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Effect of Risks Perceived on Trust and Decisions of Investment and Financing

ABSTRACT

Objective: Given the role of trust and risks perceived by the financial manager in his relationship with the financial institution, this study seeks to verify the moderating role of perceived risks in the relationship between trust and investment decisions and organizational financing.

Method: The study was carried out through a survey of 232 financial managers.

Originality: This study shows how the characteristics of the relationship between the financial manager and the financial institution influence the decision-making processes of investment and financing.

Results: The results show that trust displays a positive linear effect on the investment decision, but it does not present a linear relationship with the financing decision. Higher levels of risk perception increase the effect of trust in the investment decision, while under conditions of low risk perception, trust influences the financing decision.

Theoretical contributions: In theoretical terms, these results contribute to fill a gap in the search for the effects of manager's trust in the financial institution. Specifically, this study elucidated that trust displays a different effect on investment and financing decisions.

Managerial contributions: Financial institutions may, concerning management, assess under which conditions establishing trust relationships are most important in determining investment or financing decisions by the financial manager.

Keywords: Trust; Relationship; Investment; Financing; Perceived risks.

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1 INTRODUCTION

Organizations rely on the financial system to assist them in building productive capital necessary for the smooth functioning of society and also act as a mechanism that fosters economic growth (Murphy, 2015). Thus, understanding investment decisions and organizational financing can be important in improving the managerial behavior and explaining in which situations such decisions are made.

In the financial scenario, an adequate explanation of corporate investment and financing patterns requires a correct understanding of the beliefs and preferences of its agents, including managers and investors (Baker & Wurgler, 2013). Thus, influences on the behavior of the financial manager may determine the volume of investments and organizational financing. According to Wärneryd (1989), the study of financial behavior encompasses fundamental aspects of human behavior and contributes to resolving different economic problems, such as containment of financial resources. In addition, according to Baggio, Kelm, Agudo and Sanjuán (2009), the manager must seek financial strategies to minimize risk and maximize return. It is a great challenge to understand in which assets to invest from each risk-return propensity, so that the generation of new investment alternatives seeks to satisfy the profile of each investor.

Decisions on investments and financing can be influenced by variables that eventually interfere with the behavior of the financial manager. In uncertain environments, where information fluctuates, competitiveness and concentration of financial institutions may impose risk on investment and financing decisions. Trust in the financial institution, with which the business relationship is maintained, can play an important role in decision making. According to Mayer et al. (1995), professional work routinely involves interdependence since professional agents depend on other professionals in various ways to fulfill organizational goals. Trust in financial institutions is the most complex form of trust because they are abstract and anonymous organizations, they need trust to be effective, and they are especially designed to inspire and build trust (Mosch & Prast, 2008). Thus, in relation to the market, it must be considered that the manager can assign a relevant role to the trust in the financial institution with which his organization maintains a relationship.

However, in addition to the manager's trust in the financial institution, it may also be important to understand conditions surrounding decision making. Among these conditions, lie the perceived risks for decision making. Kahneman and Tversky (1979), in the elaboration of the prospect theory, address risk-based decision-making behaviors, according to which risk management involves choices between possibilities or bets. Tversky and Fox (1995) observed that decisions are manifested according to the degree of choices between risk, uncertainty and ignorance, creating important references to the existence of multiple decisions according to the variable risk, which influences decision making, including within the financial framework of organizations. Given the role of trust and risks perceived by the manager, the research seeks to verify the moderating role of perceived risks in the relationship between trust and investment decisions and organizational financing.

It is expected that these results can assist the managers at the managerial level, by identifying and being aware of their potentialities or vulnerabilities of behavior in financial decisions. This is performed in conjunction with financial institutions to understand the need to develop trust in managers, both for investments and for financing; and that financial institutions optimize their approach methods when dealing with financial management clients. Businesses depend on the financial system to assist them in building the productive capital

necessary for the smooth running of the organization and fostering economic growth (Murphy, 2015).

In the theoretical framework, it is intended to build a bridge between existing studies on financial behavior and organizational behavior, which usually are treated separately, thus creating new studies related to the subjective behavior of the organizational financial manager. The studies that currently exist, although relevant to the search for an understanding of the behaviors of the organizational manager that influence management, do not show how characteristics specifically influence the decision making on investment and financing processes proposed in this paper.

2 THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES

This theoretical framework discusses the role of financial decisions on investments and organizational financing. It is described how trust can influence decision making of the financial manager. Finally, the role of perceived risks as a moderator of investment decisions and organizational financing is presented and the hypotheses that guide this study are formulated.

2.1 Making Financial Decisions on Investments and Financing

In the application of professional activities, organizational financial managers are continuously faced with decision-making needs, particularly with the purpose of effecting investments of surplus values, borrowing or financing when resources are needed. In this context, the expected utility theory applied to the decision-making processes seeks to maximize perceived values according to the decision maker's perspective. The expected utility theory arose with a set of axioms related to preferences between games or bets. Its essence is a mathematical proof which shows that, in the face of a personal preference expressed in relation to a particular axiom, two consequences arise: i) the subject value (known as the utility function) is surmised by observing one's choices; ii) individual choices can be described as if the decision maker was developing a decision rule to maximize the expected utility (Frisch & Clemen, 1994).

