



Influence of selected factors on financial risk management in SMEs in the Czech Republic

Zuzana Virglerova¹, Ludmila Kozubikova² and Sergej Vojtovic³

¹ Ing., Tomas Bata University in Zlín, Faculty of Management and Economics, Department of Enterprise Economics
e-mail: virglerova@fame.utb.cz

² Ing., Tomas Bata University in Zlín, Faculty of Management and Economics, Department of Enterprise Economics
e-mail: kozubikova@fame.utb.cz

³ Assoc. Professor, Alexander Dubcek University of Trencin, Faculty of Social and Economic Relations, Department of Management and Human Resources Development, e-mail: sergej.vojtovic@tnuni.sk

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ABSTRACT

The aim of this article is to analyze risk management and the influence of selected factors on approaches to financial risk management in the small and medium-sized enterprises in Czech Republic. For this analysis there were used the results of the research conducted at Tomas Bata University in Zlín in 2015. As part of the research there were addressed entrepreneurs of SMEs in individual regions of the Czech Republic by a form of a questionnaire survey. Research covered a survey of the business environment in the Czech Republic, where for this article there were used questions regarding the perception of financial risks' influence, their importance, the ability to manage financial risks and the use of instruments for their elimination. As part of the survey a total of 1,141 respondents from all regions of the Czech Republic have answered our questions. It was found out that more than 75% of the surveyed entrepreneurs perceive the effect of financial risks in the business environment, but only 28.5% of businessmen believe that entrepreneurs have the ability to manage these risks. With the use of creation of reserves as a tool to eliminate the negative impact of financial risks has agreed only 45% of the interviewed entrepreneurs. It was also found that opinions on the ability to manage financial risks and the increasing importance of financial risk in times of crisis vary according to the age of the entrepreneur and the age of his company.

1. INTRODUCTION

Small and Medium-sized enterprises (SMEs) are the pillar of all economies. These enterprises are of great importance for the world economy because they support the competitive dynamics of economic systems and, directly or indirectly have influence on large enterprises, especially in the area of increasing efficiency and innovation. (Pavelkova et al., 2009)

SMEs contribute to a solution of economic, social and political issues of the state. European Commission (2011) declares the source of the European economic strength is 23 million European SMEs representing thus 98% of the business sector. They cover two thirds of the employment contracts in the private sector and have created about 80% of new job places in the last 5 years.

Across the EU28 in 2013, some 21.6 million SMEs in the nonfinancial business sector employed 88.8 million people and generated €3,666 trillion in value added. Expressed another way, 99 out of every 100 businesses are SMEs, as are 2 in every 3 employees and 58 cents in every euro of value added. This illustrates how critical SMEs are. (European Commission, 2014). 99% of all companies are from the SME segment in the European Union and the USA (Bhaird, 2010).

The SME activity is endangered by many risks, such as: operational, personnel, market, security, production and financial risks. It is vital for entrepreneurs to continually evaluate all the possible risks and to pay the same level of attention to decisions in this field as they pay to decisions in any other field. (Cunderlík and Rybarova, 2002). In fact, every decision poses a risk to a company. For example, Kramolis (2014) stated that the companies and businesses in the Czech Republic are quite well-oriented in the field of the marketing theory of Product Life Cycle. It means they try to decrease a risk of market failure.

The conclusion of a broad international study of The Economist Intelligence Unit and Dun & Bradstreet (Riadenie odberateľských a dodavateľských rizík, 2013) is that companies that not only manage the business risks but also regularly evaluate such management obtain better results. Omitting a systematic approach forces the companies to solve problems as they appear. Whereas the management of financial risks (e.g. currency or interest rate risks) and customer credit risk is quite wide-spread, companies pay much less attention to other risks, such as supplier risks or the reputation loss risk. Nevertheless, all the above mentioned risks can influence the financial risk itself.

As a result, the aim of this article is to analyze risk management and the influence of selected factors (gender and age of the entrepreneur, age and size of the company) on approaches to financial risk management in the companies in the Czech Republic.

2. FINANCIAL RISKS IN SMEs

Most of the business decisions are made in conditions of uncertainty. This means that there is an equal uncertainty, randomness in the development of conditions for business activities, during these activities and within their outcome. If we are able to quantify the likelihood of diversion of actual processes and outcomes from the expected level, we are talking about the risk. The risk is therefore quantitated uncertainty (Fetisovova et al., 2012).

