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Methods for identifying and mitigating investment project risks

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ABSTRACT

The purpose of identifying risks in investment projects is not only to determine which risk areas exist for a specific project, but also to assess the significance of these risks for the project, that is, the probability of their occurrence and, accordingly, their more serious consequences for the success of the entire project.
Investment risk is a component of general financial risk and represents the probability of financial losses, loss of at least part of the investment, non-return of investment or additional investment costs. In general, the nature of investment risk can be classified according to various criteria.
In the process of qualitative analysis of project risks, it is important to study the causes of their occurrence and the factors affecting their dynamics, which is associated with the description of possible damage from the manifestation of project risks and the assessment of their value.
Quantitative analysis of the assessment of the effectiveness of project risks is carried out mainly using tools from the theory of probability, mathematical statistics and the theory of operations research.
The author of the article identifies ways to reduce risks in investment projects in terms of financing, examines risk management methods, and compares the effectiveness of two investment projects (A and B) by areas of manifestation using the mean square deviation, coefficient of variation, beta (β) coefficient and expert method.

Keywords: investment projects, project risks, investment risks, standard deviation, coefficient of variation