

TYPES OF RISK

SUBJECT : (ENTREPRENEURSHIP)

CHAPTER NUMBER:4

**CHAPTER NAME :ENTREPRENEURS AS
INNOVATION AND PROBLEM SOLVING**

CHANGING YOUR TOMORROW

TYPES OF RISK

- Risk is the chance of loss. It is the possibility of some adverse occurrence.
- Types of risk taking:
 - Insurable risk- These risks can be forecasted and their probability can be determined, ex- risk related to life, fire, theft. These risk are those whose burden is passed onto the insurance companies.
 - Non insurable risk- These risks are those whose probability cannot be determined and which cannot be insured against. The burden of such risks befall on the entrepreneur himself. Ex – loss due to fluctuation in the price and fall in demand.
 - Internal risk- Can be controlled by entrepreneur
 - ❖ Human factor- negligence, dishonesty.
 - ❖ Technological factor- obsolescence, unforeseen changes.
 - ❖ Physical factor- failure of machinery, fire, theft, etc.

FACTORS RESPONSIBLE FOR BUSINESS RISK

- INTERNAL FACTORS- These are those factors, which arise from the events taking place within the business itself. These Can be controlled by entrepreneur to a certain extent. The various internal factors which give rise to risks are:
 - ❖ Human factor- negligence, dishonesty.
 - ❖ Technological factor- obsolescence, unforeseen changes.
 - ❖ Physical factor- failure of machinery, fire, theft, etc.

- EXTERNAL RISK- These are those factors which arise due to events occurring outside the business organization. These cannot be controlled by entrepreneur
 - ❖ Economic factors- change in demand, change in economic condition are dynamic risk- are predictable
 - ❖ Natural factors- earthquake, flood, etc.
 - ❖ Political factors- hostilities, riots, war.
 - ❖ Change in taste and preferences of consumers.

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