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Investigating the effect of export on the liquidity of the companies accepted in Tehran Stock Exchange

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Abstract

The purpose of business is to increase shareholder wealth. So it is very important to provide the expected returns. Therefore, investors choose companies that have a high degree of liquidity. Export is one of the factors that by sales development, in addition to increasing revenue, raise the company liquidity and profitability. This study sought to answer the question: "Does export influence on companies' liquidities?" Therefore, efforts are being made to provide a model for testing export effect on liquidity and significant relationship between them. For this case, panel data of 70 companies accepted in Tehran Stock Exchange in 8 years by using of regression analysis and Least Square test and also by using of Eviews 8 software Studied and tested. The results show a significant positive correlation between exports and liquidity.

Keywords: Export, Liquidity, Least Square Test

Introduction

Today managers to attract investors try to maximize the company's value and Increase revenue and profit growth as one of the solutions is to consider this. Companies accepted in Tehran Stock Exchange are trying to increase their annual profits, encouraging investors to invest in ordinary shares. . The investors in the capital market are trying to push their own resources in the direction that is most profitable for them. Many factors affect firm performance that one of the factors, liquidity means the ability to buy and sell stock in less time and with less cost. This measure is one of the most important criteria when selecting investment opportunities will be considered. Therefore, investors choose companies that have a high degree of liquidity. Investors' attention in stocks with high liquidity strength caused to attract more investment into these companies. One of the major advantages of investing in securities in comparison with other investment opportunities is high liquidity that depended to the factors such as long-term non-stop trading symbol, degree of free float and the return of shares of each company. Decreasing liquidity in stock, weaken one of the main incentives for investing in the exchange. The globalizations of trade Causes the companies involved in the export process and gradually turn to international markets. . It should be noted that incentives started to export is different for different companies. Export incentives from the perspective of some scholars as the most important and dynamic elements have been considered in determining the behavior of companies' export. There are several theories to explain the export marketing literature that deals with export incentives. . Motivation and experience, growth, and behavior of export are the most important export variables that have been studied in relation to the export development. The aim of this study was to examine the impact of exports on the liquidity of shares accepted in the Stock Exchange.

Theoretical basis of research:

Problem statement

Liquidity is a complex concept and directly is not observed. A variety of definitions and interpretations in relation to the liquidity provided. When handling discussing the failure or success of futures markets, liquidity has always been one of the determining factors. The theoretical analysis suggests that liquidity to allow small investors to become majority shareholders, improve management Salaries and benefits and informed Investors encouraged to deal. Thus, a positive relationship between liquidity and performance will not be out of mind. (Fang, et al 2009)

Liquidity

Liquidity means Purchase or sale of assets in the shortest possible time and costs. Although it seems largely clear and understandable, in many financial documents liquidity is called as easy and impossible concept, this means that in simplicity understanding, measuring and calculating Liquidity in the context of transactions is complex. (Bhide A1993) One of the main functions of the capital market is, providing liquidity. In fact, the secondary market in spite of providing liquidity, through price discovery and risk transfer capabilities, reduced capital costs. Fernandez According to the "Keynesian" explains that liquidity is not measurable by an absolute standard. Sometimes for showing the concept, they used

merchantability word instead of liquidity word in financial texts. Because if the number of potential buyers and sellers of an asset to be more, its liquidity will be more. (Karami et al. 2010)

$$\text{Liquidity ratio} = \frac{\text{Number of shares traded during the year}}{\text{The total issued stock}}$$

Liquidity and illiquidity are two sides of the same coin that in many cases used to refer to a concept. Liquidity is a complex issue that is not directly visible. Therefore, different definitions and interpretations in relation to the liquidity provided. (Coffee J1991) Liquidity of an asset in its simplest definition means an asset ability to be converted into cash by incurring minimal losses and expenses. As well as lack of liquidity shows the effect of the order process on the price. This effect is like a discount granted by vendors or receipt of buyers to execute an order on the market. An asset In order to have liquidity, the existence of a liquidated market for that asset is necessary. Liquidated markets for creating some benefits like better allocation and efficiency of information, Considered desirable. Liquidity of a share can be identified by factors like the volume of corporate transactions, the number of shares traded, the number of days traded, repeat deals, the number of buyers and so on. According to this, companies can be ranked on the basis of their liquidity. (Yahya-Zadeh et al.2011). Verniman defines liquidity "Liquidity is the ability to convert quickly and without having to reduce the prices of a financial instrument to cash. Liquidity provides the treatment of a financial instrument at a price (Market price) and in large volumes without disrupting the market. When an asset is called liquid that an investor can trade the large volumes of it without a change in the market. (Fartok et al. 2010)

Export

Export is the process of selling goods or services from one country to another. However, it can be physical transfer of goods such as sales Toyota is in the Russian market or without transfer like online training Ugandan students by Scots professors. Of course, in the latter case measuring of how much the quality of services exported, is so hard. (Niknamian, 2014)

To enter the world market, companies have used different approaches that one of which is export development approach. Since the export requires the least resources, is low risk and also followed by the minimum organization commitment. Therefore, this approach is the most famous and easiest approach taken by companies trying to enter and penetrate foreign markets. (Nategh, et al.2011)

Today, export is as one of the important economic indicators in GDP growth. Many factors are involved in creating incentives for exports. Perhaps the most important export incentives, is more profitability. Commodity that is in the mature period of his life, encounters with more competitors. So the best way to develop sales is export. Preferably to meet the needs of target markets, diversification is required. This is, to reduce vulnerability related to the loss of domestic customers are going to be effective. (komeyjani, et al. 2012)

Export rather than a complement to the exchange shortcomings, should be considered as a central strategy in the country. So that the oil revenues should be used only for infrastructure investments and the issuance of non-oil goods Foreign exchange needs can be met and Production cycle to be more productive. (Taheri Fard 2011).

