

**RISK IN ENTREPRENEURIAL ACTIVITY AND WAYS TO REDUCE ITS NEGATIVE
IMPACT**

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Annotation: This article provides a comprehensive analysis of the economic essence of the concept of risk in entrepreneurial activity, its causes, and its impact on business operations. The definitions of “risk” proposed by various scholars are comparatively analysed, and approaches linking risk with uncertainty are examined. According to the authors, risk is an integral part of entrepreneurial activity that arises in every innovative initiative, as well as during the introduction of new products or services. During the research, the economic nature of entrepreneurial risk has been reinterpreted in the context of modern conditions, and digital, innovative, and institutional approaches to risk management have been systematized. Furthermore, practical proposals have been developed regarding the mechanism of reducing risks through state-supported infrastructure.

Keywords: entrepreneurship, risk, uncertainty, risk management, economic security, state support, innovative approach, infrastructure, digital management system.

Introduction

In a market economy, entrepreneurial activity is recognized as a driving force of economic development. At the same time, entrepreneurship is by its very nature a complex process closely linked to risk. Growth, the introduction of innovations, and the offering of new products and services inevitably expose entrepreneurs to uncertainty, danger, and potential losses. Therefore, properly assessing and managing risk has become one of the central directions of modern entrepreneurship theory and practice.

In scientific literature, the concept of risk is interpreted in various ways, but all definitions generally reflect the balance between uncertainty, danger, and opportunity that arises in entrepreneurial activity. Entrepreneurial risk may occur in the areas of production, finance, marketing, foreign economic activity, and scientific-technical projects.

Today, the need to develop effective mechanisms for managing risks, analysing them, and apply scientifically grounded approaches to prevent them is increasing. In particular, government support for entrepreneurship, the development of infrastructure, and the introduction of digital management systems are becoming key factors for maintaining stability in a risky environment. Therefore, this article provides a theoretical and analytical study of the nature of risks in entrepreneurial activity, directions for reducing their negative impact, and modern management approaches.

Literature Review

Any entrepreneurial activity is directly connected with risk. To achieve growth and expansion, companies are constantly forced to adapt to change. The causes of these changes can vary: a decrease in demand for a product, changes in consumer preferences, the emergence of new technologies, and so on. To succeed and win in competitive markets, entrepreneurs introduce new products, offer new services, and, as a result, inevitably face various forms of risk.

Undoubtedly, entrepreneurship is always associated with risk. Therefore, many researchers have offered different interpretations of the concept of “risk.”

From a scientific point of view, the category of risk was first introduced into economics by the French scientist B. Pascal. Later, in 1730, A. de Moivre proposed the concept of normal distribution and a method for measuring risk [1].

Many scholars who have studied entrepreneurship — including Richard Cantillon — emphasize that risk is present not only during the establishment of a new enterprise but also throughout its subsequent operations. Cantillon was the first to link the two categories of “risk” and “entrepreneur,” stating that an entrepreneur is a person who acts under conditions of risk. A. Smith and D. Ricardo, in their works, examined the relationship between the level of risk and profitability in entrepreneurial activity, noting that as the degree of risk increases, profit tends to rise as well, but over time, profit growth lags behind the increase in risk [2]. Y. Schumpeter, in his research, emphasized that “to achieve great success in entrepreneurial activity, one must possess endurance and special abilities that are characteristic of only a small part of the population” [3]. B. Reisberg defines entrepreneurial risk [4] as the risk that arises in all types of production, marketing activities, socio-economic processes, and the implementation of scientific and technical projects.

E. Safarova interprets entrepreneurial risk as the danger of a potential or possible loss of resources, or the risk of a decrease in income relative to their expected (forecasted) value [5]. According to Ye. A. Gantsa, entrepreneurial risk is a concept that may initially frighten a new entrepreneur. However, beyond its mere existence, the word “risk” — translated from Greek — means danger, a situation that accompanies us everywhere and at all times [6]. A. Ulmasov and A. Vakhobov define entrepreneurial risk as “the economic dangers a firm faces on the way to achieving its intended goals” [7]. Meanwhile, Z. N. Omarova understands risk as a socio-economic category manifested in the uncertainty of the results of commercial activities aimed at achieving a defined goal, or the deviation from planned outcomes due to unexpected expenses relative to a predetermined level [8].

