EXPLAINED BY THE THEORY OF PROSPECT AGAINST RISK SENSIVITY ON FIRM LEVEL

ABSTRACT

Risk and return relationship is the most attractive subject for the researcher now as like in the past. Traditional finance theories discussed in terms of the relationship, as an alternative to expected utility theory developed by Kahneman and Tversky been discussed, in terms of expectancy theory.The aim of this study, to determine and explain the sensivity on firm level with prospect theory.

We were used to Panel Data analyses to explain the firms' risk-return sensitivity with the Prospect Theory. The data on this model, Borsa İstanbul stock- exchange traded companies in the industrial sector in the years 2003-2012 were obtained from the financial statements. We discussed about 12 monthly data. Firstly, the profitability of the financial statements of equity and risk calculations were made using the data. After that, with the help of the various tests and analyses of companies measured their sensitivity to risk. As a result,observed that firms prefer to grow by taking risks.

KEYWORDS

Risk-Return, Panel Data Analysis,Profitability of Owner's Equity, Prospect Theory, Financial Statement Data