

A Study on The Effect of Firm Size on Risk and Return

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Abstract

The size of the firms is one of the important factors that determine the firm performance. The size could be associated with different parameters such as revenue, capital, total assets, employees, market capitalization. The firm's performance effects on the stock return. The stock return is always attributed with the risk factors. It is the fact that the risk and return has a positive relationship. Generally, lesser the firm size higher the risk and vice versa. Therefore, it is presumed that the return from smaller firms should be more than the larger firms as the former firm is exposed to higher risk. With this premise, this study is proposed to examine the effect of firm size on risk and return among the listed firms in Muscat Securities Market. This study covers the listed company in Muscat Security Market. The firms in MSM benchmark index, MSM 30 Index, are considered for this study. These firms were classified into three main sectors: finance sector, industrial sector and services sectors. The information of the study will be collect for a period of 10 years starting from 2008 to 2017. So, this study is expected to examine the influence of firm size factor in Sultanate of Oman for a longer period of time. As the MSM 30 Index is considered as the benchmark index in Sultanate of Oman, it is presumed that the component firms in MSM 30 Index are the representative firms for the country. Out of 30 components firms in MSM 30 Index, the required data was available for 24 firms only. Therefore, the study was undertaken with the sample size of 24 listed firms in MSM 30 Index. The descriptive statistics show that the large firms risk and return is less while the smaller firms risk and return is high. The result of analysis shows that there is enough evidence to conclude that the firm size has no significant effect on return during the study period. However, the firm size has significant effect with market risk of firms listed in MSM.