A STUDY ON THE ROLE OF FINANCIAL MANAGEMENT IN PREVENTING BUSINESS RISKS (THE CASE OF CENTURY TIANHONG EDUCATION TECHNOLOGY CO., LTD.)

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Financial management, being an important part of modern enterprise management, is a key force that affects the sustainable development of enterprises. With such significant changes in the market, enterprises need to constantly improve their core competitiveness, establish and improve a scientific and effective enterprise financial management system and risk mechanism, and strengthen the management and control of enterprise production and operation risks. Therefore, this study collates and calculates the annual report of Century Tianhong Education Technology Co., Ltd. for the three years from 2019 to 2022, outlines the current situation of financial risk management of Century Tianhong Education Technology Co., Ltd. in terms of solvency, profitability and development ability, and uses the financial risk management method to identify and evaluate the financial risk of Century Tianhong Education Technology Co., Ltd. Through the quantitative research on the hypothesis, the research results are as follows: Century Tianhong Education Technology Co., Ltd. has management problems in terms of solvency, profitability and development ability, and the improvement of these three aspects has a significant impact on the role of financial management to prevent business risks. This study puts forward the following suggestions: 1) strengthen the concept of capital flow management and risk prevention; 2) accelerate the modernization of the accounts receivable system; 3) clarify the cost components of different products; 4) establish the prevention of harmonious financial management level of enterprises. It is expected to scientifically evaluate and predict the future earnings of Century Tianhong Education Technology Co., Ltd., and effectively improve the overall financial management level of the company.

Keywords: financial management; enterprise risk management; risk prevention; enterprise operation risk; harmonious financial management theory
Introduction

Research background

Currently, the process of economic globalization is accelerating, and China's economic situation at home and abroad has undergone enormous changes. The economic environment in which enterprises develop has changed dramatically, and consumer demand has also changed significantly with the rapid development of the Internet economy. The macroeconomic policies are further regulated, and the operational risks faced by some Chinese education technology enterprises are more diversified and complex (Beer, 2003).

Under such circumstances, if Chinese education technology enterprises fail to manage risks in a timely manner, it will produce irreparable losses. The object of the study object is Century Tianhong Education Technology Co., Ltd., relying on high-quality educational, scientific and technological resources. After 20 years of development it has become a key enterprise in the field of education, science and technology industrialization of science and technology. Century Tianhong has successfully created educational services such as small scale book distribution planning for higher education, research and development of education informatization products.

The famous brand “Zhihong Optimization”, which publishes domestic educational books, covers more than 30 provinces and autonomous regions, and has a particular influence and popularity in the local market. However, considering the wide consumer market of education, science and technology, the scale of production and operation of Century Tianhong Education Technology Co., Ltd. can be much larger (Al-Zaqeba et al, 2022).

Entrepreneurship development is set to break through, especially in 2019-2022, affected by financial accounting restrictions, COVID-19 outbreak, Century Tianhong Education Technology Co., Ltd. development situation, demand for enterprise development due to serious product homogeneity, capital constraints, such as restrictions on the enterprise development. Century Tianhong Education Technology Co., Ltd is trying to get rid of this dilemma and improve the quality of enterprise development.

So, in this study analyzes the combination of financial management theory, unified management theory and comprehensive risk management theory of Century Tianhong Education Technology Co., Ltd. Operational risks, on this basis, put forward countermeasures to prevent management risks, hope to help Century Tianhong Education Technology Co., Ltd. solve problems encountered during the development process. This is the research context of this study.

Research problems

In 2004, the COSO Committee released the Enterprise Risk Management-Integration or ERM Framework (Bamber et al, 2004). The ERM framework covers eight elements: management environment, risk identification, risk assessment, target selection, management activities, information and communication, supervision, and risk countermeasures. This framework describes the process and standards of comprehensive risk management, which runs through all the production and operation activities of the enterprise.

