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AN EMPIRICAL ANALYSIS OF RISK AND RETURN ON INVESTMENT

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Abstract:

Purpose- To make investment decisions, investors must evaluate the trade-off between potential returns and current financial risks. Every investor aims to earn higher returns while managing possible risks effectively. This study examines the risk and return performance of investments associated with mutual funds. The main purpose is to understand how investment returns vary with risk and how efficiently investments perform over time.

Design/Methodology/Approach - The study is based mainly on secondary data collected from company reports, stock market sources, and financial databases. The researchers use financial and statistical tools to assess investment performance through average return and standard deviation and beta and Sharpe ratio and Treynor ratio and Jensen's alpha.

Findings - The research demonstrates that investment returns experience fluctuations because of two specific factors: market conditions and economic factors. The analysis demonstrates that investors can achieve better returns through higher risk investments which create more dangerous financial situation. For investors to match the portfolios with the corresponding risks, measures expressing performance based on risk are requisite.

Practical Implications -The study offers valuable insights to three groups of people through its demonstration of how risk and return analysis helps investors make better decisions while evaluating investment options. The study demonstrates that scientific financial metrics provide a superior method for assessing investments than solely applying return-based evaluations.

Originality/Value - The research investigates to provide practical local insights about investment performance and portfolio assessment.

Keywords - Risk, Return, Investment Performance, Portfolio Analysis, Sharpe Ratio, Treynor Ratio, Jensen's Alpha, Financial Analysis

INTRODUCTION

Almost all people consider investment at least once during their lifetime. People invest their money to create savings which will provide them with future income. People invest their money to create savings which will provide them with future income. People invest their money to create savings which will provide them with future income. People invest their money to create savings which will provide them with future income. People use various investment options to increase their wealth but they must first understand the

inherent risks associated each investment option. Every investment contains an inherent risk element which investors must evaluate together with their potential returns. Investors need to understand how risk and return interact because this knowledge enables them to make sound financial choices. Empirical research enables researchers to assess risk together with return metrics. Risk exists in two forms which investors must calculate to understand how their investments will either result in profits or financial losses. People use these two concepts in their investment activities. People use these two concepts in their investment activities. People use these two concepts in their investment activities.

LITERATURE REVIEW:

1. **Risk adjusted measures of mutual fund (Gangavarapu, Brontman & Gangavarapu, 2025)**
Key Contribution: Explains use of risk-adjusted measures to evaluate mutual fund performance.
Relevance to My Paper: Supports use of multiple ratios for accurate risk-return analysis.
2. **How investors choose mutual fund and ULIPs. (M Nihal Gowda, 2025)**
Key Contribution: Shows how investor risk tolerance affects choice between mutual funds and ULIPs.
Relevance to My Paper: Helps understand role of risk preference in investment decisions.
3. **AI based approaches for mutual funds. (Chaitra S, 2025)**
Key Contribution: Highlights use of AI in predicting mutual fund risk and returns.
Relevance to My Paper: Adds modern approach to improve accuracy of risk-return analysis.
4. **Evaluating the risk and returns. (Rajgopal and Shailaja 2025)**
Key Contribution: Compares performance of large, mid, and small-cap mutual funds.
Relevance to My Paper: Supports comparison of fund categories based on risk and return.
5. **Risk & Return insights from Indian mutual fund. (Malhotra, 2025)**
Key Contribution: Examines mutual fund stability during market volatility.
Relevance to My Paper: Shows importance of evaluating funds under uncertain conditions.
6. **Risk Return analysis of special mutual fund schemes. (Praveen Raj, 2024)**
Key Contribution: Analyzes performance of specialized mutual fund schemes.
Relevance to My Paper: Expands understanding of different mutual fund categories.
7. **A study on the risk and returns of selected large cap mutual fund in India, (Pirakatheeswari P 2024)**
Key Contribution: Shows large-cap funds provide stable returns with lower risk.
Relevance to My Paper: Supports idea of balancing risk and return in fund selection.
8. **An evaluation of large copied cap and small cap mutual fund (Sandeep Kumar, Ankur Sabharwal, Sakshi, 2024)**
Key Contribution: Identifies top-performing funds across categories.
Relevance to My Paper: Helps in comparative evaluation of mutual fund performance.
9. **A critical study of risk and return analysis between mutual fund and fixed deposit, (Snehlata Kumari, Prakash Kumar Agarwal, 2024)**
Key Contribution: Compares mutual funds with fixed deposits.
Relevance to My Paper: Highlights mutual funds as better risk-return investment option.
10. **A study on risk and return analysis of debt mutual funds (Shailaja, 2023)**
Key Contribution: Evaluates debt mutual funds using risk-return tools.
Relevance to My Paper: Provides insights into low-risk mutual fund categories.
11. **Risk and return analysis of equity funds of selected HDFC mutual fund (Monoj Kumar, 2023)**
Key Contribution: Analyzes risk and return of HDFC equity funds.
Relevance to My Paper: Supports use of performance measures for fund evaluation.
12. **Performance evaluation of mutual fund using risk and return relationship models. (Shekhar Sawant, 2023)**
Key Contribution: Evaluates mutual funds using Sharpe, Treynor, and Jensen models.
Relevance to My Paper: Strengthens methodological framework of risk-return analysis

