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Risk Management Practices and Financial Performance of Property Developers in the Context of Covid-19 Pandemic

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Abstract
The global economy can be impacted by significant events such as financial crises and pandemics. Recently, the outbreak of COVID-19 caused by the SARS-CoV-2 virus has disrupted the stability of markets and economies across various sectors. One area of interest is the risk management practices of property developers and their impact on financial performance during the pandemic. This study aims to investigate the risk management practices of property companies in Malaysia in the context of the COVID-19 pandemic. Specifically, the five areas being explored are identifying risks, assessing risks, mitigating risks, implementing risk management, and monitoring risk management. The research seeks to provide theoretical contributions by offering insights to organizations on how to improve their financial performance, as well as practical contributions by providing guidelines for more structured risk management practices. The study employs a quantitative research approach, with a random sampling of 282 respondents from various property developers in Malaysia, including residential, commercial, mixed-use, special purpose, industrial, and agricultural sectors. Results indicate that risk mitigation has a significant positive effect on financial performance, while risk identification and risk assessment have negative effects.

Keywords: Risk Management Practice, Financial Performance, Property Developers, Covid-19 Pandemic.

Introduction

The financial crisis and pandemics are important elements that may affect the economy all over the world (Pak, Adegboye, Adekunle, Rahman, McBryde, & Eisen, 2020). Recently, COVID-19 caused by the SARS-CoV-2 disease had changed the world and destroyed the stability of the market and economy. Due to the uncertainty, enlarges the intense volatility and worries in the market and affected many sectors such as hospitality, tourism, manufacturing, construction, property, banking, and others (Chang, McAleer, & Wong, 2020). Before COVID-19 happen, the sustainable development and market in terms of financial area are in unstable and critical condition (OECD, 2018, 2020). The appearance of COVID-19 extends the instability and makes the economy decline. This makes more risks appear in the unstable market. This demonstrates the importance of risk management in effectively managing risks.

The spread of COVID-19 had initiated a turning point for the world. Until April 2020, there are more than 1 million cases and death cases of 90K and the pandemic had spread to 200 countries. The people that are affected the most are senior citizens and patients that have diseases. The reality of the world had changed due to COVID-19. The projected future risk and trend had transferred to the current situation and had strengthened their effect (Tullo, 2020).

Moreover, the ongoing transmission of COVID-19 has had a significant impact on the global economy and posed challenges to humanitarian efforts (Global Risk Institute, 2020). According to Szmigiera (2021), it cannot exactly be said COVID-19 will affect the economic loss but economist thinks that COVID-19 will bring a negative effect on the global economy. According to previous projections, if the virus were to become a worldwide pandemic, the major economies would experience a GDP loss of at least 2.9% in 2020. This prediction reiterated that the GDP lost 3.4%. Besides, according to Szmigiera (2022), due to the world government working on economic recovery, the forecast GDP for 2021 is increasing by 5.7% but the real GDP in 2021 is increasing by 5.6%. Lastly, it is anticipated that the GDP for 2022 will rise by 4.5% as the COVID-19 pandemic stabilizes and countries return to a more normal state where individuals are able to resume work and school activities.

The spread of COVID-19 had affect the global economy, but if looking in deep, COVID-19 also affects the financial performance of a company. There are many types of research investigating the impact or effect of COVID-19 on financial performance. Shahimi, Hanafi, & Yusof (2021) examine how the COVID-19 pandemic has affected the financial performance of firms with PN17 and GN3 status. PN17 status refers to a poorly managed firm listed in the Main Market of Bursa Malaysia, while GN3 status refers to a financially troubled firm listed in the ACE Market of Bursa Malaysia. The aim of this study is to assess how leverage, liquidity, and the duration of the COVID-19 pandemic affect the financial performance of the chosen firms. Furthermore, according to Sun & Li (2021), sectors such as entertainment and travel are expected to experience negative impacts on their financial performance during the COVID-19 pandemic, while the medical sector is likely to see an improvement in their financial performance.

Malaysia is also affected by the COVID-19 pandemic. According to Foo (2020), COVID-19 is being worldwide, due to the positive cases increase in Malaysia, not only the tourism, manufacturing, and hospitality sectors will be affected, but also the property sector. As we know, the property market is a periodic market, it will follow the economic cycle to burst and boom. During economic recession, the house price will decline, while economic expansion will help the house price to enlarge. Although the house price is declining, since many citizens lost their work during COVID-19, hence the market demand decreased, and this is one of the risks to the property sector.

When we manage the organization or economy, risk has an important role in it. Risk management is a systematic process of identifying, assessing, monitoring, and controlling potential threats to an organization. Excellent risk management practices assist the organization thinks the full range of risks faced. Besides, risk management also tests the relationship between the risk and the impact that will affect the organization's objective. Managing this risk sometimes means enterprise risk management because it is to investigate and understand the risk faced by an organization or enterprise. Enterprise risk management is underline that managing a positive risk is important positive risk could be opportunities that can improve business value (Tucci, 2022).

