



FINANCIAL RISKS IN REAL SECTOR ENTERPRISES: EVIDENCE FROM UZBEKISTAN

Tursunkhodjaeva Shirin Zafar kizi

Tashkent Financial Institute , Tashkent, Uzbekistan

sh.halmukhamedova@gmail.ru

ABSTRACT

Since the real sector is an important sector of the economy, it is important to study the risks it poses. The article discusses the types of financial risks of real sector enterprises, the risk factors, and the mechanisms for managing and reducing them. Analyzes and conclusions regarding the risks affecting the financial and economic activities of real sector enterprises in the Republic of Uzbekistan.

Key words: real sector, financial risk, economy, mechanism, enterprises.

INTRODUCTION

Development of the economy is the main factor of the country's development, through which the welfare of the population is improved. The support of the real sector is the most important step in the development of the country, because the real sector is the basis of the economy. By supporting they:

- increased production and saturation of the market;
- increase manufacturers and create a competitive environment;
- innovative ideas are multiplied;
- increased income, increased purchasing power;
- financial market development;
- people use their internal resources, the money flow is reduced;
- the export potential of the state will increase;
- increasing import-substituting goods;
- As competition increases, quality grows;
- the monopoly is gone;
- large mergers and acquisitions will be possible.

All this creates conditions for the development of our country. What we need to do is:

first, we explore the challenges facing the real sector and look for ways to address them

second, we need to identify, evaluate and apply modern methods of managing financial risks affecting the real sector.

The purpose of this article is to take steps to improve financial risk management in the real sector.

As the company enters into financial relationships, it seeks to organize its financial activities effectively, maintain its financial stability and maximize profits. It is natural that there are many risks to this end, and the risks that come to them in every aspect of life, with the exception of businesses, are always expected to exist. The notion of risk and its essence has not been clearly understood by economists. The word risk comes from the ancient Spanish-Portuguese word meaning "under the rock." This is the origin of the word, the old sailors engaged in active trade with Spain and Portugal, as well as income-generating ships invisible under the water and rocks, ran away to avoid the danger of [1]

Scientific point of view, the concept of risk as an economic category, for the first time as a learned scholar, learned the game in 1654, "Bone", the French philosopher, mathematician, scientist and inventor B.Pascal can bring. As a result of his collaboration with mathematician P.Ferma , the theory of probabilistic value of the future was created. [2]

Subsequently, in 1730 A.D. Muar proposed a system of normal risk distribution and standard deviation (Bernard), while Bernoulli noted that different owners react differently to the same financial risk.[1]

Based on the new science of risk and risk, the fanatic philosopher J. J. Rousseau is responsible for the great losses caused by the devastating earthquake in Lisbon in 1755 - the responsibility of the people and their decision-making. to do it. At the same time, the question was why more than 20,000 16-storey houses were built in a high-risk area.

The link between risk and profitability in entrepreneurship in a free competition is fully described by A. Smith and Richard Ricardo, who argued that with the increase in risk, income would rise further. In the 1920s, Dr. Knight stated that the phenomenon of risk in the economy is more complex and diverse, and that risk is not always managed. [3]

In the 1940s and 1980s, scientific research on risk prediction and control began to be put into practice. By the late 1940s, the relationship between insurance risk and anthropogenic risk was studied, and the first national and international association in the field of risk assessment and regulation of commercial activities. and institutions began to emerge. In 1955, the United States Temple University professor of insurance U.Snayder science that the concept of "risk management" won 195 5 Bologna R.Gallaxer "risk-described" professional manager.

Currently, economic science has different interpretations of risk and the nature of its origins, due to its versatility and inadequate use of assessment techniques and management mechanisms in the business activities of organizations.

In many dictionaries, we find that the opposite is true. For example, Ojegov interprets risk as "an activity for luck, a hope for a happy event", and Webster views it as "a possibility of danger, loss or damage."

Summarizing the above, we come to the conclusion that risk is a fear! As much as a person who overcomes fears can achieve great success, the higher the risk, the higher the profit. For example, when it comes to venture funds, 80% of their projects are successful, and 20% offset their losses!

