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Research Paper

Designing a Financial Fragility Assessment Model of Companies Admitted to the Iran Stock Exchange[1]

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INTRODUCTION

In recent years, financial developments, integration of international financial markets, technological developments, and rapid development of financial products have increased. Also, competition has become more intense in most economic sectors and, as a result, new financial challenges have arisen. One of the most important challenges is the financial stability of companies and organizations active in economic sectors. Financial stability also has a direct relationship with financial fragility. For this reason, one of the important issues of these organizations is the assessment of financial fragility. Today, the term financial fragility is widely used, financial fragility refers to the sensitivity of financial systems to financial crises caused by various shocks (Iftikhar, 2015, 93). Also, due to financial and economic integration, the financial crisis of 2007-2008 and the subsequent "Great Recession" are of great importance in all countries. One of the possible reasons for the unprecedented depth of the crisis is the increased fragility of the US financial sector. It has been proven that important global

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and economic events are strongly related to financial conditions (Baglianova and Moranab, 2014, 378). After the global financial crisis in 2008, the assessment of financial fragility has been carried out to provide information about the current or even future state of the markets, as well as to send early warning messages of financial shocks (Sensui et al., 2014, 414). In simple terms, financial fragility is the sensitivity, capability, or reaction of a financial system against shocks in this financial system (Kang et al., 2017, 61). One of the key issues is that the assessment of financial fragility can increase the motivation of investors and companies to invest and operate more because both investors and companies evaluate the level of risk based on the level of financial fragility. Financial stability, which is very important for investors, is also dependent on financial fragility (Lee, 2017, 198). Experts and managers prefer to talk about "fragility" rather than "fragility" or "vulnerability". Because, the issue of financial fragility is more compatible with recent financial crises and global financial conditions, and recently its literature has been more related to events, conditions, and even the risk situation in most countries of the world (Giordani et al., 2017, 93). Therefore, the current research is conducted to design a suitable model for assessing the financial fragility of companies admitted to the Iranian Stock Exchange. To achieve the mentioned goal, while reviewing the previous research and studies, it is intended to explain the use of the qualitative and quantitative approaches in the methodology part of the research to provide the financial fragility assessment model and then to analyze the findings and draw a conclusion.

MATERIALS AND METHODS

This research seeks to design a model to evaluate the financial fragility of companies admitted to the Iran Stock Exchange using a mixed research method (qualitative-quantitative). To understand, identify and extract the variables from the semi-structured interview and open coding to reach the variable and to complete the self-interaction matrix, expert opinions and modeling of these variables were done with the help of Interpretive Structural Modeling (ISM) method and determine the type of variables in terms of influence and Effectiveness has also been used from the Mic Mac analysis. This research is considered to be of practical purpose. However, library studies have been used to prepare the theoretical foundations and background of financial fragility research. The statistical population of this research includes a set of experts and academic specialists familiar with financial fragility. The criterion of sample size is theoretical adequacy; this means that no new index or variable is identified in the interview with the elite statistical community. Therefore, the criterion of sample adequacy is theoretical saturation (Corbin and Strauss, 2014, 67). By using the purposeful selective sampling method, in the beginning, 11 people were selected as the sample of the primary experts of the research, and then, the necessary data were collected. During the interview, new people were identified and in total, 19 people were interviewed and theoretical saturation was achieved.

RESULTS AND DISCUSSION

The theoretical saturation in this research was achieved when the additional data did not help to complete and define the dimensions of the research and the data collected after the 15th interview seemed similar. To ensure this issue, while presenting the model to some members of the statistical community, the qualitative part of the feedback showed that the people questioned were confident about the theoretical explanation of the research and did not have any recommendations to conduct new interviews with a specific person or people. The status of the sample of research experts shows that 57% of the sample research experts have scientific and research experience in universities, and 21% of them also have executive experience in the Iranian Stock Exchange Organization in the subject under study. In addition to the above two categories, 22% of the sample of experts also have long-term experience, investments, and activity in the stock exchange and have a higher university education. The average work experience of academic experts and executive agents of the Iran Stock Exchange Organization is between 15 and 18 years, and the work experience of investment experts is 14 years, which indicates good experience and, following that, complete familiarity with the dimensions of financial fragility.

CONCLUSION

The extracted variables of financial fragility are Bank deposit rates, relationships and financial interaction monetary policies, financial performance, economic stability, changes in the board of directors, financial crisis, liquidity situation, the net asset value of the company, forecasting financial events, how to finance the company, financial productivity disorders, company investments, type of financial system, new financial innovations and changes, Financial constraints, company debts, financial structure, rate of return, financial balance, financial accelerator performance, exchange rate changes, credit risks, changes in the value of the national currency, credit and income dependence, changes in stock value, financial savings, and unforeseen events. Using

the self-interaction matrix, the relationship between the extracted variables was determined and a six-level model was obtained, the most effective of which is financial stability.

Keywords: Financial Fragility, Financial Crisis, Financial Stability, Investors.
JEL Classification: G0, G1, G19.