Indian Journal of Fundamental and Applied Life Sciences ISSN: 2231– 6345 (Online)
An Open Access, Online International Journal Available at www.cibtech.org/sp.ed/jls/2014/04/jls.htm
2014 Vol. 4 (S4), pp. 93-101/ Moinnezhad and Saremi
Research Article

GLOBAL FINANCIAL CRISIS AND ROLE OF FINANCIAL MANAGERS IN RIDDANCE STRATEGIES

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ABSTRACT
The financial crisis was created due to a variety of reasons. The majors Studies show the causes for the crisis due to the inappropriate structure of the country's or regional economic, where the crisis was the started, especially in some components as a chronic and long-term deficit, long-term deficit, the capital market and inefficient non-transparent. The second theories state the main reason of crisis the effect of payments balance long term budget shortage inefficiency and unclear capital market. They believe that exogenous variables which spreads the crisis i.e. Due to comprise of financial markets and the integration of the crisis in the country in crisis that to other countries, are effective in crisis creation. Both groups are agree to factors stressed the importance of the financial and economic structure and its effect on the aggravation of the crisis or discounts. So identifying the factors that have created financial crisis and study the resolutions adopted by the countries to prevent a crisis or stop and improve, it can predict the future crises or taking the measures necessary after it to reduce its negative effects. Now day's world perceived that situation of financial statements in enterprises are critical and companies where most of them escaped from primary effect of credit crisis observe that to make their required capital has been more difficult. If we add increasing prices and decreasing demand to this difficulty, we can find out that why the role of financial managers and need of changing of perception of share's owners from their traditional role into a financial engineer thinker will rapidly day-by-day. The objective of this paper is to study the role of financial managers in recent global financial crisis, challenges & opportunities in front of financial managers of enterprises in different industries. In regards to existence, circumstance of this crisis, and changing role of financial managers is discussed. The present article is base on research of descriptive kind and its information collecting tools is library method. The obtained results of the accomplished studies indicates that global recession comprises the opportunities such as: access to cheap financial sources - accessing possibility to more liquidity - stock price stabilization - stock better performance - the possibility of communicating development with other efficient global stock exchange - making pattern from foreign enterprises. The global crisis also involves the challenges alike: informing power development and information technology -transparency in produced information in to stock market -the necessity of observance of accepted accounting standards - the existence of more analyzers in market and generally it comprises increases quality level of decision making for financial managers in market.

The results of this research is used for financial and economical politicians and decision makers in capital market, investment companies, users of security exchange market, insurance companies, top managers and also financial managers of various industries. Therefore in this paper has been tried to identify the fundamental challenges in front of financial managers and with study of performance of financial manager's various duties in financial crisis, the relation quality among these areas will be analyzed. Undoubtedly examine of potential of every of theses area can clarify the basic challenges in strength and weakness of financial manager's performance. Because the main challenge of financial managers in any organization can be qualitative empowerment and promotion of financial managers in financial area for continuous solving of unexpected events such as recessions.

***Keywords:** Recession, Crisis, Financial Crisis, Financial Managers, Capital Market, Market Knowledge, Challenges& Opportunities, Globalization*

INTRODUCTION

The concept of global crisis can be in meaning of deviation of common balance situation of organization's relation with global environment in manner that they have to be aware of it.

- Lary Smeet Manager of crisis institute has defined the word of recession as a main confusion in countries, where is under expanded news coverage and curiosity of people incite them regarding to particular matter or factor in common activities of organization. This factor can have political, financial, and governmental and or focal effect on leading structure of organizations into their goals .The global financial recession is a phenomena with much effectiveness probability that threat the executive capability of organizations in many countries. Moreover, its specification factor indefinite and ambiguous of its solving tools effectiveness and decisions regarding facing to it should be taken rapidity. Any how the financial crisis do not reveal suddenly and most of them are having warning signs that shows the potential difficulties and complexities and it has interesting similarity with a biology model (Parviz, 2006).

In other side nowadays in each institutes including private, cooperative or public whether with profitability or non-profitability purpose financial management perform a principal role. Financial management considered as a scientific filed because financial affairs is set of reality, facts and Principles that related with providing and Applying financial resources through people and business organizations, government.

Since the financial affairs are lifeblood of all activates in any organization and their control and protection is with financial managers, it is quite clear that the matter of control and directing of financial sources and its important role in life of organization has created many expectations from financial managers.

So due to all these the role of financial managers has considered very important in recent years.

