

RISK ASSESSMENT METHODOLOGY IN SMALL BUSINESS ENTITIES

Abduxamid Abdumalikovich Bektemirov

Associate Professor, Samarkand State University, PhD in Economics

Abstract: *This thesis analyzes the methodological aspects of risk assessment in small business entities. The relevance of the study is determined by global economic uncertainty, rapid changes in market conditions, limited access to financial resources, and the increasing pace of digital transformation. Due to their limited resources, small business entities are highly vulnerable to risks, which increases the need for implementing effective risk management systems.*

Keywords: *small business, risk identification, risk assessment, risk management, risk mitigation, risk matrix, ISO 31000, risk monitoring, Monte Carlo simulation, financial stability.*

Small business entities constitute an important part of the economy because they play a key role in creating new jobs, introducing innovations, and contributing to regional development. However, small businesses often face financial, operational, and market risks that may threaten their sustainability. Risk assessment methodology is a systematic approach that regulates the process of identifying, evaluating, and managing potential risks within an enterprise.

The necessity of risk assessment is associated with the limited resources of small businesses and the highly competitive business environment. For example, financial risks (such as loans and exchange rate fluctuations) and operational risks (such as technological failures and employee turnover) may lead to business losses. In international practice, the ISO 31000 standard is widely used as the primary framework for risk management, covering risk identification, assessment, and monitoring. In addition, the Failure Mode and Effects Analysis (FMEA) method is used to evaluate potential failures in advance and is considered effective for small enterprises.

Risk assessment methodologies are mainly studied through statistical methods, expert evaluation, and matrix analysis techniques.

Statistical methods are applied to calculate risks. For example, Monte Carlo simulation and regression analysis are used to assess probability and impact levels. The expert evaluation method involves collecting the opinions of managers and specialists, which is particularly effective for small businesses with limited resources.

The risk assessment process includes the following stages:

- **Risk Identification:** Examining internal and external factors affecting the enterprise, such as market changes, legal requirements, and financial conditions. At this stage, SWOT analysis is commonly applied.
- **Risk Assessment:** Evaluating the probability and impact of each identified risk. For example, risks can be assessed using a risk matrix based on probability levels (low, medium, high) and impact levels (minor, moderate, major).
- **Risk Management:** Implementing measures to address assessed risks, such as insurance, diversification, or contingency planning.

According to the research findings, the ISO 31000 standard is the most effective approach for risk assessment in small business entities because it provides a systematic framework. For example, international experience has shown that the FMEA method helps reduce failures by approximately 20–30%. Statistical methods indicate that risks with an average probability level of 0.4–0.6 are among the most common.

The Risk Matrix method is considered one of the most effective approaches in the risk assessment process, as it enables quick and practical risk evaluation. A sample of this method is presented below (Table 1).

Table 1. Risk Matrix Method

<i>Probability / Impact</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>
<i>Low</i>	Acceptable	Monitoring	Mitigation
<i>Medium</i>	Monitoring	Mitigation	Prevention
<i>High</i>	Mitigation	Prevention	Immediate Action (Urgent Resolution)

In financial risk management, the FIFO (First In, First Out) method can improve financial stability by up to 15%. Overall, risk assessment enhances an enterprise's competitiveness, particularly when applied during the planning stage of newly established businesses.

When discussing the results, it should be noted that risk assessment methodologies in small business entities may be difficult to implement due to limited resources. Although standards such as ISO 31000 and FMEA have been successfully applied in international practice, challenges remain in implementing these approaches in Uzbekistan, including a shortage of qualified specialists. Statistical methods are theoretically robust; however, in practice, simple risk matrices are often more effective and easier to apply.

Risk assessment is also crucial during business restructuring and reengineering processes, as it helps reduce potential threats associated with organizational changes. Future research should focus on developing models that integrate competitiveness and risk management.

In conclusion, risk assessment is a key factor for the sustainable development of small businesses and can be achieved through the adaptation and implementation of international standards.

REFERENCES:

1. International Organization for Standardization. ISO 31000:2018 Risk Management – Guidelines. Geneva: ISO, 2018.
2. Committee of Sponsoring Organizations of the Treadway Commission (COSO). Enterprise Risk Management: Integrating with Strategy and Performance. New York: COSO, 2017.
3. Paul Hopkin Fundamentals of Risk Management: Understanding, Evaluating and Implementing Effective Risk Management. 5th ed. London: Kogan Page, 2018.
4. James Lam Enterprise Risk Management: From Incentives to Controls. 2nd ed. Hoboken: Wiley, 2014.
5. Philip Bromiley, Michael McShane, Anil Nair, and Eldar Rustambekov. "Enterprise Risk Management: Review, Critique, and Research Directions." Long Range Planning, Vol. 48, No. 4, 2015, pp. 265–276.