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Fınancıal Rısk Management 'S Impact On Company Value

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ABSTRACT : *The competition taking place under the current conditions reveals future uncertainty. To protect against possible adversities and create defenses at this point, no longer it has a compelling Taking requests from businesses. Financial risk management, reduction of the negative effects of the financial risks to the company, so the profitability of the company and the company is found to be useful to the extent it is important towards enhancing competitiveness. Financial risk management activities are also a cost themselves. The benefits will be provided for the management of financial risk, financial risk activities of the company are meaningless if they remain lower than the resources will be spent on risk management. However, the issue is quite complex, sectoral and disadvantages of return of financial risk management, and risk types can vary cyclical basis.*
international financial markets since the 1970s witnessed an important transition period. The globalization of international financial markets, free movement of capital, technological advances and increased competition a new process, launched the company with financial instability and has faced financial risk concept. Therefore institutions in ensuring the continuity of existence and reaching their goals were to identify financial risks, measure and manage today's extremely critical.

I. EXTENDED

Competitive conditions experienced in today's conditions reveal future uncertainty. To protect against possible adversities and create defenses at this point, no longer it has a compelling Taking requests from businesses. Financial risk management, reduction of the negative effects of the financial risks to the company, so the profitability of the company and the company is found to be useful to the extent it is important towards enhancing competitiveness. Financial risk management activities are also a cost themselves. The benefits will be provided for the management of financial risk, financial risk activities of the company are meaningless if they remain lower than the resources will be spent on risk management. However, the issue is quite complex, sectoral and disadvantages of return of financial risk management, and risk types can vary cyclical basis.
international financial markets since the 1970s witnessed an important transition period. The globalization of international financial markets, free movement of capital, technological advances and increased competition a new process, launched the company with financial instability and has faced financial risk concept. Therefore institutions in ensuring the continuity of existence and reaching their goals were to identify financial risks, measure and manage today's extremely critical.
Bretton Woods system of fixed exchange rates used for the years 1940-1970 in exchange less be felt until the financial risks of fluctuations in interest rates and thus many phases to be ignored financial risk management techniques are recognized. In the 1970s, as a result of developments occurring in the global economy stable period has expired earlier, many western countries have demonstrated sensitivity to rapid financial risk management. in exchange rates due to the abandonment of the fixed exchange rate system and it emerged fluctuations in interest rates and operating in international foreign currency from enterprises need debt as well as payments arising from the national currency against the value changes were faced with financial losses. In this case, despite the financial circles losses arising from exchange rate and interest rate fluctuations and minimizes have developed a number of instruments in order to profit from this situation (Erdoğan, 1995: 113).
The first time occurred in the risk management methods are used to unexpected changes in interest rates that have occurred and the closure of the damage caused by the fall. Risk management is showing improvements in subsequent periods should be established as well as accompanying changes in financial prices brought risks as well, including a format has both pursuing both profit being used by institutions not-for-profit (Sayılgan, 1995: 325-326).

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Objective: This study was conducted to examine the financial risk management of the impact on firm value.

Scope: The scope of the study is limited to Turkey.

Methods: This study is to analyze the information obtained by an examination of the literature was performed.

Problem Research: Financial risk management is to determine the effect on firm value.

1.CONCEPT AND RISK MANAGEMENT

1.1. Financial Risk Concept

Financial risk, "they fail to fulfill their financial responsibilities of the business or the possibility of losing their invested funds of investors as a result of the bankruptcy" is defined as (Karas, 1991: 24). the common description of the financial risk, "the possibility of loss that may arise due to the company's financial structure" form (Paterson and Wendel, 1996: 15-22). Eales (1995: 1), financial risk, with one based approach to riskyönetim businesses suffer substantial financial losses due to encounter a dangerous situation and is referred to as the management of money by controlling this situation.