Namely, the expected utility theory can be interpreted in two ways: analytically, so that choices represent preferences, defined as presupposed utilities; and synthetically, in which both utilities and probabilities are evaluated (Oliveira, 2007). Thus, the integration of these two evaluations - utilities and probabilities - matures the decision. In the analytical bias of expected utility theory, decision makers initially observe what they choose and infer what they should expect, while in synthetic bias, decision makers explore what they want, how to achieve it, and what actions to take; and only then do they choose to act (Oliveira, 2007).

The theory of bounded rationality emphasizes that limitations of the human cognitive system and limitations in access to relevant information do not allow perfectly rational decision making. The strongest construct in the idea of bounded rationality is the concept of human decision making as limited by the cognitive capacities of the human being (March, 1978). For Simon (1978), in the administrative behavior, bounded rationality is characterized as a certain rational category that is precarious when it falls short of omniscience, in which the resulting failures are: lack of knowledge of all the alternatives, uncertainties in relation to exogenous events and inability to calculate consequences.

For Tversky and Kahneman (1981), in the elaboration of a deciding structure, a decision problem is defined as: the existence of a set of actions or options to choose, the evaluation of

the possible results of these acts, and contingencies or conditional probabilities related to the results of the acts. Thus, the structure of the decision refers to the conception of the acts of the decision makers as results and contingencies associated to a particular option: the structure adopted by the decision makers is partially controlled by the formulation of the problem and partly by their own norms, habits and characteristics. Therefore, for each individual, the same decision-making problem is structured in different ways (Tversky & Kahneman, 1981). In addition, the authors noted that individuals, when faced with questions to decide: i) they may have different preferences in different structures of the same problem; ii) in general, they are not aware of the structures of alternatives and its potential effects on the relative attractiveness of options; and iii) wish that their preferences are different from structuring, but have uncertainties about how to resolve detected inconsistencies.

The study by Fox and Weber (2002), showed that in the occurrence of ambiguities in moments of decision making, this is notably affected by the characteristics of the context. Decision makers consider decisions less attractive when provided with diagnostic information that they do not know how to use it if compared to when they do not have much information (Fox & Weber, 2002).

The reality of decision making reveals that decisions are made not only on the basis of data and the status quo, but also on the basis of both personal beliefs and representations of the decision maker and one's personal view of the world (Socea, 2012). In addition, for Socea (2012), as a key actor, the organizational manager is responsible for managing limited resources that are under one's control; with this, the decisions change according to the vision of each manager, because each one decides based on possibilities, including economic ones.

In the case of financial positioning in the face of a large amount of data, decision makers tend to simplify the decision-making process, even though financial decision making may take different forms, including aspects such as guarantees, fixed costs and insurance (Duclos, 2015).

According to Duclos (2015), in principle, financial decision makers systematically contrast risks and returns. In addition, the behavior of the decision agent takes into account the market in which it operates, where organizational managers easily make use of numerous data and the timely circumstance of managing significant financial volumes (Duclos, 2015). Similar understanding is expressed by Socea (2012), for whom accounting and financial information help managers to understand what happened in the past and what is the status of the organization at the decision stage. Thus, Socea (2012) promotes a useful overview for organizational decisions.

Jureviciene and Jermakova (2012) point out the thinking of traditional financial theory to presuppose rational thinking and deliberate decision making on the part of investors on the basis of estimates or through the use of economic models. However, according to these same authors, further research has found that human decisions often relies on intuitions, habits, cognitive and emotional biases, contrary to traditional financial theory, since decision making processes based on perfect predictions are not realistic. Murphy (2015) transposes this scenario to the market level, when he discusses that the behavior of each organizational manager in managing risk rationally from his own perspective results in systemic instability.

Management of resources and information operated by financial managers to form their decisions can be observed in a study by March (1978). According to that author, there are some theories that deal with attitudes of individuals by calculating the results of actions for certain goals and acting reasonably to achieve those goals. For this author, attitudes are presumed to be consciously and meaningfully linked to knowledge about goals and future results in order to allow control by intention.

On the other hand, organizational decision making takes place through the information processing that follows predetermined rules into account (Morgan, 1996). Thus, strategic managers make decisions through formalized or temporary processes, at which point they produce policies and plans that become a point of reference or model structure for information processing and decision making (Morgan, 1996).

2.2 Trust in Financial Institution

Trust has become an important research topic in a variety of disciplines, including administration, ethics, sociology, psychology, and economics (Colquitt, Scott, & Lepine, 2007). For Mayer et al. (1995), trust is the provision that is partly being vulnerable by the expectation that another party will develop relevant actions regardless of mutual monitoring or control. Trust refers to relationships with other people, organizations, institutions or systems and reflects the conviction that the other person or agency is not merely an agent of their own interest and does not act to harm the interests of those who trust them. This involves the expectation that the institution will act with competence and integrity (Mosch & Prast, 2008). In organizational settings, trust forms primarily refer to a belief, calculable or otherwise, to a feeling or a comprehensive measure of intent to accept vulnerability (Arkout, 2015). In financial management, according to Alhabash Brooks, Jiang, Rifon, Larose, and Cotton (2015), institutional trust is the perceived level of security that the organization is trustworthy, believable, and reputable.