In converting the enterprises to a global enterprise in real meaning i.e. due to ever increasing of enterprise's need to redesigning of philosophy and policy of management for constant making competition continuation.

Therefore, to have strong team of empowered and efficient financial managers with a numerous advantage is of dire need that with their beneficial performance will assist the company in challenging with financial global crises and passing it and to compete in this new time to achieve the feature of companies.

Therefore, to have powerful and strong human resource in financial affairs department of every organization is most important issue that causes employees have ownership feeling in decision making and be obliged towards result of doing their tasks in this part and also increase their productivity and efficiency.

In this regard, the top managers of companies can be helpful by providing their experiences to subordinates through training in order to make their decisions rapidly and correctly.

Therefore, if financial managers be trained he necessary instructions for empowerment and effectiveness, they can be able to help to external as well as internal clients and respond their demands.

There is no need to permanent presence of top managers to guide them in any case because financial managers can take necessary decisions. Financial managers when take decision on their own initiative in regarding matters will have well perception toward themselves and being motivated and appear their inherent talents and ownership feeling and organizational belonging will be dehiscent in them and consider themselves participant in their company's destiny.

At present the conditions, specification and identification of financial managers is developing rapidity and numerous expectations have been appear from financial managers because the financial analyzing techniques have been more complicated and most of enterprises are acting in global level or financing their required financial sources in that level.

Therefore, financial managers should be acquainted with market conditions and capital and its risk and fluctuation.

Financial manager usually is a specialist that has general knowledge in various area of financial affairs and undertaking the main duties such as budgeting, financing, evaluating the capital projects, planning marketing strategies, products pricing and financial analysis. The role of financial managers is so important that its place will elevate to directing manager and be suitable replacement. In fact, the top management of enterprises will have confidence to those who protect from their companies in bad situation of credit and finance and could attract the market confidence.

Therefore, with this preface financial mangers should consider following three main processes in order to analyze the global financial crisis and forecast its effect on their organizations:

- To have control and management the crisis before occurrence.
- To have control and management the crisis during occurrence.
- To have control and management the crisis after occurrence.

Hence, it should be considered that observing to each of above processes themselves contains of particular arrangement regarding preventing and or minimizing the effect of financial recession in order to be able to keep the organization secure.

The Reasons, Kinds, Signs and Consequences of Financial Crisis

The study of west financial crisis and its effect on economy of countries is the issue of the day of most of economical, scientific and financial gathering.

The financial recession's appearance has placed the financial managers in inculpation exposure and reduces the confidence to self-disciplinary to financial profession.

From other side the crisis arising reveal the necessity of identify necessary substructures to carry out the accounting and auditing standards by financial managers who in fact are main executives, and special attention in to confidence crisis in global markets. The financial crisis is the case that money demand increases towards money supply rapidly or the case that the value of financial institutes or financial assets mainly decreases (Fati, 2008).

However, in Ferdirk belief the financial crisis is the non-linear break that causes the financial market not to be direct the funds in to yield investment opportunities, in this manner it is said that the crisis signs are:

- *Bonds decline*
- *Stock market decline*
- *Credits market decline*
- *Exchange rate decline (National money decrease more than 25%).*

All these are some of financial recession signs .Therefore the financial crisis contains the forms such as exchange crisis, banking crisis, liabilities crisis or mix of these three cases.

From other side the financial crisis consists of essential and non-essential reasons and rupture of economical policy i.e money growth, inflation, tax increase, and budget shortage and business circles. These are all essential reasons and market psychological aspects such as news importance or hearsays on market atmosphere and psychological mechanisms like non harmonic information, market following and morosely in depending markets are of non-essential reasons of financial crisis. The transmission channels of recession are also the financial and business channels, economical similarity and geographical nearness or political coordination.

In addition, the financial crises are havening the following issues:

Stock value reduction, confidence reduction and economical stagnancy of Europe and U.S.A.

Reduction of demand, oil, mettle, and petrochemical products price.

Reduction in Budget Development in Arabic countries and reduction in new appearance economical growth.

The Global Financial Recessions and Challenges in front of Financial Managers

The financial recession has some consequences to financial managers in its follow that can be indicate to some of them as follows:

The interference of government in financial and accounting affairs, began by completion of securities law in 1933 and law of securities exchange market and organizing the Securities and Exchange Commission

(SEC) in 1934. The responsibility assignment of accounting standards completion and supervising on reporting to SEC, indicates importance of financial manager's role in capital market ,auditing, responsibility of accounting principles & methods, and standardize the accounting methods and responding to demands for accounting and finance services, these all are of advantages and disadvantages of financial recession's occurrence in finance & accounting area (Joseph, 2008).

