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PROCESS-FUNCTIONAL MECHANISM FOR INSURING INVESTMENT RISKS OF BUSINESS ENTITIES

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ABSTRACT

The relevance of the research topic is confirmed by the modern challenges that business entities face in investment activities, particularly the high risks that can negatively impact financial stability and business development. In this context, effective investment risk management becomes a crucial factor in preserving and increasing capital.

The purpose of this article is to develop a process-functional mechanism for insuring investment risks of business entities (PFM-IIRBE), focusing on structured risk assessment, management, and mitigation within investment activities. The object of the study is the PFM-IIRBE for insurance of investment risks of business entities, covering the identification, evaluation, and minimization of investment-related risks.

The research methodology relies on theoretical approaches to risk management and an examination of practical insurance mechanisms within the investment sector. To achieve these goals, a systems approach, comparative analysis, and modelling are applied. The article explores a multi-stage mechanism aimed at reducing the main types of investment risks, providing a detailed description of its stages and methods, which incorporate both insurance-based and non-insurance solutions to strengthen risk management in investment activities.

The findings provide grounds to assert that a well-structured PFM-IIRBE not only mitigates financial losses but also enhances the confidence of potential investors in investment projects. The practical value of the study lies in the possibility of applying the PFM-IIRBE by business entities to develop and implement effective risk management strategies under conditions of economic instability and high levels of overall uncertainty.

Keywords: investing activities, business entities, risks, risk insurance, insurance mechanism, risk management, investment projects, financial stability, economic instability, insurance efficiency

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INTRODUCTION

Effective risk management is a key factor in ensuring the stability and long-term success of investing activities in the modern business environment. Insurance of risks arising during the implementation of investment projects of business entities is of particular importance. Business entities engaged in investment projects face a variety of risks that can threaten their financial stability, operational continuity, and overall development. Among these risks are financial challenges such as exchange rate fluctuations, liquidity shortages, and increased borrowing costs; political risks stemming from instability, regulatory changes, or policy shifts; and legal risks, including contractual disputes and evolving legislative frameworks. In this context, insurance plays a pivotal role as a mechanism for mitigating these risks and safeguarding investment projects. The PFM-IIRBE allows for a systematic approach to minimizing the potential threats that may arise due to financial difficulties, political instability or legal problems. This mechanism not only increases the resilience of investments but also contributes to the confidence of stakeholders, including investors and partners, in the viability of such projects.

The relevance of this study is substantiated by the need to improve approaches to insurance protection of investment projects, which is an important aspect of ensuring the efficiency and safety of investments. Amid economic instability and changes in global markets, business entities need new tools to reduce risks, which becomes the object of this study.

LITERATURE REVIEW

The study builds on a comprehensive examination of various aspects related to the process of insuring investment risks, focusing on risk management theories and practices. These theories, encompassing both traditional approaches and modern innovative models, assert that while risk is an inherent part of investment activities, it can be mitigated or insured through appropriate mechanisms. A notable gap exists in the contemporary scientific literature concerning the development of specific mechanisms for investment insurance of enterprises. Instead, much of the existing research addresses a broader spectrum of topics, including managing investment risks or challenges in forming and attracting investment resources.

For example, Khurramov A., Nasrullayev A., Berdiyorova I., & Akhtamova P. (2022) emphasize the importance of taking into account uncertainties in investing activities, as their optimal management can contribute to the transition to a qualitatively new level of economic development. The issue of uncertainty can be specific since each country has its own conditions and circumstances that affect the investment attractiveness of foreign capital.

The issue of investment attractiveness and problems of attracting resources for such activities has received special attention from Ukrainian scientists. An important area in the intensification of foreign capital attraction in Ukraine is strengthening the legal framework, in particular, ensuring the rule of law and transparency of management decisions (Nechyporuk O., 2023**).** Nechyporuk O. also notes that the restoration of destroyed facilities and the creation of innovative infrastructure, such as business incubators and industrial parks, are key to attracting foreign investment. Furthermore, the attraction of foreign capital requires strengthening the legal framework, in particular, ensuring the rule of law and transparency of management decisions, as the unfinished judicial reform remains the main barrier to attracting foreign capital and achieving European integration goals. In her opinion, martial law and increased risk require the introduction of a mechanism for state insurance of foreign investment in wartime, which will help reduce risks for investors. Other Ukrainian scholars, such as Belinska Y. and Kolyada O. (2023) draw further attention to the problems of attracting foreign direct investment. Ukraine should rely on its EU candidate status and use the requirements of European integration to shape all changes in its policies, including those related to reconstruction. Similarly, Matsuka V. (2023) also focuses on improving the legislative framework of Ukraine, as this is one of the key factors in attracting investment into the country. Vlasiuk S. and Nalyvana O. (2023) make an important point on the issue of risk management. They point out that maintaining adequate insurance in itself should not be seen as a satisfactory substitute for other elements of risk management. However, this idea was not pursued further in the theses.

