The effect of financial flexibility on Company's Risk-taking and the Moderating Role of Organizational Resilience: Empirical Evidence from Egypt

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The effect of financial flexibility on Company's Risk-taking and the Moderating Role of Organizational Resilience: Empirical Evidence from Egypt

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Abstract

Using a sample of Egyptian listed companies from 2013–2024, this paper investigates the effect of financial flexibility on risk-taking, as well as the moderating effect of organizational resilience. The study relied on the use of the feasible generalized least squares (FGLS) model to address the statistical challenges that emerged from previous tests such as the presence of autocorrelation and heteroscedasticity. Findings show that:(1) financial flexibility has a significantly positive effect on risk-taking, indicating financial flexibility contributes to increase the company's ability to take risks. (2) organizational resilience as a moderator variable has a significantly negative effect, indicating high organizational resilience reduces the positive effect of financial flexibility on risk-taking, and the organizationally resilience companies avoiding high-risk projects because they having risk assessment systems, internal control, and greater stakeholder participation.

The findings of this study provide important managerial and theoretical implications for investors, policymakers, academics, and other stakeholders. The study encourages future research to examine the impact of financial flexibility on risk-taking across firm sizes and economic contexts.

Key Words: Financial flexibility; Company risk taking; Organizational resilience; Egyptian listed companies ; Moderating effect.

1. Introduction

A company's sustainable development depends on its ability to take risks and manage financial resources allowing it to invest in opportunities arising from multidimensional changes (Bagh & Khan, 2024; Mishra, 2024; Naseer et al., 2025; Tang & Chang, 2024).

Simultaneously, some companies may fail due to exposure to various risks. Therefore, understanding the effect of financial flexibility on risk-taking is an important research topic in the finance literature (Huang et al., 2023; Smieja et al., 2023; Duho, 2021).

A company requires external and internal resources to maintain its ability to take risks. Financial flexibility seeks to provide liquidity and maintain an unused debt capacity to enable the company to exploit investment opportunities, overcome unexpected fluctuations in cash flow, take advantage of low-cost financing opportunities, and avoiding financial crises (Liu & Chang, 2020; Duho, 2021; Nguyen, 2024).

in light of financial and health crises, market dynamics, and geopolitical risks, only a few studies have examined the relationship between financial flexibility and risk-taking in emerging economies and the mixed outcomes for prior studies (positive, negative, and nonlinear) have led to the discovery of the effect of financial flexibility on risk-taking in Egyptian context (Chang & Wu, 2021; Minh & Vinh, 2022; Li & Zhang, 2023; Bagh & Hunjra, 2025).

Studies have examined the moderating role of a group of variables that influence on risk-taking neglecting to examine the moderating role of organizational resilience, despite its effect on a company's ability to overcome challenges and recover performance by employing its financial resources to enable it to invest opportunities and survival in a dynamic business environment (Zhang et al., 2025).

The primary objective of this research is to examine the effect of financial flexibility on the risk-taking propensity of non-financial companies listed on the Egyptian Stock Exchange, as well as the moderating role of organizational resilience.

2. Research problem

Financial stability requires understanding and integrating risks into a company's strategy (Duho, 2021; Nguyen & Dang, 2022b). Risk-taking refers to the uncertainty about investments that can generate positive cash flows in the future (Liu & Chang, 2020), and the ability to identify, assess, and control risks (Nguyen & Dang, 2022b). According to the resource dependence theory, a company's ability to

take risks depends on a variety of resources to enable it to operate effectively (Yan et al, 2025; Bagh & Khan, 2024). The factors affecting the company's ability to take risks varied between the overconfidence, external backgrounds, the age of the CEO, and the participation of women on boards of directors (Zhang et al, 2025; Tang & Chang, 2024; Guo et al, 2025; Li & Kang, 2025), compensation and social responsibility (Hunjra et al, 2024; Mishra, 2024; Koharki & Watson, 2025), financial assets (Zhao et al, 2025), digital transformation and technological empowerment (Zhao, 2024; Feng and Yu, 2025; Ding et al, 2025), financial flexibility and adopting an integrated production and financing strategy (Zhao et al, 2025; Cheng et al, 2025), ESG index (Wu et al, 2025), climate change (Chen & Wang, 2025), capital structure (Li & Zhou, 2025) and financing constraints (Chen & Ran, 2025).

financial flexibility refers to flexible financial planning that exploit liquidity, an unused debt capacity, easy access to capital markets to confront economic fluctuations and exploit investment opportunities to promote company growth and increase market value. Financial flexibility affects risk-taking by providing financial resources at a low cost, which helps in facing uncertainty and exploit opportunities (Bagh & Khan, 2024; Nguyen, 2024; Liu & Chang, 2020).The results of prior studies on the effect of financial flexibility on risk-taking, especially in emerging economies have been mixed between a positive correlation (Bagh & Hunjra, 2025), a negative correlation (Nguyen, 2024), and a non-linear relationship (Hunjra et al, 2024), The methods of measuring financial flexibility also varied effecting the interpretation of the results (Hunjra et al, 2024), Following a financial flexibility policy is not always beneficial, which reveals a research gap that prompts researchers to study the effect of financial flexibility on different aspects of a company’s operations (Nguyen, 2024).

