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The Impact of Information Asymmetry and Liquidity Risk on Financial Flexibility: A case study of selected Corporations of Tehran Stock Exchange

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Abstract

The present study is examining the impact of information asymmetry and liquidity risk on financial flexibility of the selected corporations listed in Tehran Stock Exchange. The present research is applied in term of its endeavor and also sectional as it is based on time. The quantitative data is used and the research design is descriptive and causal as it is examining the relationship between variables such as information asymmetry, liquidity risk and financial adaptability. For the study 148 listed corporations of Tehran Stock Exchange has been selected for the study and have been studied between year 2012 to year 2016. In the research, information asymmetry and liquidity risk of stock are independent variables and their effects on financial flexibility as the dependent variable in the form of regression model based on paneling data have been experimentally tested. The research conclusions indicate that information asymmetry has negative yet significant impact on financial flexibility while liquidity risk of stock has significant positive consequence on financial flexibility. All together effect of information asymmetry and liquidity risk variables on financial flexibility is negative and yet significant. Eventually, on the basis of conclusions inferred from tests of hypotheses, it can be suggested that managers should perform suitable functions such as; appropriate disclosure, accuracy of financial structure, supplement of suitable financial support and reducing unsuitable conservation. With the help of above mentioned actions, domain difference of sale and buy bid price and risk of stock liquidity will decrease which will lead to more financial flexibility. Moreover, it is suggested that investors should look into extent of risk liquidity of stock in while making investment and they should avoid investment when the difference of sale and buy price is higher than the corporation buying stock.

Keywords: Information Asymmetry, Liquidity Risk of Stock, Financial Flexibility.

Introduction

One of the most imperative factors in investment decision making is suitable and relative information. If required information's are distributed asymmetrically (information transformation will be done unequally between individuals), it can lead to different conclusions about the subject. It is more important to evaluate Quality information available rather than information available to the investment decision maker. While information asymmetry increases of a corporation, its potential value will be different from a value that investors distinguish

in capital market for intended stock. Finally, stock real values of corporations will be different from expected values by investors. What is considered in capital markets is that the most of the individuals who invest in the stock market are normal people and their only ways to access important information, are the information which are published by corporations. One of these kinds of publications is annual financial reports where announcement of each share profit and profit is anticipated by corporations and then is announced for public. If there are individuals who have more information among investors, who are active in capital markets, will be in better situations than others because they are aware of announcements about profit so, they can influence on market supply and demand. Otherwise, they can cause price spread. The main reason is existence of information asymmetry in capital market and based on it informative individuals of profit announcement (or important news) will be situated in better conditions than others. One of the important points that should always be suggested in capital market especially in Tehran Stock Exchange id efficiency discussion and based on it existent information in market will reflex their effects on price stock. The reason for existence of accounting can be defined as information asymmetry that one of the transaction part has more formation than another part based on efficiency market hypothesis. This factor is because of internal transaction and information, (Ghaemi & Vatanparast, 2004).

Investment refinement in a stock depends on liquidity power of its stock which is one of the dimensions of optimized division process. In fact, liquidity risk is the main characteristics market sub structural factors that risks individual capital and play very important roles in investors decisions for buy and sale of their stocks. Eventually it can be said that liquidity is one of the big sources of risk for investors, (Piqueria, 2006). Lack of liquidity occurs when stock price in reactions to few shocks changes rapidly. In fact, lack of liquidity may have negative effect on stock value, (Martinez & Miguel, 2005). Liquidity is a simple recusant concept that will not be directly visible. Liquidity easiness and change of an asset to cash flow is called liquidity, (Pastor & Stambaugh, 2003).

One of the characteristics of commercial units that can help managers to maximize corporation value is maintaining financial flexibility. Financial flexibility is organizational ability in recognition of changes, opportunities and threats, rapid and effective adaptation with new situations to receive suitable performance. Flexibility can play important role in empowering mangers about use of investment opportunities in future and capital market problems has made keeping financial flexibility for corporations to use profitable opportunities. Myers, (1984), indicated that ow threats of corporations` liabilities can stop their uses of profitable opportunities and evaluating of commercial unit even when managers and shareholders are interested in using opportunities, (Khodaeivalehzaghrad & Raretaimori, 2009). Optimized reservation of sources can cause corporations to be successful in market and corporations can follow market opportunities successfully and they should benefit from activity benefits in market. Based on the mentioned factors, this research is investigating the effect of information asymmetry and liquidity risk of stock on financial flexibility of corporations.

