

AN EMPIRICAL TEST OF THE CAPITAL ASSET PRICING MODEL (CAPM) IN THE INDIAN STOCK MARKET

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ABSTRACT

CAPM is a model that links the expected return of a stock or portfolio to its market risk, measured by beta. Although this model has been widely tested in developed markets, it hasn't been explored as much in developing countries like India. This study explores how well the Capital Asset Pricing Model (CAPM) works in the Indian stock market during the period from April 2023 to March 2025. To test its relevance, the study looked at data from the top 30 companies listed on the Bombay Stock Exchange (BSE), which make up the Sensex index. The findings showed that CAPM did not hold true during this period. This suggests that other factors besides market risk may also affect stock prices and portfolio performance in India. Overall, the results raise doubts about the reliability of CAPM in the Indian market for this time frame. The empirical findings of the study conclude that CAPM is not valid in BSE Sensex Index.

KEYWORDS: *Empirical, Developing, Empirical, Diversification.*

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