Financial risks, which are industrialized countries after 1990, especially, emerges as a reflection of the financial crisis has had an effect on the financial structure of the company. This process gave priority to work on the company's financial risk management in order to achieve or to gain protected from financial risks. It experienced a major transition in the international financial markets and 1990s. Variable and increased uncertainty in the financial markets and the emergence of complex procedures with greater risk than before the financial market participants in the financial sector came face to face. Financial risk will reduce the profits of the company or extreme cases are being confronted with adverse events when it comes to businesses into bankruptcy. Chapman most important sources of risk have been grouped under three main headings. Accordingly, the return on assets of the business uncertainty or borrowed loan because interest rates (interest rate risk) of the loan received from a third party interest and principal of the failure to pay (liquidity risk) or failed to comply with fixed payments on company assets (funding risk) is a financial risk. Due to some uncertainties, investors take wrong decisions. Investors can not calculate accurately the cash flows and business to the detriment, or even emerging as to endanger the development of business investment risk is the risk of another financial source. credit risk due to the uncertainty of the amount and the time of the offer will occur during the third and last in the business to sell their products and services (Chapman, 2006: 203-204).

1.2. Financial Risk Management

Financial risk management concepts and much more for many years, primarily to be addressed in terms of banks and other financial institutions, non-financial companies has brought the concept of risk management in case of secondary importance. Bank related to the management of banking risks of International developed by Settlements, Basel II criteria, financing, together with the non-performing emphasis on companies' risk management and risk management implements firms to bring in regulations that will affect the cost of capital, non-financial that it represents a value to the extent of financial risk management for companies and firms as to what extent the value contributed more questions are being asked.

1.2.1. Why are referring to the company Risk Management

Nocco and Stulz (2006), on the basis of the company as at the micro level could be argued that in some departments of risk management to create value at the macro level. In the same study, the company of some of the risk management, corporate managers to macro-level risk-return balance (the amount of return to be sacrificed to download a certain level targeted risk) to be calculated and managed is stated that create economic value by providing perspective. In addition, the company will have access to the capital market easier to have perspective in this way is emphasized.

Paul Sarmas the (2004-2005) by the company There are five main factors that lead to financial risk management. According to this,

Administrative impulses: to be equipped with the company's stock that they manage their business managers to avoid taking risks causes more and their risk of being pro-active. But the manager's stock holders rather than risk having to stock options that avoid the situation accordingly also seen a reduction in the risk management activities.

Corporate taxes: income due to reduced variability in risk management is to reduce the business tax burden.
Bankruptcy costs: borrowed at high risk of bankruptcy and the company is also increasing the income variable. This increases the cost of the bankruptcy.
Capital market shortcomings: the variability seen in the company's internal resources outsourcing are forcing them to find out more. This situation increases the investment cost, resource input in the capital markets weak, demand for capital leads to higher investment in the context of the finances and outsourcing raises the total cost of capital. internal resources and risk management to reduce the need for outsourcing will become the stable, it will increase the rate of profit due to reduced capital costs.
Representation costs: conflict of interest between the places borrowed by the company's shareholders can turn into cost represented indirectly. In other words, those who go to great debt ratio of cash flow to be generated from existing shareholders using their impact on the project if the project managers are rejected. Keep in mind that the debt of these cases represent risks arising from lending and increase the costs.
Géczy Minton and Schrand A (1997), The pressures of business risk management are as follows:
Who directs the corporate risk management: managers who prefer the company shares the risks associated with the disposal of the shares. The high cost of the company's bankruptcy and bondholders who do not want to experience financial problems, the company will become more stable income with the cash flow management of risks will increase the company's profit think so. The shareholders of the company who can store information due to asymmetric information manager may wish to pursue the company's risk management effectively.
Variability and magnitude of risk: is directly proportional to the amount of benefits to be achieved the risks associated with the company's risk management. two components that is the issue that determines the risk inherent in the company at this point: the size of the amount of risky positions and moved to the risks of price volatility.
Risk management costs: the costs of risk management, risk management is higher than the benefits they provide to the company will avoid taking risks management positions. separate units and staff for risk management Apart from this, they avoid the embodiments which require fixed costs such as creation. Where the other hand, low cost companies are avoiding risk management are systematic risk management in its operations.