results regarding the effect of organizational resilience on risk-taking remain inconsistent. Some studies concluded that organizationally resilience companies have the ability to take risks (Yang & Zhao, 2022; Liang & Li, 2024; Shela et al, 2024). While other studies have found that organizationally resilience companies adopt conservative risk management (Hillmann & Guenther, 2021; Zhang et al, 2025). In

light of the moderating role of organizational resilience, The combination of financial flexibility and organizational resilience is a motive that enables the company to exploit opportunities in light of economic challenges and provide resources to meet investment challenges (Wang et al, 2025), which identifying a research gap that motivated this study to bridge the theoretical and experimental gap, which constitutes a scientific addition to the financial literature.

Although prior studies have extensively examined the determinants of corporate risk-taking, the findings remain inconsistent, particularly regarding the role of financial flexibility. Some studies reported a positive effect, others a negative or even a non-linear relationship, and differences in measurement approaches have further complicated interpretation. Moreover, research has largely overlooked the moderator influence of organizational resilience in this context.

Organizational resilience can theoretically strengthen or weaken the effect of financial flexibility on risk-taking, yet empirical evidence on this moderating role remains scarce and inconclusive, especially in emerging markets characterized by high uncertainty and financial constraints , lack of transparency, and weak governance procedures (Duho, 2021).

Therefore, this study seeks to fill this research gap by examining how financial flexibility affects corporate risk-taking through the moderating role of organizational resilience, using evidence from the Egyptian market. This contributes to the literature by integrating two critical but rarely combined concepts—financial flexibility and organizational resilience—within the context of corporate risk behavior. Based on the above, the research problem can be formulated in the following question:

" How does financial flexibility affect a company's risk-taking through organizational resilience? "

This question can be answered by answering the following sub-questions:

1. What are the primary factors determining a company's risk-taking?

2. Can financial flexibility affect a company's risk-taking?

3. Does organizational resilience play a moderating role in the relationship between financial flexibility and a company's risk-taking?

3. Research Objectives

- Verifying or rejecting the research hypotheses based on statistical analysis.

- Identifying the determinants of risk-taking of companies listed on the Egyptian Stock Exchange.

- Identifying the effect of financial flexibility on companies' risk-taking on the Egyptian Stock Exchange.

- Constructing an experimental model that addresses theoretical and empirical gaps by including organizational resilience as a moderating variable, which will enhance understanding and interpretation of the phenomenon under investigation.

4. The importance of research

The theoretical contribution of this research is represented in several aspects: First: providing new explanations about the role of financial flexibility on the company's risk-taking in the Egyptian environment. Second: examining the effect of organizational resilience as a moderating variable on companies' risk-taking in the Egyptian market which has not been examined before to the best of the researcher's knowledge. Third: The Egyptian market provides a good environment for understanding this relationship, which has significant implications for theory, practice, and policy, as companies face numerous challenges and opportunities due to the multidimensional changes surrounding them.

The empirical contribution of this research is represented in several aspects: First: conducting an empirical test of the effect of financial flexibility on the risk-taking of companies listed on the Egyptian Stock Exchange. Second: Testing the moderating role of organizational resilience on the relationship between financial flexibility and the company's risk-taking which has not been addressed in previous studies. Third: Using the feasible generalized

least squares (FGLS) method to address the statistical challenges that emerged from the statistical tests of the data, such as the presence of autocorrelation and heterogeneity of variance. Fourth: The research relied on the use of alternative measures of financial flexibility and the company's risk-taking in order to test robustness of the research results. Fifth: The study focused on the time conditions that might affect the relationship between the studied variables by introducing dummy variables representing each year of the study (2013-2024) with 2019 being taken as a reference year due to its specificity as an exceptional year that synchronized with the Covid-19 pandemic which enhances the accuracy of the results and increases the reliability of the analytical interpretation.

The practical contribution of this research is to provide valuable recommendations for corporate boards, investors, regulatory bodies, academics, and other stakeholders on how financial flexibility affects risk-taking and how organizational resilience moderates this effect in companies listed on the Egyptian Stock Exchange.

5. Previous studies and hypotheses development

5.1 Theoretical framework

The relationship between financial flexibility and risk-taking is framed by several theories. Modigliani & Miller (1963) argue that a company maintains an unused debt capacity that helps it exploit opportunities and mitigate financial risks. Trade-off theory assumes that financially flexibility companies enhance their sustainable growth by taking risky projects. Pecking Order theory assumes that internal financial flexibility enables companies to implement risky projects (Bagh & Hunjra, 2025; Xiao et al, 2021). The theory of financial constraints suggests that companies may suffer from inefficient investment and resource allocation which reduces their ability to take risks (Xiao et al, 2021).

