Ihor Vinichenko, Doctor of Economic Sciences
Dnipro State Agrarian and Economic University
Dnipro, Ukraine

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IMPROVING THE CLASSIFICATION OF RISK MANAGEMENT METHODS

Under conditions of instability of business activity, there is a constant need to make scientifically based practical decisions on its effectiveness. Risk is an important component of business operations. It is generated by uncertainty, absence of sufficient information about an event or phenomenon and inability to correctly predict the development of events. The main tasks when making management decisions are to consider risk, manage risk, reduce it to acceptable limits, minimize possible negative effects and increase the risk protection of production.

No one approach to the classification of risk management methods is common in the economic literature. Summarizing the results of the scientific research, it can be noted that the risk management methods used by risk managers of companies to manage risks include risk minimization; risk control; risk reduction (insurance, hedging, outsourcing); risk reduction (diversification, introduction of limits; formation of reserves and reduction of time spent in dangerous areas). It should be noted that the choice of risk management methods aims to minimize possible losses in the future by choosing a rational way to reduce risk: risk retention; risk transfer; risk avoidance; risk prevention; risk reduction; risk diversification; self-insurance; hedging [1; 2].

Each of the risk management methods is used in different cases. A number of risk management methods are often used at the same time:

− risk avoidance involves the complete avoidance of activities that represent a potential danger. This method has limitations in its use, as it requires not only the rejection of certain risk-related activities, but also the future benefits associated with them. By avoiding risk, we lose potential income;

− risk mitigation involves reducing either the amount of possible loss or the probability of unfavorable events. This can be done by increasing safety precautions or by restricting (limiting) risky activities. Asset diversification and hedging are forms of reducing the risks related to

investments. Investing in information is one of the ways to reduce risks, because the higher the knowledge of risky activities, the lower the uncertainty becomes;

- risk acceptance. This method involves being in the risk zone. Even if there is no reduction, avoidance or transfer of risk, it is still accepted. This method can be used to create self-insurance funds or risk funds. In addition, this method includes actions to attract loans and borrowings to compensate for losses on reproduction of production, as well as obtaining government subsidies. Risk acceptance is effective for risks that do not pose a significant financial threat. However, if own funds are not enough to cover a large risk, then it is necessary to try to attract other ways to manage this risk;
- risk leveling is the process of neutralizing the negative impact of risky operations by taking measures that ensure a favorable result or by distributing losses among business risk entities. Risk leveling requires insignificant costs and is an integral element of a business entity's business activities. Depending on the content of the measures taken, a distinction is made between risk equalization in space, time and risk diversification;
- risk transfer (risk insurance). This method transfers financial risk to a third party while maintaining the existing level of risk. These methods include insurance, financial guarantees, powers of attorney, etc. It can be implemented by including special clauses in the text of documents (agreements, contracts) that reduce personal financial liability in the event of unforeseen events.

All preventive measures are divided into events. The first ones are planned and implemented in advance, while the second ones are taken after the unforeseen event has already occurred. The first includes insurance, self-insurance, preventive organizational and technical measures, legal, contractual and other risk transfer measures. The second includes obtaining funds to eliminate losses in the form of financial assistance and loans. Some risk retention and transfer measures are essentially financial mechanisms and have no impact on the frequency of undesirable events and the extent of losses until they are covered [3; 4; 5; 6; 7].

Risk sharing is also a form of risk transfer. The greater the number of persons involved in risk distribution; the less negative effects will be manifested. When choosing the necessary method of risk management, the following requirements should be observed: always foresee the effects of the risk; do not take risks that exceed your own capital; do not risk a lot for a little; do not assume that there is always only one way to solve a problem

(there may be others); positive decisions should be made only in the absence of doubt; if in doubt, it is better to make a negative decision.

The authors interpret risk management techniques and methods in different ways, which does not allow us to identify the main criteria for their division into groups. We offer the author's classification of risk management methods. *Ways to eliminate the risk*: can avoid, leave or transfer the likely risks; *risk reduction measures:* directed at reducing the likelihood or amount of damage from the occurrence of a risk; *methods of risk compensation:* provide compensation for losses from the occurrence of a risk. But the use of these methods of farm risk management is limited by certain economic factors.

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