1.2.2. Basel II Criteria and Its Relation to Non-Financial Company

The main source of financing is quite limited due to the issuance of securities of the private sector in Turkey are commercial banks. Which aims to control credit risk of banks, especially the Basel II risk management criteria, it gives responsibility for banks to create and develop risk management systems for this purpose. These responsibilities within the Bank, the necessity to have the ability to measure the main factors that make the risk is introduced. It must be able to measure in terms of the scope of the banks' credit risk more accurately, Basel II credit risk of banks are encouraged to differentiate their criteria. Banking supervisors in the process leading to the internal rating system; Not only substandard or problematic loans also allows the provision of the classification of prudent lending, with loans and credit terms, terms and different risk characteristics to have a differentiation in terms of loan types (such as wholesale and retail loans) to be allowed, it would be more useful than the loan classification system advocated . The study's version of 2006, which further elaboration is made more concrete differentiation in question and corporate loans will come from customers of rating agencies or bank requires classification according to the degree of risk to be found using their own internal risk rating mechanisms.
In this case, the establishment of an enterprise risk management system for the company to manage specific or overall risk is taken into consideration, the correct calculation of the risks and to manage the company profitability and to investigate the effect of the consequent value of the firm is important. A key issue to be considered here is to determine whether the right higher than the potential cost of the risk management and risk management costs.

1.2.3. Risk Management in the Turkish Trade Law

Article 378 of the new Turkish Commercial Code numbered 6102, the share of risk in securities of companies traded in the stock market can be identified early and taken to manage the necessary measures are emphasized. In the Law, a committee of experts set up to manage the financial risk of the company, to run the risk management system and is said to be responsible for developing. In the non-public companies in the same law it deemed necessary by the related auditors and the board risk management committee and if the report is called writing system is created. (T. T. 6102 Act)

II. BUSINESS FINANCIAL RISK MANAGEMENT AND FINANCIAL RISK MEASUREMENT METHODS USED

2.1. Financial Risk Management

Business risk management is the first step in the removal of some of the company's risk profile. The emergence of a clear risk profile for the creation of the firm's risk managers and risk management strategies will make an important contribution to the implementation. relating to the firm's risk profile may differ in terms of business.

Keulen (2009) following the procedure recommended by creating risk profile gives you a general idea about this:

• List of potential risks faced by the company is created. This list only company in the industry and makrekonomik risks affecting the economic environment in which the company operates alongside the interest risk should be found.

• The company's exposure to risks, market risks, financial risks, operational risks, the risks will directly affect the value of the firm and the firm should be classified as risks that affect a smaller scale. If those profiles to work with just about non-financial risks such as operational risks, financial risks do not take place within this classification.

• Reclassification of the magnitude of the risk that the company carries on each type of risk should be identified. If a requested specific studies should determine how it will affect company revenues of risks in each category.

• The company must decide whether it is necessary to manage the identified risks. In the process of making this decision and risk management benefits of a cost analysis should be done. This is because of the resources spent on risk management is always possible due to the lack of delivering value to the company.

• The company's focus on risk management in areas where the advantage over their competitors allows the appreciation by increasing the competitiveness of the company. Risk management strategies should be considered in the preparation of this issue.

2.2. Methods Used in Measuring Financial Risk

2.2.1. Classical Methods

development and practical innovation in the field of statistics and financial theory leads to the computation of the risk of more value over time. For many years, the main method of calculating the probability of risk, decision tree analysis is used and is often used method is taken of the potential damage and the expected value is used by insurance companies.

Net present value (NPV) and internal rate of return (IRR) techniques such as time, especially in projects currently being used in the calculation of risk financing techniques have emerged as.

