

Research Article

INVESTIGATION EFFECT OF FIRMSMICRO (INTERNAL) FACTORS ON STOCK PRICE, IN TEHRAN STOCK EXCHANGE

***Bizhan Abedini¹ and Narges Razmi²**

¹*Department of Accounting, Hormozgan University, Iran*

²*Department of Business Administration Finance Branch of at the Islamic Azad University of Qeshm
Borch, Qeshm, Iran*

**Author for Correspondence*

ABSTRACT

Study examined the impact of micro (internal) company on stock price, the Tehran Stock Exchange. The main objective of this research is to investigate the relationship between micro factors (internal) company including stock liquidity, free float, earnings per share, shareholders (the percentage of institutional ownership and institutional ownership concentration), the company's development plans, financial leverage, the stock price, which has been developed in the framework of a general theory, and six partial hypotheses, and assumptions minor impact on the stock price, is examined, separately. The study sample consisted of the 140 companies, of all listed companies in Tehran Stock Exchange for a period of 6 years, since 2006 to 2011. A correlation and multiple regression models were used to analyze analysis of research data, and to test hypotheses. Also, firm size, the ratio of book value to market value and volatility of stock returns, are included in the model as control variables. Measure of lack of liquidity, Amihud, is used to measure the liquidity of stock. The results showed that all of the micro (internal) company has significant impact on stock prices simultaneously.

INTRODUCTION

Examine of factors that determine the stock price changes, the Tehran Stock Exchange, can be identified explanatory variables of price changes and, ultimately, lead to improved investment decision, and optimal allocation of resources. In fact, by identifying the determinants of stock price changes, the mentality of investors about important factors in the capital market, will be amended, and also, due to more accurate pricing, capital market appeal, the families and economic institutions will increase, and consequently, will be faced with the development of capital markets. It should be noted that the economies of developing countries, due to lack of liquidity, is the need to attract financial resources, and optimal allocation of resources, economic activities, in the meantime, the stock exchange, as one of the official market, the most important factor to attract and manage funds properly. In making investment decisions in stock market, stock price, is, first and foremost factor that is facing the investor, and the trend of stock changes, is the most common starting point, at the time of purchase of shares, hence, knowledge of the factors affecting the stock price, is very important (Jabbarzadeh *et al.*, 2010), in the meantime, stock dividends, the second factor, which is split between shareholders annually, and after the approval of the ordinary general meeting. The micro factors (internal) company, in this study, a set of factors that are directly associated with the Company, and changes in any of them, arising from internal company changes, and include stock liquidity, stock free float, earnings per share, shareholders (the percentage of institutional ownership and ownership concentration), the company's development plans, financial leverage.

In the following, we briefly discuss each of these factors. Prevailing market theories and empirical studies, suggest that the effect of liquidity on asset prices, it is important, both in terms of statistical and economic terms. There is evidence, show that stock liquidity is one of the determining factors of price and stock returns (Gopalan, 2009). Additionally, the liquidity of the stock plays an important role in the price discovery process (Egravel, 2008). In fact, Amihud proposed criteria for measuring liquidity, is a measure of illiquidity, which follows of concept of a lack of liquidity of Kiel (1985) price response to order flow. Measure of illiquidity, is indicative of the sensitivity of stock prices, the change of the unit, the volume of transactions of the period. The model, if the share trading volume is low, or the number of trading days

Research Article

during a specified period of time, be low, as a result, the stock has of low liquidity (Amihud, 2002). Empirical evidence suggests that the cause of illiquidity in decisions can play an important role, so that, some investors may quickly need to finance investment, which in such cases, the liquidity, would be of great importance (Yahyazadefar *et al.*, 2008). Measure of liquidity, is indicative of the sensitivity of stock prices, the per unit change in turnover during that period. In this context, Duskar (2006), investigated the behavior of the liquidity and volatility of stock price, and achieve the positive results of this relationship. Finally, it should be noted that major research emphasis was on the fact that the price of shares, to a greater extent, reflects future profits, and finally, the relationship between prices and dividends, taking into account of many other factors proved.

An important purpose of establishing scholarships is real and transparent prices, stock prices, and the free float, is one of the factors that can contribute to it. Free float, can cause an increase in turnover, stagnant and declining liquidity in the stock market (Asgari *et al.*, 1389). Usually, the stock prices of companies that have low floating stock, rise, as irrational, even if these companies do not have a good financial situation. Due to the low level float, a group of stocks have high volatility and price movement capabilities, easily and with low capital. Low buoyancy, increases the possibility of manipulating stock prices, or speculative, because, major shareholders, easily, non-float to raise the stock price, is false. Eastern countries, such as India, Egypt, Malaysia, low float stocks because they have the lowest turnover, relative to the total market capitalization, while, in America and European countries, the percentage of free float, is high. Kashanipour and Rezaei (2011), in their study, examined the effect of changes in free float on stock returns and trading volume of the Tehran Stock Exchange. The aim of this study was to determine, respectively, that, whether shareholders react, to changes in free float, and whether this change will help them in selection decisions. Their results showed that the reduction in free float, no significant effect on turnover, but increases the amount of free float, is having a significant impact on the company's turnover. Neuman and Voetmann (2001) also showed that, based on the percentage of free float-adjusted index, causing the stocks of firms with low buoyancy, have trading losses, and its stock price is reduced, but stock trading firms with high buoyancy, increases. Chakrabarti (2000) showed that removal of floating stock in the market index, leads, trading volume and stock returns decrease, but increase the floating stock in the index increases, trading volume and stock return. Review this investigation and similar studies, to the conclusion that we review free float in the stock price, will be able to influence, especially in boom and recession.

