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ABSTRACT

This study tests the impact of risks on stock returns. The different risks used in this study are systematic risk, unsystematic risk and total risk. The study was based on three industries. Stock returns have been taken of fifteen companies from three sectors (Oil & Gas Sector, Food Producers and Construction & Material (Cement) Sector, five companies from each sector. Using the index figures of Karachi Stock Exchange (KSE) and the Stock prices, stock return, systematic risk, unsystematic risk and total risk is calculated. A combined and industry-wise relationship between the risks and stock returns was analyzed in the research. Different statistical instruments have been used to find out the relationship between various risks and stock returns like, mean, standard deviation, correlation, regression and the results are interpreted by the correlation, percentage of impact and level of significance, through SPSS Software. While, no significant impact of systematic risk was found, there was a strong positive and significant impact of unsystematic risk on stock return.

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