# Assignment

## What do you understand by Credit Risk, Market Risk, Operational Risk, Liquidity Risk and Funding Risk?

Ans- All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks.

- **Credit Risk**
  It is a probability of getting loss due to unability to pay the loan by the borrower.This is a loss incurred when a lender lends their money to the creditor and creditor fails to return the amount are known as Credit risk.

- **Market Risk**
  Market risk is also known as systematic risk, It is a risk that probabily arise in the business and occurred financial losses due to Price volatility often arises due to unanticipated fluctuations in factors that commonly affect the entire financial market.

- **Operational Risk**
  Operational risk is the potential for loss or harm that can result from disruptions to a company's day-to-day business operations. These disruptions can be caused by flawed or failed processes, policies, systems, or events, such as: Employee errors, Criminal activity, such as fraud, Physical events, Technology, and External events.

- **Liquidity Risk**
  Liquidity risk is the risk of loss resulting from the inability to meet payment obligations in full and on time when they become due. Liquidity risk is inherent to the Bank's business and results from the mismatch in maturities between assets and liabilities.

- **Funding Risk**
  he risk that a company will not be able to meet its short-term financial

obligations when due. funding liquidity risk is the risk that a company will not be able to settle its current outstanding bills.