International Journal of Multidisciplinary Research and Publications
ISSN (Online): 2581-6187

The Effect of Risk Management on the Financial Performances Among Hospitality and Tourism Companies in Malaysia

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Abstract—*This study explored the effect of risk management on the financial performance of Malaysian hospitality and tourism companies. The risk management as it pertains to this study focused on four major risks which is operational risk, liquidity risk, market risk and credit risk. The control variables used in this study is company size. The agency theory and extreme value theory (EVT) were explained broad in the theory development. Quantitative research approach was used in the study in order to generalize the effects of risk management on the financial performance of the hospitality and tourism industry. Descriptive research design was used to examine the research problem. This study uses secondary data obtained indirectly through internet intermediaries as a means of collecting secondary data. The study population is the public listed companies in Bursa Malaysia. The unit of analysis of this study is the Travel, Leisure & Hospitality Companies listed in Bursa Malaysia. The sample selection is performed with a purposive sampling technique based on a non-probability sampling method. With the purposive sampling method, 29 companies were selected which are suitable for the objective of this study. The secondary data used in this study were derived from the audited financial statements and annual reports of the Travel, Leisure & Hospitality sub-sector of consumer, product, and services of Bursa Malaysia from 2012 until 2021. Panel data analysis and regression analysis were employed to analysed the collected data using SPSS version 22. The data was then analysed to generate descriptive analyses, correlation analyses, and regression analyses. As a result of the study, it was found that credit risk, liquidity risk, operational risk, and market risk are statistically negatively related to the financial performance of the Hospitality and tourism industry in Malaysia. In contrast, the size of the bank is positively correlated with the financial performance of the hospitality and tourism industry in Malaysia. From the findings it was revealed not all the hypothesis were accepted except for company size.*

Keywords— *Operational risk, Liquidity risk, Market risk, Credit risk, Company size, financial performances, Hospitality and tourism industry.*

I. INTRODUCTION

The hospitality and tourism industries have a great deal of overlap, and one of them contributes significantly to the other's growth and development. In the hospitality industry, tourism is a source of revenue, expansion, and development that generates money. There are currently unprecedented problems in the tourism industry due to the global effect of the COVID-19 epidemic, which is affecting the entire world. As a result of the hospitality industry providing these services to tourists, local economies benefit from this growth and development. COVID-19 has disrupted the supply chain and distribution network of businesses of every size and type, causing disruptions throughout the supply chain and distribution network (Sanjeev and Tiwari ,2021). As part of the risk management process, the organization has to identify the level of its risks and analyze the organization's financial position. The idea of risk management is one of those ideas that aims to help us live a more prudent and productive life if we are able to approach our uncertain future with a logical, consistent, and disciplined approach in order to make it easier for us to cope with it. The purpose of this study is to analyze the effect of risk management on the financial performance of the hospitality and tourism industry. The risk management as it pertains to this study focused on four major risks: operational risk, liquidity risk, market risk and credit risk.

COVID-19 affects the entire world, so governments and businesses are primarily concerned about protecting their citizens. The implications for corporate profits and economic growth are likely to result in a sharp drop in equity markets. Consequently, there are massive revenue and supply chain impacts, and some of these impacts may not be predictable. Along with the disruption of the travel ecosystem, hotels, restaurants, theme parks, and cinemas are closing. Due to the unexpected turn of events, people changed their ways as a result of the pandemic. Almost every sector of the job market was characterized by uncertainty. According to Sittipat and Adarsh (2022), tourists travel behavior and priorities have changed after a long time of staying at home, and their concerns about traveling again have changed as well. Sanjeev and Tiwari (2021) analyzed the challenges facing the hospitality and tourism industry in the post-COVID-19 pandemic and listed the following challenges: shift in technologies, training employees in health care. According to Rakesh and Yeih (2022), the COVID-19 pandemic has certainly affected the tourism industry and consumer behavior in a way that has caused a perception of risk when traveling. Tourism early recovery can be adversely affected by the current COVID-19 pandemic.

