

## Modern Methods of Managing Financial Risks in Small Business

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**Abstract:** This scientific article analyzes modern methods of managing financial risks in small businesses and their effectiveness. The study examines the mechanisms for classifying financial risks, identifying, assessing and monitoring them. It also examines in detail the possibilities of digital technologies, financial platforms and “smart-business” systems for forecasting, controlling and automating risks. The article presents scientific foundations for strengthening financial stability in small businesses, effectively distributing investments and increasing economic efficiency through systematic, functional, comparative and empirical approaches.

**Keywords:** Financial risks, small business, management, digital technologies, smart business, sustainability, investment, economic efficiency.

### Introduction

In recent years, the instability observed in the global economic space, the unevenness of the post-pandemic recovery, sharp fluctuations in the financial market situation and the rapid development of digital technologies pose completely new challenges and tasks for small business entities. Changing processes in international economic relations, a sharp shift in the supply-demand ratio, disruption of logistics chains and increased production costs create difficulties in maintaining the competitiveness of small businesses[1]. Small business is a dynamic segment of the national economy and is recognized as the main driver in creating new jobs, stimulating economic activity, implementing innovations and increasing export potential. In this regard, supporting it, strengthening its financial stability, and identifying and managing risks in advance are considered one of the priorities of today's economic policy. In these conditions, the economic security, financial soundness and rapid adaptation of small businesses to market conditions are becoming even more important as global competition intensifies[2].

Financial risks essentially refer to risk factors such as unexpected losses, cash flow imbalances, loan repayment problems, liquidity shortages, and slow capital turnover that may occur during the financial activities of a business entity. In small businesses, these risks are often more pronounced, since the limited amount of resources, low access to external sources of finance, and relatively high operating costs directly affect their financial stability. In addition, the slow process of adapting to market demand, price volatility, exchange rate fluctuations, and the complexity of tax obligations are also recognized as factors that increase financial risks. Therefore, the financial risk management system in small businesses should be based not only on traditional economic mechanisms, but also on modern analytical, statistical, and modeling methods.

In the modern economic environment, the process of managing financial risks is not limited to classical approaches, but requires the widespread use of digital technologies and innovative financial instruments. Digital transformation, financial technologies, artificial intelligence-based financial monitoring platforms, automated accounting systems, and credit rating algorithms are

becoming an integral part of this process. Small businesses are beginning to effectively use big data analysis and forecasting models to identify financial risks, and modern methods such as insurance, hedging, and diversification to reduce expected losses. Processes such as the introduction of statistical models for risk assessment, real-time monitoring of financial flows, liquidity optimization, and regular analysis of creditworthiness serve to strengthen the financial system of small businesses[3].

risk management in small businesses includes complex processes such as the correct identification of risks, their measurement and modeling, determination of the level of probability, development of risk mitigation measures, and, if necessary, the transfer of risks to other economic agents. In this area, the development of the insurance market, the activities of investment funds, increasing the quality of bank loan portfolios, and improving the financial market infrastructure are of particular importance. Also, rating systems, stress tests, financial stability indicators, and capital adequacy assessment indices are widely used in credit and debt risk management. Along with innovative financial instruments, the role of technological solutions in risk management, including digital financial consulting services, automated investment platforms, and online audit systems, is significantly increasing.

All these processes indicate that improving the financial risk management system in small businesses is one of the priority areas of national economic development. Ensuring the financial stability of small businesses, increasing their investment attractiveness, and increasing their adaptability to changes in market conditions have a positive impact on the overall stability of the economic system. Effective financial risk management increases the competitiveness of small businesses, stimulates their innovative activities, expands their export potential, and accelerates the process of creating new jobs. Therefore, deepening scientific research in this area, applying empirically tested financial models, and comparing national and international experiences are important components of the effectiveness of economic policy[4].

In this regard, the reliance on scientifically based, integrated and innovative approaches to financial risk management in small businesses is a decisive factor in the formation of their long-term development strategy. In modern economic conditions, the implementation of complex risk management mechanisms, increasing the financial literacy of business entities, automating the management system based on digital technologies and ensuring the transparency of financial information significantly contribute to the sustainable growth of small businesses. At the same time, the process of diversification of the economy, the transition to an innovative economy, integration with new markets and expansion of the product value chain also directly depend on the quality of the financial risk management system in small businesses.

## **Literature Review**

financial risk management has long been one of the main research areas in economics and finance. In particular, “the issues of identifying, analyzing, assessing and effectively managing financial risks in small business entities are of particular importance in ensuring economic stability and competitiveness.” In this regard, financial risks in small businesses have a significant impact not only on the activities of the entities themselves, but also on the regional and national economy.