However, in the era of planned economy, the research on enterprise management risk is limited to enterprise risk, and the introduction of business risk management theory is also not obvious.
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Wong (2014) believes that the business operation risk is the probability that an enterprise will bring adverse consequences to the enterprise in the production and operation activities, analyzing the internal and external risks faced by enterprises from the micro, meso and macro levels. Based on production, marketing, human resource management and other aspects of internal enterprise risks analysis, Chowa & Despard (2014) systematically analyzed the impact of R&D input on risk and noted that R&D investment and risk showed a positive correlation.

However, the coefficient of risk generation caused by R&D investment varies across industries. Zhang (2020) holds that operational risk refers to the uncertainty of the enterprise in the process of production and operation, product technology level, the ability to adjust prices, the proportion of fixed assets, etc. Therefore, the company must adjust the enterprise management structure through reform, establish a reasonable risk early-warning system, and prevent and defuse risks through technological progress and innovation.

Zhai (2021) believes that with the rise of operational risk, it is more difficult for enterprises to use business activities for spontaneous financing in operation. Therefore, this study focuses on how to improve the financial management role of Century Tianhong Education Technology Co., Ltd. to prevent business risks, which is the main problem.

Objective of the study
At the same time, electronic information technology is used to create an online management platform to supervise the potential hidden dangers in the operation of enterprises in real time (Ramalho & Forte, 2018). By reducing production and operating costs, the production and operation of enterprises have good stability and safety, and provide a positive and healthy development environment for the production and operation of enterprises.

Thus, this study integrates the background and research problems with three objectives:
1) To determine the existing solvency of Century Tianhong Education Technology Co., Ltd., as it has a certain impact on its financial management role in preventing business risks.
2) To determine the existing profitability of Century Tianhong Education Technology Co., Ltd., as it has a certain impact on its financial management role in preventing business risks.
3) To determine the existing development ability of Century Tianhong Education and Technology Co., Ltd., as it has a certain impact on its financial management role in preventing business risks.

Research significance

Theoretical significance
Enterprise harmonious financial management theory research for the existing financial management theory brought fresh ideas. The harmonious financial management concept can fully employ the enterprise to create "value" potential: increasing employee satisfaction will reduce staff turnover, focusing on customer interests will increase customer viscosity, public focus will increase trust in enterprise, and focusing on the interests of the government will enhance social relations, etc. (Xiao & Porto, 2017).
Therefore, the introduction on the harmonious management theory with Chinese characteristics into the theoretical system of enterprise financial management realizes the integration of the harmonious management theory and the existing financial theory.

**Practical significance**
In a market economy, capital pursues profit, but profit is accompanied by risk. The higher the profit, the greater the risk. When the enterprise risk breaks out, the enterprise loses money and the profit decreases. It surely reflects the financial risks, which run through the whole process of enterprise business activities. Therefore, from this point of view, the role of financial management in preventing business risks has practical significance.

**Theoretical framework**
This study draws on theoretical support to understand the role of financial management in preventing the essence of business risks. Specifically the annual report analysis of Century Tianhong Education Technology Co., Ltd., helps to analyze the company financial ability, to understand the financial management situation of the company, to solve the problems of financial risks and put forward the feasible improvement suggestions in the financial risk management for Century Tianhong Education Technology Co., Ltd.

![Figure 1 - Technology roadmap](image)

**Hypothesis**
H1: Profitability significantly affects the role of financial management of Century Tianhong Education Technology Co., Ltd. in preventing business risks.
H2: Solvency significantly affects the role of financial management of Century Tianhong Education Technology Co., Ltd. in preventing business risks.
H3: Development ability significantly affects the role of financial management of Century Tianhong Education Technology Co., Ltd. in preventing business risks.

Literatures review

Morgan (2011) Research shows that the key to solving financial management problems is to obtain the support of financial institutions. In most enterprises, the financial management system is imperfect and does not comply with the requirements of the financial system. Enterprises need to establish a perfect financial system, as well as complete financial information and efficient financial management.

Lacour & Tissington (2011) mention that the study of enterprises, effective accounting practices and the level of accounting play an important role in achieving the enterprise goals.

Mchavi (2017) studied the differences between companies with social responsibility in information report disclosure. Companies with a sense of social responsibility have disclosed adequate information and have some restrictions in managing earnings. However, the level of financial management has failed to keep pace with the growth speed of enterprises.

