

## Investigating the Relationship between Air Pollution of the City and Tehran Stock Exchange Indices

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### Abstract

**Introduction:** Air pollution is one of the most important economic and health concerns for humen, and due to its growing trend, it has been formed the main concerns of economists and policymakers of all countries. While many researches have been conducted on the effects of air pollution on humens' health, few researches have been done on the effect of air pollution on the Tehran Stock Exchange indices. In this regard, the aim of this research is to investigate the relationship between air pollution and the Tehran Stock Exchange indices.

**Method:** The type of this research is Ex-Post Facto and it is an applied research. In the present research, the Tehran Stock Exchange indices and Tehran's Air Quality Index during 2004-2014 have been used along with five composing elements: Carbon Monoxide, Ozone of the ground surface, Nitrogen Dioxide, Sulphur Dioxide, and the Particulates below 10 Micrometer. Testing the hypotheses of the research has been performed using Time Series Regression and Vector Autoregression models.

**Results:** The results of the research state that there is no significant relationship between air pollution and Tehran Stock Exchange indices. Moreover, there is no meaningful relationship between the components of air pollution and the Stocks Exchange indices. Besides, the calendar effect of the first day of the week does not adjust the relationship between air pollution and the Stock Exchange indices.

**Conclusion:** Given that air pollution has linked with the daily lives of people in big cities in some ways, this issue has been considered a natural phenomenon. Hence, it is worthy for the administrators of Environmental Protection Organization of the country to apply more effective methods in order to inform the society futherly of the effects of air pollution on the economic activities.

**Keywords:** Air Pollution, Price Cash Return Index, Stock Exchange, Total Index.

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