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INVESTIGATING THE RELATIONSHIP BETWEEN LIQUIDITY AND STOCK RETURNS WITH RISK IN COMPANIES WITH HIGH VOLATILITY IN TEHRAN STOCK EXCHANGE

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ABSTRACT

The purpose of this paper is to study the relationship between liquidity and return on equity in companies with high volatility in Tehran Stock Exchange. Creating liquidity for securities is one of the most important functions of capital markets. In fact, liquidity is the most important indicator of the development of a capital market. That is why, when rating the stock market development rate, one of the main indicators used is the degree of liquidity in the markets. The main issue of the paper is presented below with regard to the research topic, which examines the relationship between risk, liquidity and stock returns in companies listed on the stock exchange.

Keywords: *Liquidity Relation, Stock Return with Risk, Volatility in Stock Exchange.*

INTRODUCTION

Statement of problem

Certainly, the survival and continuity of companies in a complex and competitive business environment requires performing profitable activities, including investment in projects. So that companies take investment into projects, taking into account various factors such as risk and expected rate of return. Investing in stocks is riskier than other investments in securities. In addition, shareholders do not have priority over the assets of the company during bankruptcy until final settlement. Hence, the expectation of return on this investment is higher than other investments. If the risk of investment increases, the investor will increase its expected return rate. This increase is called stock. In considering investment opportunities, two categories of risk and return are considered. Investors are assumed to be at risk from unprofitable returns. If the likelihood of occurrence of a particular risk is likely to modify its expected, so the rates return accordingly. Investors are often willing to invest in companies that are less risky and have the right returns appropriately.

The risk of a company's market is measured by the volatility of its product price. Also, the price of the product is in some way related to the profit of each share of the company. Therefore, companies tend to reduce return volatility by reducing volatility in profits. Ultimately, the perception of investors and creditors will affect the company's risk.

Therefore, companies aim at smoothing profits to this end, thereby creating a steady stream of reported profit growth. From the perspective of investors, poor quality is unpleasant. Due to the

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fact that it reduces economic growth through the non-optimal allocation of capital, inefficient profit is ineffective. Profit-quality in terms of reducing information risk associated with lower cost of equity and increased volume of transactions. This kind of profit reduces the cost of capital. If the public does not have confidence in the financial reporting process or published financial information, they will be dissuaded from investing. This, in turn, prevents the expansion of the capital market and economic growth. Therefore, the quality of profit creates an enthusiasm for investors to invest more (Beaver, 2012). One of the main problems in evaluating investments is the willingness of investors to focus on stock returns and the lack of adequate attention to investment risk. Investors are looking for investment in projects, projects, and markets that get their profits with high confidence. Now, if markets are uncertain, investors will identify first the existing risk and then invest in and buy stocks (Tucker, 2015). This research addresses the question of whether there is a relationship between risk, liquidity and stock returns in companies listed on the stock exchange.

Research purposes

Measure the relationship between risk and liquidity.
Measure the relationship between risk and stock returns
The relationship between liquidity and stock returns

Research hypotheses

The absolute magnitude of cash-flow deviation from the optimal level has a negative impact on unusual future stockpile purchases.
Negative deviation of cash from the optimal level has an adverse effect on the unusual future stock accumulation of shares of the company.

Literature of study

Dineh (2016) investigated the relationship between risk, liquidity and return on high frequency transactions. The main purpose of this study is to examine the relationship between return, risk and liquidity in high frequency transactions. The results show that in high frequency trading there is a special risk. This risk plays a more prominent role in the systematic risk of asset pricing. First, special risks and liquidity have a very significant impact on each other. Second, there is a meaningful relationship between systematic risk and returns. Ultimately, liquidity has a significant effect on the specific risk to systematic risk. The experimental results of the article contribute to the literature on high frequency. Some past texts suggest that specific risk has a low frequency business, but its impact on high frequency trading has not yet been addressed.
Huang and Lee (2013) examine the effects of product market competition on credit risk. They showed that credit expansion is positively related to the number of companies in an industry. Extending credit (low) in a industry has a positive (negative) relation with the Hierpindal-Hirschman index. The relative size of a company in an industry is a major determinant of credit risk. They also found that there was a negative relationship between product market competition and credit risk rating. Companies that compete in high-end product markets are therefore at risk of bankruptcy. Accordingly, credit risk in these companies is reduced. Tanani and Mohebkhah (2014) investigated the relationship between business strategy with earnings quality and return on equity in companies admitted to the stock market. The research sample consists of 99 companies. This research is a descriptive-correlation one, and for testing hypotheses, the combined data model and ordinary least squares method are used.

