Investigating the Effect of Financial and Liquidity Limitation on Stock Returns of Stock Exchange Companies

Mahmood Hemetfar[1], Navab Kiamehr[2], Shaho Heidari Gandoman[3]

[1]Educator, Department of Accounting, Islamic Azad University, Boroujerd, Iran
[2]Department of Accounting, Boroujerd Branch, Islamic Azad University, Boroujerd, Iran
[3]Department of Accounting, Sanandaj Branch, Islamic Azad University, Sanandaj, Iran

Abstract

The purpose of this study was to investigate the effect of financial and liquidity limitation on stock returns of companies accepted in Tehran Stock Exchange. Financial constraints and stock liquidity as independent variable and stock returns are considered as independent variable and company size and return on assets as an intervention variable. The companies listed on the Tehran Stock Exchange during the period 2010-2015 are the statistical population of this research. On a sampling basis, systematic elimination of 130 companies has been determined as a statistical sample. In general, the test results of the research hypothesis show that: lower financial constraints have led to an increase in the stock returns of the companies admitted to the Tehran Stock Exchange due to the company's return on assets and also the liquidity of the stock returns of the companies accepted In Tehran Stock Exchange, according to the variables of intervention, company size and asset returns, is increased.

Keywords: stock liquidity, financial constraints, stock returns, size of companies, return on assets

Introduction

The stock exchange is a self-regulated market where securities are traded by brokers or traders in accordance with the rules of the securities market law and are established and operated as a public corporation. The stock exchange is a market where all types of assets are traded. Over the past two decades, the complexity and variety of financial instruments have been expanding significantly in Europe, the United States, and the Far East, and even some of these instruments have been traded in international financial markets, and capital markets have become increasingly globalized. With the globalization of financial markets around the world, economic entities seeking capital and financial services in each country will no longer have to restrict themselves to the domestic market. One of the hallmarks of today's industry is the existence of large corporations that control most of the economies in the world, and their capital is funded by the savings of millions of investors. In these companies, the shareholders (the owner of the company)choose management. Instead, management must work to maximize the interests of shareholders. In general, it can be said that the main goal of investors, including ordinary stock investors, is to earn profits and returns. Stock returns depend on two factors of stock price changes at the end of the period relative to the first period and the amount of cash income received (Khodadi et al, 2009, 61). Cash is one of the most important and vital resources of any economic unit. In many financial decisions, securities valuation models, capital valuation methods, etc., cash flows play a central role. The use of future operating cash flows is also increasing in new financial analyses (Saghafi et al., 2004, 56). Because stock market investors are choosing from profitable and profitable companies' shares after analyzing information published by the companies. Therefore, the stock exchange will actually create a competitive atmosphere that successful and profitable companies can finance through the sale of shares, and vice versa, outsourced companies will automatically withdraw from the circulation in order to optimize the allocation of resources. That, in turn, will lead to economic prosperity is due to the fact that countries with more developed Bourse have been able to experience more economic growth.

Problem Statement

The capital market in Iran is an unknown market. In this market, thousands of investors daily invest their money in the hope of gaining

more wealth. Some will achieve their goal, and others will lose their capital. Recognizing the Tehran Stock Exchange from different aspects and angles can better reduce the risk of investment or bring more returns, while better predicting the future of this market and its changes. Stock return is one of the important factors in choosing the best investment (Mehrani et al., 2003; Khodaday, 2009, 61). Financing solutions are one of the main decision-making areas for corporate executives in order to increase shareholders' equity. Growth and continuity of the company require financial resources, which are usually subject to limited constraints. In order to determine the appropriate financial resources, the management of the company should determine the cost of the various sources of financing and determine the effects that these resources have on the return of the company. Selection of financing methods has different effects on stock prices. That is why companies categorize companies, according to the type of strategy they choose to finance into two general groups depending on the type of financing (Abdul Rahimiyan, 2003). In this research, the financial and liquidity limitation of stock is considered as an independent variable and stock return is considered as an associated variable.