The joint work of Kholod S., Iefimova G., Halynska Y., Marhasova V., Alnuaimi H.R.S.A. & Alhammadi T.A.M.A. (2021) emphasizes that various risk reduction techniques have been developed in world practice, the main ones being risk avoidance, leverage, retention, mitigation and transference. These techniques can be applied simultaneously, which increases their effectiveness. The main thing that the authors want to highlight is the importance of integrated risk management for achieving the strategic goals of the organization and ensuring the unity of the risk management system and general administrative management. The PFM-IIRBE for insurance of investment risks involves the integration of different stages of risk management: from their identification and assessment to the formation and sale of insurance products.

Addressing specific challenges in Ukraine, researchers like Harkava V., Slavkova O. & Volotovska T. (2024) outline the existing management model and challenges for risk management in Ukraine. They emphasize the need to adapt risk management mechanisms to specific conditions for business entities, in particular, economic instability, political risks, military operations and their consequences, corruption and bureaucracy, outflow of personnel, infrastructure problems, fierce competition in domestic and international markets, the difficulties of digital transformation, increased social responsibility, the need for sustainable development and frequent regulatory changes.

Globally, studies by Tan C., Lee S.Z. (2022) showed that the business continuity plan is the most common risk management practice. Efforts such as creating a risk management team and developing risk appetite and/or risk tolerance statements in the organization are associated with the likelihood of adopting/considering ERM practices.

Many scholars have developed the theoretical component of managing the investment activities of business entities. Dovhan Y. (2022) notes the lack of unified approaches among scientists to understanding the essence and content of managing innovation and investing activities of business entities, while Kaut O. and Pyrohov D. (2021) present to the scientific world a tiered system of filters that allows ranking investment projects according to their feasibility and priority

of implementation. Management of investment resources of the organization according to the theory of management is based on the development of a certain strategy for the formation of investment resources (financial, real, innovative investments). They also determine the general need for investment resources necessary for the implementation of the investment strategy of the organization, calculating the possibility of forming investment resources using all possible sources: own, attracted and borrowed ones.

Another important theoretical concept is the theory of insurance efficiency, which suggests that a properly created insurance mechanism not only reduces the level of losses but can increase the level of confidence in investment projects, which, in turn, stimulates the attraction of additional investment resources. Some scientists have analyzed promising areas and industries for investors, such as Shpynta N. (2024) who considers risk insurance as one of the necessary elements for investing in alternative energy and sees a great need for state participation in establishing such mechanism for insurance against war risks. Shutiak D. and Petrenko O. (2024) studied the insurance of the agricultural sector, and its current state and explored the areas for the development of the insurance strategy for agricultural enterprises that should reduce financial risks for such enterprises and ensure the stability of their activities.

Further international perspectives include works by Kiptoo I.K., Kariuki S.N., Ocharo K.N. & McMillan D. (2021), Shaheen R., Ağa M., Rjoub H. & Abualrub A. (2020) and Nguyen D.K. & Vo D.-T. (2020), who consider the insurance efficiency from the perspective of insurance company activities and examine the relationship between risk management and financial performance of insurance companies. Additionally, Moloi T. and Mulaba-Bafubiandi A.F. (2024) have delved into the identification and classification of disruptive technologies that affect different stages of the long-term insurance value chain, including product development, underwriting, policy administration, claims processing and customer service.

Thus, the literature review and theoretical basis encourage the development of an effective PFM-IIRBE, which is relevant under current conditions of economic instability.

Concerning the works of foreign and Ukrainian researchers, it should be noted that questions surrounding the comprehensive, stage-by-stage mechanism for ensuring investment risks, particularly under conditions of economic instability, remain insufficiently explored. Therefore, a robust theoretical and empirical approach to identifying, analyzing, and mitigating these risks can significantly contribute to closing this gap.

AIMS AND OBJECTIVES

The aim of the article is to substantiate an effective PFM-IIRBE using a multi-stage framework that ranges from project identification to post-analysis of risk strategies. Additionally, the study considers the importance of periodically revisiting earlier stages to adapt strategies to new challenges or emerging risks.

METHODS

In order to develop the multi-stage PFM-IIRBE, the study first undertook an in-depth analysis of theoretical and practical approaches to risk management. This involved examining academic and industry sources that detail how various types of investment risks—financial, legal, organizational, and environmental—are typically identified, assessed, and mitigated in business practice. Based on these findings, a PFM-IIRBE was developed, to ensure a logical sequence of all key stages — from the initial identification of the project to the final formulation of recommendations for managing insured projects.

Within this framework, each stage was delineated to ensure continuity and flexibility. The cyclical nature of the **mechanism** reflects the premise that new information or changing conditions may require returning to an earlier stage, whether this entails revising the initial identification of a project's goals and resources or re-evaluating the scope of insurance coverage.

Methodologically, the conceptual **mechanism** was refined through iterative analysis of relevant academic and industry-based frameworks related to risk management and insurance for investment projects. This approach helped to calibrate key aspects of the mechanism, such as establishing practical thresholds for different risk categories, structuring contract negotiation protocols, and formalizing post-analysis procedures for assessing the effectiveness of chosen insurance strategies. The emphasis on continuous monitoring and regular updates draws from standard governance and quality assurance practices, affirming that risk management is an ongoing rather than a one-time effort.