According to Smejkal and Raise (2006), the risk is characterized in another various ways: as the probability or possibility of loss or failure, as the variability of the possible results or the uncertainty of their achievement, as the variation between expected and real results, as the probability of any result different from the expected one, as the situation when the quantitative magnitude of a certain occurrence is subject to a certain probability distribution, as the danger of the negative variation from the target (so called net risk), as the possibility of loss or profit (so called speculative risk), as the uncertainty resulting from the asset value volatility (so called investment risk), as the average value of the loss function, as the possibility of a specific threat prospering from a specific system vulnerability.

According to Varcholova (2008), risk is a threat of loss at the certain level of knowledge of the environment. It means that from the business decision point of view, risk is compound by two elements: uncertainty and negative influence of this uncertainty on the decision subject.

Business risk has a complex form, because it includes multiple partial risks that are interconnected. Fetisovová et al. (2012) divides business risks on: strategic risks, operational risks, the financial risks, socio-political risks, and the risk of loss of the reputation.

Business activities are determined by the business environment of the company which forces it to use a specific method of behavior and to choose specific business aims and ways how to achieve them. The social, legal and political environment, which are created by state, play an important role. The positive perception could stimulate financial performance of the companies and can accelerate the positive influence of them on society. (Belas et al., 2015)

Economic and financial risks in risk management are a term that includes the risks affecting the economic performance of the company. This kind risk is among the most important. These are the risks associated with the economy and economic governance in the company, with errors in other areas of the company and factors outside the company. Inside the company it may be the risks associated with improper financial management, including the consequences associated with it (the loss, indebtedness, liquidity problems etc.), setting up the system of internal management and improper management of other business areas, especially production efficiency. Outside the company then it is all about business conditions - political, legislative, trade, market and economic. In the economic and financial risks, it is important to address their prevention. (Business encyclopedia, 2014)

According to Hudakova (2015) the biggest barriers that prevent enterprises in Slovakia to effectively manage financial risks relate to problems with the availability of information, whether internal or external data necessary to evaluation and management of risks, or integration into the decision-making process.

According to Fetisovova et al. (2012), the financial risks are related to the development of financial markets and the use of various financial instruments. They have a complex character and can be classified into the following groups: funding risk, credit risk, liquidity risk, the risk of changes in interest rates, foreign exchange risk, inflation risk and counterparty risk.

Financial risk always exists and it exists everywhere. It can't be transferred by man's will. Human are unable to avoid and eliminate it. But they can reduce loss and cope with the risk through various technical means and developing preventive measures. Financial risk occurs only at a certain period or stage and men are unable to determine the period and stage. Thus illustrates the financial risk is uncertain also, which requires from the enterprise managers to constantly strengthen the consciousness of risk, improve financial management so that they can reduce the possibility of the occurrence of the risk. Financial risk exists in all aspects of the enterprise financial management work including the raise, use and distribution of capital. This requires managers to fully focus on all aspects of the change, find risk timely, and take effective measures to control the spread of the risk. (Shuying and Mei, 2014).

All the business risks have an impact on the financial performance of a company and could lead to a default. Eurobarometer (European Commission, 2012) focused on doing business in the European Union territory and out of it pointed out that a default risk prevents almost a half of the respondents from founding their own company.

The negative impact of various risks is multiplied in the crisis periods. Financial crises are times of simultaneous increases in risk and great losses in portfolio values (Christensen et al., 2015). The crisis also effects efficiency as well as the productivity and income growth of countries and individual firms. The last financial crisis has significantly changed the European SME managers' view on the risk management. Various studies have revealed certain mistakes that had been done during the crisis, such as poor cash flow management or insufficient financial risks management (i.e. missing early warning of a financial manager). If managers had prevented these mistakes they could have reduced or completely avoided the negative influences of crisis on their companies. (Kristofík, 2010).

The important part for risk management in companies is to dedicate their resources to risk management. The aim of risk management is to identify, analyze, evaluate, solve and monitor risks possibly endangering the company.

Business risk management can be defined as a structured and disciplined approach putting in harmony the strategy, human resources, technology and knowledge in order to evaluate and manage uncertainty a company is facing in the process of creating value. It is a truly holistic and integrated process covering all the business threats and opportunities. (DeLoach, 2000).

