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## PRIORITY ORIENTATIONS OF ENTERPRISE FINANCING UNDER UNCERTAINTY AND RISK

**Abstract:** In article the priority directions of financing of enterprise structures in the conditions of uncertainty and risk are investigated. The different risks, their influence causing uncertainty factors are considered. The relevance questions of assessment and accounting of financial risks in the conditions of the market relations is noted. Are also investigated importance of development of measures for their minimization in activity of enterprise structures in the conditions of financial crisis and uncertainty. Problems of the state and enterprise structures in optimization of financing of enterprise structures in the conditions of uncertainty and risk are defined. It is prepared classifications of risks in the enterprise sphere. Questions of development and introduction of the advanced methods of management of risks in enterprise structures are considered. The priority directions of financing of enterprise structures in the conditions of uncertainty and risk in Azerbaijan are generalized. A number of recommendations and offers on the considered problems is given.

**Key words:** risk management, enterprise structures, financial risks, financial crises, system of a risk management, enterprise risk.

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### Introduction

Under present-day conditions, the problems of risk management are of great importance for all subjects of market economy and especially enterprise. The reason is that in the midst of the dynamically changing internal and external environment, the strengthening of globalization tendency and influence of the global crisis to the national economics, any economic activity and especially the business field of activity faces many risks. These risks are different in place and time of origin, internal and external factors generating them, levels and methods of their identification, measurement, analysis, management and prevention.

The remarkable thing is that the risk carries the uncertainty factors. These factors can be landmark in the business activities of any economic subject.

Enterprises also run many kinds of risks. It should be emphasized that no one of these risks can be mastered completely. Under market relations, the issues of assessment and financial risks considerations become topical. In addition, these problems assume special, independent theoretical and applied meaning as an important principle of the theory and practice of financial and risk management. Risk-taking is an integral part of business corporation activities. They can carry on successful business only in case when the risks they take are rational, and fall within their financial and resource capacity [1]. The assets of enterprise have to be quite liquid to cover any variety of resource outflow, expenses and losses, and also to provide at least a medium profit level for the shareholders. In order to achieve these goals the

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enterprises should find not so easy balance between the capacity for risks operations and aiming for them.

### Material and Methods.

Under the existing circumstances with the aim of studying the features and methods of effective risk management in the context of financial crisis and elaboration of the measures aimed at their minimization in their activity the enterprises should accomplish the following tasks:

- To conduct a deep analysis of the modern condition of the risk management methods for determination of the effective risk management principles;

- To explore the international practices of risk management and expose the possibility of its implementation in Azerbaijan;

- To analyze the factors influencing the formation and development of the risk management policy of enterprises and organizations;

- To elaborate recommendations on assessment of the financial risks level and decrease of it.

Realization of these tasks will let improve the financial management quality and to provide optimization of the risk management processes. As it is known all varieties of risks are interdependent and interconnected to each other, and usually in summation they influence the enterprises. One of the most important element of the market risk is a currency market. In an enterprise the level of market risks, increase much in the period of staggers on the currency market [2]. Now such kind of situation is reviewed in the Azerbaijani business activity sphere. The reason is a dramatic US dollar exchange rate in comparison with local currency. Since February 2015, the real exchange rate for Azerbaijan manat decreased almost 2.18 times in comparison with the USD.

The analysis, systematization and generalization of the national and foreign scientific literature on classification of risks emerging in the enterprise process shows that in present the uniform classification of these risks does not exist. The complexity of risk classification is explained by the risk variety first of all and formation of their new types with the development of the market relations and increase of their interdependence. There is also no scientifically grounded recommendations on determination of a specific risk level acceptability in a specific situation [3;4;5;6;7]. In our opinion, the most concrete of all existent risks classifications is its division on the types in accordance with the following criteria:

- For the formation reasons: a) subjective; b) objective;

- For the formation level: a) level of a separate employee; b) level of management; c) external level;

- For the formation time: a) retrospective; b) current; c) perspective;

- For the risk degree: a) low; b) medium; c) high;

- For the type of client: a) corporate customer; b) governmental organization; c) private sector person;

- Depending on prediction method: a) scale assessment; b) probabilistic assessment;

- Depending on risk distribution in time: a) constant; b) periodical; c) short time;

- Depending on present of ability and risks management facilities: a) controllable; b) low controllable; b) non-controllable;

- Depending on development nature: a) risk of no profit; b) default risk and etc.

In current times the issues of development and implementation of the progressive risk management methods hold a valuable place in the enterprise [8;9]. Confirmation of this is the in-depth development of regulatory documents in regards of the issues of risks management, financing, credit facility, provision of short-term and long-term liquidity [10]. But along with this it is early days to talk about the fact that the methodology of risk assessment and risk management in enterprise of our country is at the appropriate level. Both the normative base and the procedures of risk management are very often not effective in real conditions, and this forms obstacles on the way of creation of the practical mechanism of enterprise management in a whole.