According to Morgan and Hunt (1994), successful business relationships require commitment and trust; and trust exists when one party is reliant on the security, trustworthiness, and integrity of the other party with whom it is negotiating. The willingness to act is implicit in the contextualization of trust and one party cannot identify the business partner as trustworthy if it is unwilling to wait for actions without which it could take risks (Morgan & Hunt, 1994). These authors position themselves in the sense that trust reduces uncertainty in decision making in relation to the business partner.

According to Pascale and Pascale (2009), trust is one of the essential elements in the construction of human relationships, and is a complex and abstract phenomenon. It is also one of the main assets of the economy because, in economic decisions, trust seeks to reduce the perception of risk among people, institutions and systems. For the authors, trust is conquered through the certainty that the same values are shared with the other party. Once trust in an economic transaction is confirmed, it is involved in positive risk, while the lack of trust involves the economic transaction at negative risk (Mosch & Prast, 2008). In addition, Guiso, Sapienza and Zingales (2008) relate trust with the subjective probability of risk, partly based on the characteristics of the financial system, such as aspects of investor protection and its applications. However, trust is also related to subjective characteristics of the investor, as it may be the case for less confident decision makers to invest less in the stock market (Guiso et al., 2008). Thus, the perception of investment risks is low when there is trust in the trustee of the financial resources and the commitment with the trends expected by the investors directs, through trust, actions for this administrator to attend to the preferences and beliefs of the investor (Gennaioli, Shleifer, & Vishny, 2015).

According to Mosch and Prast (2008), trust promotes competence and intention because its agents must be capable and reliable and their institutions stable and intact, resulting in the spirit of cooperation prevailing, especially when unexpected events arise. This makes promoting cooperation the main factor of trust, without which mutual opportunities for gains can be lost. The interaction between interpersonal and institutional trust presents aspects of

substitution and complementarity, but the complementary relationship is stronger (Mosch & Prast, 2008).

Good reputation built by trust is the most important and valuable asset of institutions to facilitate their actions and to improve their effectiveness, promoting beneficial effects for the society and the economy. Acts of trust operate as coordination mechanisms for behaviors, promoting cooperation and generating a positive relationship with trust levels in societies that show indicators of economic and social success (Mosch & Prast, 2008). In organizational environments, trust plays a key role in maintaining business relationships and, therefore, maintaining profitability (Arkout, 2015).

Trust in financial institutions is related to the economy as a whole (Owens, 2011). Thus, the interpretation of characteristics of the economic context can influence the level of trust perceived by clients in relation to financial institutions of relationship, particularly in investment decisions. In addition, expectations of obtaining financing may be influenced by the economic context. According to Ferrary (2003), during the decision-making process by the financial institution to grant financing, questions are raised regarding the nature and role of trust in the economy. In this context, trust is not altruism; it is the optimization of friendly business relationships that allow sufficient information exchange in such a way that moral hazard reduction allows the creditor to grant financing (Ferrary, 2003). According to Ferrary (2003), trust-based transactions do not exclude the economic rationality of their agents, but consider another type of economic rationality, based on a temporality (future), in a different social space, giving rise to a profitable long-term relationship.

According to Tonkiss (2009), financial crisis scenarios may be the perfect representation of the lack of trust in which both investment and financing transactions are paralyzed because, historically, trust relationships have been crucial to the development of financial markets. Thus, the author also states that the stagnation of financing is a typical example of crisis of trust in the financial market. It can be seen from Tonkiss' (2009) assertion that there is a link between trust and accomplishment for both investments and financing.

The approach of Carlin, Dorobantu and Viswanathan (2009) is that trust is particularly important when contracts between parties are incomplete. Conversely, only properly executed contracts and government safeguards protecting the investor's trust can be ancillary and the investor can rely more on the contract than on his investment agent (Carlin et al., 2009). Although government protections are implicit in some investments, constraints and inquiries about the omniscient scope of contracts justify assessing the role that trust plays in the financial market, especially in relation to investments (Carlin et al., 2009).

Broadly speaking, the presence of risks involved in both investment and financing transactions makes the presence of contracts important to reduce risks and maintain the relationship between the parties. However, based on the theory of transaction costs, a full contract can hold exceedingly high costs or be impracticable. Therefore, the trust that the decision maker has in the financial institution plays a vital role in both investment and financing decisions. Given the above and the role of trust in financial transactions, it is believed that the manager's trust in the financial institution has a positive relationship with investment and financing decisions. Thus, hypothesis 1 is proposed:

H1: Trust has a significant effect on investment and financing decisions.

2.3 Perceived risks

According to Sjöberg, Moen and Rundmo (2004), risk perception is the subjective assessment of the probability of a specific type of incident occurring, combined with the level of concern about its consequences. Risk perception includes assessing probabilities and consequences of a negative outcome, and can be argued to be what affects a particular activity (Sjöberg et al., 2004). In addition, risk perception reflects assessments that people make when invited to characterize and evaluate vulnerable activities (Slovic, 1987). Rational analysis demonstrates that risk is initially a party-related conception, which remains vulnerable to potential actions of the trustee (Das & Teng, 2004).

