



The Effect of Earning and Information Quality on Stock Trading

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Abstract

This study investigates the effect of earnings and information quality on stock trading. The statistical population consists of 99 listed companies in Tehran Stock Exchange from 2013 to 2018. To test the hypotheses, multiple regression analysis of panel and pool data structure is used. The results show that the earnings persistence, earnings response coefficient, and accruals quality significantly affect the trading days' ratio. Furthermore, it reveals an insignificant relationship between the annual stock return and trading days' ratio. The results further reveal that the effect of earnings persistence and quality of accruals on stock trading turnover is similarly insignificant. Simultaneously, the earnings response coefficient and annual stock return significantly affect the stock trading turnover.

Keywords: Earnings Persistence, Earning Response Coefficient, Quality of Accruals, Stock Trading.

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1. Introduction

Financial reporting and accounting systems have a vital and critical role in providing the information needed for investors' decision-making and, consequently, in capital markets' proper functioning. That is why supplying the investors' information needs can be regarded as one of the main financial reporting objectives. Information resulting from the accounting system helps investors evaluate the company's future performance and its related risks; therefore, such information is useful for valuing companies. However, the quality of the presented information is of essential importance. So, the information in terms of decision-making is considered useful that contains special features, including relevance, reliability, etc. (Dianati et al., 2013).

Financial reporting quality can be defined as financial statements' ability to convey the company's operations' information, especially forecasting expected cash flows to investors (Modarres and Hesarzadeh, 2009). The timeliness of financial reports is an important part of the quality of presenting financial information of companies; because it is the timeliness of the information that can lead to the better and more practical use of information by users, and finally, it results in transmitting the final product to the accounting system. Therefore, reporting speed with the meaning of delay in the presentation of companies' financial reports should be greatly considered by the financial reports' preparers. Increasing the reporting speed due to the timely reporting of data in making economic decisions by investors can lead to greater transparency of financial information and, consequently, to higher transparency of the capital market. This, in turn, could have a major impact on the attractiveness of financial and capital markets.

Since financial reporting is a reliable and credible tool that is publicly available, in case of being timeliness, it can decrease the risk of adverse selection by investors by reducing private and confidential information. It can be assumed that providing more timely information will result in reducing information asymmetry among investors (Mahdavi and Jamalianpour, 2011); as a result, it would have great help in gaining the confidence of investors and market participants that in return will increase the volume of transactions and reduce the cost of capital and ultimately will have more liquidity.

2. Literature Review and Hypotheses Development

The role of information in the decision-making process is clear. Economic decisions require information that can be used to allocate the available resources in the best way possible. One way of achieving this information tends to be using data from the annual financial statements. Financial statements that are comprehensive and widely used are the best way to provide financial information to its users. General-purpose of financial statements is the needs of consumers, including investors. Actual and potential investors are mainly interested in the evaluation of a company's investment properties. An investment's characteristics involve risk, efficiency, dividend, the security of investment, liquidity, and growth (Yahyazadehfar and Ahmadpour, 2003). Qualitative characteristics of financial information refer to the characteristics of information that lead to its usefulness. For the data to be perceived qualitative, they should have a series of qualitative characteristics. These features make the information provided in financial statements useful for users (Etemadi et al., 2010). One of the fundamental prerequisites for gaining the investor's and creditors' confidence in economically productive activities is providing and presenting information useful in making economic decisions. Since financial decisions should be made based on the risk and return, giving attention to a specified risk and performance level becomes important. One of the factors affecting the risk refers to the liquidity of the stock. Following this, the level of stock liquidity affects

the investors' decisions informing the portfolio of investment. To put it differently, rational investors demand a higher risk premium for shares with less liquidity and higher expected return rates (Sheykh and Safarpour, 2008).

Accounting and financial reporting quality is the joint product of at least four main factors: creativity and approaches to management, audit quality, audit committee experience, and high-quality accounting standards. The existence of weakness in each of the four rings can harm the entire chain. The more important factors involve the criteria, variables, and measures that assess information accounting quality.

