

# 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.

**THANKING YOU**  
**ODM EDUCATIONAL GROUP**