



LATVIAN TRADE SECTOR EXTERNAL AND INTERNAL RISKS ASSESSMENT

Doctoral student, Mg.oec. Inga Jansone
Faculty of Engineering Economics and Management
Riga Technical University
Meža iela 1/7 407, Riga, LV-1007, Latvia
Phone: +371 67089486
Fax: +371 67089486
E-mail: Inga.Jansone_1@rtu.lv

Associate Professor, Dr.oec. Irina Voronova
Riga Technical University,
Faculty of Engineering Economics and Management
Meža iela 1/7 407, Riga, LV-1007, Latvia
Phone: +371 67089486
Fax: +371 67089486
E-mail: Irina.Voronova@rtu.lv

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Target of the work is to study the Latvian trade sector external and internal risks, perform risk identification, classification and assessment. In the work are used scientific research methods – analysis and synthesis methods, economic analysis method of enterprises, a special coefficient method and the risk ranking method.

The authors had studied the Latvian trade sector in the period from 2004 to 2010 [4], [6], [7]. In Latvian trade sector from 2004 to 2006 was observed increment of turnover, but from 2007 was observed decline of turnover. In Latvian trade sector is monopolistic competition. Many enterprises offer a market differentiated trade services. Small and medium companies are merging into trade cooperation and store systems.

The authors had studied average financial indexes of the Latvian trade sector enterprises [5]. Average financial risk coefficient of Latvian trade sector enterprises had increased during the period from 2006 to 2009. Consequently, risk of the trade sector financial instability had also increased. Commercial liquidity ratios for this period of time had decreased and wherewith the level of liquidity risk had increased.

The authors have created classification of Latvian trade sector economic and financial risks [2] and classification of the trade technological process risks [3].

The economic risks are the risk of the country's economic slowdown, the risk of increment of taxes, the risk of reduction in consumer's solvency, the risk of demand's instability and the risk of insufficiency of credit resources. The financial risks are the risk of unpaid credit, the risk of financial instability, the risk of insufficiency of own capital, the risk of liquidity and the risk of debtors. The trade technological process risks are the risk of organization of selling



goods, the risk of accounting, the risk of ordering goods, the risk of acceptance of goods and the risk of transportation of goods.

The authors have created the algorithms of classification and assessment of risks of trade sector enterprises, including:

1. trade sector SWOT analysis, the main risk survey in the world [8] trade technological process flow card,
2. classification of economic and financial risks and classification of the trade technological process risks,
3. risk assessment by using the risk matrices and the special coefficient method, external and internal risk ranking by their effect on trade sector enterprises' development [1].

Because of the economic slowdown and reduction of consumer's solvency, it is important for Latvian trade sector enterprises to make the profit and loss account. So, enterprises can operatively follow the ratio of income and expenses. By decrease in trade revenue, enterprises should review their expenses. Regularly following the trade financial stability indicators, enterprises can quickly solve the financial stability problems.

In order to develop their business strategies, enterprises need to identify, classify and assess the Latvian trade sector risks. Enterprises can use the authors created algorithms of classification and assessment of the risks to produce their own risk management systems.

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