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INVESMENT RISK MANAGEMENT STRATEGY IN THE REAL SECTOR

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Abstract: In everyday life we often hear the term "risk". Likewise in investing, there is not a single investment product that is safe and risk-free. Every risk in investment products should not be avoided, but we can manage it in such a way. Investments are in great demand by the general public or students. In practice, potential investors often experience obstacles in investing, such as a lack of information and knowledge about investment, high risks. The aim of this research is to determine investment risk management strategies in the real sector. This research method uses a qualitative method with a descriptive approach with a literature review research type. The results of this research show that investment risk management strategies in the real sector can carry out fundamental analysis, portfolio diversification, wise use of leverage, good liquidity management, monitoring market changes regularly, and using derivative instruments such as futures, options or swaps to protect value. portfolio from price fluctuations or other risks.

Keywords: Risk Management, Investment, Real Sector

Introduction

In everyday life we often hear the term "risk". Various kinds of risks, such as the risk of fire, being hit by another vehicle on the road, the risk of being flooded during the rainy season and so on, can cause us to bear risks if we do not anticipate them from the start. Moreover, in the business world, uncertainty and its risks are something that cannot be simply ignored, but must instead be considered carefully, if people want success.

Likewise with investment activities, there is not a single investment product in the world that is safe and risk-free. All products carry risks. The problem is whether the risks faced are big or small. For this reason, we should not avoid every risk contained in every investment product, but we can manage it in such a way as to minimize the level of risk. (Adia & Jalaludin, 2019).
Investment is a commitment of a certain amount of funds or other resources made at this time, with the aim of obtaining a certain amount of profit in the future. (Melati, et al, 2023).
In the era of globalization, investment is starting to be widely sought after and practiced by the general public or students. This is proven by the existence of a number of investments such as shares, bonds and real estate. (Wahyuni, et al, 2023).

For some people who want to make profitable investments or at least to secure wealth from various risks that may occur, they have many investment choices ranging from very simple to very complicated investments and require special knowledge such as Investment in the Real Asset Sector.). Investment in products that are more "physically" visible, for example the production sector, property, etc. (Setiawan, 2015).

This real sector policy is directed at accelerating economic growth. The real sector, also known as the real sector, is the real sector, namely the sector that is in direct contact with economic activities in society which greatly influences it or whose existence can be used as a benchmark for determining economic growth. (Cahyaningrum, 2017).

However, in practice, potential investors often experience obstacles in investing, such as a lack of information and knowledge about investment, quite high risks, and a lack of trust in business actors in the real sector. (Ulirrahmi, 2023).

From the background above, this article will focus on investment risk management strategies in the real sector.

Literature Review

Risk management

According to the Big Indonesian Dictionary (KBBI), the meaning of risk management is an effort to reduce the impact of elements of uncertainty.

Risk is the potential for loss due to certain events occurring. Risk is the dispersion of actual results from expected results (Risk is the dispersion of actual from expected results). Risk is associated with the possibility of undesirable or unexpected bad consequences (losses). In other words, "Possibility" already indicates uncertainty. Uncertainty is a condition that causes risk to grow (Ibi, 2016) Abbas Salim defines risk as uncertainty which can give rise to losses. Risk management consists of two different words. Management generally means managing or organizing while risk is a condition of uncertainty that tends to lead to negative results (losses), especially financial losses. Linguistically or etymologically, management comes from Old French, namely management, which means the art of carrying out and managing.

From several definitions it can be concluded that risk management is a structured approach in managing uncertainty related to threats or risks that will occur and focuses on risks arising from physical or legal causes, such as accidents, death, natural disasters, fires and lawsuits. . (Salim, 2005).

Investment

In the Big Indonesian Dictionary investment means investing money or capital in a company or project for the purpose of making a profit. Investment comes from the English language investment from the basic word invest which means to plant, or istathmara in Arabic, which means to make fruitful, develop and increase in number.

In terms of terms, investments are immovable goods or goods owned by individuals or companies that are owned with the hope of getting periodic income or profits from sales and are generally held for a relatively long period (Pardiansyah, 2017). Investment is an activity of investing capital, directly or indirectly, with the hope that in the future the owner of the capital will obtain certain benefits from the results of his investment. (Paranita et al, 2015).