Capital asset pricing model (CAPM) method is set up is as a method of determining the rate of return required for assets that can not be reduced by diversification of risk with the risk of a particular asset of the company that the link between the return provided by the entity.

Basically shows the relationship between risk and expected return CAPM and is formulated as follows:

$ra = RF + \beta\ (rm - rf)$

ra, the assets owned (or project) costs; RF, risk-free interest rate; β existence or extent of a project by the RM is the return on the market. Located in the above formulation rf asset or systematic risk of the project showed that β (rm - rf) The elements identified as unsystematic risk. Here, the β spesifikvarlık or project in question showed the risk of variability of weight (rm - rf) value shows the average risk premium is the like of the asset or project.

2.2.2. Economic Value Added (Eva) / Market Value Added (MVA)

These two performance measures of the company's management is focused on increasing the company's value does not increase. Market Value Added (MVA), the company's shares with a current market value of the company and the investor is aware of the current period until the capital provided by the organization. Economic Value Added (EVA) is periodically measures the next income after deducting all the costs, including the cost of capital. MVA company reflects the sum of all eva throughout history. Although controversial aspects together to create real economic value of the companies do not generate inspection is important.

2.2.3. Qualitative (Qualitative) Analysis of Risk

of the quantitative magnitude of the risks of the Company may be limited by computational studies estimate the size completely in some areas. For example, often fall into financial difficulties due to the financial risks in a company that has harmed the company's business reputation. Such a methodology is generally accepted to develop a commercial reputation to calculate the quantitative magnitude of the risk is almost impossible.

Such risks are the most widely used method to make measurable quantitative scenario analysis means. Scenario analysis is aimed at finding the maximum possible damage on different scenarios. These scenarios are weighted according to the probability of realization and ultimately expected () a risk miktarıbulun. In this method, decision tree analysis mainly (decisiontreeanalysis) method is used.

Another method for quantitative measurement of this type of risk is the brainstorm. This method carries the risk directly related to the company's experts and decision-makers to come together and discuss the risk values they have agreed is acceptable.

Classification and regression trees (classificationandregressiontrees - CART) method (Thrasher, 1991) is both the analysis and the classification tree method that includes a combined regression analysis. This method is based on considerations such as the volatility of regression analysis revealed that that the income and expenditure position and cash flows in scenarios to be performed for the possibility of each scenario forming the decision tree is removed from if the scenario in question the decision tree within tolerable limits the risk of the

company. Ultimately the results of the analysis carried out on the remaining scenarios are identified risks behind the company's move because the asset or project.
Risks and Operability (hazardandoperability - HAZOP) method (Rusli and Mohd, 2010) aims to detect possible losses if asked about systematically organized flow of action and appears to be given by each risk is a method consisting of questions-profit organizations. For example, a company wishing to operate in a new sector asks whether deviations in production to be made in this new activity, if questioned what will be the damage to the company of these deviations Any deviations, what are questioning can be done to reduce the damage in question and questions about what can be done company costs finally asked. As a result of this new project feasibility is found positive investment decision. So in a nutshell, the firm will undertake the risk of asking questions for each stage of the investment and how to find the way that works to rule.
Programs and Evaluation Review Technique (Program and Evaluation Review Technique - PERT) method (Bergantinos vevidalpug in 2009) is the investment or the end of the beginning of the project will be realized in the most effective way of risk and return combination to find a prospective method. This method using a preselected path may be a better alternative investments it has also said.

III. METHODS FOR DETERMINING THE COMPANY VALUE

The basic approach in the development of financial valuations, discounted cash flow models. CAPM and APM models have provided the link between the company returns and market risk. Investment decisions contribute to firm value. Investment decisions which take into account the investment models desired capital stock interest rates, production, costs associated with the capital assets and tax policies. Tobin's q as models linking models are made with an investment of the company's value. WACC (weighted average cost of capital) worth of shares in the composition of the financing concept is used to explain how he affects. These are economic models that are based on performance criteria outside. The company's ability to generate economic rents these models are considered. Economic rent-producing firm "no longer market value" (in excess of market value) is expected to achieve. Now is the level of risk in the market value of similar companies t is a definition for surplus values acquired by other companies that do not generate economic rents.