Theoretical studies pay great attention to the classification of financial risks and the development of mechanisms for their management. Financial risks are divided into such categories as market risks, liquidity risks, credit risks, operational and strategic risks. In this regard, assessing and diversifying credit risks, ensuring liquidity, as well as monitoring operational and strategic risks are considered important mechanisms for small businesses. These approaches help business entities reduce unexpected financial losses and market uncertainties[5].

financial risks in small businesses are closely related to the introduction of digital technologies, financial technologies and systems based on artificial intelligence. Research shows that digital transformation significantly increases the possibilities of forecasting, controlling and automating risks. For example, “cash flow is monitored through electronic financial systems, costs are analyzed and the financial decision-making process is optimized”. At the same time, with the help of financial platforms and “smart-business” systems, small businesses will be able to strengthen

### Research Methodology

The study showed that financial risks in small businesses in the regions of Uzbekistan have regional differences and can be reduced through modern management methods, including digital financial platforms. This is important for ensuring the sustainability of business activities.

### Results and Discussion

In recent years, the small business sector of Uzbekistan has been experiencing significant changes in terms of financial risk management. Although the activities of small business entities expanded in almost all regions during the period from 2021 to 2024, the levels of financial stability and risk management varied across regions. These differences are mainly directly related to the economic potential of the regions, the ability to attract financial resources, the effectiveness of credit and investment policies, as well as the development of infrastructure. At the same time, the level of implementation of modern financial management tools in small business entities and the development of risk forecasting mechanisms have a significant impact on their financial stability across regions. As a result, the ability to effectively manage financial risks and increase the competitiveness of entities remains inextricably linked to regional characteristics and existing infrastructure[6].

**Table 1. Share of small businesses in total employment**

Classifier	2021	2022	2023	2024
Republic of Karakalpakstan	74.2%	74.1%	74.5%	75.1%
Andijan region	80.7%	80.2%	80.7%	81.3%
Bukhara region	74.2%	74.3%	74.5%	74.5%
Jizzakh region	78.8%	77.3%	77.1%	77.0%
Kashkadarya region	78.5%	78.2%	78.1%	78.7%
Navoi region	52.3%	51.1%	52.1%	52.3%
Namangan region	82.2%	81.0%	80.9%	81.8%
Samarkand region	81.5%	80.9%	81.1%	81.2%
Surkhandarya region	78.4%	76.9%	76.8%	77.8%
Syrdarya region	74.4%	72.9%	71.9%	73.6%
Tashkent region	69.8%	70.0%	70.6%	71.1%
Fergana region	78.5%	78.7%	79.1%	80.4%

During 2021–2024, the indicators of economic activity and financial stability in the regions of Uzbekistan varied. During this period, the level of economic efficiency in most regions showed a steady growth trend, but these rates differed significantly across regions. These differences are explained by the economic potential of the regions, production volumes, the level of investment attraction, and the level of infrastructure development.

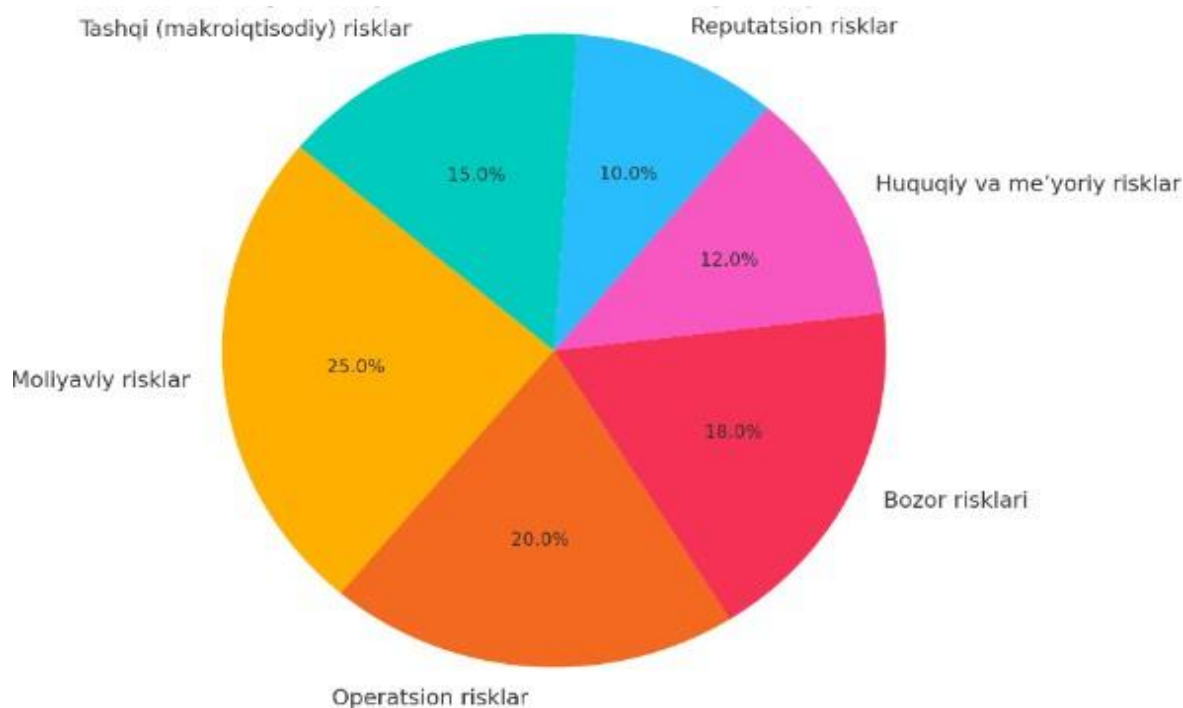
Economic activity is high in Andijan, Namangan, Samarkand and Fergana regions, around 80–82%. Small businesses in these regions have a high level of ability to manage financial risks and operate sustainably through the widespread use of electronic financial platforms, digital settlement systems

