times the coefficient of the independent variable of financial market development and a significant number (Prob) is the 0.0030. According to the statistic t and p-Value of this variable, the results showed a

significant factor in the level of 5 percent. These findings suggest that the development of banking risk Bazarmaly Mehr Bank economy, there is a significant positive relationship and thus assume the first hypothesis H1 is accepted.

First hypothesis: the development Bazarmaly There was significant correlation with financial risk Mehr Bank economy.

As seen in Table 6, the independent variable coefficient equal to 2.82 financial risk and a significant number (Prob) it is 0.000. According to the statistic t and p-Value of this variable, the results showed a significant factor in the level of 5 percent. These findings suggest that development Bazarmaly financial risk Mehr Bank economy and thus assume there is a significant positive relationship H1 second hypothesis is accepted.

The second hypothesis: the development Bazarmaly non-financial risk in the economy There was significant correlation Mehr Bank.

As seen in Table 6, the coefficient of the independent variable equal to 0.127- non-financial risk and a significant number (Prob) it is 0.898. According to the statistic t and p-Value of this variable, the results indicate that this ratio at the level of 5 percent is meaningless. Based on these findings, H0 assumption that there is no significant relationship between the development of non-financial risks Mehr Bank Bazarmaly economy and thus the second sub-hypothesis H0 is accepted.

Conclusion

Due to the complexity of banking operations, technological advances, integration and large-scale separations, the issue of risk management among banks has become more important every day. According to what has been said can be said in every area of risk has merit mention. However, due to continuous changes in environmental factors and economic systems every day different risks on the bank's financial structure affects. The relationship between financial and non-financial risks on a bank's market share was investigated. The results showed that the development Bazarmaly There was significant correlation with financial risk Mehr Bank economy. But the development Bazarmaly non-financial risk in the economy, there is not a bank stamp. Furthermore, the research by Research Jong et al (2015) in a study as structured finance and lending banks under liquidity shocks Kyprn (2014) investigate the impact of financial market developments on bank risk evidence of Southeast Asian countries, the divine (1389), research has identified and prioritized strategic risks in the banking and altar (1389), in his study of risk management in the banking system, is consistent.

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