Sjöberg et al. (2004) acknowledge that decades of work have been devoted to the psychological work of examining perceived risks, resulting in two distinct theories, one under the psychometric paradigm and the other inherently subjective. Previously, Slovic, Fischhoff and Lichtenstein (1982) considered that perceived risk can be quantifiable and predictable, and psychometric techniques seem adequate to identify similarities and differences between groups in relation to perceived risks and attitudes. However, for the latter authors, the perception of risk is a phenomenon as complex as every important aspect of human behavior.

For Wang, Keller and Simon (2010), risk plays a central role in decision-making processes. Risks can be subjective and are built by the processes of human perception. In turn, the traditional theory of asset price formation establishes a positive relationship between risk and return (Wang, Yan, & Yu, 2014). This situation may apply specifically in the case of organizational financial investments.

A study by Camba-Méndez and Serwa (2016) has shown that uncertainty, poor quality of the information available and the risk aversion of [financial] market participants play a decisive role in the propagation of perceived risk between [financial] markets. Previous research by Slovic et al. (1982), found that, in view of the perception of risks, insurance expenditures are considered investments. Studies by Sullivan (1997), indicated a greater tendency to avoid risk when financial data are presented in a condensed form, such as the cases investigated by them, in which data were presented in the form of profits, losses, revenues, costs and expenses. Such a finding is similar to that of Slovic (1987), according to which presenting the same risk information in different ways alters the perspective and actions of the professionals involved. It becomes possible to assume the manager's preference for financial investments, a behavior that ensures the availability of resources for the progress of organizational activities. In addition, such behavior tends to make financial management less complex.

For Slovic (1987), researches related to the perception of risk originate in empirical evaluation of probabilities, utilities and decision-making processes. This set of evaluations may consist of the process performed by the manager in the articulation of financial resources. In addition, Statman's study (2015) confirmed a positive relationship between risk tolerance and social trust, while Bohnet and Zeckhauser (2004) previously confirmed this particular relationship in the economic-financial environment, where risk-based decision situations rely on trust as a capital ingredient.

It is possible to evaluate the relationship between perceived risk tolerance and trust in the financial institution, which is a resource that allows organizations to function smoothly. Trust can overcome perceptions of risk and uncertainty, although it is a reducing agent and also a deterrent to high-risk behavior (McKnight et al., 2002).

Therefore, trust as an intangible element and part of relationships between organizations (Morgan & Hunt, 1994) may be important for financial investment decisions, that is, it enables the manager to assess if the institution is capable of fulfilling its promises and

expectations of your organization. Thus, in environments with higher perceived risk, trust can play a more important role in influencing the investment decision. Consequently, it is expected that perceived risk will change the relationship between trust and investment decision, as presented in Hypothesis 2:

H2: Perceived risk moderates the relationship between trust and investment decision, and the greater the risk perceived by the financial manager, the greater the effect of trust in the investment decision.

Alternatively, financial planners seek to mitigate adverse reactions from market variations by using reliable estimates of risk tolerance (Gilliam, Chatterjee, & Grable, 2010). In turn, risk assumption aims at maximizing results and, in particular, financing risks should be able to reduce the costs of capital risks and promote the balance of organizations' assets (Mutenga & Staikouras, 2007).

According to Yuan, Tan and Li (2008), with advantages of liquidity and profitability, financing is preferred in businesses actively promoted by financial institutions. They are accompanied by risks for which adequate identification and evaluation are necessary in order to guarantee the transactions. Based on the prospect theory (Kahneman & Tversky, 1979), it can be expected that, in situations of greater risk perceived in the financing decision, the behavior tends to be avoiding the decision and to not obtain financing, since this behavior is guided by factors such as price of fees charged or contracted debt structures (Mackie-Mason, 1990), and less affected by intangible factors such as trust. Therefore, trust is expected to have a positive effect on low-risk financing decisions, where more rational elements, such as the fees charged, do not have a significant effect. Under higher risk conditions, trust may not have an effect due to the importance attached to more rational elements of the decision process, such as the price of the fees and the structure of the debts. This reasoning is presented in Hypothesis 3:

H3: Perceived risk moderates the relationship between trust and the financing decision, and the lower the risk perceived by the financial manager, the greater the effect of trust in the financing decision.

3 METHOD

The research method is characterized by a quantitative approach, cross-sectional and with a descriptive nature, carried out through a survey. The population studied consisted of a database of 457 legal entities from the northern region of the state of Rio Grande do Sul, Brazil, based on data provided by accounting offices, with a commitment to use them anonymously. The sample consisted of data from 232 cases, using the non-probabilistic convenience sampling technique.

Data collected were answered by the financial managers of the organizations. The average age of respondents was 39 years ($\sigma = 12$ years). The average time of managerial experience was 12 years ($\sigma = 10$ years). Of the 232 cases, 143 were female and 89 were male. Regarding education, 67 reported having completed high school and 165 declared higher education qualifications. Among the latter, 52 declared to have postgraduate courses. The characteristics of the companies surveyed are presented in Tables 1 and 2, regarding the size and the segment of the companies.