Moderate economic activity was observed in Jizzakh, Kashkadarya, Surkhandarya and Tashkent regions, where the level of financial stability was formed in the range of 75–79%. In these regions, small business entities act in the process of managing financial risks based on regional economic conditions, the level of financial literacy and the level of development of financial management systems. In these regions, it is important to introduce innovative financial instruments to reduce financial risks and expand opportunities for efficient use of resources.

Low economic activity was recorded in Navoi region, where the indicators were around 50–52%. Small businesses in this region face limitations in managing financial risks. The main problems are related to the narrowness of production and service areas, limited access to financial resources, and insufficient introduction of investment and innovative technologies. Therefore, to increase the financial stability of regional small businesses, it is necessary to provide financial support from the state and private sectors and widely introduce innovative financial instruments[8].

The table data shows that, despite the differences in the level of economic efficiency and financial stability across regions, the overall trend is positive, with most regions experiencing steady growth. This will help small businesses to increase their ability to effectively manage financial risks. At the same time, there is a need to strengthen strategic measures, introduce financial education and technological innovations to reduce financial risks and ensure the stability of business activities in low-income regions.

**Figure 1. Main types of business risks and their relative share (%)**



Reducing the level of uncertainty in the implementation of entrepreneurial initiatives in the market will undoubtedly lead to the adoption of optimal management decisions, both in the production and financial management system, during marketing activities, and in meeting requirements within the framework of corporate social responsibility programs.

Improving the efficiency of financial and economic activities Risk management is aimed at timely identification and elimination of obstacles in the organization, which contributes to the correct redistribution of funds and the ability of the organization to carry out additional investment activities.

risk is directly related to saving resources. For example, reducing the risk of staff turnover, achieving which allows you to optimally calculate the need for professional staff in the organization.

risks in interactions with external entities allows you to optimize and synchronize business processes, increase the organization's capabilities in implementing a growth strategy.

## **Conclusion**

risk management in small businesses is one of the most important structural factors in ensuring stability and competitiveness in modern economic conditions. Practical and theoretical research shows that financial risks manifest their impact through changes in capital flows, cash flow, debt burden, exchange rate fluctuations, and imbalances in the cost structure. Effective management of these risks serves to ensure the economic stability of small businesses, increase their investment attractiveness, and guarantee the continuity of business processes.

Modern management approaches, such as digital financial platforms, automated accounting systems, real-time financial monitoring, analysis and forecasting tools, as well as risk diversification mechanisms, play an important role in managing the financial activities of small businesses. These tools not only optimize financial operations, but also make it possible to prevent unexpected shocks. As a result, the ability to balance cash flows, optimize the capital structure and effectively use resources increases significantly.

Territorial, economic and technological factors are among the main factors determining the effectiveness of financial risk management. The development of the financial services infrastructure, the activities of banking and microfinance institutions, the stability of the investment environment, the level of financial literacy of entrepreneurs all directly affect the processes of identifying, assessing and minimizing risks. At the same time, changes in international markets and the global environment, such as fluctuations in energy and raw material prices, the state of the foreign exchange market, trade restrictions or geopolitical tensions, can have a strong impact on the overall financial stability of small businesses.

the financial risk management system plays a decisive role in the long-term development of small businesses, expanding innovative activities, capturing new market segments, and increasing regional economic potential. In this regard, the introduction of modern financial management mechanisms, improving risk assessment methodologies, and integrating technological solutions into business practices are among the most urgent tasks today.

At the same time, regular updating of the financial risk management system and its enrichment with innovative approaches will help small businesses to have high liquidity, rationally attract loans, reduce the level of risk and increase their adaptability to global market requirements. Regional differences, the level of development of economic infrastructure, and access to digital technologies also significantly affect the final outcome of this process.

In conclusion, systematic and comprehensive management of financial risks in small businesses is a key condition for strengthening economic stability, developing investment activity, increasing competitiveness and ensuring adaptation to the global economic environment. The harmonious use of strategic approaches, forecasting tools and digital solutions is an important factor for the long-term success of small businesses.

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