The results of the research show that the level of profit management in defense companies is higher than the aggressive (pioneer) companies. Besides, the results indicate that the economic environment is effective on the relationship between the company's business strategies and its profitability. In addition, the results do not show a significant relationship between conservatism and stock returns with the type of corporate strategy.

The results indicate that the economic environment is not effective on the relationship between business strategies and stock returns. Tanani and Mohebkhah (2014) investigated the relationship between business strategy with earnings quality and return on equity in companies admitted to the stock market. The research sample consists of 99 companies. This research is a descriptive-correlation one, and for testing hypotheses, the combined data model and ordinary least squares method are used. The results of the research show that the level of profit management in defense companies is higher than the aggressive (pioneer) companies.

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METHODOLOGY OF RESEARCH

The purpose of this study is to use applied research in terms of target classification. The purpose of the applied research is the development of applied knowledge in a particular field. Also, the present study is a descriptive correlation method in terms of method and nature. In this research, the aim is to determine the relationship between variables. For this purpose, according to the measurements of variables, appropriate indicators are available (source, p. 172). The present study is a post-event type (using past information) and is in terms of its purpose. In order to collect the literature, the library method has been used. The method of this research is descriptive and correlation based on combined data.

The multivariate regression analysis is used to examine the independent and dependent variables. Data analysis is based on the combined data regression method of the combined data with constant effects (panel). Descriptive research describes and interprets what it is and addresses existing situations or relationships, common beliefs, current processes, effects, or growing trends. Its focus is primarily on the present, although it often examines the events and events that relate to the existing conditions (John Best, 125, 2012). From the dimension of the process, a quantitative research is a research that collects and analyzes quantitative data with an objective attitude. In researches that are carried out in a correlation way, the main purpose is to determine the relationship between quantitative variables and to what extent this relationship exists. In this research, two sets of tests are used to prove the hypotheses, the mean and standard deviations for comparing the coefficient of variation of variables relative to each other. A multivariate regression test is used to examine the relationship or non-relevance of the variables with each other and the coefficient of determination to describe the variables of the research variables relative to each other. We used from the Durbin Watson test to verify the data correlation, and use the F test to examine the relationship between regression as well as to examine the significance of the coefficients obtained to determine whether the relationship between the variables is significant. This research is based on actual stock market information

that will be used by statistical methods to validate or reject the hypotheses. The information necessary for this research is used from the databases, the SEO, the SENA, the IR bourse, Stock Exchange Research Center, the panel data, and so on. The topic theory section is devoted to library studies and past applied studies. In this research, we are going to select a suitable sample of companies accepted in Tehran Securities Exchange. After that performs statistical tests necessary to reject or accept research hypotheses about them.

Analysis and processing of data are done using common methods of econometrics and regression models. For this purpose, using the software, the panel data in...

The company listed on the stock exchange is analyzed during the period 2010-2015. The research community of the present study consists of companies accepted in Tehran Stock Exchange during the years 2010-2015. Sampling method in this research is systematic elimination. This means that a list of all new companies will be prepared on the Tehran Stock Exchange. Then, companies that do not have the sample condition in the current research are excluded. Moreover, the rest of the companies are selected as examples by considering the following features:

Financial data of sample companies are available.

Typical trading companies do not have more than six months to quit over a period of time.

Their fiscal year ends at the end of March each year. Information about financial statement data is available from the beginning of Fiscal Years 2010 to 2015.

Failure to change the financial period within the realm of research time.

Investment companies, banks, holding companies, insurance companies, monetary institutions, and intermediaries. This chapter focuses on the theoretical assumptions presented in the second chapter, as well as the methodology of research presented in the previous chapter, to examine the hypotheses studied based on the data available. After that, a statistical conclusion is made. For this purpose, this chapter is set up in two sections: The first part is devoted to analyzing and describing the statistical data used. The second part is devoted to the results of the independent and dependent variables test. The data studied in this essay was analyzed using Eviews 9 software and the study period is 2010-2015.