Agency theory emphasizes that managers' actions and weak governance may limit financial flexibility and reduces risk-taking behavior (Minh & Vinh, 2022; Wang & Gao et al, 2021). Options theory argues that risk-return asymmetry drives managers to engage in high-risk, low-return projects for personal gain (Nguyen & Dang,

2022b). In contrast, real options theory enables companies to adapt to unexpected fluctuations which contributes to reducing the risks and maximizing growth opportunities (Hunjra et al, 2024).

Organizational resilience seeks to balance latent opportunities while maximizing existing strengths through flexible financial planning (Wang et al, 2025). The relationship between organizational resilience and risk-taking is shaped by several theories. From a resource allocation perspective, organizationally resilient companies tend to adopt more conservative resource allocation strategies by maintaining a strategic reserve of resources, maintaining moderate leverage, and avoiding excessive investment concentration in high-risk projects. This is driven by having risk assessment systems that enable them to accurately identify and assess risks. From an organizational learning perspective, organizationally resilient companies develop balanced responses to risks by learning from past experiences. From a governance perspective organizationally resilient companies typically have well-developed internal control systems and greater stakeholder participation which limits excessive risk taking (Zhang et al, 2025). The combination of financial flexibility and organizational resilient provides an incentive to invest and provides resources to help address investment challenges in challenging economic times. These theories shed light on how financial flexibility and organizational resilience can affect a company's ability to take risks.

5.2 Hypothesis development

5.2.1 Financial flexibility and risk-taking

Prior studies indicate that financial flexibility plays a pivotal role in determining the level of risk companies are willing to assume. Moreover, the integration of financial flexibility and risk-taking should be incorporated into the strategic decision-making process.. This is because financial flexibility ensures a company's access to capital improves its ability to manage risks, and provides the opportunity to benefit from investment opportunities (Liu & Chang, 2020; Gu & Yuan, 2020; Bagh & Hunjra, 2025). Agency theory suggests that risk-taking is influenced not only by the availability of

resources but also by the financial flexibility of managers. Managers with financial flexibility tend to take riskier projects because they have resources that reduce potential losses. Yet, when managers prefer their own interests, they may avoid high-risk, high-return investments. Studies have yielded mixed results on the effect of financial flexibility on risk-taking, The positive relationship stems from that financially flexible companies can absorb potential losses, and start high-risk, high-return investments (Bagh & Hunjra, 2025), while The negative relationship stems from that high financial flexibility may encourage companies to relax their risk management practices (Nguyen, 2024), while The non-linear relationship explained that financial flexibility increases risk-taking up to a certain level, but beyond that point the effect weakens (Hunjra et al, 2024).

Agency theory explains the different effect of financial flexibility on risk-taking. The positive effect stems from managers' belief that increased cash flow and decreased cash dividends push the company toward riskier investments, while the negative effect stems from the belief that information asymmetry may push managers to give up growth opportunities and make investment decisions in high-risk, low-return projects (Nguyen, 2024). The adaptive market hypothesis explains that the relationship between financial flexibility and risk-taking may vary with changing economic conditions, and that financial market participants adapt to changing circumstances (Hunjra et al., 2024). Empirical studies enhance this perspective by showing that financially flexibility companies maintain an unused debt capacity as a means of avoiding financial crises (Duho, 2021; Chang & Wu, 2021).

Based on these theoretical and empirical foundations we find a gap in understanding the relationship between financial flexibility and risk-taking particularly in emerging economies in general and the Egyptian market in particular given companies' need for financial flexibility and resource allocation under volatile economic conditions. Based on the previous analysis, the first hypothesis can be formulated as follows: **Financial flexibility has a statistically significant positive effect on risk-taking.**

5.2.2 Organizational resilient

prior studies have examined organizational resilience from a proactive perspective which refers to the organization's ability to take risks by anticipating and responding to changing environmental conditions (Hillmann & Guenther, 2021; Lin & Fan, 2024; Yang & Zhao, 2022), From the interactive perspective, which refers to the company's ability to achieve integration between adaptation and anticipation by employing financial resources and building new resources that enable the company to exploit opportunities in light of environmental challenges (Wang et al, 2024; Jin et al, 2025; Yan et al, 2025; Oufi et al, 2025).

Studies have yielded mixed results regarding the effect of organizational resilience on risk-taking with organizationally resilience companies having the ability to take risks (Yang & Zhao, 2022; Liang & Li, 2024; Shela et al, 2024); and organizationally resilience companies avoiding high-risk, high-return investments and adopting conservative risk management strategies due to their possession of risk management and assessment systems that enable them to accurately identify and assess potential risks and limit ill-considered risk-taking behavior (Hillmann & Guenther, 2021; Zhang et al, 2025).

