ANALYSIS OF RISK-RETURN RELATIONSHIP: A STUDY OF INDIAN MARKETS USING CAPM

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ABSTRACT
The purpose of this paper is to describe risk-return relationship in the Indian stock market by using the Capital Asset Pricing Model (CAPM). Usually the investor assuming higher risk is expected to earn higher return and vice-versa. In CAPM the investor is entitled to returns only for bearing the market risk which cannot be diversified i.e beta (β) and, therefore, stocks with higher beta are expected to generate higher return than the return on lower beta stocks. The purpose of the paper is to verify the same.

KEYWORDS: CAPM, beta, risk, return.