



WAYS TO REDUCE RISKS AFFECTING THE INCREASE OF ENTERPRISE INCOME

Sadullayev Oybek Turdiali ugli
Tashkent State University of Economics

ABSTRACT	KEY WORDS
In this article, the types of risks affecting the income of enterprises, the factors of their occurrence and different approaches to prevention are proposed. In addition, the concept of “revenue-factors-risk-revenue” impact has been developed to minimize the risks affecting the income of enterprises.	Enterprise income, risk, types of risk, financial risk, market risk, liquidity risk, differential marketing strategy, SMART methodology, BIA method, “income-factors-risk-income” concept.

Introduction

The main indicator summarizing the financial results of economic activity in all types of enterprises is profit (income). After paying taxes and other payments to the budget, the profit (revenue) (net profit) remaining in the enterprise is completely at its disposal and cannot be withdrawn in cases other than those provided by law. The enterprise, unless otherwise provided for in the charter, independently determines in which areas the net profit (income) will be used. A part of the net profit shall be transferred to the members of the labor team of the enterprise in the cases stipulated by the legal documents or the charter of the enterprise. The production of food products as part of the manufacturing industry in our republic has been increasing in recent years. “Ensuring food safety is a guarantee of ensuring the independence of Uzbekistan and socio-economic and political stability in the country. It's no secret that natural disasters, lack of water for irrigating the land, and drought are making it difficult to grow food products. As a result, there is an increase in prices in the world food markets. Of course, this situation has a negative effect on us as well”.

Review of the Literature

Many studies have been conducted on identifying and preventing risks that affect the income of enterprises. In these studies, the impact of risks on the income of enterprises, their types and consequences are analyzed. In addition, financial risks are widely covered as the biggest types of tests that affect the income of enterprises. In the research conducted, it is mentioned what the effects of the risks lead to. For example, “Risk management has always been an important tool in running any business, especially when the market is down. In any economic environment, an unexpected event can wipe out a business in one fell swoop if a proper risk management strategy is not in place to prevent or at least reduce that risk”. In further studies, the authors point out that any source of income is

necessarily affected by risks and that it is necessary to always be prepared for it. “Financial risk is often unavoidable in business. Sometimes it is even recognized as a necessary condition for achieving the desired benefit. This paradox highlights the diversity of financial risks and their sources, and emphasizes the need for business leaders to understand the financial risks specific to their companies, regardless of their size. Even companies with the most thoughtful and strategic business leaders face factors beyond their control (such as macroeconomic changes and political turmoil), making it even more important to identify and prepare for predictable risks”.

Analysis and Results

Risks that affect the income or profit of enterprises appear in different guises. In general, they can be divided into two large classes: internal and external.

External risks are beyond the control of the enterprise. These include, but are not limited to, interest rates, exchange rates, politics and weather.

Internal risks are within the control of the enterprise and include data breaches, non-compliance, lack of insurance, too fast growth, etc.

Below are some areas that can help manage the risks that arise through enterprise profits.

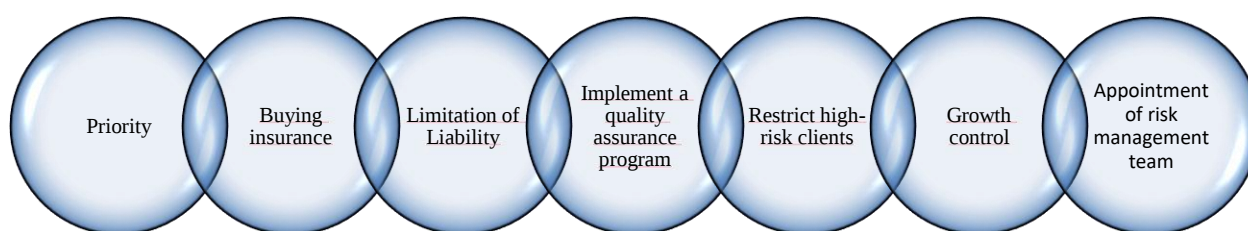


Figure 1. Directions that help manage risks that affect the company's profits

Let's briefly touch on each direction listed above:

The first is the priority given to the benefit of the enterprise. The first step in creating a risk management plan should always be prioritizing risks and threats. This can be done using a somewhat universal scale based on the probability that each risk will occur:

Mass marketing strategy is aimed at developing a single enterprise program for all segments of the market. In other words, it includes the provision of enterprise services to customers of all consumer groups. Most often, it is used in cases where the enterprise services market is characterized by its homogeneity. “The main advantages of using a mass marketing strategy are low marketing costs and the ability to attract and serve new customers from different segments”.

