FINANCIAL RISK MANAGEMENT IN MULTINATIONAL CORPORATIONS

A Dissertation submitted to the Office of the Dean, Faculty of Management for Partial fulfillment of the Master's degree

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Financial Risk Management in Multinational Corporations"**. The work of the dissertation has not been submitted previously for the purpose of conferral of any degrees not it has been proposed and presented as part of requirement for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declared that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Swostika Nepal has defended research proposal entitled **"Financial Risk Management in Multinational Corporations"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Keshar Singh Khati and submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Financial Risk Management in Multinational Corporations"** presented by Ms. Swostika Nepal, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Swostika Nepal

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ABBREVIATIONS

%	:	Percentage
&	:	And
e.g.	:	Example
MNCs	:	Multinational Corporations
ROE	:	Return on Equity
i.e.	:	That is
RI	:	Risk Identifications
RAA	:	Risk Analysis and Assessment
RM	:	Risk Monitoring
TAR	:	Turnover to Total Assets Ratio
No.	:	Number
DE	:	Debt-Equity Ratio
RMS	:	Risk Management System
SD	:	Standard Deviation
NFRS	:	International Financial Reporting Standard
T.U.	:	Tribhuvan University

Abstract

The research explored the impact of financial risk management practices on the profitability of multinational corporations (MNCs), with a specific focus on risk identification (RI), risk monitoring (RM), risk analysis and assessment (RAA), the debt-equity ratio (DE), and the turnover to total assets ratio (TAR). Using a combination of primary data from 50 employees and secondary data from annual reports spanning seven years, the study evaluated the influence of these practices on return on equity (ROE). The research adopted a descriptive and causal comparative research design, analyzing responses from employees regarding risk management and calculating key financial ratios from the annual reports of ten MNCs. The findings reveal that certain risk management practices have a significant effect on profitability. Specifically, risk monitoring (RM) and turnover to total assets ratio (TAR) demonstrate a positive and statistically significant impact on ROE, indicating that better monitoring systems and more efficient asset utilization can enhance profitability. On the other hand, risk identification (RI) and risk analysis and assessment (RAA) have a negative impact on ROE, suggesting that excessive focus on identifying and analyzing risks may hinder profitability. The debt-equity ratio (DE), however, was found to have no significant effect on profitability in this context. The study concludes that while risk management practices are crucial, MNCs must balance their approach, especially regarding risk identification and analysis, to avoid diminishing returns. The research contributes to the theoretical understanding of financial risk management by highlighting the differential effects of various practices on profitability. It also offers practical insights for MNCs, emphasizing the need for efficient risk monitoring and asset management to achieve financial success.

Keywords: *Multinational Corporations, Risk Identification, Risk Monitoring, Total Assets Ratio, Debt-equity Ratio, Return on Equity.*

CHAPTER- I
INTRODUCTION

1.1 Background of the Study

International business (IB) commentators and scholars frequently use the terms multinational company (MNC), multinational enterprise, and transnational corporation interchangeably. Traditionally, multinational corporations (MNCs) have been viewed as prosperous businesses that have expanded over many years into sizable organizations with an international focus on their operations, goals, and tactics. This was undoubtedly the case for the majority of the 20th century due to the economies of scale associated with the dominant technologies in transportation and communications, which limited the internationalization of small and medium-sized businesses. Many of these limitations have been lifted by recent technological advancements, most notably the introduction of the internet, and scale is no longer a necessary condition for multinationalism.

Grigorieva & Sobolev (2021) form a classification of financial risk into five categories:

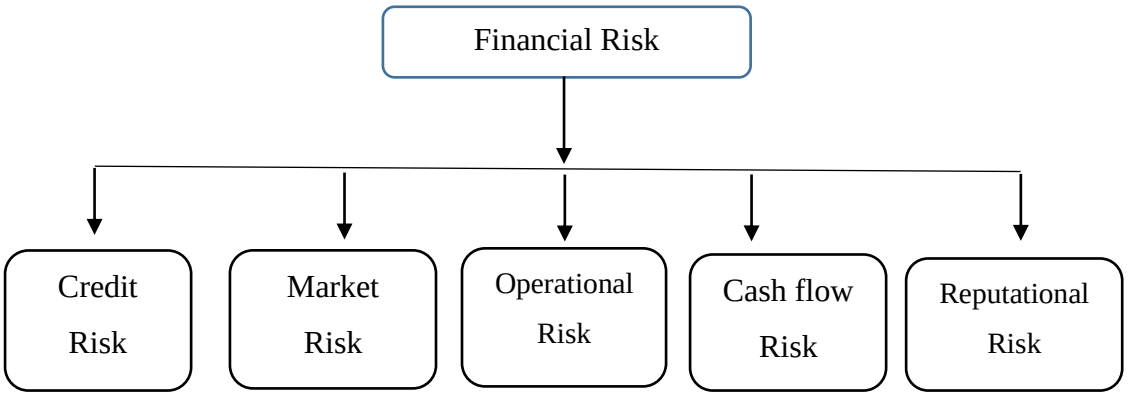

Figure 1.Types of Financial Risk

Types of Financial Risk

Credit Risk: Monetary dangers connected to the potential for counterparty default. Customers who receive goods on credit frequently fail to pay for them, which creates credit risks. When a business depends substantially on a small number of large clients who have access to substantial credit, it exposes itself to a greater degree of credit risk.

Market Risk: The monetary risks that result from potential losses brought on by adjustments to future prices or market rates. The price of commodities that are necessary for the operation of the business is also included in price fluctuations, which are frequently tied to changes in interest rates or exchange rates.

Operational Risk: This arises from carrying out a business's business functions, which consider the people, systems, and processes that a company uses to run its operations. It also encompasses legal, environmental, and fraud risks. It is the loss incurred by an organization as a result of insufficient or ineffective internal systems, personnel, and processes. Benefits like credit risk and market risk are not generated by it.

Cash Flow Risk: Liquidity risk is the uncertainty surrounding a company's capacity to close a deal for little or no money as well as the availability of enough cash on hand to cover its financial obligations when they arise. Cash flow risks are associated with the business's daily cash flow volatility.

Reputational Risk: It is a category of financial risk that pertains to the reliability of a company, institution, or organization. It has a negative impact on an organization's reputation, which could destroy the value for the shareholders. It causes income loss, legal action, bad press, chief staff departures, a decline in share prices, and the loss of business partners. In severe circumstances, it may even result in bankruptcy, but it is occasionally employed as a tool for crisis prevention.

According to Kwok and Reeb (2000), an MNC is any company with a foreign assets ratio of more than one percent. Lecraw (1993) measured firm-level multinationality using the amount of foreign direct investment (FDI) in the company's industry. Since multinational corporations seek to grow by producing more goods and services, their nature exposes them to a variety of potential markets in various nations. Even though these nations may be in the same region, they are affected by distinct financial and economic problems. Put another way, every nation has a unique regulatory framework that governs how economic transactions involving businesses are conducted. Like every other nation, Ghana has MNCs based there that stay in business despite the nation's economic ups and downs.

The government of Nepal welcomes multinational corporations (MNCs) into the country with the goal of improving Nepal's economy, which is still in the third world. Nepal is classified as a developing nation since 24% of its citizens make less than $1 per day and live in poverty (Sharma, 2012). The government uses a variety of strategies to raise the

standard of living for its citizens, one of which is allowing multinational corporations (MNCs) to establish deeper commercial ties with other nations. Developed nations, in particular, can benefit from the transfer of technology and scientific knowledge, which will eventually lead to Nepal becoming a more industrialized and developed nation overall.

The Biratnagar Jute Mill was the first joint venture/multinational corporation (JV/MNC) in Nepal, established in 1936. On the other hand, JVs and MNCs with foreign investment were only beginning to register in 1951. For the first time, Nepal's Sixth Plan (1980–1985) acknowledged that foreign investment and technology transfer were necessary for the country's industrial development. Industries in areas where the nation has a comparative advantage and those that can promote regional balance have been given top priority under the Tenth Plan (2002–2007). Additionally, the Tenth Plan supports the use of cutting-edge technology for industrial growth (Parsain, 2006).

As environmental uncertainty increases, a company's risk practices must adapt as part of a global strategy. Business leaders must constantly modify their risk management strategy because most companies concentrate on risks before they enter the market but tend to underestimate the risks that arise after the entry. This phenomenon results in the underestimation of new threats that were not present at the time of the entry (PwC, 2012).

The Industrial Policy 1992, the Foreign Investment and One Window Policy 1992, the Foreign Investment and Transfer of Technology Act 1992, and the Industrial Enterprises Act 1992 are among the laws that control foreign direct investment (FDI) in Nepal. By streamlining the licensing and registration processes, the One Window Policy's implementation has improved the investment climate. Additionally, the Industrial Promotion Board (IPB) has been established to develop and carry out the policies. Despite this, Nepal's efforts to encourage foreign investment in the country have not yet been successful. Nepal saw the second-lowest annual inflow of foreign investment among SAARC (South Asian Regional Cooperation) member nations between 1991 and 2001, totaling US$9.5 million.

Since the early 1980s, when foreign direct investment entered the commercial banking industry and large business houses participated in equity capital or share issues, the Nepalese economy has been open to private foreign capital (Upadhyaya, 2001). Since the early 1990s, when new laws were passed, industrial policies were developed, and

regulations were updated, foreign investment has been fully allowed in nearly all economic sectors. The remaining barriers to the simple flow of foreign funds into the actual economy were lessened when the additional process was consolidated in 1992 and 1996 and necessary amendments were made to the pertinent acts and regulations. In the process, the tax and regime have also been further streamlined. The goal of the policy of opening up foreign capital investment was to help the economy by bringing in capital, which has been a constraint on the economy's ability to grow at a high rate, as well as advancing technology, management, and entrepreneurial skills. Implicit goals in the policy include increasing exports of high-quality goods via technological advancement and producing exportable surplus through increased production capacity.

Effective financial risk management is critical to maintaining profitability and safeguarding the financial health of MNCs. Common risk management practices include risk identification, monitoring, analysis, and the use of financial instruments such as hedging, derivatives, and insurance. These practices allow MNCs to manage risks related to debt, liquidity, and asset valuation while optimizing financial performance.

Given the complexity and scale of MNC operations, a robust financial risk management framework is essential to align risk tolerance with business objectives, thereby enhancing long-term profitability and stability. This research focuses on exploring how these risk management practices impact the financial ratios and profitability of MNCs, using both primary data from employees and secondary data from financial reports over a specific period.

1.2 Problem Statement

Although risk management is a critical function for multinational corporations (MNCs), particularly in volatile and complex markets, there remains a significant gap in understanding how these practices are implemented and their effect on financial performance in Nepal. Existing research on financial risk management has primarily focused on large, well-established MNCs in developed markets or financial institutions, often yielding mixed results regarding the impact of risk management on organizational success. However, there is limited empirical evidence on how MNCs operating in emerging economies like Nepal, with unique financial, regulatory, and geopolitical risks, implement and benefit from risk management practices.