Risk management can affect the firm performance (Jafari, Chadegani, & Biglari, 2011). Effective risk management can significantly enhance an organization's performance, particularly in terms of financial performance. Numerous researchers are examining the impact of risk management on financial performance in the banking industry. According to Mardiana, Endah, & Dianata (2018), implementing good risk management practices can manage risk and enhance financial performance in banking.

In the previous study, there are many researchers who research the impact of managing risk applied on the property sector such as Nnamani (2019), Olamide, Uwalomwa, & Uwuigbe (2014), and Sanusi (2011). According to Nnamani (2019), incomplete and completed projects are abandoned and foreclosed due to economic consequences, inability to manage loans, and other factors. This may be due to the company did not apply risk management practices. Hence, the research is to investigate the effect of property developers after adopting risk management practices. As result, some property developers can perform well after they adopt the risk management practices in their company. Hence, risk management plays important role in property developers because this can help to manage and reduce risk happened. In addition, based on the financial crisis all over the world, proved that risk management practices are very important to manage support from shareholders and customers in an organization. Before this, many organizations do not believe that risk management is the main component in operation in Nigeria, but it degrades as office space in headquarters (Olamide et al., 2014). According to Sanusi (2011), the failure to integrate risk management with business governance was a significant contributing factor to the financial crisis in Nigeria.

Numerous studies have examined the relationship between risk management and financial performance in the banking industry. For instance, Mwangi (2014) investigated the impact of risk management on the financial performance of commercial banks in Kenya, while Abu Hussain & Al-Ajmi (2012) analyzed the effect of risk management practices on conventional and Islamic banks in Bahrain. Mardiana et al. (2018) also explored the impact of risk management on financial performance, using good corporate governance as a moderating variable. Most of these studies use financial ratios such as ROA and ROE to assess the financial performance of the companies.

Based on previous research, much of the focus on risk management and financial performance has been centered on the banking sector. However, there is a lack of research linking risk management practices in property developers to their financial performance. Therefore, this study aims to bridge this gap by exploring the relationship between risk management practices and financial performance in property developers. Additionally, the research will investigate the impact of risk management practices on the financial performance of property developers.

Literature Review

Covid-19

The disease Covid-19 is caused by the virus SARS-CoV-2 and is an infectious respiratory illness. The first known case of this disease was reported in Wuhan, China, on December 31, 2019, according to sources such as Secon, Woodward, & Mosher (2020), Shah et al. (2020), and the World Health Organization (2020). This is a turning point when the pandemic spread to Chinese provinces. On January 23, 2020, the government of China decide to close Wuhan to prevent travel inbound and outbound (Sun & Li, 2021). However, due to the gap from 31st December 2019 to 23rd January 2020, some cases escaped from China and went everywhere. This caused the pandemic started to spread out to many countries and this pandemic become one of the most fatal epidemics in history. It is worth noting that some people infected with Covid-19 may not show any symptoms but can still spread the disease to others (CDC, 2021). As such, it is important to practice preventive measures such as wearing masks, washing hands regularly, maintaining physical distancing, and getting vaccinated to reduce the spread of the disease.

Covid-19 in Malaysia

Malaysia has also been affected by Covid-19. From March 2020 to June 2021, this disease is getting worse in Malaysia because the daily number of cases that people infected with Covid-19 is increasing gradually. The first case was announced on 24 Jan 2020. In Johor, there are 8 close contacts with Singapore's first imported case from Wuhan, China (Abdullah, 2020c). Besides, on 4 March 2020, it was found that there are some new positive cases that had close contact with the 26th case and the new cases had been going to several gatherings and meetings along with the 26th case (Abdullah, 2020b). Another situation that became serious started on 11th March 2020. International Health Regulations (IHR) Malaysia announced that a positive COVID-19 case was identified in Brunei after attending a gathering in Masjid Sri Petaling in Selangor from February 27, 2020, to March 1, 2020. There were around 5000 Malaysian attended the gathering (Abdullah, 2020a). Based on these two situations, to prevent a wider spread of disease, the government announced that a nationwide Movement Control Order (MCO) will be effective from 18 March 2020 to 31 March 2020 (Bunyan, 2020). Until now, Malaysia is still in MCO but in different types. Table 1 shows the summary description of MCO from time to time in Malaysia (Flanders Trade, 2021):

