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RISKS AFFECTING INVESTMENT ACTIVITY AND THEIR CLASSIFICATION

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Abstract:
The investment process is one of the important factors for the sustainable development and growth of the economy. Improving the investment climate, attracting investment and developing economic activity are among the priorities of any country. However, the investment process is associated with various risks, the effective assessment and minimization of which is crucial for ensuring economic stability. The economy of Uzbekistan is pursuing an active policy aimed at rapid development and improving the investment climate. A number of reforms are being implemented in the country to improve the investment climate. At the same time, the issue of effective management of economic, legal and financial risks remains an important task. The role of state policy, legal guarantees, financial instruments and technologies in this process is of great importance. In the modern global economy, factors such as economic instability, geopolitical threats, inflation, exchange rate fluctuations, the complexity of market competition, natural disasters and pandemics increase investment risks. Therefore, before investing, investors are required to accurately assess risks and develop effective strategies to reduce their impact on economic activity.

Introduction

Since ancient times, risk has been a factor in the formation of profits. According to J.B. Say and Courcelles Senais, risk is only a factor in the formation of part of the profit. 1 In the 19th century, people's willingness to take risks was explained by the fact that they led to the formation and absorption of their profits. Today, the main part of the formed profits is formed from the effective management of risk.

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The term "risk" is found in many European languages. For example, in Greek there is the word "ridsikon", which means a cliff, a peak. In Italian, the word "risiko" means danger, threat, and the word "risicare" means skillfully going over a cliff. In French, the word "risdoe" means danger, going around a cliff. Economic dictionaries indicate that risk means danger, the possibility of damage and loss, the possibility of danger or going towards danger in the hope of success.

Risk in investment activities is the uncertainty of expected results in the investment process or the risk of losing invested funds. Investors may face various risks, as economic, political, financial and market conditions are constantly changing. Properly understanding and managing these risks increases investment efficiency.

The views of economists T. Malikov and O. Olimjanov on risk are noteworthy. Although the term "risk" is translated in some Uzbek sources as "risk", "danger", "threat" and "threat", none of them, according to the authors, conveys the true meaning of the term "risk". " Risk is the possibility of [1]losses or income falling below the expected level . "

a theoretical method was used in order to analyze and draw scientifically based conclusions on the assessment of risks and the minimization of their impact in the investment process .

In order to assess and reduce the impact of risks on the profits of enterprises, it is important to classify them according to their various characteristics. Therefore, it is appropriate to classify them in order to clarify the nature and types of risks.

Classification of risks by scope: Systemic risks - risks that affect the entire economy. For example, a global financial crisis, a sharp decline in the national currency exchange rate, geopolitical situations. Unsystematic risks - risks that affect a specific company or industry. For example, the failure of a single enterprise or the dominance of a competing company in the market.

Classification by time : Short-term risks – risks that may occur within 1 year (exchange rate changes, financial crisis). Medium-term risks – risks that may arise within 1–5 years (changing market trends, technology obsolescence). Long-term

[1]Malikov T., Olimjonov O. Financial management. - T.: Academy, 1999. p. 6, p. 26

risks – risks that may arise over 5 years (changing industry structure, demographic factors).

Risks according to investment types :

Portfolio investment risks – risks that arise when investing in stocks, bonds and other financial instruments.

Direct investment risks – risks that arise when investing in enterprises or infrastructure projects.

Venture investment risks – risks associated with investing in new startups or highly innovative projects.

Investment activities are associated with various risks. By correctly assessing risks and developing strategies to reduce them, investors have the opportunity to minimize losses and receive high profits. Understanding risks and predicting them in advance is essential for investors in making effective investment decisions.

Investment risks include different levels of risk. They can be divided into macro and micro risks.

Macroeconomic risks are risks that affect the entire economy, such as government policies, economic reforms, or international developments. These risks affect the overall market or economic system, rather than a few investors or companies.

Main macroeconomic risks: Economic crises - decline of the economy, decrease in production, instability of the financial system. Inflation and deflation risks - sharp increases or decreases in prices negatively affect real returns on investments. Currency risks - devaluation or sharp fluctuations in the national currency can lead to losses for foreign investors and exporting companies. Interest rate risks - the credit policy of the central bank affects the investment process. An increase in interest rates increases investment costs and slows down economic growth. Political risks - changes in government policy, corruption, government reforms, changes in legislation affect the investment environment. International risks - sanctions, geopolitical conflicts, international trade wars or export-import restrictions. Environmental and natural disaster risks - global climate change, natural disasters (earthquakes, floods) can have a negative impact on the economy.

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Microeconomic risks are risks that affect a single company, industry, or project. These risks depend on the individual decisions and management strategies of investors.

Main microeconomic risks: Enterprise risks - enterprise efficiency, financial stability, management system, cost and profit problems. Market risks – changes in demand for products or services, competition, emergence of new market participants. Financial risks – company debt burden, financial obligations, risk of bankruptcy. Technological risks – problems with using old technologies in the production process, transition to new technologies. Supply chain and logistics risks – disruptions in raw material supply, transportation and storage problems. Legal risks – the company may commit a violation of the law or face legal disputes. Internal governance risks – imperfect decision-making, weak financial control, and low employee qualifications.