Research Background

Khadarahmi & et.al. (2015), in their research on "The effect of information asymmetry on stock price future downfall risk of the accepted corporations in Tehran Stock Exchange", concluded that in the situation of lack of information asymmetry, stock price will fall and lead to increased risk because of non-existence of current flow of information between managers and investors.

Shaerianaghiz & et.al. (2015), in their research "Relationship between financial flexibility and kind of financial supplement of the accepted corporations in Tehran Stock Exchange", concluded that financial flexibility had positive yet significant relationship.

Habibisaamr & et.al. (2014), in their research "Relationship between liquidity risk and market risk with growing stock return and AHP valuing in Tehran Stock Exchange", concluded that there was a linear inverse relationship between risk and stock's real return.

Bonaime & et.al. (2016), in their research "Financial flexibility expense: observations of stock rebuy" pointed out that correlation between financial flexibility and corporations management was less than that of correlation between financial flexibility and profit. Increase of profit management amount would increase financial flexibility expense while increase of amount of institutional management supervision would decrease financial flexibility expense.

De La Bruslerie & Latrous (2014), found that there was a positive meaningful relationship between ownership structure and leverage indicators of financial flexibility.

Theoretical Bases

Conceptual Definitions

Information Asymmetry

If one part of transaction in a transaction has more information than other part, there will be information asymmetry, (Ghaemi & Vatanparast, 2004).

Liquidity Risk

Liquidity risk occurs when an individual investor, business or financial institution cannot meet short-term debt obligations. The investor or entity may be unable to convert an asset into cash without giving up capital and/or income

due to a lack of buyers or an inefficient market. If owner of stock exchange can`t sell his stock easily in one secondary market, this factor will cause a kind of risk for him. While liquidity is higher in stock exchange market, amount of this risk will decrease. While process change of an asset to cash flow is long or possibility of this change encounters with doubts, it will have liquidity risk, (Chan & et.al. 2007).

Financial Flexibility

Financial flexibility is the corporation ability to encounter unexpected pauses in cash flow. It means that ability of demanding loan from different sources, capital increase, and sale of properties and guidance of corporation operations are for facing with variable situations. Moreover, financial flexibility based on accounting standard is ability of commercial unit in term of effective performances to change amount and time of its cash flows in such a way to show necessary reflection about unexpected events, (Bagherbaigi, 2011).

Corporation Size

Corporation size means activity mass and amount of a corporation. Corporation size is an important factor that may effect on capital and accessible amount to cash flow by different sources.

Growth Opportunities

It is market value ratio to clerical value of shareowners` rights and it is a measurement criterion for corporation growth.

Operational Definitions

Information Asymmetry

To calculate information symmetry in Tehran Stock Exchange following model will be used. This model has been used for the first time by Venkatesh & Chiang in 1986 to determine bid price domain to buy and sell stock. Then, other individuals have used this model in their researchers; the mentioned model is as follow:

$$\text{Bid Ask Spread}_{it} = \frac{\text{Ask price} - \text{Bid price}}{(\text{Ask price} + \text{Bid price})/2} \times 100$$

Bid Ask Spread it: domain of suggesting price for buy and sale of i corporation stock in t duration.

Ask Price: average of suggesting price for sale of i corporation stock in t duration.

Bid Price: average of suggesting price for buying of i corporation stock in t duration.

Liquidity Risk

Criterion of liquidity risk is Amicus in this research that is expressed as follow;

$$\text{IIIIQ}_{it} = \frac{1}{\text{Days}_t} \sum_{d=1}^{\text{Days}_t} \frac{|R_{id}|}{(\text{Price}_{id} \times \text{Volume}_{id})}$$

$IIIQ_{it}$= ratio of lack of i stock liquidity in t duration

R_{id}= yearly absolute return of i stock in d day

Price $_{id}$= i stock price in d day

Volume $_{id}$= numbers of i stocks in d day in transaction market

Days $_t$= numbers of days that in t duration the possibility of i stock transaction performance in market will be.