Companies are once in a financial constraint that there is a gap between internal consumption and external costs of allocated funds (Steven, 1988, p. 141). In this regard, we can mention the index called Kz (Janshad et al., 2012, p. 18). The term financial constraints refer to those barriers that prevent the provision of funds for optimal investment. Failure to provide funds for investment may be due to bad credit conditions and the inability to obtain a loan, or the inability to issue new shares, or funds of non-cash assets (Lamont et al., 2001, 530). Gary Gla (2007) states that internal and external sources of finance are interlinked. This is because companies with a high degree of cash flow can find foreign funds more easily. As a result, this issue can be understood as a lower risk by lenders. In addition, the high cash flow within the company can be seen as a reason for the commitment of corporate executives to investment projects (Gary Gla, 2008). Liquidity through stock exchanges reduces the cost of capital transactions and narrowed the price gap between buyer and seller, and the ability to convert stock or stock to liquidity can have a vague effect on the

information capability of the stock price (Professor, 2011, 537) But in general, it can be said that the main goal of investors, including ordinary stock investors, is to earn profits and returns. Stock returns depend on two factors of stock price changes at the end of the period relative to the first period and the amount of cash income received (Jahhankhani et al., 1357; Sughfi et al., 2004). In his empirical research in 1998 (1998), Maugh showed that the liquidity feature in the stock facilitates the possibility of sales, and the purchase of shares is less difficult, while the cost of maintaining such stocks is low, roses and Associates (2008) argue that high liquidity leads to a reduction in the cost of capital that could lead to an increase in profits. Liquidity is a measure of the speed of becoming a company's assets to cash. By examining the company's liquidity ratios, investors can figure out how much the company is capable of absorbing cash to buy new assets or repay their debts in an emergency or normal state. The issue of cash-flow has attracted a lot of attention in academic studies as well as in important publications in recent years, which is an indication of the importance of this issue. As a result, this study examines how the financial and liquidity constraints affect the stock return of listed companies in Tehran Stock Exchange.

The importance of this research
One of the major advantages of investing in ERAF is the high liquidity capability compared to other investment opportunities, due to factors such as long-term non-stop, stock returns of each company, and the extent to which the price difference between buying and selling depends on the pain. Reducing the liquidity of stocks on stock exchanges is one of the most important incentives for investing in the stock market. It also has a direct impact on the risk and returns of stock companies and may increase bubble prices. Liquidity is a complex concept and is not directly visible. In order to have an asset of liquidity, there is a need for a liquid market for that asset. Cash markets are considered desirable because of some benefits such as better allocation and information efficiency (Ahmadpour, 2004, 200). The liquidity of securities in the capital market is one of the most important factors affecting the correct application on the market. The liquidity of the success of the initial offerings increased, the gap between the proposed selling prices reduced and the price discovery improved. And

usually, the most important criterion for evaluating the performance of institutions is the stock return rate at the moment. This benchmark alone has information content for investors and is used to evaluate performance. When this criterion is reduced, there is a risk to the company and it does not suit the company's performance. This criterion has a lot of information content because performance measurement based on market value accurately reflects investors' information. Returns in the process of investors are the driving force that motivates and rewards investors. Therefore, stock returns are one of the most important factors in choosing the best investment opportunity for investors. Nowadays, in the capital market, the evolution of the accounting system plays an important role in the economic system and realization of the goals. One consequence of the evolution of accounting is the growing use of investors and owners of capital in research in these areas so that they can be informed of their information. Predict their returns.