Major stakeholders (eg, various institutions and organizations) are evaluated, usually with respect to their performance in support of their stock price in the previous years, and the shareholders of reason, react to it, when, shareholders of a company, change, according to the new shareholders, in the past, the companies, its board members are elected by majority shareholders, they may make decisions that are more in line with the objectives of major shareholders, and in some cases, not for the benefit of shareholders component, such decisions, in efficient markets, the impact on stock prices, as well as, of course, does not usually have a significant impact on stock prices, but in inefficient markets, which to some extent, are affected by climate market, it makes for price changes, one-sided (Jiambalou *et al.*, 2002).

Ownership structure means the distribution of shares, and property rights in terms of voting rights and capital as well as the nature and availability of equity (Sarin, 2000). In one division, we can divide the company's shareholders, to natural and legal persons. (Shareholders), in the finance literature, are known as "institutional investors" (EbrahimiKordlor, 2007) concentrated ownership, ie, the distribution of shares among shareholders, the owners of smaller, ownership will be more concentrated (HassasYeganeh, 2008). Namazi *et al.*, (2008), "examined the influence of Shareholders (natural and legal persons) companies, Brhjm exchanges and liquidity of their shares" and evidence was found that there is a relation between stock liquidity and the percentage of shareholders, including institutional and non-institutional, and international equity trading volume, and percentage of shareholders, including institutional and non-institutional. Kothari (1997) also showed that there is a positive relationship between changes in the gap, the change in shareholder ownership, personal information, and changes in ownership of the major

Research Article

shareholder, and there is a negative correlation between changes in the number of shareholders. He indicated that the major shareholder wealth increases, following the release priority, but other than shareholder wealth declines. On the other hand, Soutar, Murphy (2004), have examined the issue of "what investors care component", the results of this study indicate that, among the majority of investors, they tend not to speculation, and more, are known as long-term investors. James and colleagues (2002) were also expressed as percentage of institutional ownership increases, due to their data, to forecast earnings, their increase, and percentage of ownership shares.

Dividend firms are other internal factors. The information published by the companies, the estimated earnings per share information for the next fiscal year (Ghaemi *et al.*, 2005). During the investigation, Kim (1994), who had been given the information asymmetry between investors, it was shown that, in the long range, close to the earnings per share, share price, will change significantly, and the effect of increasing the variance of price changes, volume of transactions, in a way, be affected. Thus, due to the existence of information asymmetry in the market, the earnings per share, the tangible impact of price changes, leads to significant changes in trading volume. Financial Review of Books, and a lot of research, with emphasis on the relationship between earnings per share and price, among other things, can be used in a safety investigation (2005), who stated, profit ratio, is one of the most important financial statistics, which is of interest to investors and financial analysts, and in many countries, the importance of the figure, to the extent that they consider it as one of the basic criteria in determining the price of stocks, and in stock valuation models, and use it widely. Hence, the presence of this relationship, along with other variables within the company also has a research question, which was addressed to it. Earnings per share are equal to the profit reported by the company, divided by the number of outstanding shares in the hands of shareholders.

Development projects are no longer operating within the company, the name, for they need to invest, and announced the plans, methods of financing, are proposed for them. The results suggest that companies, by offering new shares, and the stock demand, state that, negative information about the future prospects of the company, on expected profits, and market risks, which will represents an increase in the cost of financing, and thereby reduce the economic value of the company.

Financial leverage is another internal factor, which arises in discussions of capital structure. Stock structure, is designed as the most important parameter affecting the valuation of companies, and their orientation in the capital markets, M (Sinaei, 1997) and the current environment variable, partly built upon the grading companies to terms of credit growth in their capital structure (Douglas, 1984). Increased financial leverage, ie, corporate finance, capital market cannot be sure, and they tend to money market financing. Finance companies, banks and bonds, cause growth of the company's financial leverage, which sends negative signals to stock traders. Deangelo and his colleagues, in a study of finance, leveraged methods, showed that, for any debt of the company is cheap or expensive, while the cost of capital, it would be appropriate to create profit opportunities, or to the crisis (Deangelo and Masulis, 1980). Meyars (1997) also, the paper analyzes the impact of factors that are created, followed by debt, the optimal investment strategy of the shareholders and directors. He stated that, as debt increases, the incentives for coalition stockholder- manager in control of the company, to invest in opportunities with positive net present value decreases.

There are development projects; the company can show dynamic growth enterprises. Usually companies, after establishment, are a fast growing, early stage, and gradually, as they reached the stage of puberty, the growth surface, and reach the stage of relative stability. Company, in order to implement development programs and projects, and based on existing conditions, can give rise to capital, and the holders of shares increases based on the increase in capital stock of the Company and. Capital increase, the increase in nominal amount of the registered capital of the company, or in other words, increasing the number of shares issued by the corporation. Research has been done in this field, there are wide range and different indices to measure development projects, have been used, including, Noravesh and Yazdani in 2010, the research examines the impact of financial leverage on investment the company listed on the Tehran Stock Exchange, showed that there is a negative relationship between financial leverage and investment, the

Research Article

relation, for firms with fewer growth opportunities, is stronger. Franklin, Muthsamy (2011), in a study, they conducted a "financial leverage effect on investment decisions," from corporations, companies were divided into three categories: large, medium and small companies, as well as, they use three empirical models (combined regression, fixed effect and random effect) and, at the same time. The results showed that there is a positive and significant relationship between financial and investments. Huijie (2010), a study conducted in China, showed that there is a negative relationship between financial leverage and investment and argued that firms with high leverage, even if they are profit opportunities, they will not be able the use of the opportunities, and therefore, excessive use of debt financing on investment, because it will limit investment in the future. Salehnejad and Ghayoor (2009), in their opinion, information obtained from financial reports of listed companies in Tehran Stock Exchange, in the form of financial ratios, and find the effect of this ratio, the stock prices of the study companies has, as its objective, the results show that financial leverage has no significant effect on stock prices. The breakdown of the industry, the effect of financial ratios, stock price, in each industry is different from other industries, which indicate the independence of our industry.

