

Risk Management and Control of Enterprise Financial and Economic Benefits Development under the Development of Financialization

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Abstract: With the continuous development and change of financial market, the types and characteristics of risks faced by enterprises are also changing. The purpose of this paper is to deeply discuss the risk identification, evaluation and control strategies in the process of enterprise financial and economic benefits development. By combing the main risk types faced by enterprises under the background of financialization and analyzing the causes and characteristics of each risk type, this paper establishes the risk early warning index system of enterprise financial and economic benefits, which can be used to evaluate the risk level of enterprise financial and economic benefits development. On this basis, according to different types of risks, this paper puts forward specific risk management and control strategies, and discusses the key links and safeguard measures in the implementation of the strategies. The research in this paper not only enriches the theory of enterprise risk management, but also provides a useful reference for enterprise practice.

1. Introduction

With the in-depth development of global economic integration and the maturity of financial markets, financialization has become a prominent feature in the modern economic system [1]. Financialization refers to the continuous expansion and deepening of financial activities in the economic system and the increasing role of financial factors in economic development [2]. This trend not only changed the way of traditional economic operation, but also had a far-reaching impact on the financial and economic benefits of enterprises [3].

Financialization provides more financing channels and investment opportunities for enterprises, reduces the threshold and cost of obtaining funds for enterprises, and promotes the expansion of enterprise scale and the improvement of economic benefits [4]. However, financialization has also brought a series of risks and challenges [5]. With the increasing volatility and complexity of the financial market, enterprises are facing more and more uncertainties and potential risks in financial activities [6]. Therefore, how to realize the steady development of enterprises under the background of financialization has become an urgent problem [7].

The purpose of this study is to explore the influence of financialization on the financial and economic benefits of enterprises, analyze the risks and challenges, and put forward the corresponding risk management and control strategies. This is of great practical significance and theoretical value for guiding enterprises to achieve sustainable development under the background of financialization.

2. Theoretical basis of financial development and economic benefits of enterprises

2.1. The theoretical basis of financial development

The theoretical basis of financial development mainly includes financial deepening theory, financial function theory and financial development theory. These theories explain the motivation and mechanism of financialization development and its influence on the economic system from different angles [8]. Among them, the theory of financial deepening emphasizes the importance of financial market liberalization and deepening for economic development; The theory of financial function focuses on the functions of finance in resource allocation and risk management. The theory

of financial development analyzes the interaction between financial development and economic growth.

On the basis of in-depth discussion of these theories, this paper will analyze the motivation and trend of financialization development and its influence on the financial and economic benefits of enterprises in combination with the actual situation of the current financial market.

2.2. Definition and measurement of financial and economic benefits of enterprises

The financial and economic benefits of enterprises refer to the gains and benefits obtained by enterprises in financial activities [9]. These gains and benefits may come from financing activities, investment activities and financial market transactions of enterprises. This paper will combine the financial statements and market performance data of enterprises to build a measurement index system of financial and economic benefits of enterprises. These indicators will include but not limited to the profitability, solvency, operational efficiency and market value of the enterprise, as shown in Table 1.

Table 1 Index system for measuring financial and economic benefits of enterprises

Indicator category	Specific indicators
Profitability	Net profit rate
	Return on total assets
	Return on equity
	Earnings per share
Debt paying ability	Liquidity ratio
	Quick ratio
	Currency ratio
	Asset-liability ratio
Operational efficiency	Turnover of total assets
	Receivable turnover ratio
	Inventory turnover
	Working capital turnover rate
Market value	Price/earning ratio
	PB ratio
	Stock price volatility
	Market value growth rate

Description:

Profitability: A measure of an enterprise's ability to earn profits is mainly reflected by indicators such as net profit rate, return on total assets, return on net assets and earnings per share.

Solvency: Assess the ability of an enterprise to repay debts, including current ratio, quick ratio, cash ratio and asset-liability ratio.

Operational efficiency: It reflects the efficiency of an enterprise in generating income by using assets, and is mainly evaluated by indicators such as total assets turnover rate, accounts receivable turnover rate, inventory turnover rate and working capital turnover rate.

