

INSTITUTIONAL FOUNDATIONS OF BUSINESS RISK INSURANCE

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Annotation. In this article, we will look at the concept of risk in business, identify the types of risks, and explore the methods and approaches used to analyze risks. The article develops proposals and recommendations for improving the institutional framework of relations to minimize business risks. Business risk is the possibility of incurring losses or obstacles to achieving your goals. Business risks include all negative circumstances in the field of financial transactions, production of goods and services, as well as their sale.

Keywords: business, risks, economy, management methods, financial, increase, insurance

Introduction. The company is constantly faced with a huge number of risks. The reasons for the risks of entrepreneurial activity can be different: unstable financial condition, the influence of external factors, lack of qualified personnel, and others. Therefore, the task of timely, competent identification and assessment of risks, as well as finding ways to minimize and prevent them, comes to the fore. Many business decisions must be made in a non-competitive environment. There is no certainty when it is necessary to choose a course of action from several possible options, the result of which is difficult to predict.

Currently, in practice in modern companies, rational risk management is not widespread, but over the years this area has been steadily developing. Far from all large companies direct their efforts to identify and minimize their business risks, most consider insurance to be the only way to deal with it.

The development strategy of the new Uzbekistan pays special attention to improving the institutional framework of economic security relations based on studies of the country's sustainable socio-economic development, the impact of factors such as inflation and unemployment, and the problem of poverty. The idea of "man first, then society and the state" must be deeply rooted in our Constitution and laws, as well as in our daily lives. It is necessary that we strengthen the foundations of our national statehood, capable of overcoming the serious challenges and unpredictable risks of our time." In the context of the intensification of competition associated with the transition of the global economy to a new innovative technological order based on neo-industrial technologies, it is expected to avoid possible threats from small businesses and private entrepreneurship in the Republic in terms of economic security.[1]

Effective risk management will make it possible to achieve the organization's goals in various sectors of the economy – to reduce the impact of financial risk on final results, minimize unforeseen expenses, maximize cost structure, and increase competitiveness in the market.

For this purpose, economic analysis, risk assessment, forecasting are comprehensively applied, large investment projects, anti-crisis programs and much more are being developed.

Literature review. A. Smith, a representative of the classical school, was one of the first to consider the problem of risk as an economic category. During the analysis

process factors related to profitability, he highlighted its dependence on the riskiness of the situation. As profits grow, the risk increases, but not in direct proportion. This judgment of A. Smith became a fundamental step in the formation and development of classical and neoclassical risk schools.[2]

Scientific and theoretical aspects of improving the institutional foundations of economic security of small business and private enterprise relations in the Republic of Uzbekistan were discussed by Abulkosimov H.P., Juraev T.T., Rasulev A.F., Rasulev T.S., Vakhobov A.V., Ulmasov A., Tozhiboeva D., Khudoikulov S., Tursunov B.O., Kobilov S.R., and may also Other scientific research works may also be shown. According to D.North and Ludavis[3], the institutional environment is a set of basic political, social and legal rules that provide certain conditions for development, production, exchange and distribution. One of the economists of Uzbekistan, Professor H.P.Abulkasimov, "Based on these ideas, identified the concept of "economic security" as a set of conditions and factors that ensure the independence of the national economy, its stability, strength, the ability to constantly update and improve itself. According to B. Mamurov, "Digital economy is the use of artificial intelligence as a creative part of the economy, the robotization of working conditions, and the modeling of an economic system using a special computer program".[4]

Among the foreign scientists who conducted research related to the development of the institutional concept of economic security relations are J.M. Keynes, D.North, A.B.Adams, E.Soto, J. Forrester, G.S. Becker, etc. Among the Russian scientists V.V.Gerasimov, V.S.Zagashvili, V.V.Volchik, N.V.Tseykovets, A.V.Kolosov, E.Yu.Kolesnikov, M.Ya.Kornilov, Yu.V.Latov, D.D.Burkaltseva, E.Buchwald[5] and others conducted research on this topic.

According to the conclusion of the Russian scientist Yu.V. Latov, the goal of national economic security is to create an institutional framework for the effective functioning of the national economy (ensuring guarantees of property rights, the rule of law, transparency of transactions). and others.))[6]

The modern financial risk management paradigm is based on the work of American researchers. However, the most widely used scientific works were by G. Max Markowitz, who developed the "profitability-risk" model: the higher the profitability of an organization, the higher its risks.[7]

Analysis. Entrepreneurial risk is the probability of the occurrence of adverse circumstances in the process of conducting financial and economic activities, which arises under the influence of external and internal factors, characterized by uncertainty, and expressed in the failure to achieve goals and objectives, the occurrence of losses and losses.

In this regard, several key functions of entrepreneurial risk can be identified:[8]

- regulatory (allowing to balance decisions regarding the choice of alternatives);
- analytical (creating the prerequisites for an in-depth analysis of the financial and economic activities of the enterprise);
- innovative (stimulating the search for new non-standard solutions);
- protective (allowing you to prepare in advance for an undesirable development of events).

