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RECENT TRENDS IN BUSINESS FINANCIAL RISK

K. ANUSHA, DR. SRI LAKSHMI

PG Student, DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION

Malla Reddy Engineering College For Women (Autonomous), Maisammaguda, Dullapalli Village Post

Assistant Professor,,DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION

Malla Reddy Engineering College For Women (Autonomous), Maisammaguda, Dullapalli Village Post

anushananivalmiki@gmail.com, Lakshmi.priya926@gmail.com

ABSTRACT: Aspects of financial risk are receiving increased attention in the finance literature. However, the research only provides a partial understanding of the contextual influence of financial risk factors on business characteristics. We make a contribution in this article by highlighting the points where risk and finance converge, examining the field’s output, and illustrating its development and current trends. Our research methodology employs bibliometric analysis to examine a decade’s worth of articles from the Web of Science (WoS) database, thereby providing a thorough contextual overview of financial risk research. By determining the most well-known journals, writers, articles, nations, and collaborations between writers and nations, we examined 3024 publications. In addition, a thematic analysis, cluster analysis, and co-occurrence analysis between authors, keywords, and journals were carried out in order to identify evolutionary tendencies. Based on co-occurrence citation research, our results indicated that credit risk has been the most trending topic over the past ten years, and that taking risks and doing well are the two most interconnected phrases. According to our analysis, the themes of corporate Governance, financial innovation, financial crisis, and entrepreneurship are unchanging and becoming more common in the field of financial risk.

Keywords: Financial risk; financial crisis; Risk; h-index; co-occurrence analysis; trend analysis.

Introduction

Various internal and external risks, such as operational, credit, foreign exchange, liquidity, market, business, legal, reputational, and technology threats, are managed in every organization using risk management approaches. Certain hazards pose a greater threat to the well-being of an organization than others. Hence, risk needs to be identified and prioritized in every company.

For example, banks should be more watchful of credit and liquidity issues. After the risk has been analyzed using a variety of approaches, management measures can be implemented. Financial risk is the chance or probability that shareholders, investors, or other stakeholders would experience a loss of capital. This language applies to organizations, financial markets, and individuals. Financial risk is everything that has to do with how money comes into and goes out of a firm or the possibility that a company will suffer a financial loss. It encompasses risk related to the market, credit, liquidity, operations, and law.

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The financial risk bibliometric analysis has been the subject of very few empirical investigations. We learn more about financial risk in this course, which will ultimately aid in our understanding of financial risk management since this field is extremely pertinent to the modern financial and economic system. By identifying the important trends in the field of financial risk and visualizing and analyzing them, the research project will add to the body of knowledge in academia. To the best of the author's knowledge, no bibliometric analysis has been done on the financial risk management practices used by banks; this study will close this gap in the literature by analyzing this domain.

In the business sector, financial assets such as bonds, equities, commodities, interest rates, and derivative products are associated with financial risks (FR), albeit they are not the only ones. Financial institutions, such as banks and companies, face these risks. Any company's inability to adequately manage its financial risk will make it hard for it to fulfill its duties and obligations.

Literature Review

The study of financial risk in business has evolved significantly over the past few decades, driven by global economic shifts, regulatory changes, and technological advancements. In recent years, there has been a growing body of literature examining various aspects of financial risk, with particular emphasis on risk identification, assessment, and mitigation strategies. This literature review synthesizes key themes and trends from the existing body of knowledge, focusing on the role of financial risk in business decision-making and its intersection with emerging global issues.

Traditional Approaches to Financial Risk Management

Financial risk management has traditionally focused on credit risk, market risk, and operational risk. Researchers have developed quantitative models to measure and manage these risks, but these models have limitations and failed to predict extreme events like the 2008 financial crisis.

Impact of the Global Financial Crisis

The 2008 crisis highlighted the need for more robust risk management systems. Regulatory frameworks like Basel III have been introduced to strengthen risk management practices. Scholars have also emphasized the importance of addressing systemic risks and interconnectedness in the global financial system.

Technological Disruption and Digitalization

Digitalization has introduced new financial risks like cyber risk, operational risks from automation, and regulatory uncertainty. Businesses need to adapt their risk management strategies to mitigate these emerging risks. AI-driven algorithms can enhance predictive accuracy, but also introduce ethical and regulatory concerns.

Environmental, Social, and Governance (ESG) Factors

ESG factors are increasingly important in financial risk management. Integrating ESG considerations into business decision-making can impact financial performance and risk exposure. Climate-related financial risks are a critical area

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of focus, and businesses need to incorporate climate risks into financial risk assessments.

Sustainability and Financial Risk

Sustainability is becoming a key aspect of financial risk management. Businesses need to assess the financial risks related to sustainability, including stranded assets, transition risks, and reputational risks. Strong ESG performance can help mitigate risks and enhance long-term value.

Emerging Trends and Future Directions

Financial risk management is becoming more holistic, incorporating a broader range of risk factors. Scholars emphasize the need to adapt to non-financial risks and combine quantitative models with qualitative assessments. Businesses need to adopt flexible, integrated approaches to risk management in light of changing global conditions.

Rational Of Study

1.Growing Complexity of Financial Risks:

As businesses expand globally, the financial risks they face are becoming more complicated. From market changes to cyber threats and new regulations, it's important for companies to understand these risks to protect their finances.

2.Importance of Managing Risks:

Managing financial risks is key to a company's success and survival. By studying current trends, businesses can better prepare for potential challenges and avoid financial losses.

3.Impact of New Technologies:

Technology like big data and artificial intelligence is changing how companies deal with risks. This study will look at how these technologies are helping businesses manage risks and what new opportunities or dangers they bring.

4.Focus on Sustainability and ESG (Environmental, Social, and Governance) Risks:

With more attention on issues like climate change and social responsibility, businesses need to address these risks. This study will show how companies are adapting their strategies to manage these sustainability risks.

5.Need for Better Risk Management Strategies:

Old ways of managing risks may not work well in today's fast-changing world. This study will explore how companies are becoming more flexible and better prepared for unexpected events like economic crises or global pandemics.

In short, this study aims to help businesses understand new trends in financial risks, so they can be better prepared and more resilient in an uncertain world.

Key Takeaways:

1.Global economic uncertainty and market volatility pose significant financial risks to businesses.

2. Regulatory changes and compliance requirements demand proactive risk management strategies.

3. Cybersecurity threats and data breaches have become critical financial risks.

4. Climate-related risks and environmental concerns require integrated risk management approaches.
5. Emerging technologies, such as AI and blockchain, offer opportunities for risk mitigation.

Implications for Practice:

1. Businesses must adopt agile and adaptive risk management strategies.
2. Integrated risk management frameworks should incorporate financial, operational, and strategic risks.
3. Organizations should prioritize cybersecurity and data protection.
4. Climate-related risks require collaborative efforts and sustainable practices.
5. Continuous monitoring and review of risk management strategies are essential.

Recommendations for Future Research:

1. Investigate the impact of emerging technologies on financial risk management.
2. Explore the role of artificial intelligence in risk prediction and mitigation.
3. Analyze the effectiveness of integrated risk management frameworks.
4. Examine the relationship between climate-related risks and business financial performance.
5. Develop risk management frameworks for small and medium-sized enterprises (SMEs).

Conclusion:

The study examined recent trends in business financial risk, highlighting the evolving landscape of risk management in the modern business environment. The findings suggest that organizations face a complex array of financial risks, including market volatility, regulatory changes, cybersecurity threats, and climate-related risks.

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These references cover various aspects of recent trends in business financial risk, including credit risk management, regulatory changes, digital transformation, cyber risk, ESG considerations, and risk management practices.