Asgari and Iranpak (2010) in their study, the effect of the level of free float shares on the stock price volatility of listed companies in Tehran Stock Exchange, which pursued this goal, using the results of this research, investment investors in investment and trading firms in the liberalization of stock, voting decisions Gahanh.ayn study is descriptive, and its free float, is the independent variable, and the company's stock price, is the dependent variable. Hypotheses deal with the presence or absence of a relationship between two variables, in different companies and industries. With this interpretation, the obtained results suggest that the relationship between free float and stock price of a stock is significantly positive, but the correlation is positive, the relatively low level. And this relationship varies among different industries.

Eslami and Bigdeli, (2008), the study was conducted, the effects of changes in the volatility of stock price, from 2 percent to 3 percent, based on some variables, the Tehran Stock Exchange. To test the hypothesis, econometric and statistical techniques such as regression and multivariate GARCH models, are used. The results showed that, the price limit of 2 percent to 3 percent, in Tehran Stock Exchange during the period studied, no significant effect on market volatility, market efficiency, and the number of transaction However, there is a significant correlation with the overall market size, and velocity, so that the increase in the volatility of stock prices, has increased the size of trades, and lower velocity, or decrease in market liquidity. In other words, the results of this study suggest that an increase of one percentage price limit, in Tehran Stock Exchange, has no significant impact on market variables.

Jamali and Hasanjani (2008), in a study titled "Exploring the relationship between the amount of free float, and efficiency of companies in Tehran Stock Exchange" studied the relationship between the five variables of performance shares, share trading days, compared number of shares traded, the company's total shares, the variance of daily returns on equity, price-to-earnings ratio, a variable percentage of free float shares of the company (the independent variable), he used the data of 63 companies active in the Tehran Stock Exchange, eleven 3-month period, September 21, 2004 until, March 20, 2007, to conduct research, and came to the conclusion that the amount of free float, there is a negative relationship with productivity variables and the risk of stock price changes, and the relationship positive with positive variables drum price, and liquidity.

Khakpour (2008), in a study entitled "The effect of free float shares on the stock price" is paid to the study of changes in free float, and the impact on stock prices, the Tehran Stock Exchange. He came to the conclusion that the statement of the free float of companies have information content, and influence the decisions of consumers, as well as 10-day abnormal returns of sample firms before publishing Float free, differs significantly from the average yield of 10-day, after the release of free float. Mojtabahedzadeh (2008), in their study, the relationship between anticipated changes in earnings per share, the stock price changes, the company listed on the Tehran Stock Exchange during the five-year period 2001 to 2005, the shares, the transaction is to actively participate in the Tehran Stock Exchange, and at least once examined, adjusted earnings per share forecast, and 226 companies were selected. The results of testing hypotheses,

Research Article

confirm that there is a positive and significant relationship between changes in anticipated earnings per share and stock price changes. Survey regression equations to test the hypotheses, results showed that, the relationship is direct and significant. Thus, with increasing changes in anticipated earnings per share, stock price variability increases. The result is that the hypothesis of this study is to report adjusted earnings announcements, the contribution of each envisaged, has information content, and influence on, the decision of investors.

Panahian (2007), the effect of increasing the return on investment, and risk of listed companies in Tehran Stock Exchange is evaluated and analyzed; the event is to raise capital, and its impact on efficiency, cost, and risk of stocks, Iran's capital market. This paper is a survey and quasi-experimental, and for this purpose, the listed companies in Tehran Stock Exchange, which in the second half of 2001 to first half 2006, the fund had at least 2 times, 74 samples, were selected randomly and tested. The results of the research show that the price of shares after the capital increase was greater than its theoretical price. Additionally, non-systematic systematic risk of the stock has dropped. In general, the resolution expresses the fact that, in the event of capital increases, including the new information, future prospects, and the company's development plan, which leads to attraction of investments, to provide new shares. ShokriHabashi (2005), dealt with, assess the achievement of EPS, investment firms, compared to projected EPS, and its effect on the stock price at the Tehran Stock Exchange between 1999 and 2003, and the results indicate that there is no significant relationship between the amount of adjusted earnings per share and stock price. However, there is a relatively weak relationship between realized earnings per share and stock price.

Jahankhani and Saffarian (2003), in a study titled "The stock market reaction than the declared dividend per share estimate at Tehran Stock Exchange" came to the conclusion that the estimated earnings per share, that information, and effective on price and trading volume. Deuskar (2006), provides a model for investigating the behavior of liquidity, and volatility of stock price, in this model, investors anticipate price changes. He believes that, when volatility is high, the risk is high, and when, the current output of assets, the lower the rate of return on assets, no risk would also be low, and the market will be, self criticism, and the on the other hand, lack of liquidity, strengthen, supply shocks.

Robin (2006), to assess changes in the stock price, stock price manipulation using the float, paying to study a series of Japanese companies, which were modified, stock Shnavrshan, in a 1 to 3-month period between 1 percent to 99.9 percent. The results showed that, A.) - When, float goes down, prices go up, and when, float rises, prices fall and b) - outputs, a sectional, are related to a reduction float shares.

In Mtalh-Ay that was done by Brown *et al.*, (2003), a study period, from 1972 to 1992 were reviewed, and a case study, located in the sample, at least, two times, have implemented capital increase, in this period, most of the studies referred to, negative market reaction to stock price, and these studies indicate that the frequency of successive capital increases, it is almost impossible is common, for now, is because it has negative consequences for the market.

Jiambalvo *et al.*, (2002), began to investigate the relationship between institutional investors and stock price, which reflect future profits, the study concluded that, when the percentage of institutional ownership increases, since the capital investors, often considered to be an optimist, are able to make better use of the information predictably profitable, and as a result, the percentage of stock ownership, rise, stock prices, reflect future profits, the amount more, and finally, the relationship between prices and dividends, taking into account several other factors were fixed.

