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Examine the relationship between extra cash and credit restrictions abnormal returns of companies under the terms of the economic crisis

*Monireh Faramarzi[1] & Hajar Amini[2]

1&2 -Master of Accountancy, Department of Economic, Urmia Branch, Islamic Azad University, Urmia Iran

Abstract

The present study aimed to examine the relationship between the extra cash and credit restrictions abnormal returns the shares of companies under the terms of the economic crisis companies listed in the securities market is in Tehran. The number of the companies, 116 statistics sample survey period and companies, including 6 years since 2008 to 2013. The findings indicate that between additional cash with abnormal returns, and significant relationship, which reflects the adverse reaction to the capital market extra cash. While the capital market, extra cash companies during the period of the economic crisis , favourable response. Also, in accordance with the results obtained companies that higher extra cash, with more credit limit. Finally based on the findings of the first test Hypothesis - based research that between extra cash with abnormal returns companies to reverse and significant ; there is a for - profit units managers recommended that the policies of the maintenance cash reserves to factors and specific characteristics under their management unit.

Keywords: extra cash, abnormal returns, credit limit, the economic crisis

Introduction:

stock market liquidity by gathering of dull and Non-productive and directing them to use the investment and financing productive economic activities undeniable role in countries ' economic growth . This is the significance of market growth and prosperity is paramount . during the last decade of financial resources from the sale of shares in one of the most important ways to gather the necessary funds for large investments and the establishment of a large industrial and productive units . basically for profits in the world - wide market , information needs complex and technical expertise needed . So with a view to broadening the global market , the use of tools that with the lowest information, the best results can be achieved , seems to be a very desirable. The response to the ads News stock market is different. expectations of the people is a function of their predictions that the inefficiency. The source intelligence failures , can be an important applications to study in the field of rationality investors and market efficiency , 2006 (Hysv). A news may be complicated and reports and analyses, investment for the discovery of the whole requires time such news , therefore, a kind of uncertainty in investors and activists in the capital market . for response investors in this field is relative reaction depends on the amount of information that they receive financial markets can sometimes without economic news or other stimuli, actions that may be due to excessive reaction to see drivers . (Zhao Liang and Jian , 2001).

Constitution , the present study aimed to examine the relationship between the extra cash and credit restrictions abnormal returns companies under conditions of the economic crisis in accepted companies in Tehran securities market. a lot of research so far inside and outside the country on the factors affecting abnormal returns accepted companies on the Stock Exchange. most of the investigation or internal factors and capital market structures. while the macro - economic variables are factors that potentially , it is possible that different aspects of the for - profit units and even have an impact on the capital market and the impact of these factors in the country , in particular, is still under review. Therefore , the present study innovation in the independent variables that is specifically on the level of liquidity and economic shocks. and this approach means the current research distinguished from other other research .

Tyheoretical foundations of research :

there is evidence that the impact of the various factors on the quality of financial reporting . for example, Dychv and Dechow (2002)accruals structure and found that the quality of the companies ' profits , with smaller size of history in the report , the high variability in sales and cash fluidity and operational cycles , longer than other distant inheritor Dychv and Dechow (2002). Meanwhile, some researchers say , accounting conservatism in companies, representing a lot of up to solve the problems and conflicts between the various groups (less Giuli et al. , 2007). the evidence suggests that financial reporting strategies in a for - profit units moved from several factors that most of them are managers motivations . one of the factors that potentially motives , managers explain ; business strategies for - profit unit . Chandler defines the business strategy, i. e. the long - term goals, investment and the use of the resources necessary to implement these goals. Mintzberg (1987) argues that business strategy to a position , pattern , and the outlook for the company or industry (Noor - ul - Haq et al. , 2013).

in accordance with the theoretical and empirical evidence , former relationship between business strategy with accounting system through 3 separate theory include representation theory (Jensen , and Meckling 1976), the political cost theory (Watts and Zimmerman, 1978)and the transaction cost theory , (1976) . Jensen and Meckling (1976) believe that in the decision - making process for adopting accounting procedures , cost a series of financial statements that were evenly divided ; in front of the benefits of accounting methods , making a profit for the producers and users of financial information . Both political cost theory (Watts and Zimmerman 1978)and transaction cost (1976) , about the motives for companies to use accounting practices are profit - seeking ; explain (Noor - ul - Haq et al. , 2013).