Table 1 Types of MCO in Malaysia

Phase (Types of MCO)	**Period**	**State**
Phase 1 (MCO 1.0)	18 Mar 2020 – 3 May 2020	All State
Phase 2 (CMCO)	4 May 2020 – 9 Jun 2020	All State
Phase 3 (RMCO) (CMCO)	10 Jun 2020 – 31 Dec 2020 14 Dec 2020 – 31 Dec 2020	All State Area with High COVID-19 cases
Phase 4 (RMCO)	1 Jan 2021 – 31 Mar 2021	All State
Phase 5 (MC0 2.0)	13 Jan 2021 - 31 May 2021	Each state switch between MCO, CMCO, EMCO, and RMCO due to the cases of COVID-19 in each state.
Phase 6 (MCO 3.0)	16 Apr 2021 – 31 May 2021	Area with High COVID-19 cases
Phase 7 (FMCO)	1 Jun 2021 – 28 Jun 2021	All State
Phase 8 (NRP)	15 Jun 2021 - now	Each state in different phase according to the cases of COVID-19

During MCO was started effective, only some of the sectors could be operated such as some manufacturing sectors which produced essential products such as pharmaceutical products, basic food items, household products, and agriculture products. Besides, factories of oil and gas, electrical and electronics, and petrochemical were also allowed to operate during MCO (Ministry of International Trade and Industry, 2020). Supermarkets and restaurants are allowed to operate at specific times and people were forced to take away their food from restaurants to prevent crowded people in the public. Companies in other sectors cannot be operated and are forced to work from home to prevent the increase in cases until 3 May 2020 (SME Magazine, 2020).

Impact of Covid-19 on Property Development

Shen, Fu, Pan, Yu, & Chen (2020) investigated the impact of the Covid-19 pandemic on the performance of public trading Chinese enterprises. Based on the outcome, the Covid-19 pandemic brings a negative effect on organizational performance. For small-scale investments, the Covid-19 pandemic bring a bigger impact to them, especially for high-impact sectors or industries. Lee (2021) indicates that Covid-19 has increased uncertainty, reduce demand and business mood, and decrease growth opportunity. But, the potential output growth statistics for

Malaysia, display an expected slow of 3.3% in 2020 as at 4.8% in 2019. Besides, compared with 2019, the activity of investment had shrunk to -14.5% in 2020. This may cause by the firms having no intention to invest in productive capital and hence making the investment activity become low. Next, the total factor productivity (TFP) growth, such as ICT, equipment, and machinery, is low. Furthermore, due to the increase in unemployment and decrease in job market prospects, the employment of the labor force decreases from 68.7% to 68.5% in the fourth quarter of 2019 to 2020. The MCO and SOP, bring negative effects on labor productivity, which also brings negative effects to TFP.
Chew & Lim (2021) states that MCO 2.0 have an impact on the property market. The Malaysia My Second Home (MM2H) program had been set aside due to MCO. The MM2H is a government program that objective to promote Malaysia as an ideal staying place. This is to attract foreign people to apply for this program so that the economy in Malaysia can improve. However, due to Covid-19, all the countries were on lockdown to prevent people enter their countries or departing from their countries. This can prevent the spread of Covid-19. Besides, although the property sector was allowed to operate during MCO 2.0, there were many things need to decide and explore. As an example, the property developers need to consider the other supplier or contractors were allowing to operate so that the process will not be affected by any issues. The supply and demand from the players in the property market had decreased (Wong, 2022). There were many changes caused by the pandemic that made business closures and job loss. Based on the quarterly report for the property market performance, there are 35,592 unsold units for residential property in Q1 2022. It dropped to more than 37,000 units at the end of 2021. However, it was hard to determine the cause of the bad performance of the property market. This is because it may cause by the completed and unsold units supply being too high or low demand.

Risk Management

Risk management is a process of identifying, evaluating, monitoring, and controlling threats to an organization. Excellent risk management practices assist the organization thinks the full range of risks that are faced. Besides, risk management also tests the relationship between the risk and the impact that will affect the organization’s objective. Managing this risk sometimes means enterprise risk management because it is to investigate and understand the risk faced by an organization or enterprise. Enterprise risk management underlined that managing a positive risk is important and positive risk could be opportunities that can improve business value (Tucci, 2022). That's a great explanation of the importance of risk management! Just to add a little bit, risk management also helps businesses prioritize their resources and focus on the most critical risks, while reducing the impact of any adverse events that may occur. In addition, by identifying and managing risks proactively, businesses can reduce the likelihood of future losses, which can ultimately contribute to the long-term sustainability and success of the organization (CFI, 2022). Besides, the loss may come out from the following, which are operational risks, strategic risks, financial risks, and perimeter risks. Operational risk refers to strikes of labor, strategic risks refer to the loss of reputation and change of management, financial risk refers to the judgment of liability and claim cost, and perimeter risk refers to political change or weather (Marquette University, 2022). In the strong competition in the global economy nowadays, risk management become the most important process in it. This cannot be underestimated because risk management can reduce a firm’s financial loss (Olamide et al., 2014).