While daily average of transaction mass is high, stock will have high liquidity and can be transacted easily in market. If daily average of transaction mass is high, its market price will have lesser changeability because transactions should be big enough to have effect on stock market price. The above formula numerator indicates stock daily absolute return that has positive relationship with change of stock market price. While price constancy is more in market, the formula numerator will be smaller. Finally, it can be said that higher amount of Amihud lack of liquidity standard has relationship with lower liquidity of market, (vice versa).

Financial Flexibility

Financial leverage= clerical value of total liability / clerical value of total properties

Growth Opportunities

In this research, growth opportunity is used as controlling variable that is calculated as:

Growth opportunity= market value / clerical value

Corporation size

In this research, corporation size is used as controlling variable that is calculated as:

Corporation size= Ln (yearly pure sale mass)

Research Methodology

Every research should have special research design and method should be used on the basis of relevant objectives, should use suitable method and instrument to gather and analyze data that. The research is “applied” in term of its objectives, and it is “sectional” based on its time. The data used in the research is “quantitative” whereas the research performance method is “descriptive.. All Statistic population includes 856 corporations and 148 corporations have been chosen as the research statistic sample by systematic deletion. In this research, at first random method was used to gather data and information. In the library part, research theoretical bases have been gathered from Persian and Latin special books and magazines, and then the

research data have been done by data gathering of chosen corporations by reference tom their financial statements, descriptive footnotes, weekly reports and monthly stock exchange through Rahavard Novin Software. Finally, tests of hypotheses will be done by accumulation of gathered data and doing considerable calculations.

Research Hypotheses

First Hypothesis: Information asymmetry has significant effect on financial flexibility of corporations.

Second Hypothesis: liquidity risk has significant effect on financial flexibility of corporations.

Third Hypothesis: information asymmetry and liquidity risk have significant effects on financial flexibility of corporations.

Specification of Test Kind and Method of Analysis

The statistical tests have been used to check data and to recognize homogeneity or in homogeneity of research data. Chow Test and F Limer Statistic have been used. Statistic hypotheses of this test will be described as follow:

H0: Pooling Data

H1: Panel Data

While this test conclusions are based on paneling data use, fixed effects or random effects models should be used to estimate research model. Husman Test should be performed to choose one the models.

H0: Random Effects

H1: Fixed Effects

Table 1: conclusions of Chow Test to recognize homogeneity or in homogeneity of sections

Hypothesis test	F	Statistical probability of F	Result of Chow Test
Research model	14.501	0.000	Paneling data

As indicated in the above table, Chow Test conclusion represents that received probability for F statistic in all research hypotheses is less than 5 percent, so this hypothesis test data in all models will be use as paneling.

Hausman Test

In this test, Chi-square statistic with K freedom degree will be used. If received Chi-Du is more than table amount, null hypothesis of random effects will be rejected and fixed effects hypothesis will be accepted.

Table 2: conclusions of Hausman Test to recognize use of fixed or random effects

Hypothesis test	Statistic amount	Statistical probability	Test result
Research model	49.030	0.000	Fixed effects

In this test H0 is based on data paneling model with random effects and its contrast hypothesis, H1 is based on data paneling model with fixed effects. If statistic of Hausman test is bigger than its crisis amounts or its probability is less than 5 percent, H0 will be rejected and use of fixed effects model will be accepted.

Based on received conclusions of Hausman Test for the research model, while error is 5 percent, amount of Hausman statistic for this model will be 49.030 and P-Value <0.05, so H0 will be rejected. Rejection of H0 indicates that method of random effects is not homogenous and fixed effects method should be used.

Test Conclusions of the Research Hypotheses

In this study, model estimation method is based on panel data. This method is based on time series information from 2012 to 2016 of 148 accepted corporations` data in Tehran Stock Exchange. All the estimated numbers for each model variables will be based on Million Rial. Used software program in this research is Eviews 8 software. Estimated models have been introduced based ob exhibited hypotheses as regression models of multi-variables.

Test Conclusions of the First Hypothesis

For the first hypothesis, H0 and H1 will be as:

H0: information asymmetry does not have significant effect on financial flexibility of corporations.

H1: information asymmetry has significant effect on financial flexibility of corporations.