Earnings persistence evaluates the continuity and persistence of earnings from one period to the next. High earnings persistence is considered a feature of high-quality accounting. The earnings response coefficient measures the abnormal market return in response to the company's least expected reported profit. According to the investors, the quality of accruals means the proximity of accounting profit to cash. Thus, poor quality of accruals leads to increased uncertainty and, consequently, investment risk seeks to rise (Saghafi and Ebrahimi, 2010).

Financial markets witnessed two types of reaction in response to information: The first reaction refers to the effects of price information on securities. Most accounting studies examined this reaction in response to accounting data. Such an effect is visible in liquidity indicators, and so far, less attention has been devoted to them by accounting researchers (Chung et al., 2009).

Liquidity is one of the concerns of those who buy or sell their shares or manage trading infrastructures. An important indicator in assessing the market situation tends to be liquidity in its securities. High levels of liquidity in the stock reflect its success in the transparency of the information, and the securities' close price to their intrinsic value (Saeedi and Dadar, 2011). Perhaps the investors in the most famous and big stock exchanges do not worry over the liquidity of its shares as investors in TSE because TSE due to the lack of mechanisms in providing liquidity such as the market performance, the big difference in the disparity of buying and selling prices, and information asymmetry is placed among the non-cash stock exchange in the world.

The liquidity of a stock sheet refers to its possibility of fast selling. If a share can be sold faster and at a lower cost, it could be stated that such a share would be known as a share of high liquidity. Securities that are frequently trading daily than securities trading with a limited or low frequency have greater liquidity and lower risk (Yahyazadehfar et al., 2011).

Information and motivational issues prevent the efficient allocation of resources in the capital markets. Disclosure of information and solutions to improve public credit between managers and investors play an important role in reducing these problems. One of the most important economic challenges is the allocation of savings to the investment of opportunities. While the companies and savers are willing to trade with each other, the allocation of savings to investment opportunities is complicated for two reasons. Firstly, managers often have more information than savers regarding their value of investment opportunities. In addition, they are more inclined to exaggerate the value of their own company. In this case, savers, after investigating this company, face the problem of information. Secondly, the investee company may seek to abuse the investors' rights that will lead to agency problems (Healy and Palepu, 2001). Due to different factors affecting the stock market, including the recent financial crisis and the capital market's weak performance, market liquidity faced turbulent times. Due to the sudden surge and drop in prices, the stock liquidity is very high in some years and periods, and it is too low in others. Upon receiving good news about the country's political and economic issues, liquidity increases, and by getting upsetting news, we face liquidity shortages and decrease. In such a financial market, investors are looking

for more investment in the private companies out of stock with seemingly high returns and alternative markets such as gold, real estate, and currency; in this regard, TSE has been seriously hurt.

Salavi (2011) aimed to investigate the relationship between stock liquidity and the quality of financial information. In this study, the impact of earnings per share is discussed as measuring financial information quality. The findings indicated a positive relationship between the quality of information and stock liquidity.

Jeffrey (2011) studied the sensitivity of stock returns to unexpected changes in the cash market. The findings of his study revealed that a high quality of data reduces liquidity risk. In addition, when changes in market liquidity are great, there is a negative relationship between the quality of information and stock liquidity risk.

In a study, Bardos (2011) examined the relationship between the quality of information and liquidity. He specifically investigated the relationship between restated financial statements and liquidity. The results showed that to renew the presentations associated with a reduction in earnings quality, the lack of liquidity related to several months before increases by announced restatements and a year after the restatement remains at a high level.

Bhattacharya et al. (2008) aimed to study the relationship between the quality of benefit and stock liquidity of New York Stock Exchange and NASDAQ stock market in the period 1998-2005, and they concluded that low quality of earnings increases the information asymmetry and, thus, reduce the liquidity of the stock.

