

FINANCIAL RISKS IN FINANCE AND THE IMPORTANCE OF CALCULATING THEM

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Subject: Financial risks

Abstract: In order to give a more comprehensive understanding of financial risks and the importance of their calculation, it is necessary to analyze this topic more thoroughly. Financial risks occupy an important place in any financial activity, whether it is an enterprise or an individual investor or a state financial system. Their presence and influence is one of the main risk factors for the stability of the financial system, economic growth and development.

Keywords: finance, financial risks, Investment, Enterprise, Development, economy, financial institutions, risks.

Financial risks are multifaceted and can be classified according to various criteria. For example, according to the time factor, there are short-term and long-term risks. Short-term risks are situations that occur quickly and need to be resolved quickly, such as unexpected changes in market prices or liquidity problems. Long-term risks, on the other hand, are factors that in the long run affect the financial condition of an enterprise or financial institution, such as changes in economic policy, inflation or technological development. The process of determining financial risks consists of many stages. First of all, sources of risk are determined. These sources can be internal and external factors. Internal factors are associated with processes within the enterprise, the management system, the qualifications of employees, etc. External factors include factors such as the economic environment, political situation, market conditions. At the next stage, the likelihood and impact of risks are assessed. At this stage, statistical analysis, scenario analysis and other methods are used.

When calculating financial risks, it is important to use modern financial models. For example, the capital asset pricing model, options theory, stress-tests, etc. Each of these models has its own methodology, with which the financial expression of risks is determined. This allows decision makers to better understand and manage risks. In order for the risk management system to function effectively, an enterprise or financial institution must have developed a risk management culture. This culture is not based on the denial of risks, but on the principles of their identification, assessment and rational management. At the same time, it is necessary that all departments and employees are involved in the risk management process. Risk monitoring and reporting

systems are established as an important part of this process. The practical importance of calculating and managing financial risks is enormous. First, it helps an enterprise or financial institution to maintain financial stability. Financial losses can be avoided by identifying risks in a timely manner and taking measures to mitigate them. Secondly, risk calculation serves to optimize investment decisions. Investors and financial managers can determine the balance between risk and income and choose the optimal investment strategy. The third aspect, financial risk management, increases the prestige of financial institutions. This makes it possible to attract new investments and get financial resources cheaper.[1]

In the modern world, financial risks are becoming more and more complex. The interdependence of the Global economy, technological innovations, political instability and other factors are further increasing risks. Therefore, it is necessary to constantly update the systems for calculating and managing financial risks. Advanced technologies such as artificial intelligence, big data analysis, automated monitoring systems are widely used in this process. With them, the identification and assessment of risks is carried out more accurately and quickly.[2]

To improve the effectiveness of financial risk management, it is important to introduce international standards and recommendations. For example, Basel treaties set international standards for risk management for banks. These standards are aimed at ensuring capital adequacy of banks, taking measures to reduce credit and market risks. Internal risk management policies and procedures are also developed in corporate governance systems.[3]

Another important aspect of calculating and managing financial risks is improving the skills of employees. Special knowledge and skills are required to understand and manage financial risks. Therefore, it is necessary to regularly train employees of financial organizations, conduct trainings and organize training programs. This ensures an effective risk management process. Communication and information exchange are also important in managing financial risks. Providing accurate and timely information about risks, communicating effectively with stakeholders is an important part of reducing and managing risks. This process involves the exchange of information both within the enterprise and with external stakeholders. The calculation and management of financial risks is important not only for enterprises, but also for the entire economy. The great risks that arise in the financial system can lead to economic crises and a breakdown in financial stability. For this reason, public authorities also place great emphasis on the development of financial risk monitoring and management systems. This plays an important role in ensuring economic security and maintaining the stability of the financial system.[4]

Conclusion:

In conclusion, financial risks and the process of their calculation are an integral part of financial management and are one of the main factors of financial stability and success. By identifying, evaluating and managing risks, financial organizations can conduct their activities safely and efficiently. Improving the risk management system with the help of modern technologies and international standards is important in ensuring the stability of the financial system. Therefore, it is necessary to constantly research and introduce new approaches in the field of calculation and management of financial risks. This process serves not only to reduce financial losses, but also to support economic growth and development.

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