A CNA report indicates that Malaysia's hospitality industry is experiencing difficulties filling positions despite the country's international borders reopening in April 2022. According to hotel operators interviewed by CNA, a lack of labour has particularly impacted housekeeping. In the absence of a labour shortage, many hotels will not be able to open fully, resulting in lost revenue. A report published by the Star

in June 2022, the tourism sector is facing a shortage of skilled workers at a time when business is on the rise, and by the end of the year, the situation may get worse. With 26.1 million tourists in 2019, Tourism Malaysia estimated that tourism generated RM86.14bil in revenue for Malaysia before the Covid-19 pandemic struck. A widespread outbreak of COVID-19 could lead to an increase in credit risk (Esha Pratiwi & Erni Masdupi 2021). Consequently, many customers find it difficult to pay back their loans at banks because of the physical distancing policy that paralyzes the business sector.

In terms of vulnerability, the tourism industry is among the most significantly affected sectors globally (Hamid, 2021). The COVID-19 pandemic will almost certainly end Malaysia's recent financial success and ongoing reform efforts that have been developed over the past couple of years. Tourism businesses are experiencing immense financial losses due to the closure of venues and cancellation of events due to a variety of factors. As one of the fastest growing sectors in Malaysia, the tourism and hospitality industry contributes significantly to the country's economic growth as it contributes to the country's fast and steady growth (Nurhazani and Azlan,2022). In comparison with other industries in the first two months of the year, the tourism and hospitality industry struggled with an expected loss of RM3.37 billion, which is much more than the loss suffered by other industries. As a result, seasonality of tourism can pose a significant risk to hotels, as it has a negative impact on their financial and operational performance (Dengjun Zhang and Jinghua Xie, 2021). It is generally recognized that underutilization of capital assets during the off-peak season can hinder the performance of operations and finances of a company. As a result of tourism seasonality, performance indicators such as occupancy, average daily rate, and revenue per available room are impacted in ways that are negatively correlated.

The process of risk management involves identifying an organization's risk level and analyzing its financial position. Hay-Gibson and Naomi (2008) stated that the term risk is often used as a synonym for danger. It is important to consider both the probability that an event will occur and the magnitude of its negative impact. The Asipu practices are believed to be the first documented application of simplified risk analysis, according to Vincent and Jeryl (1985). JP Morgan developed two of the most well-known models in 1994 and 1997, called Risk Metrics and Credit Metrics. As a result of these two models, it was demonstrated that risks should be measured in portfolio form by considering their interdependencies. Risk management has been in widespread use for 30 years, according to Neil Crockford (1982), which has allowed the term to evolve from a largely theoretical approach to risk issues fostered by a few academics and forward-thinking insurance managers in industry into a widely accepted method of solving specific types of problems in the commercial and industrial sectors, as well as in local government. Risk management is one of those ideas that aims to help us live a more prudent and productive life if we approach our uncertain future with logical, consistent, and disciplined approach. It used to be that managing the future was a matter of faith and luck until we learned to measure probability.

Malaysia hospitality entrepreneurship defines hospitality and tourism as services offered to customers by a wide range of companies. It is centered on client happiness and providing unique experiences for them. The company aims to provide unique experiences to customers and to make them happy. Aissa Mosbahb Mohamed Saleh Abd Al Khuja (2014) says that tourism, also known as the "smokeless business," is a multi-sectoral activity that offers economic benefits, social opportunities, cultural enhancements, and job creation directly and indirectly through the expansion of allied industries.

Malaysia hospitality entrepreneurship describes three main areas in the hospitality industry: hotels, motels, bed & breakfast, and other lodging establishments; foods and beverages; and aircraft, trains, and cruise ships. The hospitality business has seen tremendous growth in recent years.