Regression model for the research first hypothesis will be as:

$$FF_{it} = \alpha_0 + \beta_1 BAS_{it} + \beta_2 RISK_{it} + \beta_3 BAS_{it}*RISK_{it} + \beta_4 CS_{it} + \beta_5 GO_{it}$$

Received conclusions of this test will be as:

Table 3: test conclusions of the first hypothesis

Variable name	Variable symbol	Coefficient	Standard deviation	t statistic	Prob.	Result
Fixed amount	C	0.528	0.418	1.264	0.0001	meaningful
Information asymmetry	β_1)BAS)	-0.099	0.046	-2.137	0.0024	meaningful
Corporation size	β4 (CS)	0.443	0.110	4.027	0.2451	Lack of meaningful
Growth opportunity	β5 (GO)	0.092	0.049	1.875	0.0452	meaningful
F statistic Meaningful level (Prob.)				38.231 0.000		
Watson-Durbin statistic				2.139		
Determination coefficient (R^2) Adjusted determination coefficient (Adj R^2)				0.479 0.432		

Test Result

Based on the test conclusions of the research first model, level of significance of statistic (0.000) is less than error level and total regression model is significant. Watson-Durbin statistic (2.139) is in region from 1.5 to 2.5. So, correlation doesn`t exist between model error members. The value of t is significant ($p<0.05$) and due to negative value for β1 coefficient, the test conclusions indicate that information asymmetry has negative significant effect on financial flexibility, so H0 of the research can be rejected in 5 percent error level. Moreover, t statistic of the accepted error level for β2 of this test conclusion indicates that controlling variable of corporation size does not have meaningful relationship with flexibility and t statistic of the accepted error level for β5 of this test conclusion indicates controlling variable of corporation growth opportunity has positive meaningful relationship with flexibility. Determination coefficient and adjusted determination coefficient indicate that entered variables in regression can explain 43 percent of dependent variable changes.

Conclusion

Based on the results received from the tests, it can be concluded that information asymmetry has negative yet significant effect on financial flexibility in 5 percent error level. Controlling variable of corporation size has no meaningful relationship with financial flexibility and growth opportunity variable has positive meaningful relationship with financial flexibility. Research estimated variable will be as:

FFit= 0.528-0.099BAS+0.443CS+0.092Go

Test Conclusions of the Second Hypothesis

For the first hypothesis, H0 and H1 will be as:

H0: liquidity risk does not have significant effect on financial flexibility of corporations.

H1: liquidity risk has signifiant effect on financial flexibility of corporations.

Regression model for the research second hypothesis will be as:

$$FF_{it} = \alpha_0 + \beta_1 BAS_{it} + \beta_2 RISK_{it} + \beta_3 BAS_{it}*RISK_{it} + \beta_4 CS_{it} + \beta_5 GO_{it}$$

Received conclusions of this test will be as:

Table 4: test conclusions of the second hypothesis

Variable name	Variable symbol	Coefficient	Standard deviation	t statistic	Prob.	Result
Fixed amount	C	0.528	0.418	1.264	0.0001	meaningful
Liquidity risk of stock	β_2(Risk)	0.637	0.148	4.291	0.0057	meaningful
Corporation size	β4(CS)	0.443	0.110	4.027	0.2451	Lack of meaningful
Growth opportunity	β5 (GO)	0.092	0.049	1.875	0.0452	meaningful
F statistic Meaningful level (Prob.)				38.231 0.000		
Watson-Durbin statistic				2.139		
Determination coefficient (R^2) Adjusted determination coefficient (Adj R^2)				0.479 0.432		

Test Result

Based on the test conclusions of the research second model, level of significance of statistic (0.000) is less than error level and total regression model is meaningful. Watson-Durbin statistic (2.139) is in region from 1.5 to 2.5. So, correlation doesn`t exist between model error members. As the t statistics is lower than p value and due to negative value for β1 coefficient, the test conclusions indicate that liquidity risk has positive meaningful effect on financial flexibility, so H0 of the research can be rejected in 5 percent error level. Moreover, t statistic of the accepted error level for β4 of this test conclusion indicates that controlling variable of corporation size does not have significant relationship with flexibility and t statistic of the accepted error level for β5 of this test conclusion indicates controlling variable of corporation growth opportunity has positive meaningful relationship with flexibility. Determination coefficient and adjusted determination coefficient indicate that entered variables in regression can explain 43 percent of dependent variable changes.