RESULTS OF MODEL ESTIMATION

In this section, the effect of the independent variable on the dependent variable has been investigated. For this purpose, according to the characteristics of the statistical data studied, data panel models are used. Estimation of the coefficients in the panel data models is similar to that of the time series models using the ordinary least squares method. Therefore, in order to estimate the coefficients of variables efficiently, the assumptions associated with this estimation method should be provided. These assumptions are further examined and tested. If the time series variables used to estimate the coefficients of the model are unstable, then there may not be any conceptual relation between the model variables. The resulting defect (R^2) can be very vague. This factor may cause the researcher to make inaccurate inferences about the relationship between variables. In addition, the existence of unpaved variables in the model causes the t and f tests also to be invalid. In such a situation, the critical quantity provided by distributions f and t is not the correct critical quantity for testing. The critical quantities resulting from the distributions t and f are such that with increasing sample size it is possible to reject the hypothesis (H_0) as much as possible. By rejecting the hypothesis, it is concluded that there are strong and

meaningful relationships between the model variables. While the reality is nothing but regression, regression is false. The usual characteristics of a false regression are having a high R^2 (close to one) determination coefficient and a Durbin Watson DW (low) (near zero) (Nofersti, 1999). One of the tests used to determine the variability and stability of a variable is the unit root test, which is described below. The results of the variance test showed that according to the test statistic and the level of assurance for each (Prob) of the variables, which is less than 0.05, all the variables in the present study are at a meaningful level.

In addition to the variance test, there is the possibility of bogus regression. To avoid bogus regression situations, the co-integration test can be used as a pre-test. In this way, only the co integration conditions of the variables can be trusted. To investigate the coexistence of variables, Johnson Fisher test has been used. As shown in Table 1, there are variables of the Co integration model. Therefore, the estimated regression is not a false regression and can be based on estimated coefficients.

Table 1: Johansen Fisher Test

Johansen Fisher Test		
. Case hypothesis	Statistics	Prob
H0:no cointegration	4.0217	۰/۰۰۰
Johnson Fisher test in the pharmaceutical industry		
H0:no cointegration	3.0313	۰/۰۰۰
Johnson Fisher test in the Chemical industry		
H0:no cointegration	1.0512	۰/۰۰۰

Normal test of dependent variables and error sentences

The Jarque-Bera test is used to test the normality of the dependent variable and the error statement. If the probability of a statistic is less than 5% (5% <), then the H0 hypothesis, based on the normality of the the dependent variable and the error statement, would be rejected. In fact, the test hypothesis is as follows:

H0 = Normal

H1= abnormal

The results of examining the normality of the dependent variable are presented in the following table:

Table 2: Test results of normalization hypothesis

dependent variable	Jarque-Bera statistics	The significance level
The output of future accumulated abnormal Stock	1793/0	0/09

Camera Test - Watson (DW)

One of the basic assumptions about regression is the problem of independence of error from one another. Unless the independence hypothesis correlates with each other, regression is not possible. The results of the Watson Camera Examination are presented in the following table.

Testing hypotheses

The first hypothesis of research: The absolute value of cash deviation from the optimal level has a negative impact on the output of future accumulated abnormal Stock.

Table 3: Estimated results for the first hypothesis

Dependent variable :The output of future accumulated abnormal Stock				
CARi,t+1= α0 + α1(ACD)i,t + α2(MTB)i,t + α3(CFO)i,t + α4(CFI)i,t + α5(CFF)i,t + α6DIEi,t + α7INOi,t + ξi,t				
Variables	coefficients	Standard error	The significance level	Z statistics
Fixed value	26/203	16/672	0/006	651/12
ACD	-3/814	0/312	0/0000	4/08
MTB	-5/162	11/551	0/0000	11/2
CFO	11/200	2/75	0/000	1/872
CFI	5/061	1/71	0/210	2/25
CFF	11/510	7/115	0/000	1/062
DIE	10/231	1/14	0/000	2/057
Camera Test – Watson 1/6721				Statistic: F= 1/6721
Adjusted coefficient of determination 0/3411				The significance level of Statistic: F=0/000

According to 3, the value of the F statistic and its significant level (0.000) indicates a rejection of the zero assumption and as a result, the overall significance of the regression model. This means that at least one of the independent or control variables has a meaningful relationship with the dependent variable. The results of the fitting of the regression model according to the first hypothesis indicate that the absolute value of cash deviation from the optimal level has a negative and significant impact on the dependant variable of the accumulated abnormal Stock. Moreover, among the control variables, there is not a meaningful relationship between the net cash variable results from investing (CFI) and the dependent variable. As the data in 3 shows, the value of adjusted coefficient of determination (0.3411) indicates that the above variables account for 34.11% of the variations of the dependent variable; in other words, 34 / 2111% of variations in dependent variables can be attributed to the variations of the independent and control variable.