Neuman and Voetmann (2001), showed that the adjusted index, based on the percentage of free float, causing the stocks of firms with low buoyancy loss of their trading, and stock price declines, the stock trading firms with high float, increased. Therefore, investment behavior, and their demand curve, change, so that investors will empty your portfolio of stocks with low float, and replaced it with the shares which have, high percentage of free float, Dhillou, Johnson in 1991, using information theory, proved that there is a direct relationship between supply information about the value of free float, and stock prices. That is, the price of shares, the free float will be announced later, will increase.

Research Article

Measurement of Variables

The Price of the Stock

Literally the price of the assessment is evaluation, measurement, and benchmarking. Market price, is the value of the exchange of goods and services, which can be expressed in the form of currency. Pricing, simply is the price for an item or service, or activity that must be repeated, and is a constant and continuous process. This continuity, is resulted from environmental changes, and instability in the market, which justifies the need to repeat the process (Taheri, 2005). Share prices, can be explored from four aspects, which are expressed in the following:

A) nominal price, the nominal price of a share price that initial offering of shares of the company, carried out on the basis of price, the nominal price of any of the companies listed on the stock exchange in Iran would be One Hundred Thousand.

B) The book value: if the total liabilities of the company are low, the total assets of the company, the remaining amount would represent a total capital value of the company's shareholders, or to be more precise interpretation, the total equity of the company. However, if the amount of the equity of the company, divided by the number of shares of the company, the resulting number is the book value per share represents.

C) Market price: market price or traded price, the price of the stock on which it is traded on the exchange. What determined the share price in the stock market, the supply and demand for the shares

D) Intrinsic value: The intrinsic value of a share, the real value of the shares. Thus, a simple definition, the intrinsic value of a share is the value that investors are allowed to share.

Investment decision, day by day, becomes more complex and more risky, and the results of these investments, can have an important impact on people's lives, especially during retirement. There is little information about the factors influencing investment decision (Saedi, 2009). Therefore, the knowledge of the factors affecting the stock price, is very important. This price is affected by two factors: firstly, the factors that affect a particular stock, and other factors that will impact on the entire stock market. In capital market, second, to identify the market risk of stock price indices, and changes in this index, this index will represent the degree of risk in the capital markets (Davani, 2003)

Micro Factors (Internal) Inc.

In this study, each of the Company's internal factors, including the ability to share liquidity, free float, shareholders (institutional ownership and ownership concentration), earnings per share, the company's expansion plans, and financial leverage, are variables independent. In this study, each of these factors, known as manageable components, the company, if they recognize the connection, you can control them. Then, briefly, it addressed to each of these factors within the company:

Liquidity Stocks

According to illiquidity measure, proposed by Amihud (2002) this criterion, for each year, calculated as follows elderly.

$$Silliq = \frac{1}{n} \sum_{i=1}^n \frac{R_{i,t}}{Vol_{i,t}}$$

R_{i,t}: absolute returns month t, stocks of firm i

Vol_{i,t}: rial volume of shares traded company i. Riyal t month

n: number of months of the year

Volume: that is, the number of shares traded in the period. Trading volume for each company, the one-year period was obtained from the database.

Shareholders

Under the proposed definition, as used in the study, Rubin (2007) and Cueto (2009), to calculate the amount of institutional ownership, total shares held by banks, insurers, holding and investment companies, pension funds, corporations supply funds, investment funds, organizations, institutions and government enterprises, divided by the total shares issued by the company, and the percentage or amount of an entity, is obtained. In another definition, or from another dimension, called institutional ownership

Research Article

concentration, which in this study is based on the Accounting Standard No. 20 (paragraph 8, 447- 448), to calculate the concentration of ownership of shares held, by the largest shareholder, the major shareholder in the first three large shareholders first, and the first major shareholders:

OWN_i: Where i= 1, ..., N

The Percentage of Free Float

Percentage of free float shares, calculated by the Securities and Exchange Organization, and published a quarterly report. To obtain a free float, on an annual basis, calculated as the mean of the float of the season, and is used by the Exchange.

Earnings per Share

It is equal to the profit reported by the company, divided by the number of outstanding shares, and shares in the hands of shareholders.

Development Corporation

However, development projects in a company, the more it will reflect the company's growth and its dynamics. Therefore, development projects can be a valuable indication of the company's stock. Of course, you should plan aimed at enterprise development, and its impact on sales and profitability of the company fully investigated, because all development initiatives, are equally effective, the company, for example, plans to run, to replace a worn machine, runs, compared with plans that aimed to launch new product lines, less impact on the profitability of the company.

Financial Leverage

It is derived from dividing the total debt of the company, the company's total assets.

In summary, it can be seen, the calculated variables studied in the following table:

Measurement of variables	Variables
If the value of illiquidity, is high, the stock is facing a lack of liquidity.	Liquidity stocks
The value of this ratio is high, when the price of the stock has changed a lot, in response, low trading volume.	Company
The level of institutional ownership: it is equal to the total percentage of shares owned by institutional investors, the company's total shareholders' equity at the end of the year. (Institutional shareholders are shareholders who, having minimum 20% stake in the firm)	Shareholders
Ownership concentration: based on Accounting Standard No. 20 (paragraph 8, 447- 448) to calculate the concentration of ownership, use of, Shares held by the largest shareholder, the major shareholder in the first three S·hamdarmdh first, and the first major shareholder.	Free Float
Percentage of free float shares, calculated by the Securities and Exchange Organization, and published a quarterly report. To obtain a free float, on an annual basis, is used to calculate the seasonal mean of the float, by the Stock Exchange.	Earnings per share
It is equal to the profit reported by the company, divided by the number of shares issued and outstanding	Development projects
That is, if the company's annual financial Vgzarshhay.	Financial Leverage
The sum of book value of debt divided by the book value of total assets of the company	Stock price
The average stock price, the expected annual return	Size of company
The natural logarithm of the market value of the company's equity at the end of each year	Ratio of book value to market value
The book value of equity, divided by market value, at the end of each year	
The standard deviation of stock returns, measured at the end of the year	

Research Article

MATERIALS AND METHODS

Model and Methodology

This study is, in the period from 2006 to 2011, the population studied, the investigations listed companies, the goal is the application of research methods, descriptive, correlational, which we will try to extend the quantitative data from a sample of the target population studied. Since the presence or absence of a relationship between variables, is evaluated, therefore, most important and most basic tool that can be used to study relationships between variables, the regression model.