Specifically, the processes of risk identification, risk monitoring, risk assessment, and risk analysis have not been extensively studied in the context of MNCs in Nepal. Risk identification involves recognizing potential risks specific to the region's volatile economic and regulatory environment, while risk monitoring keeps track of these evolving threats. Risk assessment and analysis help evaluate the potential impact and likelihood of risks, providing a basis for prioritizing and managing them effectively. Despite the critical importance of these processes, there is a lack of research on how they influence the financial stability and performance of MNCs operating in Nepal.

Furthermore, MNCs in Nepal face additional challenges such as fluctuating currency rates, changing political climates, and regulatory uncertainty, which make effective risk management even more crucial. Yet, most studies do not explore how organizational structures, governance models, and specific risk management strategies are tailored to address the unique financial risks in this region.

This study aims to bridge this research gap by examining the impact **of** risk identification, risk monitoring, risk assessment, and risk analysis on the financial performance of MNCs in Nepal. It will provide new insights into how MNCs can better manage financial risks in emerging markets and contribute to the broader understanding of risk management practices in diverse and high-risk operating environments

Based on this issue, the research questions are formed as:

i) What is the status of financial risk management practices of MNCs in Nepal?

ii) How do MNCs in Nepal make policies to manage the financial risk?

iii) How are the risk identification, risk monitoring, risk analysis and assessment, turnover to total assets ratio, Debt-equity ratio, and ROE are related?

iv) What is the impact of risk identification, risk monitoring, risk analysis and assessment, turnover to total assets ratio, and Debt-equity ratio on ROE?

1.3 Objectives of the Study

The objectives of the research are as follow:

i) To assess the current status of financial risk management practices of MNCs in Nepal.

ii) To analyze relationship between the risk identification, risk monitoring, risk analysis and assessment, turnover to total assets ratio, Debt-equity ratio, and ROE

iii) To examine the impact of risk identification, risk monitoring, risk analysis and assessment, turnover to total assets ratio, and Debt-equity ratio on ROE of the MNCs.

1.4 Hypothesis

Research hypothesis have been formulated to achieve the research objectives. They are as followed:

H1: There is positive significant impact of risk identification of ROE of the MNCs.

H2: There is positive significant impact of risk monitoring of ROE of the MNCs.

H3: There is positive significant impact risk analysis and assessment of risk identification of ROE of the MNCs.

H4: There is positive significant impact of turnover to total assets ratio of ROE of the MNCs.

H5: There is positive significant impact of Debt-equity ratio of ROE of the MNCs.

1.5 Rationale of the Study

Multinational corporations (MNCs) face a diverse array of financial risks, including currency fluctuations, interest rate variations, credit risks, and exposure to economic and political instability in different regions. These risks can significantly impact the financial health and operational efficiency of MNCs, making effective risk management strategies crucial for their sustainability and growth.

As MNCs expand their operations across multiple countries, they encounter unique challenges that are not typically faced by domestic companies. For instance, the exposure to foreign exchange risk due to transactions in multiple currencies, the need to comply with varying regulatory standards, and the potential for geopolitical risks all necessitate a more sophisticated approach to financial risk management. Traditional risk management techniques may not suffice in addressing these complex challenges, leading to the need for innovative strategies and tools that can effectively mitigate these risks.

Furthermore, the increasing integration of global financial markets has heightened the interconnectedness of financial risks. A crisis in one part of the world can quickly spread to other regions, affecting the operations of MNCs globally. This interconnectedness makes it imperative for MNCs to adopt a comprehensive risk management framework that not only identifies and assesses potential risks but also implements robust measures to mitigate them.

The study is essential to understanding how these companies can protect themselves against potential financial losses while maximizing opportunities in a dynamic global market. By exploring the strategies employed by MNCs to manage financial risks, this research can provide valuable insights into best practices and contribute to the development of more effective risk management frameworks. Such insights are not only beneficial for MNCs but also for policymakers, regulators, and financial institutions that interact with these corporations.

1.6 Limitations of the Study

Following are the limitations of the study:

i. The sample size from primary sources is only 50, which may not be representative of the entire population of employees of MNCs. The study's findings cannot be generalized to the whole corporations.
ii. Only 10 companies were selected to analyze the effect of risk on financial performance of the companies. This could limit the scope of the study and the applicability of its findings to other companies or industries.
iii. The validity of the data is bound on the information provided by the respondents for primary sources of data.
iv. The study is confined only to financial risk of MNCs which does not address occurred by other types of risk in the organization.

CHAPTER -II

LITERATURE REVIEW

Drawing from research conducted by scholars in both developed and emerging markets, this chapter examines relevant literature and presents a conceptual framework on financial risk management in multinational companies. The chapter is divided into two sections: the first explores theoretical perspectives on these subjects, while the second section focuses on empirical research concerning risk management in multinational companies.

2.1 Theoretical Reviews

This section explores the theoretical frameworks underpinning the study, specifically focusing on capital asset pricing model, enterprises risk management, agency theory and hedging theory.

2.1.1 Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM), developed by William Sharpe, provides a framework for determining the expected return on an asset based on its risk relative to the market. CAPM calculates the expected return by adding the risk-free rate to a risk premium, which is proportional to the asset's beta. Beta measures an asset's responsiveness to market fluctuations, representing its level of systematic risk.

For multinational companies, CAPM is instrumental in evaluating investment opportunities and assessing the cost of equity capital. By using CAPM, these companies can estimate the required return on investments considering their risk profile relative to the market. This helps in making informed investment decisions and determining the appropriate discount rate for evaluating projects. CAPM also aids in portfolio management by allowing companies to understand how individual assets contribute to the overall risk and return of their investment portfolio. Accurate application of CAPM supports strategic investment decisions, optimizes capital allocation, and enhances financial performance by ensuring that investments meet the required return thresholds relative to their risk.

2.1.2 Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) is an integrated approach to addressing risks throughout the entire organization. It involves identifying, assessing, and prioritizing risks, and implementing strategies to manage them in line with organizational objectives. Unlike traditional risk management that often focuses on specific risks, ERM integrates risk management into the strategic planning process, ensuring that all types of risks are considered in decision-making.

For multinational companies, ERM provides a framework to manage the complexities and uncertainties inherent in global operations. By adopting ERM, these companies can identify and address a wide range of risks, including operational, financial, strategic, and compliance risks, in a coordinated manner. ERM enables companies to evaluate the potential impact of risks on their global operations and develop comprehensive strategies to mitigate them. This integrated approach improves decision-making, enhances organizational resilience, and supports long-term strategic goals. Effective ERM practices lead to better risk awareness, optimized resource allocation, and more robust financial performance, allowing multinational companies to navigate global uncertainties with greater confidence.

2.1.3 Agency Theory

Agency Theory, introduced by Michael Jensen and William Meckling, addresses the conflicts of interest between principals (owners or shareholders) and agents (managers). The theory examines how managers might pursue their own interests, which may not always align with the goals of shareholders. The concept of agency costs arises when managers make decisions that benefit themselves rather than maximizing shareholder value.

For multinational companies, Agency Theory is crucial in aligning managerial incentives with shareholder interests. Effective risk management practices are essential to minimize agency costs. This includes implementing performance-based compensation, such as stock options, which tie managers' rewards to the company's performance. Additionally, strong governance structures, regular audits, and transparent reporting help ensure that managerial decisions are in line with shareholder interests. By addressing agency problems through these mechanisms, multinational companies can enhance their financial performance and mitigate risks associated with managerial self-interest. Proper alignment

of interests helps in achieving strategic goals and improving overall organizational efficiency.

2.1.4 Hedging Theory

Hedging Theory focuses on reducing financial risk by using financial instruments to offset potential losses. The core idea is to protect against adverse price movements in assets such as currencies, commodities, or interest rates. Companies engage in hedging by using derivatives like futures, options, and swaps. For instance, a company that imports raw materials might use a futures contract to lock in a price, thus mitigating the risk of price increases.

Multinational companies often operate in multiple currencies and markets, exposing them to various financial risks including currency fluctuations, interest rate changes, and commodity price volatility. By applying Hedging Theory, these companies can effectively manage these risks and stabilize their financial performance. For example, a multinational with operations in different countries can use currency swaps to hedge against exchange rate risks, ensuring more predictable cash flows and protecting profit margins. Additionally, by locking in future prices of commodities through futures contracts, they can safeguard against adverse price changes that could impact their cost structure. Hedging strategies not only protect against potential losses but also allow companies to focus on their core operations without constantly worrying about market volatility. Properly implemented, these strategies enhance financial stability and support strategic planning.

2.2 Empirical Review

Shokhnekh et al. (2024) examined the approaches used by multinational companies (MNCs) to assess and manage various financial risks across their global operations. Utilizing a mixed-methods approach, the research combines quantitative data analysis with qualitative case studies to explore how MNCs identify, evaluate, and mitigate risks such as currency fluctuations, interest rate changes, credit risks, and market volatility. The findings reveal that MNCs employ a variety of risk assessment techniques, including scenario analysis, stress testing, and value-at-risk (VaR) models, to quantify potential financial risks. To manage these risks, MNCs use a combination of financial instruments like derivatives (e.g., forwards, options, swaps) and internal strategies such as

diversification and centralized risk management frameworks. The study also highlights the importance of having a well-coordinated risk management team that can quickly respond to global financial changes and ensure that risk mitigation strategies are effectively implemented across all branches of the company. The research suggests that successful financial risk management in MNCs requires a comprehensive and dynamic approach that integrates both global and local perspectives. It also emphasizes the need for continuous monitoring and adaptation to evolving market conditions to safeguard against financial instability. This study implies that MNCs must remain vigilant and proactive in their risk management practices, leveraging both advanced financial tools and strong organizational structures to protect their global operations from financial risks.

Rushkovskyi and Rasshyvalov (2023) examined the evolving risk management strategies of multinational companies (MNCs) as they navigate the challenges of a new economic era. Their study focuses on how MNCs are adapting their risk management practices in response to the rapidly changing global economic landscape, characterized by technological advancements, geopolitical shifts, and emerging market dynamics. The authors employ a comprehensive review of existing literature combined with case studies to analyze these evolving strategies. The study reveals that MNCs are increasingly integrating advanced technologies such as artificial intelligence and big data analytics into their risk management frameworks, allowing for more precise risk identification and mitigation. Additionally, MNCs are adopting more flexible and adaptive strategies to cope with uncertainties, emphasizing the importance of agility in their operations. The findings suggest that in this new economic era, traditional risk management approaches are being supplemented or replaced by more dynamic and technology-driven methods. The study implies that MNCs must continue to innovate and evolve their risk management strategies to remain resilient and competitive in an increasingly complex global environment.

Lampo (2021) investigated the strategies employed by multinational companies (MNCs) to manage the risks associated with currency fluctuations in Ghana. Using a qualitative research approach, the study involved in-depth interviews with financial managers of various MNCs operating in Ghana, alongside an analysis of company reports to understand the currency risk management practices in use. The research found that multinational companies in Ghana employ a range of currency risk management techniques to mitigate the impact of exchange rate volatility on their operations. These

techniques include forward contracts, options, swaps, and natural hedging strategies, where companies balance their currency exposures by matching revenue and expenses in the same currency. Additionally, some firms adopt centralized treasury operations to oversee currency risk management at a global level, ensuring consistency and efficiency in their approach. The findings suggest that while these techniques are effective in managing currency risk, they require a deep understanding of both local and international financial markets. The study also highlighted challenges such as fluctuating regulatory environments and the need for continuous monitoring and adjustment of strategies to adapt to changing market conditions. The research implies that for multinational companies operating in Ghana, robust currency risk management is essential for maintaining financial stability and protecting profitability amidst the uncertainties of the global currency markets. The study recommends that MNCs continue to invest in sophisticated financial tools and expertise to manage currency risk effectively.