Financial Performance

According to Sun & Li (2021) and Williams & Dobelman (2017), financial performance is how effectively and efficiently a firm uses its assets and capital to gain revenue and profit. There are many measurements that can be used in financial performance measures, which are Return on Asset (ROA), Return on Equity (ROE), turnover ratios, and profitability ratios. Bhunia, Mukhuti, & Roy (2011) analyzes the financial performance of the drug and pharmaceutical enterprises in the Indian public sector based on the annual report. The strong liquidity of the two companies shows that the companies are able to pay short-term obligations and are relying on external funds for long-term debt. The companies have a downward trend in their financial stability, this means that pharmaceutical companies also decreasing in financial stability. However, this data may not accurate because this study relies on the information provided by the public departments but does not include the private sector.

Property Developers in Malaysia

The property development sector consists of many individuals and organizations that participated in operating and developing property to fulfill the employment, social, and housing needs of communities (Newell & Steglick, 2020; Urban Development Institute of Australia, 2003). In the past 20 years, the property development sector has always been an important sector for the economy in Malaysia. This creates a large area of opportunity and investment. The property development sector also makes the people in Malaysia dream houses. It is lucky that the property development sector has an agency which is National Property Information Centre (NAPIC) that works hard to manage the sector. This makes this sector able to stand in a strong position in the market. Besides, we can see that the Malaysia property development have a great result in the number of transaction and amount of transaction the number of transactions increased from 148,000 cases to 328,000 cases and the amount increased from RM151.6 million to RM 1414 million. This is a good result for the property development sector in Malaysia (Property Guru, 2021).

Besides, according to REHDA Malaysia (2022), there are over 1000 property developers in Peninsular Malaysia. REHDA, formally known as Housing Developers' Association (HDA) established in the year 1970. All the member that joins REHDA Malaysia will share information such as project progress and growth of REHDA Malaysia. REHDA Malaysia is a representative body that leads the private property developers that involve in governance and advocacy.

Theoretical Framework and Hypothesis Development

Risk Management Theory

According to Chazi and Syed (2010), the risk management model comprises identifying, assessing, and prioritizing risks, followed by economically and systematically applying resources to monitor, control, and minimize the likelihood of adverse events or impacts. The risk may arise from financial market uncertainty, legal liabilities, project failure, accident, natural disaster, credit risk, or unpredictable or uncertain events. Managing risk has many strategies, such as avoiding risk, transferring risk to another party, and reducing the risk that has a negative impact. Dorfman (2007) suggested that cost-effective risk management in an organization begins with developing a comprehensive strategy that incorporates well-defined risk management practices that are integrated. These risk management practices should encompass operational, strategic, financial, and governance risk management.

Hypothesis Development

Difference between Risk Management Practices in Property Developers

According to Razali & Manaf (2014), Malaysia had gone through some property cycles, but some of the companies might fail or have bad performance when the cycle ends. The company that has lacks the experience and knowledge to handle property risks that might happen during the property development process. Property development is known as a high-risk business. Hence, adopting risk management practices in property development is essential to handle risk. Besides, risk management can be a positive process and for project managers, it can be a creative task. It can also find more innovative solutions that are not considered before.

The IPF Research Programme (2007) conducted a study to identify the risk management practices of UK property portfolios. The survey revealed that the sources of risk in commercial property portfolios were not clearly identified, and the methods used to manage such risks were primarily qualitative Besides, Mbugua & Otuya (2020) investigate the effect of risk management on commercial real estate properties' performance in Kenya. They find out that the most critical risk that affects the performance is a technical risk. This is because of the document approvals delayed, poor site investigation, and most of the firms relying on construction firms to make judgments and manage risk because of their experience and intuition. Gehner, Halman, & de Jonge (2006) investigated risk management in the top representative of the Dutch real estate development industry. The result of the risk analysis showed that the developers are found not to use the probabilistic techniques. Besides, the use of scenario analysis is an important tool in the real estate development sector because of its complexity. They also found some methods for the assessment of total risk exposure and decision-making needs that experience and intuition the most.

Besides, there is a research identify the effect of risk management on the financial performance of commercial banks in Kenya. The researcher finds out that risk measurement, risk management environment and risk mitigation have a high score in mean for all the selected bank in Kenya. This means that all the bank response high in this two risk management practices. For standard deviation, capital adequacy score high compared with other factor among the banks (Mutuku, 2016).

H_1: There exists a significant difference of risk management practices among property developers.

Difference of Financial Performance between the Types of Property

Omopariola, Windapo, Edwards, & El-Gohary (2021) conducted a study on the financial performance of selected construction companies in Southern Africa. The study categorized construction companies into three types: general building construction (GB), civil engineering construction (CE), and general building and civil engineering construction (GB and CE). The results showed that only one company, which had a Grade 9 in CIDB and was a large company, had a net income of R2.6 billion. Additionally, only nine construction companies had an average net income of R 100 million.

H_2: The types of property exhibit a significant difference in terms of financial performance.

Relationship of Risk Management Practices with Financial Performance in Property Developers

According to Mardiana et al. (2018), the researcher examines the effect of risk management which is the information taken from Operating Efficiency (BOPO), Non-Performing Loan (NPL), and the Capital Adequacy Ratio (CAR) the financial performance. In this article, Return on Assets (ROA) is used as financial performance to be measured. This resulted that NPL and CAR being negative and having an insignificant effect on ROA but BOPO having a significant effect but a negative effect on ROA.