Foroughi and Ghajavand (2013) studied the effect of information quality on TSE companies' stock liquidity. Two variables, including the quality of accruals and forecast accuracy of earnings per share, were used to determine the quality of information. To measure the forecast accuracy of earnings per share, the random walk model came into use. To calculate the quality of accruals, a model developed by Francis et al. (2005) was applied. In this research, 104 companies listed in TSE in the period 2002-2011 were studied. To test the hypotheses, multivariate regression models were used. It was concluded that there was a positive relationship between the quality of accruals and stock liquidity. Also, a positive relationship existed between the forecast accuracy of earnings per share and stock liquidity.

Nikbakht and Ebrahimi (2013) investigate the impact of the quality of financial reporting on stock liquidity of companies listed in TSE. Using statistical methods (combined data) for 90 investigated companies, they concluded that regardless of the company's stock price, size, volatility, and stock turnover ratio, there was no significant relationship between the company's financial reporting quality and stock liquidity.

Dastgir et al. (2012) carried out research studying the role of quality of earnings in increasing TSE companies' stock liquidity. The results indicated no significant relationship between the earnings quality based on earnings persistence and liquidity measures.

Moradzadehfard et al. (2011) researched the role of accruals management in the stock liquidity of companies listed in TSE. The findings revealed that accruals management had a negative effect on the stock liquidity of companies. To this end, the management of higher projects leads to information asymmetry and higher transaction costs. In this case, traders' tendency without knowing the company's shares reduces, and, consequently, the company's stock liquidity goes down.

Thus, the following hypotheses are developed based on the literature:

- 1) Earnings persistence has a significant effect on stock trading days' ratio.
- 2) The earnings response coefficient has a significant effect on the stock trading days' ratio.
- 3) The quality of accruals has a significant effect on the stock trading days' ratio.

- 4) Annual stock returns have a significant effect on stock trading days' ratio.
- 5) Earnings persistence has a significant effect on stock trading turnover.
- 6) The earnings response coefficient has a significant effect on stock trading turnover.
- 7) The quality of accruals has a significant effect on stock trading turnover.
- 8) The annual stock return has a significant effect on stock trading turnover.

3. Research Methodology

3.1. Research Method

Since the findings of the current study can be used by the capital market analysts and investors to evaluate the company's performance, the study is regarded as applied research. So in terms of implementation method, the study can be categorized as descriptive, correlational, and causal research.

The population of the study consisted of all listed companies of TSE at industry groups of metal and mining, chemicals, machinery and equipment, electrical appliances, basic metals and related products, pharmaceutical companies, other mining and quarrying, coal mining, non-metallic mineral extraction, and machines, and component manufacturing. In addition, for choosing sample units, the following criteria must be met:

1. The companies were required to be listed in the stock exchange since 2013 that their fiscal year ended in March.
2. The information needed in this research had to be available about them.
3. They had to have no stopping in activities, and they should not have changed their financial period.
4. The companies were supposed not to be part of the financial intermediation companies and not to have consolidated financial statements.

Based on the criteria, a panel structure of data from 99 listed companies throughout 2013-2018 was selected as the study sample. The intended financial data was extracted from TSE software, audited financial statements, and notes related to the selected companies.

4.2. Research Variables and Models

4.2.1. Independent Variables

Accruals Quality (AQ): the variable accruals quality is calculated based on Francis et al. (2005) model through a regression equation as follow:

$$TCA_{i,t} = \Phi_{0,i} + \Phi_{1,i}CFO_{i,t-1} + \Phi_{2,i}CFO_{i,t} + \Phi_{3,i}CFO_{i,t+1} + \Phi_{4,i}\Delta REV_{i,t} + \Phi_{5,i}PPE_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where:

$TCA_{i,t}$: total current accruals, which is calculated by:

$$TCA_{i,t} = (\Delta CA_{i,t} - \Delta Cash_{i,t}) - (\Delta CL_{i,t} - \Delta STDEBT_{i,t}) \quad (2)$$

$\Delta CA_{i,t}$: Changes in current assets

$\Delta Cash_{i,t}$: Cash flow changes

$\Delta CL_{i,t}$: Changes in current debt

$\Delta STDEBT_{i,t}$: Changes in payables or other short – term liabilities

$\Delta REV_{i,t}$: Company sales changes

$PPE_{i,t}$: Gross commodities, machinery, equipment

$CFO_{i,t}$: Corporate cash flow, which is calculated by:

$$CFO_{i,t} = NIBE_{i,t} - TA_{i,t} \quad (3)$$

$NIBE_{i,t}$: Net profit before unexpected items

$TA_{i,t}$: Total company's accruals, which is calculated by:

$$TA_{i,t} = TCA_{i,t} - Dep_{i,t} \quad (4)$$

$Dep_{i,t}$: Depreciation of the company

then,

$\varepsilon_{i,t}$: The error term is a measure of *Accruals Quality*.

Earnings Persistence (EP): the variable earning persistence is measured based on Dechow and Dichev (2002), Francis et al. (2005), and Kohlbeck and Warfield (2008), as follow:

$$Earn_{i,t} = \alpha_0 + \alpha_1 Earn_{i,t-1} + \alpha_2 MB_{i,t} + \varepsilon_{i,t} \quad (5)$$

Where:

$Earn_{i,t}$: Company's Profit before tax

$MB_{i,t}$: Market to book value Ratio

then,

$\varepsilon_{i,t}$: The error term is a measure of *Earning Persistence*,

Earning Response Coefficient (ERC): The coefficient of earning response is a slope of the returns regression (α_1) which is relative to the changes in earning. The variable is measured based on Kormendi and Lipe (1987) and Schipper and Vincent (2002) as follow:

$$Return_{i,t} = \alpha_0 + \alpha_1 \Delta Earn_{i,t} + \varepsilon_{i,t} \quad (6)$$

Where:

$Return_{i,t}$: Annual stock returns

$\Delta Earn_{i,t}$: Change in profit before tax

Annual Stock Returns (ASR): the variable annual stock returns are calculated by dividends, capital increase, and capital gain as follow:

$$r_{i,t} = \frac{[(D_t + P_t)(1 + \alpha + \beta)] - (P_{t-1} + c\alpha)}{p_{t-1} + c\alpha} \quad (7)$$

Where:

$r_{i,t}$: Annual stock returns of the company

D_t : Cash dividend of year t

P_t : Stock price

α : Percentage of capital increase by cash

β : Percentage of capital increase by retained earnings

4.2.2. Dependent Variables

Trading Days' Ratio (TDR): The higher the ratio, the greater the liquidity. The ratio is calculated as follow:

$$TDR = \frac{\text{Total Trading Days a year}}{\text{Total Working Days a year}} \quad (8)$$

Market Turnover (MTO): The higher the ratio, the greater the liquidity. The ratio is measured by total trading value divided by the total market value of the company's stock at the end of the year, as follow:

$$MTO = \frac{\text{Total Trading Value a year}}{\text{Total Market Value of Stock}} \quad (9)$$

4.2.3. Control Variables

Firm Size (SIZ): the variable firm size is measured by the logarithm of the company's assets at the end of each fiscal year as follow:

$$SIZ = \ln(\text{ASSETS}) \quad (10)$$

Leverage (LEV): firms' leverage is calculated through total debt divided by total

assets, as follow:

$$LEV = \frac{\text{Total Debt}}{\text{Total Assets}} \quad (11)$$

4.2.4. Models

To test the research hypotheses, two multiple linear regression models have been used as follow:

$$TDR = \beta_0 + \beta_1 EP + \beta_2 ERC + \beta_3 AQ + \beta_4 ASR + \beta_5 SIZ + \beta_6 LEV + \varepsilon_{ij} \quad (12)$$

$$MTO = \beta_0 + \beta_1 EP + \beta_2 ERC + \beta_3 AQ + \beta_4 ASR + \beta_5 SIZ + \beta_6 LEV + \varepsilon_{ij} \quad (13)$$