Research purposes:
The overall objectives of this research are:
1 The Effect of Financial Limits on Stock Returns of Tehran Stock Exchange
2 The Effect of Liquidity on Stock Returns in Tehran Stock Exchange
Study population and statistical sample
The topic of research: issues related to financial constraints and liquidity and stock returns. In fact, the subject of the research is the study of the effect of financial and liquidity limitation on stock returns of companies accepted in the Tehran Stock Exchange, which is considered in the field of accounting
The domain of research: The place of this research is the companies accepted in the Tehran Stock Exchange.
The domain of research time: Since the research community, all companies accepted in Tehran Stock Exchange at a yield of 5 years, 2014-2015 are studied in this study.
Hypotheses
Financial constraints affect the stock return of listed companies in Tehran Stock Exchange.
Liquidity affects the stock return of listed companies in Tehran Stock Exchange.
Words and terms
* The obligations to the creditors will be difficult. Debt of a company may be used to finance its operations, but this will put at

greater risk of experiencing financial distress. Therefore, if the financial distress of the company does not improve, it will lead to bankruptcy (Guinness, 2007, 213 220).
In a scholarly study of distorted theory, Gordon defined it as reducing the company's profitability, which increases the probability of an inability to repay principal and interest (Gordo, 1971).
* Liquidity: It may be considered as a risk unit. The ability of a company to execute its short-term financial obligations without having to spend its long-term cash in cash or reduce its activities, liquidity is an important factor in stakeholder valuation by stakeholders such as investors, creditors and legal parties (Wallach et al. , 1995, 311, 368).
* Stock Returns: Usually the most important criterion for assessing the performance of institutions, is the stock return rate. This benchmark alone has information content for investors and is used to evaluate performance. When this criterion is reduced, the alarm is alarming for the company and does not show the company's proper performance. This criterion has a lot of information content because performance measurement based on market value accurately reflects investors' information. Returns in the process of investors are the driving force that motivates and rewards investors. In terms of return, the entire set of benefits is shared by the year (Shapur, 2006).
The statistical population of the study consisted of all the companies which were accepted in Tehran Stock Exchange during a period of six years from 2008 to 2013, and the statistical sample was composed of the companies which met a series of conditions; the companies possessed all required information during the period of six years; they were accepted in stock exchange before 2008 and their logos were not deleted from stock exchange board; their financial year-end was 31 March of each year; and they were not financial companies (i.e., investment, holding, and intermediation companies). Finally, 65 companies were selected during six years from 2008 to 2013 and, therefore, the data of 390 fiscal years were gathered and analyzed. This study was a descriptive correlational applied research of survey type which used linear and multiple regressions for testing the hypotheses. The mathematical models of the research for testing the hypotheses 1 to 4 were as following respectively: (1) (2) (3) (4) For gathering the

data and testing the hypotheses, all variables of the study, namely stock returns, earnings, liquidity risk, credit risk, and solvency risk were defined operationally. The stock return was defined as the changes in wealth or capital due to the investment. These changes can occur because of cash flows such as interests or earnings, or it can happen as the result of negative or positive changes in capital prices (Jones, 2012). In the present study, the following formula, which was adapted from Talebniya and Zare Nikouparvar Yazdi (2010) was used for calculating stock returns: On the other hand, earning per share was one of the common and conventional indicators of performance which was also used for evaluating stock prices and was expressed in Rials. It was calculated by dividing common shareholders' net income by the weighted average common shares outstanding. The result of the ratio showed a number of earnings per share, and higher earnings per share ratio indicated higher company efficiency. Therefore, it was used for

the evaluation of shares in a way that the future price of shares was determined according to the market price of the shares (trading price of shares) (Moeinoddin, Naiebzade, Zaree-Mehrjardi, & Fazel-Yazdi, 2013). Finally, liquidity risk as one of the independent variables of the study was calculated by the ratio of net debt to total assets, credit risk was assessed by the ratio of doubtful debts to current debts, and solvency risk was evaluated by the ratio of total debts to the sum of shareholders' equity. In the present study, library research was used for data gathering. The data required for reviewing the literature were collected from books, journals, articles, and university theses. In addition, the statistical information and data for testing the hypotheses were collected from the websites of Tehran Stock Exchange Corporation (e.g., SEO, CODAL, and RDIS) and the software of Tehran Stock Exchange Corporation (e.g., Tadbir Pardaz and Rahavard Novin).

