
Evaluate the relationship between financial leverage and liquidity with profits management and capital in banks

Sakineh EsmaeilNezhad*, Behnam Gilaniniya(p.u.d),

Present research aims to investigate the relationship between financial leverage and liquidity with profits management and capital in banks member of the Tehran Stock Exchange. In this research to measure earnings management and capital have been used the cost of bad debts (an accruals in banks). For the measurement of financial leverage and stock liquidity respectively of criteria total debt on total assets and ranking stock liquidity used. Also factors of size, profitability, ratio of gross loans, the Non-Current facilities, and bad debt provision have entered to the model as control variables affecting earnings management and capital in banks. To test the hypothesis, the number of 18 banks were ed during 2012 to 2016 was a member of the Tehran Stock Exchange. In this study is used the combined regression and EGLS method. The results showed that financial leverage has a strong positive relationship with earnings management and capital and whatever amount of financial leverage is higher earnings management and additional capital investment takes place. Also the results this study showed that there is a significant negative relationship between liquidity with profits management and capital. In other words, liquid stocks due to increased awareness about the real economic situation banks reduced the ability and motivation of managers to manage earnings.

Keywords : Keywords: earnings and capital management, stock liquidity, financial leverage, cost of bad debts

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