Measures to reduce macroeconomic risks: Ensuring economic and political stability. Improving tax and investment policies. Forecasting and managing currency and interest rate risks. Compliance with environmental standards and measures to protect against natural disasters.

Measures to reduce microeconomic risks: Financial planning and accurate cost accounting in enterprises. Conducting regular market analysis and increasing competitiveness. Introducing new technologies and increasing production efficiency. Improving staff skills and implementing an effective management system.

Macro and micro risks are an integral part of the investment process, and various management strategies are required to assess and mitigate them in advance. Through effective risk management, investors can protect their investments and maximize returns.

Risks arise from various sources in the investment process, and it is important to assess them in advance. Macro- and microeconomic factors, political changes, financial conditions, and natural hazards affect the stability of investments. Therefore, developing risk mitigation strategies and effectively managing them is essential for the success of investments. Investment activity is always associated with a certain level of risk. The importance of risk is that it plays a significant role in the investment decision-making process and determines whether an investment

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will be successful or unsuccessful. Investors, companies, and financial institutions can make effective decisions by assessing and minimizing risks.

Risk is important in investment decision-making for the following reasons: Impact on decision-making process – Investors should consider the risks involved before making any investment decision. Separation of profitable and risky investments – Risk analysis evaluates potential gains and losses. Capital Protection – If risks are not managed properly, the entire investment can be lost. Balance between return and risk – A high-risk investment has the potential to provide a high return, but also carries a high risk of loss.

Investors and companies use different strategies to assess and reduce risk.

Methods of risk assessment: Statistical analysis - Based on previous data, the level of risk is assessed. Scenario analysis – Investment results are projected under different economic conditions. Risk Rating – Each risk is rated for likelihood and impact.

Risks play a very important role in making investment decisions. Investors need to analyze risks in advance in order to preserve and grow their investments. If macroeconomic, financial, market and project risks are not properly assessed, investments can lead to losses. Therefore, the use of risk mitigation strategies is an important part of the investment process. Risks are always present in the investment process, and their improper management can lead to serious financial losses. Investors and business entities face the following main problems:

1. Incorrect assessment of risks . Investors often fail to assess risks correctly due to lack of information or incorrect analysis methods. Forecasting based on historical data does not always reflect the real situation. Economic and political changes have a significant impact on the level of risk.

2. Macroeconomic and political instability . Inflation and sharp fluctuations in exchange rates pose risks for investors. Changes in government policies, new taxes and legislative changes create an unfavorable environment for investment. Restrictions or protectionist policies introduced by the government create additional problems for investors.

3. Financial and market uncertainties. Changes in market conditions can lead to a sharp decline in the price of stocks and bonds. Liquidity problems - the limited

ability to quickly convert assets into cash. Increased demand for debt and credit resources makes it difficult to invest.

4. Corporate and governance issues. Ineffective management and lack of business strategy in enterprises affect the effectiveness of investments. Production and technological risks hinder the introduction of new products. Personnel problems and improper management of human resources increase risks.

A high level of risks complicates investment activities; therefore, their management is mandatory. The risk management process is essential to making effective investment decisions and minimizing losses.

1. The objectives of risk management are as follows:1. Reducing potential losses - Investors should minimize the risk of losing their investments. 2. Maintaining a balance between income and risk - Investors should control the level of risk in order to obtain high returns. 3. Ensuring the stability of business activities - Through risk management, companies achieve financial stability. 4. Adapting to state and market requirements - Rapid adaptation to legislative changes is important.

There are various methods for effective risk management:

1. Diversification- Reducing the risk of losses by spreading investments among different industries and companies. Reduce risk by investing in different countries and regions.

2. Insurance and Protection Mechanisms- Applying to insurance companies to reduce financial losses. Use of guarantee and protection funds.

3. Hedging strategies - Use of hedging instruments (forwards, futures, options) in currency, financial and commodity markets. Minimize losses by hedging with securities and assets.

4. Analysis and Monitoring- Carefully plan investment decisions through economic forecasts and market analysis. Regularly assess the level of risks and take appropriate measures.

5. Improving financial management - effective management of debt and investment balance. Budgeting and cost optimization.

6 . Adapting to the legal and political environment - monitoring changes in public policy and legislation. Use of state protection mechanisms.

Conclusions and suggestions.

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The study shows that the category of investment risk is the main one in the system of financial and economic relations, because this risk is effective management determines the high dynamics of the country's economic growth and its competitiveness.

Risk is one of the most important factors that must be taken into account in investment and investment processes. The use of new financial technologies, modern financial instruments and other factors leads to the emergence of new types of investment risks for enterprises. In this regard, since the existence of investment risks, and especially their implementation, has a significant impact on the volume of investment potential and the achievement of investment goals, investment process management should not only take into account the existence of investment risks, but also be aimed at minimizing their magnitude and consequences.

The presence of risks in the investment process is natural, but their improper management can lead to significant losses. To correctly assess and minimize risks, investors should use effective tools such as diversification, hedging, insurance, and regular monitoring. Analysis of market conditions, the political environment, and financial risks allows for reliable and effective investment decisions. Therefore, before embarking on any investment or project, its risks must be carefully assessed.

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