The Concept of Risk

People express risk in different ways. To some, it is the chance or possibility of loss;

to others, it may be uncertain situations or deviations or what statisticians call

dispersions from the expectations. Different authors on the subject have defined risk

differently. However, in most of the terminology, the term risk includes exposure to

adverse situations. The indeterminateness of outcome is one of the basic criteria to

define a risk situation. Also, when the outcome is indeterminate, there is a possibility

that some of them may be adverse and therefore need special emphasis. Look at the

popular definitions of risk.

According to the dictionary, risk refers to the possibility that something unpleasant or

dangerous might happen.

Risk is a condition in which there is a possibility of an adverse deviation from a

desired outcome that is expected or hoped for.

At its most general level, risk is used to describe any situation where there is

uncertainty about what outcome will occur. Life is obviously risky.

The degree of risk refers to the likelihood of occurrence of an event. It is a measure

of accuracy with which the outcome of a chance event can be predicted.

In most of the risky situations, two elements are commonly found:

A) The outcome is uncertain, i.e., there is a possibility that one or other(s) may

occur. Therefore, logically, there are at least two possible outcomes for a given

situation.

B)Out of the possible outcomes, one is unfavourable or not liked by the individual or

the analyst.