The instability of the business environment, and unexpected crises have led to the emergence of organizational resilience and financial flexibility as strategic resources that effect a company's sustainability and financial performance especially in emerging economies characterized by volatility and instability (Sheng & An, 2024). Many studies have examined the moderating role of investment efficiency, institutional ownership, and agency costs (Bagh & Khan, 2024; Bagh & Hunjra, 2025; Liu & Chang, 2020). However, prior studies have neglected to examine the moderating role of organizational resilience, revealing a research gap that requires further investigation.. The previous review demonstrates the limited theoretical and empirical explanation of the effect of organizational resilience on the relationship between financial flexibility and risk-taking in emerging economies, particularly in the Egyptian market. Therefore, the second

hypothesis can be formulated as follows: **Organizational resilience has a statistically significant positive moderating effect on the relationship between financial flexibility and risk-taking**

6. Research methodology

6.1 Research Population and sample

The research population consists of companies listed on the Egyptian Stock Exchange. The research sample was selected using a convenience sampling technique due to the availability of data for this sample. Data were collected over the period from January 2013 to December 2024. the following companies were excluded due to data unavailability and inconsistencies to ensures the reliability and consistency of the dataset used for the analysis:

1. the banking sector from the sample due to its unique financial nature.

2. companies with negative equity.

3. companies for which data on the research variables were not available during the research period.

After removing unavailable data, the number of companies was 89 non-financial companies. All financial data were obtained from the financial statements.

6.2 Research variables and measures

6.2.1 Company risk taking Z-SCORE (dependent variable)

The research relied on the use of the following equation which expresses Z-SCORE as a measure of risk taking:

$$\boldsymbol{Z - SCORE_{i,t} = (ROA_{i,t} + ETA_{i,t}) \div \sigma ROA_{i,t}}$$

Where:

$\boldsymbol{ROA_{i,t}}$: denotes the return on assets of company i at time t.

$\boldsymbol{ETA_{i,t}}$: refers to the ratio of equity to total assets.

$\boldsymbol{\sigma ROA_{i,t}}$: refers to the standard deviation of the return on assets of company i at time t and measures the degree of variability or risk in the company's operational performance (Bagh & Hunjra, 2025).

High Z-SCORE scores indicate better risk management while low scores indicate that companies are exposed to high risks (Cao et al, 2021; Duho et al, 2020a; Duho, 2021).

6.2.2 Financial flexibility FF (independent variable)

The research relied on using the following equation to measure financial flexibility (Hunjra et al, 2024; Chang & Wu, 2021; Hao et al, 2022; Teng et al, 2021).

$$\mathbf{FF} = \frac{\mathbf{cash + cash\ equivalents}}{\mathbf{total\ assets}} + (\mathbf{1 - the\ firm\ debt\ ratio})$$

Where: Financial flexibility includes two components

Cash Flexibility (CF): Measures a company's ability to leverage its internal financial resources. Cash Flexibility = Cash and Cash Equivalents ÷ Total Assets

Debt Flexibility (DF): Measures a company's ability to access external financial resources. DF = 1 - Company's Debt Ratio

6.2.3 Organizational resilience OR (moderating variable)

The research relied on the use of the following equation for organizational flexibility:

$$\boldsymbol{OR_{it}} = (\mathbf{SalesAve_{it} - SalesAve_{i(t-1)}})/(\mathbf{AllSalesAve_t - AllSalesAve_{(t-1)}})$$

Where:

SaleAve: represents the sales revenue of company i in year t**.**

AllSaleAve: represents the average sales revenue of all companies in the same industry in year t.

A positive value indicates higher resilience compared to its sector peers while a negative value indicates lower resilience (Wang et al, 2025; Liu et al, 2025).

6.2.4 Control variables

The study employed several control variables, including size (SIZE), Tangible Assets (FA), Net operating cash flow (OCF), Board size (BS), Industry factors (IND), Time factor (TI). Table 1 contains the research variables and measures.

Table (1) Research variables and measures

Variables	Description	sign
Dependent variable		
FRT	$\mathbf{Z-SCORE_{i,t}=(ROA_{i,t}+ETA_{i,t})\div\sigma ROA_{i,t}}$	
independent variable		
FF	$\mathbf{FF=\frac{cash+cash\ equivalents}{total\ assets}+(1-the\ firm\ debt\ ratio)}$	+
moderator variable		
OR	$\mathbf{OR_{it}=(SalesAve_{it}-SalesAve_{i(t-1)})/(AllSalesAve_t-AllSalesAve_{(t-1)})}$	-/+
Control variables		
SIZE	**The natural logarithm of total assets.**	-/+
FA	**The ratio of fixed assets to total assets.**	-/+
OCF	**The ratio of cash flow from operating activities to total assets**	-/+
BS	**The natural logarithm of the total number of board members**	-/+
IND	**A dummy variable was used that gives 1 for industrial firms and 0 otherwise.**	-/+
TI	**Use dummy variables during the sample period with 2019 as the reference year.**	-/+

Source: Prepared by the researcher

6.3 Research model

The research relied on panel data regression to test the relationship between financial flexibility and risk-taking and the moderating role of organizational resilience. Statistical data processing was carried out using EVIEWS version 8. In line with the objectives of this research, the following two models were used:

The first model measures the relationship between financial flexibility and risk taking.

$$FRT_{IT}=b_0+b_1FF_{it}+b_2OR_{it}+b_3Size_{it}+b_4FS+b_5OCF_{it}+b_6BS_{it}+b_7IND_{it}+b_8TI+\varepsilon_{it}$$

The second model measures the moderating role of organizational.

$$FRT_{IT}=b_0+b_1FF_{it}+b_2OR_{it}+b_3(FF\times OR)_{it}+b_4Size_{it}+b_5FS+b_6OCF_{it}+b_7BS_{it}+b_8IND_{it}+b_9TI+\varepsilon_{it}$$

Dummy variables for years were included to control for time fixed effects (Bagh & Hunjra, 2025).