It is necessary to implement a differential marketing strategy to prevent risks affecting the income of enterprises:

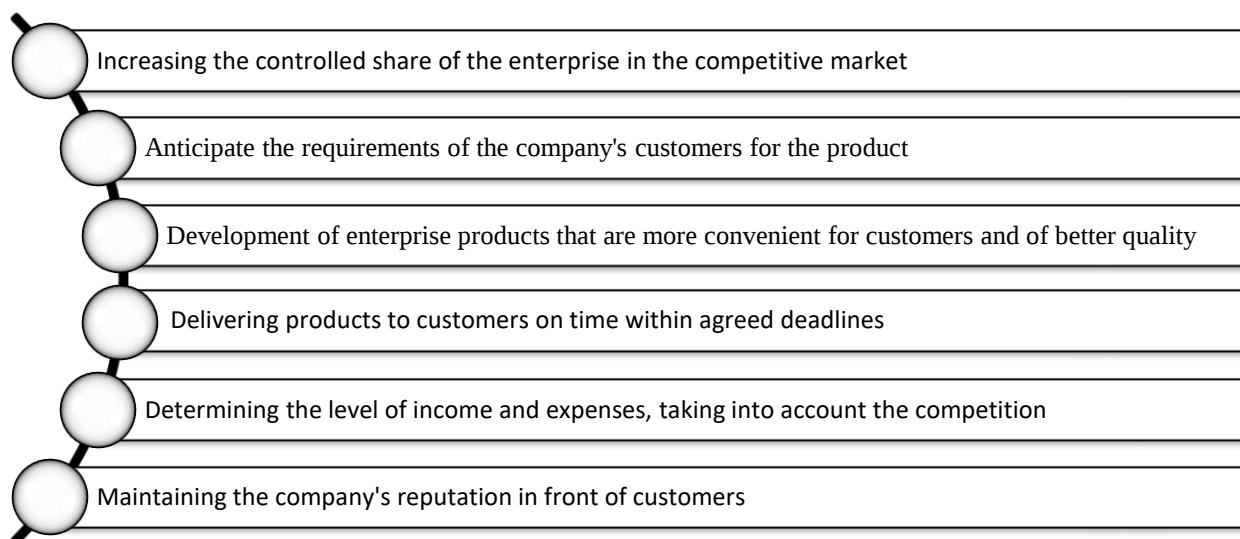


Figure 2. Stages of implementing a differentiated marketing strategy

The overall digital marketing strategy of enterprises against risk should be linked to a clear goal - a more specific and goal-oriented mechanism than “direct development of the enterprise” or “digitalization of production” should be implemented. One of the best ways to set marketing goals is to use the SMART methodology. This acronym means that the goal should be:

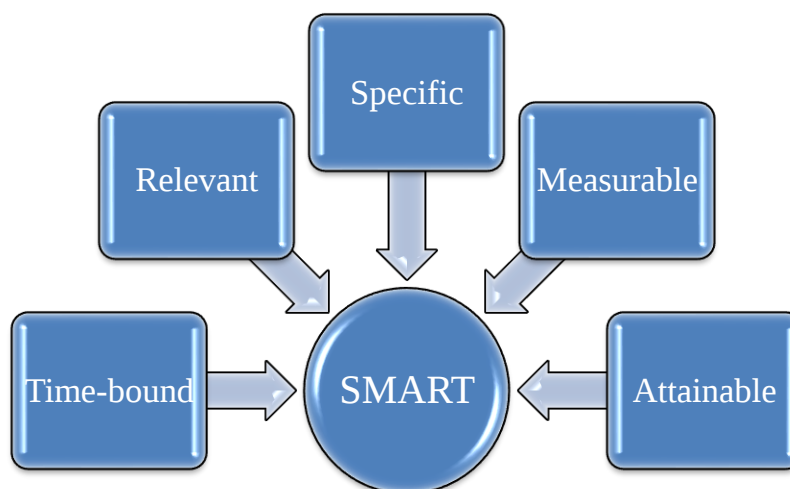


Figure 3. SMART methodology for implementing digital marketing in enterprises

By working with each letter, it is possible to set goals that will help digital marketing move in the right direction while avoiding risks affecting the company’s bottom line.

