

Impact of Risk Management Practices on Company Performance

Authors : Syed Atif Ali, Farzan Yahya

Abstract : This research paper covers the issue of risk management impact on the company performance. Degree of financial leverage (DFL), degree of operating leverage (DOL) and the working capital ratio (WCR) are taken as independent variables which are the representative of risk and the earning price per share (EPS), return on assets (ROA), return on equity (ROE), Sales and Net profits which are the representative of performance. Last 10 years (2004-2013) of Cement sector of Pakistan data is chosen as sample for analyze their relations by multiple regression technique. Through analyses, it is found that WCR impact adequately on the company performance because if company has enough liquidity than it perform its operations smoothly and enhance its performance very well. DFL should be control moderately because enough DFL leads performance of company downward. On the other hand, the DOL should be less because it causes the less profitability for a company from its operations.

Keywords : degree of financial leverage (DFL), degree of operating leverage (DOL), working capital ratio (WCR), earning per share (EPS), return on equity (ROE), return on assets (ROA)

Conference Title : ICERI 2015 : International Conference on Education, Research and Innovation

Conference Location : Kuala Lumpur, Malaysia

Conference Dates : August 24-25, 2015