Market value: Evaluate the value of an enterprise based on its performance in the financial market, including price-earnings ratio, price-to-book ratio, stock price volatility and market value growth rate.

This index system comprehensively considers the profitability, solvency, operational efficiency and market value of enterprises, and can comprehensively evaluate the economic benefit level of enterprises under the background of financialization.

3. Risk identification of enterprise financial and economic benefits

3.1. Risk Identification

Under the background of financialization, the development of financial and economic benefits of enterprises faces many risks [10]. First of all, we need to sort out the main types of risks faced by enterprises. These risks include market risk, credit risk, liquidity risk and operational risk. In the process of identifying risks, it is necessary to analyze the causes and characteristics of each risk type. Market risk is usually related to factors such as overall market fluctuation, policy adjustment

and international economic environment. Credit risk is related to the debtor's operating conditions, credit records and guarantee measures. Liquidity risk is related to enterprise's fund management strategy, financing structure and market liquidity. Operational risks stem from poor internal management, human error, technical failure and so on. Through in-depth analysis of the causes and characteristics of these risks, enterprises can more comprehensively understand the risks they may face in the process of financialization, and lay the foundation for subsequent risk assessment and early warning.

3.2. Risk assessment

After identifying the main types of risks faced by enterprises, it is necessary to establish a risk assessment model to quantitatively evaluate the risk level of the development of financial and economic benefits of enterprises. The risk assessment model can be constructed based on historical data, market trends, industry conditions and other information, and can be used to predict the risk level that enterprises may face in the future. In the process of risk assessment, quantitative and qualitative methods can be used. Quantitative methods mainly use statistics, econometrics and other tools to process and analyze the collected data in order to obtain specific risk level values. The qualitative method is to evaluate and judge the risk subjectively by means of expert scoring and scenario analysis. Through the comprehensive application of these two methods, the risk level of the development of financial and economic benefits of enterprises can be more accurately evaluated.

3.3. Risk early warning mechanism

In order to find and deal with potential risks in time, it is necessary to design a risk early warning index system. This index system should be able to fully reflect the risk status of the development of financial and economic benefits of enterprises, including market risk, credit risk, liquidity risk and other aspects, as shown in Table 2.

Table 2 Enterprise financial and economic benefit risk early warning index system

Risk category	Specific indicators	Early warning threshold/standard
Market risk	Stock price volatility	Exceeding the industry average or a certain proportion of historical volatility.
	Volatility of raw material prices	Exceeding the expected fluctuation range or having a significant impact on the cost of the enterprise
	Influence of exchange rate changes	Exchange rate changes lead to foreign exchange gains and losses exceeding expectations.
Credit risk	Bad debt rate	Exceeding the upper limit of bad debt rate set by enterprises
	Overdue rate of accounts receivable	Exceeding the set overdue days or overdue amount ratio
	Debt default rate	The number or amount of debt defaults of enterprises or major customers has increased.
Liquidity risk	Currency ratio	Below the minimum cash ratio set by the enterprise
	Short-term debt coverage ratio	Below the set minimum short-term debt coverage level
	Inventory turnover	The turnover rate of inventory slowed down obviously, which led to an increase in cash flow pressure.
Operating risk	Number of internal control failure events	The failure of internal control leads to the increase of losses or violations.
	Number of illegal transactions	The number of transactions that violate trading rules or laws and regulations has increased.
	Information system fault frequency	The frequency of business interruption or data loss caused by information system failure increases.
Legal risk	Number of litigation cases	The number or amount of litigation cases involving enterprises has increased significantly.
	Influence of regulatory changes	Changes in laws and regulations have a significant adverse impact on the business or operation of enterprises.

The setting of this early warning indicator is based on the actual situation of the enterprise and the results of risk assessment, so as to ensure that potential risks can be found in time. In the process of implementing the risk early warning mechanism, it is necessary to explore its effectiveness and

implementation strategy. First of all, early warning indicators need to be monitored and analyzed regularly to find potential risks in time; Secondly, when the early warning index exceeds the threshold, we need to take corresponding countermeasures, such as adjusting investment strategy and strengthening fund management.

