

INVESTMENT RISKS IN THE CONTEMPORARY ECONOMY

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Capital investment for the investor is connected to the extreme risk. Risk is an influencing factor on the investment attractiveness of the industries of economy.

Keywords: *risk, investment, profits, investment attractiveness, management*

In modern terms investment attractiveness is associated with objective economic category of risk, which means future events. Investment risk is the risk of the project or the likelihood of obtaining a possible loss of its implementation. However, this definition is not specific enough to quantify project risk. Thus, when a loss can make full or partial return on investment receive less than the planned amount of profit, or receive income from the project less than a desired profit.

Risks are arising from the uncertainty, present presence of incomplete or inaccurate information for decision-making. Uncertainty - one of the causes of risk. When choosing a facility investment required multiplicity of future investment projects, which will assume the probability of reducing the risk of investing. Investment risks of industries are characterized by the level of uncertainty forecast profit (income) from investments.

The risk is possible only when driven economic system operates under uncertainty, and the person who makes decisions, is interested in eventually. Investment risk as category determined by the following elements: the subject of risk, object risk and a source of risk (Fig. 1).

Investment risk can be considered as the uncertainty in obtaining the total income or in receipt of the profit from investments, which calculates the investor. Subject to the risk of investing is the investor who establishes the maximum level of risk capital invested, taking into account risk assessment.

Investment activities associated with such an objective economic category, as the risk that involves future events. Investment risk is likely deviation of the actual investment return on the value of the expected: the more-changing and broader scale fluctuations of potential income, the higher the risk and vice versa. Investment risk and is considered as the risk of the project, determined the probability of receipt of possible damage from its implementation. However, this definition is not specific enough to quantify project risk.

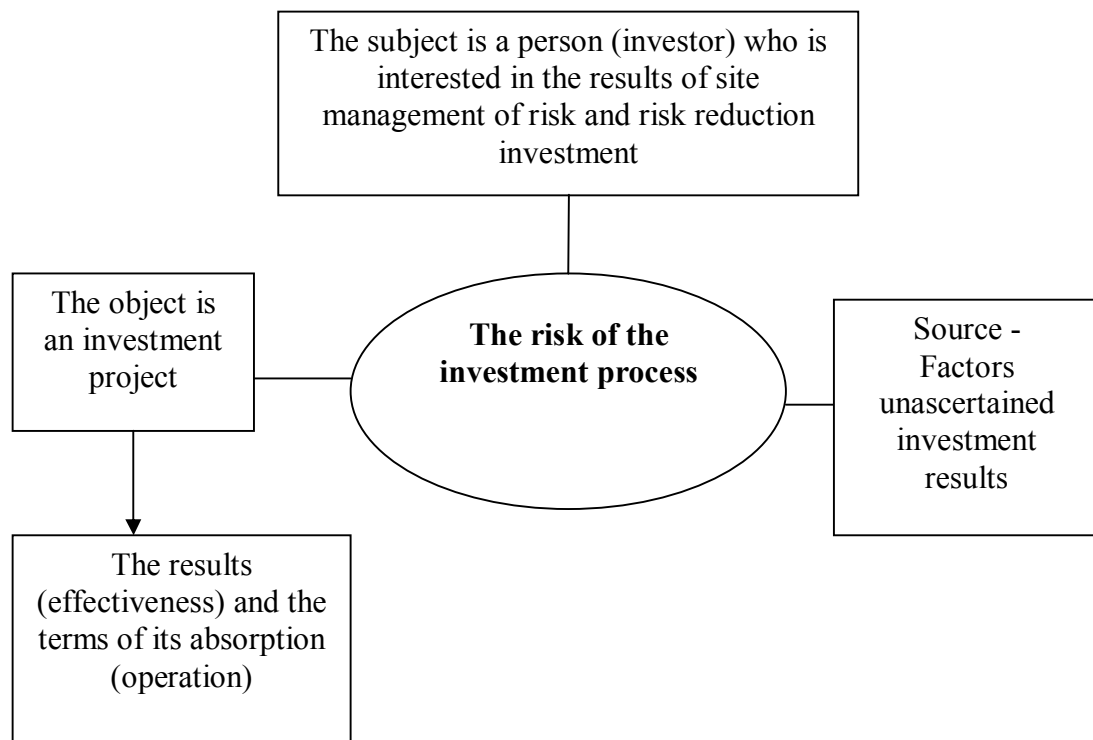


Fig. 1. Elements of risk investment

Risk describes the economic security of the state. Thus, when a loss can understand or complete or partial non-return investment, or receiving less than the planned amount of profit or receiving income from the project less than a desired profit.

Investments have a number of features that must be considered in determining the investment risk. For example, investments can have different directions, which differ as to degree of profitability, and on the degree of risk for investment performance influenced by various factors that differ both in degree of

influence on the level of risk and uncertainty, life cycle of the project can be lengthy and computing several years, it is difficult to take into account possible factors and their impact on the profitability and value of investment risk, to predict the investment risk may not have the necessary statistical information for the previous period.

The object of risk in the investment process - investment project associated with effectiveness, efficiency project under uncertainty. Reducing risk involves reducing the likelihood and extent of losses in agricultural sector. In agricultural sector agriculture is the most risky sector for investors.