Table (1) Indicators describing research constraints

Return on assets	Companies size	Stock liquidity	Financial constraints	Stock Returns	Indicators / variables
650	650	650	650	650	Number
0/139	6/047	2/164	4/006	3/11	Average
0/118	5/966	2/22	3/18	2/03	Mean
0/133	0/644	1/08	2/48	5/73	Standard deviation
0/18	0/41	1/18	6/17	32/8	Variance
0/74	0/85	-0/11	1/6	3/01	Skewed
1/10	1/40	0/98	3/16	28/8	Elongation

The data were analyzed at two levels of statistical analysis, including descriptive and inferential analysis. At the descriptive level, the distribution of the companies selected in six years was as presented in Table 1. As it is shown in Table 1 the number of fiscal years was 390 years (i.e., 65 companies × 6 years = 390 fiscal years).
Table 1 Distribution of Samples According to Years Year Sample 2008 65 2009 65 2010 65 2011 65 2012 65 2013 65 All 390 At the descriptive level, the data were also analyzed based on their central tendency and dispersion. The mean and standard deviation of the data about research variables are presented in Table 2.
Table 2 Descriptive Statistics of the Data for Variables Variable Max Min M SD Returns

0.77 -1.00 0.19 33 Earnings Per Share 6572 -1737 818.77 901.92 Liquidity Risk 2.36 0.01 0.57 0.24 Credit Risk 0.92 0.0004 0.081 0.16 Solvency Risk 26.23 -45.11 1.59 4.26 However, at inferential level, the normality of the data was tested using One-Sample Kolmogorov-Smirnov test (K-S test). Table 3 depicts the results of normality test. Table 3 Normality Test of Data for Variables Variable Number K-S Sig. Returns 390 0.958 0.370 Earnings per Share 390 3.112 0.000 Liquidity Risk 390 2.063 0.000 Credit Risk 390 6.705 0.000 Solvency Risk 390 6.851 0.000 K-S = One-Sample Kolmogorov-Smirnov Test; Sig. =Calculated Statistical Significance As it is presented in Table 3, the normality test of One-Sample K-S test showed that the calculated statistical significance for the

dependent variable (i.e., stock return) was greater than the significance level ($\alpha = 0.05$), and the distribution of the data for this variable was normal. However, because of the fact that the calculated statistical significances for independent variables of earnings per share, liquidity risk, credit risk, and solvency risk were smaller than the significance level of 0.05 per cent, the distribution of the data related to these variables was non-normal. As a result, considering the normality of the data for stock returns (dependent variable), linear regression could be used for testing the first hypothesis. The first hypothesis stated that there was a significant relationship between earnings per share and stock returns.

Table 2 Examples of Kymograph-Smirnov tests for variables

The significance level	Number	Variables
0/078	650	Stock Returns
0/133	650	Financial constraints
0/071	650	Stock liquidity

The linear regression presented above as the first model (i.e., was used for testing this hypothesis. The findings related to the first hypothesis are illustrated in Table 4. Table 4 Linear Regression Analysis Predicting Stock Returns from Earnings per Share Variable d F Sig. B SE Beta t p Model 1 1.951 19.4 0.000 Constant 0.125 0.022 5.71 0.000 Earnings per Share 0.00008 0.000018 0.218 4.41 0.000 d = Durbin-Watson statistic; F = F-test statistic; Sig. = calculated statistical significance. B = standardized regression coefficient; SE = According to Table 4, since Durbin-Watson statistic of 1.951 was greater than the critical value of 1.5 (i.e., d > 1.5), there was no statistical evidence that the error terms were negatively auto-correlated. In addition, the F calculated from the data with a value of 19.4 and statistical significance of 0.000 (i.e., $\alpha < 0.05$) showed that model 1 provided a significantly better fit for testing the hypothesis. The calculated beta coefficient (i.e., the standardized coefficient for independent variable of earnings per share) had a value of 0.218. This value of beta demonstrated that 0.218 standard deviations stock returns would change, per standard deviation change in independent variable of earnings per share. Considering the fact that the calculated beta coefficient was a positive value, there was, therefore, a direct and positive relationship between earnings per share and stock returns. In t-test, the calculated p-value for an independent variable of earnings per share was below the threshold chosen for statistical significance (i.e., 0.05 level), and the null hypothesis that there was no significant relationship between variables was rejected in favor of the alternative hypothesis.