Besides, Olamide et al. (2014) test the effect of effective risk management on financial performance in Nigeria's banks. The data on financial performance is taken from the annual report that is listed on Nigerian Stock Exchange. However, it results that risk management has a negative relationship and it is not significant with financial performance. Hence, it can be said that risk management might not have much effect on the financial performance of Nigeria's banks. Furthermore, Ariffin & Kassim (2001) study on the relationship between financial performance and risk management practices in Malaysia's Islamic Bank. The research will connect the financial performance of the bank with the current risk management practices of the bank. Primary data (questionnaire) and secondary data (annual report) were used in the research. To conclude, a better ROA will lead to the risk monitoring and risk management practices to be better. Besides, ROE will affect the internal control practice.
Rasid, Rahman, & Ismail (2011) support the theory stated by Soin (2005), Collier, Berry, & Burke (2004), and Williamson (2004), which organization's profitability can be affected by risk management organization after they improve the practice of risk management. Rasid et al. (2011) further stated that risk analysis which is stated in the annual report is a large contributor to risk management, while strategic planning and budgeting are participants in managing the risk of affecting the ability of financial profit (Mwangi, 2014). Jaber (2020) identifies the impact of risk management practices on the organizational performance of Jordanian insurance companies. The independent variable of this study is the set of risk management practices, which includes risk identification, risk assessment, risk management mitigation, risk management implementation, and risk management monitoring. These practices will be tested against the dependent variable, which is financial performance. The researcher finds out that all the risk management practices have a positive relationship with financial performance and the relationship is strong.
H3a: A significant relationship exists between risk identification and financial performance in property developers.
H3b: A significant relationship exists between risk assessments and financial performance in property developers.
H3c: A significant relationship exists between risk mitigation and financial performance in property developers.
H3d: A significant relationship exists between risk management implementation and financial performance in property developers.
H3e: A significant relationship exists between risk management monitoring and financial performance in property developers.

Based on the information stated in 2.7, a research framework was defined. In this research, financial performance represented the dependent variable while risk management practices were defined as the independent variable. Risk management practices were measured by risk identification, risk assessment, risk mitigation, risk management implementation, and risk management monitoring. Managers' perceptions of property developers' performance were used as a measure of financial performance. A gap between risk management practices and financial performance was identified in previous studies, highlighting the need for further investigation. This study aimed to fill the gap by exploring how risk management practices affect the financial performance of property developers. The results could be used by property developers to enhance their financial performance by implementing the risk management practices outlined in this study. Below is the research framework of this research.