Literature:

Watts and Zimmerman (1987) argue that in managerial decisions (including the decisions of the accounting) managers should target the macro regulatory environments . They then suggest that accounting information as monitoring tool in the hands of shareholders . release of such information community awareness about private companies improve (Noor - ul - Haq et al. , 2013).

wig and Tvksn (2007) , the effect of global liquidity effect politics Pew Lee irregular on asset prices and inflation and announced by using seasonal data during the period (2006 - 1982)for a six - France , Germany , Japan, O ' Italy , Britain and the United States , the price model estimate of the votes . to identify the long - term relationships , and Pew Yayi for short - term CVAR model is used. estimation results show liquidity shock lead to his throbbing nose housing prices and inflation and interest rate positively moderating , while liquidity effect on the stock prices and the global liquidity surplus with interruptions longer leads inflationary pressure

Smicer, Sepah and Jrla(2008) , in an article reactions to the real estate prices , inflation and the economic activity to the shock of monetary policy in the country's 17 during the years (2006 - 1986) . PVAR VAR model and to examine the distinction between the group of countries on the basis of their financial system properties . The findings show the difference of financial structures on the effectiveness of the monetary policy of residential real estate prices , as well as the importance of the economy . This analysis to the ability of monetary policy in response to the prosperity of residential real estate prices and the price of Kuwaiti points. Also, the monetary policy can potentially to calm the real estate prices to help Riddick and Vaytd and (2009), in an attempt to re - examine cash flow sensitivity towards companies liquidity in the study of different theoretical and empirical models ; the researchers have been unable to find a negative relationship between changes in cash and cash fluidity assets . The researchers in place then started to examine the results of the interaction with the results in the investigation Almeida et al. , with the results from two different perspectives . First , the model that they used their investigation of the model theories and used in research Almeida et al. , more to the reality that the model used in this research could have a broader range of the rate of depreciation of capital and cash flow shocks that can communicate with productivity . Second, Riddick and Vaytd correctly stated that when the explanatory variables are due to measurement error , with the possibility of a change in the sign of the other explanatory variables . The researchers said that the cash flow sensitivity to cash assets where no correction for Q (see variable component in the empirical model) , there is a positive . reform in the wake of bias in the effect of the measurement error Q using GMM estimation , their findings of negative sensitivity towards liquidity cash flow . However, in the empirical model Ridik and Vited vacancy control variables such as firm size, capital expenditures , non - cash in circulation and short - term debt to Amema et al. (2009), research in value and the credibility of compulsory and voluntary disclosure on the capital market was tested to the conclusion that after control variables such as size and firm's profitability , mandatory disclosure of negative and significant relationship value is institutions . as well as the results of their research showed that the voluntary disclosure though a positive relationship value is institutions , but this is a significant relationship Out of the investigation .

Mehrani et al. (2009) , abnormal returns in the initial public offering shares in the Stock Exchange in Tehran conditions and the lack of price bubble , and to determine the factors affecting it. The results showed abnormal returns are short - term and long - term supply in the shares of the initial public stock market in the Iranian capital in terms of a lack of price bubble , and there are abnormal returns in the short - term supplies in terms of price bubble . In addition to the results, the lack of a positive difference between abnormal returns short - term sample of both companies under the circumstances . While, in a long period of time , significant differences Tehran 1385 years to 1388 and using random sampling 180 as the number of companies demographic research is chosen . using the Pearson correlation and regression analysis is shifting around one study hypotheses and is located in the test results show that the positive and significant relationship between the cash conversion cycle fast and there are current ratio relationship with cash conversion cycle is not bad . also significant negative causal relationship between the inventory

conversion period of goods and cash conversion cycle , there are these results showed that the ratio of Annie representative of the company's strong cash and stock have a negative impact on the liquidity Jabbarzadehet al. (2010) , in the research to identify factors affecting abnormal stock returns at the time of the initial public offering . The results showed that from among the independent variables used , profit forecast error per share , the general conditions before the stock market supply , the ratio of debt - to - equity ratio of net profit margin , and the return of the shareholder rights , only variables profit forecast error per share , and positively general conditions before the market supply and net profit margin to reverse with abnormal returns for 12 months . In addition, none of the independent variables with abnormal returns for 24 months had no connection.

Society and statistical model

The study included all statistical community accepted companies in the Stock Exchange of Tehran . homogeneous the statistical community to test the hypotheses in the implementation of the generalizability of the results , and the following conditions on target demographic companies .

1) capability , compared to increase their financial period leading up to the March 29 .

2) during the period (2008 - 2013) financial year .

3) but financial firms (such as banks , financial institutions)and investment companies or financial intermediation companies .

4) required information on the part of the definition of the variables is available.

