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MANAGEMENT OF FINANCIAL RISKS IN THE ACTIVITIES OF THE ENTERPRISE

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Abstract. The relevance of the chosen topic lies in the need management for effective management of the financial risks of the enterprise. This management plays an important role and ensures the reliable achievement of the goals of the financial activities of the enterprise. The ability to effectively influence risks enables the enterprise to operate successfully, have financial stability, high competitiveness and stable profitability. This article discusses some aspects of managing the financial risks of an enterprise as an integral part of the business environment. The main goal in the management of financial risks is determined, the main classifications of financial risks are considered, as well as the structure of the mechanism for neutralizing financial risks.

Key words: financial risk, financial risk management, financial activity of an enterprise, diversification, financial risk management policy, risk neutralization.

JEL CLASSIFICATION: G32

Introduction

Business is becoming more complex, the amount of available information is growing, markets are globalizing, and as a result, financial risk management is becoming one of the main factors in a company's development. It is obvious that in conditions of market instability, companies in the financial sector need a risk management system that ensures business protection, its dynamic development and increased investment attractiveness.

Financial risk management of an enterprise is a system of principles and methods of analysis, assessment of the risk situation, development and implementation of risky financial solutions that provide foresight and comprehensive assessment of various types of financial risks, neutralization of their possible negative financial consequences [4].

Financial risk management is carried out at the level of the entire enterprise, thereby covering all areas of activity, with the goal of ensuring financial stability and increasing the effectiveness of its activities.

Competent management of financial risks in a company allows you to ensure a more stable position of the enterprise in the market, achieve profit growth, attract new investments, reach a higher and more effective level of management, minimizing the consequences. [3]

The main goal of financial risk management is to ensure the successful functioning of an enterprise in conditions of risk and uncertainty. This means that even in the event of economic damage, the implementation of risk management measures should ensure the ability to continue operations, the stability and sustainability of the associated cash flows, maintaining the profitability and growth of the enterprise, as well as achieving other goals [11].

Financial risk is the probability of unexpected financial losses in a situation of uncertainty in the conditions of the financial activity of an enterprise. Based on well-researched sources, the following classification of financial risks by type has been identified (Figure 1):