Conclusion

Based on the received conclusions of the test, it can be concluded that liquidity risk of stock has meaningful effect on financial flexibility in 5 percent error level. Controlling variable of corporation size has no meaningful relationship with financial flexibility and growth opportunity variable has positive meaningful relationship with financial flexibility. Research estimated variable will be as:

FFit= 0.528+ 0.637RISK+0.443CS+0.092Go

Test Conclusions of the Third Hypothesis

For the first hypothesis, H0 and H1 will be as:

H0: information asymmetry and liquidity risk do not have significant effect on financial flexibility of corporations.

H1: information asymmetry and liquidity risk have significant effect on financial flexibility of corporations.

Regression model for the research third hypothesis will be as: $FF_{it} = \alpha_0 + \beta_1 BAS_{it} + \beta_2 RISK_{it} + \beta_3 BAS_{it}*RISK_{it} + \beta_4 CS_{it} + \beta_5 GO_{it}$

Received conclusions of this test will be as:

Table 5: test conclusions of the second hypothesis

Variable name	Variable symbol	Coefficient	Standard deviation	t statistic	Prob.	Result
Fixed amount	C	0.528	0.418	1.264	0.0001	meaningful
Liquidity risk of stock	β_2(Risk)	0.637	0.148	4.291	0.0057	meaningful
Information asymmetry	β_2(BAS)	-0.99	0.046	-2.137	0.0024	meaningful
Information symmetry* Risk	β_3(BAS*Risk)	-0.167	0.037	-4.522	0.0328	Meaningful
Corporation size	β4(CS)	0.443	0.110	4.027	0.2451	Lack of meaningful
Growth opportunity	β5 (GO)	0.092	0.049	1.875	0.0452	meaningful
F statistic Meaningful level (Prob.)				38.231 0.000		
Watson-Durbin statistic				2.139		
Determination coefficient (R^2) Adjusted determination coefficient (Adj R^2)				0.479 0.432		

Test Result

Based on the test conclusions of the research second model, meaningful level of statistic (0.000) is less than error level and total regression model is meaningful. Watson-Durbin statistic (2.139) is in region from 1.5 to 2.5. So, correlation doesn`t exist between model error members. The value of t is significant ($p<0.05$) and due to negative value for β1 coefficient, the test conclusions indicate that liquidity risk and information asymmetry have negative significant effect on financial flexibility, so H0 of the research can be rejected at 5 percent level of significance. Moreover, t statistic of the accepted error level for β4 of this test conclusions indicates that controlling variable of corporation size does not have meaningful relationship with flexibility and t statistic of the

accepted error level for β5 of this test conclusions indicates controlling variable of corporation growth opportunity has positive meaningful relationship with flexibility. Determination coefficient and adjusted determination coefficient indicate that entered variables in regression can explain 43 percent of dependent variable changes.

Conclusion

Based on the received conclusions of the test, it can be concluded that liquidity risk of stock has meaningful effect on financial flexibility in 5 percent error level. Controlling variable of corporation size has no meaningful relationship with financial flexibility and growth opportunity variable has positive meaningful relationship with financial flexibility. Research estimated variable will be as:

FFit= 0.528+ 0.637RISK -0.099BAS -0.167BAS* RISK +0.443CS+0.092Go

Table 6: Summery of independent variable effectiveness conclusions on dependent variables.

Dependent variable		Financial flexibility	
Result	Effect	Variables	
Rejection of H0	Negative	Information asymmetry	Independent variables
Rejection of H0	Positive	Liquidity risk	
Rejection of H0	Negative	Asymmetry *Risk	

Research Findings in Term of Test Division of each of the Hypotheses

First Hypothesis

Based on the research first model test conclusions, meaningful level of statistic (0.000) is less than error level and total regression model is meaningful. Watson-Durbin statistic (2.139) is in region from 1.5 to 2.5. So, correlation doesn`t exist between model error members. The value of t is significant ($p<0.05$) and due to negative value for β1 coefficient, the test conclusions indicate that information asymmetry has negative meaningful effect on financial flexibility, so H0 of the research can be rejected in 5 percent error level.