American scholars put forward the concept of risk management after the 1980s. In order to survive and develop, some enterprises begin to pay attention to risk management, generalize the experience in practice, and improve the level of operation and management (Presber, 2011). In recent years, some enterprises have begun to pay attention to risk management and have established internal control and risk management system. Enterprise risk management is a variety of activities in risk for identifying, assessing and controlling risks, including the principles, procedures, organizational structure and division of responsibilities for managing enterprise risks (Ibrahim & Alqaydi, 2013). Among them, the first three aspects form the basis of enterprise risk management and all enterprise risk management activities.

Enterprise risk management is a comprehensive concept that includes strategic planning for enterprise development, resource allocation plan, etc., as well as the risks of all parts of the entire production and operation of the enterprise (Fong & Khoo, 2015). The goal of enterprise risk management is to increase awareness of the risks of the enterprise and all its members, create and improve the risk mechanism, and improve the comprehensive ability to resist risks, ensure the debt level, production scale and inventory turnover of the enterprise in the safe zone, and establish a critical warning system so that the operators can have good financial stability and business safety as well as to eliminate the hidden risks in operation, and provide an excellent safe business environment.

Falahati & Paim (2012) state that the revenue standard can well reflect the business risk, the standard deviation for the enterprise history of three years of primary business income and the ratio of three years of primary business income, the more significant the share of the enterprise, the greater the business risk, so with accounts receivable, bills receivable and other receivable share of total assets to measure the enterprise management risk.

Weber (2017) notes that if using the financial indicators as the alternative variable of the operational risk of an enterprise, the indicators are designed to comprehensively reflect the size of the enterprise’s operational risk along three dimensions: solvency, profitability and operating capacity of the enterprise.
According to Rezaee (2018), the coefficient of variation of operating income is used to measure the operational risk of an enterprise’s growth process.

Li (2021) believes that the sensitive coefficient of a single variable in the operating leverage coefficient cannot comprehensively reflect the operational risks faced by the enterprise, while the standard deviation ratio can better comprehensively reflect the operational risks of the enterprise.

Hashim & Koon (2017) noted that business risk should be divided into operating income volatility risk and loss risk. Therefore, the choice of profit before interest and tax in the income index may better reflect the change in operating income more than operating income.

Research methodology

This research mainly uses quantitative analysis method for various purposes: to forecast enterprise operating risk boundaries, to determine enterprise solvency, profitability, development ability, three aspects of the financial early warning index, a comprehensive understanding and understanding of enterprise total assets return, cost and sales margins, as well as to analyze the real power of enterprise sustainable development, according to the enterprise capital appreciation rate, effective early warning plan, to prevent production and operation risks.

Quantitative research methods

In order to fundamentally solve such problems, it is necessary to create and improve a scientific mechanism for early warning of risks (Askari & Krichene, 2014). However, it can be seen from the literature review that non-financial factors cause operation risk and cause a change in enterprise income. Management risk will eventually affect the enterprise's operating income, so this study refers to Cao Yushan’s measurement of management risk and uses Century Tianhong Education Technology Co., Ltd., 2019-2022 financial data collection and analysis, especially the business environment in Century Tianhong Education Technology Co., Ltd. From the scientific point of view. To better prevent business risks, the financial management department must establish a reliable system and strengthen financial management.

Finding and conclusion

Finding

Cronbach's Alpha is currently the most commonly used measure of reliability (Aydin & Akben, 2019). As long as the Alpha coefficient of Cronbach is above 0.7, its size and data can be considered.
As can be seen from Tab. 1, the Cronbach's Alpha value in this study is 0.871, which is very consistent with the criteria, indicating that this hypothesis and the collected data are valid. Validity analysis is used to study the design rationality of quantitative data, especially attitude scale questions to analyze the KM0 value. If the value is higher than 0.8, it indicates high validity. If the value is between 0.7 and 0.8, it indicates good validity. If the value is between 0.6 and 0.7, it indicates acceptable validity. If the value is less than 0.6, it indicates poor validity (McLaughlin et al, 2012).