Lasloom and Grigorieva (2021) explored a study on the role of risk management in enhancing corporate sustainability for multinational companies. Utilizing a mixed-methods approach, they examined how effective risk management strategies contribute to long-term sustainability by analyzing case studies from various multinational corporations. Their research revealed that companies integrating comprehensive risk management into their strategic planning were better equipped to anticipate and mitigate environmental, social, and economic risks. The results suggested that these practices not only protect companies from potential disruptions but also enhance their corporate reputation and stakeholder trust, leading to more sustainable business operations. The study highlighted the importance of aligning risk management with corporate sustainability goals, implying that multinational companies must adopt a proactive and strategic approach to risk management to achieve sustainable growth in a rapidly changing global environment.

Fragouli and Nicolaidou (2020) analyzed the risk management in multinational companies (MNCs) operating in rising economies focuses on how these firms navigate the complex and dynamic environments of emerging markets. MNCs often face unique risks in these regions, including political instability, currency fluctuations, and regulatory uncertainties. To manage these risks, MNCs typically employ a range of strategies such as diversification, hedging, and establishing strong local partnerships. Research on this topic often involves analyzing case studies of MNCs in various rising economies to assess

how effective their risk management practices are in mitigating potential adverse impacts. The results generally highlight that MNCs with well-developed risk management frameworks are better equipped to handle the uncertainties of emerging markets, leading to improved operational stability and financial performance. The study suggests that for MNCs to thrive in rising economies, they must continuously adapt their risk management strategies to the evolving market conditions, ensuring resilience and sustained growth despite the inherent risks of these markets.

Paulinus and Jones (2017) explored the impact of financial risk management on the corporate performance of deposit money banks in Nigeria. Utilizing a quantitative research approach, they analyzed financial data from a sample of Nigerian banks to assess how different risk management practices influenced key performance indicators, such as return on assets (ROA) and return on equity (ROE). Their findings revealed that banks with robust risk management frameworks, particularly in managing credit and liquidity risks, exhibited stronger financial performance. The study suggested that effective risk management is crucial for enhancing the profitability and stability of banks, especially in a volatile economic environment. The authors highlighted the importance of continuous monitoring and improvement of risk management practices to ensure sustained corporate performance. These findings imply that deposit money banks in Nigeria must prioritize risk management as a strategic tool to achieve long-term success and resilience in the financial sector.

Khan et al. (2017) investigated the risk management practices of Islamic banks in Pakistan, employing a survey-based methodology to collect data from bank managers. The researchers analyzed the data using descriptive statistics and regression analysis, which revealed that Islamic banks actively implement risk management strategies, particularly in credit, operational, and liquidity risks. The results further suggested that these banks are more cautious in their risk-taking approaches compared to conventional banks due to the unique Shariah-compliant nature of their operations. Moreover, the study highlighted the critical role of effective risk management in maintaining the financial stability and performance of Islamic banks. These findings imply that adopting rigorous risk management practices is essential for Islamic banks to mitigate potential risks and sustain their growth in a competitive financial environment.

Dalvadi and Warrier (2017) explored how these firms manage financial risks in a highly competitive and dynamic industry. By employing a mixed-methods approach, the research analyzes both qualitative and quantitative data from a sample of IT companies to assess their risk management frameworks, strategies, and effectiveness. The study examines various types of financial risks, including market, credit, and operational risks, and how these companies mitigate them through tools like hedging, diversification, and robust internal controls. The findings reveal that IT companies in India are increasingly adopting advanced risk management practices, such as leveraging financial derivatives and implementing comprehensive risk assessment models, to protect against volatility and financial uncertainty. The study suggests that effective risk management is critical for maintaining financial stability and sustaining growth in the IT sector, especially given the rapid technological advancements and global competition. The study implies that Indian IT companies must continuously refine their financial risk management practices to remain resilient in a fast-evolving market, ensuring long-term success and profitability.

Nurhasanah (2015) examined how multinational corporations (MNCs) impact both the economic and social aspects of Nepal. Using a qualitative research approach, Nurhasanah analyzed the roles and effects of MNCs in Nepal, focusing on areas such as employment creation, technology transfer, and infrastructure development. The study revealed that MNCs contribute significantly to Nepal's economic growth by investing in local industries, providing job opportunities, and fostering skills development. Socially, these corporations were found to influence community development through corporate social responsibility (CSR) initiatives, such as education and health programs. The results suggested that while MNCs play a vital role in enhancing economic and social conditions, their activities also require careful management to address potential challenges, such as ensuring equitable benefits and minimizing adverse impacts. The study implies that fostering a collaborative environment between MNCs and local communities can maximize positive contributions to Nepalese society.

Soyemi et al. (2014) investigated the relationship between risk management practices and financial performance in Nigerian deposit money banks. Using a quantitative research design, they analyzed data from a range of banks to evaluate the impact of various risk management strategies on financial performance metrics, including profitability and asset quality. The study revealed that banks implementing comprehensive risk management practices, particularly in areas such as credit risk and operational risk, generally achieved

better financial outcomes. Their analysis suggested that effective risk management not only mitigates potential financial losses but also enhances overall bank performance by improving stability and efficiency. The study concluded that adopting robust risk management frameworks is essential for Nigerian deposit money banks to improve their financial performance and achieve long-term success. These findings imply that a strategic focus on risk management can lead to significant performance benefits in the banking sector.

Ndung'u (2013) examined the impact of financial risk management on the financial performance of oil companies in Kenya, employing a causal research design. The research targeted all 85 oil companies in Kenya, with a sample of 40 firms selected through stratified random sampling based on market share data from the Petroleum Institute of East Africa (PIEA). Data collection involved semi-structured questionnaires for primary data and secondary data sources, with quantitative analysis performed using SPSS. A linear regression model assessed the relationship between financial performance and risk management techniques, with responses measured via Likert-scale questions. A pilot test was conducted to ensure the validity and reliability of the research instruments. Findings indicate that most oil companies have adopted robust financial risk management practices, including risk understanding, identification, analysis, assessment, and monitoring. These practices showed a positive correlation with improved financial performance, suggesting that effective risk management enhances company outcomes. The study recommends that Kenyan oil companies further emphasize and refine their risk management strategies to optimize financial performance, underscoring the importance of continuous risk assessment and proactive management.

Fernandes (2013) examined the glocalization strategies employed by Indian companies and global companies entering foreign markets in his case study. Utilizing a comparative analysis approach, Fernandes evaluated how these companies adapt their business models and strategies to fit both global standards and local preferences. The study revealed that successful glocalization involves a balance between maintaining a global brand identity while customizing products and services to meet local market needs. Indian companies were found to leverage their understanding of local consumer behavior to gain a competitive edge, while global companies adapted their offerings to align with regional tastes and regulatory requirements. The results suggested that effective glocalization strategies significantly enhance market entry success and operational efficiency.

Fernandes' analysis implies that companies entering foreign markets must carefully tailor their strategies to integrate global and local perspectives, thereby improving their chances of successful market penetration and long-term growth.

Okuto (2011) conducted a study on the management of financial risk exposure related to fuel price fluctuations in the airline industry, as part of an unpublished MBA project. Through a case study methodology, Okuto examined how airlines employ various hedging strategies, such as fuel derivatives and contracts, to mitigate the financial risks associated with volatile fuel prices. The analysis revealed that airlines that effectively manage these risks tend to achieve greater financial stability and cost predictability, allowing them to maintain competitive pricing and profitability even in times of fuel price spikes. The study suggested that proactive risk management practices are crucial for airlines to safeguard against the potentially crippling effects of fuel price volatility. These findings imply that airlines need to continuously refine their risk management strategies to remain resilient in an industry where fuel costs represent a significant portion of operating expenses.

Larbi (2010) assessed the strategies and techniques employed by multinational companies (MNCs) in Ghana to manage various financial risks. Using a qualitative research approach, this study conducted interviews with financial managers and analyzed company financial reports to understand how these organizations address risks such as currency fluctuations, interest rate changes, credit risk, and market volatility. The study found that c. Additionally, MNCs implement internal strategies like diversification of investments and centralized risk management systems that allow them to monitor and manage risks across different regions and markets effectively.

Findings of this study indicate that while these companies are generally effective in managing financial risks, they face challenges such as regulatory constraints, the volatility of emerging markets, and the need for continuous adaptation to global financial changes. The study highlights the importance of having a robust risk management framework that is flexible enough to adapt to both local and global financial environments. The research suggests that MNCs in Ghana must continuously refine their risk management practices to stay resilient in the face of financial uncertainties. The study implies that ongoing investment in financial tools, expertise, and regulatory compliance is

crucial for these companies to safeguard their assets and ensure long-term financial stability.

Lassar et al. (2010) investigated the determinants of strategic risk management in supply chains within emerging markets, focusing specifically on Mexico. Employing a case study approach, they analyzed how companies in Mexico manage strategic risks within their supply chains, including factors like political instability, economic fluctuations, and regulatory changes. The study found that successful risk management in these contexts is influenced by factors such as the level of local expertise, the robustness of risk assessment frameworks, and the strength of relationships with local partners. Companies that effectively managed these risks typically adopted a combination of risk mitigation strategies, including diversification, risk-sharing agreements, and adaptive supply chain practices. The results suggested that understanding and addressing the unique challenges of emerging markets are crucial for effective risk management. The study implies that companies operating in such environments must develop tailored risk management strategies to ensure supply chain stability and competitive advantage.

Conti and Mauri (2008) conducted a study on corporate financial risk management, focusing on governance and disclosure practices following the implementation of IFRS 7. Utilizing a qualitative research approach, they analyzed the financial reports of several corporations to assess how the new reporting standards influenced risk management practices. Their analysis revealed that IFRS 7 significantly enhanced transparency in financial disclosures, compelling companies to provide more detailed information about their risk exposures and management strategies. The study suggested that this increased transparency improved corporate governance by enabling stakeholders to better understand the financial risks faced by companies. Moreover, the findings highlighted that companies with stronger governance structures were more likely to effectively manage their financial risks, thereby reducing potential adverse impacts. This study implies that the adoption of IFRS 7 has not only strengthened disclosure practices but also encouraged a more proactive approach to risk management within corporations.

Hallikas et al. (2004) explored risk management processes within supplier networks in their study. Using a detailed case study approach, the researchers analyzed how companies manage risks across their supply chains, focusing on processes such as risk identification, assessment, and mitigation. The study revealed that effective risk

management in supplier networks involves a proactive approach, including the establishment of robust risk assessment frameworks and the development of contingency plans. Companies that excel in managing supply chain risks were found to implement strategies such as close collaboration with suppliers, continuous monitoring of supply chain performance, and the use of risk-sharing mechanisms. The results suggested that integrating risk management practices into supply chain management enhances overall resilience and operational efficiency. The study implies that companies need to adopt comprehensive risk management processes to effectively navigate the complexities and uncertainties inherent in supplier networks, thereby safeguarding their supply chains and maintaining competitive advantage.