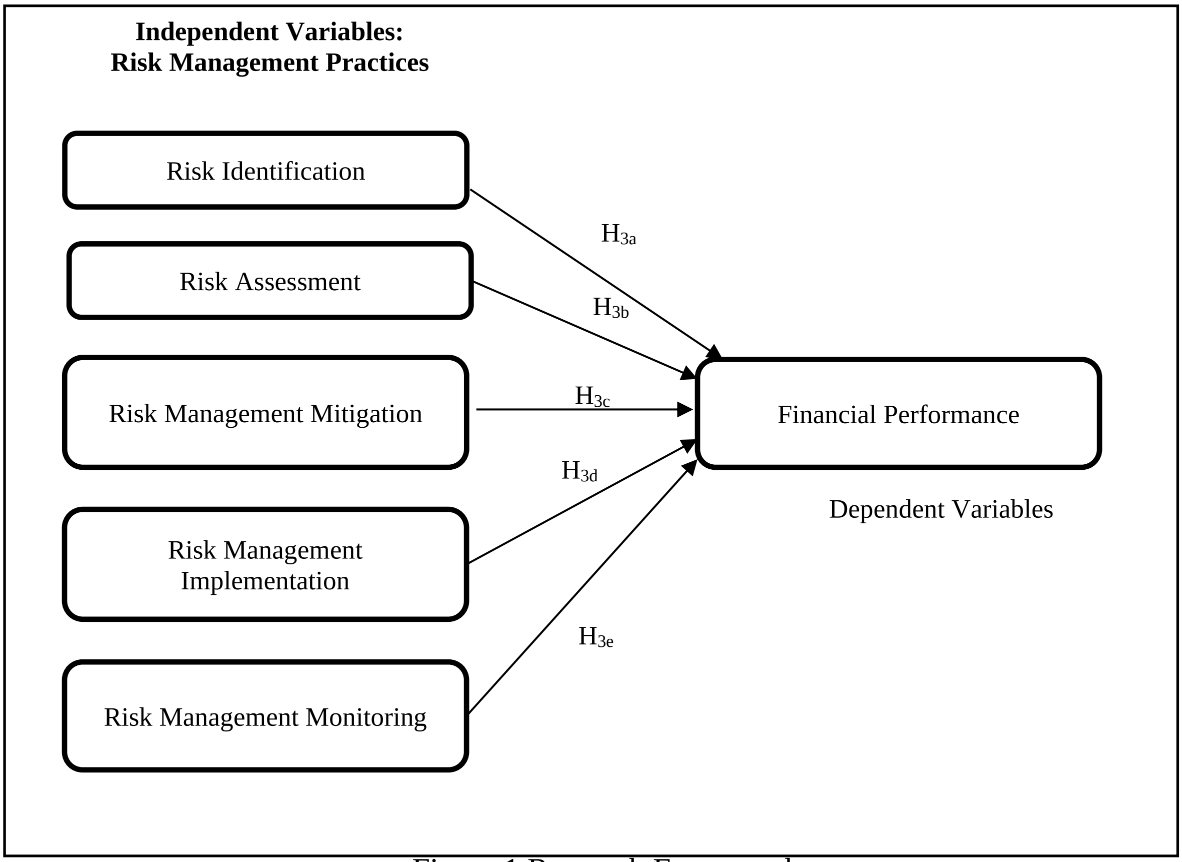

Figure 1 Research Framework

Method

This study employed a quantitative research approach as it aimed to test the research hypothesis and answer the research questions. The research design was selected based on the need to measure and test the relationship between the variables. Although various research designs fall under quantitative research, this study utilized correlation research to determine the relationship between risk management practices and financial performance in property developers. The measurement of the variables was carried out while considering potential variable influences.

The data type utilized in this study was primary data, which refers to data collected directly by the researcher through main sources such as surveys, experiments, interviews, among others (Formplus Blog, 2021). A questionnaire was adopted from a previous study and the result was collected from the respondent. The questionnaire was to collect the opinion of the managers from property developers about the degree of completion of risk management practices that implemented and what is their recent financial performance.

Measurement Development

The questionnaire was conducted in three sections, which were the demographic profile of the property companies and risk management practices adopted by the property developers, and the financial performance of property developers. The questionnaire was adapted by Alshibly, Louzi, & Hiassat (2013), Berg (2010), Dionne (2013), Jaber (2020), Markowitz (1952), Mazouni (2008), Mutuku (2016), Rejda & McNamara (2014), Scor (2012), and Stulz (1996).

The researcher utilized a Likert scale question to obtain the opinions of the respondents. The Likert scale consists of five points ranging from "1" indicating "Strongly Disagree" to "5" indicating "Strongly Agree", with "2" indicating "Disagree", "3" indicating "Neutral", and "4" indicating "Agree". A reliability test was conducted as a pre-test in this research. This was to determine the reliability of the question.

Section A is the demographic profile which consists of the name of the organization, operation years, the main type of product or service provided by the property developers, and the department where the manager works at. Besides, Section B is to determine the opinion of managers about the level of agreement on the implementation of risk management practices in property companies. There are 5 parts in this section which are risk identification, risk assessment, risk mitigation, risk management implementation, and risk management monitoring. Each part consists of 6 questions except risk management monitoring which consists of 5 questions only. Hence, there is a total of 29 questions in this section. Lastly, Section C is to measure the dependent variable which is financial performance. There are 6 questions asking about the level of agreement of managers on the financial performance of the company in the past five years.

Population and Sample

The study is focusing on the population of property developers in Malaysia. According to REHDA Malaysia (2022), there were over 1000 property developers in Peninsular Malaysia. Since the population of property developers was large and it was hard to collect all data, so sampling method was used. Probability sampling in terms of random sampling was used in this research. By using the Krejcie and Morgan table introduced by Krejcie & Morgan (1970), the sample size for population 1000 was 278. Hence, it was estimated collect at least 278 respondents from the property developers.

A hardcopy questionnaire was distributed to the property developers so that managers can answer. It was limiting a period for the respondent to answer the questionnaire and it was collected on the due date. Besides, an online questionnaire which is a google doc link was emailed to the property developers so that they could answer the questionnaire during their free time. This could save the cost and time of distributing hardcopy questionnaires. All the questionnaire was collected from respondents and it was recorded. The responses obtained from the questionnaire were analyzed and evaluated to obtain the results.

Data Collection Methods

This research conducted a structured survey that distributed questionnaires to property developers in Malaysia. By using the survey method, it was able to collect a large amount of data at a low cost and get the data that could not find on the internet. The questionnaire was generally a printed form that asked the same question to all respondents to make sure that it was fair to all respondents and the result was reliable and acceptable to further analysis process. Besides, the responses were in written form. Respondent needed to answer in printed form.

A hardcopy questionnaire was distributed to the property developers to answer it. The data was collected from the managers from the risk management department, financial and accounting department, project team, top management or any department related to risk management of the companies. The managers needed to answer based on their opinion about the risk management practices and financial performance of the company. The researcher limited the time to the respondent so that could collect the answered questionnaire on time to continue for analyzed the data.