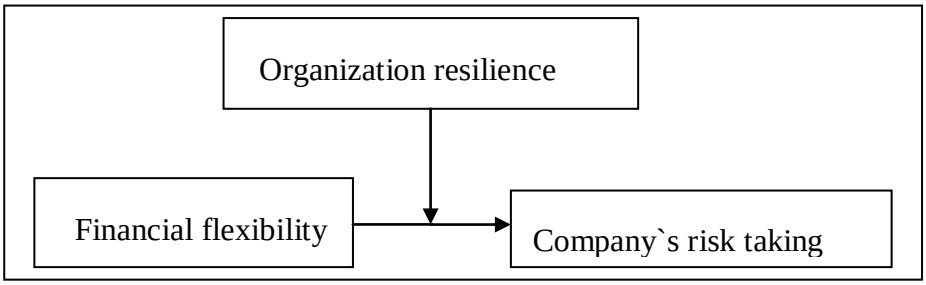

Figure 1. The proposed research model

Source: Prepared by the researcher

6.4 Research hypotheses

1. Financial flexibility has a statistically significant positive effect on risk-taking.
2. Organizational resilience has a statistically significant positive effect on risk-taking.
3. company size has a statistically significant positive effect on risk-taking.
4. Fixed assets have a statistically significant negative effect on risk-taking.
5. Operating cash flow has a statistically significant positive effect on risk-taking.
6. Board size has a statistically significant positive effect on risk-taking.
7. Industrial sector has a statistically significant positive effect on risk-taking.
8. Organizational resilience has a statistically significant positive moderating effect on the relationship between financial flexibility and risk-taking.

7. Statistical analysis and hypothesis testing

To enhance data integrity the effect of outliers was reduced using winsorization at 5% and 95% (Bagh & Khan, 2024; Bagh & Hunjra, 2025).

7.1 Descriptive statistics

Table (2) shows the descriptive statistics of the research variables.

Table (2) Descriptive statistics

	mean	median	SD.Dev	Jarqu-Bera Prob.
Dependent variable				
Z-SCORE	**14.63**	**12.63**	**9.15**	**0**
Independent, moderator and control variables				
FF	**0.65**	**0.62**	**0.29**	**0**
OR	**0.90**	**0.14**	**1.69**	**0**
SIZE	**6.10**	**6.08**	**0.73**	**0**
FA	**0.29**	**0.25**	**0.21**	**0**
OCF	**0.06**	**0.04**	**0.15**	**0**
BS	**0.91**	**0.90**	**0.12**	**0**
IND	**0.28**	**0**	**0.45**	**0**

The average risk-taking index was 14.63 with a standard deviation of 9.15 indicating that companies have good risk management that enables them to take risks and enjoy a stable financial position. The variation between companies is due to the difference in risk tendencies between companies (Bagh & Hunjra, 2025). The average financial flexibility index was 0.65 with a standard deviation of 0.29 indicating that companies have a good level of ability to face shocks and finance investment opportunities internally, and that the balance between liquidity and debt is a pivotal factor in achieving sustainable financial resilience, and there is acceptable variation among companies (Al-Najjar & Clark, 2017). The average organizational resilience index was 0.90 with a standard deviation of 1.69 indicating that companies achieve a sales growth rate close to the market or sector growth rate, which reflects a good ability to adapt to changing environmental conditions. There is variation among companies, indicating that organizational resilience is not a fixed characteristic, but rather varies according to the strategies, resources, and organizational capabilities available, and that there is variation in companies' ability to adapt (Wang et al, 2025).

For control variables, the average natural logarithm of company size was 6.10, and the average fixed assets was 0.29, indicating that most

companies operate in fixed-asset-light sectors. The average operating cash flow was 0.06, indicating that operating cash flows are weak relative to company' assets. The average natural logarithm of the number of board members was 0.91, indicating that the average board has approximately 8 members, which is common in Shareholding companies, allowing for a diversity of expertise while maintaining decision-making efficiency. The average industry type was 0.28, indicating that 28% of the sample companies belong to the industrial sector.

The Jarque-Bera test for normal distribution indicates that all variables achieve a significance level of less than 0.05, indicating that the distribution is not normal. According to the central limit theorem, the assumption of normal distribution becomes less important if the sample size is larger than 30 observations, and the number of observations in this study was 1,068 (Field 2009, p. 134).

7.2 Correlation analysis

Table (3) shows the results of Pearson correlation analysis which examines the degree of linear correlation between the regression factors. We can conclude that there is no multicollinearity relationship between the independent variables as there is no correlation greater than 0.8 (Field 2009, p. 224), and the variance inflation factors (VIF) test was conducted which shows that all values of the independent variables are less than 5, and therefore there is no dependency between the explanatory variables, and no variables should be excluded from the analysis (O'Brien, 2007).

