The relationship between stock liquidity and stock returns

Flora pelyani*,

Prediction is a key factor in economic decision making. In the financial texts، investment is the commitment of money or other resources in the hope of earning future interests. Investors always prefer the more future interests (efficiency); however، to earn these interests، they subsequently face some risks. This subject is the same as the traditional contrast of risk and returns that states if investors ask for more expected returns then they should also take a higher risk. Lack of liquidity is one of the sources of risk that challenges investors. In the present study، the intention is to examine the effect of liquidity on stock returns. The liquidity factor affects the asset returns and has always been considered by investors. According to the sampling conditions، 101 companies were sampled for the period 2011 to 2015. Collected information entered the Excel spreadsheet. Subsequently، for the final analysis the software of E-views was used. The results of the research indicate that there is no confirmation of the relationship between liquidity and stock returns of companies.

Keywords : -Stock Returns، Liquidity، Company Size، Market Value to book value، Institutional Investors