To verify the applicability of each stage, hypothetical examples reflecting typical investment projects were used to illustrate how business entities might proceed when confronted with issues like potential financial losses, political instability, or legal

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uncertainties. In cases where unacceptable risks were identified, the mechanism incorporates non-insurance mitigation measures—ranging from process optimization to contractual revisions—before concluding whether insurance is necessary or whether the project goals must be reconsidered.

This methodological approach, grounded in a synthesis of established theoretical models and practical industry insights, allows the mechanism to be adapted to a wide range of business environments and investment scenarios. It also ensures that the process remains flexible enough to respond to rapid changes in external conditions, including legislative shifts or unforeseen market disruptions, thereby securing a dynamic mechanism that can guide business entities through each phase of investing and insuring against risks.

RESULTS

A process-functional mechanism is a structured system of procedures, actions, and tools that ensures consistent process management in accordance with defined objectives. It integrates the stages of analysis, decision-making, implementation of measures, and evaluation of results, thereby ensuring the effective functioning of the managed entity.

The PFM-IIRBE is a systematized set of procedures, methods, and actions aimed at identifying, assessing, minimizing, and insurng risks that arise in the course of investment activities of enterprises. It enables consistent risk level analysis, selection and application of both insurance and non-insurance risk mitigation instruments, monitoring their effectiveness, and adjusting risk management strategies.

The mechanism combines both quantitative and qualitative risk assessment methods, allowing business entities to enhance financial resilience, reduce potential losses, and increase investor confidence. Various tools may be used to support the functioning of the mechanism, including financial, legal, analytical, and managerial instruments. The key participant and initiator of the investment risk insurance process is the business entity itself, which initiates the application of the mechanism with the goal of minimizing risks in its operations. During implementation, such a business entity interacts with other actors, including financial and credit institutions, insurance companies, other economic agents, and the state.

The operation of the mechanism is based on a series of procedures that ensure a consistent and logical transition from one process to another (Figure 1).

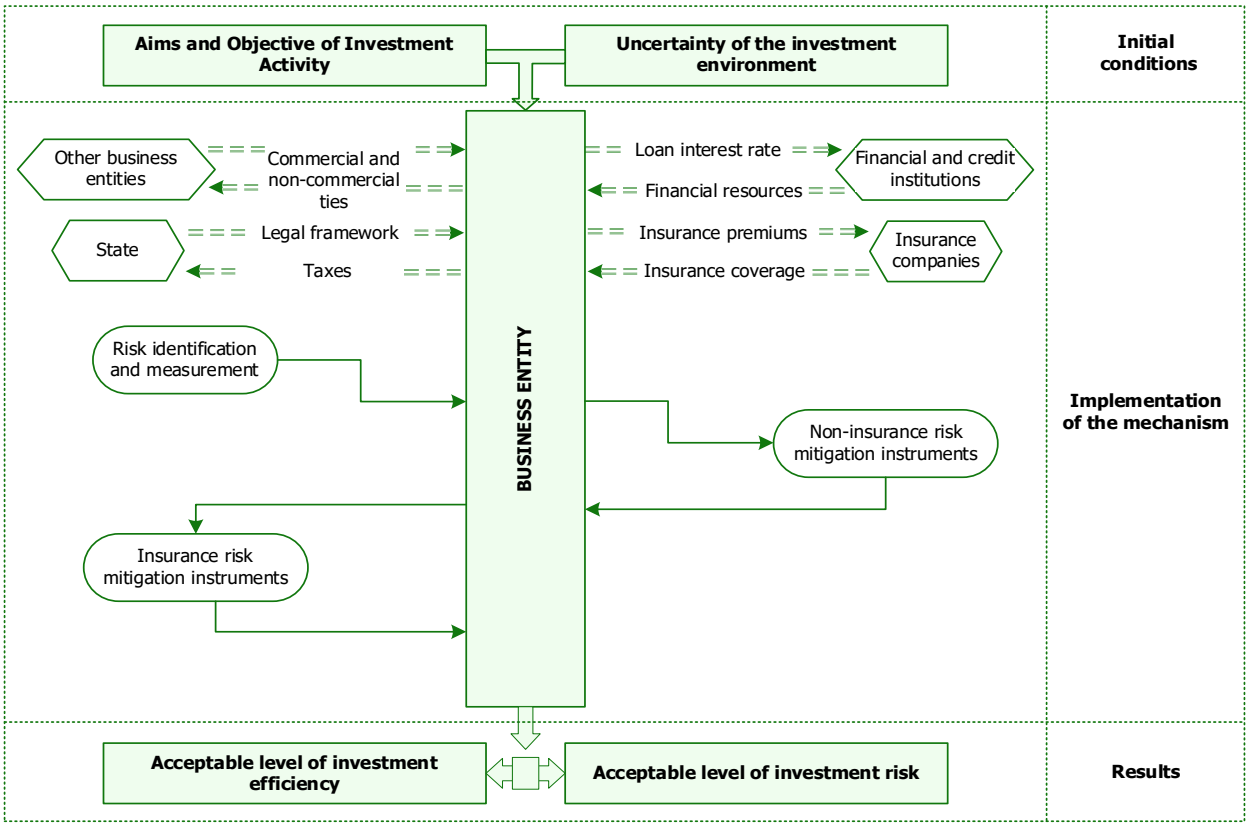

Figure 1. Structure of the PFM-IIRBE.