Table 2 - Validity Analysis
(made by the author)

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor load coefficient</th>
<th>common linear measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability, and related indicators</td>
<td>divisor 1</td>
<td>divisor 2</td>
</tr>
<tr>
<td></td>
<td>0.509</td>
<td>0.37</td>
</tr>
<tr>
<td></td>
<td>0.163</td>
<td>0.697</td>
</tr>
<tr>
<td></td>
<td>0.335</td>
<td>0.739</td>
</tr>
<tr>
<td></td>
<td>9.174</td>
<td>1.842</td>
</tr>
<tr>
<td></td>
<td>45.8</td>
<td>9.21</td>
</tr>
<tr>
<td></td>
<td>45.8</td>
<td>55.0</td>
</tr>
<tr>
<td>Characteristic root value (before rotation)</td>
<td>5.548</td>
<td>3.577</td>
</tr>
<tr>
<td></td>
<td>27.7</td>
<td>17.8</td>
</tr>
<tr>
<td></td>
<td>27.7</td>
<td>45.6</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>KM0</td>
<td>0.918</td>
<td>-</td>
</tr>
<tr>
<td>Bart spherical values</td>
<td>1796.531</td>
<td>-</td>
</tr>
<tr>
<td>df</td>
<td>190</td>
<td>-</td>
</tr>
<tr>
<td>P</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

X₁ to measure the solvency of the enterprise, the solvency of Century Tianhong Education Technology Co., Ltd. gradually increases, the current assets of the enterprise bear relatively small debt risk. In 2019, the enterprise losses, but gradually increased in subsequent years. The operation and management level is relatively high, indicating that the utilization effect of enterprise assets gradually improved.
Table 3 - Important Index Values Based on Z model
(made by the author)

<table>
<thead>
<tr>
<th>Project</th>
<th>In 2019</th>
<th>In 2020</th>
<th>In 2021</th>
<th>In 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.3517</td>
<td>0.3724</td>
<td>0.4298</td>
<td>0.5097</td>
</tr>
<tr>
<td>X2</td>
<td>0.0593</td>
<td>0.0583</td>
<td>0.0868</td>
<td>0.1109</td>
</tr>
<tr>
<td>X3</td>
<td>0.0250</td>
<td>0.0510</td>
<td>0.0785</td>
<td>0.0842</td>
</tr>
<tr>
<td>X4</td>
<td>0.0087</td>
<td>0.0127</td>
<td>-0.0018</td>
<td>-0.0124</td>
</tr>
<tr>
<td>X5</td>
<td>0.3845</td>
<td>0.2404</td>
<td>0.5346</td>
<td>0.6671</td>
</tr>
<tr>
<td>Z</td>
<td>0.97</td>
<td>0.94</td>
<td>1.42</td>
<td>1.70</td>
</tr>
</tbody>
</table>

By observing the size of the Z value in Tab. 3, it can be found that the Z value of Century Tianhong Education Technology Co., Ltd. is less than 1.81 and is in the scope of possible financial risk, especially in 2019-2020 when the Z value is less than 1. It can be noted that Century Tianhong Education Technology Co., Ltd. has been running relatively large financial risks for quite a long period of time. Although the Z-value of Century Tianhong Education Technology Co., Ltd. has gradually increased in the past two years and has gradually shown a positive trend, the financial risk of the company should not be ignored, and enterprises should pay attention to it.

The variance analysis of the influencing factors is as follows:

Table 4 - Results of ANOVA
(made by the author)

<table>
<thead>
<tr>
<th>Model</th>
<th>Quadratic</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>40.325</td>
<td>4</td>
<td>10.081</td>
<td>46.477</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>30.801</td>
<td>142</td>
<td>.217</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71.125</td>
<td>146</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The variance analysis of the regression model in Tab. 4 shows the F value of 46.477 and the P-value of the significance test of 0.000, which is less than the significant level of 0.05, indicating that the regression model overall explained the significant level. The regression analysis of the influencing factors is as follows:

Table 5 - Regression Analysis
(made by the author)