The act of investing has the goal of generating income and increasing value over time. Investment can refer to any mechanism used to generate future income. (Utami, 2023).

From the explanation above, it can be concluded that investment is the activity of investing capital with the hope of getting a profit in the future. Investing is actually a very risky activity because it is faced with two possibilities, namely profit and loss, meaning there is an element of uncertainty.

Real Sector

The real sector, also known as the real sector, is the real sector, namely the sector that is in direct contact with economic activities in society which greatly influences it or whose existence can be used as a benchmark for determining economic growth.

According to Irfan Syauqi in (Cahyaningrum, 2017), economic growth relies heavily on the real sector. In theory, the real sector is likened to an engine that can drive the wheels of the economy. Because, the real sector is the real sector, namely the sector that produces goods and services in society. If the real sector continues to experience significant increases in a country, then economic development in that country can be said to experience very good growth.

Basically, there are two main types of investment products. The first is in the real sector, and the second is the financial sector. In the real sector, investment can take the form of property, gold, art and antiques, as well as direct capital participation in certain companies or businesses. In the financial sector, investment products are usually called capital market securities (securities, in the form of mutual funds, shares and bonds), deposits and futures contracts. (Arief, 2018)

Method

The research method used in this research is a qualitative research method with a descriptive approach with a literature review type of research. literature review, namely collecting information or written work of a library nature (Muannif Ridwan, Suhar AM, et al, 2021). Information is collected by examining several written sources, namely journals, books and other sources which are of course appropriate to the research object.

Result and Discussion

Real Sector as a Container for Investment

The real sector is a form of investment that can be said to be a long-term investment. This is because investment development in the real sector takes a relatively long time. This sector was an investment sector that was very popular in the 70-90s. However, as time goes by, people are starting to turn their views towards the financial sector a little. This cannot be separated from the global crisis that hit the world economy, especially in Indonesia, which had a very significant impact so that many investors went bankrupt due to the very large level of losses. However, it does not rule out the possibility that currently it is still an icon for investors. The problem with investing in this sector is that it requires quite large funds and of course only some people with money, aka rich, can do it. This is what is an obstacle for middle class investors to be able to exist in the world of investment. This is not surprising because investment in this sector is in the fields of property, plantations, manufacturing, services and technology. (Setiawan, 2015).

Companies in the real sector which are generally divided into three business sectors, namely service, trading and manufacturing companies, require long-term capital to carry out their business. This long-term capital includes capital, debt and equity used by real sector companies to finance long-term investments such as procurement of fixed assets, promotions, research and development and permanent working capital. Setiawan in Fauzia Ulirrahmi, 2023 mentioned several obstacles that make investors switch from investing in the real sector, namely:

a. Policies in the industrial sector that are still weak and unfocused, such as political conditions that are not always stable, law enforcement, employment regulations, energy policies (fuel oil and electricity), environmental policies, supervision of circulating goods, illegal imports and others are the causes of climate change. domestic business becomes unfavorable.
b. Fiscal policy is not comprehensive because it prioritizes achieving state revenue targets, not industrial continuity.
c. Monetary policy that does not favor the real sector because it is considered high risk so that the bank intermediation function is not optimal, interest rates are high when compared to deposit interest, and financial liquidity in financial institutions/banks for the industrial sector is still relatively low.

To improve this condition, efforts are needed from various parties to create policies that better support and strengthen the real sector as a source of potential economic growth in Indonesia.