One of the initial procedures is the identification of investment capacity and efficiency, which involves analyzing the internal resources of the enterprise, market opportunities, and strategic prospects. This makes it possible to determine how prepared the enterprise is to implement an investment project and assess its alignment with the long-term goals of the business. The next procedure is the identification of investment risks, which includes identifying and classifying potential threats that may affect investment activity. These threats may include financial, political, operational, legal, and market risks. This is followed by the assessment of the probability and impact of risks and methods for their mitigation, which involves determining the level of threat for each risk and its potential consequences. After assessing the risk level, mitigation methods are considered, which may include both insurance and non-insurance measures such as investment diversification, liquidity management, or hedging contracts.

The next procedure is the selection of optimal insurance products, which involves adapting insurance programs to specific investment projects. Once the appropriate insurance instrument has been selected, insurance contracts are concluded, legally formalizing the relationship between the insurer and the enterprise. The procedure for monitoring and adjusting insurance strategies is aimed at evaluating the effectiveness of insurance measures and adapting them to changes in the business environment. The final stage is the post-analysis of insurance effectiveness, which allows for the assessment of the actual performance of insurance protection, the determination of its impact on investment indicators, and the development of recommendations for further improvement of the mechanism.

The **mechanism for insurance of risks related to the investment of business entities (IBE)** consists of clear stages aimed at minimizing risks and protecting investment projects, such as financial losses, political instability,

legal problems, etc. (Figure 2). The main stages and procedures of the mechanism include:

- identification of the IBE project/projects;
- analysis of the riskiness of the IBE project/projects;
- analysis of insurance market products for compliance with the IBE project/projects;
- provision of recommendations for decision-making on the IBE project/projects.

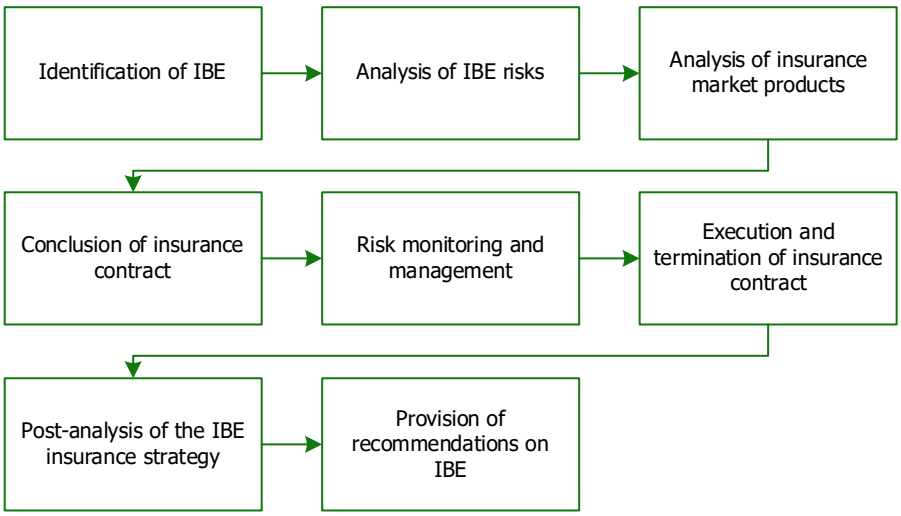

Figure 2. Stages of the PFM-IIRBE.

Depending on the results of the first three stages of the mechanism implementation, the mechanism can also have additional intermediate stages, such as:

- conclusion of the insurance contract for the IBE project/projects;
- monitoring and management of risks of the current IBE project/projects;
- completion of the insurance contract due to the occurrence of an insured event;
- post-analysis of the IBE risk insurance strategy.

The first stage of the PFM-IIRBE is the identification of the project/projects of IBE. This stage is aimed at identifying investment projects that may require insurance coverage and includes the analysis of both existing and potential projects (Figure 3).