Walsh (1986) investigated how UK-based multinational companies (MNCs) manage the risks associated with fluctuations in foreign exchange rates. Through a comprehensive analysis of financial reports, surveys, and interviews with financial managers, Walsh explores the strategies and tools these companies use to mitigate the impact of exchange rate volatility on their global operations. The research reveals that UK MNCs employ a variety of foreign exchange risk management techniques, including forward contracts, currency options, and swaps, to hedge against unfavorable exchange rate movements.

Additionally, some companies utilize natural hedging strategies by matching revenues and expenses in the same currency, thereby reducing their exposure to currency risk. The study also highlights the role of centralized treasury departments in overseeing and implementing foreign exchange risk management policies, ensuring a consistent and effective approach across the organization. Findings of this study suggest that while UK MNCs are generally adept at managing foreign exchange risk, they must continuously adapt their strategies in response to changing market conditions and regulatory environments. The research underscores the importance of having a proactive and flexible risk management framework that can quickly respond to currency fluctuations and protect the company's financial performance. The study implies that for UK MNCs, effective foreign exchange risk management is essential for maintaining profitability and financial stability in a highly volatile global market. Walsh recommends that companies invest in sophisticated financial tools and maintain strong internal controls to manage currency risk effectively.

2.3 Summary of Empirical Review

Table 1

Summary of Empirical Review

S. N	Author/ Year	Title	Objectives	Methodology	Findings	Result's suggestion
1	Shokhnekh et al. (2024)	Assessment and management of financial risks in multinational companies	To examine how MNCs assess and manage various financial risks globally.	Mixed-methods: Quantitative analysis & qualitative case studies	MNCs use risk assessment techniques like scenario analysis, stress testing, VaR models; manage risks with derivatives and internal strategies	MNCs should use a comprehensive and dynamic approach, integrating global and local perspectives, with continuous monitoring
2	Rushkovskyi and Rasshyvalov (2023)	Multinational Companies' Risk Management Strategies Evolving On The Brink Of The New Economic Era.	To Determine the Risk Management Tools, to Analysis of Risk Factors in new ecomonic Era, to achieve the organazational strategic, operational, financial and other goals.	Theoretical analysis, synthesis, comparison	MNCs are increasingly integrating advanced technologies such as artificial intelligence and big data analytics into their risk management frameworks, allowing for more precise risk identification and mitigation	MNCs must continue to innovate and evolve their risk management strategies to remain resilient and competitive in an increasingly complex global environment
3	Lampo (2021)	Currency risk management techniques of multinational companies in Ghana	To investigate the strategies employed by multinational companies (MNCs) to manage the risks associated with currency fluctuations in Ghana	A qualitative research approach, the study involved in-depth interviews with financial managers of various MNCs	Multinational companies in Ghana employ a range of currency risk management techniques to mitigate the impact of exchange rate volatility on their operations	While these techniques are effective in managing currency risk, they require a deep understanding of both local and international financial markets
4	Lasloom & Grigorieva (2021)	The Role of Risk Management in Corporate Sustainability of MNCs	To analyze how risk management enhances long-term sustainability	Mixed-methods: Case studies	Effective risk management helps MNCs anticipate and mitigate environmental, social, and economic risks	Align risk management with sustainability goals to achieve sustainable growth

5	Fragouli & Nicolaidou (2020)	Risk Management in MNCs Operating in Rising Economies	To explore how MNCs manage risks in emerging markets	Analysis of case studies	MNCs face risks like political instability, currency fluctuations, regulatory uncertainties; use strategies like diversification	MNCs need to continuously adapt risk management to evolving market conditions to ensure resilience and growth
6	Khan et al. (2017)	Risk Management Practices of Islamic Banks in Pakistan	To investigate the risk management practices of Islamic banks in Pakistan.	Survey-based methodology to collect data from bank managers, descriptive statistics and regression analysis	Islamic banks actively implement risk management strategies, particularly in credit, operational, and liquidity risks	Rigorous risk management practices is essential for Islamic banks to mitigate potential risks and sustain their growth in a competitive financial environment.
7	Dalvadi & Warrier (2017)	A Study on Financial Risk Management Practices of Selected I.T. Companies in India	To explore financial risk management in the IT sector in India.	Mixed-methods: Qualitative and quantitative data analysis	IT companies use advanced risk management practices like financial derivatives and risk assessment models to handle market volatility	IT companies should refine risk management practices to remain resilient and competitive in a dynamic market
8	Paulinus & Jones (2017)	Financial Risk Management and Corporate Performance in Nigerian Banks	To assess the impact of risk management on bank performance	Quantitative: Analysis of financial data from Nigerian banks	Banks with robust risk management show better financial performance, especially in managing credit and liquidity risks	Banks should prioritize risk management as a strategic tool for long-term success and stability
9	Nurhasanah (2015)	The Contributions of Multinational Corporations to the Economic and Social of	To examine how multinational corporations (MNCs) impact both the economic and social aspects of Nepal.	qualitative research approach	MNCs contribute significantly to Nepal's economic growth by investing in local industries, providing job opportunities, and fostering skills development	Fostering a collaborative environment between MNCs and local communities can maximize positive contributions to Nepalese society
10	Soyemi et al. (2014)	Risk Management Practices and Financial Performance:	To investigate the relationship between risk management practices and financial performance	The study used Case study, a comparative analysis approachap proach	Banks implementing comprehensive risk management practices, particularly in areas such as credit risk and operational risk,	Effective risk management not only mitigates potential financial losses but also enhances overall bank performance by improving stability and

			in Nigerian deposit money banks		generally achieved better financial outcomes.	efficiency
11	Ndung'u (2013)	Effect of financial risk management on financial performance of oil companies in Kenya	To examine the impact of financial risk management on the financial performance of oil companies in Kenya.	Causal research design, sample of 40 firms selected through stratified random sampling, A linear regression model has been used	Most oil companies have adopted robust financial risk management practices, These practices showed a positive correlation with improved financial performance.	Effective risk management enhances company outcomes.
12	Fernandes (2013)	A Case Study Approach On Indian Companies And	To examine the glocalization strategies employed by Indian companies and global companies entering foreign markets in his case study.	Case study, a comparative analysis approachapproach	Successful glocalization involves a balance between maintaining a global brand identity while customizing products and services to meet local market needs	Glocalization strategies significantly enhance market entry success and operational efficiency
13	Okuto (2011)	The management of financial risk exposure of fuel price changes in the Airline Industry: the case of African Airlines	To examine how airlines employ various hedging strategies, such as fuel derivatives and contracts, to mitigate the financial risks associated with volatile fuel prices	case study methodology	Airlines that effectively manage these risks tend to achieve greater financial stability and cost predictability, allowing them to maintain competitive pricing and profitability even in times of fuel price spikes.	Proactive risk management practices are crucial for airlines to safeguard against the potentially crippling effects of fuel price volatility
14	Lassar et al. (2010)	Determinants of Strategic Risk Management in Emerging Markets Supply Chains: The Case of Mexico	To investigate the determinants of strategic risk management in supply chains within emerging markets, focusing specifically	Case study approach	Successful risk management in these contexts is influenced by factors such as the level of local expertise, the robustness of risk assessment frameworks, and the strength of relationships with local	Understanding and addressing the unique challenges of emerging markets are crucial for effective risk management

			on Mexico		partners	
15	Larbi (2010)	Financial Risks Management Practices Of Multinational	To assesse the strategies and techniques employed by multinational companies (MNCs) in Ghana to manage various financial risks.	Qualitative research approach, this study conducted interviews with financial managers and analyzed company financial reports to understand currency fluctuations, interest rate changes, credit risk, and market volatility.	Qualitative research approach, this study conducted interviews with financial managers and analyzed company financial reports to understand how these organizations address risks such as currency fluctuations, interest rate changes, credit risk, and market volatility	MNCs in Ghana must continuously refine their risk management practices to stay resilient in the face of financial uncertainties
16	Conti and Mauri (2008)	Corporate Financial Risk Management: Governance and Disclosure Post IFRS 7	To assess how the new reporting standards influenced risk management practices.	qualitative research approach	IFRS 7 significantly enhanced transparency in financial disclosures, compelling companies to provide more detailed information about their risk exposures and management strategies	Increased transparency improved corporate governance by enabling stakeholders to better understand the financial risks faced by companies
17	Hallikas et al. (2004)	Risk management processes in supplier networks	To explore risk management processes within supplier networks in their study	Detailed case study approach	Effective risk management in supplier networks involves a proactive approach, including the establishment of robust risk assessment frameworks and	The companies need to adopt comprehensive risk management processes to effectively navigate the complexities and uncertainties inherent in supplier networks, thereby

					the development of contingency plans.	safeguarding their supply chains and maintaining competitive advantage.
18	Walsh (1986)	Foregin exchange rate risk management in UK Multinational Companies.	To investigate how UK-based multinational companies (MNCs) manage the risks associated with fluctuations in foreign exchange rates.	Descriptive research, comprehensive analysis of financial reports, surveys, and interviews with financial managers	UK MNCs employ a variety of foreign exchange risk management techniques, including forward contracts, currency options, and swaps, to hedge against unfavorable exchange rate movements	Effective foreign exchange risk management is essential for maintaining profitability and financial stability in a highly volatile global market.

2.4 Research Gap

While studies by Rushkovskyi and Rasshyvalov (2023) have highlighted the evolving nature of risk management strategies, particularly the incorporation of artificial intelligence (AI) and big data, there is still limited empirical research on how these technologies are being practically applied across different industries and geographic regions. Most existing studies provide a theoretical overview or focus on large, well-established MNCs, leaving a gap in understanding how mid-sized or emerging market-based MNCs are adapting to technological advancements in their risk management practices. This gap is particularly relevant given the increasing volatility of global financial markets and the rapid pace of technological change, which necessitate more dynamic and adaptive risk management approaches.

Another area that remains underexplored is the role of organizational structure and corporate governance in the effectiveness of financial risk management practices within MNCs. Although research by Larbi (2010) and Shokhnekh et al. (2024) discusses the use of centralized risk management frameworks and the importance of a well-coordinated risk management team, there is a lack of detailed analysis on how different organizational structures—such as decentralized versus centralized models—impact the efficiency and

responsiveness of risk management strategies. Additionally, there is a need for further investigation into how corporate governance practices, including board oversight and risk management committees, influence the implementation and success of risk mitigation techniques. This gap is crucial to address, as the effectiveness of financial risk management in MNCs is not only determined by the tools and strategies employed but also by how these are governed and integrated into the broader organizational framework.

Lastly, while the existing literature provides valuable insights into various financial risk management techniques, such as the use of derivatives and natural hedging, there is a notable lack of research on the challenges and best practices for MNCs operating in high-risk or politically unstable regions. Studies like those of Lassar et al. (2010) and Lampo (2021) have touched on currency and political risk management, but there remains a gap in understanding how MNCs can effectively manage financial risks in environments with weak regulatory frameworks, economic instability, or significant geopolitical risks. Further research in this area could provide MNCs with more robust strategies for managing financial risks in these challenging environments, ultimately contributing to better financial stability and performance in the face of global.