Table(3) Correlation Coefficient, Adjusted Coefficient, and Watson Camera Test. Hypothesis 1

Significance level	Camera-Watson	Estimated error	Adjusted coefficient of determination	Coefficient of determination	Correlation coefficient	Model
0/000	1/7	5/58	0/053	0/05	0/24	1

Therefore, based on the results of the analysis of the first hypothesis, it could be claimed that there was a significant relationship between earnings per share and stock returns. The second hypothesis tried to test if liquidity risk had any significant effect on the relationship between earnings per share and stock returns. Multiple regression is shown in equation 2 (i.e., was used to test this hypothesis. Table 5 illustrates the results of testing the second hypothesis. Table 5 Multiple Regression Analysis Predicting Stock Returns and Earnings per Share from Liquidity Risk Variable d F Sig. B SE Beta t p Model 2 1.936 10.97 0.000 Constant 0.171 0.046 4.65 0.00 Earnings per Share 0.000079 0.000018 0.217 4.32 0.00 Liquidity Risk -0.080 0.051 -0.078 -1.46 0.116 d = Durbin-Watson statistic; F = F-test statistic; Sig. = calculated statistical significance. B = standardized regression coefficient; SE = standard error; Beta = standardized coefficient As it is shown in Table 5, the Durbin-Watson statistic of 1.936 which

was greater than the critical value of 1.5 (i.e., d > 1.5) demonstrated that the error terms were not negatively autocorrelated. In addition, the calculated value of F which showed a number of 10.97 with a statistical significance of 0.000 (i.e., $\alpha < 0.05$) proved that the regression model used for the second hypothesis provided a significantly better fit for testing the hypothesis. The calculated beta coefficient for independent variable of earnings per share had a value of 0.217 with a statistical significance of 0.000 (i.e., $\alpha < 0.05$). This value of beta indicated that there was a positive and significant relationship between earnings per share and stock returns.

However, the standardized beta coefficient for independent variable of liquidity risk had a value of - 0.078 with a statistical significance of 0.116 (i.e., $p > 0.05$). Therefore, these findings demonstrated that liquidity risk had a negative effect on the relationship between earnings per share and stock returns, and considering the level of statistical significance for liquidity risk which was greater than 0.05, the effect of liquidity risk on the relationship between earnings per share and stock returns was not statistically significant. These results were consistent with the findings of some other researchers such as Soh et al. (2009) and Purnamasari et al.

Table (4) Analysis of variance of regression for hypothesis 1

Significance level	f	Average	Degrees of freedom	Sum of squares	Model
00	13/18	410/57	3	1231/73	Regression
		31/13	646	20114/93	Remain
			649	21346/66	Total

For testing this hypothesis, Multiple regression is shown in equation 3 (i.e., was of help. The results of the analysis of the third hypothesis are presented in Table 6. Table 6 Multiple Regression Analysis Predicting Stock Returns and Earnings per Share from Credit Risk Variable d F Sig. B SE Beta t p Model 3 1.923 12.074 0.000 Constant 0.145 0.024 6.119 0.000 Earnings per share 0.000077 0.000018 0.213 4.303 0.000 Credit risk –0.221 0.104 –0.106 –2.137 0.033 Note. d = Durbin-Watson statistic; F = F-test statistic; Sig. = calculated statistical

significance. B = standardized regression coefficient; SE = standard error; Beta = standardized coefficient The Durbin-Watson statistic of 1.923, illustrated in Table 6, was greater than critical value of 1.5 (i.e., d > 1.5). Therefore, there was no statistical evidence that the error terms were negatively auto-correlated. In addition, the calculated F value of 12.074 with statistical significance of 0.000 (i.e., $\alpha < 0.05$) demonstrated that the regression model used for the third hypothesis provided a significantly better fit for hypothesis testing