The financial performance of an entity indicates the results of its policies and operations in monetary terms. Essentially, it measures how effectively an entity uses its resources and generates revenue from its principal activity. According to Oluwatobi and Wisdom (2021), profitability is an important metric for measuring financial performance. Profit is the reward for taking risks and producing goods and services. It is also an indicator of an entity's competitiveness and sustainability in the market. In financial terms, financial performance allows us to measure policy and operations in monetary terms, as well as show their financial health over time, and allow them to compare their financial performance to those of other industries (Stephen and Wanjohi, 2017). Financial performance is also important for stakeholders, investors and creditors to analyze the riskiness of an entity, and make decisions accordingly.

Success is not determined by the company itself, but by its performance and value. It is the main objective of the industry to maximize profit through effective financial management. As well as providing accurate information to external parties, such as investors or creditors, it aims to ensure accuracy. The financial performance of an organization can be measured in a number of ways as an indicator of its efficiency and effectiveness.

Jamal, Noor and Ali Abdalla (2014) define risk as anything that could prevent the achievement of certain objectives. Managing risks is an important function once they have been identified. A particular situation may result in internal or external factors, depending on what kinds of risks exist within it. Risk is identified according to the circumstances and caused by either internal or external factors. Risk is a combination of uncertainty and consequences, according to John and Zabedah (2014). A researcher stated that experts consider risk in terms of whether it impacts objectives positively or negatively. Therefore, the analysis of risk helps to identify the opportunities to reduce it or to take advantage of it. Risk management is a process that involves developing strategies to minimize the probability and impact of a risk.

The corporation's financial performance is enhanced as a

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result of having a properly integrated setup and planning for managing risk, as emphasized by Khurram, Arslan, and Waqas (2021). Risks, according to Cynthia Akong Jeniffer (2014), are uncertainties that are inherent in all business entities that exist purely for the reason of making profits. Therefore, it is essential that all firms in the financial market adopt effective risk management practices to manage risks in order to maximize their financial gains and reduce potential losses. Effective risk management practices are essential for the financial market, as they can help maximize profits and minimize losses, thus providing long-term sustainability and success for firms.

The risk management is the process of identifying, measuring, monitoring, and controlling risks associated with the activities involved in the process. The objective of risk management has frequently been described as the minimization of costs. Francois (2016) stated that risk management doesn't generate revenues in the traditional sense of the word. Minimizing costs is an important objective of risk management because it helps the company to avoid losses from potential risks. By having a risk management committee review and approve the company's risk management framework and practices, the company can ensure that proper measures are in place to mitigate risks. In addition, having the risk management committee review and approve any public disclosure statements proposed by the company can help to ensure that accurate information is being presented to the public.

According to Akong Cynthia and Jeniffer (2014), operational risk refers to the risks associated with the execution of a company's business function. It emphasizes the risks associated with the people, processes, and systems a company employs. There is a risk of loss resulting from inadequate internal processes, people, or systems, as well as external events, which are collectively known as operational risk (Marwa, 2014). Operational risk is a type of risk that is difficult to measure, due to its wide range of potential causes. Companies must be proactive in identifying and mitigating operational risks to ensure their success and long-term viability.

Operational risk is caused by an insufficient or defective logistics system, processes, and resources, as explained by Katarzyna, Oliwia, Hafezali, and Armenia (2021). Operational risk can lead to significant financial losses, reputational damage, and business disruption. To mitigate operational risk, businesses must identify and assess potential issues, develop policies and procedures to address them, and ensure proper implementation of those measures. Operational risk can be measured to determine how competent the management is in a business operation, according to Tan, Lai, Lee and Chew (2018). There may be losses for a business as a result of ineffective or failed policies, procedures, or systems, errors made by employees or fraud committed by them, etc. Normally, an optimal operating ratio is one that ensures that the investors receive a fair return on their investment. However, if the operating risk is not addressed, it could lead to increased financial costs, and ultimately, decreased profitability. Operating risk can arise from a variety of sources, including inefficient processes, outdated technology, inadequate financial controls, mis-pricing of products and services, and inadequate legal protections. If these risks are not managed effectively, it can result in missed opportunities, increased costs, customer dissatisfaction, and eventually, decreased profitability.