Real Sector Investment Risks

Investments are carried out for several reasons. First, to prepare for a decent life in the future. A wise society will consider efforts that can be made to raise the standard of living and try to maintain its income so that it does not decrease in the future. Second, to reduce inflationary pressures and protect wealth assets so that their value does not decline. The third reason is the urge to avoid taxes. Several countries in the world have implemented policies that encourage public investment interest. (Ulirrahmi, 2023). Please remember that no investment is free from risk. The higher the chance of return, the greater the potential risk. Risk refers to the possibility that the results or impacts resulting from an investment will be different from those previously expected. The types or forms of risk in investment are:

a. Decrease in investment value

The risk of a decline in investment value is influenced by several factors, namely:

1. Internal, namely factors that are inherent and originate from the investment, such as due to changes in the investment object. An example of gold that has changed color.
2. External, namely factors originating from outside that cause a decline in investment value, such as disasters, changes in government policy and legal political conditions, changing investment trends.

b. The increase in investment is not comparable to the increase in inflation
The risk of an increase in investment that is not commensurate with the increase in inflation occurs because of the continuous increase in prices of goods which will have an impact on investment profits to a greater or lesser extent.
c. The type or nature of investment that is difficult to sell again
Risks originating from the type or nature of investments that are difficult to resell are influenced by the nature or types of different investments.

This type of investment is divided into 2 types or characteristics, namely:

1. Liquid investments or easy to disburse, usually short-term types such as savings and deposits.
2. Non-liquid investments or difficult to disburse immediately, such as in the property sector.

According to Panji Anoraga and Piji Pakarti, in carrying out investments, an investor must understand that he will be faced with several risks, namely:

a. Financial Risk

Financial risk is the risk that investors accept as a result of the issuer's inability (shares/bonds) to fulfill their obligations to pay dividends (interest) and investment principal.

b. Market Risk

Market risk is the risk that arises due to a substantial decline in market prices for both overall shares and certain shares due to the level of economic inflation, state finances, changes in company management, or government policies in the economic sector.

c. Psychological Risk

Psychological risk is the risk for investors who act emotionally in dealing with changes in share prices based on optimism and pessimism which can result in increases and decreases in share prices.

d. Liquidity Risk

This risk is related to the ability of the shares concerned to be able to be traded immediately without experiencing significant losses

e. Interest Rate Risk

Interest rate risk is the risk that arises due to changes in interest rates prevailing in the market, usually this risk runs counter to the prices of capital market instruments.

f. Currency Risk

Currency risk is the risk that arises due to the influence of changes in the exchange rate of the domestic currency (for example the rupiah) against the currency of another country (for example the United States dollar).

g. Purchasing Power Risk

Purchasing power risk is a risk that arises due to the influence of changes in the inflation rate. This change will cause a reduction in the purchasing power of the money invested and the interest earned from the investment, so that the real value of income becomes smaller. (Rahmawati, 2015)

It is important for investors to understand these risks and adopt appropriate risk management strategies to minimize any possible negative impacts.

Investment risk management strategy in the real sector

Several risk management strategies that can be carried out when investing in the real sector include:

a. Fundamental analysis: Carrying out an in-depth analysis of macroeconomic conditions, industries and companies that are investment targets. This will help in identifying potential risks that may occur.
b. Portfolio diversification: Spreading investments across different sectors and financial instruments. Diversification can help reduce the risk of concentration in one particular sector or asset.
c. Use of derivative instruments: Using derivative instruments such as futures, options, or swaps to protect portfolio value from price fluctuations or other risks.
d. Wise use of leverage: Use leverage carefully and pay attention to the risk limits that can be borne. Using leverage that is too high can increase investment risk.
e. Good liquidity management: Ensuring the availability of adequate liquidity to meet investment needs or withdraw funds when needed.
f. Monitor market changes regularly: Always follow market developments and carry out regular evaluations of investments to identify risks that may arise.

Conclusion

Risk management is a structured approach process in managing uncertainty related to threats or risks that will occur and focuses on risks arising from physical or legal causes, such as accidents, death, natural disasters, fires and lawsuits.

Real sector investment risks that are often faced include; Decrease in investment value, External, Increase in investment not commensurate with increase in inflation, Type or nature of investment that is difficult to resell, Financial Risk, Market Risk, Psychological Risk, Liquidity Risk , Interest Rate Risk, Currency Risk, Purchasing Power Risk.

Investment risk management strategies include; Fundamental analysis, portfolio diversification, wise use of leverage, good liquidity management, monitoring market changes regularly, and using derivative instruments such as futures, options, or swaps to protect portfolio value from price fluctuations or other risks.

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