Table (5)Regression equation coefficients for hypothesis 1

Significance level	t	Standardized coefficients	Not standardized coefficients		Model
		Beta	Standard error	B	
0/005	2/7		2/07	5/7	Fixed -amount
0/65	-1/8	-0/7	0/08	-0/16	Financial limitations
0/107	-1/6	-0/6	0/34	-0/55	Companies size
0/000	5/6	0/21	1/6	9/4	Asset return rate

The standardized beta coefficient for independent variable of earnings per share was 0.213 with a statistical significance of 0.000 (i.e., $\alpha < 0.05$). This value of beta clearly proved that there was a positive and significant relationship between earnings per share and

stock returns. On the other hand, the calculated standardized beta coefficient for independent variable of credit risk was -0.106 with a statistical significance of 0.033 (i.e., $p > 0.05$). These results demonstrated that credit risk had a negative effect on the relationship between

earnings per share and stock returns. In addition, regarding the statistical significance of credit risk, the level of statistical significance with a value smaller than 0.05 proved that this effect was statistically significant. These findings were consistent with that of Cheng and Nasir (2010) which had demonstrated the significant effect of credit risk on earnings.

They were, however, inconsistent with the findings of Soh et al. (2009) and Purnamasari et al. (2012). The fourth and last hypothesis assessed the effect of solvency risk on the relationship between earnings per share and stock returns. The multiple regression presented in model 4 above (i.e., was used for testing this hypothesis.

Table (6) Correlation Coefficient, Adjusted Coefficient, and Watson Camera Test. Hypothesis 2

Significance level	Camera-Watson	Estimated error	Adjusted coefficient of determination	Coefficient of determination	Correlation coefficient	Model
0/000	1/9	5/59	0/049	0/054	0/23	1

The results of testing this hypothesis are illustrated in Table 7. Table 7 Multiple Regression Analysis Predicting Stock Returns and Earnings per Share from Solvency Risk Variable d F Sig. B SE Beta t p Model 4 1.933 13.964 0.000 Constant 0.141 0.022 6.285 0.00 Earnings per Share 0.000078 0.000018 0.217 4.413 0.00 Solvency risks –0.083 0.003 –0.140 –2.86 0.004 d = Durbin-Watson statistic; F = F-test statistic; Sig. = calculated statistical significance. B = standardized regression coefficient; SE = standard error; Beta = standardized coefficient According to Table 7, the Durbin-Watson statistic of 1.933 was greater than critical value of 1.5 (i.e., d > 1.5). Therefore, the error terms were not negatively

auto-correlated. The calculated F statistic also showed a value of 13.964 with a statistical significance of 0.000 (i.e., $\alpha < 0.05$). These values proved that the regression model used for the fourth hypothesis provided a significantly better fit for testing the hypothesis. The standardized beta coefficient for the variable of earnings per share had a value of 0.217 with a statistical significance of 0.000 (i.e., $\alpha < 0.05$). This value of beta coefficient demonstrated that there was a positive and significant relationship between earnings per share and stock returns. However, the standardized beta coefficient for independent variable of solvency risk was -0.140 with a statistical significance of 0.004 (i.e., $p < 0.05$).