An inability to fulfill the bank's obligations to customers is called liquidity risk. As well as lowering credit interest rates, restructuring policies also regulated credit payment suspensions during COVID-19 (Esha pratiwi and Erni masdupi 2021). Leonard and Willy (2018) determined that a lender faces a liquidity risk if they cannot accommodate deposits and other liabilities, as well as increasing the loan and investment portfolio. This liquidity risk can lead to huge losses for the lender, which could result in a negative financial impact on the institution and its customers. Thus, the restructuring policies are essential for providing liquidity to lenders and protecting their financial stability. These policies also help to ensure that lenders can continue to provide credit to their customers, even during times of economic downturn. Liquidity risk occurs when an investment is not able to sell or buy quickly enough to avoid losses (Jamal and Ali, 2014). Liquidity regulation is necessary to mitigate such risks and ensure that lenders can continue to offer loans to their customers. As a result, liquidity regulation is an important tool for promoting financial stability and economic growth. Liquidity regulations also help to ensure that lenders can access funds when needed and that credit is available to people who need it. This supports economic growth and helps to reduce the risk of financial crises.

As defined by Sayed, Abolfazl and Seyed (2017), liquidity is the availability of cash or its equivalents. An institution's liquidity risk occurs when it cannot provide the funds required to grant loans or repay its liabilities, such as deposits, on time. Liquidity risk is a major concern for financial institutions, as it can lead to losses and disruption of operations. Marwa (2014) defines liquidity risk as a situation in which a company is not able to meet its obligations, as indicated by the insolvency of the company. Liquidity risk of a company is determined by the ability of the company to repay short- and long-term debts through assets that can be converted into cash in a timely manner, according to Tan, Lai, Lee and Chew (2018). There are certain circumstances under which a company can be considered to be in a position of being financially viable because of its current assets and the ability to pay off its debts. The company's current assets need to be greater than its liabilities, and it should be able to generate enough cash flow to cover its operating costs and pay off its debt. It should also have access to additional capital or financing to help cover any unexpected costs.

Market risk is defined by Sayed, Abolfazl, and Seyed (2017) as the probability of a danger related to uncertainty in a financial institution's portfolio income, such as changes in asset prices, interest rates, liquidity levels, resulting from market conditions. Foreign exchange risk, interest rate risk, commodity risk, and equity risk constitute market risk, according to Bibin, Steve, and Julius (2019) and Aykut (2016). Many developing countries have experienced negative

economic performance due to these risks, which have increased their debt burdens. Market risk, as defined by Akong Cynthia and Jeniffer (2014), is the possibility of the value of a portfolio declining due to a change in the market risk factors that can influence the price of a portfolio. According to Augustine, Wilson, Uduak and Meshack (2020) the concept of market risk refers to the risk of losing money that is associated with a liquid portfolio as a result of fluctuations in market prices. As a result of the rapid changes in the market conditions, there is a greater volatility in a market risk exposure than in a credit risk exposure. According to Kahihu, Wachira, Stephen and Muathe, (2020) market risks are financial risks caused by changes in the financial market. It is the difference between the assets and liabilities of any organization that determines its level of exposure to various kinds of market volatility. An organization's financial performance is negatively affected by market fluctuations, resulting in losses on assets held for investment. According to Marwa (2014), market risk refers to the potential for adverse effects on the value of securities and portfolios by changes in financial market prices and rates.

According to Katarzyna, Oliwia, Hafezali, and Armenia (2021), market risk includes exposure to losses resulting from decreased asset, liability, and financial instrument prices associated with market fluctuations. According to Tan, Lai, Lee and Chew (2018), market risk refers to the risk of losing money that investors face due to certain factors affecting the financial market. Through diversification, market risk cannot be entirely eliminated, only hedged against.

According to Tan, Lai, Lee and Chew (2018), credit risk begins with the borrower's capacity to repay the debt, and is analyzed from this perspective. It is possible for a borrower to default on a loan when does not meet the obligations of the loan and does not make payments on time for a certain period of time. Loss of principal and interest, disruptions to cash flow, as well as increased collection costs are all part of this type of risk. A credit risk arises when customers or other parties do not fulfill their obligations in accordance with their agreement (Khalisah and Nisa Bela 2022).

