



THEORETICAL PERSPECTIVES ON GLOBAL ECONOMIC STABILITY AND FINANCIAL RISK MANAGEMENT

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Abstract

Theoretical approaches to managing key financial risks that threaten global economic stability are analyzed. Based on the experience of financial crises, the vulnerabilities of economic systems are identified, and the importance of monetary, fiscal, and institutional measures in ensuring stability is substantiated. Modern theories related to identifying, assessing, and managing risks — including macroprudential supervision, stress testing, and diversification strategies — are examined. The role of international financial institutions and national policymakers is analyzed, and directions for strengthening global financial stability are proposed.

Keywords: Global economy, financial risks, economic stability, risk management, macroprudential supervision, diversification, stress testing, financial institutions, policy approaches.

Introduction

In recent years, the challenges confronting the global financial system have grown increasingly complex and multifaceted, underscoring the urgent need for effective financial risk management on an international scale. The accelerating pace of economic integration, coupled with the heightened interconnectedness of financial markets and persistent geopolitical uncertainties, has significantly complicated efforts to ensure consistent global economic stability. Major events



such as the 2008 global financial crisis, the COVID-19 pandemic, and recent geopolitical conflicts have exposed critical vulnerabilities within international financial systems, emphasizing the necessity for comprehensive theoretical and practical analyses of financial risks.

Financial risks do not merely affect individual national economies in isolation; rather, they pose systemic threats that can disrupt the stability of the entire global financial architecture. The ripple effects of localized financial disturbances can rapidly propagate across borders, influencing markets, institutions, and economies worldwide. Consequently, there is a pressing need to develop robust frameworks for the identification, assessment, and management of these risks to safeguard global economic stability.

RESEARCH METHODOLOGY

This article adopts a qualitative research methodology, primarily based on a comprehensive literature review and comparative analysis. Data sources include academic journals, official reports from international financial organizations, and relevant case studies of financial crises.

The study synthesizes theoretical frameworks and practical insights to assess the effectiveness of various financial risk management strategies. The analysis focuses on identifying best practices, gaps in current approaches, and opportunities for enhancing global economic stability through improved risk governance.

ANALYSIS AND RESULTS

The analysis reveals that systemic vulnerabilities in the global financial system often stem from the interconnectedness of financial institutions and markets. This interconnectedness can trigger a "contagion" effect during crises, turning localized problems into widespread global issues. Therefore, financial risks pose threats not only to individual institutions but also to the stability of the entire system.

While microprudential measures are essential for ensuring the stability of individual financial institutions, they are insufficient to fully control systemic risks. Hence, macroprudential approaches—such as capital buffers,



countercyclical capital requirements, stress testing, and identifying systemic risks—play a crucial role in broadly stabilizing the financial system.

International financial organizations like the IMF, World Bank, and BIS play a vital role in creating standards, monitoring vulnerabilities in the financial system, and harmonizing policies among countries. According to their recommendations, national regulators must enhance cooperation and data sharing to better manage global risks.

Tools such as diversification, insurance and derivative instruments, and stress testing are widely used and have proven effective in managing financial risks. However, due to rapid changes in markets and technologies, risk management strategies must be continuously updated.

Moreover, emerging threats such as cybersecurity risks, climate change, and geopolitical instability introduce new challenges to the financial system. These risks differ from traditional ones and require proactive and well-planned responses.

The findings suggest that achieving global economic stability requires developing more integrated and comprehensive risk management systems, strengthening international cooperation, and focusing on early detection and management of emerging risks.

CONCLUSION

In conclusion, ensuring global economic stability is directly linked to the effective management of financial risks. Such management must consist of an integration of theoretical knowledge, policy strategies, and practical tools. Given the complexity of the financial system and the rapidly changing markets, a combined application of both microprudential and macroprudential approaches is essential.

Collaboration between international financial organizations and national regulators, increasing transparency, and enhancing data sharing are critical factors in improving the resilience of the global financial system. Additionally, innovative approaches must be introduced to detect and effectively manage new types of risks, including technological advancements, climate change, and geopolitical threats.



Modern risk management methods—such as stress testing, scenario analysis, diversification, and insurance instruments—combined with effective regulatory policies play a significant role in preventing financial crises. At the same time, continuous scientific research and the introduction of new methods are necessary to reduce vulnerabilities within the financial system.

Future research should focus on improving financial risk forecasting models, strengthening cooperation among regulators, and thoroughly studying the socio-economic impacts of financial risk management. Research in these areas will create a solid scientific foundation for maintaining global economic stability.

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