

## The Effect of Behavioral and Risk Factors of Investment Growth on Stock Returns

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**Abstract :** In this study, the relationship between investment growth and stock returns of companies listed in Tehran Stock Exchange and whether their relationship -behavioral or risk factors- are discussed. Generally, there are two perspectives; risk-based approach and behavioral approach. According to the risk-based approach due to increase investment, systemic risk and consequently the stock returns are reduced. But due to the second approach, an excessive optimism or pessimism leads to assuming stock price with high investment growth in the past, higher than its intrinsic value and the price of stocks with lower investment growth, less than its intrinsic value. The investigation period is eight years from 2007 to 2014. The sample consisted of all companies listed on the Tehran Stock Exchange. The method is a portfolio test, and the analysis is based on the t-student test (t-test). The results indicate that there is a negative relationship between investment growth and stock returns of companies and this negative correlation is stronger for firms with higher cash flow. Also, the negative relationship between asset growth and stock returns is due to behavioral factors.

**Keywords :** behavioral theory, investment growth, risk-based theory, stock returns

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