

A Literature Review on the Effect of Financial Knowledge toward Corporate Growth: The Important Role of Financial Risk Attitude

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Abstract : This study aims to analyze the role of financial risk attitude as a mediation between financial knowledge and business growth. The ability of human resources in managing capital (financial literacy) can be a major milestone for a company's business to grow and build its competitive advantage. This study analyzed the important role of financial risk attitude in bringing about financial knowledge on corporate growth. There have been many discussions arguing that financial knowledge is one of the main abilities of corporate managers in determining the success of managing a company. However, a contrary argument of other scholars also enlightened that financial knowledge did not have a significant influence on corporate growth. This study used literatures' review to analyze whether there is another variable that can mediate the effect of financial knowledge toward corporate growth. Research mapping was conducted to analyze the concept of risk tolerance. This concept was related to people's risk aversion effects when making a decision under risk and the role of financial knowledge on changes in financial income. Understanding and managing risks and investments are complicated, in particular for corporate managers, who are always demanded to maintain their corporate growth. Substantial financial knowledge is extremely needed to identify and take accurate information for corporate financial decision-making. By reviewing several literature, this study hypothesized that financial knowledge of corporate managers would be meaningless without manager's courage to bear risks for taking favorable business opportunities. Therefore, the level of risk aversion from corporate managers will determine corporate action, which is a reflection of corporate-level investment behavior leading to attain corporate success or failure for achieving the company's expected growth rate.

Keywords : financial knowledge, financial risk attitude, corporate growth, risk tolerance

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