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FINANCIAL RISK MANAGEMENT OF INTERNATIONAL BUSINESS ENTERPRISES

АНАЛІЗ І ОЦІНКА ВПЛИВУ ФІНАНСОВИХ РИЗИКІВ НА ПІДПРИЄМСТВА МІЖНАРОДНОГО БІЗНЕСУ

***Summary.** The paper investigates the principles of forming a mechanism for managing the financial risks of international business enterprises, in particular, the financial nature of risks, factors of influence and aspects of their manifestation for international business enterprises, and conceptual approaches to managing the financial risks of international business enterprises.*

***Key words:** financial risk, international business, financial risk management, financial stability, probability of bankruptcy, SWOT analysis, profitability.*

***Анотація.** У роботі досліджено засади формування механізму управління фінансовими ризиками підприємств міжнародного бізнесу, зокрема, фінансову природу ризиків, фактори впливу та аспекти їх прояву для підприємств міжнародного бізнесу, та концептуальні підходи до управління фінансовими ризиками підприємства міжнародного бізнесу.*

Ключові слова: фінансовий ризик, міжнародний бізнес, управління фінансовими ризиками, фінансова стійкість, ймовірність банкрутства, SWOT-аналіз, рентабельність.

Formulation of the problem. Financial risk management in multinational enterprises is a critical area in today's globalized and integrated business environment. Multinational enterprises operate in highly volatile markets, especially in foreign exchange, and face increasing volatility and the prevalence of structural breaks. The current situation calls for a rethinking of how multinationals manage risk, especially in unstable and/or conflict-affected regions of operation. The international context of their operations affects investment and financing decisions, adding to the complexity of currency risk. The importance of researching this topic is that it can help companies create strategies to avoid losses and maximize profits.

The scientific literature identifies several problems in this area. One important problem is related to improper financing of enterprises, unreasonable financial structure, poor management of fixed assets, and unscientific investment methods, which can lead to the loss of solvency of the enterprise, resulting in a decrease in the expected returns to investors. Another problem is the risk of exchange rate fluctuations and potential political instability, which could lead to an increase in crime and violence.

Analysis of recent research and publications. The theoretical significance of the results obtained is the contribution to the existing body of knowledge in the field of financial risk management in international business enterprises. The study provides a comprehensive understanding of the financial risks faced by multinational enterprises, especially in volatile markets such as Ukraine during the war. It identifies gaps in existing theories and models and suggests new approaches to managing these risks.

The practical significance of the study is that it provides practical recommendations for businesses operating in international markets. The study presents a financial risk reduction program that companies can implement to mitigate these risks.

Formulation of the goals of the article. To investigate the financial nature of risks, factors of influence and aspects of their manifestation for international business enterprises; To investigate conceptual approaches to financial risk management of international business enterprises; To analyze the macroeconomic manifestation of financial risks in Ukraine in the conditions of war; To develop proposals for the formation of a risk reduction program for the enterprise; To forecast the technical, economic and financial performance of the enterprise through the implementation of a risk reduction program.

Presenting main material. In today's world, international businesses face a number of financial risks that can have a decisive impact on their operations and profitability. Financial risks arise as a result of changes in the global financial environment, currency fluctuations, political and economic crises, changes in legislation, changes in consumer trends and many other factors.

One of the main factors affecting the financial risk of international operations is currency fluctuations. Currency fluctuations can significantly change the value of a company's assets and liabilities, affecting its profitability and competitiveness. For example, an increase in the value of the national currency may reduce the competitiveness of exporters, while a decrease in the value of the currency may have a positive impact on exports but increase import costs.

Another factor is political risk, which is associated with changes in the political environment in countries where international trade is conducted. Political conflicts, changes in legal regulation, corruption and legal uncertainty can significantly complicate business operations, distort contracts and reduce profitability.

Economic crises are another important risk factor for international operations. Global economic fluctuations, regional crises and changes in consumer trends may reduce demand for a company's products and services, resulting in reduced production and lower profitability.

In addition, technological innovations and developments can also be a source of risk for international operations. Rapid technological innovations may lead to the loss of relevance of goods and services offered by companies, forcing them to change their strategies and business models.

In light of the above, international companies need to carefully analyze and manage their financial risks through effective financial planning, risk diversification, use of financial instruments to reduce currency risk, and implementation of risk management strategies.

Ukrainian scientists are actively researching the concept of the financial nature of risks and contribute to the development of this field of knowledge [Table 1].

Table 1

Concept of the financial nature of risks

The scientist	Definition
I. Ivanov	defines the financial nature of risks as a set of features and manifestations of risks arising in the financial sphere of enterprises' activities. It emphasizes that financial risks arise as a result of market volatility, changes in exchange rates, changes in the state of the financial system, financial regulators, and other factors.
V. Gritsenko	considers the financial nature of risks as the relationship between financial factors and risks that may affect the financial condition of an enterprise. He emphasizes that financial risks are associated with losses or uncertainty of financial flows, violation of financial stability and the ability of the enterprise to fulfill its financial obligations.
I. Kolesnik	considers the financial nature of risks as the process of emergence and distribution of hazards associated with the financial activities of an enterprise. He emphasizes that financial risks arise as a result of unpredictable changes in financial indicators, price fluctuations in the markets, changes in financial policy and other factors.

Source: compiled by the author based on [5]

Financial risk management is one of the key elements of successful international business management. In the context of economic globalization, rapid development of financial markets and increasing instability of the global economic system, effective financial risk management is becoming a key factor in gaining competitive advantages and ensuring corporate sustainability.