Instabilities in governance, including a lack of monitoring of credit records after banks give credit, and the absence of a monitoring process on credit records contribute to increased credit risk (Umar, Tijjan and Salisu, 2022). In order to reduce default rates, credit risk must be cautiously monitored and supervised, as one of the notable financial crises occurs. A credit risk analysis, as defined by Leonard and Willy (2018), is an examination of a borrower's financial health. Since the beginning of the industry, it has been a central part of its activities. The analysis focuses on credit risk, which is the risk that the other party will not meet its creditors' obligations. With the growth of the derivatives market, credit risk has expanded immensely, but it remains a major concern.

According to Jamal and Ali (2014), credit risks arise whenever borrowers expect future cash flows to pay off their current debts. Investing in credit risks entails taking on some credit risk, and investors are compensated for taking on that risk by receiving interest payments. It is possible for a borrower to lose his principal or reward if he fails to repay a loan or meet other contractual obligations. Sayed, Abolfazl, and Seyed (2017) define credit risk as the likelihood of a debtor defaulting on a debt. This risk combines exposure, recovery, and default risk. By formulating certain policies to promote financial stability and efficiency, banking policymakers can reduce variations in outputs by reducing credit risk. Credit risk is periodic and depends on structural characteristics.

As Evans Ombongi and Kenya Aquilas (2013), Small and Medium Enterprises (SMEs) often need robust risk management systems more than other business entities. Their very size and various limitations may make it difficult for them to manage and control risks. The size of banks may have an impact as they reduce their shock absorption capacity (Alim, Wajid and Ali, Amjad and Metla, Mahwish 2021). According to Sammy Raymond Muteti (2014), banks are typically measured by their market share or size in order to capture potential economies of scale or diseconomies of scale. To determine the impact of market share or bank size on profitability, it is necessary to select between deposits and loans as a proxy for bank output. Kahihu, Wachira and Stephen (2020) emphasized the importance of workers, operations size, market share, and outreach in determining a company's size. According to Agus, Diana and Suharto (2022), total assets determine Islamic bank size. In comparison with small Islamic banks, large Islamic banks generate more benefits due to economies of scale and efficiency. However, compared to small Islamic banks, large Islamic banks may experience diseconomies of scale and inefficiency. According to Jane (2016), bank size influences the financial risk and performance of Kenyan banks. It was found that the size of commercial banks moderated their financial performance. Therefore, from the results of the study, it can be concluded that the interaction between bank size and financial performance was significant.

II. THEORETICAL JUSTIFICATION AND RELATIONSHIPS

A. Agency Theory

According to Arslan Qaisar and Waqas Ahmed (2021), the agency theory is a framework which illustrates how management can resolve the principal-agent problem by implementing enterprise resource management programs (ERM). An agency theory is one that considers that it is the separation between ownership and control of a large corporation, according to George Kaliti (2014). Agency theory focuses on the relationship between the two parties, ensuring that each person has the ability to act independently and without compromising the relationship. Risk management involves both parties understanding the risks of the relationship and taking steps to ensure that these risks are managed responsibly. It is expected that this application will have a greater impact on the company's risk management process.

B. Extreme value

According to Kerongo & Rose (2016) and Mary (2015), extreme value theory plays a crucial role in the methodology of risk management. Based on this theory, operational risk

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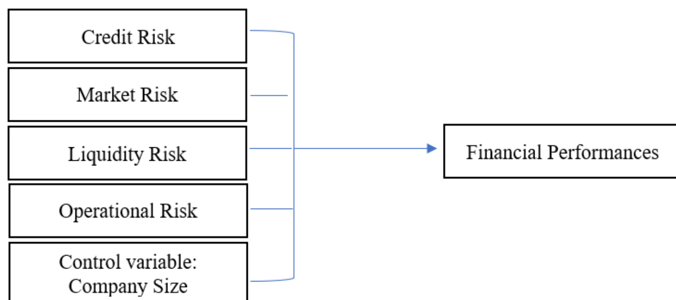
management is being developed to help organizations better manage their risks and reduce their exposure to extreme events. Jane (2016) and Leonard and Willy (2018) argued that Extreme value theory could be used to determine the level of capital required in order to mitigate market risks from the perspective of an investor. As a means of achieving this goal, firms should manage their exposure to market risk through their financial resources in order to manage market risk. This application will help the firm to be better prepared for any potential losses or volatility in the market. It can be used to identify large market losses and help investors make better portfolio decisions.