The results of the fitting of the regression model related to the first hypothesis in the pharmaceutical industry indicate that the absolute value of cash deviation from the optimal level has a negative and significant effect on the dependent variable of the. Also, among the control variables, there is not a meaningful relationship between the net cash variable results from investing (CFI) and the dependent variable. Second hypothesis of research: negative deviation of cash from the optimal level has a negative effect on the future accumulated abnormal stock of the company. The results of estimating the parameters of the regression model related to the second hypothesis of the research using the integrated data model are as follows.

Table 4: Estimated results from the regression model's parameters of the Second hypothesis

Dependant variable: negative deviation of cash from the optimal level Independent variable: The output of future accumulated abnormal Stock			
CARi,t+1 = α0 + α1(NCD)i,t + α2(MTB)i,t + α3(CFO)i,t + α4(CFI)i,t + α5(CFF)i,t + α6(DIE)i,t + ξi,t			
variables	coefficients	statistics T	The significance level of statistics T
Width from origin	103,226	7,6316	0,0021
NCD	12,161	-1,3161	0,0000
MTN	7,1661	2,0633	0,0113
CFO	-1,6711	-2,0320	0,000
CFI	-7,621	-1,763	0,671

CFF	3,2766	1,3161	0,101
DIE	-0,6316	-0.7711	0,000
1,1231	F statistics		Camera Test – Watson 1,6721
0,0000	The significance level of statistics F		Adjusted coefficient of determination 0,2121

According to table (4), the value of F statistic and its significant level (0.000) implies the rejection of the zero assumption and therefore the overall significance of the regression model. This means that at least one of the independent or control variables has a meaningful relationship with the dependent variable. The results of the fitting of the regression model to the second hypothesis indicate that the output of future accumulated abnormal stock, has a significant effect on the dependent variable of negative variation of cash from the optimal level. Also, among the control variables, there is not a meaningful relationship between the net cash variable results from investing (CFI) and the net cash results from financing(CFF) and the dependent variable. As the data in Table (4) shows, the value of the adjusted coefficient of determination (0.2111) indicates that the above variables explains 21.21% of the variations of the dependent variable; in other words, 21.21% of the variations of the dependent variable can be attributed to the changes of independent and control variable. Since the Watson camera statistics of the above model is 1.621, close to 2 and more than 1.5, it can be concluded that there is no correlation between the errors. Therefore, based on the Watson camera test, we conclude that it is possible to use the above regression model.

Table 5: Estimated results from the regression model's parameters of the Second hypothesis in the pharmaceutical industry

Dependant variable: negative deviation of cash from the optimal level Independent variable: The output of future accumulated abnormal Stock			
$CARi,t+1 = \alpha0 + \alpha1(NCD)i,t + \alpha2(MTB)i,t + \alpha3(CFO)i,t + \alpha4(CFI)i,t + \alpha5(CFF)i,t + \alpha6(DIE)i,t + \xi i,t$			
variables	coefficients	statistics T	The significance level of statistics T
Width from origin	308,556	7,6816	0,0021
NCD	25,165	-1,8161	0,0000
MTN	7,1664	5,0688	0,0113
CFO	-2,6711	-5,0850	0,080
CFI	-7,651	-1,768	0,671
CFF	8,5766	1,8161	0,00
DIE	-0,6816	-0,7711	0,000
1,1231	F statistics		Camera Test – Watson 1.6721
0,0000	The significance level of statistics F		Adjusted coefficient of determination 0/2121

The results of the fitting of the regression model to the second hypothesis in the pharmaceutical industry indicate that the output of future accumulated abnormal stock, has a significant effect on the dependent variable of negative variation of cash from the optimal level. Also, among the control variables, there is not a meaningful relationship between the CFO and CFIand and the dependent variable. According to table (5), the value of the F statistic and its significant level (0.000) indicates a rejection of the zero assumption and as a result, the overall significance of the regression model. This means that at least one of the independent or control variables has a meaningful relationship with the dependent variable.

