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## INTERPRETATION OF TERMS OF “CHALLENGE”, “DANGER”, “THREAT” AND “RISK” IN FINANCIAL SECURITY THEORY

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*Summary. The scientific approaches to the interpretation of concepts of «challenge», «danger», «threat» and «risk» in the theory of financial security are analyzed. The author's definitions of concepts*

*are suggested. It has allowed to distinguish these concepts and to find sources of negative influence on the financial security of business entities.*

**Key words:** *financial security, challenge, danger, threat, risk.*

The realities of today are characterized by socio-economic and political instability, underdevelopment of financial markets, which negatively effects on the financial security of entities and lead to necessitate the development of measures to ensure it. However, in order to ensure that such measures were effective, one must know the essence of the key concepts of the theory of financial security.

The aim of the paper is to differentiate related concepts of the theory of financial security, as “challenge”, “danger”, “threat”, “risk” and identify the source of the negative impact on the financial security entities.

Some scholars, who examine the ratio of the concepts of “danger” and “threat”, are interpreting the term “danger” as potential destructive and destabilizing influence of factors on state of the object of study. If there are certain prerequisites for this possibility to become a reality, that of adverse effects are almost inevitable, it is necessary to talk about the dangers of threat's escalating.

Some scientists are convinced that “risk” as a condition of security is a result of the negative impact of threats. With this approach “threat” is identified as a set of environmental factors that influence on the state of the object of study by destructive and destabilizing way.

Thus, if the first approach links the notion of “danger” with the source of negative impact on the object of study, the second approach considers the consequences of such exposure.

According to the author, the latter approach is more appropriate. The etymology of the word “danger” suggests that it comes from the word “security” and means “lack of security”. Thus, the concepts of “security” and “danger” can be seen as opposite in

meaning: state security interests and, accordingly, the state of insecurity.

Some scientists explain the concept of “challenge” as a subjective perception of a problem by the political elite. However, the perception of the problem can vary greatly, and moreover, cannot meet the reality. Another interpretation that is offered – is the opposition to the protection by means of obstacles to the safe development.

In “Large Glossary of Modern Ukrainian Language” the word “challenge” is explained as a requirement to any action, a call to participate in anything, the offer to join the fight. Thus, “challenge” induces meaning “to react in certain circumstances and not to hinder this”. That's why these concepts cannot be identified. Therefore, we think that challenge forms threat, setting of circumstances that may adversely affect the safety, that's why we need to respond on it.

The analysis of the economic literature on the interpretation of the essence of risk suggests that nowadays there is no unambiguous interpretation of this concept. This is due, in particular, with the diversity of manifestations of this phenomenon.

One group of scientists links the concept of risk with the possibility of losses. We think that this approach is narrow. Indeed, the implications of risk are most often manifested in the form of financial loss or inability to obtain expected profits, but risk is not only undesirable results of decisions. Risk is characterized by a combination of undesirable and favorable variances from planned results.

Some scholars consider risk as an event that may or may not occur. Under such conditions there are three economic outcomes: negative (damage, loss), zero, positive (gain, profit).

The third group of scientists allocates risk characteristics. Risk is associated with uncertainty. In situation of risk it is necessary to make selections.

Risk is a form of qualitative and quantitative expression of actually existing uncertainty. At the same time, risk is always associated with the selection of certain alternatives and calculating the probability of the outcome – this fact manifests its subjectivity.

We offer to understand the notion of risk as an uncertainty of the final result of choice among existing alternatives that can lead both to positive and negative effects, the probability of which can be evaluated.

In conclusion, we should admit that the state of financial security is negatively affected by, on one hand, the threat, which is defined as a set of destructive and destabilizing factors of the environment, on

the other hand, the implications of the risks that depend on the decisions of economic agents.

Under conditions of financial market instability, when the period of dynamic development permanently changes with recession, threats do not remain constant: new threats are emerging, the impact of some threats may increase and value of others may fail. Entities have no real opportunity to influence political, economic, legal and demographic threats to financial security - this is the scope of competence of public authorities.

Therefore, to ensure the financial security economic entities should adapt their activities to the changing environmental conditions. Risk management is also of great importance for financial security.

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