Financial Infamies and Confidence Crisis

The financial reporting crisis of 1999 to 2001, insolvency of companies like Anron, WorldCom, profit management increases and deception and responsibility recession in auditing and financial management are causes so that the confidence to financial affairs and financial managers is reduced.

The consequence of confidence crisis for finance affairs was confidence reduction to self-disciplinary and reassessment in accounting standards and approval of the Sarbanes –Oxley Act in 2002. This event was considering to leadership of companies and responsibility of Board of Directors in creating and preserving internal control systems and reporting and increases in financial manager's responsibility in reporting. In addition, the dependence of Financial Accounting Standards Board of U.S.A (FASB) in to Securities and Exchange Commission (SEC) in financing was created and the supervision board on financial affairs of enterprises was organized (Feldstein, 2007).

The Financial Crisis of 2007 to 2009

Between 2007 and 2009, the U.S. witnessed a series of banking failures that led to a prolonged recession. The financial crisis was the worst since the Great Depression and caused a significant increase in the federal budget deficit.

The collapse of the American housing market in 2006 and 2007 had a profound effect on the U.S. and global banking systems. Because many large financial institutions were heavily invested in mortgages, the bursting of the housing bubble led to a steep deterioration in bank balance sheets. Questions about bank solvency shook investor confidence, particularly after the failures of Wall Street firms Bear Stearns and Lehman Brothers in 2008, and precipitated a government bailout of affected institutions that fall. However, while government intervention prevented the collapse of the banking system, it did little to restore economic growth, and the U.S. entered a deep recession in December 2007. Although the National Bureau of Economic Research has concluded that the recession ended in June 2009, recovery has been modest, with the American economy experiencing both low growth and high unemployment ever since. The slow recovery has, in turn, placed significant pressure on the federal budget: low growth has reduced tax revenues while increasing claims on the government's resources for measures such as unemployment insurance.

Although its origins were American, the financial crisis has had worldwide effects. Economic globalization meant that many non-American investors were heavily exposed to U.S. financial markets and, as such, the deterioration of those markets negatively affected institutions and individuals abroad. The financial crisis also led to growing fears about public debt levels, which contributed to the sovereign debt crises that erupted in Greece and Ireland in 2010 (Sarem, 2010).

The Recession Criminals and its Learning

The legislators, stewards, international financial system, companies, Managers of enterprises, Ranking institutes and also auditors and financial managers are as an examples of responsible and criminals in Occurrence of recent financial recession (Pakravan, 2007).

Neglect of risk, Liquidity consideration and cashable, accounting economical consequence and suitable sub structures of market are lessons of recent financial crisis.

The case of neglect of risk was one of the basic matters in recession in manner that inattentive in to various dimensions of risk, more optimism, too much relying on mathematical models and moral slant (the loan giving model for its sale vis-à-vis giving loan for its receipt) causes crisis.

Hence, all previously mentioned matters should be studied and analyzed by financial managers of companies as they can disclose more the effect of these elements on growth and economical development and be assistance to the top managers in solving the problem of global financial crisis.

Therefore countries where have not taken rapid steps regarding globalization have been less involved in this problem while the countries where their economy have been combined or are more depended to global economy suffer more damage because of negative consequence of financial recession .
Although we cannot forgo of this important matter that the extent of vulnerability of every country depending on policies of financial managers of various organization and institutes of those countries and the strategic decisions that they can take for confront with crisis.
Financial managers analyze the effect of internal as well as external factors on creation of recession and make use of challenges and opportunities and with strategic management' perception specify the securing plan and way of meeting with crisis and make best use of necessary financial technique.

Financial Manager's Performance in Financial Recession

Role of financial managers have been involved abundant changes over time in organization.
The financial techniques have been complicated fundamentally in most of companies with several objectives activity that some of them working in international level whereas others doing business at same time with so many organizations so all of these organizations need to financing their required financial resources. Therefore it is necessary that financial managers be known about capital market conditions and the method of keeping asset and clarifying the method liabilities combination budgeting, financing, investment project evolution, planning for marketing strategies all are important role that the financial managers undertaking nowadays.
The today's global economic crisis, bad condition and complicating nature of enterprises have created the competitive area among financial managers.
Therefore, company will give the administrating affairs to those who can able to protect and defend of enterprise's credibility in bad financial and credit conditions.
The new performance of financial managers can be expressed in following categories.