Therefore, all statistical community bourse companies and systematic sampling method in playoffs (screening) is used and the survey period also includes 6 years from 2008 to 2013 .

Research question :

economic crisis on the relationship between the extra cash and credit restrictions , what impact, if any abnormal returns companies ?

Research hypotheses :

This research has 4 Main hypothesis is as follows:

Hypothesis 1: between extra cash with abnormal returns companies .

Hypothesis 2: between extra cash with credit restrictions companies .

The third hypothesis : economic crisis on the relationship between the extra cash with abnormal returns companies .

Hypothesis 4: the economic crisis on the relationship between the extra cash with credit limit companies .

Research methodology and experience and analyzing data:

To analyze raw data and convert them into the information needed to test the hypotheses and explain the relationships between variables , from the regression tests will be used. These tests through Eviews statistical software and 95 % confidence level . to test the hypotheses research, the first major variables . Then relationships between variables obtained by using regression tests

Measurement model research variables :

1- independent variable :

Independent variables would include

1) extra cash : cash payments surplus it is a positive net present value projects .

2) : how to calculate the economic crisis to estimate of the economic crisis, the growth of gross domestic product (as a variable macro - economic) is used . So courses , GDP growth has been negative ; as the economic crisis and in the US 1 CRISIS variable number .

2 - dependent variable :

dependent variables of the present study include

2- 1 abnormal returns ($ar_{i.t}$):

abnormal returns in the process of stock investments , is the driving force to motivate investor and May - as a reward for him.

3 - control variables :
control variables of the present study include
3- 1 opportunities of growth ($m/b_{i.t}$):
opportunities of growth is equal to the value of equity market shares at a value of white - collar

The overall patterns research hypotheses :

first test Hypothesis model

Hypothesis 1: between product differentiation strategy adopted by the level of accounting conservatism , there is a direct relationship .

$CONit = \beta0 + \beta1STRT1it + \beta2\ LN_ASSETS\ it + \beta3\ F_LEVit + \beta4\ G_SALESit + \beta5M_RISKit + \varepsilon it$

how to decide hypothesis : In the model , STRT1 variable factor , reflecting the relationship between product differentiation strategy with accounting conservatism and is expected to be positive coefficient obtained . Thus, the statistical hypothesis to make a decision regarding the first hypothesis , defined as follows .

H0: $\beta1 \leq 0$
H1: $\beta1 < 0$

The second test Hypothesis

Hypothesis 2: between product differentiation strategy to benefit management level , there is a direct relationship .

$|DACCRit| = \beta0 + \beta1STRT2it + \beta2LN_ASSETSit + \beta3F_LEVit + \beta4G_SALESit + \beta5M_RISKit + \varepsilon it$

how to decide Hypothesis:

in the model , a differential STRT2 reflects the relationship between product differentiation strategy with the level of interest and management is expected , the coefficient obtained , to be positive. Thus, the statistical hypothesis to make a decision regarding the second hypothesis , defined as follows .

H0: $\beta1 \leq 0$
H1: $\beta1 < 0$

model of the third test Hypothesis

The third hypothesis : between cost leadership strategy with the level of accounting conservatism direct connection exists.

$| CONit = \beta0 + \beta1STRT1it + \beta2\ LN_ASSETS\ it + \beta3\ F_LEVit + \beta4\ G_SALESit + \beta5M_RISKit + \varepsilon it$

how to decide Hypothesis:

in the model , a differential STRT1 reflects the relationship between cost leadership strategy with accounting conservatism and is expected to be positive coefficient obtained . Thus, the statistical hypothesis to make a decision regarding the first hypothesis , defined as follows .

H0: $\beta3 \leq \beta1$
H1: $\beta3 < \beta1$

The fourth test

Hypothesis 4: between cost leadership strategy to benefit management level , there is a direct relationship .

$|DACCRit| = \beta0 + \beta1STRT2it + \beta2LN_ASSETSit + \beta3F_LEVit + \beta4G_SALESit + \beta5M_RISKit + \varepsilon it$

how to decide Hypothesis:

in the model , a differential STRT2 reflects the relationship between cost leadership strategy with the level of interest and management is expected , the coefficient obtained , to be positive. Thus, the statistical hypothesis to make a decision regarding the second hypothesis , defined as follows