Table (7) Analysis of variance of Regression for hypothesis 2

Significance level	f	Average	Degrees of freedom	Sum of squares	Model
00	13/18	410/57	3	1231/73	Regression
		31/13	646	20114/93	Remain
			649	21346/66	Total

As a result, solvency risk had a negative effect on the relationship between earnings per share and stock returns. Evaluating the level of statistical significance also proved that solvency risk with a statistical significance smaller than 0.05 had a significant effect on the relationship between earnings per share and stock returns. It should be mentioned that these results were consistent with the findings of Soh et al. (2009) and Purnamasari et al. (2012), and inconsistent with that of Cheng and Nasir (2010).

Discussion and Conclusion This study was conducted for the purpose of evaluating the effects of financial risks on the relationship between earnings per share and stock returns. The results of the study showed that there was a positive and significant relationship between earnings per share and stock returns. In addition, it was demonstrated that credit and solvency risks had negative and significant effects on the relationship between earnings and returns. Therefore, according to these findings, it is argued that the companies accepted in stock exchange pay special

attention to these risk factors during initial evaluations for buying a share. However, liquidity risk had no significant effect on the relationship between earnings per share and stock returns. Although this study tried to be more detailed and extensive than the prior studies, it suffered from a number of limitations. It was restricted to the investigation of the effects of financial risks on the relationship between earnings per share and stock returns. However, other factors could also have effects on this relationship.

Table (8) Regression equation coefficients for hypothesis 2

Significance level	t	Standardized coefficients		Not standardized coefficients		Model
			Beta	Standard error	B	
0/005	2/7			2/07	5/7	Fixed -amount
0/65	-1/8		-0/7	0/08	-0/16	Financial limitations
0/107	-1/6		-0/6	0/34	-0/55	Companies size
0/000	5/6		0/21	1/6	9/4	Asset return rate

Therefore, they are strongly recommended to be studied in future research. Future researchers are suggested to study the effects of market risk, commercial risk, growth, capital structure, and so forth on the relationship between earnings and returns. In addition, this study investigated the companies accepted in stock exchanges. Future studies can look into banks, investment institutions and companies, and other organizations. In other words, applying the research design to other companies and profession is recommended for future research, and to increase the generalizability of the present study, more data collection from various locations is needed.

Conclusion
The result of the hypothesis1: The financial constraints on the stock return of listed companies in Tehran Stock Exchange are influential. According to the regression test, Pearson correlation coefficient between the two variables is a financial constraint and stock return is 24%. As a result, there is a significant relationship between the two variables of financial constraints and stock returns of companies accepted in Tehran Stock Exchange. As the level of significance (0.000) is less than 5%, financial constraints result in the stock return of the companies accepted in the Tehran Stock Exchange. Also, with respect to the adjusted, adjustment coefficient, 5% of the changes in stock returns of companies is explained by their financial constraints, and the remaining changes are 95% by other variables that are not investigated in this study. In general, we can say that lower financial

constraints lead to higher returns of stock, companies admitted to the Tehran Stock Exchange to pay attention to the variables of the size of the company and the return on assets. However, with regard to the beta coefficient, the firms' rate of return has a positive and direct effect on stock returns. However, financial constraints and corporate size negatively affect investor companies' returns. The result obtained with the result of the research, Mansour Khanani Amiri (2007), who writes that after the localization of the KZ index, and its calculation for the years 1382 to 1372 for each year and each company, we conclude that: evidence of the relationship The financial limitation was found to be dependent variable and return on equity, so the results obtained are the same in the two studies, and are similar to those of Jalaluddin Dalaviripour, Hasan Ali Sinaei, and Mehdi Nadaf (2011). **The result of the hypothesis2:** liquidity is effective on the stock return of the companies accepted in the Tehran Stock Exchange. According to regression test, Pearson correlation coefficient between two liquidity variables and stock return is 23%. As a result, there is a significant relationship between the two variables of liquidity and stock returns of the companies accepted in the Tehran Stock Exchange. Since the level of significance (0.000) is less than 05%, so the liquidity causes the stock returns of the companies accepted in the Tehran Stock Exchange. Also, with regard to the adjusted, adjustment coefficient, 04% of the stock returns of the companies is explained by their liquidity, and the remaining changes

are 96% by other variables that are not investigated in this study.

