THE IMPACT OF FINANCIAL LEVERAGE ON THE PRICING RISK IN THE EGYPTIAN STOCK MARKET

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Abstract
This paper examines the impact of financial leverage on the risk pricing in the Egyptian Stock Exchange (EGX) by adding an additional risk factor reflecting financial leverage to the three factor model of Fama and French. We used monthly excess stock returns of 50 stocks listed on the (EGX) from January 2014 to December 2018 to test Fama and French model before and after adding the financial leverage factor. Total debt to equity ratio was used to calculate the financial leverage. The results do not support Fama and French model before and after adding the financial leverage factor, therefore there is no effect of financial leverage on the risk pricing.

Keywords
Fama and French three-factor model, Financial leverage.

JEL Classification
G12, G32

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