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STRATEGIES FOR MINIMIZING THE RISK OF BANKRUPTCY OF THE ORGANIZATION

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Abstract

In times of economic crises and unstable market conditions, companies face many factors that exacerbate their financial vulnerability. Currency volatility, lower consumer demand and higher cost of credit resources create additional financial burdens on organizations. debt default and inability to maintain normal operations. Moreover, the bankruptcy of one company can cause a chain reaction, affecting its counterparties. Thus, the bankruptcy of even one organization exacerbates crisis phenomena, increases systemic risks and threatens both individual sectors of the economy and the economy as a whole. This necessitates the development of strategies to minimize the risk of bankruptcy of economic entities.

Keywords: bankruptcy of an organization, financial risks, risk minimization strategies, risk management, financial management, organization, microeconomics

I. Introduction

In economic science, bankruptcy is considered as a process during which an enterprise loses its solvency and cannot continue its activities without the intervention of external structures - creditors, insolvency practitioners or third-party investors. Bankruptcy is the final stage of the financial crisis of the enterprise, in which its liabilities significantly exceed assets, which leads to the impossibility of independent restoration of financial stability. As a result of bankruptcy, there is a redistribution of property and resources, which can significantly affect the socio-economic situation of the company's employees. The bankruptcy of large enterprises leads to a sharp reduction in jobs, a decrease in tax revenues to the budget and a deterioration in the socio-economic situation of the regions.

The factors of bankruptcy of an organization can be divided into two large groups: external and internal. External factors of bankruptcy of an organization are a set of macroeconomic, political, legal, social and market conditions that do not depend on the activities of the organization itself, but have a significant impact on its financial stability and ability to fulfill obligations to creditors. The classification of external factors is presented in Fig.1.

Thus, the financial condition of the organization is most influenced by macroeconomic factors - economic cycles, inflationary processes, fluctuations in exchange rates, the state of international trade and the availability of external financing. An economic recession reduces the purchasing power of consumers and slows down capital turnover, which negatively affects the company's earnings. Inflation increases the cost of raw materials and labor, and instability in foreign exchange markets increases the cost of imported goods and services. International sanctions and trade barriers limit the access of economic agents to the necessary resources, technologies and markets, which can lead to their bankruptcy.

EXTERNAL FACTORS OF BANKRUPTCY OF THE ORGANIZATION

Economic factors
- Economic crisis
- High inflation
- Currency volatility
- Changes in the key rate of the Central Bank
- Instability of financial markets affecting access to credit resources

Political and legal factors
- Political instability
- Changes in legal regulation and taxation
- International sanctions
- Changes in the Bankruptcy Law

Social factors
- Deteriorating demographics
- A sharp change in consumer preferences
- Rising unemployment affecting purchasing power and demand

Technological factors
- Rapid development of technology, leading to the obsolescence of the company's products and production facilities
- Inaccessibility of modern technologies or high costs for their implementation

Industry factors
- Increased competition in the market, reducing the market share of the company
- Dumping by competitors
- Emergence of new players, mergers and acquisitions in the market

Force majeure factors
- Natural disasters (earthquakes, floods, fires)
- Epidemics and pandemics such as COVID-19
- Wars, strikes and other force majeure circumstances

Figure 1: *External factors of bankruptcy of the organization*

II. Methods

Political and legal factors play a key role in shaping the environment in which business operates, and significantly affect the likelihood of bankruptcy risks. Frequent changes of power, political conflicts, social unrest or coups d'état can create an unfavorable environment for doing business, which leads to a reduction in investment, a decrease in confidence from international partners and, as a result, an increase in the risk of bankruptcy. The impact of political instability is particularly strong in countries with irregular legislative processes and poorly developed property rights protections.

Demographic changes (population ageing, migration processes) create imbalances in labor markets, complicating the search for skilled labor and changing consumption patterns. A decrease in demand for specific goods and services, transformations in consumer behavior can lead to a drop in company revenues. Social tensions also lead to lower economic activity and increased risks for businesses, especially in sectors sensitive to fluctuations in demand. The rapid pace of technological change creates risks for companies that do not have time to adapt to new conditions or ignore the implementation of innovations. For example, the development of innovative technologies and products leads to the displacement of traditional products, turning the current business model of the company into outdated and unprofitable. Many companies do not have enough funds to finance R&D and are forced to leave the market. Economic entities investing in innovative technologies may also not receive the expected results, which leads to a shortage of liquidity.