Risk Management Guide for Small and Medium Businesses (2009) created by the organization CPA Australia enumerates these specific risks of SME: customer risk, supplier risk, personnel risk, operating risk, reputation risk, financial risks (e.g. liquidity, credit, currency, interest rates risk etc.), competitive risk, market risk, economic risk, unexpected owner leave and many others (connected to internal scrutiny, sales, receivables, payables, purchasing etc.). The previous research on the business environment in the Czech Republic has shown, that the most significant business risk in the segment of SME evaluated by Czech and Slovak entrepreneurs is a market risk, which led to significant changes in the performance of the studied companies. At the same time the study have revealed a high degree of confidence of individual groups of entrepreneurs when evaluating their capability of managing financial risks in the company. (Kozubíkova et al, 2015a, 2015 b)

SMEs can see many barriers when they want to get onto credit market. These barriers increase if the SMEs are innovatory. In this case, financial data are unreliable or even insufficient. For this reason is building a judgmental rating model very important for financing SMEs' activities. (Angilella and Mazzu, 2015). The situation is worse when SMEs ask credit from banks. There is usually the rule that for the smaller company is more important soft information. Banks usually have different lending access that can be grouped into four categories: financial statement lending (based on the evaluation of information from balance sheet data), asset based lending (based on the provision of a collateral), credit scoring models (based on hard information), and relationship lending (Moro and Fink, 2013).

Risk taking is one of the constructs of Entrepreneurial Orientation (EO), which significantly influences corporate performance. More precisely by Kreiser, Marino, Kuratko and Weaver (2013) there exists predominantly positive relationships between innovativeness-performance and proactiveness-performance, and a predominantly negative relationship between risk-taking and performance.

Entrepreneurial orientation is a general tendency of companies to explore new market opportunities (Lumpkin and Dess, 1996, Matsuno et al., 2002). Early views of EO posited that its three primary dimensions represent a unidimensional strategic orientation towards entrepreneurship (Miller, 1983).

According to Lumpkin and Dess (1996) it is delimited by the five constructs (innovativeness, proactivity, risk taking, autonomy, competitive aggressiveness). The same authors stated that EO reflects a firm's innovativeness, proactiveness, and willingness to undertake risks and that risk-taking is often typical for companies with EO in terms of increases of the foreign capital in order to achieve a high income.

An entrepreneurs' attitude to the risk is significantly influenced by their character in terms of risk aversion, tendency to risk or neutral (moderate) attitude. On the other hand our previous research has shown that business situations are often unique in their unpredictability, complexity and changing requirements during the business process and entrepreneurs must be capable to have the features of several personalities at once (Frese and Gielnik, 2014).

According to Segal et al. (2015) from a macroeconomic perspective good uncertainty predicts an increase in future economic activity, such as consumption, output, and investment, and is positively related to valuation ratios, while bad uncertainty forecasts a decline in economic

growth and depresses asset prices. The successful people are ready to take on reasonable risks associated with feedback about the level of reached results to take set goals (Kvietok, 2013).

Tendency to look for a situation with high risk is also associated with a tendency to be optimistic and perceive opportunities rather than threats in any situation. A reasonable optimism is desired from the perspective of the development of the company. A disproportionate optimism may have damaging effects because entrepreneurs are making strategic mistakes or plunge into a large number of tasks at once (Frese and Gielnik, 2014). Probability to become and to be an entrepreneur increases with growing risk tolerance (Caliendo, Fossen and Kritikos, 2014). According to Mishra and Lalumière (2011) results indicate that stable personal characteristics (low selfcontrol, impulsivity, sensation search), may represent the approximate mechanisms through which the preferences of risk are manifested in the behavior.

Different authors address the question of the importance of gender effect as in business generally and specifically in the approach to risk taking as an element of EO. According to the Global Entrepreneurship Monitor (2010), the proportion of women in business varies between economies, but it is almost always less than that of men. Gender has been of interest in many entrepreneurial studies focusing on issues such as reasons they decided to start a business, how they raised seed capital, and different success levels between males and females. (Lim and Envick, 2013). The position of women in business (starting a business, access to external financing, negotiating with partners, etc.) is sometimes difficult due to the traditional understanding of roles in society and the vision of women in the roles of wives and mothers. On the other hand, it is possible to hear the opinions highlighting the benefits of these roles in terms of usage of managerial skills of women in the management of the family and consequently in business.

Most authors dealing with a different attitude to risk, depending on gender that generally based on finding differences between men's and women's behavior have concluded, that men are more inclined to risk than women (Goktan & Gupta, 2015, Sexton and Bowman-Upton, 1990, Langowitz and Minniti, 2007, Lim and Envick, 2013), while others have come to opposite results (Runyan, Huddleston and Swinney, 2006).

The experience gained an increasing number of years in business play an important role in the approach to risk. According to Kraus (2013) more experienced entrepreneurs are more risk taker, innovative and proactive within organization. Moreover, he concludes that the risk taking and innovativeness are significantly related to firms' performance. The study of the authors of Sepulveda and Bonilla (2014) has revealed that the **age** affects risk quadratically (first positively, but after some point, negatively), and if there is a prior experience of having shut down a business, risk aversion increases, that is, the probability of feeling a fear of failing, which reduces the probability of becoming an entrepreneur. Findings of Hatak, Harms and Fink (2015) revealed: "as employees age they are less inclined to act entrepreneurially, and that their entrepreneurial intention is lower the more they identify themselves with their job. Whereas gender, education, and previous entrepreneurial experience matter, leadership and having entrepreneurial parents seem to have no impact on the entrepreneurial intention of employees."

