



Risk in international environment

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Abstract

When an organization decides to engage in international financing activities then also take on additional risk, as well as opportunities. The main risk that are associated with businesses engaging in International finance include foreign exchange risk and political risk change in Governments can bring change in policy, regulations, and interest rates that can prove damaging to foreign business and investment. A growing trend towards economic nationalism also make the current global political and scope potentially hostile towards international business.

Keywords: international environment, international businesses, type of risk, financially activities, international opportunity, growing economy

Introduction

Business risk implies the possibilities of some unfavourable happening. It is the future occurrence. International business risk may be defined as the possibility of loss caused by some unfavourable or undesirable event in international business operations. Profit and growth rates in international business are higher but so are the attendant risk conducting business internationally carries many risk that domestic business does not International business involve exposure to local economic conditions fraud, and bribery. With all of these challenges in play, companies operating internationally should keep a careful eye on local conditions and internal logistics.

There is many type of International Risk in economy

1. Regulatory Risk

There are many type of regulatory risk, but two of most common involve environment regulations and taxes.

2. Corruption Risk

Many companies have regularly engaged in bribery, fraud, false book keeping and other corrupt business practices in International business.

3. Political Risk

Political risk arises due to uncertain political activities and events. A new and hostile Government may replace and friendly one and hence appropriate foreign assets.

4. Exchange Risk

Every country has its own currency system as the currency of one country of one country is not in circulation in the other country. One currency is exchanged with another currency at some rate.

5. Credit Risk

It is the risk of loss due to a debtor's non-payment of a loan or other line of credit. It is difficult to ascertain the credit

worthiness of a foreign buyer.

6. Transport Risk

Due to long distance between countries, goods are despatched by shipping or Airways Sea and transport are exposed to many types of additional risk.

7. Market Risk

Competition in international business is severe and market conditions change frequently. It may not be possible for a firm to complete in international market.

8. Cultural Risk

Culture differs from one country to another. The language value of time customs and lifestyles differ from country to country. As a result a business firm faces additional risk.

9. Economical Risk

Economical Risk are macroeconomics factors that affects consumer's purchasing power and spending. Market vary greatly in their level and distribution of Income.

10. Technological Risk

Technological Risk exposure to loss arising from activities such as design and engineering, manufacturing and technological processes and test procedures.

11. Natural Risk

Natural risk identify the availability of natural resources and whether business is feasible due to impact of environment like floods, earthquakes, fires, droughts, hurricanes, tornadoes.

12. Human Risk

Human risk caused by human errors as well as the unpredictability of customers, employees, or the work environment like shoplifting, burglary, robbery, computer crime, accidents.

13. Commercial Risk

- a. Weak Partner
- b. Operational Problem
- c. Timing of Entry
- d. Poor Executive of Strategy
- e. Competitive Intensity

14. Language Risk

Speak the same like Language Companywide to detect and react to new risks faster. A fast response to new risk related events requires that the same risk management language is spoken throughout a company.

Conclusion

In International markets there are more risk to carry, however at the same time, there are more potential gains you can receive. Analysis aims at evaluation & anticipation of the capacity of the potential host country to meet its financial obligations foreign exchange risk occurs when the value of an investments fluctuates due to change in a currency exchange rate. International Business risk business risk implies the possibility of some unfavourable happening. The main risk that are associated with business engaging in international finance include foreign exchange risk and political risk. When political risk is high, there is a high probability that a change will occur in the country's political environment that will endanger foreign firms.

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