13. An exploration of the assessment of risk and return with SBI equities. (Hema , 2023),**Key Contribution:** Studies risk-return relationship in SBI mutual funds.**Relevance to My Paper:** Provides base understanding of performance evaluation.**14. Mutualfund and capital market. (Dr R Sathya, Dr Padmaja DV, Dr C Aishwarya, Dr. B. Sivakumar 2023)****Key Contribution:** Highlights growth of mutual funds in capital markets.**Relevance to My Paper:** Supports importance of mutual fund analysis.**15. Risk and return analysis of selected flexi cap mutual fund (Dr.shruti Punj.2022)****Key Contribution:** Analyzes performance of flexi-cap mutual funds.**Relevance to My Paper:** Explains flexibility in investment and its impact on returns.**16. Performance of mutual funds, risk and return during covid-19, (V. Agalya Viswanathan, Ms. A. Nandini 2021)****Key Contribution:** Studies mutual fund performance during COVID-19.**Relevance to My Paper:** Shows impact of market conditions on fund performance.**17. Risk, return&performance evaluation slected mutual fund (Dr.Madana Mohan, Dr.M.anandsa rao, 2021)****Key Contribution:** Evaluates equity and balanced funds using risk-adjusted measures.**Relevance to My Paper:** Supports comparative performance analysis.**18. Analysis of risk and return of selected mutual fund. (Murugesan Thuneri Kupparaj.2022)****Key Contribution:** Analyzes dividend-based Mutual Funds.**Relevance to My Paper:** Provides insights into income-generating fund schemes.**19. Impact of macroeconomic variables on the performance of mutual fund. (Inderjit kaur.2023)****Key****Contribution:** Examines macroeconomic impact on mutual fund performance.**Relevance to My Paper:** Highlights external factors affecting risk and return.**20. Analysis of risk and return of selected mutual fund. (M Krishnamurthy, 2022)****Key Contribution:** Evaluates mutual funds using beta and performance ratios.**Relevance to My Paper:** Supports statistical analysis of risk-return relationship.**21. A study on risk and return analysis of selected mutual fund. (Dr.P. Subramanyam, Dr. Nalla Bala Kalyan.2022)****Key Contribution:** Focuses on investor awareness and risk tolerance.**Relevance to My Paper:** Helps link investor behavior with fund performance.**22. An analysis of risk and return of selected mutual fund. (Pandow, B.A, &Butt, K .A, 2022)****Key Contribution:** Explains role of mutual funds in capital market participation.**OBJECTIVE OF THE STUDY**

- To compare the performance of investments with market benchmarks in order over specific period.
- To analyze the relationship between risk and return of selected investments instruments.
- To evaluate the investment performance by applying risk-adjusted return indicators.

RESEARCH METHODOLOGY

The study adopts a quantitative research approach to examine the relationship between risk and return on investments. Primary data was collected from 363 respondents using a structured questionnaire designed on a Likert scale to capture their perceptions and preferences toward investment decisions. A convenient sampling method was used to gather responses from participants with varying levels of investment experience. The collected data was systematically analyzed using statistical tools to evaluate patterns, relationships, and risk-return behavior.