The most important aspect of this methodology is that each step is timed. All the goals that need to be implemented should be implemented based on the principle of “goal-implementation-analysis-calculation of the result-achieving the intended goal”.

Financial risk is a general term for risks that can have negative business consequences, such as reduced profitability, loss of capital, cash flow difficulties, and business closures. Risk and reward are directly related: the greater the potential risk, the greater the potential reward. However, unlike high rollers, company executives have a fiduciary responsibility to protect their company and its members from excessive exposure to financial risk.

Companies can choose a specific approach depending on the type of financial risk or combine several approaches to eliminate the risk. The financial risk mitigation listed here is based on a variety of approaches.

The first is insurance, that is, by insuring the company's income, it increases the possibility of preventing risks affecting itself. Insurance is a method of transferring part of the financial risk to a third party. It is convenient to pay unexpected losses and thus preserves the capital of the enterprise. However, it is important to remember that insurance policies incur premium costs, and while claim proceeds may help recover funds, they do not eliminate risk or failure. There are dozens of business insurance policies that cover all types of financial risks, including product liability, crime, commercial property claims, workers' compensation, business interruption, and cybercrime.

The second is to evaluate this efficiency. The higher the efficiency of the enterprise, the less the risks affecting their income. All indicators of the enterprise are used in the evaluation of efficiency. The fact that these indicators are positive or not lower than the established criteria allows to assess the market position of the enterprise as competitive.

The third is to maintain the company's reserve funds. Building cash reserves is one way to prepare for exposure to financial risks. Along with insurance, emergency funds help reduce financial losses and save income. Emergency funds can be created internally through positive cash flow or in the form of an existing line of credit. In both cases, advance planning is essential.

The fourth area is investment in quality assurance. If the enterprise wants to improve the quality of its products, it is necessary to attract investment in order to import new technologies and develop production. Implementing rigorous quality assurance measures to ensure that products and services meet desired quality standards is one way to reduce financial risks associated with products. Checklists, checkpoints, sampling and monitoring during the production process help to achieve better results.

Businesses cannot eliminate all financial risks, but they can actively manage the risk-return dynamic. "Understanding, monitoring and mitigating financial risks is an important step towards increasing business success. Minimizing financial risk means having plans and processes in place to reduce, distribute, or prevent potential loss of revenue or capital, cash flow disruptions, and business closures". The approaches discussed above help minimize the financial risks that affect companies' earnings, including credit, liquidity, leverage, market and growth risks. Access to high-quality, timely information to support planning and decision-making is key.

All business ventures involve an element of risk, which means risk mitigation should be an integral part of any entrepreneur's plan. Income at risk is an area that requires special attention. By identifying the main risk factors of income, the impact on the income of the enterprise can be reduced.

Revenue risk refers to any potential situation that may adversely affect the future earnings of the enterprise. This includes internal business decisions it makes, as well as forces beyond the company's control, such as broader market conditions. It is important to reduce revenue risk in order to avoid the situation of receiving less than planned revenue, as this can affect the entire financial plans of the enterprise and future growth opportunities.

Income risk is a subcategory of financial risk. Financial risk covers any loss of profits or funds over time, resulting in the stakeholders losing their investment. Inadequate cash flow due to reduced revenue can even lead to business failure, so managing revenue risk is critical.

Conclusions and Suggestions

Based on the analysis, the methods used to prevent risks affecting the income of enterprises, the methodology of their application, and the implementation mechanisms were developed:

1. A series of guidelines have been developed to help manage risks affecting the profits of enterprises.
2. It is necessary to widely use new technologies, i.e. the process of digitalization, to prevent the risks that come to the surface by increasing the production volume of the enterprise. For this, it is necessary to establish digital marketing activities in the enterprise. It was recommended to use the differential marketing strategy, which is widely used today.
3. The stages of implementation of the SMART methodology of implementation of digital marketing in enterprises were developed.
4. Enterprises can choose a specific approach depending on the type of financial risk or combine several approaches to eliminate the risk. The reduction of financial risk affecting the income of enterprises is based on different approaches and the stages of their implementation were proposed.

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