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardized coefficients</th>
<th>Standard coefficient</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(constant)</td>
<td>.583</td>
<td>.172</td>
<td>3.392</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Profitability, and related indicators</td>
<td>.096</td>
<td>.097</td>
<td>.087</td>
<td>-.994</td>
<td>.322</td>
</tr>
<tr>
<td>Debt ability, related indicators</td>
<td>.647</td>
<td>.087</td>
<td>.613</td>
<td>7.433</td>
<td>.000</td>
</tr>
<tr>
<td>Development capacity, related indicators</td>
<td>.094</td>
<td>.071</td>
<td>.088</td>
<td>1.318</td>
<td>.190</td>
</tr>
</tbody>
</table>
According to Tab. 5 coefficient (a), the standardized coefficients of profitability and related indicators, debt capacity, related indicators, development capacity and related indicators are 0.087, 0.613 and 0.088 respectively, which shows that profitability has the greatest influence, followed by debt capacity.

**Research conclusions**

This study is mainly based on risk management theory, the present situation of Century Tianhong Education Technology Co., Ltd., the preliminary diagnosis in the financial risk management problems, financial risk identification.

This study also puts forward scientific and feasible improvement suggestions. Generally speaking, the operating situation of Century Tianhong Education and Technology Co., Ltd. has gradually become stable in recent years, and it still has relatively muscular economic strength, but there are some significant financial risks.

Combined with data analysis, the content of the hypothesis explains whether the role of financial management Century Tianhong Education Technology Co., Ltd. prevented risks of enterprise management in terms of ability to pay debts, profitability and ability to develop. The results were found to have a positive impact, making H1-H3 effective. In terms of financial risk management, Century Tianhong Education Technology Co., Ltd. still needs more supervision of financial risk, and the financial risk awareness of the company's personnel still needs to continue to be strengthened.

**Recommendation**

**Strengthen the concept of capital flow management and risk prevention and control**

Since the fund utilization cycle includes all stages of Century Tianhong Education Technology Co., Ltd.'s operation, operators must change the traditional management concept and seriously implement the distribution of funds between the finance department and other departments.

According to the actual development of the enterprise, strengthening the regulation of the use of funds and expenses may be due to the following aspects: the management of the financial department should implement the capital management of Century Tianhong Education Technology Co., Ltd. and the role of sustainable development improve their management and professional quality (Shim et al, 2009).

The process of capital management in strict accordance with the state-issued enterprise financial management system and laws and regulations for the overall arrangement and reasonable use of funds, and the development of the enterprise will not be affected by shortage or excess of funds.

**Accelerate the modernization of the accounts receivable system**

To adapt to the unpredictable market economic environment, enterprises should accelerate the upgrading of the accounts receivable system, improve the existing financial management and risk prevention system, tighten the internal core work management rules, and set up professional financial personnel for problem solving and control (Scheresberg, 2013).
In terms of financial management, combined with the characteristics of enterprise's production and operation, according to the occurrence of accounts receivable, it is necessary to create corresponding management measures and standards, improve the business connection between the financial department, improve the economic contract management and audit procedures, strengthen the financial supervision function, refine the risk control in the process of economic business, to reduce the risk of accounts receivable to a minimum.

**Strengthen the fine and modern management of capital cost control**

It is important to improve the profitability of enterprises as cost control is an effective strategy to promote the overall planning and dynamic management of budget management. There may be financial risks for production and management in Century Tianhong Education Technology Co., Ltd.

It is necessary to strengthen the refinement of capital cost control and modern management, and have clear understanding of financing and investment in Century Tianhong Education Technology Co., Ltd. taking into account its production target. It is very important to build a financing plan in advance, to avoid production and operation investment and financing caused by capital turnover problems.

Through the financial budgeting and evaluation, it is necessary to strengthen the core competitiveness of the enterprise and the level of cost control, as well as define management indicators to measure the quality of production and operational work (Sachitra et al., 2019).

The functioning of financial department should be controlled from time to time, as well as the key milestones that are prone to errors should be checked, and the gap between operation and development goals should be narrowed.

**References:**


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