

EVALUATION OF INVESTMENT RISK FACTORS

The dynamic nature of the global economy necessitates a comprehensive understanding of the uncertainties inherent in the investment process. This paper aims to analyse various factors contributing to uncertainty in investment decisions. By examining the multifaceted aspects of uncertainty, we seek to provide insights into developing effective strategies for risk management and decision-making in investment activities.

In the contemporary economic environment, investments play a pivotal role in stimulating the development and growth of businesses and economies as a whole. However, the investment process is accompanied by a range of uncertainty factors that can influence the effectiveness and risk of investment decisions. These factors can be diverse, encompassing economic, political, socio-cultural, technological, and other aspects that impact the decision-making process regarding investments. Analysing the factors of uncertainty in the investment process becomes a crucial prerequisite for achieving successful outcomes and mitigating risks associated with investments. This study examines the fundamental aspects of uncertainty in the context of investments, identifying key factors that influence this process. Within the investment process, there exists a series of uncertainty factors that can impact the performance and risk of investment decisions. It is crucial to conduct an analysis of these aspects to understand their influence and develop corresponding strategies for risk management. Several key factors contributing to uncertainty in the investment process include:

1. **Economic Uncertainty:** Changes in economic conditions, such as fluctuations in currency exchange rates, shifts in inflation levels, or changes in interest rates, can introduce uncertainty for investment projects. It is important to consider these factors and analyse their potential impact on the financial outcomes of the project.

2. **Political Uncertainty:** Changes in the political environment, including legislative alterations or political instability, can affect the conditions of investment and the operation of businesses. Analysing political risks helps in understanding potential consequences and developing strategies to manage these risks effectively.

3. **Technological Uncertainty:** Rapid technological progress and the emergence of new innovations can create uncertainty for investment projects.

Analysing technological risks allows for the assessment of potential benefits and losses from adopting new technologies and developing strategies to manage these risks.

Taking into account these uncertainty factors, investors and managers should focus on conducting thorough analysis, risk assessment, and the development of strategies for their management. This contributes to risk reduction and increases the likelihood of success in the investment process.

A central component of any business activity is achieving expected economic benefits and enhancing economic potential through the implementation of investment projects. Every decision to undertake an investment is based on an assessment of the financial condition, as well as the justification for inclusion in investment activities and the determination of the extent and sources of funding. Informational foundations, such as an investment project or the results of project expertise, are utilized to make decisions regarding the inclusion of a project in the investment portfolio, commencement of its implementation, and ongoing monitoring of the implementation process. Investment analysis is an essential component of investment management.

Investment analysis comprises a set of methods and practical approaches used for the development, justification, and evaluation of the profitability of investment projects. It plays a crucial role in the process of making effective decisions by investors.

The methods and techniques of investment analysis are employed for an in-depth examination of phenomena and processes in the investment sphere, leading to the formulation of recommendations. This process integrates procedures and methods aimed at proposing alternative solutions to project planning and investment tasks, identifying the level of uncertainty for each, and comparing them based on various efficiency criteria.

Investment analysis is a dynamic process occurring on two planes – temporal and substantive. In the temporal plane, activities are undertaken to foster the development of investment projects from the inception of an idea to their completion. On the substantive plane, the analysis and development of investment decisions occur in various aspects. Key aspects of investment analysis include:

1. **Economic Environment:** Assessing the economic state and trends influencing the investment project.
2. **Definition of Investment Goals and Objectives:** Clearly formulating the purpose and objectives of the investment project.
3. **Investor Plans:** Developing marketing, production, financial, and organizational plans for the investment project.
4. **Technical Project Base:** Evaluating the availability and condition of technical resources for project implementation.

5. **Social Significance:** Considering the project's impact on society and the social sphere.

6. **Environmental Safety:** Assessing the project's impact on the natural environment and compliance with ecological norms.

7. **Financial Stability:** Analyzing the financial stability of the project and its fundraising capabilities.

8. **Project Management:** Organizing effective management of the investment project.

9. **Risk Factors:** Analyzing investment risk and developing strategies for risk management.

10. **Performance Indicators:** Defining key indicators characterizing the project's efficiency.

11. **Evaluation of Participants and Project Managers:** Analyzing the competencies and experience of participants and project leadership.

Investment analysis assists investors in making informed and advantageous decisions, contributing to the increased efficiency of investment management and the avoidance of unprofitable projects.

All the aforementioned aspects must be carefully examined and developed during the preparation of an investment project. They should be taken into account during project analysis and decision-making regarding investment, as well as professionally monitored throughout the entire project implementation process, regardless of whether it concludes successfully or leads to its termination.

Achieving tangible results in the field of investments is the main goal of investment analysis. However, investment analysis faces the challenge associated with uncertainty, leading to risks. Risk is a critical concept arising in any human activity. It is uncertain, multifaceted, and complex.

For a better understanding of this concept, let's consider its formation. Certainty is a situation where all necessary data for calculations are known. Uncertainty (or incompleteness) is a situation that can lead to ambiguous results and becomes a source of risk. In financial operations, another aspect arises under conditions of uncertainty – riskiness. Uncertainty denotes the incompleteness and inaccuracy of information regarding the internal and external conditions of project implementation, which may lead to unexpected events with unknown characteristics. The concept of risk can be defined in various ways in economic literature: 1. Risk is the possibility of an undesirable event occurring [1]. 2. Risk is the possibility of an undesirable event happening [2]. 3. Risk is the danger of a possible probability of resource loss or failure to achieve income compared to the forecasted scenario [3]. 4. Risk is the possibility of resource loss or failure to achieve income compared to the anticipated scenario [4]. 5. Risk is the possibility of an undesirable event occurring, associated with various types of losses [5].

All these aspects of investment risk demand careful forecasting and analysis of the conditions and environment in which investment activities take place. Clear investment analysis helps mitigate risk and make better investment decisions.

Consequently, through the examination of uncertainty factors in the investment process, it has been identified that risk is an integral component of investment activities. Risks are associated with the possibility of undesirable events and losses arising from uncertainty in economic, financial, political, and other factors. For successful investment management, it is crucial to conduct a detailed analysis of these factors and develop appropriate strategies for risk management. Investment analysis assists investors in making informed decisions and reducing potential losses, contributing to the enhanced efficiency of investment activities.

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