On the basis of hypothesis test it can be concluded that information asymmetry has negative meaningful effect on financial flexibility, it means that the effect of information asymmetry on financial flexibility is a reversed effect.

As mentioned before in the theoretical bases, information asymmetry occurs when individuals inside or outside of the corporation access to the information that other individuals are not aware of. This lack of information balance will cause information asymmetry. While amount of information asymmetry in stock market is higher, it will stock sale and buy bids. It means that negative secret information divulgence will cause stock supply be more and sale bid price be higher and vice versa. Without information asymmetry, as mentioned before information will increase domain of sale and buy bid price and will stop retail investors` investments. Otherwise, demand amount for corporation stock will decrease and finally, stock liquidity will move down and this function will be followed by corporation access to financial sources because they can sell less stock. Creditors know stock liquidity amount of a corporation in Tehran Stock Exchange as they use to evaluate their performances on regular basis. Based on conclusions of research hypothesis test, it can be concluded that if information amount increases, corporation access amount to financial sources will be less and the corporation financial flexibility will decrease. These conclusions are similar to that of the researches done by Langford & Watts (2008), Behartachia & et.al. (2008), and Antoniewgpiou & et.al. (2011). Moreover, this research hypothesis conclusions will be correlated to the Iranian done researches by Khodarahmi & et.al. (2015), Saghafi & et.al. (2013), and Khodamipoor & et.al. (2012).

Second Hypothesis

Based on the test conclusions of the research second model, meaningful level of statistic (0.000) is less than error level and total regression model is meaningful. Watson-Durbin statistic (2.139) is in region from 1.5 to 2.5. So, correlation doesn`t exist between model error members. The value of t is significant ($p<0.05$) and due to negative value for β1 coefficient, the test conclusions indicate that liquidity risk has positive meaningful effect on financial flexibility, so H0 of the research can be rejected in 5 percent error level.

Received conclusion of this hypothesis test indicates increase liquidity risk of stock will be followed by increase of corporation financial flexibility. It means the direct effect of liquidity risk on financial flexibility. Based on research theoretical bases, it is expected logically that with danger increase amount of lack of stock liquidity, corporation stock demand, corporation financial access amount and corporation financial flexibility will decrease. However, this hypothesis result can be proved for another subject. It can be expressed as; corporations that have been run or corporations whose stocks don`t have high liquidity in stock exchange are more conservatism corporations, it means that they will avoid investment opportunities or postpone unnecessary payments because they can reserve their financial sources to pay and react for necessary and suddenly payments immediately. So, it can be said that,

corporations that are aware of high risk of their stock liquidity, will reserve more amount of cash flow to have sufficient financial sources for their necessary payments, so this approach expresses that liquidity risk of high stock can increase amount of cash low reservation by corporations` financial managers and this function will increase amount of corporation financial flexibility.

This research hypothesis conclusions are against the researches done by, Skoobin & Wan Hool (2010), and Arsalan & et.al. (2010), moreover; they are against the researches done in Iran such as; Habibisamar & et.al. (2014), while these conclusions are correlated with the researches done by Falahshams & Hashemei, (2015).

Third Hypothesis

Based on the test conclusions of the research second model, meaningful level of statistic (0.000) is less than error level and total regression model is meaningful. Watson-Durbin statistic (2.139) will be in this distance from 1.5 to 2.5. So, correlation doesn`t exist between model error members. Based on lowering of t statistic of P-Value from acceptance error level 5 percent and in attention to negative amount of t statistic for β3 coefficient, the test conclusions indicate that liquidity risk and information asymmetry have negative meaningful effect on financial flexibility, so H0 of the research can be rejected in 5 percent error level.

Based on the received conclusions of this research hypothesis, it can be expressed that if amount of stock liquidity risk stock with information asymmetry of a corporation increase, corporation access amount to financial sources will be less and finally, corporation financial flexibility will decrease. It means that lack of information asymmetry with stock liquidity risk will decrease corporation financial flexibility. When a corporation will be encountered with gap in demand and supply because of lack of suitable information divulgence. The mentioned subject will decrease usual shareholders` demands to buy their stocks and this factor will make corporation stock liquidity risk goes higher and it will be followed by corporation access decrease to external financial sources and they should use internal financial sources such as; conserved profit or partners` suggested profits to supply financial part of their corporations. In this situation, corporation will face with financial limitation that have direct effect on lack of corporation financial flexibility.