It should be noted that the notion of 'entrepreneurial risk' occurred in the activity of Azeri enterprises in the beginning of 90-ies of the previous century in the result of transition to the development of market relations in the country. However even now many books on enterprise do not cover the issues of risk management despite of the critical importance of this problem. But it is also worth to note that many western risk management methods meant for the management by the classic characteristics of pursuit of activities of economic entities are not effective in conditions of our country. There is also an urgent problem of absence of the ready human resources and the generally very low level of use and culture of risk management in enterprise and organizations. Of course, we cannot say that the notion of risk management is unknown for the management activity of our enterprisers. There exist the systems of monitoring and assessment of the risks in enterprise, but they are not brought to a common denominator, which is based on creation of risk management technology.

Besides, it have to be noted that the risk management concerns the activity of small, medium and large business. These aspects are strongly marked in financing of entrepreneurial activity. There are different characteristic features of the small, medium and large enterprise development. Thus, the size of the enterprise, their scope of activity also influence the role of these structures in the market economy.

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Reviewing the development factors and main tendencies of the small business abroad the following conclusions can be drawn:

1. State and non-state support for small business in most countries of the world dominate in economic policy, and with this the decrease of risk level is reached by means of division of the enterprise risks. Azerbaijan should use the world experience, and should use the successful models by developing the small business and analyzing its support. They should be accepted taking into consideration the national, area, climatic, economy, infrastructure characteristics in accordance with the gathered knowledge and skills.

2. The experience of European Countries, USA, Canada, and also the samples of constantly developing economy in Japan, China and Taiwan is more fruitful for Azerbaijan.

3. To our opinion the more preferable directions to support small businesses in Azerbaijan can be as following:

- Involvement of small enterprises in the implementation of government orders; maintaining a list of specific tasks (services) for small businesses; involvement of small business in the state conversion program;

- Focus on the franchising and subcontracting development and integration of small, medium and large businesses;

- Support of the scientific researches of small enterprise, return of the mechanism of concession to the scientific research and development activity, for the purpose of decrease of the innovation risks here, including the scientific researches of small companies to the discounted credit institutions and production of science-intensive products;

- Support and development of the venture mechanisms of the enterprise financing;

- Educational activities in the field of small business. Creation of training centers, educational institutions under state and commercial structures;

- Support of the export activity of the small enterprise;

- In support of the small enterprise forming the conditions for using the alternative budget sources while financing, such as implementation of resources use to the practice by forming of privileged conditions for activity of social organization, large enterprise and successful businessmen;

- Formation of the state and nonstate mutual aid funds, mutual insurance society and mutual activity companies;

- Development of the modern information technology, formation of the inequilateral information base for different level users, research of the small enterprise activity on the local and foreign market for business and its support;

- Regional development of small business, decentralization of support and development of the enterprise.

There is another attitude to financing and financial risks management in the large enterprises. Usually the same tools are implemented to finance the large operators for taking control over the companies and to attract the financing. But there is fundamental difference between their use. Thus, under the classical attractiveness of the finance in production it is understood that from the point of view of organization of any production process the investment are needed the company [11;12]. For example to develop the manufacturing of a new product the enterprise needs to conduct the acquisition of intellectual property right, bring and set the equipment, construct a new plant and carry out the organization of manufacturing. The structure of joining and acquisition operation can radically change the business of the company: this competitive acquisition operation can be directed on horizontal or vertical integration by the fundamental change of the production nomenclature. At the time the fundamental changes can take place in the assets and stock value of the companies, and as a result the new financial risks generalized with the funds market mechanisms can occur. It means that such companies also base on the new principles of the risk management system.

The development of enterprise activity in Azerbaijan, the realization of their economic potential depends on capability to meet the demand for money and financing terms. The formation and development of the enterprise activity is be funded through the extra-budgetary resources such short-term and long term credits, non-budget funds and etc. Determination of the priority directions in the national enterprise development, provision of target financing from the state budget of the reasonable perspective projects, creation of the juridical base in the enterprise development, formation of the advantageous business environment creates conditions for economical growth [13;14;15;16]. Generally while approaching this issue from the point of view of the enterprise relations it can be assessed as the result of improving of the state- entrepreneur relations development and cooperation relations (between the finance and other types of enterprise). The basis of additional finance for enterprise development is determined by the funds by the State Budget allotted to the enterprise development (National Fund of Enterprise Support), funds allotted to stimulation of the labour power and main resources of the enterprise profit, and capital investments of legal body and private entities of the foreign countries directed to the production.