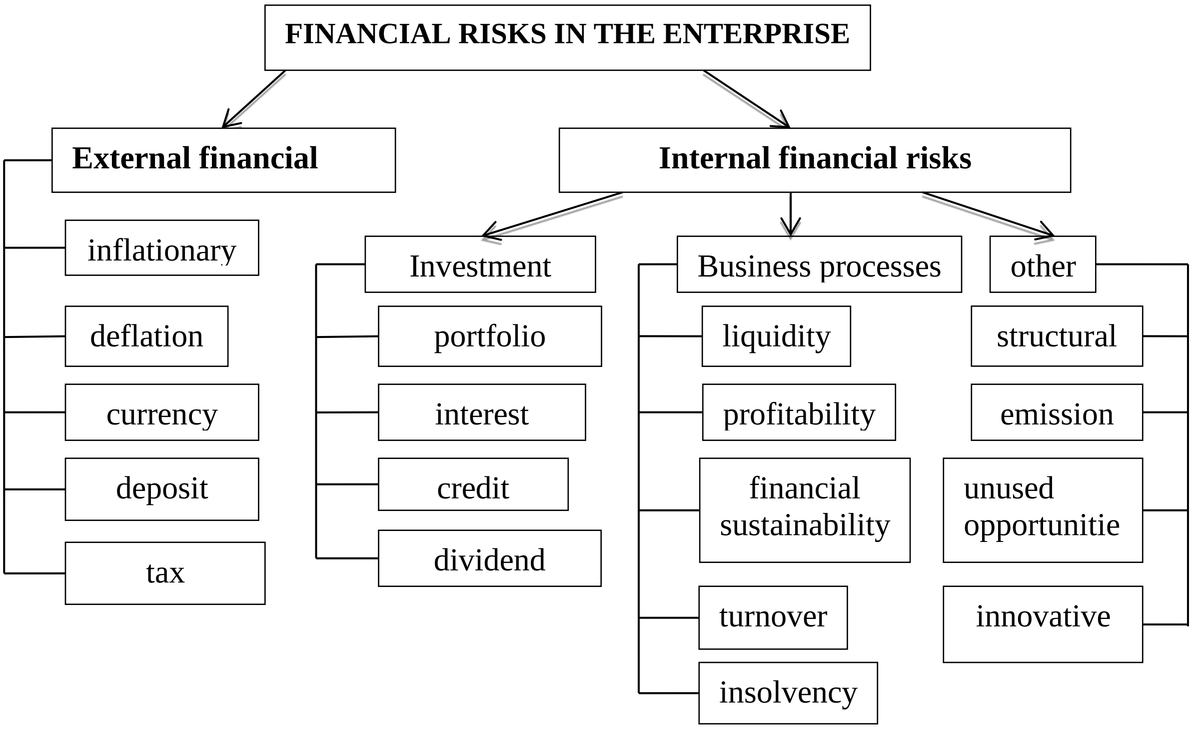

Figure 1. Classification of financial risks by type. [2]

Neutralization of the negative consequences of financial risks is one of the main directions of the strategy for ensuring the financial security of an enterprise. Such neutralization is carried out with the help of various financial mechanisms, which in the practice of strategic financial management are usually divided into internal and external.

In the system of methods for strategic management of an enterprise's financial risks, the main role belongs to the internal mechanisms of their neutralization. [6]

Internal mechanisms for neutralizing financial risks are a system of methods for minimizing their negative consequences, selected and implemented within the enterprise itself.

The system of internal mechanisms for neutralizing the financial risks of the enterprise

The main objects of use of internal neutralization mechanisms are, as a rule, all types of acceptable financial risks, a significant part of the risks of the critical group, as well as uninsurable catastrophic risks if they are accepted by the enterprise due to objective necessity. In modern conditions, internal neutralization mechanisms cover the predominant part of the financial risks of an enterprise. [8]

The advantage of using internal mechanisms for neutralizing financial risks is the high degree of alternativeness of management decisions made, which, as a rule, do not depend on other business entities. They are based on the specific conditions for the financial activities of the enterprise and its financial capabilities, and make it possible to take into account to the greatest extent the influence of internal factors on the level of financial risks in the process of neutralizing their negative consequences.

The system of internal mechanisms for neutralizing the financial risks of an enterprise involves the use of the following main methods: (Figure 2)

Risk avoidance. This direction of neutralizing financial risks is the most radical. It consists in developing such internal measures that completely eliminate a specific type of financial risk. [7]

Limiting risk concentration. The mechanism for limiting the concentration of financial risks is usually used for those types of risks that go beyond their acceptable level, i.e. for financial transactions carried out in areas of critical or catastrophic risk. This limitation is implemented by establishing appropriate internal financial standards at the enterprise in the process of developing policies for implementing various aspects of financial activities.

Hedging. Hedging financial risks by carrying out appropriate transactions with industrial securities is a highly effective mechanism for reducing possible financial losses when a risk event occurs. However, it requires certain costs for paying commissions to brokers, options premiums, etc. However, the level of these costs is significantly lower than the level of costs for external insurance of financial risks. Various forms of hedging financial risks have already become widespread in the practice of domestic risk management. [7]