The conceptual approach to financial risk management in international business focuses on identifying, measuring, controlling and managing various types of risks that may affect the financial stability of an enterprise. The main concepts of financial risk management are the principles of diversification, cost minimization, the use of financial instruments to reduce risk exposure, and the creation of effective monitoring and control systems.

One of the conceptual approaches is to use diversification strategies to reduce financial risk. This means diversifying assets and investments across different countries, sectors, and financial instruments. This approach reduces dependence on specific markets and helps to mitigate the impact of unfavorable events on the company's financial stability.

Another conceptual approach is based on cost reduction and effective financial risk management. This means implementing strategies to optimize financial operations, rationalizing business processes and using financial instruments to reduce costs and minimize financial risks.

In Ukraine, war conditions have a significant macroeconomic impact and increase financial risks for the country. Here are some aspects to consider when analyzing the macroeconomic manifestation of financial risks in a time of war.

Currency risk: War can cause significant fluctuations in the foreign exchange market. For example, a drop in the value of the national currency (hryvnia) may increase the cost of foreign debts and imports. This can have an important impact on budgetary indicators and foreign economic relations.

Inflation risk: War can lead to an increase in inflation due to higher defense spending and higher prices for certain goods and services, especially if there are restrictions on the supply and movement of goods.

Budget risk: War can put pressure on the budget due to the need for military spending and social programs. Insufficient financial resources may lead to budget deficits and an increase in public debt.

Investment and external investment risk: War can scare away investors and reduce foreign investment in the country. This could lead to a reduction in investment in economic development and infrastructure.

Social risk: War can lead to a loss of human resources, reduced employment, and exacerbation of social problems. This may lead to an increase in government spending on social programs and support for the population.

Political risk: War can have an impact on the stability of the government and the political situation in the country. Political instability can create additional risks for business and investment.

For a country at war, it is important to develop strategies to manage these risks, including increasing reserves, diversifying investments, and developing financial management plans in times of instability. Also, the state can take measures to reduce the impact of financial risks, including financial and economic reforms to strengthen resilience in times of war.

In particular, the inflation rate in Ukraine in January 2023 amounted to 26.5% year-on-year. This is an extremely high rate, which indicates an increase in inflationary risks. The NBU forecasts that inflation may accelerate to 28-30% by the end of 2023.

In 2023, key macroeconomic indicators continue to show negative dynamics, indicating that high financial risks remain.

The actual exchange rate of the hryvnia to the US dollar in January 2023 fell to around UAH 40/\$, compared to UAH 27/\$ in early 2022. This means a

further depreciation of the national currency and increased currency risks in the Ukrainian economy.

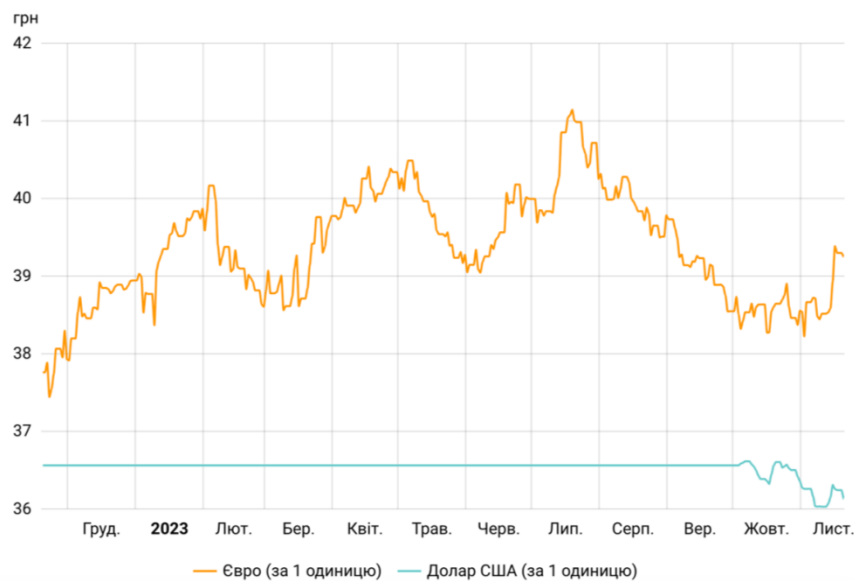


Fig. 1. Official hryvnia exchange rate against foreign currencies

Source: compiled by the author based on [6]

According to experts, in 2023, the hryvnia may devalue to the level of 45-50 UAH/\$ due to the instability of external and internal factors. Accordingly, there will be increased currency risks for businesses and individuals.

Thus, the analysis of the exchange rate dynamics shows that in 2023, financial risks in Ukraine will remain high due to Russia's ongoing military aggression. To minimize these risks, effective exchange rate and monetary policy measures should be implemented.

Conclusion and prospects for further research. To successfully manage financial risks in international business, it is important to develop and implement effective risk management strategies and policies. This may include the use of hedging, portfolio diversification, the use of financial derivatives and other instruments to reduce risks and optimize the financial performance of the company.

In addition, successful financial risk management involves constant monitoring and control over their realization. This includes monitoring market

conditions, evaluating the effectiveness of risk management measures taken and making necessary adjustments if necessary.

Thus, the development and implementation of a financial risk management mechanism for international business enterprises is based on a comprehensive analysis, planning and implementation of risk management strategies and policies. Effective financial risk management allows enterprises to reduce the negative impact of risks and ensure the stability of financial indicators, which is an important factor for achieving success in international business.

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