The population studied in this research, the companies listed in Tehran Stock Exchange, financial reports and information related to those transactions, have been studied over a six year period, from 2006 to 2011. The population of the study, including the companies listed in Tehran stock Exchange for the period reviewed and selected and analyzed the sample of 140 companies in over six years, which form 840 data.

In this study, we use following models to test the hypotheses:

The model used in this study to test the hypotheses, the proposed model Rubin (2007), which is as follows:

$$\text{Price} = \alpha + \beta_1 \text{ Liquidity}_{i,t} + \beta_2 \text{INSOWN}_{i,t} + \beta_3 \text{ OWNCON}_{i,t} + \beta_4 \text{ EPS}_{i,t} + \beta_5 \text{ FLS}_{i,t} + \beta_6 \text{ DP}_{i,t} + \beta_7 \text{ LEV}_{i,t} + \beta_8 \text{ SIZE}_{i,t} + \beta_9 \text{ BM}_{i,t} + \beta_{10} \text{VOLAT}_{i,t} + e_{i,t}$$

Liquidity i, t: the liquidity of shares of companies i, in period t (using a measure of Amihud)

Insowni.t: institutional ownership of firm i, in period t

OwnCONi, t: institutional ownership concentration of firm i -in period t,

EPSi, t: benefit ratio on firm i, in period t

FLSi, t: free float of company i, in period t

DPi, t: the design development company i, in period t

LEV_{i, t}: financial leverage firm i, in period t

SIZEi, t: size of company i, in period t

BM i, t: ratio of book value to market i, in period t

: VOLAT i, t yields fluctuate company i, in period t

ei, t: ratio error for company i, in period t

In this research, data collection, using information reported in the financial statements of companies in Tehran Stock Exchange has been done. The data have been extracted from various sources, including CDs of Tehran Stock Exchange, Software Rahavardenovin, Tadbirpardaz and Site Information Exchange and National Stock Exchange of Tehran. This study will show, the coefficient of determination of the ability to predict the stock price, the company's internal variables.

Coefficient of determination is a measure that describes the strength of the relationship between independent variables and the dependent variable. Coefficients, in fact, indicates that, although the percentage of variability explained by the independent variables. R² value is determined by the following equation.

$$R^2 = 1 - \frac{\sum (y_i - \hat{y}_i)^2}{\sum (y_i - \bar{y}_i)^2} = 1 - \frac{SSE}{SST}$$

Where:

SSE: Changes the error, which was not explained by the regression

SST: total variation in the dependent variable.

Research Article

However, often it is preferable, another measure called the coefficient of determination corrected, should be used to evaluate the goodness of fit of the multivariate regression model. This coefficient is the coefficient of determination, in which the values of SST and SSE, with degrees of freedom have been adjusted. The coefficient of the regression is computed as follows.

$$\bar{R}^2 = 1 - \left(\frac{SSE}{n-k} / \frac{SST}{n-1} \right) = 1 - \frac{n-1}{n-k} \cdot \frac{SSE}{SST} = 1 - \frac{(n-1)}{(n-k)} \cdot (1 - R^2)$$

Where, n, is the number of observations, and k, is the number of independent variables. In fact, the purpose of applying R2, it is easier to compare the goodness of fit of the multiple regression equation, which differ in terms of the number of explanatory variables.

Summary of Statistical Results

Descriptive Analysis of Research Data

The companies selected for the study, finally, sample selection, and descriptive data, are as follows.

Table 1: Results of Descriptive Statistics

Stock price	Financial Leverage	Development projects	Earnings per share	level of institutional ownership	Ownership concentration	Free Float	Liquidity stocks	Indicators
7,475	0.62914	165,431	6,897	64.32878	0.85952	0.63350	03,576.	Mean
10,742	0.183084	1128439	104,659	29.43587	0.347687	0.302322	0.44103	Standard deviation
4.813	0.197	12.841	18.165	-0.872	-2.073	-0.817	2.229	Skewness
36.215	1.618	182.917	341.976	-0.483	2.303	-0.639	4.918	Elongation
137,373	1.630	19358411	2040581	99.930	1.000	0.999	0.236	Domain
267	0.096	2,561	5,349	0.000	0.000	0.000	0.001	Minimum
137,640	1.726	19355850	2035232	99.930	1.000	0.999	0.236	Maximum

Statistical Analysis of Research Data

In this section, we use regression analysis to verify the research model. The simplest model is a linear regression, which is shown as follows.

$$Y = \beta_0 + \beta_1 X + \varepsilon$$

As seen in the equation for x, the independent variable, and y, is the dependent variable (price). Using this model,

It can be demonstrated that changes in x, to what extent the impact of the variable y.

