

**BASICS OF USING THE CONCEPT OF FINANCIAL RISK****Ruzibayeva Nargiza Khakimovna**Associate Professor of the Department of "Investment and Innovations", PhD  
Samarkand Institute of Economics and Service**Abstract**

In this article, the conceptual framework from the point of view of the concept of "financial risk" is improved, which allows taking into account the specific features of the environment in which financial risks arise and using the most appropriate tools for crisis regulation of financial flows. This article presents the main features of risk theory. The concept of "financial risk" is improved based on the analysis of existing definitions of the category by studying the concepts of risk aimed at determining its scope and consequences.

**Keywords**

risk, financial risk, profit, uncertainty, option, capital.

In a dynamic economic environment, the activities of economic agents are constantly associated with the emergence of risks, the ineffective management of which can quickly lead to a crisis. A methodologically complex stage in the process of crisis regulation of the movement of financial flows is the qualitative and quantitative analysis of financial risks, the depth of which determines the overall effectiveness of financial management. The choice of an effective set of tools directly depends on a clear understanding of the object of research. Therefore, the clarity and clarity of the conceptual and categorical apparatus for the issue under consideration is of great importance.

The forced formation of economic behavior of enterprises excluded the possibility of choosing suppliers, customers and timely responding to changing situations, which led to an artificial impoverishment of reality, ignoring the possible diversity of development and, as a result, to unfavorable consequences for the economy. Over time, this inevitably led to the need to take into account risk in economic activity, and risk theory not only developed further in the process of forming market relations, but also became practically in demand.

The use of the word "risk" is associated, firstly, with the recognition of the uncertainty and randomness of the results of activities, and secondly, with evaluative judgments about the inconvenience and threat of the possible results of such activities.

In 1936, J.M. Keynes paid great attention to the risks of borrowers and lenders in his research. From 1928 to 1931, J.R. Hicks published a series of articles arguing that the existence of capitalist profit arises from the uncertainty that characterizes entrepreneurial activity. In economic theory and practice, the concept of "profit" is associated with the concepts of "risk" and "uncertainty". F. Knight also deserves praise for this, because he published his work in 1921. According to Knight, uncertainty is the source of the emergence of net profits or losses. Profit (loss) represents the difference between the initial estimate of costs and revenues and the actual costs and revenues. Such a difference is a direct result of the influence of uncontrolled uncertainty on the process of reproduction. He wrote, in particular: "... in order to explain profit satisfactorily, we must abandon the "dynamic" theory and return to the idea of uncertainty about the future, that is, to the situation that is usually expressed in everyday language and business jargon by the vague term "risk".

However, the important achievement of F. Knight's concept is, firstly, a qualitative analysis of the uncontrolled factors that lead to the formation of profit, and secondly, he was the first to propose the distinction between risk and uncertainty. He associates the concept of "risk"



with situations in which the decision maker can determine the mathematical probabilities and randomness of events associated with risk. The concept of "uncertainty" is associated with situations in which this randomness cannot be expressed in the units of measurement necessary for the established mathematical probabilities.

J.R. Hicks in his treatise argues that the interest rate on real securities should be partly related to the existing risk, which in turn is related to a possible default; to a certain extent, this applies to securities with a long maturity - to the uncertainty of future interest rates. Hicks's concepts were an important contribution to the portfolio theory of H. Markowitz and W. Sharpe. He proposed taking into account liquidity and other financial and economic indicators when optimizing a portfolio of securities. In the literature, risk is considered as the result of the accumulation of regressive potential. This approach stems from theories of historical and technological progress. Emphasis is placed on analyzing such risk characteristics as normativity (inevitability), irreversibility, increasing scale and qualitative uncertainty.

Since the mid-1950s, the most influential school in financial risk theory has been the American school. Another important contribution to the development of risk theory was the book "Economic Risk and Methods of Its Measurement" by Hungarian economists T. Bachkay, D. Meszáros and D. Míko, which was the first attempt to consider the issue of risk in a socialist economy.