CHAPTER -III

RESEARCH METHODOLOGY

This chapter outlines the approach used to conduct the research and analyze the data necessary for drawing conclusions. For clarity, the methodology is divided into several specific sections. These include the research design, the population and sampling techniques, the type and sources of data collected, the research framework and definition of variables, as well as the methods used for data analysis.

3.1 Research Design

This study utilizes a descriptive and causal comparative research design to evaluate financial risk management in multinational companies, relying on primary data from employees of multinational companies and secondary data from the company's annual reports. Primary data has been collected form structured questionnaire. The analysis of secondary data covers a seven-year period from 2016/17 to 2022/23, using annual reports. The researcher calculated the necessary variables from data obtained from the company's website. The data were then reorganized, structured, and presented according to the study's requirements.

The primary aim of this study is to describe the risk management needs within the organization and to assess its effect on the company's profitability. The impact of risk management is estimated using a regression model. The respondent's responses related to risk management within the industry are depicted through various graphs to illustrate their structure. Additionally, the study compares the; risk identification, risk monitoring, risk analysis and assessment, turnover to total assets ratio, and debt-equity ratio with the return on equity to determine the effect of risk management on the company's profitability.

Overall, the research is designed to address the questions posed in the problem statement, focusing on how crucial effective financial risk management is for achieving the desired profit in the MNCs. The findings aim to provide insights into the relationship between risk management practices and profitability, emphasizing the importance of managing financial risk effectively to secure financial success.

3.2 Population and Sample, and Sampling Design

There are 42 multinational firms (Source: Nurhasanah (2015) active in Nepal which is Population for this study, however we cannot use all of them. So, this study considers 10 multinational companies are taken as the sample of the study. Out of 42 MNCs 10 are selected by using convenience sampling technique. The study utilized seventy financial statements from the ten companies for seven years annual report. For this analysis, the balance sheet and income statement of these ten multinational companies were employed from secondary source of data and responses form total fifty employees from these ten companies were collect as a primary source of data.

Sample of the study are:

Table 2

Sample of the study

S.N.	**Sample**
1	Asian paints (Nepal) Pvt. Ltd.
2	Dabur Nepal P. Ltd. (Dabur India limited)
3	Unilever Nepal
4	Surya Tobacco Co. Pvt. Limited (ITC Limited of India)
5	Everest bank Limited (Punjab National Bank Limited, India)
6	Nepal SBI bank Limited (State bank of india limited)
7	Jenson & Nicolson (Nepal) Pvt. Ltd. (Jenson & Nicholson India Ltd.)
8	Nabil Bank ltd.
9	Oriental Insurance company Limited (Oriental Insurance Corporation of India)
10	Wai Wai Noodles (CG Group)

The researcher adopted a judgmental sampling method, specifically top ten MNCs are selected from the total MNCs. The data was sourced from the company's annual reports, along with information from Nepal Rashtra bank, Nepali Paisa, textbooks, journals, and the Department of Industry for secondary data and 50 responses have collected to address the information related to risk identification, risk monitoring, and risk analysis and assessment. The raw data was processed as needed to calculate key financial ratios, such as the debt to equity ratio, turnover to total asset ratio, and the company's returns, including return on equity.

3.3 Nature and Sources of Data and the Instrument of Data Collection

The study utilizes both primary and secondary data. Secondary data related to financial risk management was obtained from the company's website, while primary data was collected through structured questionnaires. The independent variables; risk identification, risk monitoring, risk analysis, and assessment were measured using information from primary sources, with 50 employees from MNCs participating in the survey. Additionally, two other independent variables, debt-to-equity ratio and turnover-to-total-assets ratio, were gathered from secondary sources, specifically the annual reports of the MNCs.

These data sets are used to examine the impact of financial risk management on profitability. Quarterly reports from individual companies were collected to gather information on relevant variables. The financial report publication dates were considered crucial for using accurate opening and closing balances at specific points in time.

3.4 Method of Analysis

The main scores of each risk management practice have been correlated with the ROE in order to establish a relationship between the risk management practices and financial performance for multinational corporations. The risk management environment, rules and regulations, risk monitoring, risk mitigation, measurement, and internal control practices have all been used to explain risk management practices. In order to determine whether there is a correlation between ROE and risk measurement techniques as well as the strength of that correlation at the board and executive levels, correlations between ROE and all risk management practices have been analyzed and the results used.

3.4.1 Descriptive Analysis

i. Minimum and Maximum

All variables have a minimum value of **1.00** and a maximum value of **5.00**. This indicates that the data covers the full range of the Likert scale used for responses. Thus, respondents provided the lowest possible rating (1) and the highest possible rating (5) for all variables, indicating diverse opinions among respondents.

ii. Mean

The average value of the dataset for each variable, calculated by summing all values and dividing by the number of observations. The mean can be derived from using the following formula.

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{n}$$

Where,

$\sum X$= Value of responses of each independent or dependent variable

n = Number of observations

iii. Standard Deviation

Standard deviation measures the extent of variation or dispersion within a set of values. A low standard deviation suggests that the values are clustered near the mean, whereas a high standard deviation indicates they are spread across a wider range. For a sample, standard deviation is calculated as:

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Where,

X = Value of responses of each dependent or independent variable

$\bar{X}$ = Mean value of responses of each dependent or independent variable

n = Number of observations

3.4.2 Correlation Analysis

Correlation analysis is a statistical method used to measure the strength and direction of the linear relationship between two variables. It involves calculating the correlation coefficient, typically denoted as **r**, which ranges from -1 to +1. A positive **r** indicates a positive relationship, meaning that as one variable increases, the other tends to increase as well. A negative **r** denote a negative relationship, it shows increase in one variable when other decrease. A correlation close to zero implies little or no linear relationship between the variables. Correlation analysis can be calculated using the following formula:

$$\text{Correlation Coefficient}(r)=\frac{n\Sigma XY-\Sigma X\Sigma Y}{\sqrt{n\Sigma X^2-(\Sigma X)^2}.\sqrt{n\Sigma Y^2-(\Sigma Y)^2}}$$

Where,

n= Number of observations

X= Values of independent variables

Y= Value of dependent variable

3.4.3 Regression Analysis

This study adapted a multiple regression model to analyze the impact of the different variables on profitability of the multinational corporations. The variables for multinational company's performance are calculated as.

$ROE= \beta_0 + \beta_1 RI + \beta_2 RM_+ \beta_3 RAA+ \beta_4 DE+ \beta_5 TAR+ E$……. (1)

Where,

ROE= Return on Equity

RI=Risk Identification

RM= Risk Monitoring

RAA= Risk analysis and assessment

DE= Debt-equity ratio

TAR= Turnover to total assets ratio

β_0 = value of 'Y' when X_1, X2, X_3, X_4, and $X_5 = 0$

β_i = regression coefficients of Y.

E =Error term

3.5 Research Framework and Definition of Variables

Based on the theoretical and empirical literature reviews, the researcher has developed the following research framework for the study:

The research framework for the study is as followed:

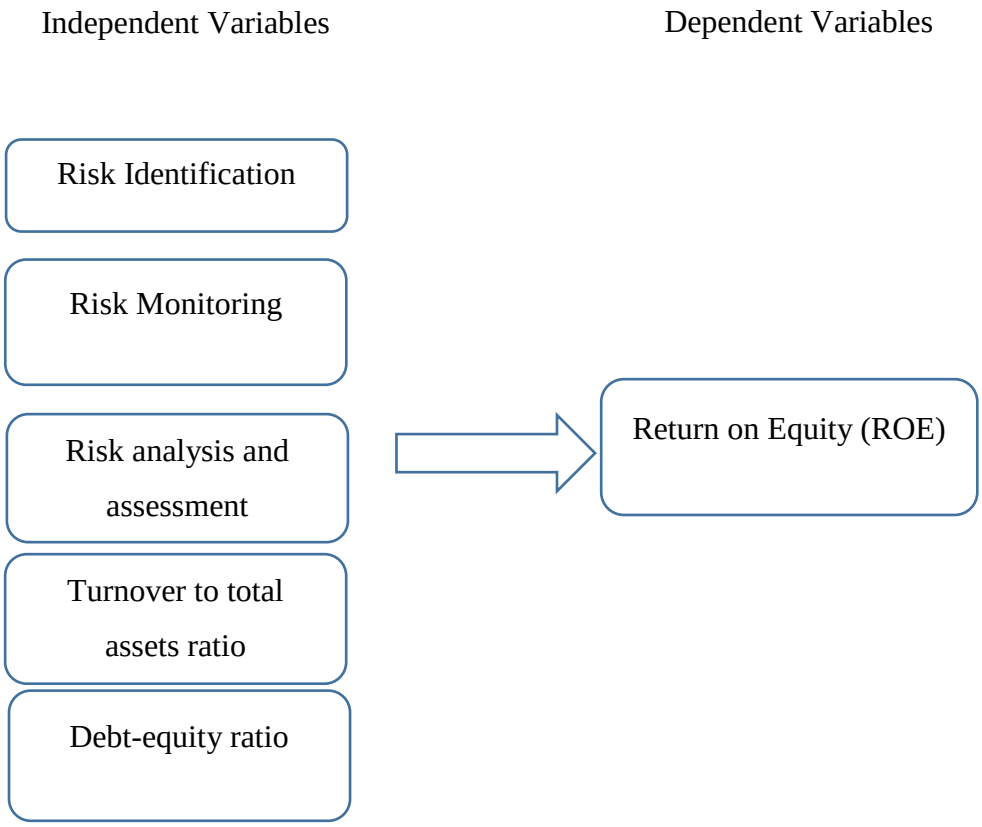

Figure 2. Research Framework

Source: Ndung (2013)

Independent Variables

Risk Identification: In order to effectively manage risks, an organization needs to be aware of and cognizant of the risks, which can include both new and ongoing business initiatives. Risks related to lending activities include, but are not limited to, credit, liquidity, interest rate, and operational risks. Identification of risks needs to be a continuous process that is comprehended at the transaction and portfolio levels. Risk measurement is necessary to ascertain how a risk will affect the bank's capital and profitability after it has been identified. A variety of methods, from basic models to complex models, can be used for this. Effective risk management systems depend on

timely and accurate risk assessment. An institution's ability to track or manage risk levels is constrained if it lacks a risk measurement system.

Risk identification was measured by averaging the responses of the employees. A total of three questions were asked, and the data was collected using Google Forms. The responses were processed in SPSS, and the mean value was calculated to compare with the dependent variable.

Risk Monitoring: To keep an eye on risk levels and make it easier to review risk positions and exceptions on time, institutions should set up a strong management information system (MIS). Periodic follow-up reports that are accurate, timely, and informative should be sent to the appropriate parties to guarantee that, if necessary, appropriate action is taken.

Risk monitoring was measured by averaging the responses of the employees. A total of four questions were asked, and the data was collected using Google Forms. The responses were processed in SPSS, and the mean value was calculated to compare with the dependent variable.

Risk Analysis and Assessment: It involve identifying, evaluating, and prioritizing risks to understand their potential impact on an organization. This process helps businesses anticipate and mitigate financial uncertainties, ensuring more informed decision-making. For Return on Equity (ROE), effective risk analysis is crucial as it impacts profitability and shareholder value. By assessing risks such as market volatility, operational inefficiencies, and credit risks, companies can devise strategies to safeguard their investments and optimize returns. A robust risk management framework supports stability and enhances the ability to achieve higher ROE by minimizing potential losses and maximizing profit opportunities.