According to Nason, McKelvie and Lumpkin (2015) organizational size is an important factor contributing to the heterogeneous nature of corporate entrepreneurship. They suggest that smaller firms are rather utilizing corporate entrepreneurship for growth to overcome liabilities of smallness, while large firms rate use corporate entrepreneurship for learning to overcome liabilities of inertia.

3. THE AIM AND METHODOLOGY

The aim of this article is to analyze risk management and the influence of selected factors (gender and age of entrepreneurs and the age and the size of the company) on approaches to financial risk management in the SMEs companies in the Czech Republic. The results are a

partial conclusion of a wider business environment survey realized at Tomas Bata University in 2015. The companies were selected from the program Albertina and were surveyed by questionnaire via internet.

From the total number of 1141 surveyed firms 65% were micro-enterprises, 27% were small enterprises and 8% were medium-sized enterprises.

In relation to the gender of the entrepreneur 75% of them were men and 25% of them were women. The major motivation to run one's own business was desire for money (29%). After this reason it were desire for having a job and perceiving entrepreneurship as a mission (equally 22%). 8% of the total number stated that they didn't have any other choice and 18 % of respondents had other reasons.

The structure of the companies according to 14 regions of the Czech Republic was as follows: Zlin Region (28.3%), Moravian-Silesian Region (24.2%), Olomouc Region (11.7%), South Moravian Region (10.2%), Liberec Region and in Prague was equal representation (5.1%), Pardubice Region (4.8%), Plzen region (2.7%), Central Bohemian Region (2.1%), Hradec Kralove (2.0%), Highlands (1.6%), South Region (1.0%), Usti Region (0.9%) and Karlovy Vary (0.3%).

In accordance to the length of doing business 62 % of them were doing business more than 10 years, 21 % of them between 1 and 5 years, and 17 % of them between 5 and 10 years. It can be said that the owners of the companies were quite experienced entrepreneurs.

The structure of the sample according to the business area was as follows: trade companies (33%), manufacturing companies (23%), construction companies (14%), transport companies (6%) and agricultural firms (3%). The largest portion of companies operated in other sectors (39%).

Within this article there was processed a partial bulk of the conducted research on financial risk management and analysis of the impact of selected socio-demographic criteria on perception and management of financial risks. The following hypotheses were set:

H1 More than 50% of the interviewed entrepreneurs perceive the intense action of financial risks (poor access to external financing, poor payment discipline, etc.) in their business.

H1a Companies that are on the market for more than 10 years, intensely perceive the action of financial risk than younger companies.

H1b Older entrepreneurs (35+) have a tendency to perceive the financial risk more intensively than their younger colleagues.

H1c There is a statistically significant difference between the perception of financial risk exposure in terms of gender and age of the entrepreneur, the size and age of the company.

H2 At least 20% of the surveyed entrepreneurs believe they can correctly manage the financial risks in their companies.

H2a Entrepreneurs men are statistically significantly more convinced of their ability to manage financial risks in their businesses than women.

H2b There is no significant statistical difference among the answers of 35+ entrepreneurs and those businessmen whose firm is more than 10 years old.

H2c There is a statistically significant difference between the perception of the ability to manage financial risks in terms of gender and age of the entrepreneur, the size and age of the company.

H3 At least a half of the surveyed entrepreneurs believe that the importance of financial risk during the crisis have increased.

H3a Entrepreneurs over 35 perceive increasing importance of financial risk in a period of crisis more intensely than younger entrepreneurs.

H3b In small and medium-sized enterprises, the importance of financial risk during the crisis have increased more than in micro enterprises.

H3c There is a statistically significant difference between the opinion that the importance of financial risk during the crisis have increased, from the perspective of the gender and age of the entrepreneur, the size and age of the company.

H4 At least a third of entrepreneurs believe that the businessmen minimize the negative impact of the financial risks by creating reserves.

H4a Entrepreneurs from micro enterprises have a more aggressive approach to managing financial risk than entrepreneurs from small and medium-sized enterprises, this means that they do not hold any position about creating reserves or disagree with this approach.

H4b Entrepreneurs whose company has existed for more than 10 years, perceive a creation of reserves as a tool for minimizing the financial risk more intensively than entrepreneurs in younger firms.

H4c There is a statistically significant difference between the attitude to the fact that entrepreneurs create reserves to minimize the negative impact of financial risk in terms of gender and age of the entrepreneur, the size and age of the company.

