

ASSET PRICING IN HALAL STOCKS: EVIDENCE FROM CAPM AND FAMA FRENCH THREE FACTOR MODEL

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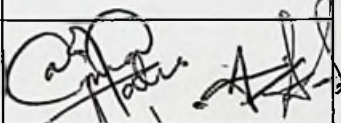
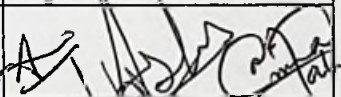
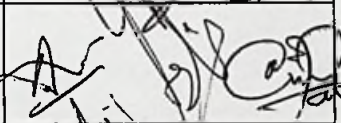
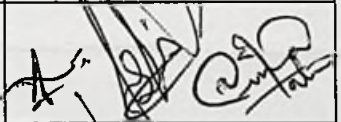
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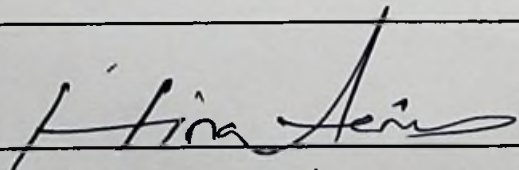
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2	20/9/24	Supervisor's office	Intro of the report discussion	
3	15/10/24	Supervisor's office	Literature review discussion	
4	23/10/24	Supervisor's office	Research Methodology discussed.	

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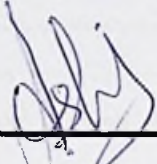

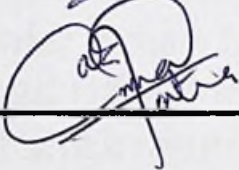
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I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

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ABSTRACT

In the context of this research project, some information has also been presented concerning the Capital Asset Pricing Model (CAPM) and the Fama French Three Factor (FF3FM) model and their implication on the expected returns of Islamic stocks, from the point of view of the Pakistan Stock Exchange (PSX). Data such as the monthly price returns of all 262 companies (KMI-all share index) from the year 2010 to 2023 have been included and tested to check the impact of independent variables such as market premium (excess market returns when deducted from the risk-free rate), firm size, book to market value on the dependent variable that is the expected returns on Islamic stocks using the CAPM and Fama French Three Factor Model. First-pass and second-pass regression are part of the methodology process for the Lintner Approach (1965) that is used for testing the Capital Asset Pricing Model model and for the Fama French Three Factor Model (FF3FM) the Generalized Method of Moments (GMM) regression has been applied. These results demonstrate the significance of taking into account factors other than market risk when evaluating returns and helping to clarify asset pricing in the context of Shariah-compliant companies.

Keywords: Capital Asset Pricing Model (CAPM), Fama French Three Factor (FF3FM) model,