5. Results and Findings

5.1. Descriptive Statistics

Table 1 presents the results of the descriptive statistics of the research. The mean of trading days' ratio equals to 0.540 with a 0.367 standard deviation, as shown in the table. It means that companies stock is averagely traded on 54 percent of working days a year. The mean of variable market turnover is 0.175 with a 0.367 standard deviation. Similarly, the mean of earnings persistence equals 0.260 with 0.974 standard deviations, followed by the earnings response coefficient with -1.619 and 0.752 standard deviations. Moreover, the mean of accruals equals 17785 with a standard deviation equal to 36108, followed by annual returns, size, and leverage, respectively.

Table 1: Descriptive Statistics of Variables

Variable	No	Mean	SD	Min	Max
Trading Days' Ratio	495	0.540	0.271	0.012	1.384
Market Turnover	495	0.175	0.367	0.000	3.94
Earnings Persistence	495	0.260	0.974	-3.130	5.247
Earnings Response Coefficient	495	-1.619	0.752	-1.835	3.128
Quality of Accruals	495	17785	36108	312	34391
Annual Returns	495	31.01	78.51	-79.51	734.14
Size	464	15.438	3.125	-3.81	19.54
Leverage	464	11.52	5.23	3.067	17.29

5.2. Inferential Statistics

Given that the variables of the intended regression model refer to 99 companies over 5 years, before the fit of the model, it should be determined whether the regression equation involves the width of joint elevations and slopes shared by sections. The tests used for this purpose were the integration test or the F-Limer test. This test's null hypothesis is based on the homogeneity of sections and the width of joint elevations. Table 2 shows the test results of the integration capabilities for the first model of the research.

Table 2: Results of the Integration Capabilities for the First Model

P-value	Degrees of Freedom	F-statistic
0.7283	20	0.7887

Regarding Table 2, the *p*-value equals 0.7283, which is smaller than 0.05, which means the homogeneity hypothesis is accepted. The use of the width within the different elevations for different items in the above model is not critical. Put differently, a fit of the regression model in panel form is not required.

Another test that should be weighed before the fit of the model is the random effects test or the Hausman specification test. According to the test of integration capabilities, this

model includes homogeneous sections and is not a panel model; thus, there is no need to administer the Hausman test. Table 3 represents the results of the regression model of OLS for the first model of the research.

Table 3: Results of the Regression Model of OLS for the First Model

$TDR = \beta_0 + \beta_1 EP + \beta_2 ERC + \beta_3 AQ + \beta_4 ASR + \beta_5 SIZ + \beta_6 LEV + \varepsilon_{ij}$					
Variable	B	T-statistic	P-value	VIF	Tolerance
Constant	0.425	9.750	0.000	-	-
Earnings Persistence	0.048	3.837	0.000	1.124	0.890
Earnings Response Coefficient	-0.019	-1.986	0.048	1.155	0.866
Accruals Quality	0.015	4.816	0.000	1.052	0.951
Annual Stock Return	0.0014	1.281	0.201	1.333	0.750
Size	0.005	2.050	0.041	1.226	0.816
Leverage	-0.003	-0.825	0.410	1.120	0.892
R ²			0.117		
Adjusted R ²			0.106		
Durbin-Watson			2.11		
F-statistic			10.735		
P-value			0.000		

As it is observed, the F-statistic equals 10.735, indicating the significance of the model. Given that *the p-value associated with this statistic is 0.000, which shows less value than 0.05 (the significance level test), the null hypotheses are rejected at the level of 0.05. Put differently, with 95% confidence. It can be argued that the simultaneous effect of independent and control variables in the model on the ratio index of trading days is significant.*

