



# Business Risks In The Industry Of The Republic Of Uzbekistan

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ABSTRACT

Uzbekistan is increasing its industrial and export potential. The volume of exports of high-value-added products and their share in the country's total exports are increasing. Dependence on energy and cotton exports is decreasing. The structure of exports of industrial products has changed qualitatively in the direction of increasing exports of finished products. Nevertheless, the potential to increase production and export of finished products with high added value is still not fully exploited.

Keywords:

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**Introduction.** In the conditions of market relations, the assessment and management of entrepreneurial risks acquire independent theoretical and applied significance as an important component of the theory and practice of doing business.

Success in the business world depends on the correctness and validity of the chosen business strategy. At the same time, the probability of a risky situation must be taken into account. The term "entrepreneurial activity" or "entrepreneurship" itself is characterized by such signs as independence, initiative, responsibility, risk, active search, dynamism and mobility.

An entrepreneur is constantly in search of new ways of doing things, since successful business involves improving the quality of products and improving technology (searching for innovations), changing prices and the range of consumers. The search for various ways to achieve the set goals and maximize profits is conditioned by the uncertainty of the decisions made and is possible only if there is a range of alternatives that increase the risks of doing business.

**Literature review.** The issues of risks in entrepreneurship were considered in the fundamental works of representatives of economic theory: Cantillon R., Knight F.H., Smith A., Tyunen I.G. Among modern foreign economists who have studied the problems of risk in entrepreneurial activity: Bazzel R., Bachkai T., King W., Cleland D., Markovich G., Mushik E., Muller P., Petere M., Tile M., Khizrich R., Sharp W. The definition of risk and the characteristics of their management methods are reflected in the works of Russian economists: Algina A., Kleiner G., Rogova M., Rotar V., Delmer G., Shakhova V. and a number of others.

The problems of risk management are widely covered in modern periodicals, but there are very few publications concerning the practical application of business risk management models and methods. In the bulk of publications, risk management methods are disclosed in relation to banking and the practice of investing in securities.

The works of foreign and Russian scientists are characterized by ambiguity in the interpretation of risk and understanding of its content. The

diversity of opinions on the nature of risk is explained by the multidimensional nature of this phenomenon and the insufficient use of risk assessment and management methods in business practice.

In modern economics and business practice, unified methods of risk assessment in entrepreneurial activity have not been sufficiently developed. Risk assessment methods have been developed for narrow, specific areas of entrepreneurial activity, such as insurance, auditing, and investments in securities.

In addition, the disadvantage of risk management methods proposed in the economic literature is that most of them do not take into account the actual causes of entrepreneurial risks, the size of the resources of business structures and industry characteristics.

**Analysis.** Uzbekistan is increasing its industrial and export potential. The volume of exports of high-value-added products and their share in the country's total exports are increasing. Dependence on energy and cotton exports is decreasing. The structure of exports of industrial products has changed qualitatively in the direction of increasing exports of finished products. Nevertheless, the potential to increase production and export of finished products with high added value is still not fully exploited.

On the other hand, there are various external shocks that directly affect the economy of Uzbekistan. Various new challenges to the global economy are constantly emerging: a global pandemic and a prolonged global lockdown, economic sanctions against Uzbekistan's key trading partners, and a number of others. In addition, there are a large number of new market players, new competitors in the global space, whose economic growth shows impressive results.

In these circumstances, the question arises – how stable is the country's economy and how diversified are its development reserves. One of the sources of ensuring the stability of the economy in conditions of instability and global

shocks is an increase in the level of export diversification, a reorientation of exports from raw materials to goods of a higher degree of processing in demand on the world market. Excessive concentration on certain items of goods in exports creates risks for the country's economy in conditions of high price volatility on the world market. As noted by V.M. Polterovich, "with the rapid growth of the global market, it will be advisable to place greater emphasis on export diversification" [1].

In this regard, first of all, it is necessary to assess changes in the export of industrial products. This will allow us to determine what the country's export basket currently represents, how its structure has changed in recent years, what was the dynamics of change, etc.

Diversification in a general sense means the expansion of diversity. In relation to the export of products, diversification involves a process that leads to an increase in the number and range of exported goods, as well as the achievement of a balanced export structure.

The Herfindahl-Hirschman approach was used to assess the level of diversification of Uzbekistan's industrial exports. This approach is used to assess economic concentration. In particular, it is used to assess the level of concentration of markets, the degree of monopolization, etc. The index was first developed by Albert Hirschman, an American economist and professor at Harvard University, in 1945 to assess the level of concentration of foreign trade markets [2].

The indicator by which the concentration level is estimated is the Herfindahl-Hirschmann index, which is the sum of the squares of the fractions of each element in the total population:

$$HHI = \sum_{i=1}^n S_i^2$$

The higher the value of this index, the higher the concentration level. The index takes a value from 0 to 1 (for interest-free calculation of shares).

**Table 1**

**Dynamics of the export diversification index of certain commodity groups of Uzbekistan [3]**

Name of product groups	2020	2021	2022	2023	Characteristics of the changes in 2020-2023.
Products of the chemical and pharmaceutical industry	1,56	2,00	2,63	2,76	Height
Ferrous and non-ferrous metals and products made from them	2,34	2,59	2,51	1,92	Decline
Textiles and clothing	1,21	1,68	2,58	2,34	Height
Leather and shoe products	1,67	1,26	2,17	2,44	Height
Mechanical engineering products	2,04	3,70	2,71	2,59	Height

Thus, for all commodity groups of industrial products, with the exception of ferrous and non-ferrous metallurgy, an increase in the level of export diversification was observed during the analyzed period. For example, if the share of mineral fertilizers exports dominated the volume of exports of chemical and pharmaceutical industry products in 2020, amounting to 78.5%, then by 2023 it had significantly decreased and amounted to 43%. At the same time, the share of pharmaceutical products in the exports of this group increased, amounting to about 3%, as well as a number of other chemical industry products. However, fertilizers still continue to occupy a significant share in the export of this group of goods, due to the increasing demand for them on the world market and favorable price conditions.

The increase in the level of export diversification of the textile and clothing group is due to a significant decrease in cotton exports and a decrease in its share in exports and an increase in the share of products with a higher level of processing. Thus, the share of knitted fabrics in exports of this product group increased from 1.4% in 2020 to 7.8% in 2023, and export volumes increased by 7.8 times. Similarly, the share of finished products,

namely, garments and other finished products, increased from 6% to 25%.

**In conclusion,** It should be noted that this approach can also be applied to assessing the level of diversification of the export geography. This will allow us to see an even more vivid picture of what changes are taking place in the country's foreign trade activities.

Thus, it can be concluded that the Uzbek industry has achieved significant results in expanding and diversifying exports. At the same time, there is considerable potential and reserves for further improvements. These reserves can be used through active integration in objectively changing external conditions. After all, global shocks generate not only risks, but also open up opportunities for development. In the current global geopolitical conditions, new opportunities are opening up for expanding trade cooperation and industrial cooperation with Uzbekistan's trading partner countries. Cooperation with the neighboring countries of Central Asia offers great prospects for expanding the geography of exports and diversifying exports of industrial products. In addition, it is necessary to establish new cooperation and trade relations with other countries. Thoughtful use of emerging opportunities and timely response to emerging

changes are the key to success in further export diversification.

**List of literature:**

1. Polterovich V.M., The mechanism of the global economic crisis and the problems of technological modernization / Moskva: 2009.
2. Albert O. Hirschman, National Power and the Structure of Foreign Trade / University of California Press, Berkeley and Los Angeles, 1945.
3. Compiled by the author