

# Structural Model of Effective Factors on Risk Appetite: A Grounded Theory Paradigm

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## ABSTRACT

Adhering to risk appetites through their formulation guarantees that risk management stays in line with predefined levels of risk, even though accepted banks can frequently tolerate higher levels of risk. In light of the aforementioned, the primary goal of the current study is to examine, create, and validate a structural model of the variables affecting the risk appetites of recognised banks on the stock exchange using the grounded theory paradigm. Data was collected through semi-structured interviews with 15 accounting experts using snowball sampling and theoretical sampling. After using Grounded Theory paradigm suggested by Strauss and Corbin (1990) to design and validate structural model factors that have influence on risk appetite in banks listed on stock exchange, based on our qualitative analysis we design a new structural model using four new factors that have influence on risk appetite in banks listed on stock exchange, which are: (1) causal conditions (organizational factors, organizational maturity); (2) intervening conditions (communication expansion); (3) intervening strategies (risk management methods), and (4) outcomes (organizational growth, continuity of activities). We validated our new structural model using confirmatory and discriminant analysis methods, while reliability was assessed through repeatability and generalizability. This finding will help banks to determine what kind of risk appetites investors have.

**Keywords:** Risk Management; Risk Appetite; Structural model; Grounded Theory Paradigm.

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