

ABSTRACT

Financial liquidity risk management is a critical aspect of organizational finance, particularly in an environment characterized by market volatility and economic uncertainty. This study explores the mechanisms and strategies employed by firms to manage liquidity risk, which is the risk that an entity may not be able to meet its short-term financial obligations. The researcher analyses the importance of maintaining adequate liquidity levels, the impact of liquidity risk on overall financial stability, and the correlation between liquidity management practices and organizational performance.

Through a mixed-methods approach, combining quantitative analysis of financial metrics and qualitative interviews with finance professionals, this study identifies key factors influencing liquidity risk, including cash flow management, access to credit, market conditions, and regulatory frameworks. The findings reveal that robust liquidity management strategies, such as maintaining liquidity reserves, diversifying funding sources, and employing effective forecasting methods, significantly mitigate the effects of financial shocks. Furthermore, the study highlights the role of technology and data analytics in enhancing liquidity risk assessment and management.

The results underscore the necessity for firms to integrate liquidity risk management into their overall risk management frameworks and to adopt a proactive approach in preparing for potential financial disruptions. This research contributes to the growing body of knowledge on liquidity risk management, offering practical insights for financial professionals seeking to optimize liquidity levels and enhance organizational resilience in fluctuating markets.