In general we can say that the benefits of export include the following:

- For companies that are first to international market, export due to low political risk is more appropriate.
- Export, when the capacity of the host country market is not set correctly, is an effective strategy to enter the market.
- By export, the company can, by independent dealers sell their products in the host country and also can through its distribution channels sell products by exercising greater control over marketing activities.
- Export enable companies that if market conditions is favorable, to increase their activity level through to production, in the country.

Foreign trade sector is included current account (export and import), Capital account and foreign debt. During the first and second economic development program serious problems existed in the way of development of non-oil exports in terms of economic structure and even economic policies of the current government . But after two economic programs and the beginning of the third economic different Strategies to improve foreign trade sector were made practical according to the legal provisions and reform laws and methods as well as the country's export policies. The performance of various programs show better and more desirable country's export development policy. (Nategh and Niakan 2010).

Export has a significant impact on economic units. Because with the expansion of the market for corporate goods, reduced companies business risk and thereby the trust of the buyer of shares will be increased. More importantly, revenue from exports is foreign currency so provide a significant portion of the company currency needed for the supply of raw materials and imported equipment. Considering the foregoing, the need for more attention to exports and its' revenue is necessary. A company which has export minimizes the negative effects of currency fluctuations. Therefore company is relatively stable in providing the needed currency for required raw materials and equipment. From a different angle, development of markets selling product will relatively ensure corporate customers that their required goods will be provided by company in long time. That cause Customers has a positive view and will create favorable psychological atmosphere for the company.

Research background

Many studies have not been done on the relationship between exports and liquidity. But can be cited similar research as follows:

Mehnat Far et al.in a study named “The evaluation of non-oil exports and its effect on economic growth in Iran” concluded that there is a significant positive correlation between increasing non-oil export and economic growth.

Nategh et al. has studied preparing the export development with emphasis on export restrictions, incentives and export performance and showed Government's stimulus had a minor role in encouraging companies to start exporting and the internal situation of the company in addition to factors such as the situation of domestic and foreign markets are determining factors for companies to start exporting.

GHarah CHe et al. in a study named" A Framework to determine the factors affecting export performance based on competitive differentiation strategy in non-metallic mineral industry" concluded among the components of resource-based approach, competitive resource has the greatest impact on export performance.

Azar bayjani et al, has studied the impact of export diversification, Financial Development and trade liberalization on economic growth and showed export diversification, trade liberalization and Financial Development have a significant positive effect on economic growth.

Aditia et al. in a study named" Export diversification and economic growth" concluded diversification and composition of exports are the most important determinants of economic growth after the control of another feedbacks such as Slow growth Exports, investment.

Yu et al. has studied Interaction between exporting and productivity at firm level and showed that Exporters, on average, are Smaller But the manufacturer than non-exporters.

Gambe et al. has studied "The Company's skills and performance". The results showed that only Sales and marketing skills have a significant positive impact on export performance.

Research methodology

The population, sample and sampling

The number of samples in this study Consists of 70 companies accepted on the Tehran Stock Exchange in time domain from March 2007 to March2015 that were selected by Using the sieve methods based on the following criteria:

- During the time period, have not changed their fiscal year.
- They fiscal year ended to March2015 in every year.
- Information of their Financial Statements should be available completely and continuously of 2007
- Information about the research data should be available up to a year before the year in question.
- stock trading during the study period had not been halted More than three months in Tehran Stock Exchange
- they are not component of investment firms and financial intermediation (banks and leasing)

- The book value of the companies during the period of study is positive.

Research tools

In this research data are panel and Data collection method is library. Software Eviews 8 had been used To analyze the data.

The Analysis of Data

We have used Descriptive statistics and inferential statistics such as single variable regression, chow test and White test for analyzing data.

Research Findings

First hypothesis: export effects on liquidity of companies accepted on the Tehran Stock Exchange

Table 1: Single Variable Analysis of the export effects on liquidity of companies accepted on the Tehran Stock Exchange

Dependent Variable: Liquidity				
Variable	**Coefficient**	**Std.Error**	**t.statistic**	**Prob.**
C	372/9710	49/23782	7/574888	0/000
Ex	1/39470	0/065262	21/37202	0/000
R-Squared	0/315710	F-Statistic	2/726855	
Adjusted R-Square	0/315634	Prob(F-statistic)	0/00085	
Durbin – Watson Stat		1/682708		

As can be seen in the table above There is a significant positive relationship between export and liquidity. If export increase, it will improve the liquidity of company.

Conclusion:

In this article, the effect of export on liquidity companies has been investigated using regression analysis. The results indicate that the hypothesis is confirmed and States There is a significant positive relationship between exports and liquidity. That's mean the liquidity also increased with increasing exports. So companies that do export can convert their assets to cash with the least losses and costs. That cause to increase the productivity of company and improve company performance. Thus that resulted to gain the further trust of investors to invest in company. Since the investigation is not carried out in the country, this study can be considered an innovation.

Practical suggestions:

The results have shown that export effects on liquidity of companies accepted on the Tehran Stock Exchange. So we have some suggestions as bellow:

The country's economic managers for increasing exports, while creating the legal and institutional framework, should be in the idea of improving the productivity of their firms.

Country's strategic policy should pay more attention to the manufacturing sector that lead to increased productivity and export.

Stock Exchange officials by enforcing companies to timely reporting of information, try to provide the information necessary for investors to invest and make economic decisions.

Companies should be tented toward export because of it's effect on liquidity and return.

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