Role of Financial Manager in Enterprise's Leadership

Financial Managers discharge key role in leadership of enterprises and they will be enterprise's main helmsmen practically along with managing directors. Axial role of trading and work model scenarios designing and activities and strategic programs compilation of enterprise will be in financial mangers, undertaking. The following two important events will effect on output and future of enterprise (Hamidi, 2007):
Planning and strategic management on resources in direction to value creation for all users will be put in enterprises, work order.
Strategic management forwarding responsibility on resources and enterprise's goals certainty will be in leadership team undertaking of organization.
Financial managers will have axial and active role in leadership of organization and therefore they should necessarily have expand and aware vision to concept of strategic management on sources and apply it.
Risk Management: Due to competitive aggravation and contortion of work& business environment the risk of enterprises have been increased and will be and the permanence and continual activities of enterprises will be faced to ever-increasing dangers.
Financial managers at present are member risk committee in most of companies and some time they are undertaking the main responsibility of risk management dep. of enterprise.
The financial management will undertake larger duty and role in modeling and future probable risks evaluation, determine effect of kinds of risk effect on progressing an occurrence of strategy and determining profit and analyzing and reporting risk to interested parties.
Information Technology: The information technology and application of computer has fundamental role in financial manager's performance as follows:
the possibility of financial accounting & management accounting acquisition will be fully available and in addition to extent of reporting scope, the consolidating and more effective information providing filed to management of organization and external users(shareholders mostly) will raised.
When ever we will the accounts will be closed and financial statements will be preparedly and profitable immediately

This will added on time value of reports and help to management controlling exercise and shareholders decision making.

With developing data processing capacity and giving most of voluminous and timely affaires to computer, financial managers will find opportunity to do speared duties and responsibilities that delegated on them in new condition strategic management to resources and implemented it.

Market Knowledge: The element and factor of accounting in duty collection and role of financial managers has been faint-colored and their role will be relief as financial engineers and market analyst.

In financial reporting market, analyzing and customer valueless measurement is un-ignorable and financial managers in exercising customer management will play effective role. Since duties such as internal control exercising will remain as basic parameter of role and duties of financial managers

Shareholders: The decision made by financial managers about profit apportion is their most important duties, in whole of the world the profit apportion objective is serious and key factor and decision according to board of directors of companies on the bias of liquidity considerations and surplus fund and on market reasoning.

However, in some countries, such kind of decisions is under Assembly's responsibility and those individuals who are not much familiar with enterprises, investments and liquidity position will make decisions about it, so it is of financial manager's association responsibility to remove such obstacles because the decision-making about profit apportion by shareholders is not correct method. The stock's value are less than logical value per share in some of investing enterprises which are present in stock market so to solve this issue is duty of financial managers.

Financial managers Communication with share holders will be close more rather more variety and information expedition which financial managers will give to share holders and in general to capital market in feature will not comparable with today,

Providing profitable information about value creating of enterprise for shareholders and analyzing that, feature income delivering potencies reflection of enterprise and or adventure and risk which threat enterprise, will propound financial managers as most effective informer to shareholders and capital market

Reporting: Various accounting standard which are usual in today's word, will come closer and similar to each other, hence financial reporting will enjoying of more absolutely, and coordination. Accounting will find great lore as common language of business work in world- wide. Capital market and shareholders as more important users will determine more various information products from financial report.

The other main change in financial reporting is on time reporting facility and shorting of reporting intervals that as mentioned before it will be possible because of information technology application and will develop continuously.

It is obvious that financial report validity and relining depend on level of internal control quality system that its exercising as basic duty will remain with financial managers.

Financial Manager's Activities for Culture Making: Financial managers have undertaken the decision-making in enterprises, value and due to skill that they have in financial analysis and assets value determination, they are able to measure the effect of these decisions on enterprises, value. Financial Managers in Iran have not found their value and place and this is duty is in financial managers, undertaking that to act in direction of enterprises, culture making.

The other Changes and Duties: With increasing importance of biological environment al sociology responsibilities the enterprises, stability will be depending on social responsibilities fulfillment by organizations. The financial managers will have more role in exercising social responsibility accounting and environmental accounting and organization share reflection in fulfilling this responsibilities.

Regarding to organizations, emphasis on value based management exercising, Applying tools and techniques progressing of value creation by financial managers is enjoying of special importance.

Some of works and activities of enterprise is other subject that it wills more developing and spreading in future. Financial analysis regarding to warped matters of acquisition and absorption of companies and works outsourcing and show for decision-making will be of main duties of financial managers.