The *t*-statistics that are reported for each of the independent variables also test the hypotheses of the research. The *t*-statistic and *p*-value of earnings persistence are 3.837 and 0.000, respectively. In addition, the *t*-statistic of the earnings response coefficient is -1.98, and its *p*-value is equal to 0.048. Also, the *t*-statistic and *p*-value of quality of accruals are 4.816 and 0.000, respectively. The *p*-value of all three variables is less than 0.05; to this end, with 95% of confidence, the first, second, and third hypotheses of the research are accepted. Following this, the *t*-statistic of annual stock return is 1.281, and its *p*-value is equal to 0.201, which is greater than 0.05. So, with 95% of confidence, the fourth hypothesis is rejected.

It worth noting that the above results are valid when the basic assumptions of regression hold. According to the Durbin-Watson statistic corresponding to the model represented in Table 3, the model's absence of autocorrelation can be ensured. In the above model, the values of tolerance for all independent variables were greater than 0.5, which shows the lack of collinearity. If the value of VIF is less than 2, it also states the absence of a linear relationship. To this end, in the above model, the values of VIF for all independent variables is less than 2, which again approve the lack of collinearity among the independent variables. The first step in the fit of the regression model of trading turnover refers to studying the homogeneity of sections (the panel form of the model) in a test referring to integration capabilities.

Table 4 shows the results of the integration capabilities for the second model of the research. According to the Table, the *p*-value is less than 0.05. Therefore the hypothesis relating to homogeneity sections and width of joint elevations is rejected. Consequently, it is better to take advantage of the different elevations' width within the above model. In other words, the fit of the regression model should be performed in panel form.

Table 4: Results of Integration Capabilities for the Second Model

P-value	Degrees of Freedom	F-statistic
0.000	20	28.601

The Hausman test was used to investigate the random or fixed effects in the model, and its result is shown in Table 5. The amount of *p*-value of the Hausman test for the second model of the research is 0.000, which is smaller than the significance level of the test (0.05). Thus, the hypothesis of the models' random effects is rejected with 95% of confidence, and the research model should be fitted with fixed effects. According to the above test results, the research model is fitted using the Least Squares Regression panel.

Table 5: Results of the Hausman Test for the Second Model

P-value	Degree of Freedom	Chi-square Statistic
0.000	3	62.582

The regression model results with fixed effects for the second model of the research are shown in Table 6. It is noteworthy that because stock trading turnover was not normal, the fitted model's remaining is not normal as well, and the fundamental hypothesis is not developed. For this reason, by turning Johnson in Minitab software, first, stock trading turnover was normalized, and then, the model was fitted to the transferred data.

F-statistic that equals 16.468 and *p*-value associated with this statistic is 0.000, which shows less value than 0.05 (the significance level test). Therefore, the null hypothesis is rejected at the level of 0.05. To this end, with 95% confidence, it can be argued that the simultaneous effect of independent and control variables in the model on the stock trading turnover is significant. The *t*-statistic of earnings persistence return is 1.446, and its *p*-value is equal to 0.149, which is greater than 0.05. In addition, the *t*-statistic and *p*-value of the quality of accruals are equal to 0.203 and 0.839, respectively. Following this, with 95% confidence, the fifth and seventh hypotheses of the research are rejected.

The *t*-statistic of the earnings response coefficient and its corresponding *p*-value is equal to 0.000. Besides, the *t*-statistic of annual stock return and its *p*-value are -2.589 and 0.010; to this end, the *p*-value is less than 0.05, and with 95% confidence, the sixth and eighth hypotheses are accepted. It worth noting that the above results are valid when the basic assumptions of regression hold. The values of tolerance for all independent variables were greater than 0.5. In addition, the correspondence of the value with VIF for all variables was less than 2. In order to this, the hypothesis related to the lack of collinearity among the adjusted model variables is developed.