For risk analysis and assessment, total 4 questions were asked to the employees. The responses were processed in SPSS, and the mean value was calculated to compare with the dependent variable.

Turnover to Total Assets Ratio: This ratio measures how efficiently a company uses its assets to generate sales. It is calculated by dividing total sales or turnover by total assets. A higher ratio indicates effective asset utilization, implying that the company is

generating more revenue per asset unit, which can lead to improved profitability. This ratio is crucial for assessing operational efficiency and financial performance. In the context of Return on Equity (ROE), a higher Turnover to Total Assets Ratio can enhance ROE by maximizing asset productivity, thus contributing to better returns for shareholder.

To calculate the turnover to total assets ratio following formula has been used;

Turnover to Total Assets Ratio= (Total Sale or income) / total assets

Debt-Equity Ratio: It assesses a company's financial leverage by comparing its total liabilities to shareholders' equity. It is determined by dividing total debt by total equity. This ratio provides insights into the proportion of debt used to finance assets relative to equity, indicating the level of financial risk and stability. A higher ratio suggests greater reliance on borrowed funds, which can amplify both potential returns and risks. For Return on Equity (ROE), a balanced Debt-Equity Ratio can enhance ROE by leveraging debt to boost returns without excessively increasing risk. Proper management of this ratio supports optimal capital structure and financial health, benefiting shareholders.
To measure the debt to equity ratio following formula has been used:
Debt Equity ratio= Total debt / total shareholder's equity.

Dependent Variable

Return on Equity (ROE): A measure of a business's financial performance that illustrates the connection between earnings and investor return is called return on equity, or ROE. The return on equity (ROE) metric serves as a gauge of a company's profitability based on the capital that shareholders have invested, as well as the ability of the management team to convert capital into profits and growth that benefit both the company and its investors. The more effectively the business uses those funds, the higher its return on equity (ROE).

ROE influences the rate at which a company can reinvest its earnings and expand internally. When a business makes money, it has two options: it can use the money to reinvest in the business or give investors dividends, or it can do both. Furthermore, ROE is helpful in comparing a business's profitability to that of its rivals. Companies that don't raise more money by issuing new debt or selling more shares are unable to grow their earnings more quickly than they can increase their ROE. On the other hand, selling more shares reduces earnings per share by increasing the number of outstanding shares, while

taking on more debt reduces net income. Money managers use return on equity (ROE) to gauge a company's potential for growth because it sets a "speed limit" on growth rates. A 15 percent return on equity (ROE) is usually what professional investors look for when assessing a company's earnings potential.

Calculating ROE

Although it is occasionally referred to as a ratio, ROE is usually expressed as a percentage. The most popular method for calculating ROE is to divide net income for the year by average equity held by shareholders for that same period. The company's income statements display net income, and the balance sheet displays shareholders' equity, which is the difference between total assets and total liabilities.

ROE= net income / shareholder's equity

CHAPTER-IV
RESULTS AND DISCUSSION

This chapter consists of the analysis and findings related to the survey employee's responses and company's indicators towards financial risk management in MNCs. It deals with the analysis and interpretation of demographic and variable related information.

4.1 Demographic Information

To gather general information from the respondents, the first section of the questionnaire included details such as the names of the companies and the positions held by the respondents within those companies.

4.1.1 Response Rate

The respondents consists of 50 employees from selected ten companies. Total 80 questionnaire were sent to employees of different companies, only 62.5% of total were responded for the information.

Table 3

Demographic Profile of the Respondents

Demographic Profile (n=50)		Frequency	%
Age	15 to 25	12	24.00
	25 to 40	30	60.00
	40 t 60	8	16.00
	60 above 24%	0	0.00
Gender	Male	31	62.00
	Female	15	30.00
	Prefer not to say	4	8.00
Work Experience	Less than 1 Year	9	18.00
	1 to 3 years	13	26.00
	3 to 5 years	12	24.00
	More than 5	16	32.00

The table 3 shows demographic profile of the 50 respondents provides a clear understanding of their age, gender, and work experience, revealing valuable insights into the sample's composition. In terms of age distribution, the majority (60%) of respondents are between 25 and 40 years old, suggesting that most participants are in the prime of their working careers. A smaller portion, 24%, falls within the younger age bracket of 15 to 25 years, reflecting early-career professionals or those potentially in entry-level positions. Only 16% of the respondents are aged 40 to 60, indicating fewer older professionals in the sample, and there were no respondents aged 60 or above. This age breakdown indicates that the sample leans heavily toward a younger, more active workforce.

Regarding gender distribution, the sample is predominantly male, with 62% identifying as male. Female respondents make up 30% of the sample, highlighting a gender disparity within the group. Additionally, 8% of participants opted not to disclose their gender, which points to a degree of sensitivity around gender identity among some respondents. In terms of work experience, the largest proportion of respondents (32%) have more than 5 years of experience, suggesting a significant representation of seasoned professionals. A notable portion, 26%, has 1 to 3 years of experience, while 24% have worked for 3 to 5 years, further contributing to the presence of mid-career professionals. Interestingly, 18% of the respondents have less than 1 year of experience, indicating a smaller, yet meaningful, portion of early-career individuals in the workforce.

4.1.2 Name of MNCs

Table 4

Portion of Participants form MNCs

S.N.	Sample	Participants	%
1	Asian paints (Nepal) Pvt. Ltd.	3	6.00
2	Dabur Nepal P. Ltd. (Dabur India limited)	6	12.00
3	Unilever Nepal	4	8.00
4	Surya Tobacco Co. Pvt. Limited (ITC Limited of India)	4	8.00
5	Everest bank Limited (Punjab National Bank Limited, India)	5	10.00
6	Nepal SBI bank Limited (State bank of india limited)	4	8.00
7	Jenson & Nicolson (Nepal) Pvt. Ltd. (Jenson & Nicholson India Ltd.)	6	12.00
8	Nabil Bank ltd.	10	20.00
9	Oriental Insurance company Limited (Oriental Insurance Corporation of India)	4	8.00
10	Wai Wai Noodles (CG Group)	4	8.00

The table 4 consists of participants from 10 multinational corporations operating in Nepal, with a total of 50 respondents. Nabil Bank Ltd**.** has the largest representation, accounting for 20% of participants, followed by Dabur Nepal P. Ltd. and Jenson & Nicolson (Nepal) Pvt. Ltd.**,** each contributing 12% of respondents. Everest Bank Ltd. holds 10% of the sample, while Unilever Nepal**,** Surya Tobacco Co. Pvt. Ltd.**,** Nepal SBI Bank Ltd.**,** Oriental Insurance Co. Ltd., and Wai Wai Noodles each represent 8% of participants. Lastly, Asian Paints (Nepal) Pvt. Ltd. has the smallest representation, with

6%. This diverse sample reflects a mix of industries, including banking, manufacturing, insurance, and consumer goods.

4.1.3 Position Held in the MNCs

Table 5

Position in the Company

S.N.	**Position in the Company**	**Participants**	**%**
1	Assistant	17	34.00
2	Senior Assistant	13	26.00
3	Assistant manager	9	18.00
4	Deputy manger	6	12.00
5	Divisional manager	3	6.00
6	Senior divisional manager	2	4.00

Table 5 shows distribution of participants based on their positions within the company shows that a significant portion, 34%, hold the role of Assistant, making it the most represented group in the sample. Senior Assistants follow with 26% of the participants, reflecting a considerable presence of mid-level professionals. Assistant Managers account for 18%, indicating a notable portion of respondents with managerial responsibilities. Further up the hierarchy, Deputy Managers represent 12% of the sample, while Divisional Managers make up 6%. The smallest group consists of Senior Divisional Managers, with 4% of participants. This distribution highlights a strong representation of entry- and mid-level employees, along with a smaller proportion of higher-level managers.

4.2 Information on Financial Risk Management

4.2.1 Formal Risk Management System

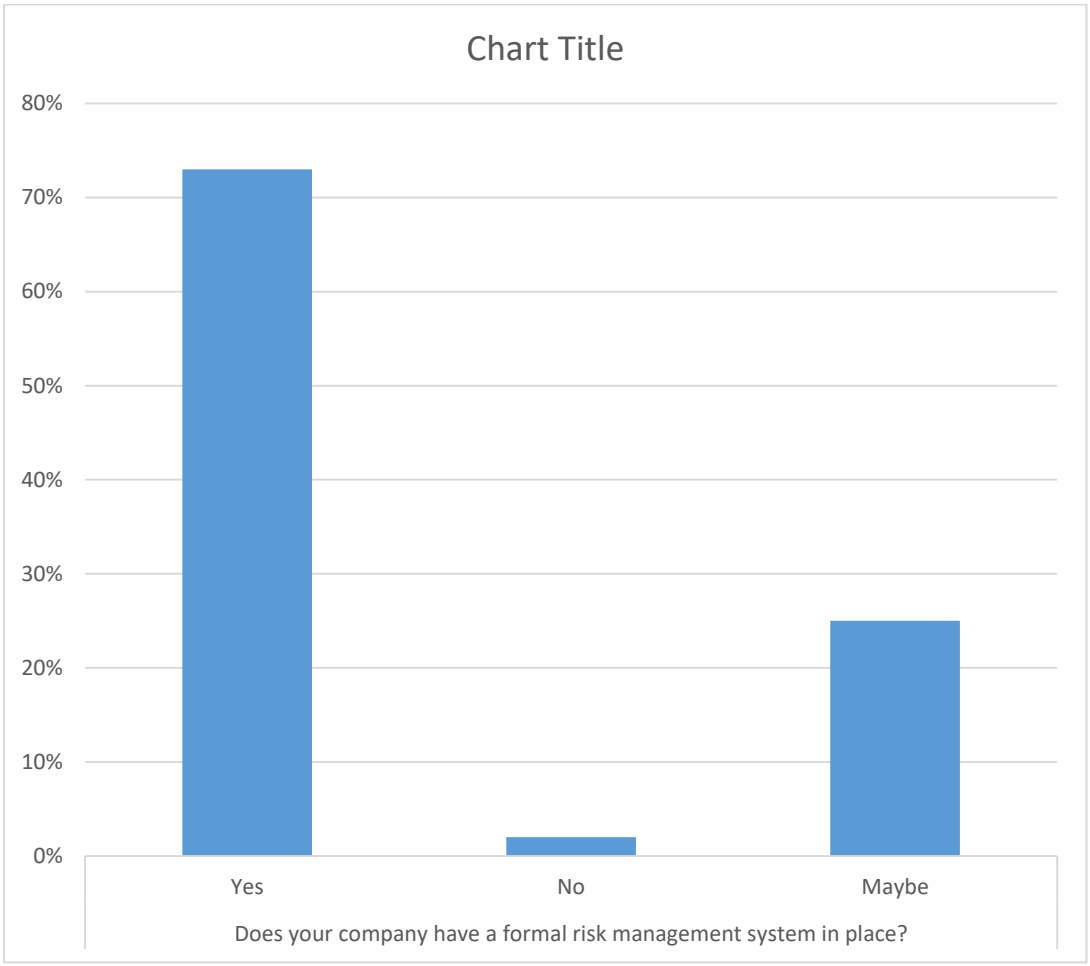

Figure 3. Formal Risk Management System

The graph 3 presents a strong prevalence of formal risk management systems among the surveyed companies. A significant majority (75%) have implemented such systems, indicating a growing recognition of the importance of risk mitigation and proactive planning. While only a small percentage (2%) of companies do not have a formal system, there is still a portion (23%) that are unsure about the system. This suggests that many companies have adopted risk management practices.