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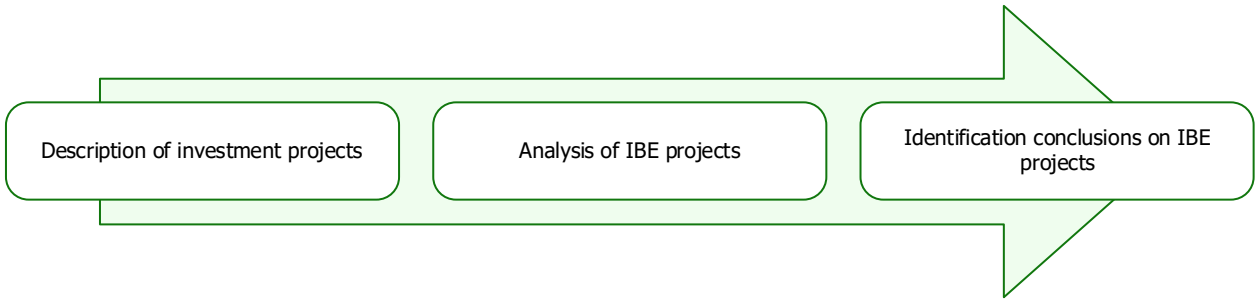

Figure 3. Components of the stage of the IBE identification.

The first stage of the process includes a detailed identification of investment projects of business entities and involves both the analysis of existing initiatives and the consideration of new potential projects. The purpose of each project, the strategic priorities of such project and the establishment of final goals that the business entity seeks to achieve are clearly defined at this stage. This may be the launch of new production lines, construction of facilities or introduction of new technologies. It is also important to define the strategic priorities of the project, in particular, the determination of the main areas that should be taken into account during its implementation. One of the key aspects of the first stage of the IBE identification process is setting the project implementation deadlines and determining the time frames for each of its stages. The expected results of such a project must be clearly formulated: economic (increased profits, reduced costs, increased sales volumes, etc.) and non-economic results (improved image, improved quality of products/services, etc.). These results are determined by the business entity itself, focusing on its strategic goals, priorities and specific requirements for the effectiveness of the project. In addition, it is important to identify and specify the assets and resources that will be involved in the implementation of the project. This includes tangible assets such as premises and equipment, financial assets that determine sources of investment, human resources consisting of specialists and staff, and intellectual property such as patents or technology. The second component of the IBE identification process involves a thorough analysis of the investment projects of business entities, which is a logical continuation of the first stage. The important economic indicators that should be analyzed are profitability, sales volume and costs. At this stage, the expected/planned indicators are compared with their real/actual financial indicators. The business entity can check both ongoing and completed projects or analyze projects that have not yet been launched at the planning stage. It is also important to analyze non-economic aspects that often have a significant impact on both the implementation of the relevant IBE project and the business entity itself, its internal state and its interaction with the external environment. The final component of the IBE identification process includes the formulation of identification conclusions based on the preliminary analysis of the IBE projects and assesses the feasibility of continuing the implementation of existing projects and opportunities for their optimization or modification to improve efficiency. The feasibility and possibilities of creating new projects that can be more consistent with the current strategic goals of the company are also analyzed. It is also important to identify recommendations for further steps, which may include adjusting strategies and investment flows or optimizing resources to achieve the greatest results in both financial and social contexts. The next stage of the mechanism is the analysis of the IBE risks (Figure 4).

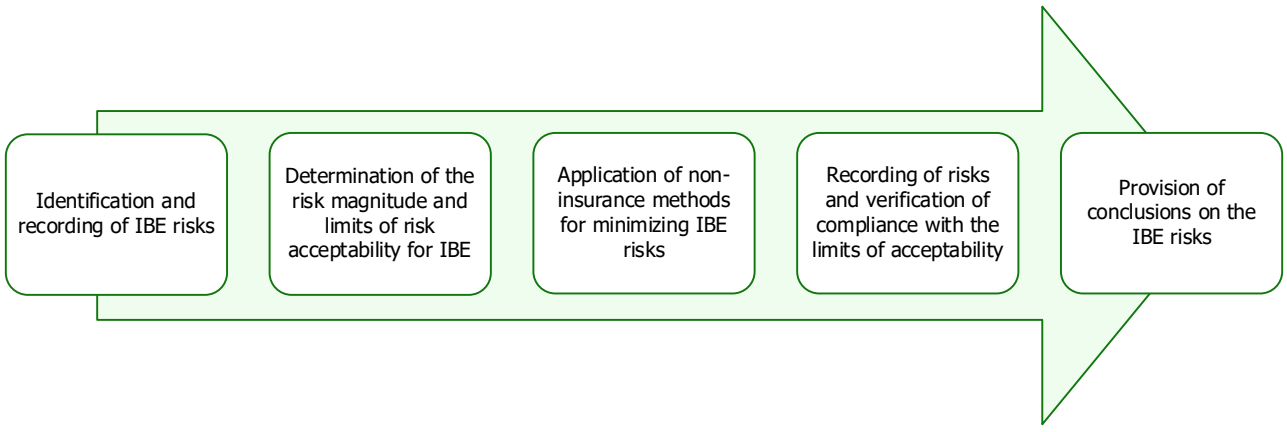

Figure 4. Components of the stage of IBE risk analysis.