J.Simon's still popular definition states: "Risks are uncertainties arising from factors that arise within or outside the borders of states and have a significant impact on business and investment activities". Ushbu ta'rifning afzalligi shundaki, u risklar hodisasini kengroq kontekstda ko'rib chiqish va ularning kelib chiqishining ichki va tashqi manbalarini farqlash imkonini beradi. Risk beqarorlik, kelajakka nisbatan noaniqlik va loyiha yoki investitsiya bilan bog'liq noaniqlik darajasi sifatida belgilanadi. Va risk "muayyan mumkin bo'lgan voqealar sodir bo'lishi riski" sifatida qaraladi.

The publication of the European option pricing model by Black and Scholes served as a theoretical basis for assessing and managing the market risks of derivative financial instruments.

The turbulent development of market conditions and the volatility of company profits over time led international financial institutions to recognize the need to develop new regulatory tools. These tools contributed to the synchronization of cash flows and influenced the increase in bank capitalization. This cash flow assessment methodology (and the turbulent development of the stock market) inevitably led to the emergence of financial risk management, which made qualitative leaps in its development, which is associated with the emergence and spread of new approaches to its assessment.

- Late 1980s - Early 1990s: This phase is associated with the introduction of value-at-risk (VaR) measurement and regulatory authorities. This began when J.P. Morgan made its RiskMetrics system publicly available online in October 1994 and simultaneously published detailed technical documents describing the methodology for calculating VaR. In 1993, GE Capital became the first company to use the term "Chief Risk Officer" to designate a senior management position responsible for all aspects of risk management within the company;

- Mid-1990s: This stage is associated with the development of J.P. Morgan's CreditMetrics system. As a result, it became possible to calculate an integrated indicator of losses due to market and credit risks throughout the bank, which made it possible to discuss "integrated" risk management for the first time. In 1995, the first global standard for risk management was jointly developed by experts from Australia and New Zealand. In 1997, it was published in Canada and Japan. In 1996, the Global Risk Professionals Association was founded, uniting risk managers responsible for operations in financial markets. In 2003, this organization had 31,110 members in 100 countries around the world;

- From the late 1990s to the present: This stage is associated with attempts to develop a comprehensive approach in the form of a value-at-risk (VaR) measure, called "operational VaR",



for the quantitative assessment of various operational risks. This approach allows for a comprehensive assessment of the susceptibility to the main types of risks at the enterprise level. Summarizing the above and taking into account the shortcomings that hinder the practical application of the term “risk”, we will improve its concept. Risk is a characteristic of a situation that arises as a result of the deviation of the system from its normal operating state to another state under the influence of external and internal factors during the interaction of subjects and objects in the process under study.

Thus, the concept of “financial risk” requires clarification based on the unification of the specific substantive features of the concepts of “financial flow” and “risk” and taking into account the specific features of a systematic approach to managing the activities of an economic agent.

It is proposed to understand financial risk as a situational feature of changes in financial flows that occur when the system transitions from a normal state of activity to another state under the influence of a complex of external and internal factors.

Having studied the history of the emergence of risk as an economic category and analyzing the main features of risk theories, the concept of “risk” was defined.

A comparative analysis of the concepts of “monetary” and “financial” flows made it possible to improve the concept of “financial risk” in the system of crisis regulation of financial flows and identify parametric static and dynamic features. Taking these into account makes it possible to consider financial risk management as a set of measures that neutralize destabilizing factors in financial flows, returning them to a state of equilibrium among fluctuations in the activities of an economic agent within the framework of the main parameters of stability.

This approach facilitates the application of special regulatory measures for optimization through the selection of appropriate tools. It allows implementing a comprehensive strategy for timely diagnosis, prevention and neutralization of destructive factors affecting the volume of financial flows. In addition, it allows analyzing the financial condition of an economic agent using appropriate methods and models.

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