

Evaluation of risk and return on investment in petroleum and petrochemical industries against other industries among listed companies in the Tehran Stock Exchange (TSE)

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Abstract: This study was paid to assess the risks and returns on investments in the petroleum and petrochemical industry in the period from 2009 to 2016 (1387 till 1394 Persian date) and compares it with other industries in Tehran Stock Exchange. For this purpose, information about the risks and returns of petroleum products and petrochemical companies and in the same fellow members of the pharmaceutical industry and plant materials, automobiles and parts, banks and credit institutions, insurance and pension and basic metals that had significant activity in terms of number of companies and impact on the index, was extracted from the Rahavarde Novin software. For the measurement of return and risk, the annual stock return and the coefficient of variation of stock returns were used respectively. After the formulation of hypotheses, to test them, statistical test of two Independent Sample T-test for means were used. The results show the returns and risk of investment in petroleum and petrochemical industries have not significant difference from other industries in the Tehran Stock Exchange. The results can help present and potential investors and shareholders making better investment decisions.

Key words: Risk, Return, oil and petrochemical industry, Tehran Stock Exchange, two Independent Sample T-tests.

1. Introduction

One of the most important factors affecting the economy is investment and related matters. This is due to the factor of production, employment and motion of economic wheels in every country, is an inevitable issue (Abzari et al. 2009). Collection of Small and domestic investment funds and direct wander in the activities of production and industry is necessary to achieve economic growth and development (Tehrani, Fannie Asl ,2008). Stock Exchange and capital markets can play a major role in the dynamics of the companies and the economy by means of providing mechanisms for investment in shares of companies that meet listing conditions and requirements to issue their shares to the public. So companies by offering shares through the Stock Exchange and investors through buying stocks and invest in stocks of companies, obtain participation in economic development and name themselves as minor contributor to the economic development of the country (Abzari et al., 2009). In this line with taking risk and return of investments into account, investigation of industries in the stock market individually, will help investors know their investment in what industries should made and Abstain from what industry. Extension of investment on the one hand leads to efficient investment and lead them to flow towards productive economic sectors and on the other hand with regard to investment decisions based on risk and return, investments in industries will be redirected to higher yields and less risk. This will lead to optimal allocation of resources (Khajavi and Nazmi,2006).