Table (3): Pearson correlation matrix between the dependent variable and the independent variables

	Z-SCORE	FF	OR	SIZE	FA	OCF	BS	VIF
Z-SCORE	1							
FF	0.23***	1						1.13
OR	0.03	-0.17***	1					1.48
SIZE	0.01	-0.31***	0.56***	1				1.77
FA	0.01	0.09***	-0.13***	-0.17***	1			1.07
OCF	-0.03	0.08**	0.11***	0.08**	0.13**	1		1.05
BS	-0.03	0.03	0.15***	0.31***	0.07**	0.11***	1	1.16

Significance Levels:

*** **Correlation is significant at the 0.01 level.**

** **Correlation is significant at the 0.05 level.**

* **Correlation is significant at the 0.1 level.**

Table (3) indicates that financial flexibility is positively and significantly associated with the risk-taking index indicating that financial flexibility helps companies face risks by providing liquidity and relying on self-financing. There is an insignificant positive relationship between organizational resilience and companies' ability to take risks which prompts us to know the moderating role of organizational resilience in influencing the relationship between financial flexibility and risk-taking. There is also a positive relationship between company size and the fixed assets ratio, while there is a negative relationship between the net operating cash flow ratio, the number of board members, and the company's ability to take risks.

7.3 Data quality testing

First: Testing the autocorrelation, where the Lagranage Multiplier coefficient indicates that the value of Sig < 0.05 indicates the presence of a linear correlation problem in the residuals. Second: Breusch Pagan test to test the Heteroskedasticity, where the test coefficient indicates that Sig<0.05, which indicates the presence of a difference in error variance, as a result of which the OLS least squares regression becomes inappropriate. Third: The researcher

distinguished between fixed effects and random effects by performing the Housman test. The P value was greater than 0.05, and therefore the random effect method was applied. There is no endogeneity as the P value is greater than 5% (Hausman, 1978; Wooldridge, 2016).

The study relied on the use of the feasible generalized least squares (FGLS) model to address the statistical challenges that emerged from previous tests such as the presence of autocorrelation and heteroscedasticity (Fliers, 2024; Bagh et al, 2025; Hunjra et al, 2024).

7.4 Testing the study hypotheses

Table (4) shows the results of the feasible generalized least squares (FGLS) model

Independent Variables	Model 1		Model 2	
	Coef	Prob	Coef	Prob
(Constant)	18.21	0.00***	13.28	0.00***
FF	9.55	0.00***	12.90	0.00***
OR	0.28	0.00***	1.32	0.00***
FF*OR	----	----	-1.85	0.00***
SIZE	-2.20	0.00***	-1.60	0.00***
FA	3.26	0.10*	1.62	0.00*
OCF	4.12	0.00*	1.93	0.00**
BS	4.24	0.00**	3.86	0.00*
IND	-5.15	0.00***	-5.19	0.00***
Year 2013	-0.50	0.00**	-0.27	0.00*
2014	-0.42	0.00**	-0.37	0.00***
2015	-0.08	0.53	0.02	0.88
2016	-0.43	0.00***	-0.33	0.00***
2017	-0.16	0.23	0.08	0.31
2018	0.18	0.00***	0.29	0.00***
2020	-0.20	0.00***	-0.15	0.00***
2021	-0.44	0.00***	-0.44	0.00***
2022	-0.49	0.00***	-0.43	0.00***
2023	0.001	0.99	-0.002	0.99
2024	-0.01	0.97	-0.14	0.37
Model indicator				
R2	0.36		0.44	
Prob(F-statistic)	0.00***		0.00***	

Significance Levels:
***** Correlation is significant at the 0.01 level.**
**** Correlation is significant at the 0.05 level.**

*** Correlation is significant at the 0.10 level.**

The results of the first model in Table (4) indicate:

- Accepting the first hypothesis, indicating a significant positive effect of financial flexibility on a company's risk-taking ability., the coefficient of 9.55 at a 1% significance level suggests that higher financial flexibility enhances a company's capacity to respond to unexpected economic conditions, exploit investment opportunities, and manage financial crises by providing liquidity and reducing reliance on debt. This finding implies that financially flexible companies tend to be more stable and less vulnerable to financial risks (Nguyen, 2024).

- Accepting the second hypothesis, indicating a significant positive effect of organizational resilience on a company's risk-taking ability. the coefficient of 0.28 at a1% significance level suggests that companies with resilient organizational structures and the ability to quickly adapt to crises are better positioned to take risks. Organizational resilience enables firms to maintain financial stability, efficiently face challenges and unexpected environmental changes, and ensure continuity in their operational and financial activities (Zhang, 2025).

- For control variables, The third hypothesis was rejected, as there is a significant negative effect between the company's size and its ability to take risks. The fourth hypothesis was rejected, as there is a weekly significant positive effect between fixed assets and risk-taking. Accepting the fifth hypothesis, as there is a significant positive effect between operating cash flow and risk-taking. Accepting the sixth hypothesis, as there is a significant positive effect between the number of board members and risk-taking. The seventh hypothesis was rejected, as there is a significant negative effect between the type of industry and risk-taking.