The associations in contingency tables were analyzed by chi-square and Z-score.

P-value is being compared with standard 5% confidence level. P-value which is lower than the confidence level leads to the rejection of the null hypothesis. The null claims there is no association between variables. Z-score was used for finding significant statistical differences between the responses of selected socio-demographic groups. Finally, the instruments of descriptive statistics, such as percentages have been used.

4. RESULTS AND SHORT DISCUSSION

Firstly, there was investigated an opinion of entrepreneurs on effects of financial risks in the business environment (poor access to financial resources, poor payment discipline, etc., and subsequently the first group of hypotheses was verified).

Table 1. Entrepreneurs opinion on effects of financial risks in the business environment

<i>In a business environment financial risk has intensive effect (poor access to external financial resources, poor payment discipline, etc.).</i>	men	women	Age -35	Age 35+	Micro	SME	Company age -10	Company age 10+
I totally agree	142	39	41	140	120	61	55	126
Share in %	16.49	13.93	14.70	16.24	16.22	15.21	12.61	17.87
p-value	0.3077		0.5419		0.6599		0.0182	
I agree	533	171	166	538	456	248	273	431
Share in %	61.90	61.07	59.50	62.41	61.62	61.85	62.61	61.13
p-value	0.8026		0.3843		0.9442		0.6171	
I don't hold position	120	40	53	107	109	51	75	85
Share in %	13.94	14.29	19.00	12.41	14.73	12.72	17.20	12.06
p-value	0.8808		0.0060		0.3524		0.0151	
I disagree	62	26	18	70	50	38	30	58
Share in %	7.20	9.29	6.45	8.12	6.76	9.48	6.89	8.23
p-value	0.2543		0.3628				0.4065	
I totally disagree	4	4	1	7	5	3	3	5
Share in %	0.47	1.42	0.35	0.82	0.67	0.74	0.69	0.71
p-value	0.0930		0.4295		0.8887		0.9681	
Total	861	280	279	862	740	401	436	705
Chi square	4.9087		8.5025		3.4313		10.5104	
p-value	0.2968		0.0748		0.4884		0.0327	

Source: own

From the conducted research it follows that 885 respondents from a total of 1141 agrees with the statement that in the business environment there is financial risk. H1 was confirmed as a number of positive answers is 77.6% of the polled entrepreneurs.

Within analyzed social groups the percentage of positive answers is very similar. Entrepreneurs whose business is on the market for more than 10 years, perceived financial risks more than entrepreneurs who do business for less than 10 years (79% / 75.26%). H1a was therefore confirmed. Regarding the age of entrepreneurs, it could be confirmed that older entrepreneurs (35+) answered mostly (totally 78.65%), that they agree with the investigated statement, and 74.2% of younger entrepreneurs under 35 years old were answering approvingly. H1b was thus confirmed.

Statistically significant differences in the responses were detected in only one criteria, and that is the length of doing a business (chi-square 10.5104 / p-value 0.0327). In this group there were also observed statistically significant differences in the responses, and this is in the answers "I totally agree" (p-value 0,0182) and "I don't hold a position" (0,0151). This attitude was not taken by a greater percentage of entrepreneurs whose businesses are younger than businessmen from a more than 10 years old companies. The same result applies to the age group of entrepreneurs, where young entrepreneurs often do not hold a position on the argument. Conversely entrepreneurs with an older firms in comparison to younger businessmen to a greater extent commented this statement approvingly.

Table 2. Opinion of entrepreneurs on the ability to manage financial risks

<i>Entrepreneurs can properly manage financial risk in their businesses.</i>	men	women	Age -35	Age 35+	Micro	SME	Company age -10	Company age 10+
I totally agree	12	2	5	9	8	6	7	7
Share in %	1.39	0.71	1.79	1.04	1.08	1.50	1.61	0.99
p-value	0.3681		0.3222		0.5419		0.3628	
I agree	225	86	73	238	190	121	111	200
Share in %	26.13	30.71	26.16	27.61	25.68	30.17	25.46	28.37
p-value	0.1336		0.6384		0.1031		0.2846	
I don't hold position	329	94	99	324	280	143	146	277
Share in %	38.21	33.57	35.49	37.59	37.84	35.67	33.49	39.29
p-value	0.1615		0.5287		0.4654		0.0488	
I disagree	270	89	94	265	238	121	155	204
Share in %	31.36	31.79	33.69	30.74	32.16	30.17	35.54	28.94
p-value	0.8966		0.3576		0.4902		0.0193	
I totally disagree	25	9	8	26	24	10	17	17
Share in %	2.91	3.22	2.87	3.02	3.24	2.49	3.90	2.41
p-value	0.7872		0.8966		0.4777		0.1499	
Total	861	280	279	862	740	401	436	705
Chi square	3.7300		1.9726		3.4458		9.8561	
p-value	0.4438		0.7408		0.4862		0.0429	

