

Fama French Four Factor Model: A Study of Nifty Fifty Companies

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Abstract : The study aims to explore the applicability of the widely used asset pricing models, namely, Capital Asset Pricing Model (CAPM) and the Fama-French Four Factor Model in the Indian equity market. The study will be based on the companies that form part of the Nifty Fifty Index for a period of five years: 2011 to 2016. The asset pricing model is examined by forming portfolios on the basis of three variables - market capitalization (size effect), book-to-market equity ratio (value effect) and profitability. The study provides a basis to test the presence of the Fama-French Four factor model in Indian stock market. This study may provide a basis for future research in the generalized asset pricing model comprising of multiple risk factors.

Keywords : book to market equity, Fama French four factor model, market capitalization, profitability, size effect, value effect

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