

Capital Asset Pricing Model: Beta and Size Tests



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Abstract: *The tests on CAPM have been conducted to test intercept, beta and a number of risk factors. This study tests intercept, beta and size coefficients for sample companies. The results of the study show that intercept is not significantly different from zero and neither beta nor size explain variation in portfolio returns. Therefore, we conclude that the intercept of the CAPM is equal to the risk-free rate of returns but the beta and size factors do not explain the portfolio returns in Indian market. The exception is market value weighted portfolios when percentage returns are used. In this case beta explains the portfolio returns.*

Keywords: CAPM, Intercept, portfolio Returns, Beta, Size