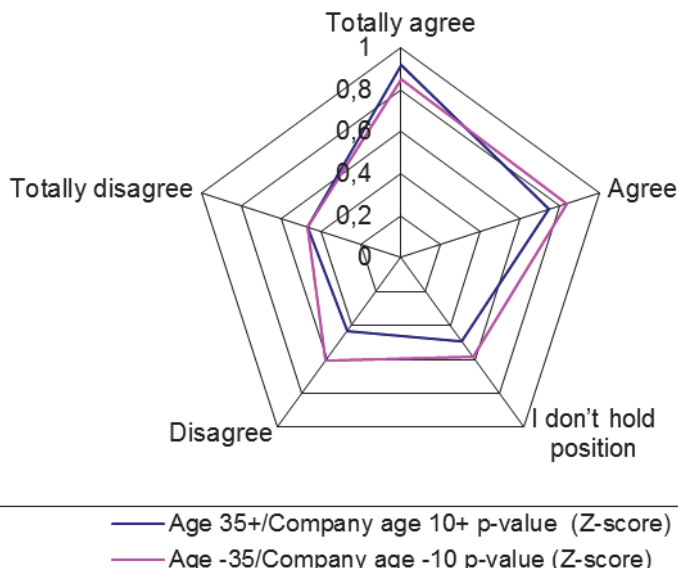
Source: own

The results confirmed that a total of 28.5% of the surveyed entrepreneurs believe that they are able to manage financial risk in their businesses. H2 was thus confirmed.

Women are more confident about the ability of entrepreneurs to manage financial risk statistically significantly more likely than men (31.42% / 27.52%). H2a was rejected.

Statistically significant differences detected by using chi-square test were found only in the group of Company age (chi-square 9.8561 / p-value 0.0429). In this group there were also found statistically significant differences in the overall structure of the answers, and this is in the answers "I do not hold a position" (0.0488) and "disagree" (0.0193).

Fig. 1. Testing of statistical significance of selected responses to the statement “Entrepreneurs can correctly manage the financial risks in their business”.



Source: own

The above graph shows that there is no statistical difference in the responses of entrepreneurs aged 35+ to the responses of entrepreneurs whose company exists for more than 10 years. Also in the answers of the businessmen of under 35 years old with the company of less than 10 years old there was no significant statistical difference. The values of Z-score are than greater than p-value of 0.05. It is also possible to conclude that entrepreneurs over 35 years have their companies for more than 10 years. H2b hypothesis was confirmed.

Tab 3. Entrepreneurs opinion on the increasing importance of financial risk in a period of crisis

<i>The importance of financial risks has increased during the crisis</i>	men	women	Age -35	Age 35+	Micro	SME	Company age -10	Company age 10+
I totally agree	43	16	8	51	38	21	20	39
Share in %	4.99	5.71	2.87	5.92	5.14	5.24	4.59	5.53
p-value	0.7872		0.0455		0.9442		0.4839	
I agree	535	167	155	547	432	270	234	468
Share in %	62.14	59.64	55.56	63.46	58.38	67.3	53.67	66.3
p-value	0.4533		0.0183		0.0030	3	0.0000	8
I don't hold position	235	83	105	213	233	85	160	158
Share in %	27.29	29.64	37.63	24.71	31.49	21.2	36.70	22.4
p-value	0.4473		0.0000		0.0002	0	0.0000	1
I disagree	45	12	10	47	32	25	19	38
Share in %	5.23	4.29	3.58	5.45	4.32	6.23	4.35	5.39
p-value	0.5287		0.2113		0.1585		0.4354	
I totally disagree	3	2	1	4	5	0	3	2
Share in %	0.35	0.72	0.36	0.46	0.67	0.00	0.69	0.29
p-value	0.4279		0.8181		0.0989		0.4354	
Total	861	280	279	862	740	401	436	705
Chi square	1.8635		20.0879		17.8820		28.8491<	
p-value	0.7608		0.0005		0.0013		0.00001	

Source: own

The conducted research shows that 761 out of a total 1,141 surveyed entrepreneurs perceive the increasing importance of financial risk in a period of crisis. There are more than 66% of respondents, and this fact confirms the hypothesis H3.

The resulting values of chi-square and p-value have confirmed that there were statistically significant differences in the overall structure of the answers of entrepreneurs under the age of 35 years and their older colleagues (20.0879 / 0.0005), also in the responses of entrepreneurs from micro enterprises and SMEs (17.8820 / 0.0013), and there were identified differences in responses of the group according to the Company age (28,8491/< 0,00001).