This stage begins with risk identification, which includes the definition of key categories, such as financial risks (changes in exchange rates, lack of liquidity, increased loan pricing), legal risks (changes in legislation, regulatory control risks,

breach of contractual obligations), and other risks, including social, environmental, technological and organizational risks. The values of the identified risks are calculated based on analytical studies, expert assessments and project audits. The results of these studies are recorded for each specific project, which provides the basis for further analysis of their impact on business entities. After identifying the risks, an analysis of the probability of their occurrence and an assessment of the potential impact on the project is performed, which allows determining the levels of acceptability of each risk. The acceptability is assessed by taking into account the nature of the risk, its size, and compliance with the strategic goals of the project or the company's activities as a whole. The acceptability levels are determined by the business entity independently, taking into account the individual characteristics of each project. Based on the results of such analysis, three main options for conclusions can be obtained: all risks are acceptable, some risks require additional mitigation measures, or all risks exceed acceptable limits. When unacceptable risks are identified, non-insurance mitigation methods are developed and implemented, which can be applied both to individual projects and to the entire activities of the business entity.

These include measures aimed at changing the internal environment (process optimization, personnel advanced training, implementation of innovative technologies) and adjusting external interactions (revision of contracts, adaptation to changing market conditions, attraction of strategic partners). These measures do not include insurance mechanisms and are implemented exclusively through operations, decisions or actions aimed at reducing the level of risks. After the implementation of non-insurance measures, data on risk values is updated and their new levels of acceptability are determined. Business entities independently decide at what stage to record these updated values and what percentage of minimization must be achieved for this. At the end of the risk analysis stage, the business entity, relying on a complete picture of the levels of acceptable and unacceptable risks for each project or the entire activity, makes management decisions on further implementation, adjustment or termination of individual projects.

In the event that acceptable risk values have not been achieved, the business entity can move on to the next stage (Figure 5) of risk management, which involves the use of insurance tools.

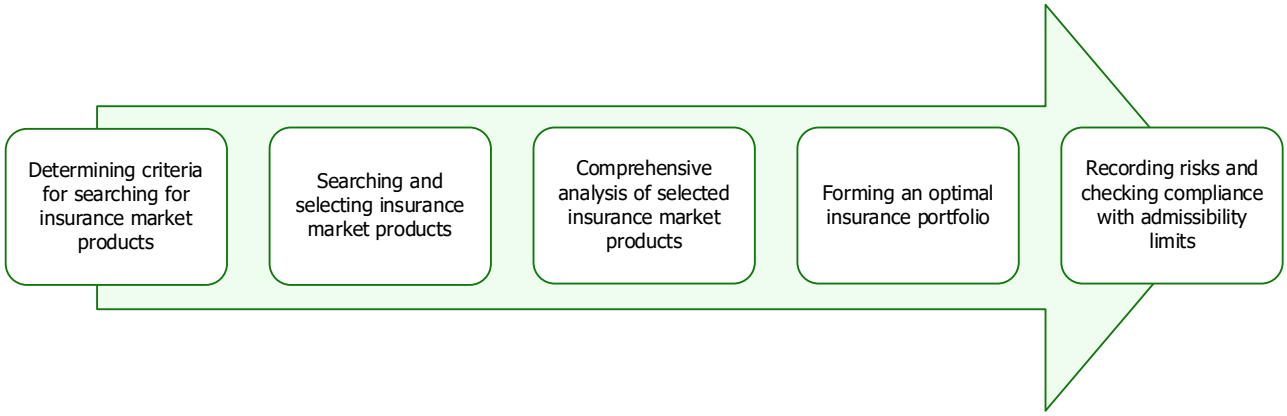

Figure 5. Components of the stage of analysis of insurance market products.

At this stage, the company determines the search criteria and insurance areas that can provide effective protection for sufficient minimization of potential and existing risks. The business entity analyses the insurance services market, namely the existing insurance products offered by insurance companies in the market. The main task at this step is to select a list of insurance products and analyze their quantitative and qualitative characteristics and features, such as the insurers' experience and reputation, product innovation, specialized offers, international activities and compliance with legislative norms and standards. The final stage of the analysis is to assess the impact of insurance tools on the overall level of risks of the business entity. This stage requires preliminary consideration of the combination, comparison and contrast of various property and non-property insurance products to determine the optimal insurance portfolio that will meet the needs and capabilities of the business entity. The finalization of the choice of such a portfolio should be based on the assessment and recording of new risk levels and their impact on the IBE projects and the business entity.

The stage of concluding an insurance contract is a logical continuation of the process of analyzing the insurance market and completing the selection of insurance tools for the business entity. The legal registration of cooperation between the business entity and the insurance company takes place at this stage, which is of key importance to the implementation of risk mitigation strategies and ensuring financial protection. This process requires detailed preparation, clear agreement on the terms and careful consideration of all aspects that may affect the effectiveness of insurance coverage. Particular attention is paid to detailing the terms of insurance coverage, namely the list of insured events that will be recognized as

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the basis for payment of insurance compensation, as well as exceptions not covered by the contract. In addition, special discounts or bonuses that the insurance company can offer to a big client or when concluding a multi-year contract can be discussed. The coordination of these issues allows avoiding misunderstandings in the future and ensuring prompt receipt of compensation if an insured event occurs.