4.2.2 Number of Years Companies had RMS

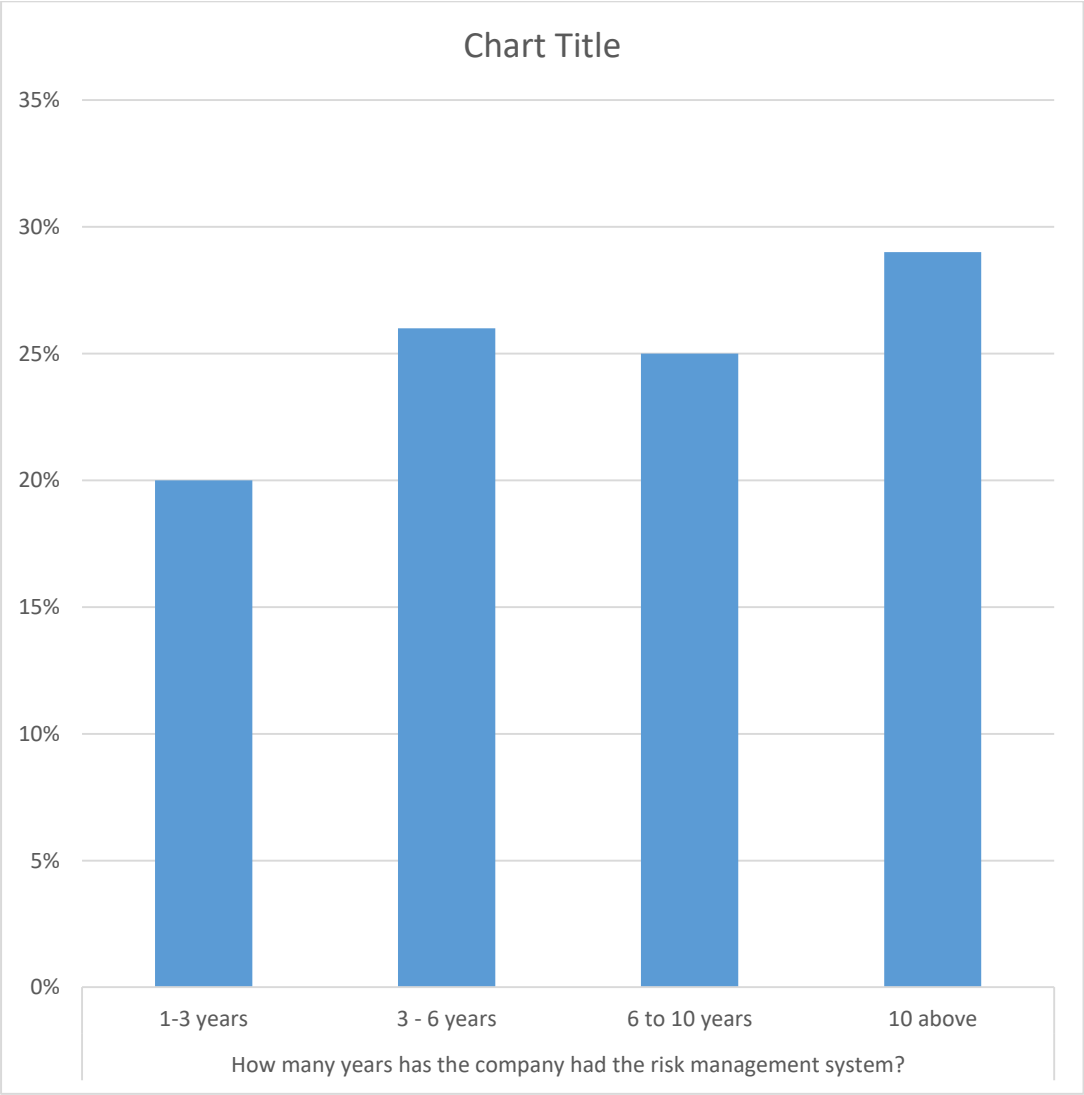

Figure 4. Number of years Companies had RMS

The graph 4 presents the distribution of companies according to the length of time they have had a formal risk management system in place. It shows that a significant percentage of companies (29%) have had such systems for over 10 years, indicating a strong commitment to risk management. A smaller percentage (20%) have had systems for only 1-3 years, suggesting that some companies are newer to adopting formal risk management practices. The remaining categories, 3-6 years and 6-10 years, demonstrate a relatively even distribution, suggesting a steady adoption rate over these timeframes.

4.3 Descriptive Statistics

Following table present the mean values of the variables used in the research.

Table 6

Descriptive Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Deviation
RI	50	2.45	5.00	4.1820	0.53472
RM	50	2.75	5.00	3.9510	0.59047
RAA	50	2.25	5.00	4.1110	0.69319
DE	70	0.00	0.55	0.0472	0.08733
TAR	70	0.05	1.91	0.8200	0.56177
ROE	70	-0.13	0.78	0.2159	0.14736

Table 6 presents descriptive statistics for six variables with sample sizes ranging from 50 to 70 observations. Each variable includes data on its minimum, maximum, mean, and standard deviation. The first three variables, RI, RM, and RAA, have 50 observations each. RI has a mean of 4.18 and a moderate standard deviation of 0.53, while RM has a slightly lower mean of 3.95 and a standard deviation of 0.59. RAA has a mean of 4.11 and shows the highest variability among these three, with a standard deviation of 0.69. DE, based on 70 observations, has a mean of 0.05 and a small standard deviation. ROE, with 70 observations, has a mean of 0.22 and a moderate standard deviation of 0.15, with a somewhat sharp peak in its distribution. These statistics provide insight into the spread and shape of the data.

4.4 Correlation Analysis

Table 7

Correlation Analysis

	RI	RM	RAA	DE	TAR	ROE
RI	1					
RM	.421**	1				
	(0.002)					
RAA	0.099	0.043	1			
	(0.488)	(0.765)				
DE	0.0920	0.038	-0.051	1		
	(0.521)	(0.792)	(0.721)			
TAR	-0.261	-.292*	-0.082	-.314**	1	
	(0.064)	(0.038)	(0.565)	(0.008)		
ROE	-.467**	-0.156	-0.263	-0.192	.467**	1
	(0.001)	(0.275)	(0.062)	(0.11)	(0.00)	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The table 7 shows relationships between risk identification (RI), risk monitoring (RM), risk analysis and assessment (RAA), debt-equity ratio (DE), turnover to total assets ratio (TAR), and return on equity (ROE).There is positive and significant relationship between RI and RM (0.421), indicating a strong relationship between these variables. However, RI is negatively correlated with ROE (-0.467), suggesting an inverse relationship between risk identification and profitability. RM is negatively correlated with ROE (-0.156) but this is not statistically significant. RAA shows weak correlations with all variables, with no significant relationships. DE has no significant correlations with the other variables in the matrix. TAR is negatively correlated with RM (-0.292) and positively correlated with ROE (0.467), with both being statistically significant. This indicates an important relationship between TAR and both RM and ROE. The correlation between TAR and ROE is particularly strong, reflecting a positive association between these variables.

4.5 Regression Analysis

Model summary show how well the regression model fits the data and the information including the R, R square, adjusted R square, standard error of the estimation, and change in statistics. It shows how much changes in the dependent variable is explained by the independent variables used in the study. And ANOVA present the significance of the model used in the study.

Table 8

Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.824[a]	0.680	0.644	0.0839117	0.680	19.105	5	45	0.000	1.104

a. Predictors: (Constant), TAR, RAA, RI, DE, RM

b. b. Dependent Variable: ROE

Table 8 presents model summary shows a strong correlation (R = 0.824) between the independent variables (TAR, RAA, RI, DE, RM) and ROE. With an R Square of 0.680, the model explains 68% of the variance in ROE. The Adjusted R Square is 0.644, slightly lower due to the number of predictors. The standard error is 0.0839, and the model is statistically significant with an F Change of 19.105 and a p-value of 0.000. The Durbin-Watson statistic of 1.104 suggests possible positive autocorrelation in the residuals.

Table 9

ANOVA Table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.673	5	0.135	19.105	.000[b]
	Residual	0.317	45	0.007		
	Total	0.989	50			

a. Dependent Variable: ROE

b. Predictors: (Constant), TAR, RAA, RI, DE, RM

The ANOVA table shows the results of the regression analysis with ROE as the dependent variable. The Regression Sum of Squares is 0.673 with 5 degrees of freedom, and the Residual Sum of Squares is 0.317 with 45 degrees of freedom. The Mean Square for Regression is 0.135, and for Residuals, it is 0.007. The F-value of 19.105 and a p-value of 0.000 indicate that overall model is statistically significant.

Table 10

Coefficient Table

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	0.449	0.134		3.347	0.002	0.179	0.720
	RI	-0.093	0.025	-0.355	-3.749	0.001	-0.143	-0.043
	RM	0.047	0.023	0.199	2.086	0.043	0.002	0.093
	RAA	-0.037	0.017	-0.182	-2.136	0.038	-0.072	-0.002
	DE	-0.033	0.130	-0.022	-0.250	0.803	-0.294	0.229
	TAR	0.160	0.022	0.673	7.151	0.000	0.115	0.205

a. Dependent Variable: ROE

The table 10 shows that several variables have significant impacts on ROE. RI has negative significant impact on ROE. RM is also significant, but it has a positive impact. Similarly, RAA is significant, though it has a negative relationship with ROE. On the other hand, DE is not significant, showing that it does not have a meaningful effect on ROE in this model. Lastly, TAR is highly significant and has a strong positive influence on ROE. Overall, RI, RM, RAA, and TAR significantly affect ROE, while DE does not.

4.6 Overall Hypothesis Testing Decisions

Table 11 shows the result of overall hypothesis testing. There were a total of five hypotheses tested in this study.

Table 11

Overall hypothesis testing decisions

Hypothesis	P-Values	Results
1. There is positive significant impact of risk identification of ROE of the MNCs	0.001	Accepted H1
2. There is positive significant impact of risk monitoring of ROE of the MNCs.	0.043	Accepted H1
3. There is positive significant impact risk analysis and assessment of risk identification of ROE of the MNCs	0.038	Accepted H1
4. There is positive significant impact of turnover to total assets ratio of ROE of the MNCs	0.00	Accepted H1
5. There is positive significant impact of Debt-equity ratio of ROE of the MNCs.	0.803	Rejected H1

4.7 Discussion

The findings of the study reveals that the significant impact of financial risk management practices on the profitability of multinational companies (MNCs), using both primary data from 50 employees and secondary data from annual reports over a seven-year span. The regression analysis indicates that risk identification (RI) has a negative effect on return on equity (ROE) with a coefficient of -0.093 ($p = 0.001$), suggesting that overly meticulous risk identification may reduce profitability. In contrast, risk monitoring (RM) positively affects ROE, with a coefficient of 0.047 ($p = 0.043$), highlighting the importance of continuous oversight. Risk analysis and assessment (RAA) has a slight but significant negative impact, with a coefficient of -0.037 ($p = 0.038$). The turnover to total assets ratio (TAR) emerged as the strongest predictor of ROE, with a coefficient of 0.160 ($p = 0.000$), emphasizing the importance of efficient asset utilization. Interestingly, the debt-equity

ratio (DE) showed no significant influence on profitability ($p = 0.803$), indicating that traditional leverage measures may not be critical for these MNCs.