Table 6: Results of Fixed Effects Regression of the Second Model

$$MTO = \beta_0 + \beta_1 EP + \beta_2 ERC + \beta_3 AQ + \beta_4 ASR + \beta_5 SIZ + \beta_6 LEV + \epsilon_{ij}$$

Variable	B	T-statistic	P-value	VIF	Tolerance
Constant	33518.66	0.387	0.699	-	-
Earnings Persistence	11219.77	1.446	0.149	1.124	0.890
Earnings Response Coefficient	-0.005	-9.602	0.000	1.155	0.866
Accruals Quality	0.005	0.203	0.839	1.052	0.951
Annual Stock Return	-0.001	-2.589	0.010	1.333	0.750
Size	-1002.07	-0.151	0.880	1.226	0.816
Leverage	-1065.76	-0.440	0.660	1.120	0.892
R ²	0.117				
Adjusted R ²	0.106				
Durbin-Watson	1.51				
F-statistic	16.468				
P-value	0.000				

6. Discussion and Conclusion

There is a significant relationship between the information quality (earnings persistence, earnings response coefficient, and quality of accruals) and the trading days' ratio based on research models. Regarding the significant effect of earnings persistence on trading days' ratio, it can be concluded that whatever profits have continuity and sustainability, investors and shareholders get more confident about their company's performance in the capital market, and most of their expectations would be met. Moreover, investment risk becomes less, and the cost of capital comes down, and more investors intend to purchase and do a stock deal. In other words, earnings persistence impacts the desire to purchase as an indicator of liquidity; thus, it would increase the ratio index of trading days.

Results also indicate a significant relationship between earnings response coefficient and trading days' ratio. This relationship indicates that the higher the earnings response coefficient, the greater the shareholders' stock liquidity's sensitivity. Shareholders with minimal changes in profits tend to have a stock deal, and consequently, stock liquidity increases. Since there is a significant relationship between accruals quality and trading days' ratio, the finding suggests that having high information quality and fewer earnings management, information asymmetry, and investment risks will be less. Moreover, the cost of capital comes down, leading to market efficiency, and as a result, more investors are attracted to the capital market and invest with more confidence. Ultimately, the number of stock trading increases, and the trading days' ratio increases (stock liquidity).

There was no significant relationship between the annual stock return and trading days' ratio because prices influence the greater part of the output; also, it has no relationship with the trading days' ratio, and the main factor of it tends to be the number of the days that stock is traded. In market turnover, there is a positive relationship between the earnings response coefficient and market turnover. In this model, as well as the trading days' ratio, shareholders tend to deal with the smallest change in profit. The significance of stock return represents that the return in this model, which the price constitutes much of it, is significant because the prices form the main part of the output. There is no significant relationship between information quality (earnings persistence and accruals quality) and market turnover in market turnover. In this regard, it can be concluded that there is a relationship between the information quality and trading days' ratio, that the main part of it tends to be the frequency of trading. Following this, information quality has no relationship with market turnover, which constitutes the main part. In this model, it is not only the company's information quality that affects stock turnover. Some other factors, namely political issues, sanctions, sudden surge and drop in prices, the country's capital market efficiency, and government changes, affect market turnover. There is no significant relationship between information quality (accruals quality) and market turnover. The effect of information quality (earnings persistence) on market turnover, which is the main part of its price, is shown to be insignificant.

The followings are specific areas in need of further research. It is recommended that policymakers and administrators try to develop strategies and standards to improve information quality. Besides, it is suggested to investors that apart from information quality, they should consider other factors, including political issues, inflation, sanctions, sudden surge and drop in prices, and their effect on liquidity. Future studies could also investigate the use of other stock liquidity models, such as the difference between the purchase price and the sale of shares and the lack of liquidity and checking the existence of a nonlinear relationship between the information quality and various measures of stock liquidity.

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