IV. DISCUSSION

General sense of an asset and the valuation of a company depending on these assets, cash flows and free cash flows of the investment provided for the activities of the company are used. If you share the appreciation of the free cash flows provided from financing in addition to these elements is used. Calculation process in the discount rate of Sharpe (1964), Lintner (1965) and Black (1972) with retrospective data such as the shape of the CAPM and the errors that may occur in the value calculated approximately, in a significant amount of the calculated value of the firm can lead to deviations. CAPM anomalies that arise during the various tests regarding perceived as a risk factor that can be used in stand-alone valuation of the CAPM model raised question marks. Beta outside firm size as factors that affect the returns of the companies, book value / market value ratio of financial leverage ratio price / earnings ratio, dividend yield and share price can be considered. Indeed, only to assert power can be explained by the effects of beta coefficient value to the company of these elements in the effective functioning market.
Valuation procedures for Another issue is inefficient use of capital, cost of capital, cost of essential discount rates, which had been used on the companies' past projects and is not based on the current cost of capital for different maturities. This situation is open to manipulation by the company and will form the basis of future interest rates are assumed to remain constant cost of capital. Keene most healthy discount rate in such circumstances, taking into account the returns on bonds of other companies traded on the bond market suggests that such firms can be found. Whereas the private sector in Turkey in terms of functional bond market in countries which do not or will not issue bonds or bills as small companies like this seems far from being true.
joint management company which is one of the basic elements - effects on firm value of relationship managers is one of the most important issues in corporate finance literature. Company executives taking their earnings to the fore that can impact negatively on the profitability of the company, it can be defined as the costs of representation and the classical valuation model is suggested to define whether these costs. Gain company linked to the performance of the managers prefer such an unnecessary risk-taking or extreme risk aversion can be a disadvantage in making optimal decisions of firms. However, representation costs may also vary according to the firm's riskiness. Leaders in terms of earnings-performance decreases with increasing awareness of the firm's riskiness. (Vesamwick Aggarwal, 1999). Here riskiness of the company as determined at a lower rate depending on the performance of the manager with the increase in earnings may reach the conclusion that it also increases the cost of possible representation.

RESULT

financial risks in the daily activities of the company with the globalization process will be mentioned in each period. Financial risks as long as it had to reduce the impact of these risks and financial risk management in order to convert earnings for the company to maintain its always up to date, will form an important part of the işt98let studies management processes by developing new techniques and applications.

financial contribution to the company's financial risk management can always reflected in the value of the firm. changes in the value of the company of so many different elements that affect the company's risk management when it comes to value to determine to what extent the effects can include difficulty. When this perspective on the impact of financial risk management firm value of this thesis in any way "in terms of financial risk management firm sturdy useful and necessary" has caused the necessity of asking questions.

Bulunamas even the benefit of a direct link between risk management and financial risk management firm value and necessity of the reasons stated above, it is clear. This can be seen clearly in the regulations regarding their financial risk management of domestic and foreign regulatory authorities.

On the other hand all of the potential risks of globalized markets, the company is exposed to increased competition with exchange rate and interest rate possible to connect to the live variables. time method of protection from the risks arising at this point and will be implemented in the most efficient manner not to cause negative on business value. On the other hand, although the reduction of possible damage by removing the risk management methods of the threats faced by the company is also a financial burden to business aspects. But the company lowered the risk management methods with minimal damage incurred is a fact.

ensuring better management of the business genişlettirilerek attitude towards risk managers in this context, as well as providing protection against the risks of the business will provide the maximum benefit to him. Determination of preliminary vision for the future of risk identification and possible loss of business will recover.

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