What is financial risk?

Relating to the financial operation of an entity and includes:

credit risk: the possibility that a loss may occur from the failure of another party to perform in accordance with the terms of a contract

currency risk: the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates (IAS 32)

interest rate risk: risk that interest rate changes will affect the financial well-being of an entity

Liquidity risk: The risk that an entity will face a risk in realizing assets or otherwise raising funds to meet commitments associated with financial instruments - this is also known as risk financing.

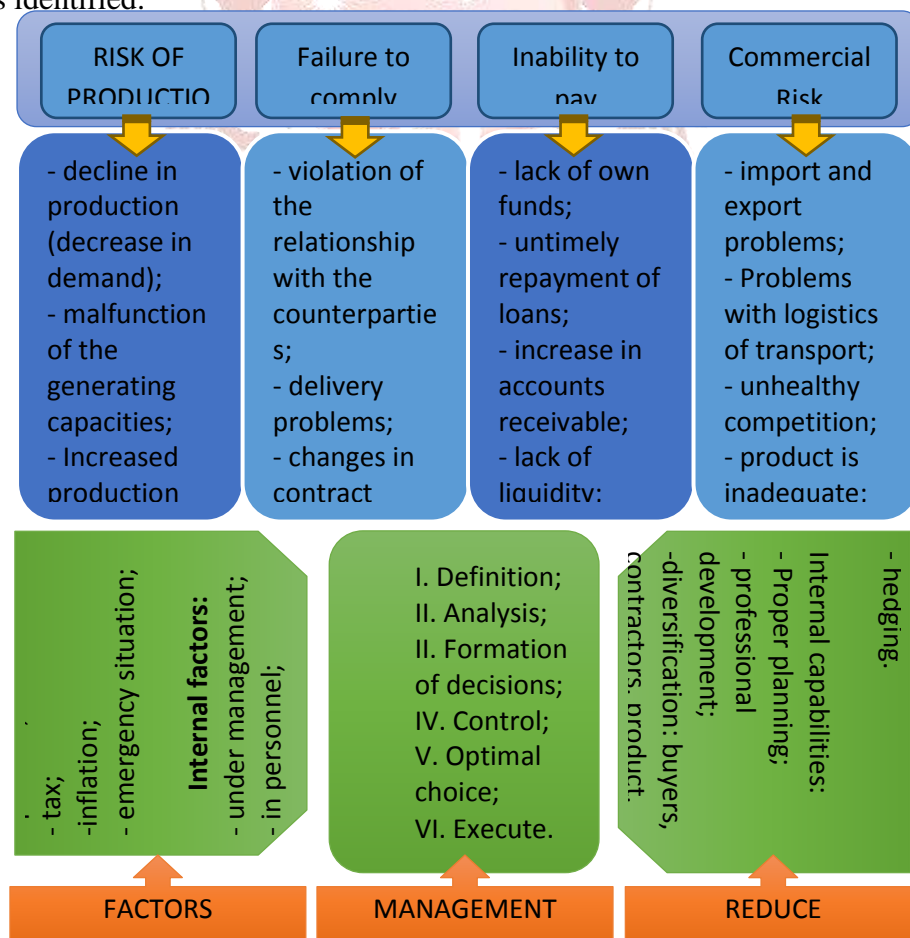
* CIMA Official Terminology , 2005

In the real sector, we see the following risks:

We believe that all of the above risks, if they are financially damaging, will be recognized as financial risks.

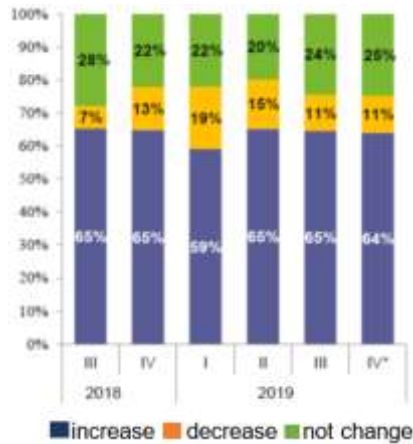
Accordingly, let's get acquainted with the activities of real sector enterprises in Uzbekistan.