Table 1
Population and sample distribution for size

Size	Micro enterprises	Small enterprises	Medium enterprises	Total
Population	369	76	12	457
Sample	169	53	10	232

Table 2
Population and sample distribution for segment

Segment	Enterprises	Commerce	Service provider	Total
Population	89	207	161	457
Sample	49	97	86	232

Data collection was performed both in primary data, through a questionnaire, and through the collection of secondary data, from the database of accounting offices. The questionnaire for the primary data collection presented a statement alerting the respondent to consider the ‘main’ financial institution that his company had a relationship with. The questionnaire contained the following scales (both measured by a seven-point scale):

- Trust in the financial institution: adapted from Sirdeshmukh, Singh and Sabol (2002) ($\alpha = 0.870$):

- I consider this financial institution as:

- i) very unreliable to very reliable;
- ii) very incompetent to very competent;
- iii) very low integrity to very high integrity;

iv) low capacity to respond to requests from customers to high capacity to respond to customer requests.

- Perceived risks: adapted from Pavlou (2003) ($\alpha = 0.814$):

- I consider the decision to do business with this financial institution as being:

- i) significant risk to negligible risk;
- ii) really negative situation to a really positive situation;
- iii) with great potential for losses to great potential for gains.

For purposes of analysis, in this study, both the variable ‘trust’ and the variable ‘perceived risk’ were constituted by the average of the observable items of their scales. It was possible to constitute an item capable of being used in the regression analysis.

In the questionnaire, as shown, information on age, managerial experience time, gender and respondent’s education was also requested. The questionnaires were applied in person, in the work environments of the respondents, during business hours. Respondents fully read and completed the questionnaires.

The database contained the secondary data: position of financing (loans or financing), as well as financial investments as of 06.30.2015, in its entirety, regardless of characteristics such as terms, interest rates or purposes; previous year’s billing; segment and age of organizations. From each company, the researchers calculated the degrees of financing and investments in relation to the billing, that is, the nominal values of financing and investments were weighted by the nominal amounts of billing. The indexes resulting from this weighting were used as dependent variables of the research.

For the analysis of the data, regression techniques were used to test the H1 and moderation analysis, as described by Prado, Korelo and Silva (2014), for H2 and H3 analysis. In the analysis of moderation, trust was considered as an independent variable, financing and /

or investment as dependent variables, and risk perception as a moderating variable, which is illustrated in the conceptual analytical model, in Figure 1:

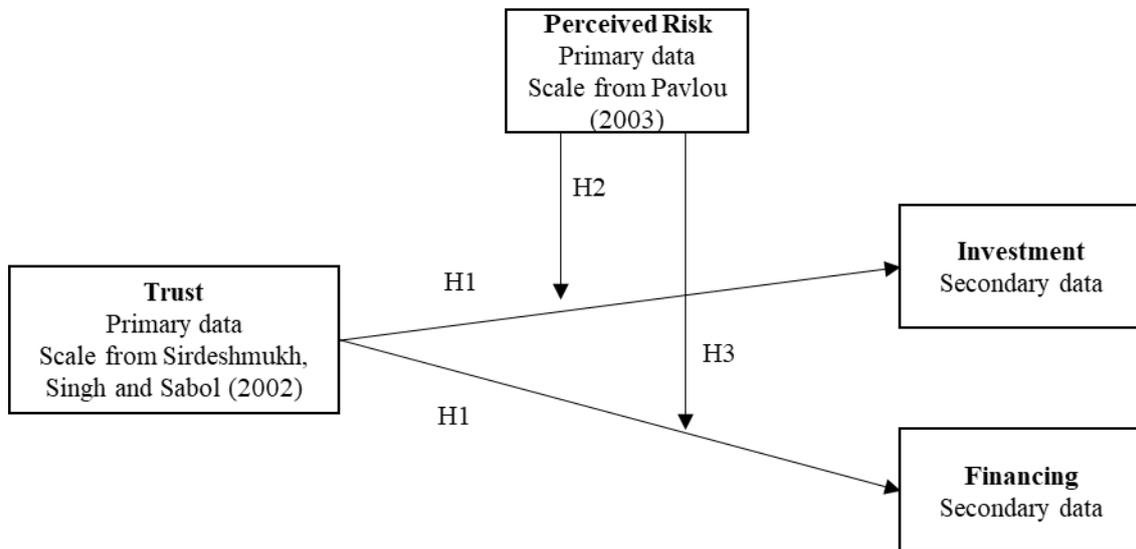


Figure 1. Conceptual analytical model

In this model of analysis, moderation consists of a term of interaction between the independent and moderating variables, and this term is related to the dependent variable, coupled with the independent and moderating variables.

Also, in the moderation analysis, since the ‘perceived risk’ variable is an interval, the Process Analysis (model 1) elaborated by Hayes (2013) was employed, using the Johnson-Neyman test to identify the zone of significance and the intersection point in the moderator variable. The analysis, through the Johnson-Neyman test, allows to indicate in which level of the moderator variable the relationship between the independent and dependent variable are significant.