The above-mentioned researchers consider entrepreneurial risk to be an integral part of entrepreneurial activity arising from uncertainty. They define its essence as the likelihood of unfavourable events that may lead to losses.

Thus, entrepreneurial risk can be defined as the risk arising from any type of entrepreneurial activity — including the production and sale of goods and services, commodity-money and financial operations, as well as commercial and scientific-technical projects.

Research Methodology

The methodological foundation of this study focuses on examining the concept of risk in entrepreneurial activity as an economic category, as well as analysing its formation factors and management mechanisms. During the research, general scientific, economic-statistical, and analytical methods were applied.

The theoretical basis of the study is grounded in both classical and modern approaches to risk theory. In assessing and analysing risks, the study employed comparative, logical, and systematic approaches. Interpretations of risk provided by scholars from different countries were compared to identify their similarities and differences.

Results

Under what conditions does entrepreneurial risk arise? Risk most often occurs in situations of uncertainty — for example, during the production process, when introducing new technologies, entering new markets, or launching new products. The conditions leading to entrepreneurial risk

also include insufficient or inaccurate information about the existing situation and the actual situation.

Thus, entrepreneurial activity can be defined as an economic activity that, while offering the possibility of profit, is also associated with a high probability of loss and damage due to future uncertainty and elevated levels of risk. From this, it follows that the more accurately and skilfully an entrepreneur manages uncertainty, the more effective their actions will be.

Uncertainty is directly linked to the external environment, which encompasses the objective economic, social, and political conditions in which a company operates and to which it must adapt. The external environment creates the conditions for risks to emerge. Based on this, specialists identify external causes that give rise to entrepreneurial risks.

External factors include all aspects beyond the entrepreneur's control: changes in national legislation affecting business activity, unstable political situations within the country or globally, strong competition, unreliable partners, shifts in social needs, loss of clients and declining demand for goods, emergence of technical and technological innovations, changes in market conditions, and unpredictable natural events, among others.

Ensuring that entrepreneurial activity can adapt to objective economic, social, and political conditions, reducing the negative impact of potential risks, preventing losses, achieving high levels of profit, development, and goal attainment all depend directly on government support and the creation of favorable conditions for entrepreneurs.

Considering the modern characteristics of entrepreneurship development, the quality and efficiency of state-supported entrepreneurial infrastructure have now become the key factors for the successful development of small businesses in a risk environment.

Through the entrepreneurial support infrastructure and the active interaction of all its elements, a feedback mechanism between business and government is established, which increases the effectiveness of state regulation and enables a more development-oriented approach.

Developing the entrepreneurial infrastructure in the country is one of the most important directions of state and institutional support for small business, as it has a multiplier effect and benefits a wide range of entrepreneurs — which is especially significant under conditions of limited resources.

A developed entrepreneurial infrastructure must be equally accessible to all entrepreneurs, providing high-quality information, consulting, and training services at affordable prices.

The analysis of the state and development of the system of government support for entrepreneurial activity in a risk environment allows us to draw the following conclusions and recommendations:

1. The infrastructure system must have a “throughput capacity” that meets the needs of small businesses.
2. The small business and entrepreneurship infrastructure performs an important social function and, by its nature, often cannot generate profit. Therefore, its creation and development require continuous state support (at least during the establishment and formation stages).
3. Transparency and openness of the state support system for entrepreneurs are of particular importance. Entrepreneurs should have access to necessary information about where and under what conditions they can apply for assistance, as well as the timeframe and criteria for receiving it.
4. It is necessary to develop public information systems (commercial and non-commercial) that can continuously provide entrepreneurs with all essential information, thereby ensuring the sustainable development of small enterprises.

Conclusion

The results of the study show that risk is an integral component of entrepreneurial activity and cannot be eliminated. However, through proper management, analysis, and mitigation, the negative consequences of risk can be significantly reduced. To manage risk effectively, it is essential for entrepreneurs to respond promptly to changes in the external environment, implement innovative technologies, and adopt digital management systems.

In conclusion, it should be emphasized that improving the risk management system in entrepreneurial activity not only ensures economic stability but also contributes to strengthening innovation-driven development, competitiveness, and economic security within the country.

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