FINANCIAL RISK MANAGEMENT

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ABSTRACT

In every organization the managing of risk is significant function. Every company or every main threat is to overcome the risk because this is not an easy task. For the purpose of growth and for sustainability the company has to over the risk as well as every organization should have mission and vision so that for reach their objectives they have to manage the risk. Risk may occur by lack of strategic management. Management is a combination of functions those are planning, organizing, staffing, controlling, budgeting weather the company fail to perform all this functions obviously will face the risk. The risk management is way to success of the company in order to overcome the risk. The organization has to follow some policies and have to take some safety measures.

By adopting some safety precautions the company can fight with risk. Risk is consists of uncertainty conditions and which can show negative impacts on the company we can’t predict the risk but we can reduce the risk impact. Through the prevention of programs that is future Unpredictable no one can’t guess.

For example

By adopting good driving habits were helmet and by having of safety precautions we can reduce the impact of accident as well as the lives of human being. That is the importance of risk management in order to reach the ultimate goal of the respective organization.

Keywords: Safety measures, Strategic management, Growth and sustainability, Predictable uncertainty conditions.

I. INTRODUCTION

Financial risk management is the practice of economy value in a firm by using financial instrument to manage exposure to risk. The etymology of the world risk can be traced to the Latin word “RESSEUM” meaning danger at that which cuts. Managing business in highly volatile environment is like navigating a ship on stormy seas. A modern business is confronted with many risks, some of which are basic that is loss of property due to natural calamities civil unrest etc. And some are strategic. Strategic risk may manifest themselves in several ways. A firm has a strategic exposure to changes in foreign exchange rates or interest rates or commodity prices impacting the expected value or the real cash flows of the firm similarly changes in price of financial assets in the capital market can have an adverse impact on the value of firm just as the danger of capsizing is ever present for a ship in turbulent weather a firm I just as likely to “go under” due to frenzied price changes.

“Risk management is recognized as an integral part of good management practice”. It is an interactive process consisting of steps, which, when undertaken in sequence, enable continual improvement in decision making. Risk management is the term applied to a logical and systematic method of establishing the context, identifying, analyzing, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organizations to minimize losses and maximize opportunities.
II. MEANING

Risk is the potential of gaining or losing something of value. Values (such as physical health, social status, emotional well-being, or financial wealth) can be gained or lost when taking risk resulting from a given action or inaction, foreseen or unforeseen (planned or not planned). Risk can also be defined as the intentional interaction with uncertainty. Uncertainty is a potential, unpredictable, and uncontrollable outcome; risk is a consequence of action taken in spite of uncertainty.

III. DEFINITION

Risk implies future uncertainty about deviation from expected earning or expected outcome. Risk measure the uncertainty that an investor is willing to take is to realize again from investment.

IV. METHODOLOGY

We done conceptual paper. The total information which we collected from different secondary sources as well as our own knowledge on this particular topic.

Secondary sources consist of Online websites, and journals, books and etc.

V. OBJECTIVES

- Smooth running of the business. And to overcome the threats.
- For the purpose of growth and expansion of the business.
- To face uncertainty conditions and to fight against them.
- Find ways to identify and evaluate risks.
- To develop effective strategies and plans, for the sake of organization.

VI. FINDINGS

- Effective strategies, commitments are highly required to overcome the risk.
- Critical analysis is needed to find the root cause of the problem.
- By recruit experience and effective employees to handle the risk.
- Manage the risk is depend upon the nature of the and size of the firm.
- Individual and team efforts should be required to overcome the risk because single person can’t do anything.

VII. SUGGESTIONS

- Better to invest on guilt hedge securities (government securities, bonds). There the investor can reduce the risk because government provides fixed proportion of interest for securities.
- Investor has to adopt diversification. (is the process of selecting a variety of investment within each asset class to help to reduce the risk.
- By do the Fundamental analysis of a stock, the investor can know which one is good to buy.
- Don’t invest in hazard companies, which have a negative impact on society and the environment.
- The investor should be the preference share holder, because the companies have to pay fixed proportion of dividend.
- By conduct the valuation of portfolio frequently for better decision making.
- However the investor has be cautious on his portfolio.

VII. CONCLUSION

Developing a suitable financial plan to meet risk management objectives is the final but crucial step in risk management. It involves deciding how much of pure risk should the company retain and how much should be transfer to an insurer. all companies will purchase some insurance. But the amount will very depending on the nature and the needs of each organization. The goal of risk finance is have enough funds available to sustain potential lose so that the organization can continue to function and maintain a reasonable level of earnings.

Risk management is an integral part of corporate planning. It envisages a systemic approach for identification, Measurement and control of variety of risk faced by an organization. It continues to grow in importance and complexity.
one reason is that the top management becoming more cost conscious and more aware of how sound risk management help to minimize expenses. Other reasons for the rise of risk management are several that create new exposure or expand or complicate existing ones.

EX :- inflation social forces such as raising crime rates and claim consciousness, mergers and acquisitions that concentrate more property and activities under once ownership, legislation such as consumer protection act 1986, etc. If deregulation creates volatility, it also equips the finance executives with a tool kit, particularly hedging instruments to manage it, they are learning to cope with a rapidly changing environment with hedging strategies which would provide buffers to the bottom line.

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