4 RESULTS

To test the first hypothesis (the effect of trust in investment and financing decisions) two linear regressions were performed. First, trust has a significant and positive effect on the investment decision ($\beta = .192, t = 2.651, p < .01$). It is confirmed that the greater the trust of the financial manager in the financial institution, the greater the amount of monetary resources that this manager can invest in the financial institution (H1). The regression model, with non-standard coefficients, of this analysis is presented in equation 1.

$$y_{investment} = -6.794 + 1.966 * Trust + \epsilon$$

There is no significant relationship between the manager’s trust in the financing decision ($\beta = .033, t = .335, p = .738$). This result shows that the financing decision, through the acquisition of credit, may not be directly explained by trust (H1). The regression model of this analysis, with non-standard coefficients, is presented in equation 2.

$$y_{financing} = 6.770 + 0.336 * Trust + \epsilon$$

However, as will be tested in hypothesis 3, the effect of trust in the financing decision may occur under conditions of low risk perception. However, these results allow only partial acceptance of hypothesis 1, since the linear effect of the trust in the financing decision was

not significant, different from that with the investment decision, which, in turn, is linearly explained by the trust.

For H2 verification, the Process Analysis was used, as reported in the method. In this sense, in the verification of the moderation relationship between the trust and the investment decision, it was verified that there was a significant interaction effect - trust vs. perceived risks ($\beta = .12, t = 2.50, p < .05$). Figure 2 provides a detailed representation of the effects of moderation of risk perception on the relationship between trust and investment decision. The Johnson-Neyman method was used to illustrate this analysis.

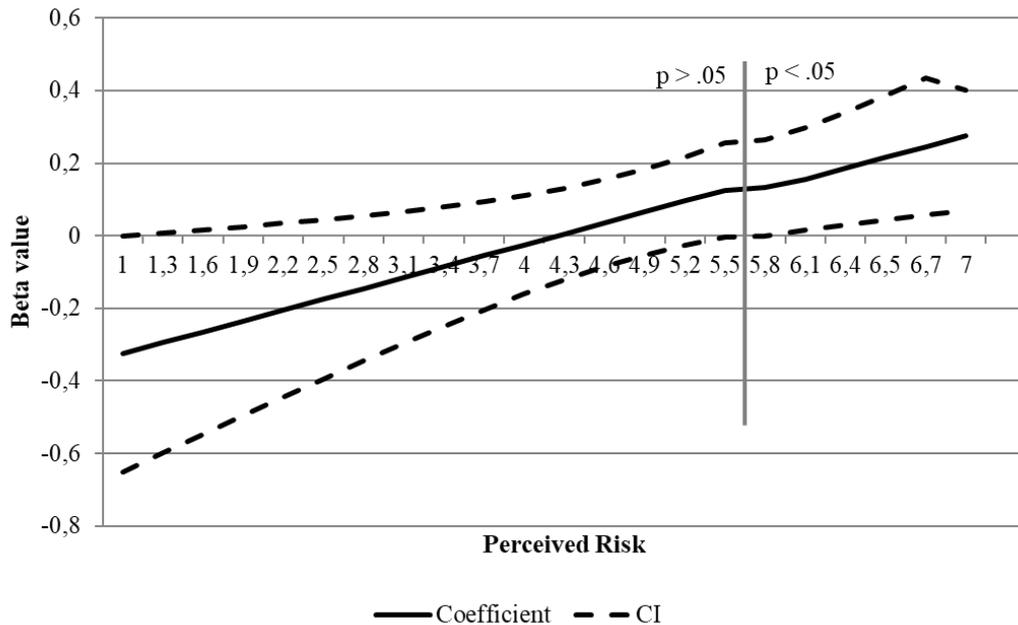


Figure 2. Effect of moderation of risk perception on the relationship between trust and investment decision

The results of the graphical analysis show that the effects of trust in the investment decision were different along high and low levels of risk perception. Specifically, it was identified that when the perception of risk is low (a standard deviation less than the mean value), the relationship between trust and investment decision is not significant ($\beta = -.03; t = -.48; p = .626$). In contrast, when the perception of risk is high (a standard deviation greater than the mean value), the relationship between trust and investment decision is significant and positive ($\beta = .22, t = 2.50, p < .05$). These results confirm hypothesis 2 and prove that higher levels of risk perception make trust a significant predictor of the investment decision. On the other hand, when the perception of risk is low, trust is not a significant predictor of the investment decision, since such a decision does not seem to require the existence of trust to occur, but rather by other factors.

It is still possible to observe in Figure 1 that 5.66 is the level of risk perception in which trust has a positive and significant effect on the investment decision. The higher the level of perceived risk (values of 5.66 and above) the higher the effect of trust in the investment decision. Finally, equation 3 depicts the model of moderation analysis with non-standard coefficients.

$$Y_{investment} = 42.74 - 8.24 * Trust - 8.74 * Perceived Risk + 1.79 * Trust * Perceived Risk + \epsilon$$

When testing hypothesis 3, financing decision was considered as the dependent variable. In the moderation analysis, there was a significant interaction effect (trust x perceived risk) in the financing decision ($\beta = -.14$, $t = - 1.99$, $p <.05$). The same tests employed previously were used to test the area of significance. To illustrate this analysis, the Johnson-Neyman method was used, representing the effects in Figure 3.