The risk monitoring and management stage is an integral part of the effective implementation of the insurance protection strategy and includes constant risk control, adaptation to changes in the external and internal environment, as well as timely adjustment of the terms of insurance coverage in accordance with the current needs of the business entity. Monitoring begins with determining key characteristics that need to be identified to assess the risks and effectiveness of insurance coverage. These can be economic, technical, legal or social indicators characterizing the state of the business and the environment in which it operates. Risk management includes regular assessment of compliance of the existing insurance portfolio with the current conditions and needs of the business entity in accordance with the defined risk management strategy. Particular attention is paid to the analysis of insured events that occurred during the term of the contract. Each event should be examined in detail in order to determine the reasons for its occurrence and assess the adequacy of the insured amount and promptness of receiving compensation.

The Execution and Termination of the Insurance Contract stage includes all possible scenarios for the development of events during the validity period of the insurance contract: occurrence of an insured event, expiration of the contract, its early termination or revision of the terms. Its main goal is to ensure the fulfilment of contractual obligations in accordance with the terms of the agreement and guarantee the satisfaction of the interests of both parties. An important aspect is compliance with the terms and procedures regulated by the terms of the contract to prevent conflicts between the parties. After the expiration of the term, the business entity and the insurance company summarize the financial and legal results of cooperation. If it is necessary to revise the terms of the contract during its validity, the parties agree on new terms, making appropriate changes to the contract.

The stage of post-analysis of the IBE insurance strategy is a critical component of the completion of the insurance process cycle and is focused on assessing the effectiveness of the insurance tools used. The main goal of this stage is to determine how effectively the selected insurance strategies and products have fulfilled their function of minimizing risks, as well as to outline opportunities for further improvement. Identification of the advantages and disadvantages at this stage is the basis for making recommendations to the business entity regarding its future insurance strategies. Post-analysis also includes an assessment of compliance of the insurance strategy with overall business goals and corporate strategy, since the results of this stage are the basis for making decisions on continuing, modifying or revising the insurance strategy, which ensures not only effective risk management but also cost optimization, increased financial stability and competitiveness of the business entity.

The final stage in the insurance of the IBE risks is the provision of recommendations on the investment activities of business entities (IBE). It includes the formulation of conclusions on further project management. This stage may occur not only after the completion of all previous stages but also after some of them, depending on the results obtained and the situation. The transition to the stage of providing recommendations may occur at different stages preceding this stage: after identifying the IBE project or after the stage of the IBS project risks analysis, a recommendation may be made to suspend or modify the project, or similar recommendations may also appear after analyzing the insurance market products if the results obtained indicate such decision. Recommendations on IBE cover a wide range of options: launching a new project, continuing or modifying an existing one, stopping or modernizing. If IBE projects meet strategic goals and have the potential for a positive outcome, their launch or continuation may be recommended. In cases where significant risks are identified that cannot be adjusted or when the projects are not economically viable, a decision may be made to stop or cancel their implementation. The project modernization may be proposed if market analysis or post-analysis of the insurance strategy has shown that new insurance tools can reduce risks or improve efficiency. At the same time, if the products on the market are insufficient to support the project, it may be proposed to abandon new investments. This stage helps prepare the company for further IBE cycles, as the recommendations help improve risk management strategies and develop insurance strategies to achieve higher results. It also provides a basis for strategic planning and sustainable development of the company in a changing environment.

DISCUSSION

The findings reinforce the importance of a structured, multi-stage approach to investment risk management, integrating both insurance-based and non-insurance solutions. This comprehensive framework ensures continuous risk assessment,

adaptation, and mitigation, enabling business entities to navigate financial, political, and legal uncertainties more effectively.

This research also complements the work of Dovhan Y. (2022), who highlights gaps in unified investment risk management approaches, and Kiptoo I.K. et al. (2021), who stress the importance of balancing insurance tools with broader risk strategies. By integrating insurance into different stages of investment risk management, this study builds upon these perspectives to offer a more structured, adaptable framework. Furthermore, the findings reinforce Shaheen R. et al. (2020), who emphasize the necessity of adaptability in risk strategies and align with Moloi T. & Mulaba-Bafubiandi A.F. (2024), who explore the role of technological advancements in risk assessment.

The relevance of investment risk insurance in current conditions is reinforced by legislative initiatives aimed at creating effective mechanisms for protecting investments. For instance, the Law of Ukraine No. 3497-IX provides for amendments to the existing legislation to ensure investments in Ukraine against war risks, which represents an important step towards stimulating international and domestic investors (Verkhovna Rada of Ukraine, 2023).

The results align with previous research on risk reduction techniques (Kholod S. et al., 2021), which emphasize the necessity of combining multiple risk mitigation strategies. Similarly, this study supports findings by Nechyporuk O. (2023) and Belinska Y. & Kolyada O. (2023), who identify legal and political risks as significant factors influencing investment security. Additionally, enhancing Ukraine's investment potential during wartime remains one of the critical tasks, confirmed by research indicating the necessity of introducing additional guarantees for investors (Viblyi P. & Blavt A., 2023). In this context, the mechanism proposed in this study can occupy a central role within the risk management systems of business entities, effectively diversifying risks, enhancing the financial stability of enterprises, and attracting capital to strategic economic sectors.