Research Article

First, we can see, the results of the individual assumptions, the following table

Table 2: Results of regression analysis for each of the hypotheses

Number of assumptions	The independent variables	The correlation coefficient P-value	DW R2	Result
Hypothesis part 1	Constant	0.286	2.11	Confirmed
	Liquidity stocks	0.004	8.6	
Hypothesis part 2	Constant	0.42	2.18	Confirmed
	Free Float	0.36	16.7	
	Constant	0.512	2.33	
Hypothesis part 3	The level of institutional ownership	0.29	26.2	Confirmed
	Constant	0.520	2.43	
	Ownership concentration	0.30	25.3	
Hypothesis part 4	Constant	0.421	1.75	Confirmed
	Earnings per share	0.07	16.8	
	Constant	0.428	1.93	
Hypothesis part 5	Development Projects	0.50	17.2	Confirmed
	Constant	0.285	2.34	
Hypothesis part 6	Financial Leverage	0.43	8.1	Confirmed

To run the tests related to investigation, the hypothesis of regression analysis should be carried out, the results of the regression analysis, be invoked. The table below provides an explanation of the regression model, the overall research model.

Table 3: Results of regression analysis

Method=inter	Simultaneous entry of variables
0.621	The multiple correlation coefficient
0.385	Coefficient of determination
0.312	Modified coefficient of determination
962.23	SE
7.649	Analysis of Variance
0.000	Significant
2.32	Durbin-Watson test

According to the above table, the coefficient of determination is 38.5 percent, in other words, it can be assumed that, independent variables, have the ability to forecast price varies with size of 38.5 percent. Regression analysis of variance (ANOVA), which decided on the basis of the statistic F, comes to model to test the research model, shown in the above table. Statistical hypothesis, statistic analysis of F, is as follows.

H0: $\beta_i = 0$, the regression model is not significant.

H1: $\beta_i \neq 0$, the regression model, it is meaningful.

Statistical significance level F, the model is lower than the level of the test error ($0.05 = \alpha$) and consequently, the H0 hypothesis is rejected, and the estimated regression, statistically, is significant, and the relationship between variables, linear is, well, the results show that, Durbin-Watson statistic is between 1.5 to 2.5, ie, 2.32, and therefore, the errors of the regression model, there is strong self-

Research Article

correlations, and lack of self-correlation between the errors, as one of the basic assumptions of regression, the model is accepted. Additionally, VIF values are (low), and the tolerance is (high, close to 1), then the conclusion is reached that the independent variables, multicollinearity not. Statistical analysis for each of the independent variables and control variables are presented in the following table. The results of the regression analysis between the independent and dependent variables, indicate that significant amounts have been achieved, for all the independent variables are less than 0.05, and the fact that all independent variables, their ability to participate in the regression equation. And assumptions associated with them, have been approved.

Table 4: Coefficient of regression models

$$\text{Price} = \alpha + \beta_1 \text{Liquidity}_{i,t} + \beta_2 \text{INSOWN}_{i,t} + \beta_3 \text{OWNCON}_{i,t} + \beta_4 \text{EPS}_{i,t} + \beta_5 \text{FLS}_{i,t} + \beta_6 \text{DP}_{i,t} + \beta_7 \text{LEV}_{i,t} \\ + \beta_8 \text{SIZE}_{i,t} + \beta_9 \text{BM}_{i,t} \\ + \beta_{10} \text{VOLAT}_{i,t} + e_{i,t}$$

Independent and control variables	Model 1 تحقیق	Not standard values		Made standard		Sig.	Tolerance	VIF
		B	خطای معيار	t	Beta			
(Constant)		5824.519	610.760		1.613	0.107	0.502	1.99
Liquidity stocks	Liquidity	-0.729	1.122	-0.142	6.244	0.14	0.555	1.80
Institutional ownership concentration	Insown	1.592	2.914	0.254	5.033	0.43	0.621	1.61
The level of institutional ownership	Owncon	0.192	0.270	0.148	4.908	0.001	0.713	1:40
Benefit ratio	EPS	-0.093	0.003	-0.229	6.857	0.000	0.711	1.40
Free Float	FLS	-0.832	1106	-0.142	5.344	0.31	0.495	2.02
Development Projects	DP	0.263	0.214	0.112	4.050	0.60	0.585	1.70
Financial Leverage	LEV	0.465	1.853	0.131	5.910	0.63	0.648	1.54
Size of company	SIZE	0.344	1.032	0.307	6.212	0.32	0.498	2.00
Book value to market value	BM	-0.187	1.731	-0.242	7.266	0.06	0.784	27.1
Stock return volatility	VOLAT	0.890	1.420	0.279	8.385	0.000	0.598	1.67

Multiple correlation coefficient: 0.621

SEM: 962.23

significance level: 0.000

The coefficient of determination: 0.385

Analysis of Variance: 7.649

Durbin-Watson Test: 2.32

Adjusted coefficient: 0.312

Research Article

The above table shows that all the variables related to the operating company has to have a meaningful relationship with stock prices, so that the estimated coefficients for the variables firm stock liquidity, is 0.142, the level of institutional ownership, is 0.254, institutional ownership concentration, is 0.148, earnings per share is 0.229, free float, is.142, development projects, is.112, financial leverage, is 0.131, as now, was 0.307, compared with values office market is 0.242, trading company returns, which are less than 0.279 and a significance level of 0.05, that these findings are indicative of a significant association between these variables and stock prices. This relationship has been characterized using analytical data, in the period under review, and the companies listed in Tehran Stock Exchange, and may differ in other countries, but it can be expected that, if there is a similar performance in the market, as well as the country's capital market development, the results are not unexpected.