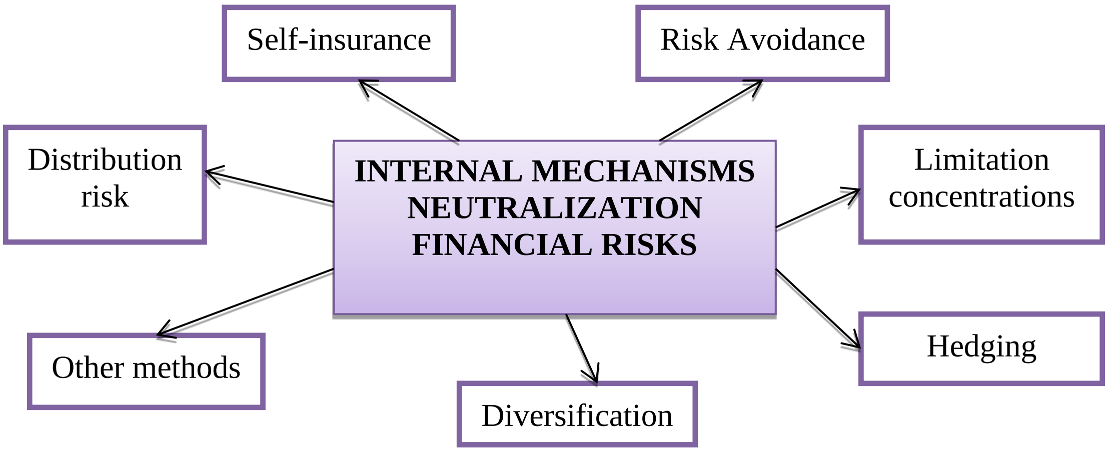

Figure 2. System of internal mechanisms for neutralizing the financial risks of an enterprise. [7]

Diversification. The diversification mechanism is used, first of all, to neutralize the negative financial consequences of non-systematic (specific) types of risks. First of all, it allows you to minimize portfolio risks. The principle of operation of the diversification mechanism is based on the division of risks that prevent their concentration. [7]

The following areas can be used as the main forms of diversification of an enterprise's financial risks:

Risk distribution. The mechanism of this direction of neutralizing financial risks is based on their partial transfer (transfer) to partners in individual financial transactions. At the same time, the business partner transfers that part of the financial risks of the enterprise for which they have more opportunities to neutralize their negative consequences and have more effective methods of internal insurance protection.

Self-insurance (internal insurance). The mechanism of this direction of neutralizing financial risks is based on the enterprise reserving part of its financial resources, which allows it to overcome the negative financial consequences of those financial transactions for which these risks are not associated with the actions of counterparties.

Other methods of internal neutralization of financial risks. The main methods used by the enterprise include:

• ensuring the demand from the counterparty to a financial transaction of an additional level of risk premium;

• obtaining certain guarantees from counterparties;

• reducing the list of force majeure circumstances in contracts with counterparties;

• ensuring compensation for possible financial losses due to risks through the provided system of penalt**ies.** [7]

Conclusions

With the help of financial risk management policies, neutralization measures are developed to eliminate the threat of risk and its adverse consequences associated with the implementation of various aspects of economic activity.

It should also be noted that the main way to minimize risk in a market economy is diversification. Diversification is a method of managing financial risks that involves distributing risks across different types of assets in order to reduce their concentration. Diversification is used to reduce the negative financial consequences of particular types of risks.

The use of special methods is largely determined the specifics of the company's activities and the market business situation.

An enterprise can minimize financial risks both by establishing and using internal financial standards in the process of developing a program for carrying out certain financial transactions or the financial activities of the enterprise as a whole, and by using external insurance. Consequently, minimizing financial risks relates to the stages of production, distribution, exchange, and consumption. Without a mechanism for neutralizing financial risks, it is impossible to effectively ensure the continuity and efficiency of the process of producing material goods and maintaining an adequate standard of living for people.

The introduction of a mechanism for neutralizing financial risks can promptly prevent, avoid, and, if present, overcome the negative consequences of financial risks.

Thus, the problem of financial risk management is one of the key ones in the activities of the enterprise. It is associated with the possibility of losing a stable financial position of an enterprise in the process of activity and is an inevitable element of making any business decision. The financial risk management process will help the enterprise achieve profitability and profitability targets, as well as prevent wasteful use of resources.

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