However, unlike many prior studies that focus on individual aspects of risk insurance, this research proposes a structured mechanism encompassing all key stages of investment decision-making—from risk identification to post-analysis. Although the study does not directly conclude on the necessity of adapting Ukraine’s insurance market to wartime conditions, current business environment circumstances create a demand for effective risk management mechanisms. As stated by Pokorchak S. (2024a), expanding insurance protection opportunities for businesses is a significant factor in stabilizing the economy during wartime.

Despite offering a well-structured risk management mechanism, its applicability in a real business environment requires further empirical verification. The proposed mechanism is flexible, making it suitable for various industries and economic conditions and relevant for both business entities and economic policy developers. According to Pokorchak S. (2024b), Ukraine’s insurance market is already responding to wartime challenges by adapting insurance products specifically designed to cover war risks. In particular, insurance companies are introducing new products, such as transport insurance against war risks and property insurance covering damages resulting from military activities.

CONCLUSIONS

The process-functional mechanism for insuring investment risks of business entities (PFM-IIRBE) is a comprehensive system of interrelated procedures aimed at effective risk management within investment activities. The primary goal of this mechanism is to minimize risks and enhance investment protection, enabling business entities to reduce financial losses while improving business sustainability in an unstable economic environment. Key aspects of the PFM-IIRBE include its multi-stage nature, integration of insurance-based and non-insurance instruments, flexibility, and ability to quickly adapt to changes in the external environment.

The relevance of the proposed mechanism is determined by current conditions of uncertainty and instability in the economic environment, influenced by financial, political, military, and other risks. It can also be expected that further changes in the economic context, legal framework, and insurance market—driven by various internal and external factors—will create additional demand for continuous improvement of approaches to investment risk management.

The practical value of the findings lies in their applicability to business entities actively engaged in investment activities. The proposed mechanism provides enterprises with an effective framework for risk management, insurance cost optimization, and investment stability. Specifically, risk insurance tools help mitigate financial losses caused by external factors, including exchange rate fluctuations, political instability, and legal uncertainties.

Further research could focus on enhancing risk forecasting models, developing new insurance products tailored to specific investment projects, and advancing integrated risk monitoring and management approaches that account for both internal

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and external factors. Additionally, future studies should explore the role of emerging technologies—such as artificial intelligence and big data—in automating risk analysis and optimizing decision-making processes in real-time.

The proposed mechanism lays a strong foundation for improving investment risk management, fostering long-term financial resilience, and supporting the sustainable growth of business entities in uncertain economic conditions.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ПРОЦЕСНО-ФУНКЦІОНАЛЬНИЙ МЕХАНІЗМ СТРАХУВАННЯ РИЗИКІВ ІНВЕСТИЦІЙНОЇ ДІЯЛЬНОСТІ БІЗНЕС-СТРУКТУР

Актуальність теми дослідження підтверджують сучасні виклики, з якими стикаються бізнес-структури в процесі інвестиційної діяльності, зокрема високими ризиками, що можуть негативно впливати на фінансову стабільність і розвиток підприємств. У цьому контексті ефективне управління інвестиційними ризиками стає важливим фактором збереження та збільшення капіталу.

Метою дослідження є розробка процесно-функціонального механізму страхування ризиків інвестиційної діяльності бізнес-структур (PFM-IIRBE), який забезпечує структуровану оцінку, управління та мінімізацію ризиків у царині інвестицій. Об'єктом дослідження є процесуально-функціональний механізм страхування ризиків інвестиційної діяльності бізнес-структур, що охоплює ідентифікацію, оцінку та зменшення інвестиційних ризиків.

Методологія дослідження базується на використанні теоретичних підходів до управління ризиками та аналізі практичних механізмів страхування в інвестиційній царині. Для виконання поставлених завдань застосовані системний підхід, порівняльний аналіз і моделювання. У статті розглянуто багатоетапний механізм, спрямований на зниження основних типів інвестиційних ризиків, та детально описані його етапи й методи, які включають і страхові, і нестрахові рішення для підвищення ефективності управління ризиками в інвестиційній діяльності.

Результати дослідження дають підстави стверджувати, що чітко структурований процесно-функціональний механізм страхування ризиків не лише сприяє зменшенню фінансових втрат, а й підвищує рівень довіри потенційних інвесторів до інвестиційних проєктів. Практична цінність дослідження полягає в можливості застосування PFM-IIRBE бізнес-структурами для формування та реалізації ефективних стратегій управління ризиками в умовах економічної нестабільності та високого рівня загальної невизначеності.

Ключові слова: інвестиційна діяльність, бізнес-структури, ризики, страхування ризиків, механізм страхування, управління ризиками, інвестиційні проєкти, фінансова стабільність, економічна нестабільність, ефективність страхування

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