The Central Bank has been conducting a survey to find out what the real sector is facing today. The survey covered 850 businesses, which is more than twice as much as in the second quarter of 2019, indicating that businesses and organizations are ready to undertake risk-oriented planning. According to the survey, following the results of Q3 2019, the following was identified:



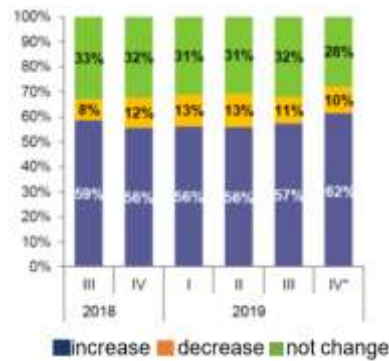
* Prepared by the author.

Diagram 1: Distribution of responsibility for changes in production volumes.



This means that production increased by 65% in the third quarter of 2019, and remained unchanged at 24%, and the best news is that the number of enterprises with reduced production has declined by 4% compared to the previous period. 11%. This is an evidence of improved production in the real sector.

Diagram 2. Distribution of responsibility for changes in demand for products (works, services).



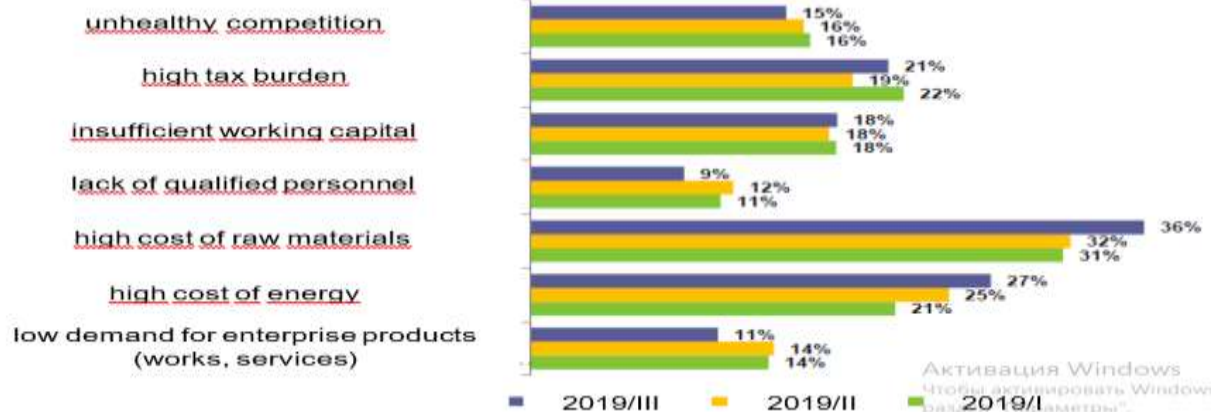
As you can see from this picture, we can see a positive trend even though there was no significant change in demand for the products of the enterprises. In the third quarter of 2019, demand for products decreased by 2% compared to the other quarter of 2019.

* Based on the data of the Central Bank of the Republic of Uzbekistan. (cbu.uz)

Financial risk in the real sector is mainly a reduction in demand and volume of products they produce. According to the data for the second quarter of 2019 in the real sector of the republic, one of the factors that impeded the growth of production was the increase in prices for energy carriers and raw materials.

So what are the factors affecting the financial position of real sector enterprises, creating financial risks, and hindering production? We can see this in diagram 3.