Besides, an online questionnaire was distributed to the companies. The online questionnaire which is a google doc was sent through email to the property developers. The purpose of the online questionnaire was to save the travel cost and time to distribute the hardcopy questionnaire to property developers. Another purpose was to make sure the managers were more flexible to answer the questionnaire. They could answer the questionnaire during their free time so that they could spend more time understanding the meaning of the questions and give more reliable answers which are helpful for this research. The online questionnaire method was mainly used because it was easy to distribute to companies that are far away.

Findings

Reliability Test

Table 2 shows the reliability test for each variable. The value of Cronbach's Alpha for financial performance is 0.943. The value of Cronbach's Alpha for risk identification, risk assessment, risk mitigation, risk management implementation, and risk management monitoring is 0.684, 0.534, 0.811, 0.934, and 0.879 respectively. According to Sekaran (2000), the acceptance range for the reliability test is 0.7. There are two variables that have a value of less than 0.7. In this research, there is no reverse question for all variables. Hence, if most of the respondents tend to disagree with one question, the result reliability will be affected. Hence, the value of risk identification and risk assessment is acceptable.

Table 2 Reliability Test

Variables	Number of Items	Items Deleted	Cronbach's Alpha
Risk Identification	6		0.684
Risk Assessment	6		0.534
Risk Mitigation	6		0.811
Risk Management Implementation	6		0.934
Risk Management Monitoring	6		0.879
Financial Performance	6		0.943

T-test

Table 3 shows the t-test of this research. This is to test the difference in risk management practices among property developers. Based on the result, all the risk management practices are significant, and the value is less than 0.05, hence null hypothesis needs to accept. This can conclude that there is no difference between risk management practices among property developers.

Table 3 T-test

Items	**Mean**	**Std. Deviation**	**t-value**	**Sig.**
Risk Identification	3.7376	0.49702	126.282	0.000
Risk Assessment	3.7530	0.38048	165.642	0.000
Risk Mitigation	3.7772	0.53699	118.122	0.000
Risk Management Implementation	3.9551	0.58917	112.729	0.000
Risk Management Monitoring	3.8002	0.49422	129.126	0.000

Correlation

Table 4 shows the result of correlation for all variables. Based on the table, only risk mitigation and risk management implementation have a positive significant relationship with the financial performance of property developers. Besides, risk identification, risk assessment, and risk management monitoring are not significant to financial performance due to the P-value is more than 0.01.

Table 4 Correlation

	(1)	(2)	(3)	(4)	(5)	(6)
Risk Identification (1)	1					
Risk Assessment (2)	.682**	1				
Risk Mitigation (3)	.766**	.770**	1			
Risk Management Implementation (4)	.796**	.846**	.899**	1		
Risk Management Monitoring (5)	.814**	.865**	.873**	.955**	1	
Financial Performance (6)	-0.054	0.023	.376**	.170**	0.110	1

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

Regression

The presented table displays the regression analysis results for all the variables. The table indicates that only risk identification, risk assessment, and risk mitigation exhibit significance with respect to financial performance, and their significance level is 0.000. Moreover, among the three significant variables, only risk mitigation has a positively significant impact on financial performance, with an unstandardized coefficient B value of 1.480. On the other hand, both risk identification and risk assessment exhibit a negatively significant effect on financial performance, with unstandardized coefficient B values of -0.791 and -0.649, respectively. Besides, risk management implementation and risk management monitoring are not significant to financial performance because $p > 0.01$, which the significant value are 0.714 and 0.486 respectively. Both risk management implementation and risk management monitoring have unstandardized coefficient B values of -0.057 and -0.129. Lastly, the Adjusted R2 value is 0.512 which indicates that there are 51.2% of the variance in the financial performance is explained by risk management practices.

Table 5 Regression

Dependent Variable: Financial Performance			
	Unstandardized Coefficients B	t	Sig.
Risk Management Practices			
Risk Identification	-0.791	-9.241	0.000
Risk Assessment	-0.649	-5.073	0.000
Risk Mitigation	1.480	14.130	0.000
Risk Management Implementation	-0.057	-0.367	0.714
Risk Management Monitoring	-0.129	-0.697	0.486
Adjusted R^2	0.512		
F-stat.	60.064		

Conclusion

Findings Discussion

This research is to investigate the effect of risk management practices on the financial performance of property developers. It comes out with 7 hypotheses in this research. Hypothesis 1 (H_1) says that risk management practices have differences among property developers. Besides, Hypothesis 2 (H_2) says that financial performance has differences between types of property. Hypothesis 3 (H_3) says that risk management practices have a relationship with financial performance. The risk management practices have 5 components inside, which are risk identification, risk assessment, risk mitigation, risk management implementation, and risk management monitoring. Hence Hypothesis 3 (H_3) is divided into 5 parts which are H_{3a}, H_{3b}, H_{3c}, H_{3d}, and H_{3e}.

