



REDUCING RISK IN INVESTMENTS - THE ROLE OF DIVERSIFICATION

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ABSTRACT

Investment is one of the essential elements for the development of any economy. Savings and investments determine the rate of capital formation. There are various factors that influence savers in committing money in the form of investments. Risk and return are the most important among them. Every rational investor attempts to minimise the investment risk and maximise the returns. Thus, risk minimisation is an important goal of any investor. Recognising this imperative objective, the present paper attempts to help the academics in general and the investors in particular to understand the role of diversification in minimising investment risk. The paper primarily intended to explain diversification in a simplified form.

KEYWORDS: Risk, Diversification.