The results indicate that most of the study years had a negative effect on risk-taking compared to 2019, reflecting the effect of the economic conditions and fluctuations that followed the 2011 flotation of the Egyptian pound and the COVID-19 crisis. In contrast, 2018 showed a positive impact on risk taking, indicating an improvement in Egyptian

economic performance. Egypt's sovereign credit rating rose from B- to B, supported by a recovery in foreign exchange reserves and an increase in the gross domestic product (GDP) growth rate, which boosted investor confidence (Central Bank of Egypt, 2019). Finally, the remaining study years did not show a significant impact, indicating the possibility of stable variables during those periods and a similar financial stability environment to 2019.

The results of the second model related to testing the moderating role of organizational resilience in Table (4) indicate:

The eighth hypothesis was rejected, as there is a significant negative effect of organizational resilience as a moderating variable on the relationship between financial flexibility and risk-taking, as the coefficient reached -1.85 at a significance level of 1%, indicating that high organizational resilience reduces the positive effect of financial flexibility on risk-taking, and that organizationally resilience companies adopt more conservative strategies in allocating resources and avoiding excessive concentration of investment in high-risk projects. This is driven by having risk assessment systems, internal control, and greater stakeholder participation that enable them to accurately identify and assess risks (Hillmann & Guenther, 2021; Zhang et al, 2025). Organizational resilience plays a moderating role in the relationship between financial flexibility and risk-taking. The results also indicate that investing in risk assessment and operational capabilities is not only a substitute for financial flexibility, but also a moderator of it and limits its absolute importance in reducing risk.

7.5 Test the robustness of the results

the study used Return on average assets (ROAA) was used as a measure of risk-taking (Bagh et al., 2025; Minh & Vinh, 2022). The sum of cash flexibility (the difference between the company's cash ratio and the industry average cash ratio) and debt flexibility (the difference between the industry debt ratio and the company's debt ratio; if the difference is positive, it is taken as one and vice versa) was used as a measure of financial flexibility (Ma & Appolloni, 2025; Li & Karia, 2024).

Table (5) shows the results of the robustness test

Independent Variables	Model 1		Model 2	
	Coef	Prob	Coef	Prob
(Constant)	0.08	0.00**	0.09	0.00**
FF	0.01	0.00**	0.02	0.00***
OR	0.01	0.00***	0.02	0.00***
FF*OR	----	----	-0.01	0.00***
SIZE	-0.01	0.27	-0.01	0.00**
FA	-0.09	0.00***	-0.09	0.00***
OCF	0.12	0.00***	0.11	0.00**
BS	0.03	0.30	0.04	0.22
IND	0.02	0.18	0.02	0.13
Year 2013	0.01	0.25	0.01	0.00*
2014	-0.01	0.00**	-0.01	0.00**
2015	0.01	0.76	0.01	0.55
2016	0.01	0.00***	0.01	0.00**
2017	0.02	0.00***	-0.02	0.00***
2018	0.02	0.00***	0.02	0.00***
2020	-0.01	0.00***	-0.01	0.00***
2021	-0.01	0.00***	-0.01	0.00***
2022	0.01	0.82	0.01	0.87
2023	0.01	0.00***	0.02	0.00***
2024	0.03	0.00***	0.03	0.00***
Model indicator				
R2	0.23		0.25	
Prob(F-statistic)	0.00***		0.00***	

Significance Levels:
***** Correlation is significant at the 0.01 level.**
**** Correlation is significant at the 0.05 level.**
*** Correlation is significant at the 0.10 level.**

Table (5) indicates the validity and reliability of the research results, as the effect of financial flexibility remained positive and significant on the company's ability to take risks, despite the use of an alternative measure of financial flexibility. Likewise, the effect of the moderating role of organizational resilience on the relationship between financial flexibility and the company's risk-taking remained negative and significant, which indicates the robustness of the research results.

8. Results and recommendations

8.1 Search results

The study focused on examining the effect of financial flexibility on risk-taking for companies listed on the Egyptian Stock Exchange, as well as the moderating role of organizational resilience on this relationship. Statistical analysis of the data yielded the following results:

- Financial flexibility is a key driver of risk-taking especially in emerging markets, as evidenced by a significant positive correlation between financial flexibility and the risk-taking behavior of companies listed on the Egyptian Stock Exchange. This finding aligns with empirical studies showing that internal liquidity and unused debt capacity encourage companies to undertake risks and make effective investment decisions (Bagh et al., 2025; Chao & Huang, 2022; Liu & Chang, 2020). From a theoretical perspective, the trade-off theory suggests that internal financial flexibility enables firms to implement risky projects, while resource dependence theory highlights that a company's ability to take risks relies on managing both internal and external resources effectively (Yan et al., 2025; Bagh et al., 2024).According to agency theory, the positive effect of financial flexibility on risk-taking arises from managers' belief that increased cash reserves and reduced cash dividends allow the company to pursue riskier investments (Nguyen, 2024). These results emphasize the strategic importance of financial flexibility in supporting risk-taking behavior in Egyptian companies.