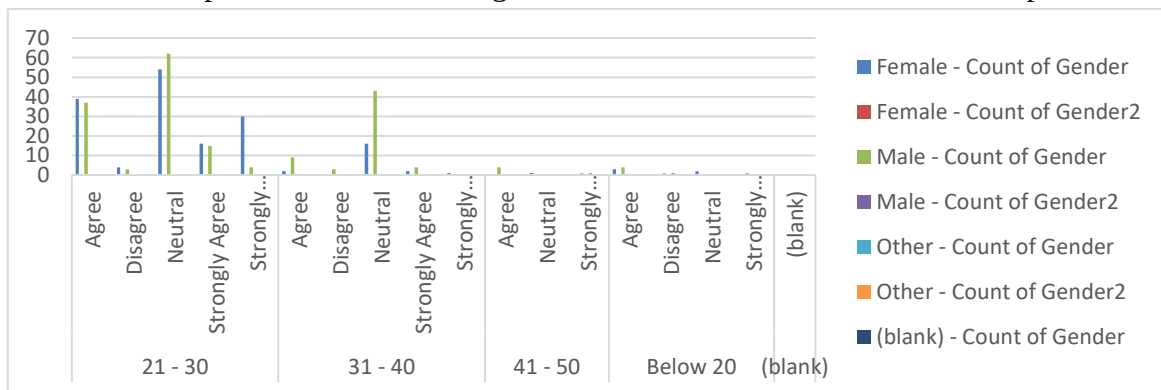
ANALYSIS AND INTERPRETATION

1: This table shows survey results for the statement: "Higher risk investments generally provide higher returns" broken down by gender for the 21-30 age group.

	Column Labels									
	Female		Male		Other		(blank)		Total Count of Gender	Total Count of Gender2
Row Labels	Count of Gender	Count of Gender2	Count of Gender	Count of Gender2	Count of Gender	Count of Gender2	Count of Gender	Count of Gender2		
21 - 30	143	39.39%	121	33.33%		0.00%		0.00%	264	72.73%
Agree	39	10.74%	37	10.19%		0.00%		0.00%	76	20.94%
Disagree	4	1.10%	3	0.83%		0.00%		0.00%	7	1.93%
Neutral	54	14.88%	62	17.08%		0.00%		0.00%	116	31.96%
Strongly Agree	16	4.41%	15	4.13%		0.00%		0.00%	31	8.54%
Strongly Disagree	30	8.26%	4	1.10%		0.00%		0.00%	34	9.37%
31 - 40	21	5.79%	59	16.25%		0.00%		0.00%	80	22.04%
Agree	2	0.55%	9	2.48%		0.00%		0.00%	11	3.03%
Disagree		0.00%	3	0.83%		0.00%		0.00%	3	0.83%
Neutral	16	4.41%	43	11.85%		0.00%		0.00%	59	16.25%
Strongly Agree	2	0.55%	4	1.10%		0.00%		0.00%	6	1.65%
Strongly Disagree	1	0.28%		0.00%		0.00%		0.00%	1	0.28%
41 - 50	1	0.28%	5	1.38%	1	0.28%		0.00%	7	1.93%
Agree		0.00%	4	1.10%		0.00%		0.00%	4	1.10%
Neutral	1	0.28%		0.00%		0.00%		0.00%	1	0.28%
Strongly Disagree		0.00%	1	0.28%	1	0.28%		0.00%	2	0.55%
Below 20	5	1.38%	6	1.65%	1	0.28%		0.00%	12	3.31%
Agree	3	0.83%	4	1.10%		0.00%		0.00%	7	1.93%

Disagree		0.00%	1	0.28%	1	0.28%		0.00%	2	0.55%
Neutral	2	0.55%		0.00%		0.00%		0.00%	2	0.55%
Strongly Disagree		0.00%	1	0.28%		0.00%		0.00%	1	0.28%
(blank)		0.00%		0.00%		0.00%		0.00%		0.00%
(blank)		0.00%		0.00%		0.00%		0.00%		0.00%
Grand Total	170	46.83 %	191	52.62 %	2	0.55%		0.00%	363	100.00%

ANALYSIS: The analysis shows that 72.73% of respondents belong to the 21-30 age group, while 20.94% of respondents stated their agreement and 31.96% maintained neutral positions.