In general, the liquidity of stock can increase the return on the stock, the companies accepted in the Tehran Stock Exchange pay attention to the variables that affect the size of the company's return on assets. However, considering the beta coefficient of liquidity of stocks and the rate of returns, companies have a positive and direct effect on stock returns. , But the size of companies is negatively affecting the returns of companies. The results from the research findings of Rose and Collar (2008) suggest that high liquidity leads to a reduction in capital costs and can lead to an increase in operating profit. Thus, the results obtained in the two studies are the same and also the results of the research of Mahdi Arabi, Dariush Nazareth, Shahrokh Big Najarian, Avner (2012), but Khuda, Kargarpour's memory (2009), Fang et al. (2009) are the same.

Conclusion Overall

The lower financial constraints result in higher returns, the companies accepted in the Tehran Stock Exchange according to the intermediary variables of the size of the company and the returns, and also the liquidity of the stock further results in higher returns of the companies admitted to the Tehran Stock Exchange according to the intervention variables of the company And returns.

Proposed proposals

* Financial constraints on the stock return of listed companies in the Tehran Stock Exchange are inversely influential. The following suggestions are provided to managers and investors and stockholders of stock exchange companies:

* Increasing the returns and availability of funds will increase the opportunity to use investment opportunity in projects with net present value, thus investors and managers are encouraged to move towards this.

* The availability of funds and the availability of financial resources, reduce the cost of financing, resulting in less financial constraints, corporate executives should pay attention to this.

* If a company has a low KZ index in its fiscal year, ie, low cash balances, low dividends, high leverage, and operating cash flow, its firm's returns during the financial period are affected by these factors and variables. As a result,

investors should be aware of the factors mentioned for investment.

* Firms with financial constraints are likely to see their value in their stock market so managers should pay attention to this.

* According to the confirmed hypothesis: 2 liquidity on the stock return of listed companies in Tehran Stock Exchange. The following suggestions are provided to managers and investors and stockholders of stock exchange companies:

* Liquidity The ability of the business unit to convert assets into cash and deposit current liabilities is thus manifested as the most important signs of a short-term financial crisis in these relationships, which are very important to them.

* With the increase in liquidity in companies, on the one hand, the possibility of distributing more cash flows can be provided and given that cash income is one of the items that has an incremental value in the calculation of profitability and also if the dividend does not divide, It will not be split up in size, and this will also increase the price of each share and ultimately increase the return on each share, thus examining the issues is very important.

* Given the emergence of the stock market and the lack of recognition of the vast majority of people in the stock market as the main source of capital flow in each country's economy, policymakers are advised to focus on macroeconomic planning in order to attract wider public funds to It pushed the market. As demand for stock companies increases, increasing production and ultimately increasing economic growth. 5 5 Proposals for future researcher

It is suggested that an investigation should be carried out on the relationship between the kz index and the financial and operational efficiency of the companies.

The statistical sample of this research includes all the industries, it is suggested that in this research other researches should be carried out according to the type of industry.

It is suggested that a research is conducted to investigate the relationship between the kz index with the corporate ownership structure.

It is suggested that the researcher examines the effect of liquidity on financing and capital structure. It is suggested that an Altman model predicts bankruptcy and its effect on stock returns of companies.

It is suggested that a research on Altman's bankruptcy prediction and Newton's financial distress phase and its impact on equity of companies be proposed.

Research Restrictions

In all research, restrictions are part of the research. Because these limitations provide a ground for future and future research. This research was no exception.

Due to the fact that the information needed for the research variables in their financial statements is available to these companies, therefore, some of this information should be downloaded from the new software and another part of it should be collected from the Internet site through the Internet. One of the limitations of this research is the problem of access to information and financial information about companies.

The lack of a coherent and integrated system of research by researchers at universities and research institutes.

Information about the proposed price of buying and selling shares has not been available to exist sample companies on some trading days.

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