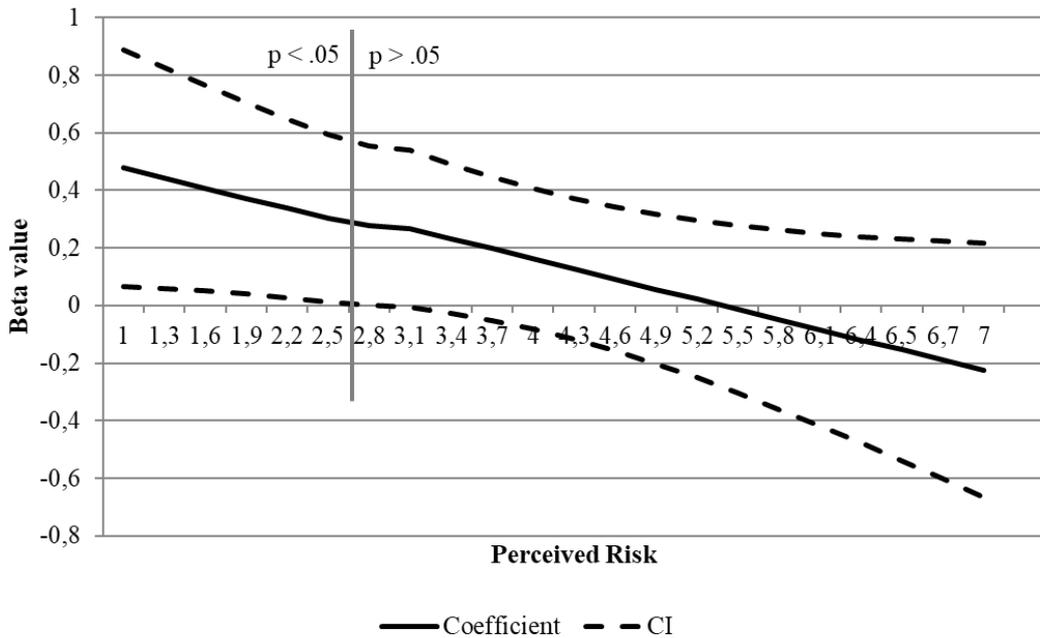


Figure 3. Effect of moderation of risk perception on the relationship between trust and the financing decision

The results of the graphical analysis showed that the effects of trust on the financing decision differed through the high and low levels of perceived risk. Specifically, it was identified that, when individuals perceive the risk to be low (a standard deviation below the mean), the relationship between trust and the financing decision is significant ($\beta = .22$, $t = 2.02$, $p <.05$). Alternatively, when individuals have a higher risk perception (a standard deviation below the mean), the relationship between trust and the financing decision is not significant ($\beta = -.10$, $t = -.59$, $p = .555$). These results support the assumption that only when risks are not perceived (low levels), then trust influences the financing decision (credit taking). Conversely, when there are high levels of risks perceived by managers, there is no effect of trust in the financing decision, this variable being dependent, which is likely explained by other factors.

It can be observed in Figure 3 that when the perception of risks is less than 3.43, the relationship between trust and financing decision is significant and positive. On the other hand, when the risk perception is greater than 3.43, trust does not impact the financing decision. Finally, equation 3 depicts the model of moderation analysis with non-standard coefficients.

$$Y_{financing} = -26.47 + 7.75 * Trust + 6.56 * Perceived Risk - 1.43 * Trust * Perceived Risk + \epsilon$$

5. DISCUSSIONS

The results of the empirical study show important points for understanding the effect of the trust of the financial managers in the financial organizations with which they work.

First, it was identified, partially supporting hypothesis 1, that trust displays a positive linear effect on the investment decision, but no linear relationship between trust and financing decision was found. This result shows something important, since it reveals that trust building is important for financial institutions that wish to raise funds and are not a predominant factor in influencing financing and/or loans. In addition, this result is in line with the findings of Carlin et al. (2009), which show that trust is an important factor for the investment decision.

However, the progress of the findings of this study elucidate on what conditions trust affects both investment decisions and financing. Therefore, the perception of risks involved in the relationship between the financial manager and the financial institution was used. The effects of the trust in the investment decision were different according to the high and low levels of risk perception. Higher levels of risk perception increase the effect of trust in the investment decision. In the economic-financial sphere, there is a positive relationship between risk tolerance and trust in financial institutions (Bohnet & Zeckhauser, 2004). This assertion by Bohnet and Zeckhauser (2004) was proven through the results of the present research, in which trust in the financial institution for the investment decision will be affected according to the level of perceived risks. It should also be mentioned that, as reported by Carlin et al. (2009), trust is important for investment decisions in conditions of high uncertainty and, therefore, when perceived risks are high, there is a greater effect of trust in investment decisions.

On the contrary, but also important to explain the effect of trust in the financing decision, it was observed the moderating action of perceived risks in the relation between trust and financing decisions (credit taking), proving hypothesis 3. When the risks perceived are low, trust influences the financing decision. Conversely, when there are high levels of perceived risks, there is no effect of trust in the financing decision. This trust effect shows something contrary to what was found in the first hypothesis of this study. Therefore, the research findings, based on their results and discussions, can be visualized in Figure 4.