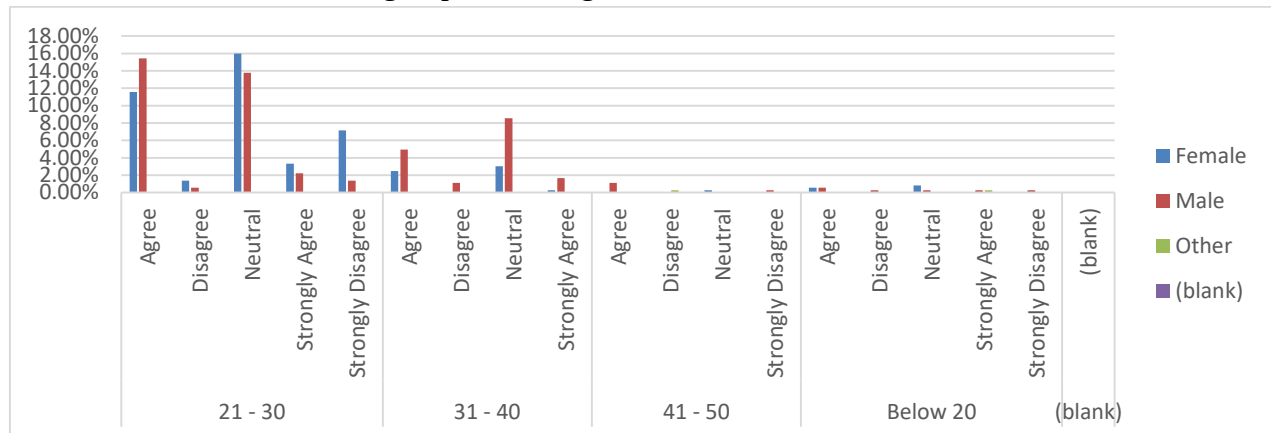
INTERPRETATION: The data demonstrates that most young people tend to have positive feelings, yet they still lack full confidence in their viewpoint.

2. This table shows survey results for the statement "Higher risk investments generally provide higher returns", broken down by age group and gender.

	Column Labels			
Row Labels	Female	Male	Other	Grand Total
21 - 30	39.39%	33.33%	0.00%	72.73%
Agree	11.57%	15.43%	0.00%	27.00%
Disagree	1.38%	0.55%	0.00%	1.93%
Neutral	15.98%	13.77%	0.00%	29.75%
Strongly Agree	3.31%	2.20%	0.00%	5.51%
Strongly Disagree	7.16%	1.38%	0.00%	8.54%
31 - 40	5.79%	16.25%	0.00%	22.04%
Agree	2.48%	4.96%	0.00%	7.44%
Disagree	0.00%	1.10%	0.00%	1.10%
Neutral	3.03%	8.54%	0.00%	11.57%
Strongly Agree	0.28%	1.65%	0.00%	1.93%
41 - 50	0.28%	1.38%	0.28%	1.93%
Agree	0.00%	1.10%	0.00%	1.10%
Disagree	0.00%	0.00%	0.28%	0.28%
Neutral	0.28%	0.00%	0.00%	0.28%
Strongly Disagree	0.00%	0.28%	0.00%	0.28%
Below 20	1.38%	1.65%	0.28%	3.31%
Agree	0.55%	0.55%	0.00%	1.10%

Disagree	0.00%	0.28%	0.00%	0.28%
Neutral	0.83%	0.28%	0.00%	1.10%
Strongly Agree	0.00%	0.28%	0.28%	0.55%
Strongly Disagree	0.00%	0.28%	0.00%	0.28%
(blank)	0.00%	0.00%	0.00%	0.00%
(blank)	0.00%	0.00%	0.00%	0.00%
Grand Total	46.83%	52.62%	0.55%	100.00%

ANALYSIS: The study shows that 27% of surveyed people and 29.75 %who chose neutral and a small group who disagreed with the statement.



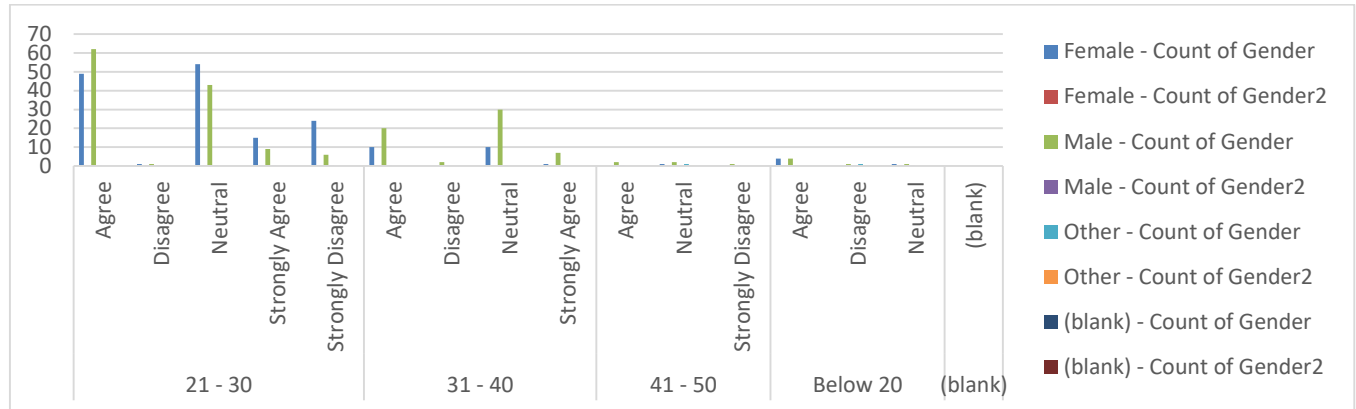
INTERPRETATION: The study shows that people understand the importance of risk and return but many people still face understanding difficulties because they lack necessary information.