III. Results

Natural disasters, epidemics, man-made accidents, military conflicts, economic sanctions and other force majeure circumstances disrupt normal business processes, causing disruptions in supply chains, destruction of infrastructure and production facilities, as well as a sharp reduction in demand for goods and services. Thus, the COVID-19 pandemic has led to mass bankruptcies of organizations operating in the field of tourism, retail and catering due to the restrictions imposed and changes in consumer habits. Companies that do not have sufficient financial reserves or mechanisms to adapt to such circumstances are on the verge of insolvency and are forced to cease their activities.

The risks of bankruptcy of an organization are also influenced by internal factors related to its production, financial, marketing and other subsystems (Fig. 2).

INTERNAL FACTORS OF BANKRUPTCY OF THE ORGANIZATION

Operational factors
- Inefficient business processes
- High transaction costs
- Outdated production facilities and technologies
- Poor quality of supply chain management

Managerial factors
- Inefficient management system
- Lack of professional competence among managers
- Ineffective risk management
- Conflicts between owners

Financial factors
- Improper Cash Flow Management
- Excess debt burden
- Poor investment planning
- High dependence on borrowed funds

Marketing Factors
- Mistakes in choosing a product promotion strategy
- Reassessment of the company's ability to enter new markets.
- Loss of customer base
- Incorrect market positioning

Personnel factors
- High employee turnover
- Poor-quality organization of work
- Low qualifications or motivation of employees
- Conflicts in the team or between departments

Legal factors
- Errors in maintaining legal documentation
- Breach of contractual obligations
- Improper accounting and tax sanctions

Figure 2: *Internal factors of bankruptcy of the organization*

Thus, the operational factors of bankruptcy are associated with shortcomings in the organization of the company's main business processes.

Managerial factors of bankruptcy are associated, first of all, with incompetent management and lack of strategic vision.

Marketing factors of bankruptcy are associated with the wrong positioning of the company in the market, unsuccessful marketing strategies and the inability to adapt to market transformations.

The legal factors of bankruptcy may be errors in the conduct of contractual work, violation of tax legislation, lack of intellectual property protection or conflict situations with counterparties. In addition, insufficient legal protection of assets, as well as mistakes during reorganization, exacerbate the crisis situation and lead to the bankruptcy of the company. A comprehensive

understanding of external and internal factors of bankruptcy allows you to develop effective strategies to minimize their impact on the organization.

IV. Discussion

The first stage in any strategy for preventing the bankruptcy of an organization is the diagnosis of financial risks. The main source of information for assessing the financial condition and risks of the company is the data of accounting (financial) statements. The most common diagnostic method is the study of financial ratios of liquidity, financial stability, profitability and business activity

Strategies for minimizing the risk of bankruptcy are a set of measures aimed at strengthening the financial stability of the company, increasing its competitiveness and adaptability to changing external and internal conditions. The main goal of these strategies is to reduce the likelihood of crisis situations and prevent possible threats of bankruptcy. In today's highly uncertain economic environment, the successful implementation of these strategies can ensure the long-term stability of the company. The avoidance strategy is the organization's deliberate refusal to participate in operations, projects and partnerships that have a high level of uncertainty or potential losses. This approach avoids an unexpected deterioration in the financial situation, especially in conditions of economic uncertainty. A key element of the evasion strategy is a cautious attitude to attracting borrowed funds, investing current assets in forms that are difficult to implement, as well as participating in projects with uncertain profitability. Organizations that adhere to this approach focus on maintaining liquidity, reducing the debt burden and increasing financial stability. They prefer to cooperate with trusted counterparties who have a stable financial position and a positive reputation in the market. Analysis of financial indicators, research of market trends and assessment of possible risks are of key importance in making decisions on the choice of partners and projects.

Thus, the risk avoidance strategy allows them to reduce the likelihood of crisis situations and maintain stable functioning even in the face of adverse external influences. It should be noted that focusing exclusively on the risk avoidance strategy hinders active development and increase in market share, which has a negative impact on the organization in the long term. Therefore, in a market economy, there are mechanisms for transferring certain financial risks to other business entities using factoring, suretyship, insurance and other methods.

To reduce the risk of bankruptcy, companies can use various strategies, including avoidance, transfer, localization, diversification and compensation of risks. As part of a unified crisis management system, companies develop individual approaches to risk management that allow not only to avoid bankruptcy, but also to ensure sustainable growth in the face of uncertainty.

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