# IMPROVING THE FINANCIAL RISK MANAGEMENT MECHANISM

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**Abstract:** This article discusses the practical and theoretical aspects and relevance of the concept of risk and profitability in financial management, the creation of a separate direction for financial risk management in the process of developing the organizational structure of management at enterprises. Financial managers of the enterprise assess financial risks. International experiences in assessing financial risks are studied.

**Key words:** financial risk, risk and return, corporate finance, financial management, concept of financial management, probability, standard deviation.

As a result of the reforms being carried out in the Republic of Uzbekistan to develop the corporate governance mechanism, new areas of management that meet international standards are being introduced into the management system of corporate structures. In particular, as a result of the implementation of a number of regulatory and legal documents adopted in our country in recent years on the introduction of modern corporate governance practices and principles, we can observe many positive changes in the field of management of joint-stock companies.

Today, the practice of organizing and developing a financial risk management system at enterprises remains problematic. It should be recognized that, speaking in terms of joint-stock companies, special importance is attached to the issue of risk management in joint-stock companies operating in the financial sector. Separate departments for risk management have been established mainly in commercial banks and insurance companies, and in commercial banks this practice mainly analyzes problems related to credit risks, while in insurance companies it assesses risks related to insurance events.

In joint-stock companies operating in the real sector of the economy, insufficient attention is paid to the issue of organizing the financial risk management process, which requires further scientific and practical research in this area. In international practice, management and responsibility centers are introduced in the financial management system based on the specific characteristics of the company. This center and the responsible manager assigned to it are fully responsible for the areas of activity assigned to it. For example, such centers include investment management, financial risk management, anti-crisis financial management, financial stability monitoring, and cost and profit responsibility centers. The financial risk management center is assigned the tasks of developing a program of specific measures to assess risks and eliminate them, starting from studying the scientific and practical foundations of their occurrence. In general, the occurrence of financial risks in business activities is considered an objective phenomenon and is an object that should be paid special attention to and managed by the financial managers of the enterprise when making management decisions. In general, two types of interrelated risks inherent in the activities of enterprises can be distinguished: operational and financial risks. According to the Russian economist A. Shapkin, who has conducted many scientific studies and research on the theoretical and practical issues of financial risk management, financial risks arise as a result of the inability of the enterprise to fulfill its financial obligations, and the main reasons for this are changes in the purchasing power of money, non-payment, changes in exchange rates, etc.

The author of many economic literature on the organization of a financial management system in enterprises, I.Ya. Lukasevich, explains the concept of financial risk as follows: Financial risks are a factor affecting the financial activities of any enterprise and are an objective process that occurs simultaneously with the conduct of entrepreneurial activity. Financial managers of the enterprise pay careful and serious attention to the issue of financial risk management in the process of making all management decisions. Based on the definitions given by economists above, in our opinion, financial risk is the probability of negative consequences, such as loss of income and financial resources, when carrying out economic and financial activities by enterprises in conditions of uncertainty of the external environment. When assessing financial risks, financial managers of the enterprise should pay attention to the following three areas: inflation risk; bankruptcy risk; risk per unit (sum) of income.

We will analyze the level of risk that may arise in the financial activities of enterprises "A" and "B" using the following conditional indicators. Risk and profitability are considered one of the main concepts of financial management, and the theoretical foundations of this concept were first explored in 1921 by the American economist Frank Knight in his work "Risk, Uncertainty and Profit"4. Later, the concept of the relationship between the level of risk and the level of profitability was improved by other scientists. The essence of the concept is that there is a direct proportionality between the amount of any income received from a business and the level of risk that arises at the same time, that is, the higher the expected income, the higher the level of risk, or vice versa. Many models of valuation of financial assets (financial instruments of investment) and the methodology of investment analysis in the system of portfolio theory are based on this concept. In the concept of risk and return, the concepts of "risk" and "return" are interpreted in a unique way, and there are some similarities with the definitions given to these concepts by other economic disciplines.

American economists James Van Horn and John Wachovich, authors of many books devoted to the theoretical foundations and practical aspects of financial management, explain the concepts of risk and profitability as follows. The return on investment for a certain period (for example, a year) is determined by adding the change in the market value of the investment object to the income received as a result of the realization of the right to own the investment object, and dividing it by the initial price of this object. Economists, departing from theoretical approaches in giving a definition of the concepts of risk and profitability, have given definitions mainly based on calculation methods in the practice of companies.

In our opinion, special attention should be paid to the issue of organizing a financial risk management mechanism in enterprises operating in our country. To achieve this goal, it is advisable to implement the following tasks: to organize a separate direction for financial risk management in the process of developing the organizational structure of management at enterprises; to develop and implement a financial risk management policy at enterprises; to implement a risk assessment system for individual operations based on the financial and economic activities of enterprises; to improve the mechanism for calculating the profitability and risk level of corporate securities issued by joint-stock companies based on international practice.

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