The results of the fitting of the regression model to the third hypothesis indicate that the independent variable of positive variation of cash from the optimal level has a significant effect

on the output of future accumulated abnormal stock. In addition, among the control variables, there is a meaningful relationship between the cash and the dependent variable.

As the data in Table (5) shows, the value of the adjusted coefficient of determination (0.7853) indicates that the above variables explains 78/5321% of the variations of the dependent variable; in other words, 78/53 % of the variations of the dependent variable can be attributed to the changes of independent and control variable. Since the Watson camera statistics of the above model is 1.512, close to 2 and more than 1.5, it can be concluded that there is no correlation between the errors. Therefore, based on the Watson camera test, we conclude that it is possible to use the above regression model.

Table 6: Estimated results from the regression model's parameters of the third hypothesis in the pharmaceutical industry

Dependant variable: positive deviation of cash from the optimal level Independent variable: The output of future accumulated abnormal Stock			
$CARi,t+1 = \alpha0 + \alpha1(PCD)i,t + \alpha2(MTB)i,t + \alpha3(CFO)i,t + \alpha4(CFI)i,t + \alpha5(CFF)i,t + \alpha6(DIE)i,t + \xi i,t$			
variables	coefficients	statistics T	The significance level of statistics T
Width from origin	26/228	66/652	0,004
PCD	2/862	-68/526	0,0000
MTN	-5/281	7/168	0,000
CFO	66/218	5/525	0,040
CFI	2/168	6/825	0,00
CFF	68/268	5/556	0,000
DIE	2/118	8/251	0,000
1,2912	F statistics		Camera Test – Watson 1,632
0,0000	The significance level of statistics F		Adjusted coefficient of determination 0,4123

The results of the fitting of the regression model to the third hypothesis in the pharmaceutical industry indicate that the independent variable of positive variation of cash from the optimal level has a significant effect on the dependent variable of the output of future accumulated abnormal stock. In addition, among the control variables, all vaiables have meaningful relationship with the dependent variable.

Table 7: Results of estimating the parameters of the regression model of the third hypothesis in the chemical industry

Dependent variable: positive deviation of cash from the optimal level Independent variable: Abnormal stock futures accumulation			
$CARi,t+1 = \alpha0 + \alpha1(PCD)i,t + \alpha2(MTB)i,t + \alpha3(CFO)i,t + \alpha4(CFI)i,t + \alpha5(CFF)i,t + \alpha6(DIE)i,t + \xi i,t$			
Variables	Estimation of coefficients	T statistics	Significance level of t statistics
Width from source	۳۳/۳۸۸	۳۳/۰۳	۰/۰۰٤
PCD	۲/۸۳۳	-۳۸/۰۹۳	۰/۰۰۰۰
MTN	-٥/٤۸۱	۳/۱۳۸	۰/۰۰۰
CFO	۳۸/۳۱۸	٥/٥۳٥	۰/۰٤۰
CFI	۳/۱٥۸	۳۸۳/٥	۰/۰۰
CFF	۳۸/۳۳۸	٥/٥۳۳	۰/۰۰۰
DIE	۳/۱۱۸	۸/٥13	۰/۰۰۰
۱,۲۹۱۲	F statistics		Durbin statistic-Watson 1.632
۰,۰۰۰۰	Significant level of F statistics		Adjustable coefficient 0.4123

The results of fitting the regression model to the third hypothesis in the pharmaceutical industry indicate that the independent variable of positive deviation of cash from the optimal level has a significant effect on the dependent variable of the accumulated future abnormal stock. In addition, among the control variables, all variables have a meaningful relationship with the dependent variable.

CONCLUSION

The result of the first hypothesis

The results of fitting the regression model to the first hypothesis indicate that the magnitude of the variable is the deviation of the cash from the optimal level; it has a negative and significant effect on the dependent variable of the accumulated abnormal stock. Moreover, there is not a meaningful relationship between the control variables and the net cash flow from investing (CFI) with the dependent variable. The value of the adjusted coefficient of determination (0.3411) indicates that the above variables are equivalent to 34.11% of the variation of the dependent variable; in other words, the amount of 34.2111% of the dependent variables can be attributed to independent and control variable changes. The results of the fitting of the regression model related to the first hypothesis in the pharmaceutical industry indicate that the variable of the magnitude of the deviations of the money market from the optimal level has a negative and significant effect on the dependent variable of the accumulated unusual stock. In addition, there is not a meaningful relationship between the control variables and the net cash flow from investing (CFI) with the dependent variable. This suggests that the higher deviation from the cash retention level and the companies hold cash more or less than the optimal level, the higher the accumulated outflow of assets will be. Due to the significance of the variable and the negative coefficient of variation, the first hypothesis is confirmed stating "the absolute magnitude of the deviation of cash from the optimal level has an adverse effect on the unusual future stocktaking of the company's shares,"

The result of the second hypothesis

The results of the fitting of the regression model to the second hypothesis indicate that the unusual future accumulated returns, i.e., the dependent variable; negatively affect the cash flow from the optimal level that has a significant effect.