4. This table shows survey responses from the 21-30 age group for a statement, likely "Higher risk investments generally provide higher returns"

	Female		Male		Other	Total Count of Gender	Total Count of Gender2
Row Labels	Count of Gender	Count of Gender2	Count of Gender	Count of Gender2	Count of Gender		
21 - 30	143	39.39%	121	33.33%		264	72.73%
Agree	49	13.50%	62	17.08%		111	30.58%
Disagree	1	0.28%	1	0.28%		2	0.55%
Neutral	54	14.88%	43	11.85%		97	26.72%
Strongly Agree	15	4.13%	9	2.48%		24	6.61%
Strongly Disagree	24	6.61%	6	1.65%		30	8.26%
31 - 40	21	5.79%	59	16.25%		80	22.04%
Agree	10	2.75%	20	5.51%		30	8.26%
Disagree		0.00%	2	0.55%		2	0.55%
Neutral	10	2.75%	30	8.26%		40	11.02%
Strongly Agree	1	0.28%	7	1.93%		8	2.20%
41 - 50	1	0.28%	5	1.38%	1	7	1.93%
Agree		0.00%	2	0.55%		2	0.55%
Neutral	1	0.28%	2	0.55%	1	4	1.10%
Strongly Disagree		0.00%	1	0.28%		1	0.28%
Below 20	5	1.38%	6	1.65%	1	12	3.31%

Agree	4	1.10%	4	1.10%		8	2.20%
Disagree		0.00%	1	0.28%	1	2	0.55%
Neutral	1	0.28%	1	0.28%		2	0.55%
Grand Total	170	46.83%	191	52.62%	2	363	100.00%

ANALYSIS: The study showed that 30.58 percent of participants agreed with the statement while 26.72 percent remained neutral and a very small group expressed disagreement with it.



INTERPRETATION: The study showed that people had positive responses to the research yet their mixed opinions demonstrated different levels of understanding about the topic.

LIMITATIONS OF THE STUDY

- Limited Sample Size: The study is based on responses from only 363 participants.
- Dependence on Secondary Data: The analysis relies on company reports and financial databases.
- Geographical Limitation: Focus is limited to Channarayapatna region.
- Limited Investor Awareness: Many respondents showed neutral responses.

FINDINGS OF THE STUDY

- Investment returns fluctuate due to market and economic conditions.
- Higher risk investments provide higher returns with greater uncertainty.
- Many respondents showed partial understanding of investment concepts.
- Risk-adjusted tools like Sharpe, Treynor, and Jensen's Alpha are effective.
- Benchmark comparison improves investment evaluation.

SUGGESTIONS

- Improve investor awareness through financial education.
- Use scientific evaluation tools like Sharpe and Treynor ratios.
- Diversify investment portfolio.
- Regularly analyse market conditions.

SCOPE OF THE STUDY

- Focuses on risk-return relationship in investments.
- Uses statistical tools for performance evaluation.
- Can be extended to other regions and larger samples.
- Useful for investors and financial analysts.

CONCLUSION

Risk and returns have a direct correlation. One has to consider both risk and returns when making any investment decision. Use of appropriate financial measures will help in making good investment decisions. The research about risk and returns analysis has been done in order to identify the key connection between investment risks and expected returns from the investment. The research proves that investment with high risk provides the possibility of achieving high returns but at the same time, there is a likelihood of losses. The research also proves that although many people know the importance of analyzing both aspects, many do not fully understand the two terms.

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