In comparison, Shokhnekh et al. (2024) examined risk management strategies in MNCs and highlighted the use of scenario analysis and value-at-risk models to manage various risks, including currency and market risks. Their study aligns with the study's findings on the positive impact of risk monitoring, as they found that continuous risk assessment is crucial to enhancing profitability. However, unlike the finding that risk identification negatively impacts ROE, Shokhnekh et al. emphasize its importance, suggesting that thorough risk identification is foundational to effective risk management.

Rushkovskyi and Rasshyvalov (2023) explored the integration of advanced technologies like artificial intelligence and big data in risk management, showing how these innovations allow for more dynamic and flexible approaches. Their study complements the findings on the significant role of asset optimization (TAR coefficient 0.160) in profitability, as both studies underscore the value of technology and efficiency in managing risks and improving returns.

Lampo (2021) focused on currency risk management in Ghana, demonstrating the effectiveness of forward contracts, swaps, and natural hedging. While the study does not emphasize specific financial instruments, it similarly identifies asset turnover as a key profitability driver, suggesting that robust asset and financial management practices, whether through hedging or efficient asset use, are essential to profitability.

Similarly, Lasloom and Grigorieva (2021) explored the role of risk management in enhancing corporate sustainability. Their findings support the conclusion that well-managed risk monitoring leads to higher profitability (RM coefficient 0.047). They also highlight that companies with proactive risk management strategies are better equipped to handle long-term risks, reinforcing the study's findings on the need for continuous oversight and dynamic approaches.

Fragouli and Nicolaidou (2020) examined risk management practices in emerging markets and found that diversification and local partnerships are critical for managing uncertainties. The study's focus on the turnover to total assets ratio (TAR coefficient 0.160) aligns with their conclusions, as efficient management of resources, whether through asset turnover or diversification, is crucial for navigating risks in uncertain environments.

Finally, Paulinus and Jones (2017) investigated risk management in Nigerian banks and found that credit and liquidity risk management led to better financial performance, specifically ROE. While the study did not find leverage (DE) to be a significant factor, both studies highlight that effective risk management—whether through credit risk control or asset turnover—can enhance profitability, supporting the overarching conclusion that targeted risk management strategies are key to financial success.

Overall, the study emphasizes the nuanced impact of risk identification and the importance of monitoring and asset turnover, while aligning with broader literature that stresses the need for adaptable and continuous risk management strategies across MNCs.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter presents a summary of the study and highlights the major findings of the study. In addition, the major conclusions are discussed in this chapter. This chapter also includes the implication regarding the factors affecting the financial performance of multinational corporations. Analysis of the calculated result by using the statistical tool is summarized in this chapter.

5.1 Summary

This study investigates financial risk management in multinational companies using both primary and secondary data. Primary data were gathered through structured questionnaires from 50 employees of ten selected multinational companies, while secondary data were sourced from the companies' annual reports over a seven-year period (2016/17 to 2022/23). The research aims to explore how effective risk management practices, such as risk identification, monitoring, analysis, and assessment, influence a company's profitability. Key financial ratios, including the debt-equity ratio and turnover to total assets ratio, were analysed and compared with the return on equity to assess the impact of risk management. The analysis used a regression model to quantify this impact, and the results were presented graphically to show the structure of risk management within the companies.

The findings revealed significant relationships between risk management practices and profitability. RI, RM, RAA, and TAR were significant predictors of profitability, while DE had no meaningful impact. The study underscores the importance of managing financial risks effectively to achieve desired profits in multinational companies. By addressing the research questions, the study provides valuable insights into the role of financial risk management in securing financial success for these companies

5.2 Conclusion

The research underscores the significant impact of financial risk management practices on the profitability of multinational companies. The analysis, based on both primary data from 50 employees and secondary data from annual reports spanning seven years (2016/17 to 2022/23), reveals clear relationships between key risk management practices and the companies' return on equity (ROE).

The regression analysis showed that risk identification (RI) has a significant negative impact on ROE, with a coefficient of -0.093 ($p = 0.001$), indicating that better risk identification correlates with lower profitability. Risk monitoring (RM) positively influences ROE with a coefficient of 0.047 ($p = 0.043$), while risk analysis and assessment (RAA) has a slight but significant negative effect, with a coefficient of -0.037 ($p = 0.038$). Importantly, the turnover to total assets ratio (TAR) emerged as the strongest predictor of ROE, with a coefficient of 0.160 ($p = 0.000$), highlighting its crucial role in profitability. Conversely, the debt-equity ratio (DE) was not statistically significant ($p = 0.803$), showing no meaningful influence on ROE

These results indicate that effective risk management—particularly in monitoring and optimizing the turnover of assets—can lead to higher profitability. However, poor risk identification and analysis may have adverse effects. This research emphasizes the need for multinational companies to adopt robust risk management strategies, balancing all aspects of risk to ensure financial stability and enhanced.

5.3 Implications

The implications of the research findings are as followed:

Practical Implications:

i) **Enhancing Risk Management Practices**: The study highlights the importance of improving risk monitoring and optimizing asset turnover to boost profitability. Multinational companies should focus on refining their risk management strategies to ensure greater financial stability and higher return on equity (ROE).

ii) **Focusing on Risk Identification and Monitoring**: Given the significant effects of risk identification and monitoring, companies should strengthen their risk identification frameworks while ensuring continuous monitoring to identify emerging risks and mitigate their adverse impacts on profitability.

iii) **Optimizing Asset Utilization:** The strong positive relationship between turnover to total assets ratio (TAR) and profitability suggests that multinational companies should focus on improving asset utilization and efficiency. This can lead to higher returns and better financial performance.

iv) **Revisiting Debt-Equity Structure:** Since the debt-equity ratio (DE) did not show a meaningful effect on ROE, multinational companies may reconsider their

reliance on this metric when making financial decisions, focusing instead on more impactful factors like asset turnover and risk monitoring.

Theoretical Implications:

i) **Advancing Financial Risk Management Theory:** The study contributes to understanding financial risk management in multinational companies by demonstrating the impact of specific practices on profitability. It offers insights into how risk management can be integrated into profitability models for multinational firms.

ii) **Further Research Directions:** The findings suggest avenues for future research, including exploring additional risk management practices and external factors, such as market conditions and economic fluctuations, to assess their impact on profitability and financial stability in multinational companies. Future studies could also focus on the role of industry-specific factors in shaping financial outcomes.

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Appendix 1

MNCs operating their operation in Nepal.

S.N.	MNCs
1	Asian paints (Nepal) Pvt. Ltd.
2	Colgate Palmolive (Nepal) Pvt. Ltd.
3	Dabur Nepal P. Ltd. (Dabur India limited)
4	Unilever Nepal
5	Highland Distillery Pvt. Ltd. (Shaw Wallace & Company Ltd. India)
6	Jenson & Nicolson (Nepal) Pvt. Ltd. (Jenson & Nicholson India Ltd.)
7	Larsen & Toubro Limited (Larsen & Toubro India Limited)
8	Nebico Pvt. Ltd. (Britannia Industries Limited india)
9	Nepal Battery Company Limited (Eveready Industries india Limited)
10	Nepal Orind Magnesite (P) Limited (Orissa group of Industries, India)
11	Surya Tobacco Co. Pvt. Limited (ITC Limited of India)
12	Everest bank Limited (Punjab National Bank Limited, India)
13	Nepal SBI bank Limited (State bank of india limited)
14	National Insurance Company Limited (General Insurance Corporation of India)
15	Oriental Insurance company Limited (Oriental Insurance Corporation of India)
16	Hotel De la Annapurna (Taj group of Hotels, India)
17	SitaWorld Travel (Nepal) Pvt. Ltd. (Sta World Travel India Limited)
18	Hoechst Marion Roussel (P) Limited (Hoechst Marion Roussel Limited India)
19	RED BULL
20	Himalayan Bank
21	Standard Chartered Bank
22	Radisson Hotel

23	Nabil Bank
24	Ncell Company
25	Wai Wai Noodles (CG Group)
26	TUBORG BEER
27	L.G. Television
28	Crown Plaza
29	Gorkha Lawrie Pvt. Ltd. (JV with British Company)
30	Jeetu oncern (Servo Lubricants)
31	Luna trading Company (P) Ltd. (Dabur India Limited)
32	Morang Auto Works (Escorts Yamaha India)
33	Sipradi Trading Co. Pvt. Limited (TELCO India)
34	Nepal Grindlays bank limited
35	Soaltee Hotel Limited
36	Kodak Nepal
37	KFC
38	Samsung Electronics
39	Life Insurance Corporation Nepal
40	San Miguel Beer
41	Pepsi Cola (Nepal) Pvt. Limited
42	Agni Incorporated Pvt. Ltd. (Mahindra & Mahindra)

Source: Nurhasanah (2015)

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Abstract The research explored the impact of financial risk management practices on the profitability of multinational corporations (MNCs), with a specific focus on risk identification (RI), risk monitoring (RM), risk analysis and assessment (RAA), the debt- equity ratio (DE), and the turnover to total assets ratio (TAR). Using a combination of primary data from 50 employees and secondary data from annual reports spanning seven years, the study evaluated the influence of these practices on return on equity (ROE). The research adopted a descriptive and causal comparative research design, analyzing responses from employees regarding risk management and calculating key financial ratios from the annual reports of ten MNCs. The findings reveal that certain risk management practices have a significant effect on profitability. Specifically, risk monitoring (RM) and turnover to total assets ratio (TAR) demonstrate a positive and statistically significant impact on ROE, indicating that better monitoring systems and more efficient asset utilization can enhance profitability. On the other hand, risk identification (RI) and risk analysis and assessment (RAA) have a negative impact on ROE, suggesting that excessive focus on identifying and analyzing risks may hinder profitability. The debt- equity ratio (DE), however, was found to have no significant effect on profitability in this context. The study concludes that while risk management practices are crucial, MNCs must balance their approach, especially regarding risk identification and analysis, to avoid diminishing returns. The research contributes to the theoretical understanding of financial risk management by highlighting the differential effects of various practices on profitability. It also offers practical insights for MNCs, emphasizing the need for efficient risk monitoring and asset management to achieve financial success. Keywords: Multinational Corporations, Risk Identification, Risk Monitoring, Total Assets Ratio, Debt-equity Ratio, Return on Equity. ii CHAPTER- I INTRODUCTION 1.1 Background of the Study International business (IB) commentators and scholars frequently use the terms multinational company (MNC), multinational enterprise, and transnational corporation interchangeably. Traditionally, multinational corporations (MNCs) have been viewed as prosperous businesses that have expanded over many years into sizable organizations with an international focus on their operations, goals, and tactics. This was undoubtedly the case for the majority of the 20th century due to the economies of