Entrepreneurs aged 35+ agreed with the statement in more than 69% of cases, compared to their younger colleagues, who completely agreed or just agreed for only 58%. H3a hypothesis was confirmed.

Small and medium enterprises often corresponded with "I totally agree" or "I agree" (72.57%) in comparison with the micro enterprises (63.52%). There was also found a statistically significant difference between the responses "I agree" (P-value 0.0030), and "I do not hold a position" (p-value 0.0002). H3b hypothesis was confirmed.

Tab. 4. The opinion of entrepreneurs on the creation of reserves as a tool for minimizing the financial risk

<i>Entrepreneurs minimize the negative impact of financial risk by building up reserves</i>	men	women	Age -35	Age 35+	Micro	SME	Company age -10	Company age 10+
I totally agree	21	9	6	24	18	12	8	22
Share in %	2.44	3.21	2.15	2.78	2.43	2.99	1.83	3.12
p-value	0.4839		0.5868		0.5755		0.1868	
I agree	366	118	128	356	309	175	187	297
Share in %	42.51	42.14	45.88	41.30	41.76	43.64	42.89	42.13
p-value	0.9124		0.1770		0.5419		0.8026	
I don't hold position	257	82	86	253	237	102	142	197
Share in %	29.85	29.29	30.82	29.36	32.03	25.44	32.58	27.94
p-value	0.8572		0.6384		0.0198		0.0969	
I disagree	196	64	55	205	152	108	91	169
Share in %	22.76	22.86	19.71	23.78	20.54	26.93	20.87	23.97
p-value	0.9461		0.1585		0.0139		0.2263	
I totally disagree	21	7	4	24	24	4	8	20
Share in %	2.44	2.50	1.44	2.78	3.24	1.00	1.83	2.84
p-value	0.9522		0.2041		0.0193		0.2891	
Total	861	280	279	862	740	401	436	705
Chi square	0.5162		4.6157		14.3382		5.9090	
p-value	0.9719		0.3290		0.0063		0.2060	

Source: own

The results confirm the hypothesis H4, since a total of 514 respondents which represent 45% of the surveyed businessmen, agree that entrepreneurs make up reserves in an effort to minimize the negative impact of financial risk.

A statistically significant difference in the responses was recorded in the group dividing businesses by size (chi-square 14.3382 / p-value 0.0063). This also applies to the differences in the answers "I do not hold a position", "I disagree", and "I completely disagree", where were also found significant statistical differences between the answers of micro enterprises and SMEs. More than 55% of micro enterprises either do not hold a position or disagreed with the

statement that entrepreneurs make up reserves to minimize financial risks. For SMEs, the answers were almost 2.5% more consistent with the statement. H4a partial hypothesis was hereby confirmed.

Entrepreneurs with the company of over 10 years old often agreed with the statement on the formation of the reserves than entrepreneurs from younger firms. H4b hypothesis was confirmed, however, the difference in the responses based on the test criteria of Z-score was not statistically significant.

As part of the research, in terms of the gender division of surveyed companies we can clearly state that to do business was decided by a larger percentage of men than women. In this survey there were asked 1141 respondents and only 25% of them were women. The results of the survey confirm the findings of the Global Entrepreneurship Monitor (2010), which argues that the proportion of women in business varies between the economies, but it is almost always less than that of men.

Our results are compatible with Christensen et al. (2015) and Křištofík (2010), because they confirmed that the perception of risks has increased during the crisis period and changed the view of managers on risk management in their companies. More than 60% of the managers of SMEs in the Czech Republic agrees with this statement.

According to Soininen, Puumalainen, Sjogren & Syrja (2012) EO can mitigate the negative effect of the crisis to the firm's operation and on firm's financial performance. They have found a negative effect of risk taking and financial as well as operational performance. It means that, those firms are more risky they have suffered more than the companies that are risk averse in the financial crisis period.

The crisis has worsened business conditions for SMEs. According to Belás et al. (2014), the most important business risks which were perceived by entrepreneurs in the Czech Republic were financial, personnel and market risks. Market risk was identified as a key risk by the largest number of entrepreneurs, which means 79.44% of them in the Czech Republic. Average performance decrease of SMEs was represented by 15.80% in the Czech Republic.