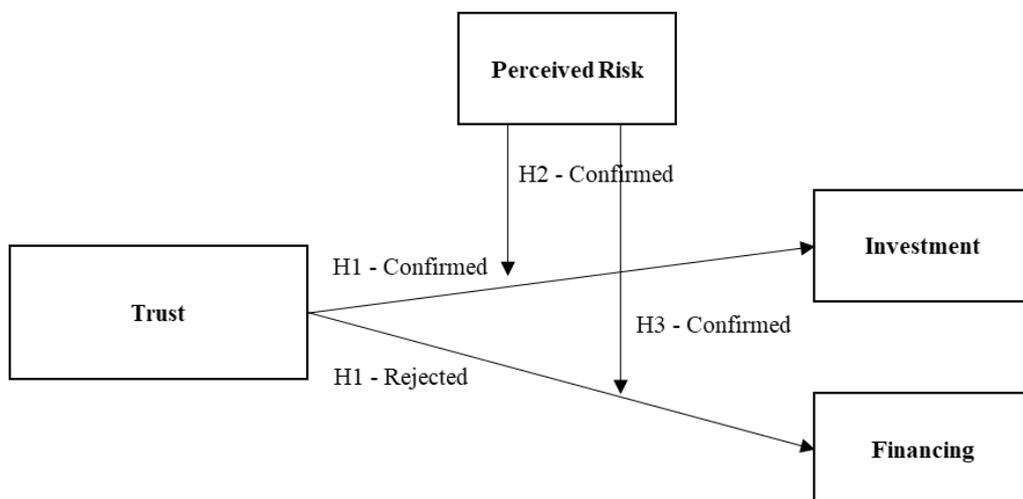


Figure 4. Perception of risk in the relationship between trust and the financing decision

Thus, it can be extrapolated that, although there is no linear effect of trust in the financing decision, this effect takes place under conditions of low perceived risks. In conditions where risks are low, trust has an effect on the financing decision, while under conditions of higher risks, other mechanisms such as fees or contractual elements may take the lead in explaining the financing decision. Future studies can investigate this difference in effect according to the levels of risk perceived by the financial manager.

6 FINAL CONSIDERATIONS

This study verified the moderating role of perceived risks in the relationship between trust and investment decisions and organizational financing. The results evidenced and discussed contribute to fill a gap in the research of the effects of the trust of the financial manager in the financial institution with which one works.

The research concluded that trust has a different effect on investment and financing decisions, but perceived risk, when it comes to financial decisions, should be one of the factors analyzed in decision making.

In addition, this study also contributes to the literature by showing that perceived risk may condition such effects. The analysis also allows one to understand in which levels of risk perception trust is important to explain the financial decisions of the manager in relation to the financial institution.

For financial institutions, the contribution consists in providing information capable of optimizing approaches to organizational financial managers, assuming that the exchange of information between financial institutions and organizational clients, during comfortable business time intervals, has allowed the institutions to build a financial profile on financial needs of the clients. In addition to the perception of risk, financial institutions can assess under what conditions the establishment of trust relationships is more important to determine investment decisions and / or financing decisions by the financial manager.

As a limiting aspect, it is considered that, although relevant, perceived risk is not the only moderating variable between trust, investment and financing decisions. Research on other variables, such as the level of financial knowledge, perceived responsibility of partners and shareholders, self-confidence and satisfaction with previous investments and financing should also be investigated.

In addition, a gap in this study that can be addressed by future studies refers to the understanding of which variables may influence the financing decision under high risk conditions, since the results of this research showed that trust does not affect it. Based on this, future studies will be able to determine if under these conditions, financial managers are influenced by more formal / legal aspects, rationally due to fees and interest, or even by more relational factors such as those related to the commitment of their organization to the one willing to lend financial resources.

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Efeito dos Riscos Percebidos sobre a Confiança e as Decisões de Investimento e Financiamento

RESUMO

Objetivo: Diante do papel da confiança e dos riscos percebidos pelo gestor financeiro na sua relação com a instituição financeira, este estudo objetiva verificar o papel moderador dos riscos percebidos na relação entre a confiança e as decisões de investimentos e de financiamentos organizacionais.

Método: O estudo foi feito por meio de uma survey com 232 gestores financeiros.

Originalidade: Este estudo evidencia como como características da relação entre o gestor financeiro a instituição financeira influenciam nos processos de tomada de decisão de investimento e de financiamento.

Resultados: Os resultados evidenciam que a confiança possui um efeito positivo linear sobre a decisão de investimento, porém não possui uma relação linear com a decisão de financiamento. Maiores níveis de percepção de risco aumentam o efeito da confiança na decisão de investimento, enquanto que em condições de baixa percepção de risco a confiança exerce influência na decisão de financiamento.

Contribuições teóricas: Em termos teóricos, estes resultados contribuem para preencher uma lacuna existente na pesquisa dos efeitos da confiança do gestor financeiro na instituição financeira com a qual trabalha. Especificamente, este estudo elucidou que a confiança possui um efeito diferente em decisões de investimentos e de financiamentos.

Contribuições para a gestão: Gerencialmente, as instituições financeiras podem avaliar sob quais condições o estabelecimento de relacionamentos de confiança é mais importante para determinar as decisões de investimentos ou de financiamentos por parte do gestor financeiro.

Palavras-chave: Confiança; Relacionamento; Investimento; Financiamento; Riscos percebidos.

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