Based on the result, only H_{3a}, H_{3b}, and H_{3c} are supported by the result, that risk identification, risk assessment, and risk mitigation are significant to financial performance. Risk identification and risk assessment have a negative relationship with financial performance while risk mitigation has a positive relationship with financial performance. Based on the result, risk identification and risk assessment will bring negative effects on financial performance when these two practices are doing well. This might be because the negative risk is identified but did not solve well and hence bring a negative effect on financial performance. However, this does not make sense that many studies indicate that risk identification and risk assessment will bring positive effects on financial performance. Besides, H_{3c} is supported by Jaber (2020) that find out that risk mitigation has a positive relationship with organizational performance while H_{3a} and H3b are not supported because Jaber (2020) find out that risk identification and risk assessment are positively related to organizational performance. Although risk mitigation is doing well in the organization, however, risk identification and risk assessment should be important factors that are positively related to organizational performance because the organization should identify and analyze the risk that happened and then only can mitigate it. H_{3a} and H_{3b} are not consistent with previous studies. This might be because of the small sample size, Covid-19, and online questionnaire distribution.

Besides, H_1 is not supported by the result that risk management practices have no difference in property developers. This result is not supported by the previous study because some researchers find out that some of the risk management practices will score high mean compare with others. Mutuku (2016) find out that risk mitigation scores high means in commercial banks in Kenya. Hence, there is a difference between risk management practices in commercial bank. These findings are not consistent with previous studies because they might cause by the small sample size, Covid-19, and many respondents from the same organization. Although the questionnaire does not include a company name, the inconsistency can be said to be caused by respondents in the same company. This is because not many companies will respond to the questionnaire as some companies might be busy with their work. Since a company name is not required, some companies might ask two or more employees to respond questionnaire. Hence, there might have repeat data and this will affect the findings of this research.

Next, H_2 is not supported by the result, which there is no difference in financial performance between types of property. This is not supported by previous studies as most of the previous studies prove that there is a difference in financial performance between different types of sectors. Omopariola et al., 2021) find out that only one large company with grade 9 in CIDB has a net income of RM2.6 billion hence this proves that there is a difference in financial performance between types of sector. This finding is inconsistent with previous studies because this might be affected by Covid-19 because Covid-19 had affected the demand for purchasing or leasing the property from customers. Hence this affected the sales and financial performance of property developers to be in a decline trend during these two years.

H_{3d} and H_{3e} do not support the results. This concludes that risk management implementation and risk management monitoring do not have a relationship with financial performance. H_{3d} and H_{3e} are not supported by previous studies like Jaber (2020) find out that risk management implementation and risk management monitoring have a positive significant relationship with organizational performance. However, this does not mean that risk management implementation and risk management monitoring are not needed to be included in the organization. Risk management implementation is a process of implementing the risk management plan stated in previous processes. After the leader of the risk management team approves the document, the organization is required to implement the plan to mitigate the risk. Besides, risk management monitoring is also an important process. Risk management is an ongoing process. During the risk management monitoring process, the risk management team must monitor and control the risk to prevent it become serious. New risks will appear during the process. It is important to record the new risk that happens and run through the risk identification process until the risk management monitoring process so that all the new and existing risks can control well so that financial performance will not be affected by risk.

Research Implications

For theoretical implication, this research implicates the information to property developers. Risk management practices are an important part of property developers. If the company did not apply well, it will affect its financial performance. Based on the findings, risk mitigation has a positive relationship with financial performance. Property developers need to more focus on this practice to improve their financial performance.

For practical implication, the Malaysian government or policymaker can come out with a blueprint policy to encourage the property developer to implement risk management practices in their company. This can help them to improve their financial performance. Besides, the government or policymakers can encourage property developers to focus more on risk mitigation so that they can reduce the risk that happened in their company. For risk identification and risk assessment, they can reduce these two practices as these two practices will bring negative effects on financial performance.

Besides, it can be a guideline to property developers on what should focus on. Based on the result, risk mitigation is an important practice that needs to pay more attention to. However, property developers are also encouraged to pay attention to the other four practices which are risk identification, risk assessment, risk management implementation, and risk management monitoring. This is because all the practices are essential during risk management. The only comparison is the importance, some practices might be more important than another. Besides, for policymakers, this can help them in improving the policy in risk management at the site and office. The improved policy will bring benefits to any related person because this can protect them to get away from risk.

For the risk management team, the leader can provide more training to the team member so that they can improve their knowledge of risk management and hence provide a more solid and reliable risk management plan to the organization. Not only the risk management team, but the employer or risk management team leader can also provide some seminars or training to employees from another department so that this can increase their cognition of the importance of risk management. Besides, investors, based on the findings, the investor can know more about the organization in which the investor invests. An investor can look through the organization's risk management plan and decide whether that organization is valuable to invest in or not. This can bring more confidence to investors to invest in the organization.

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