H0: $\beta3 \leq \beta1$
H1: $\beta3 < \beta1$

Data analysis and research findings :

analysis results descriptive research variables :

descriptive statistics useful information regarding the measured variables in the researcher . For example, abnormal stock returns variable descriptive analysis shows that the average this variable negative. Thus, it can be found that statistics sample companies during the period of research, less efficiency of market efficiency . the average amount of credit limit variable it is closer to a minimum and maximum value , a lot of distance . This finding suggests that on average, credit limit statistical model companies during the course of study, in a lower bound . descriptive statistics of the variables abnormal returns and credit limit , as the dependent variables , research shows that the standard deviation of the variables above average them . This finding suggests that the fluctuations in the upper limit of this variable and the distribution of the data of the variables close to normal distribution . This , in terms of analyzing research hypotheses is of paramount importance as one of the most basic assumptions regression . the minimum amount of variable zero credit limit , which was due to the fact that some of the companies in some statistics sample from years of research, lack of accounts receivable . the minimum and maximum value of the variable negative , as a result of which is how to calculate the reverse trade credit to calculate , is being considered.

Research findings regarding extra cash , indicating that the minimum amount of this variable is zero , some statistics sample companies during the period of research, extra cash . the average for dummy variable economic crisis shows that about 40 percent of the survey period as the period of the economic crisis are classified .

the results descriptive analysis on financial leverage shows that , about 62 percent of financial resources required statistical model companies through a debt . Also, in accordance with the findings , the average net variable obtained for the capital , which is a positive shows statistics sample companies during the period of research, has a capital have been positive.

Table 1 results descriptive analysis research variables :

the standard deviation	average	maximum	minimum	number	research variables
0.8538869	-0.17127	8,0859	-5,7859	812	abnormal returns
0.7063904	-0.430341	-9.3368	0	812	credit limit
0.387755	0.38981	0.3418	0	812	extra cash
0.4951767	0.428571	1.00000	0	812	economic shocks variable virtual
5.8706126	1.909738	12.6519	0.144845	812	The market - to - book
1.4526816	13.405794	18.6036	10.5045	812	the size of the company
0.2130253	0.81517	0.8094	-0.8292	812	Net working capital
2.1882292	0.106019	33.7403	-52.1760	812	cash flow
2.4594437	0.273133	68.8609	-0.9991	812	change in fixed assets
0.2118747	0.624186	0.9177	0.964	812	financial leverage
0.359	0.85	1.0000	0	812	dummy variable profit sharing

Test hypothesis research :

results from the process model (1)

model (1) , the first and third test Hypothesis research used in the abnormal stock returns , as a dependent variable and a function of the independent variables and control . the results of processing in Table 2 regression model .

Table 2 : Analyze results statistical model (1)

adjusted R^2	**Durbin Watson statistics**	**F statistics**	**significant level F**
0.225	2.088	13.303	0.000
angry	**) β the size of the coefficient (standard**	**statistics t**	**significant level (P-value)**
XLIQ	-0.027	-2.768	0.023
XLIQ*CRISIS	0.002	2.055	0.026
MB	0.113	3.198	0.001
Size	-0.006	-0.154	0.877
NWC	0.051	2.06	0.018
CF	0.014	0.393	0.695
CPAX	0.027	0.762	0.446
DEBT	-0.058	-2.226	0.02
DIV	0.08	2.214	0.027

Statistical analysis of the validity of a regression model in the first part of the table. 0.255 regression model is the coefficient of determination and stating that this model has managed to 22.5 percent of the sample abnormal stock returns of companies through independent variables explain. The results show that between 1.5 to 2.5 Durbin-Watson statistic and therefore, there is a strong correlation between the errors of the regression model and the lack of correlation between errors, as one of the basic assumptions of the regression model fitted , will be accepted.

Regression analysis of variance (ANOVA), F statistic is based on the decisions to be fitted to the pattern of the last two columns in Table 2 below.

The decision about the third hypothesis

The third hypothesis: the economic crisis on the relationship between abnormal returns of companies with excess cash is effective.

The estimated coefficient for variable XLIQ * CRISIS The impact of the economic crisis on the relationship between abnormal returns corporations with excess cash flow shows the amount 0.022 and 0.026 are at a significance level of less than 0.05 (level test error) is. This finding suggests a direct relationship between these variables is significant. In other words, capital markets, the extra cash by participating in the economic crisis has had a favorable response. This finding is consistent with the claims made in the third hypothesis. This hypothesis will be accepted at 95 percent.

results of the model (2)

Model (2), second and fourth study to test the hypothesis used is that, credit limits, as a function of the independent variables and the dependent variable and control. The results of the regression model are shown in Table 3.