- Organizational resilience plays a moderating role in the relationship between financial flexibility and risk-taking of Egyptian companies. The results indicate a significant negative effect , suggesting that high organizational resilience mitigates the positive effect of financial flexibility on risk-taking. Resilient companies improve resource allocation, maintain effective risk assessment systems, and strengthen internal control mechanisms, enabling them to adapt to environmental changes, learn efficiently, and make quick decisions. Consequently, these companies rely less solely on financial

flexibility and adopt more conservative risk management strategies, consistent with theories of resource allocation, organizational learning, and corporate governance (Zhang, 2025)

- There are a number of variables and basic factors that affect Egyptian companies' taking for risk. We find a positive effect for fixed assets, operating cash flow, and the number of board members, while we find a negative effect for both company size and industry type.
- The regression results showed that the time dummy variables were statistically significant, indicating the presence of fixed effects associated with the time periods covered by the model. This reflects the impact of macroeconomic and political changes during the study period on the dependent variable. Therefore, controlling for these effects was necessary to ensure the validity of the estimates.
- To ensure the stability of the research results, alternative measures of financial flexibility and risk-taking were used, and the statistical results showed consistency and reliability of the results with the original model.

8.2 Research recommendations and future research

The results of this research have managerial and theoretical implications for investors, policymakers, academics, and other stakeholders, as they highlight the effect of financial flexibility on risk-taking and the role of organizational resilience in moderating this effect for companies on the Egyptian Stock Exchange.

First, managers should assessing the effect of financial flexibility on risk-taking and maintain a balanced level of financial flexibility by maintaining a level of liquidity and an unused debt capacity to enhance companies' ability to make strategic decisions.

Second, investors should identify financially flexibility companies as investment opportunities because these companies demonstrate a high capacity for adaptation, making them attractive investment opportunities.

Third, executives should enhance investment in flexible organizational structures, rapid response mechanisms, internal controls, and improved resource allocation and risk assessment systems, given the effect of organizational resilience as a moderating variable on the relationship between financial flexibility and risk-taking.

Fourth, regulators and financial institutions should raise awareness of the importance of financial flexibility among non-financial companies in emerging markets through educational, training, and workshop programs, ensuring a balance between encouraging risk-taking through financial flexibility and avoiding excessive resources that could stimulate risk aversion.

Fifth, governments should consider providing incentives to encourage companies to maintain appropriate levels of financial flexibility, thus motivating them to engage in risk-taking behaviors that drive sustainable growth.

Sixth, policymakers should work to provide adaptable risk management strategies that take into account the changing nature of financial decision-making based on changing economic conditions and emerging market conditions. This ensures a more flexible approach to financial decision-making and creates an enabling environment for companies to overcome risks and exploit strategic opportunities.

Seventh, the research helps academics by proposing future studies examining the impact of financial flexibility on risk-taking in small and medium-sized enterprises (SMEs) and comparing them with the results of large companies. It also proposes conducting a comparative study between companies in developed countries and companies in emerging countries. It also proposes using other measures of financial flexibility and risk-taking. Future research may extend the current analysis by examining the differential impact of various industry types (e.g., manufacturing, construction, or services) on the studied relationships.

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تأثير المرونة المالية على تحمل الشركات للمخاطر والدور المعدل للمرونة التنظيمية : دليل تجريبى من مصر

مستخلص

باستخدام عينة من الشركات المصرية المدرجة في الفترة من 2013 إلى 2024 يتناول هذا البحث تأثير المرونة المالية على تحمل المخاطر وكذلك التأثير المعدل للمرونة التنظيمية. اعتمدت الدراسة على استخدام نموذج المربعات الصغرى المعممة (FGLS) لمعالجة التحديات الإحصائية التي ظهرت من الاختبارات السابقة مثل وجود الارتباط الذاتي وعدم تجانس التباين. أظهرت النتائج أن:(1) المرونة المالية لها تأثير إيجابي كبير على تحمل المخاطر مما يدل على أن المرونة المالية تساهم في زيادة قدرة الشركة على تحمل المخاطر. (2) المرونة التنظيمية كمتغير معدل لها تأثير سلبي كبير مما يشير إلى أن المرونة التنظيمية العالية تقلل من التأثير الإيجابي للمرونة المالية على تحمل المخاطر وأن الشركات ذات المرونة التنظيمية تتجنب المشاريع عالية المخاطر لأنها تمتلك أنظمة تقييم المخاطر والرقابة الداخلية ومشاركة أكبر لأصحاب المصلحة.

توفر نتائج هذه الدراسة آثارًا إدارية ونظرية مهمة للمستثمرين وصانعي السياسات والأكاديميين وغيرهم من أصحاب المصلحة. تشجع الدراسة على إجراء بحوث مستقبلية لدراسة تأثير المرونة المالية على تحمل المخاطر عبر أحجام الشركات والسياقات الاقتصادية.

الكلمات المفتاحية: المرونة المالية؛ تحمل مخاطر الشركة؛ المرونة التنظيمية؛ الشركات المصرية المدرجة ؛ تأثير معدل.