Today, the economic development of the state is determined by many conditions and factors. Since the country's economic system is part of the global economic system, it feels the impact of not only national, but also global problems. The transformation of the technological system under the influence of scientific and technological progress has a global impact on the formation of the economic system. Despite the fact that the economy of any country is open, since it is an integral part of the global economy, in such conditions the problem of national economic security becomes urgent.

One of the priority areas for improving the institutional foundations of economic security relations is the development of small business structures that allow overcoming the problems of economic development. Modern small enterprises are able to create high-quality products and fully meet the needs of a particular country. Currently, small business structures in the Republic of Uzbekistan are also focused on the production of innovative products that will help the Uzbek economy rise to a new high level of development.

The role of small business and private entrepreneurship in the economy and the objective need for its development are explained as follows: first, small business and private entrepreneurship are among the main industries that make up the structure of the global economy, the development of this sector directly affects the provision of economic activity in the country. In addition, the development of this industry depends on filling the domestic market with high-quality consumer goods, increasing foreign economic activity, ensuring effective employment of the population and increasing their real incomes. Secondly, in the process of globalization and economic integration, in the context of increased competition in the global market, it is small businesses that require less capital than large producers and have the opportunity to quickly adapt to the changing demands of the economy. market situation, as well as the possibility of upgrading production facilities.

In our opinion, complete economic security can be achieved through the full and efficient use of the internal resources of economic entities. This requires effective management of resources at all levels and the rational use of financial systems. Each of the threats that can directly affect the state of economic security

of small businesses and private entrepreneurship causes material, moral and financial damage. The measures and measures taken to reduce and prevent the identified threat make it possible to minimize it.

Entrepreneurial risk is a set of key features that are characteristic of this category (Figure 1). Based on Figure 1, it can be concluded that the key risk factors are contradictions between business entities, authorities, and the need to make a choice between mutually exclusive solutions. And the factors of uncertainty are the unpredictability of force majeure situations, the role of chance, limited resources, and incomplete awareness.

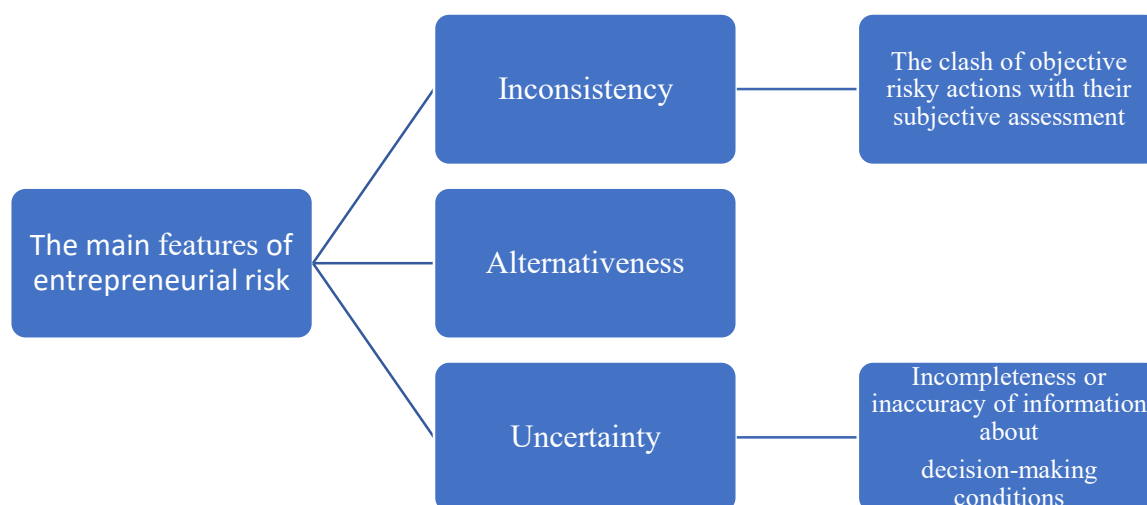


Figure 1 – The main features of entrepreneurial risk[9]

Currently, there is no unified classification of business risks. In economics, there are various risk classifications that make it possible to understand the economic essence of risks, develop and apply analysis methods, and organize an effective risk management system in an organization. The most numerous and widespread group of business risks is the classification of risks by their sphere of occurrence.

Thus, entrepreneurial risk is the probability of the occurrence of adverse circumstances in the process of conducting financial and economic activities, which arises under the influence of external and internal factors, characterized by uncertainty, and expressed in the failure to achieve goals and objectives, the occurrence of losses and losses. The authors identify different types of business risks depending on the sphere of their occurrence. Financial risk plays a key role among them, since it is the object of management of each organization.

In conclusion, Thus, the study of sources has shown that the most common risk assessment methods are the statistical method, the cost-effectiveness method, expert assessments, computational and analytical, and the analogy method. The statistical method is problematic due to the requirements for a large amount of data, but it is the most accurate. The simplest method of expert assessments, the problem is the availability of qualified experts. The simplest calculation and analytical method for an enterprise is; it provides for a quantitative assessment of the level of financial risks based on indicators of financial condition – liquidity coefficients, solvency, Altman coefficients, Taffler coefficients.

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