CONCLUSION

As mentioned, the micro factors (internal) company is the set of factors that are associated directly with the company, and change them, arising from, internal transformation, and the fundamental factors in the market Kara, can be effective on many financial and nonfinancial variables. The decision making process for investors to buy a stake in the stock market, information about the internal factors of the company, which through various means, investors are be effective, these factors are in the range. Investors, according to this, you can consider a set of agents within the company, and its future changes in the value of its portfolio of investments. Hence, it is suggested, Stock, by creating a single source for timely information, analysis, and detailed oversight of corporate financial reporting, provide a context for better decision-making stakeholders, and real prices, Due to these factors. Also, due to the lack of widespread resources, the company's development plans are proposed, to study the effect of these variables on the priorities, and the variables associated with the decision of the shareholders, as well as stock prices. Previous studies have shown that the liquidity of the Company's shares, the free float of shares, shareholders, earnings per share, the company's development plans, financial leverage, etc., are among the factors that the investment decisions for stock selection are based on them. The results in each section are comparable with the results of previous research. For example, Jiambalou and colleagues (2002) concluded that, when the percentage of institutional ownership increases, because these investors generally considered to be an optimist, are able to use the information to gain a better predictable, and as a result, the percentage of stock ownership, increased cost of equity, to a greater extent, reflects future profits, and finally, the relationship between prices and dividends, taking into account various other factors, fixed It was. Also, the calculated significance level of variables, this study shows that all the wisdom of companies in the stock price is lower than 0.05, and according to their positive or negative coefficient indicates that the variable mentioned, and stock prices, there is a significant positive relationship, at 0.95 level of confidence, and assumptions associated with them, is confirmed, the Result, in terms of positive affect (and effect relationship), the reverse is findings Duskar (2006), because Duskar (2006), provides a model for investigating the behavior of liquidity, and volatility of stock price, in this model, investors anticipate price changes, he believes when volatility is high, the risk is high, and when yields are low-current assets, return on assets, no risk would also be low, and will not be Liquidity market, and on the other hand, lack of liquidity, is amplifier to supply shocks.

Awareness of factors affecting the stock price is very important, so that a change in any of these factors, in some way, can decrease or increase the stock price, and thus the optimal decision of investors. In this study, an attempt has been paid to the impact of these factors simultaneously, based on the stock price. The overall goal of this study was to examine factors within the company, the stock price that some large organizations, the major shareholder of a corporation, provide the groundwork for the use of legal entities, of the results. Investment institutions, can be considered as a strong point for the company's shares, as major shareholders, in certain circumstances, can be prevented from falling stock prices and, consequently, losses, shareholders, with support from contributions, which for example, in this context, can be traced to research Foroughi *et al.*, (2010), who found similar results, and showed that the company, its shareholders, mainly composed of, institutional shareholders, compared now that, its ownership

Research Article

structure, based mainly on its individual shareholders, have higher quality accruals, and this is the cause, the higher the demand for the stock. Also, Mojtabahzadeh (2008) concluded that, with the increasing changes in anticipated earnings per share, stock price variability increases. Also, another Result that was obtained from this study is that it represents, declarations and reports, financial statements, for each variable, respectively, and contains information that is affecting the decision optimal decisions of investors.

REFERENCES

- Agarwal P (2007).** Institutional ownership and stock liquidity. Available: www.ssrn.com, ssrn_ID1029395-code36688.
- Amihud Yakov (2002).** Illiquidity and stock return: cross-section and time series effects. *Journal of Financial Markets* **5** 31-56.
- Askari M and Iranpak M (2010).** Effect on the amplitude of the free float of listed companies at Tehran Stock Exchange equity prices and provide appropriate solutions in this field. *Insight Magazine* **45** S80-61.
- Azarnia MA (2007).** Evaluation and management of investment risk. Capital magazine. The company deals in Tehran Stock Exchange Regulations Act 30 / 6/1383 Council.
- BidgoliEslami GH (2009).** Effects of changing price limit on the trading market, market efficiency, number of transactions, transaction size and velocity in Tehran Stock Exchange. *Journal of Financial Research* **11**(27) S22-3.
- Brave A, Geenry C and Gompers (2000).** Is the Abnormal Following Equity Issuance. *Journal of Finance* **51** 232-252.
- Bushee B (1998).** The influence of institutional investors on myopic R&D investment behavior. *Accounting Review* **73** 305–333.
- Chakrabarti Rajesh (2000).** Market reaction to addition of Indian stock to the MSCI index Dupree college of management, Georgia institiuto of technology.
- Cueto Diego C (2009).** Market liquidity and ownership structure with weak protection for minority shareholders evidence from brazil and chile, working paper. Available: <http://ssrn.com>
- Davani GH (2003).** *Exchange, Shares and Stock Pricing* (Tehran, the first publication).
- Deangelo H and Masulis RW (1980).** Opptimal capital Structure under corporate and person taxation. *Journal of Financial Economics* **8** 3-29.
- Deuskar P (2006).** Liquidity behavior and volatility of stock prices. *Chicago Meetings Paper* **3** 18-28.
- Dhillou J and Johnson M (1991).** The relationship between the float and the stock price". *Journal of Financial Economics* **3** 12-25.
- Douglas W and Diamond (1984).** Financial Intermediation and Delegated Monitoring. *The Review of Economic Studies* **51**(3) 343-414.
- Franklin JS and Muthsamy K (2011).** Impact of Leverage on Firm investment Decision. *International Journal of Scientific and Engineering Research* **2**(4).
- Ghaemi MH and MR Vatanparast. (2005).** Examine the role of accounting information in reducing information asymmetry in the stock market Thran. *Brrsy Accounting and Auditing* **41** S103-85.
- Golkarian Said (2006).** Assessment of ways of raising capital on the stock returns of listed companies in Tehran Stock Exchange. Payanamh MA, University of Tehran.
- Gopalan R, Kadan O and Pevzner M (2009).** Managerial Decisions, assetliquidity, and stock liquidity. Available: www.ssrn.com/abstract-1342706
- HabashiShokri V (2005).** Investment firms to assess the achievement of EPS EPS forecast its Effect Brqymt shares in Tehran Stock Exchange, MS Payanamh.
- Hassas Yeganeh, Moradi Yahya and Eskandar M (2008).** The relationship between institutional investors and corporate value. *Accounting Review* **52** 107-122.
- HassasYeganeh Yahya (2005).** Institutional Investors. *CPA Journal* 164.
- Huijie B (2010).** A Study on Leverage and Firm Investment: Chinise Evidence. Master of Science Thesis Royal Institute of Technology (KTH).