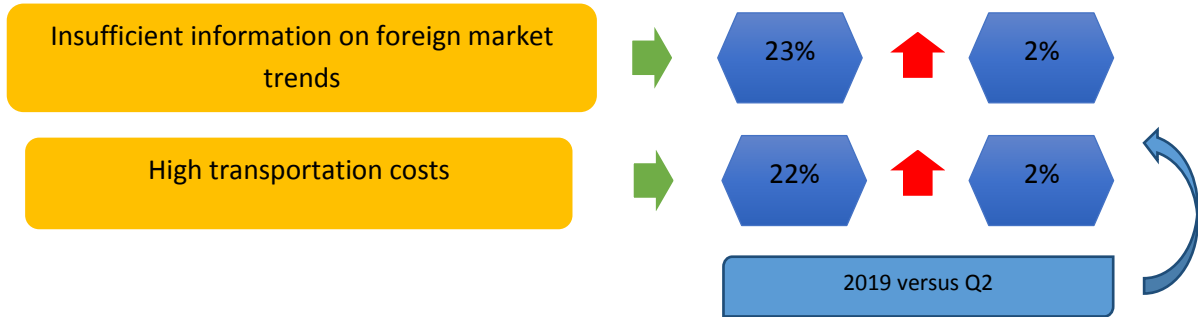
Diagram 3. Risks affecting production.



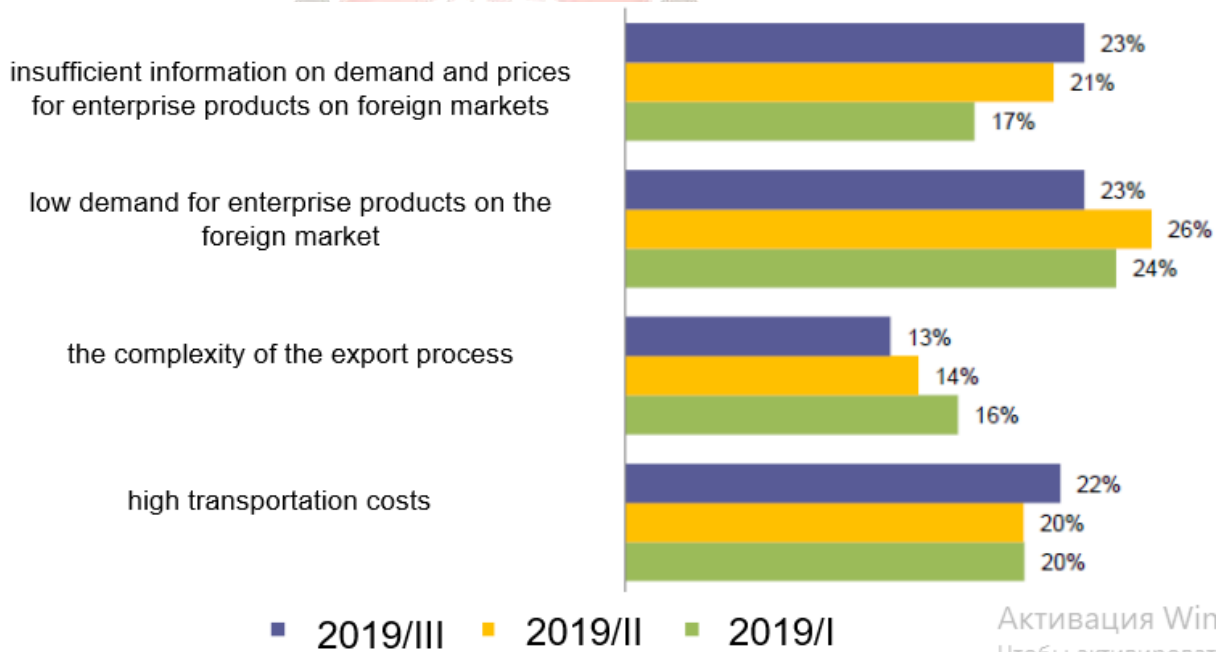
* Based on the data of the Central Bank of the Republic of Uzbekistan. (cbu.uz)

Another important indicator is the volume of exports. Its growth is a backbone for the economic growth through entering a new market, increasing foreign exchange inflows and improving the balance of payments. Therefore, we must take into account the risks and risks that impede exports. Currently, these factors respondendlar of the following risks Access ti adding:

