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COMPARISON OF THEORETICAL VIEWS ON THE EMERGENCE OF HIGH RISKS IN BUSINESS

***Summary.** One of the most difficult issues in the post-pandemic period, bringing the business sector to the pre-pandemic situation or to a positive trend line has become one of the main goals of the countries of the world. Of course, this situation and the economic reforms carried out are completely different from each other. If we take a general look, risks in business move with increasing and decreasing tendency due to internal and external political and economic processes. Various theoretical approaches to this problem have proven that the risks arising in the business sector are seriously dependent on ineffective state regulation, lack of healthy competition in the market economy, delays in innovative reforms, occurrence of unexpected natural disasters, lack of resources that have a certain impact, and the effects of ineffective legal acts. Although economists put forward different assumptions about the occurrence of high risks in business, there are also common opinions on some issues. According to most economists, the collision of protectionist and liberal approaches in the organization of business is a very serious issue caused by the failure of governments to find an "effective middle ground". It can be said that the difficulty arises during the correct application of expansionary and contractionary fiscal and monetary policies by countries.*

Key words: *business sector, market economy, government regulation, economic reforms, foreign trade, minimum wages, internal and external risks, economic potential.*

Statement of the problem. Nowadays the governments usually prefer liberal-oriented economic reforms, reduces the tax burden in the business sector, and softens the legislation in this area, it will serve the business sector, especially the benefit of local and foreign entrepreneurs. This issue alone should not be considered here. Reducing the time spent on customs documentation in foreign trade, legal changes, regulating the licensing process in important economic spheres that serve the growth of the annual gross domestic product in accordance with the interests of entrepreneurs should also be considered separately.

There are few issues where the private sector is not allowed to show itself in the vital spheres of the country. This is more evident in the oil and gas industry and the utility sector. Thus, some countries see these areas in the hands of various free business entities as a means of domestic economic threats that may occur in the future. The main issue here is how effective this step is for the country or what the maximum share of the private sector can be in the management share. For this, a separate economic study and serious econometric calculations should be carried out. In some countries, lower-than-potential minimum wages can exacerbate ineffective government regulation of business. Long-term stability of the minimum wage or uncontrolled growth of the unemployment rate have a major negative impact on workers in the private sector. Difficulty in living standards, massive layoffs in companies will lead to the collapse of the market economy. Here, effective social policy - state intervention in the economy will be required by governments. In recent years, especially after the pandemic, the rapid arming of the countries of the world, and most importantly, the increase in military expenses due to the reduction of expenses allocated to important areas for society, is a serious concern. Some economists agree that it is of great importance because

of its impact on growth and on the macroeconomic variables [6]. In history, several countries can be cited as examples of achieving economic growth by minimizing military expenditures. One of them is Japan. Western countries pressured Japan to reduce military spending to zero after World War II. In fact, this step was normal for that time, because Japan, as a defeated country, had really caused serious damage in a number of places. Taking advantage of the lack of military spending, the Japanese government began to rapidly increase education spending, which was unusual for the time, in order to rebuild the local infrastructure. The government's long-term forecast came true. By the end of the 20th century, this country has become the main think tank in East Asia, and the business sector has diversified due to qualified personnel. The country has turned from a capital importing country to a capital exporting country. State support in the business sphere has been increased and this economic support has still maintained its effectiveness.

The most negative effects on the economy of the rapid increase in military spending are currently visible in Greece. Greece, which ranks 2nd in the world and first in the Eurozone in terms of the share of public debt in GDP, instead of reducing the economic recession, is constantly increasing its military expenses. During 1960–2014 an annual average of 3.9 percent of GDP was allocated to defense by Greece [4]. Entrepreneurs suffer the most from the crisis of the Greek economy nowadays. Some studies seek answers to certain questions. For example, the following question is asked: Do positive growth externalities from military activities exist in countries where the human capital/worker ratio (or alternatively, the physical capital/labor ratio) in the military sector exceeds that in the overall economy? [1] and etc.

One of the other issues is wrong socio-economic policy of the states. Ineffective social reforms or improper distribution of social costs make the market economy difficult. The uneven distribution of the employment level among the regions of the country, the sudden increase in unemployment in large cities, and

the migration of qualified personnel to other developed countries create a shortage of effective workers in the business sector. The entrepreneur is forced to bring qualified personnel to the country at the expense of high wages. For small and medium-sized businesses, this is even more dire, as they have limited sources of income compared to multinational corporations. No matter how effective the business plan in companies is, because of this reason, after a while, growth weakens and sometimes they start working at a loss. In such a situation, in order to reduce unemployment, the state should take the social policy in a protectionist direction at a level that will not disturb business subjects too much. The ineffective influence of the state on the economy exacerbates inflation. The increase in inflation and the significant loss of value of the local currency compared to others shakes the business sphere as well. There are always many people who gain from the depreciation of the local currency. For the first time since the pandemic, entrepreneurs in the tourism sector in Turkey have received billions of dollars in income at the expense of foreign tourists. Although a number of countries have started to promote tourist policies, this does not always have a positive effect and does not fill the budget.