Research Article

- Izadi H (2006).** *Fundamental Portfolio* (publications and training institute Industrial Research of Iran).
- JabbarzadehKangarui S and Askari MR (2010).** Identify factors influencing abnormal stock returns during the initial offering to the public listed companies in Tehran Stock Exchange, the Financial Accounting.
- Jahankhani Ali and Hope Safaris (2003).** Estimate earnings per share. Vaknsh stock market to prompt Tehran Stock Exchange. *Journal of Financial Research* (Publications Office of Management Sciences Faculty of Tehran University) **16**.
- Jamali Mohammad Hassan Jon (2008)** Investigated the relationship between returns free float of companies in Tehran Stock Exchange, MS Payanamh.
- Jiambalvo J and Defond ML (2002).** Debet covenant violation and manipulation of accruals. *Journal of Accounting and Economics* **17**(January) 1-32 .
- Kashani-Poor M (2011).** Effect of changes in free float on the stock returns of companies listed in Tehran Stock Exchange, Mazandaran University, Department of Accounting. *Financial Accounting Research Journal* **3**(3) S112-95.
- Khakpour Hossein (2008).** The study of the free float on the stock price. MS Thesis, Faculty of Economics & Administrative, Tehran University.
- Kim O and Verrecchia RE (1994).** Market Liquidity and Volume around earning announcements. *Journal of Accounting and Economics* **17** 41-67.
- Kordlar Ebrahimi Ali (2007).** Corporate strategy and the role of institutional investors. *Journal of Accounting and Accounting Association's Scholarship* **8**(spring) 25-20.
- Kothari SP (2000).** The role of financial reporting in reducing. In: *Building an Infrastructure for Financial Stability*, edited by Eric, Jordan and John (Federal Reserve Bank of Boston) **57** 89-102.
- Meyers SC (1997).** The Relationship between real and Financial measures of risk and return. In: *Studies in Risk and Return*, edited by Finance I and Bicksler JL (Cambridge, MA: Ballinger) **1** 49-80.
- Mojtahedzadeh Vida (2008).** The relationship between changes in anticipated earnings ratio of stock price changes. A Study of Economics **8**(28).
- Namazi and Mohammad EhsanKermani (2008).** The effect of ownership structure on the performance of listed companies in Tehran Stock Exchange. *Accounting Review* **53** S83-100.
- Neuman Robert and Torbon Voetmann (2001).** Float Capitalization Index Weight in Dow jones Stoxx: price and Volume Effect, given at the University of Pennsylvania. Available: [Http://www.wharton.upenn.edu](http://www.wharton.upenn.edu).
- Nicholas B and Thaler R (2004).** A survey of behavioral finance.in constantinides. *Journal of Psychology and Financial Markets* **2**(4) 182-189.
- Noravesh Iraj and SimaYazdani (2010).** The effect of financial leverage on investment in listed companies in Tehran Stock Exchange. *Accounting Research Journal of Finance* **2**(2) serial number 14, Summer 1389, S48-35.
- Panahian Hossein (2007).** The effect of increasing the return on equity and venture capital companies listed in Tehran Stock Exchange. *Journal of Vision* **14**(38) S71-56.
- Parker Jones and Charles (2006).** *Management Portfolio*, translated by Mohammad Shah Alizadeh, Nshrmrkzamvzsh and Industrial Research of Iran.
- Pastor L and Veronesi P (2003).** Stock valuation and learning about profitability. *Journal of Finance* **58** 1749-1789.
- Penman S and Richardson Tunal S (2007).** The book to price effect in stock return accounting for leverage. *Journal of Accounting Research* **45** 427-467.
- RahmanSeresht Hossein and Mazloomi N (2005).** Institutional investors to share ownership of institutional relationship management performance in listed companies in the Stock Exchange Thran. *fslnamh Management Studies* **47** 110-85.
- Rasaian Amir MS (2010).** The relationship between measures of stock liquidity and annual stock returns in Tehran Stock Exchange. *Journal of Accounting Research, Advances in Shiraz*.
- Robin Greenwood (2006).** Float manipulation and stock prices. HBS working paper number 5- 79.

Research Article

- Rubin A (2007).** Ownership level, ownership concentration and liquidity. *Journal of Financial Markets* **10**(3) 219-248.
- Saleh, Nejad, Hasan and Ghayoor VR (2009).** The rate of return on assets and return on equity and financial leverage on stock prices of the companies listed in Tehran Stock Exchange. *Research Management Journal* **7**(18) 1389.
- Sarin A and Shastri K (2000).** Ownership structure and stock market liquidity". Working paper, University of Pittsburgh, Pennsylvania. Hong kong Government Intervention. *Journal of Financial Research* **27** 179-197.
- Shleifer A and Vishny RW (1986).** Large shareholders and corporate control. *Journal of Political Economy* 461– 488.
- Sinai HA (1997).** Measuring Performance in Tehran Stock Exchange. In: *Financial Research* sixth edition (freshman) **2** 70-46.
- Soutar, Geoffery N, Clark-Murphy and Marilyn (2004).** What Individual Investorsvalue: some Australian Evidence. *Journal of Economic Psychology* **25**(4) 539-555.
- The Tehran Stock Exchange (1999).** Factors affecting liquidity in emerging markets, Deputy Economic and Market Development **3** 26 -1.
- Wayman R (2005).** How to Evaluate the Quality of EPS? Available: www.investopedia.com/university/EPS5