III. Conceptual Framework



Source: Tassew and Hailu (2019)

The study's dependent variable is Financial Performances, whereas the independent variables are credit risk, market risk, liquidity risk and operational risk. Control variables is company size.

IV. Research Methodology

The dependent variable in the study consists of company's financial performances indicator which is measured here by return on equity. The independent variables of this study are market risk, credit risk, operational risk and liquidity risk. The control variables of this study are the company size. This variable was measured with formula. To demonstrate the relationship between the dependent variables and independent variables, regression analysis, correlation, and model summary were used (Lin Yan,Jing Hoa, Shuqi and Wei Sheng,2018). To be able to measure the variables that are part of the study, formulas were used to analyze the data. Data were collected from 29 companies listed in the sub-sector of Travel, Leisure & Hospitality Companies out of the total of 205 public listed companies in Bursa Malaysia's consumer, product and services sector. Using audited financial statements as well as annual reports, a secondary analysis was conducted. To obtain the desired results, data was computed using the Statistical Package for Social Sciences (SPSS) tool. Data was analyzed in order to determine the financial performance of the companies over a period of time that was examined in this study. Panel data analysis and regression analysis were employed to analysed the collected data using SPSS version 22. The data was then analysed to generate descriptive analyses, correlation analyses, and regression analyses.

V. Discussion

A. *Operational risk and financial performances*

Olajide and Diekolola (2020) investigate how operational risk management procedures affect the financial performance of Nigerian commercial banks. The study discovered a positive relationship between operational risk management practices and banks' financial performance. This illustrates how operational risk management approaches have an impact on the financial performance of companies. Additionally, Mary (2015) and Kerongo and Rose (2016) claimed that operational effectiveness and financial performance in Tanzanian financial institutions were positively correlated. According to Suvita (2020), the operational risk associated with a business is influenced by both internal and external factors, including the debt-to-income ratio and the gross domestic product of the business. Leonard and Willy (2018) study states that operational risk negatively affects the profitability of commercial banks listed on the Nairobi Securities Exchange, since these banks have relatively high levels of operational risk. It is the purpose of this study to fill a gap that exists in the above reviews that mainly focus on the banking industry, by studying the hospitality and tourism industries. The following hypothesis was formulated based on the empirical literature review that was conducted:
Hypothesis 1: Operational risk effect the financial performances of hospitality and tourism industry

B. *Liquidity risk and financial performances*

This study examines the impact of liquidity risk management on the financial performance of Pakistani commercial banks (Alim, Wajid, Ali, Amjad, Metla, Mahwish Rauf 2021). The findings of this study demonstrate that sustaining liquidity enhances bank performance in Pakistan. The study draws the conclusion that liquidity risk adversely affects commercial bank performance in Kenya since Sammy (2014) showed a negative link between liquidity risk and the financial performance of commercial banks in Kenya. In Okere, Isiaka, Muideen, and Ogunlowore (2018) research, liquidity risk management and firm's financial performance were found to be significantly correlated. Financial performance is negatively affected by liquidity risk, according to Jane (2016). The findings of Hashim and Hamid (2021) indicate that liquidity risk is positively related to bank profitability. Liquidity risks negatively affect commercial banks' financial performance in Ethiopia, according to Abel and Aregu (2019). According to Leonard and Willy's (2018) study, liquidity risk significantly affects commercial banks' profitability. The study fills a gap in above reviews that mostly focused on the banking industry by focusing on the hospitality and tourism industries. The following hypothesis was formulated based on the empirical literature review that was conducted:
Hypothesis 2: Liquidity risk effect the financial performances of hospitality and tourism industry