Conclusion

Based on the received conclusions of the research three hypotheses it can be concluded that increase lack of information asymmetry will create obstacle from corporation stock buy for public and only individual who access to secret information will benefit and it result will cause that investors will encounter with decrease of the values of their stocks. Because domain of buy and sale bid price will increase and corporation stock liquidity will be less and it is a reason for increase of corporation financial limitation amount and decrease of corporation financial flexibility. However, corporations that without lack of information asymmetry their sale and buy are high can because of other reasons such as; new running corporation or systematic risk of inflation, downturn or barriers for ingredient import from outside of the country can be reasons for high risk of corporation stock. In these situations corporations can store their cash flows in attention to their stock liquidity risks to use them in time of sudden payments to have answer ability to these situations. So, they will be in high level in term of financial flexibility. Finally, a corporation that has both information asymmetry and high stock liquidity risk it is expected logically that corporation access amount to financial sources will decrease not only by stock sale but also by financial supplement such as; loan and this function will be the result of high financial limitation and decrease of corporation financial flexibility.

Suggestions from Test Conclusions of Hypotheses

1) In consideration to the first hypothesis conclusions, it can be said that lack of information asymmetry has negative effects for corporation investors and this factor only benefit will be for the individuals who access secret information. This research hypothesis indicates that if lack of information asymmetry increases, corporation financial flexibility will be less. By considering this factor it is suggested that managers should stop existing lack of information asymmetry because it will cause endangering of stock liquidity in stock exchange market. The main sources of this subject can cause suitable internal control creations with information suitable divulgence that cause misuses of organization internal individuals. With decrease of lack of information asymmetry amount, it can be expected that corporation stock will have higher demand in market and stock liquidity amount will increase. Moreover, it is suggested that investors in stock exchange should consider structure of corporation guideline system such as, presents of institutional investors in mixture of investors and presents of irresponsible members in the board mixture and competition status in product market. In addition to, corporations whose stock have been transacted by investigating financial statements of the previous durations conclude that their information divulgence amount will be suitable and will cause barriers for lack of information asymmetry.

2) Based on the received conclusions of the second hypothesis, liquidity risk amount will increase corporation financial flexibility amount. It is suggested that financial managers should consider other suitable ways to increase their financial flexibility amount in spite of cash flow storage such as; financial leverage

increase as same as suitable size of corporation payment ability, correctness of corporation capital structure and investment in the projects with less risks. Cash flow storage can increase corporation financial flexibility; however, it will cause barrier for the corporation use of profitable opportunities. So, it is suggested that cash flow storage should be for contrast of stock liquidity risk in the acceptable and suitable level to the corporation capacity. Moreover, it is suggested that investors in stock exchange shouldn`t know financial flexibility and on time payment of stock profit as their stock choice criterions because it may be that financial flexibility will be the result of high cash flow storage and high risk of lack of stock liquidity and these reasons can`t be valuable for the corporation profitability.

3) Finally, third hypothesis conclusion indicates that information asymmetry and liquidity risk together can stop corporation financial flexibility increase and they will decrease corporation financial ability. So, it is suggested that mangers should make appropriate decisions to decrease information asymmetry and stock liquidity risk such as; suitable divulgence, financial structure correctness, suitable financial supplement, investment in profitable projects, decrease of unsuitable storage of cash flow and other similar functions. Because they can decrease domain difference of buy and sale bid price and decrease stock liquidity risk, so corporation accesses to financial sources easily and own more financial flexibility. In addition to, it is suggested to creditors and banks that corporation should have appropriate performance of information suitable divulgence during previous durations for giving loans and credits and corporations should have information suitable divulgence amount. It is suggested that investors should invest in the corporations that have less stock liquidity risk and existence of liability in balance sheet can`t be reason for the corporation weakness. It should be clarified that financial supplement have been for what purposes and it is not the only negative factor for investments in the projects but it can increase relative corporation stock value. So, not only mentioned factors but also financial flexibility should be considered.

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