One of other main areas of financial manager's feature is allocating of capital recourses allocation and capital management that helps to run enterprise with minimum capital expenditures end.

At end that with impetrating of enterprise governance; future financial managers will undertake the measurement and reporting responsibility of executive managers and top manageress performance in compellation of favorable strategies of organization, progressing and accordance of strategic goals and management exercising.

However, the fact is that today's Financial Officer is much more than a cruncher of numbers. The Financial Officer of today is a dynamic part of any program team. He or she may still come from an accounting or business background but the nature of the work in today's public sector environment means that simply knowing numbers is not enough. Financial Officers are called to provide insights along with their numbers –they have to know how their calculations are applied within the context of a program or department.

In fact, Financial Officers are likely some of the best-informed, most broadly focused individuals in any given department or project team. This basis makes them the logical leaders of this burgeoning century. Indeed, steps are already in place to ensure that these financial professionals are better integrate and better utilized – but more must be done.

Confronting with Recession

As it has been already indicated in above said matters regarding global financial crisis. Its consequence and the performance of financial managers at the time of recession in various areas were analyzed and evaluated subsequently and it was stated that economical stagnancy and present global financial crisis causes the increase of financial manager's role in enterprises.

Moreover, in compare to past years the financial managers have been more participated in strategies completion and risk management (Liaquat, 2009).

Therefore here in this part the actions that has taken place and the recommended solutions stated and therefore in beginning, the most factors of recession confronting will be indicated which are used strategies by financial managers in a control effective and role plying they are as follows:

- *Reduction of interest rate.*
- *New liquidity infusion to financial institutes.*
- *Purchasing of problem financial assets.*
- *Financial policies such as tax reduction and increase in construction costs.*

So in this regard, financial managers using the necessary financial tools should assist the top managers of enterprises in optimum use of internal as well as external financial resources.

Financial managers instate of focusing on companie's strategy, should do for processes that through them the organization could provide their sources in suitable way and since the knowledge and power have been dispersed the financial managers should be able and urge that be effective on strategies of organization. In some cases, his judgment of financial managers and their analysis for arbitration regarding judgment is more important that figures expressed. The prosperity is that we empower financial managers even with limited authority so that they can be able to have innovation, creativity, and providing suitable innovation in financial amazement and crisis.

Financial managers estimate the probability of financial crisis occurrence with use of financial techniques such as financial ratios and breaks even point through combination of group of these techniques and with use of statistical multiple variables. When a set of financial variables will be considered for financial recession forecasting, the choosing of a suitable statistical method for determining of financial recessions and insolvency is very important.

Conclusion

With structural and principle changes that have been appeared in business conditions, it will be continued, and the basic changes have been created in of user's expectation of financial reports,

the financial manager's role faces with significant changes and their role enjoy of more complexity and more importance consequently in such situations financial managers as vigilant conscience of organizations with observance of professional ethic and trustee keeping can provide the financial clear and reliable reports to all users of financial information particularly stockholders.

In any case financial managers should have active presence in field's activity and as effective member of organization' leadership perform their role in achieving organization's goals and provide the expectations of various users.

Financial managers when can enjoy of this capability be converted in to joint point of elements and parts of organization and relation of institute with its surrounding environment through conversant to knowledge and various marketing learning, human resource management, capital market, financial knowledge area and information technology and etc.

In this regard, financial managers for encountering with global financial crisis should consider particular planning and arrangement l the in their organization for control the recession, these are can be summarized as follows:

Financial Crisis Forecasting and Study of Critical and Vulnerable Points: For examine the recession by financial managers for finding critical and vulnerable points there will be used of logical methods, when financial managers with propounding the particular systematic questions (systematic thought) consider and forecast the scenario (unpleasant event) and will assist the top managers with their experiences. In fact financial managers as main steersman of life blood of every organization that indeed is financial affairs, considering all affairs and they do necessary forecasting for probable recession.

Economical Program Provision for Confrontation with Global Financial Crisis: The necessity programs should organize and complying by financial managers in a manner so that specify all crisis warning signal as much as possible and they should take actions for nullifying or modifying of crisis and forecast the expected results of each action.

Organizing the Team of Crisis Management and Training of Human Resources: The team of crisis management use the various specializations according to kind of crisis which their probability and effectiveness are more so that they can recognize the speedy and affective reflection of crisis so that here financial managers as a members of aforesaid team are intending and facing challenges to find suitable and optimum way for facing this recession.

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