Table 3 shows the results of statistical analysis model (2)

0.154	.1774	10.07	0.000
angry	**) β the size of the coefficient (standard**	**statistics t**	**(P-value) significant level**
XLIQ	0.026	2.76	0.028
XLIQ*CRISIS	0.005	0.149	0.882
MB	0.037	2.062	0.029
Size	0.12	3.269	0.001
NWC	0.139	2.947	0.003
CF	-0.016	-0.46	0.646
CPAX	0.045	1.303	0.193
DEBT	0.277	5.902	0.000
DIV	0.014	0.391	0.696

Source: research findings

Statistical analysis of the validity of a regression model in the first part of the table. .0154 regression model is the coefficient of determination and stating that this model has managed to 15.4 percent of the credit limit changes sample companies through independent variables explain. The results show that between 1.5 to 2.5 Durbin-Watson statistic and therefore, there is a strong correlation between the errors of the regression model and the lack of correlation between errors, as one of the basic assumptions of the regression model fitted , will be accepted.

tsmym of the second hypothesis

The second hypothesis: the additional cash credit limits communications company there.

The estimated coefficient for variable cash XLIQ the relationship between corporations shows additional credit limit, the amount 0.026 and 0.028 are at a significance level of less than 0.05 (test error) is. These findings indicate a significant correlation between these variables is. In other words, companies that have higher extra cash, faced with higher credit limit. This finding is consistent with the claims made in the second hypothesis, consistent with this hypothesis will be accepted at 95 percent.

deciding fourth hypothesis

The fourth hypothesis: the economic crisis on the relationship between excess cash credit limit is effective.

The estimated coefficient for variable XLIQ * CRISIS The impact of the economic crisis on the relationship between the extra cash flow constraints corporations Atbtry shows the amount 0.005 and 0.882 is a significantly higher level of 0.05 (test error) is. The findings showed no statistically significant relationship between these variables is. This finding is inconsistent with the claims made in the fourth hypothesis, the hypothesis is rejected at the 95% confidence level.

Control variables

Regarding the control variables, the results suggest that the ratio of market value to book value, size of the company, net working capital and debt with credit restrictions, direct and significant correlation has been established.

Conclusion:

Constitution , the present study aimed to examine the relationship between the extra cash and credit restrictions abnormal returns the shares of companies under the terms of the economic crisis companies

listed in the securities market is in Tehran . The number of the companies , 116 statistics sample survey period and companies , including 6 years since 2008 to 2013 . Research hypotheses solidarity and method using multiple regression models . The findings indicate that between additional cash with abnormal returns , and significant relationship , which reflects the adverse reaction to the capital market extra cash . while the capital market , extra cash companies during the period of the economic crisis , favourable response . Also, in accordance with the results obtained , companies that higher extra cash , with more credit limit . Finally based on the findings of the first test Hypothesis - based research that between extra cash with abnormal returns companies to reverse and significant ; there is a for - profit units managers recommended that the policies of the maintenance cash reserves to factors and specific characteristics under their management unit .

As a result of the proposed research findings :

1) based on the findings of the first test Hypothesis - based research that between extra cash with abnormal returns companies to reverse and significant ; there is a for - profit units managers recommended that the policies of the maintenance cash reserves to factors and the specific characteristics of the unit under his management and adopt strategies that is proportional to the properties. in this context, according to the level of acceptance of the company's shares in the capital market, operational capacity of the company, the total value of the assets and the ability to create cash fluidity recommended.

2) based on the findings of the second test Hypothesis - based research that between extra cash with credit restrictions companies direct contact and significant ; there is a corporate managers recommended that prevent accumulation sources of cash in the company and try to avoid of these resources in order to raise the flow of operation .

3) in accordance with the findings of a third hypothesis that the economic crisis on the relationship between the extra cash with abnormal returns influential companies ; managers firms with cash fluidity fluctuations are high ; recommended that kept strategies in determining the cash , capacities and investment opportunities in the company as a major factor , pay attention , and also to macro - economic variables and also focus on cash flows .

4) in accordance with the findings of a fourth that the economic crisis on the relationship between the extra cash to limit the impact of the credit companies ; corporate managers recommended that strategies in determining the financial and credit , in particular, the company to cash reserves company and the rate of its stability and tried to pay attention to the strategies to adjust the possibility of dealing with the financial constraints , at least .

Pyshnhadhayy for future research:

1) The relationship between fluctuations in cash balances with the firm's investment opportunities

2) The relationship between flow and efficiency of investment companies with emphasis on financial constraints

3) the relationship between financial leverage with trade credit companies in different business cycles

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