Moreover, there is no significant relationship between control variables, cash flow from investment (CFI) and cash flow from financing (CFF) variables. The amount of adjusted adjustment coefficient (0.2111) indicates that the above variables are 21.21% of the variations of the dependent variable; in other words, 21.21% of the dependent variables can be attributed to independent variable changes and control. The results of fitting the regression model to the second hypothesis of the pharmaceutical industry are the unusual stock return on future accumulated returns, i.e., the dependent variable, negatively affects the cash flow from the optimal level, and it has a significant effect. Therfore, there is no significant relationship between control variables, CFO, CFI, and dependent variables. Consequently, there is a significant relationship between the negative deviation from the optimal cash flow and the unusual future stock accumulation of the company's shares. As a result, the second hypothesis of this research is confirmed.

The result of the third hypothesis

The results of fitting the regression model to the third hypothesis indicate that the independent variable of the positive deviation of cash from the optimal level has a significant effect on the dependent variable of the accumulated future abnormal stock. There is a significant relationship between the control variables and the cash variable with the dependent variable. The amount of attuned adjustment coefficient (0.7853) shows that the above variables are 78.5321% of the variations of the dependent variable; in other words, 78.53% of the dependent variables can be attributed to independent variable changes and control. The results of fitting the regression model to the third hypothesis in the pharmaceutical industry indicate that the independent variable of the positive deviation of cash from the optimal level has a significant effect on the dependent variable of the accumulated future abnormal stock. In addition, among the control variables, all of them have a meaningful relationship with the dependent variable. In this research, firstly, the optimal cash level for each company was estimated, and the amount of deviation from this optimal level was calculated as well. Then, we examine whether the deviation from the optimal cash level has a negative effect on the unusual future stocktaking of the company stock. For this purpose, financial information about 151 companies between 2010 and 2015 that were accepted on Tehran Stock Exchange was selected to test the research hypotheses. The results of the research confirm the negative effect of the absolute magnitude of the deviation from the optimal cash flow on the unusual stock accumulation potential. The results of this study are consistent with the results of Euler and Piconio's (2014) research on the absolute magnitude of deviation from optimal cash flow over unusual future stockpile savings. Based on the findings of this study, there was a positive and significant relationship between negative deviations from the optimal cash level and the unusual future stock accumulation of the stock company, which is consistent with Lee's research (2007). The results of the study also do not confirm the negative effect of positive deviations from the optimum cash position on the unusual stock cumulative future savings, which is not consistent with Lee's (2007) study of the negative impact of positive deviations on the optimal cash-over level on company occupations. Perhaps, the mismatch between the researches and Eller's and Picon's ones (2014) and Lee (2007) is due to the lack of attention of stock traders in Tehran Stock Exchange on the amount of cash holding by the company. The stock price index, which indicates the stock market flourish, could make 10082 units in 2010 reach to 38041 units in March 2015, and they experienced a growth of about 280% (Stock Exchange organization). However, the major groups and companies directly related to the exchange rate and the dollar were exported-oriented with currency revenues including petrochemicals, refiners, metals and minerals. All of them with the valuation of the currency revealed a great deal of windfall and huge profits, which led to wandering liquidity, without considering other factors towards these groups having a significant percentage of the value of the stock exchange. According to the findings of the research, it seems that the liquidity management system of the business units is to maintain an appropriate level of cash holdings. Reducing the negative deviation from the optimal level of cash can reduce the risk of NKOL and the creditors' concerns. Moreover, the opportunity to use the profitable opportunity and choosing designs with a net present value gets positive. In this way, it helps to increase the value of the stock market and the return on investment in such companies. Besides, a decrease in the positive deviation of the optimal cash amount reduces the risk of buying money and protecting the interests of shareholders.

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