4. Financial and economic benefit risk management and control strategy

4.1. Principles and objectives of risk management and control

When formulating the risk management and control strategy for the development of financial and economic benefits of enterprises, it is first necessary to clarify the basic principles and objectives of risk management and control. These principles and objectives will guide the formulation and implementation of the whole risk management and control strategy. The basic principles of risk management and control are shown in Figure 1:

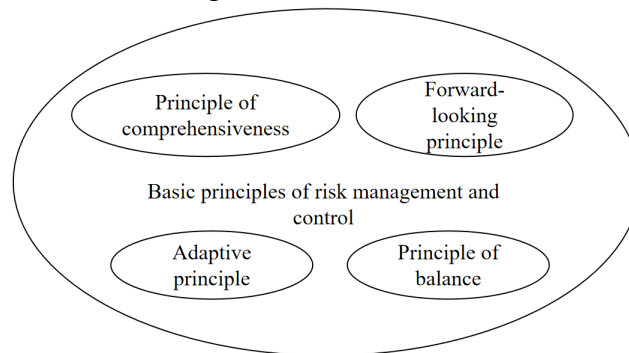


Figure 1 Basic principles of risk management and control

The objectives of risk management and control are as follows:

(1) Reduce the risk level: Through effective risk management and control strategies, reduce the risk level during the development of financial and economic benefits of enterprises and ensure the steady development of enterprises.

(2) Enhance the ability to cope with risks: Enhance the ability of enterprises to cope with all kinds of risks and ensure that they can respond quickly and effectively when risk events occur.

(3) Optimize resource allocation: Through the implementation of risk management and control strategy, optimize enterprise resource allocation, improve resource utilization efficiency, and create greater economic benefits for enterprises.

When analyzing the fit between risk control strategy and enterprise strategy and business objectives, we should ensure that risk control strategy is consistent with the overall strategy and business objectives of the enterprise, and jointly promote the sustainable development and value enhancement of the enterprise.

4.2. Risk management and control strategy design

According to different risk types, this paper designs corresponding risk management and control strategies. These strategies should be targeted and operable, and can effectively deal with all kinds of risks.

(1) Market risk management and control strategy

Diversified investment portfolio: Reduce the impact of single market fluctuation on enterprises by constructing diversified investment portfolio.

Dynamically adjust investment strategy: dynamically adjust investment strategy according to market trends and risk assessment results to reduce market risks.

(2) Credit risk management and control strategy

Strict credit evaluation: Establish a perfect credit evaluation system, conduct strict credit evaluation on debtors, and reduce credit risk.

Strengthen the guarantee measures: the debtor is required to provide sufficient guarantee measures to ensure that the loss can be recovered quickly when the debtor defaults.

(3) Liquidity risk management and control strategy

Optimize the financing structure: By reasonably arranging the financing term and financing method, ensure the sufficient liquidity of enterprises' funds.

Establish a fund reserve mechanism: set up a fund reserve account to deal with possible liquidity risks.

5. Conclusions

In this study, a series of important conclusions are drawn through in-depth discussion on the risk identification and evaluation of enterprise financial and economic benefits development and risk management and control strategies.

Firstly, this study makes clear the main types of risks faced by enterprises under the background of financialization, including market risk, credit risk, liquidity risk and operational risk, and deeply analyzes the causes and characteristics of these risks. These analyses help enterprises to fully understand the risks they may face in the process of financialization, and provide a basis for formulating effective risk management and control strategies.

Secondly, this study establishes a risk assessment model or index system, and evaluates the risk level of the development of financial and economic benefits of enterprises by combining quantitative and qualitative methods. This evaluation process not only helps enterprises to quantify the risk level, but also provides a basis for subsequent risk early warning and control.

Finally, this study puts forward the corresponding risk management and control strategies for different types of risks, and discusses the key links and safeguard measures in the implementation of the strategies. These strategies include diversification of investment portfolio, strict credit evaluation, optimization of financing structure, etc., aiming at reducing enterprise risk level, improving risk coping ability and optimizing resource allocation.

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