Small and middle entrepreneur has very good conditions for risk management because he is closely connected with all aspects of the particular operations and knows a lot of strengths as well as weaknesses of his enterprise. Although the owners of the SMEs are intuitively aware of the common risk sources that influence their everyday life, it is a little probable that they will be aware such risk sources that they have no experience with. (Hudáková, Bugánová, Lusková, 2014)

We can confirm one part of the statement created by Kraus (2013) that more experienced entrepreneurs are more risk taker, innovative and proactive within organization. It has been shown that older entrepreneurs and those with the working company for more than 10 years take the importance of financial risks more responsibly and perceive more intensively its increase during the crisis period. This group of entrepreneurs with their answers also has showed an increased ability to manage financial risk in their companies. Against their younger colleagues they take more responsible approach to minimize the negative impact of financial risk by creation of reserves.

Despite the challenging business conditions, in the research conducted by Belas, et al. (2014), businessmen showed large dose of business optimism. In the Czech Republic, up to 95% of entrepreneurs stated that they believed that their company will survive in next five years in surveyed research. According to Belás, Bilan, Demjan, and Sipko (2015) it wasn't proved that the level of business optimism is related to the age, field or the size of a company.

The problem with financing is also in Slovakia, as when the authors examined the situation they came to a conclusion that one of the biggest problems that entrepreneurs in Slovakia are

fighting, is the access to finance and lack of capital. This special issue came to the fore at young entrepreneurs (Sobejkova-Majkova, Solik and Sipko, 2015).

This survey has also confirmed some of the results of previous researches conducted at Tomas Bata University in Zlín in 2013. The partial results of the research states that Czech and Slovak entrepreneurs perceive the financial risk as one of the most important in the company. High self-esteem of the Czech and Slovak entrepreneurs as for their abilities to manage financial risks properly. 96.11% of the Czech entrepreneurs and 88.57% of the Slovak entrepreneurs stated they can manage financial risks properly or to some extent properly. Comparing the situation in Czech Republic and Slovakia Republic, it can be stated that financial risks are better managed in the selected region of the Czech Republic. Not only the entrepreneurs have a higher self-confidence as for the proper management of financial risks, but also the decrease in their profitability is lower than in case of their Slovak counterparts. However, entrepreneurs of both regions share the opinion that the most important risk in their business is the market risk. Thus it seems as if the surveyed entrepreneurs did not realize the final impact of selected risks on the financial risk. (Virglerova, 2015)

Impact on the different business environment in the Czech regions may also have effect on regional politics. Hájek (2014) points to the fact that there is a different nature of defining the spatial objectives of national regional policy of the Czech Republic and Slovakia, understood in terms of supported and unsupported regions. While in the Czech Republic there is monitored a disparity approach based on support of those regions that are lagging behind, the Slovak approach emphasizes the importance of sharing the hierarchy.

These results are comparable with the findings of PwC (2010): “nearly 70% of owners of the Czech companies expected growth of their businesses in the short period of time. This growth should have been achieved through the acquisition of new customers and further penetration of existing clients. Entrepreneurs explained that the biggest threat to their growth is the existence of intense low-cost competition, which they will compete with by producing more quality products and taking a better care of their customers.”

CONCLUSIONS

The performed research confirmed that there is an intensive financial risk in the business environment of the Czech Republic (eg. poor access to external financial resources, poor payment discipline), which can consequently result in very serious financial difficulties for businesses. This statement is also confirmed by the European Commission in its report from 2014 on the status of SMEs in the EU, which notes that one of the six key challenges that businesses have is access to finance (in addition to problems with the competition, difficulties in obtaining new customers', high production costs, an excessive regulation and lack of skilled employees, and experienced managers).

In the conducted research the ability of entrepreneurs to manage financial risks was confirmed by only 28.5% of the surveyed entrepreneurs. Women (31.42%) were more convinced about this capability than men (27,52%) from all people addressed in this research.

The research also points to the fact that the importance of financial risk has increased during the crisis period, and more than 66% of the surveyed entrepreneurs agrees with this statement. The increasing importance of financial risk in a period of crisis is perceived differently by different age groups of entrepreneurs, companies of different sizes and according to the length of presence on the market.

Only 45% of respondents agree that entrepreneurs constitute reserves in an effort to minimize the negative impact of financial risk. It has been proven that micro enterprises make less reserves than SME businesses.

Nevertheless, this research has its limitations. First of all, the respondents could have had problems with understanding the questions or their answers could have been false. However, as pointed out by Graham and Harvey (2001) and Lins et al. (2010), it is not clear why corporate executives would take their time to respond to a lengthy survey if their intent was to be untruthful. Secondly, the survey was conducted only in one region of the Czech Republic and individual regions in the Czech Republic are represented in the research carried out equally. Because of these limitations, the results of research cannot be generalized.

In the future we would like to enrich this research with an international comparison of approaches to management of financial risks in order to compare conditions in individual EU countries.

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