4.1 -diagramma: risks affecting the volume of exports



4.2 -diagramma: Risks affecting the volume of exports

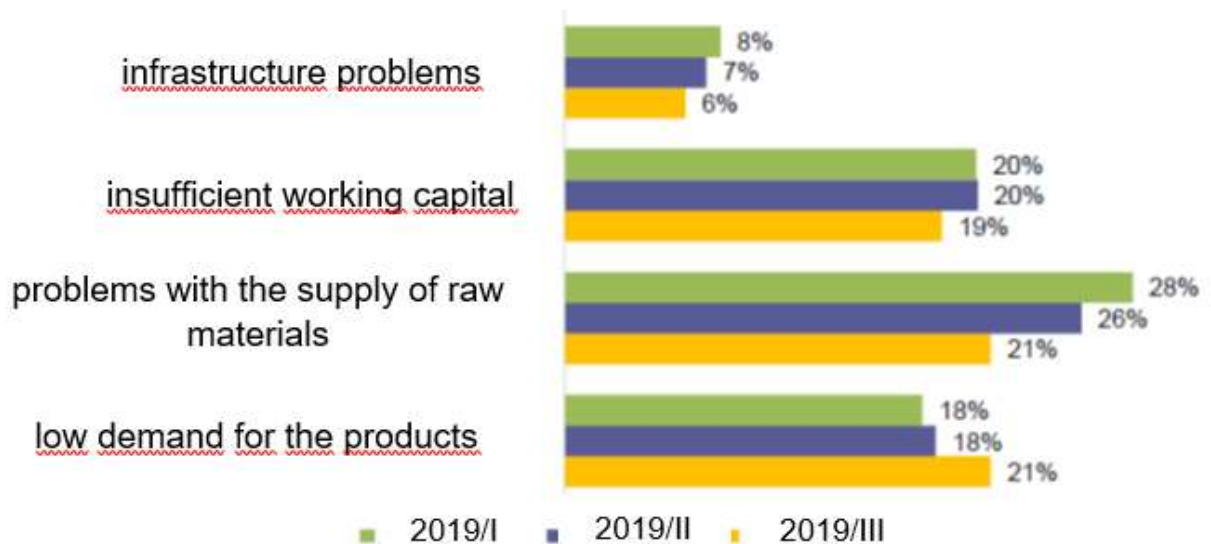


* Based on the data of the Central Bank of the Republic of Uzbekistan. (cbu.uz)

It can be seen from the diagram that the level of foreign market research and the demand for enterprise products on the external market are low. The high cost of transportation is also a negative result, which is 2% higher than in the previous quarter. It is noteworthy that very few respondents used the complexity of exports. As a result, it is apparent that their policies are helping them.

Businesses in the real sector need to make the most of their potential to function normally. However, there are problems that may hinder their operations. As a result of the survey, we have seen the following risks to businesses and organizations. (Diagram 5)

Diagram 5. Risks of using existing production facilities.



Real sector businesses cited raw materials as the biggest risk for their full potential, up 2% compared to the previous quarter, and infrastructure issues by 1% in Q3. However, it should be noted that this problem was seen as the least collected. It is assumed that if the risk associated with working capital is always considered as an existing risk, its risk remains unchanged. The decline in demand for real-sector products compared to previous quarters is seen as a positive factor for businesses.

In summary, we can say that the real sector of the economy is at least at least risk than other financial sectors. We have seen that most of it is related to production. In the case of Turkey, the enterprises of the real sector of the economy at preventing the production of the product in accordance with the risks and high prices for raw materials, electricity, the weight of the tax burden, lack of qualified personnel. As for export of goods, the main risks are the low demand for goods, lack of information about new markets and high transportation costs. We have mentioned the lack of access to real opportunities by the real sector enterprises, low supply, low demand for products and low turnover.

We can therefore offer:

- work on product quality. Then the demand is high, it is sold fast, the working capital is increased and demand is raised in foreign markets.
- Expanding the product range, that is, diversifying it.
- Application of new technologies. In this way, energy savings can be achieved.
- Involvement of qualified personnel, professional development of personnel.
- Tracking information of news agencies, exploring new markets, improving marketing services.

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