C. *Market risk and financial performances*

Using Namasake (2016), this study examines how the impact of market risk on the performance of Kenyan

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commercial banks. This study examines how market risk impacts commercial banks' financial performance. According to Fransiska (2022), market risk has an impact on profitability that is partly positive and significant. The financial performance of commercial banks has been influenced negatively by market risk, according to Jane (2016), who indicates that this is a common effect among commercial banks. The research conducted by Abel and Aregu (2019) led to the conclusion that market risks have a substantial impact on the financial performance of commercial banks in Ethiopia. According to the Leonard and Willy (2018), there was a statistically significant relationship between market risk and the profitability of commercial banks. By focusing on the hospitality and tourism industries, this study fills a gap in earlier reviews that mostly addressed the banking industry. The following hypothesis was formulated based on the empirical literature review that was conducted:
Hypothesis 3: Market risk effect the financial performances of hospitality and tourism industry

D. Credit risk and financial performances

Based on analyses conducted by Kerongo and Rose (2016) and Mary (2015), the influence of commercial banks' practices for managing operational risks on financial performance was determined. Results of the study indicate that credit risk, insolvency risk, and operational efficiency all have a significant impact on financial performance. Commercial banks in Tanzania are negatively influenced by credit risk and insolvency risk. Similarly, Sammy (2014) and Jane (2016) concluded that credit risk had a negative impact on Kenyan commercial banks' performance, implying that credit risk is detrimental to the financial health of Kenyan commercial banks. A negative correlation exists between bank profitability and credit risk, according to Hashim and Hamid (2021). Based on Abel and Aregu (2019) research, credit risks significantly impact Ethiopian commercial banks' financial performance. According to Leonard and Willy (2018) study, credit risk negatively impacts Kenyan commercial banks. The purpose of this study is to fill a gap in the existing reviews that mostly focused on the banking industry by conducting a study in the hospitality and tourism industry. The following hypothesis was formulated based on the empirical literature review that was conducted:
Hypothesis 4: Credit risk effect the financial performances of hospitality and tourism industry

E. Company size and financial performances

Sammy (2014) conducted a study to discover that bank deposits, bank size, and the financial performance of Kenyan commercial banks were all positively correlated with capital management risk, bank deposits, and bank size as well as the risk of capital mismanagement. Based on the study, bank size, deposits in the bank, and risk associated with capital management are correlated positively with Kenyan commercial bank performance. Based on the findings in Kahihu, Wachira & Stephen (2020), the relationship between market risk and the financial performance of microfinance institutions in Kenya is moderated by the size of the institution. According to Tassew, Abel, Hailu, Aregu (2019), the size of a bank in Ethiopia has a significant and positive impact on financial performance. Financial risk and performance of banks are influenced by bank size, according to a study Jane (2016). A significant moderating effect was observed between bank size and commercial bank financial performance. Therefore, it can be concluded that the interaction between bank size and financial performance was significant during the study period. Studies discussed above focused on bank size; to fill in this gap, this study examines the size of hospitality and tourism companies. The following hypothesis was formulated based on the empirical literature review that was conducted:
Hypothesis 5: Company size effect the financial performances of hospitality and tourism industry

VI. CONCLUSION

The study analyzing the effect of risk management in the performances of hospitality and tourism industry in Malaysia. From the findings it was revealed all the hypothesis is not accepted except for company size. There is insignificant and negative relationship between the risk management and financial performances of Hospitality and tourism Industry in Malaysia and the significantly positive relationship between company size and financial performances of Hospitality and tourism Industry in Malaysia. The study suggested that further research should be conducted to understand how financial risk management and the financial performance of different industries are related to each other. This study will contribute to the literature relating to risk management and financial performance of the hospitality and tourism industry in Malaysia. It will also help future researchers to provide relevant information regarding risk management and financial performance in the hospitality and tourism industries.

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