Lack of healthy competition in the business environment. It is important to create a healthy competitive system in the business sector. Although competition in the business sector is favorable in Western countries, countries such as Japan and Australia, the same can be said of most Asian and African countries. The influence of various political and economic factors in ensuring healthy competition is undeniable. If we look at the history of some countries with unfair competition and extreme monopoly, we can find a long history of colonization there. Due to the fact that a stable business environment has not been created for many years, perhaps even centuries, such countries still face difficulties when they enter the foreign market. Some of them do not meet the requirements of the World Trade Organization or refuse to fulfill the existing conditions. The reason for their departure from the conditions is that monopolistic

systems always exclude independent economic subjects from the existing market where they already operate. These or some other factors hinder the development of the business sphere in the mentioned countries and multiply the risk of small business losses after the first months. The long-term repetition of this situation is related to gaps in the legislation of some countries. In order to reduce all possible risks in the business sector, the legal system must ensure its effectiveness and have the potential to immediately eliminate any shortcoming in the future. Artificial monopoly in the market economy is a constant threat to liberal reforms. Monopolistic companies unfairly prevent innovative new small business entities from entering the consumer market with misleading advertisements and standard marketing strategies. In general, in countries where more than 80 percent of the domestic production-oriented sphere is monopolistic companies, in order to create a business environment based on healthy competition, at least governments should have more than 10 strategic-economic lines covering various fields, and sustainable and long-term reforms should be carried out. These reforms should be more political in the first years, and socio-economic in the later stages.

The constant delay of innovation in the business sector. In fact, the business sector is always dynamic. It is on the move and open to innovation. However, there are points that are overlooked here. To what level can innovative innovations in minimizing risks in the business sphere be effective in maximizing profits? As an example, there are areas where human labor is still indispensable in the production process. This is more evident in South and Southeast Asian countries. In these countries, they attach more importance to manual labor in order to make the production process sustainable in light industry and agriculture, and to keep unemployment at a level. The lower wages paid by entrepreneurs and the production of more goods and services, of course, constantly increase their income. Some of these entrepreneurs have taken innovation-oriented steps and organize the introduction of new technologies, but in some cases they also face state intervention. Because the new production technology applied often replaces

the effects of human labor and lower costs and fewer defects occur in the production process. Employee reduction reduces the internal financial burden of the enterprise and begins to transfer the obtained profits to more efficient places. Of course, there is also the issue of increasing savings, and innovation-oriented business entities want more capital to move.

In modern times, the application of artificial intelligence in the production process is inevitable. Although, as we said above, the strengthening of the robot economy in the business sector is not equally welcomed by all countries. For some countries, maintaining a stable level of employment is vitally important, because such countries are already experiencing an economic crisis, and a monopolistic class has formed in most of their fields. This is not the only nuance that is feared. All studies show that increasing the share of artificial intelligence in the market economy can increase the migration of middle-skilled young people abroad. So, in order to manage the applied robotic technology in the production process, large companies bring specialists who know exactly this work to the country, even at the expense of high salaries. The growth of this social curve inevitably affects the business sector as well. Because, at certain times and conditions, especially during this pandemic, which has become more evident with the closure of borders, large companies have to rethink their staffing to optimize their income.

Companies have to adapt to each period's own demand to insure against internal and external risks. One research shows that radio, television, and communications equipment, computers and office machinery production are higher risk factors in new business [2]. Another tells companies aspiring to achieve radical innovations often must make risky leaps [3]. Long-term repetition of a non-innovative marketing strategy in the market for goods and services will lead to diminishing returns after a while. In large companies, this is mostly in the hands of professionally qualified personnel and they can regularly react to changes in the market situation. Small companies have significantly less innovative personnel than large companies. They often take innovative steps only

based on the personal interests and thoughts of the management team, or partially. Already, large multinational corporations are implementing an effective marketing strategy taking into account the post-pandemic conditions.

In the post-pandemic environment, the tourism sector, which was hit the hardest, tried to retain its regular customers instead of any innovative innovations in the service market. Some countries with close borders hoped to develop domestic tourism. Tourism was hit particularly hard by the pandemic, as lockdowns restricted people to travelling around their homes and neighborhoods rather than around the world [5]. There were a certain number of countries that did not close their borders even during the pandemic and took various innovative steps to attract foreign tourists. Some have exempted foreign tourists from fees, eased or eliminated visa procedures, and temporarily exempted hotel and hotel operators from taxes. In general, such innovative steps are understandable in countries where the main share of a country's gross domestic product is formed by income from the tourism sector, and this economic strategy of governments is calculated to minimize risks in the business sector and protect entrepreneurs.

Conclusion and suggestions. The following results were obtained from the research:

- Ineffective state regulatory tools play a key role in creating high risks in the business sector. Liberal reforms are not carried out as a complex, long-term strategic line, economic balance in the business sector is replaced by recession after a point.
- Most scientific studies indicate that the high increase in military expenses in the state budget, not only in the business sphere, but in the provision of general economic well-being that ensures social balance in society, the decrease of social expenses from the budget, the decline of macroeconomic indicators, the risks of weakening the annual economic growth rate of the country's economy as a whole.

- Exacerbation of inflation, uneven distribution of the level of employment in the country by regions increases the risks in the business sector immensely after a while.
- The dominance of monopolistic companies in the business sector of most developing countries narrows the scope of independent activity of small and medium-sized business subjects inclined to innovation, and increases their risk of rapid bankruptcy within the first 3 months.

The following proposals have been submitted for research:

- The fact that military expenses in the state budget exceed the expenses allocated to social, science and education, and most importantly to the economy is not acceptable based on theoretical research and is one of the main factors that create high risk conditions in business.
- One way to weaken monopoly business in the country is that innovative business entities based on the robot economy gain access to potential customers. Internal and external risks will be minimal in a business structure consisting of qualified personnel.

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