The legality between the credit resources and enterprise is regulated by the requirement and offer laws. Financing of the enterprise development by the State Budget is determined by the funds allocated by the budget expenses. The income increase of the State Budget plays a role of real resource for increase of state funds to help in enterprise financing. From this point of view the effect strength between the growth

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rate of the country economy and increase in budget revenues is determined namely by the funds allocated to the different enterprise type and the level of its rational use. As the country's economy develops, it will be possible to increase the funds allocated from the State Budget to the Enterprise Support Fund. The credit policy being one of the main directions of the state regulation of an enterprise plays a large role.

It is worth to note that the current situation in the field structure of the enterprise do not meet the requirements of the economic development of Azerbaijan. The tendency of entrepreneurship development is observed mainly in the oil and food industry. It seems fair to say that the light industry is away from the enterprise activity. Thus, the demand in products of this field in Republic is satisfied mainly due to the imported products. The potential of private enterprises in mechanical engineering, chemical and other industries is not realized. The analysis shows that the enterprise is mainly formed in Baku, Sumgait and Absheron in general. 99% of foreign companies are located in Baku. Last years the enterprises in Baku grow rapidly. The wrong location of the enterprises, impractical and irrational use of raw materials, labor and financial resources affect adversely the regional enterprise. Upon main indications of the enterprise the level achieved in the country is falling behind the developed countries. The trade, public catering, and construction have been remaining to be the main fields of small enterprises activity in Azerbaijan for long years. The large and medium enterprises are concentrated in the fields where industrial production requires large capital investments. The number of private enterprises in science and education, new technologies production field is very low.

The analysis shows that in 2005-2014 years the was observed a growth in credits invested into economics and investment volume as a whole. But since 2015, there has been a downward trend in these indicators. The 56% of the original capital are formed by internal resources, and 44% by means of foreign resources. Today in Azerbaijan the main mechanism of state support of the the enterprise is the issue of credits on easy terms by way of National Fund of Enterprise Support). During last 4 years this Fund granted to the enterprises a credit for more that 1 billion manats. In order to provide and improve the enterprise development under current conditions it is necessary to switch the processes to the more effective regulation methods. Within this context special opportunities and differences should take into account the priorities of the social-economic development of the country, region and population as a whole, as well as of the social-demographic groups. In many countries the enterprises uses government support as a special form of economic activity to create employment and open new work places. The economic organizational mechanisms of the enterprise support is possible with the regulation

mechanisms and unions which they created as an economic subject. Being the main aim of the regulation, GDP growth is formed by rational organization of economics and in terms of the role of enterprise in meeting the demand of the population for goods and services. The organizational structure of the state regulation of the enterprise is more wide notion than state administrative regulation of the enterprise. The tax economic mechanisms of regulation are also the method or form of enterprise activity regulation. The enterprise activity which underlies the economy based on the free market principles is directly related to the state political, economic, legal and material support in all countries. The economic literature often refers to the creation of favorable conditions for small and medium-sized enterprises when it comes to government support for enterprise development.

Not depending on the forms of enterprise activity the solution of issues demanding such regulations as encouraging investment in all areas, ensuring employment of the population, maintaining the overall level of prices, provision of the economic growth, and redistribution of income is considered to be the direct responsibility of the state. The aim of the state support is characterized by the measures on three definite directions: 1) advisory monitoring of the process in the early years of the formation of new enterprises; 2) financial support to the new created enterprise structures or implementation of any privileges (especially in tax system) and 3) provide technical, scientific-technical or technological assistance to the enterprise structures with the small finance. According to business structures, the state support continues until their transition from small to large enterprise.

### Conclusion

Thus, the enterprise development support will become more important as one of the priority directions of the economics policy of the country in Azerbaijan in the nearest future, and all these are reflected in many state programs, alongside with the strategic roadmaps [17;18;19;20]. The development of enterprise, increase of state support for it, protection of the rights and legitimate interests of enterprises, elimination of artificial barriers to the development of enterprise are always in the center of interest. For this reason with the aim of development of the enterprise in the country and further expand of the measures taken in the field of state support for enterprise during last years the special State Programs and Decisions were accepted and significant work has been done to improve the legislation, create an infrastructure, increase of the preferential financial support, and protect of the rights of entrepreneurs. As the result the role of entrepreneurs in the country increase, and they become one of the leading power of our society. Alongside with this it is important to pay more attention to a number of issues:

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• Raising the state financial support for enterprise development in Azerbaijan to a qualitatively new stage, the necessity to increase the rationality of consecutive actions in this area, and also the current level of the investment demand of the enterprise subject requires more development of the present mechanisms in this filed;

• prevention of risks arising in the field of financing, decreasing of their affect, risk divisions on

the innovation projects and reorganization of the insurance system should be completed;

• it is necessary to clearly determine the priority directions of financing of the enterprise in condition of indeterminacy and risk taking into consideration the acceptance of adequate long-term measures and etc.

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