The risk of investing is a factor that affects the investment appeal of industries, including agriculture. Index characterizing the degree of risk, defined as the relative magnitude. The ratio estimated maximum amount of loss to the amount necessary own resources (possible resource potential) into account exactly certain revenue funds:

$$K = \frac{\sum Y \max}{O_{ev}},$$

K - the coefficient of risk;

$\sum Y \max$ - the maximum possible amount of loss;

O_{ev} - amount of own resources (investments).

In practice, the optimal coefficient of risk is 0.3. Can define the principles of selecting a particular method of reducing the risk:

- to assess the effects of risk;
- the risk must not be greater than the amount of equity;
- not to risk more for less.

Methods to reduce risk include:

- elimination of activity containing risk;
- transfer of responsibility for the risk to another contractor;

- carrying out their own measures (control systems, security etc.) to reduce risk;
- responsibility for risk.

To select a method of reducing risk by comparing the necessary funds to reduce the risks of the contributions of preventing damage. Reducing risk depends on various methods of protection: this insurance, hedging, warranties, limitation, reserve funds, and other collateral. The sources of risk are the factors that affect investment uncertainty and favorable results. The set of methods is determined and assess the risk at various phases of project development, to find ways to reduce it and the impact on the basic parameters of the project.

Depending on the results of the risk analysis, but also on how risk-averse investor, the latter decides to adopt, amend or reject the project. For example, an investor based on their propensity to take risks, have acted in this way at risk more than 30%. If a risk or normalized expected loss is greater than or equal to 30%, for taking the project to make proposals to reduce risk.

Proposals for reducing the risk are any action to change the data can reduce the risk of not exposing the draft loss. These purposes are used:

- previously developed rules that provide for appropriate action by the other participants or other changes in the conditions of the project;
- in projects may be contained in specific methods of stabilization that protects the interests of participants with adverse changes in the conditions of the project (including in cases where this goal will be achieved is not fully achieved or not at all) and possible actions to prevent, participants put threatens its successful implementation.

In one case can be reduced degree of the risk (due to additional costs of provisioning and reserves, improvement of technology, labor organization, its seasonality, reducing the accident rate of production, financial incentives for quality improvements), in another - the risk is distributed among the participants in the form of indexing price guarantees, various forms of insurance, including harvest, a property of mutual sanctions.

Typically, the application of stabilization mechanisms in the draft requires additional costs of participants whose size depends on the conditions for arrangements, expectations and interests of participants and their degree of possible risk estimates. These costs are subject to compulsory registration in determining the effectiveness of the project. If at this stage can reduce the risk so that NEL was less than 30%, and a choice among options such project, it is better to choose one of them, in which the coefficient of variation less. If you cannot reduce the risk of the said assessment, the project is rejected.

Projects with less risk of 30% (NEL <30%) require insurance. Proposed to establish is insurance fund of a percentage of principal investment. You can accept this part of equal value the risk weight (*normalized expected loss*). If the risk is about 25%, it is necessary to provide deduction from retained earnings during the project or sign a contract with the insurance company for an amount of 25% of the principal investment and direct these funds in reserve to be used only in case critical situations, linked with climatic conditions and natural disasters, with unplanned expense of free money and other problems to normalize economic and financial situation.

Manage risk of investing by using the following functions:

- planning (forecasting) and assess risks;
- development of methods for responding to risks;
- control responses to risks.

Formation of investment attractiveness of the governance risks of investing. This art and formal methods of forecasting, analysis, evaluation, prevention, risk events, measures to reduce risk during the life cycle of the project and distribution of potential losses from risk between the project participants.

All projects and most aspects of the project are degree of risk. They may be subject to financial, organizational, social, political and other types of risk. Considering the risk factor or as a function of how the uncertainty affecting the profitability of investments, they can be operated as a kind of activity, that is use different ways to measure to predict risk and determine methods to reduce it.

The effectiveness of risk management largely depends on the systematic risks to achieving the goal. Evidence-based risk classification clearly defined place for each risk in their overall system. Each has its own risk management system and put almost all industries. It creates the opportunity for effective application of appropriate methods and techniques of risk management.

Thus, the algorithm of the method of expert risk assessment of the project includes:

- complete list of all possible risks in each phase of the project (or phase of its life cycle);
- expert determination by the importance of risk;
- ranking risks to their degree of importance for the project;
- search, the organization works to reduce risk and manage.

Depending on the outcome of the risks can be divided into two groups: pure and financial. By pure risks include natural environmental, political, transportation, manufacturing and trade. The financial or speculative risks include banking risks: credit, foreign exchange, interest, liquidity, inflation, bankruptcies and other problems related to financial and credit transactions.

On the basis of classification of investment risk developing a block diagram of risk management, which includes the sequence of actions that can maintain the necessary balance of risk, investment attractiveness and the effect on investment.

The basis of any models of risk management is a technology risk management, which is permanent and includes such elements or steps, as a statement of the problem associated with the hypothesis of nominations risk management investment, checking it for the risk based on the hypothesis defined methods for reducing risk that is reducing risk management costs, their mobility by investing investor will receive the greatest effect as a material and social.

It should be noted that for each of the investee risk factors have some significance and require individual analysis.