

AN ALTERNATIVE RISK ASSESSMENT METHOD FOR AGRICULTURAL BUSINESSES: FOSTERING SOCIALLY RESPONSIBLE INVESTMENTS IN BOLIVIA

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ABSTRACT

In this article we present alternative methodological guidelines for investment risk assessment in Bolivia. These guidelines take a step further from the traditional analysis of observed risk indicators, by estimating their latent causes using a Factor Analysis modelling framework. The identification of these causes allows for a more objective weighting of risk sources, providing the investor with a robust tool to make decisions. These guidelines were developed within the IDRC and FIDA funded “Sociedades de Transformación Rural” project, executed by UPB, CIDRE and Fundación Valles, designed to contribute to sustainable and socially responsible economic development in Bolivia through the promotion of a more inclusive vision to its financial system. This article presents the theoretical basis and econometric formality underneath these guidelines, as well as two empirical applications: risk assessment for investment in rural agricultural businesses and in agroindustrial activities in Bolivia.

Keywords: Agriculture and Agroindustria, Entrepreneurial Risk, Factorial Analysis.