Investigating the relationship between the floating percentage of stocks in the market and liquidity and stock returns on the Iraq stock exchange

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Abstract: The purpose of this study is to investigate the relationship between floating percentage of stocks and liquidity and stock returns on the Iraq stock exchange. In this regard, three criteria for stock liquidity including the ratio of the number of traded shares to the total shares of the company, the ratio of the number of trading days of the company's shares to the total days of the stock exchange and the difference between the bid and ask prices are used. The method of this paper is descriptive – correlative and based on the information published by the companies listed on the Iraq Stock Exchange, in the period from 2013 to 2018 with a selected sample of 35 companies. The method used to test the hypotheses is multiple regression using panel data using IVES software. The results of this study indicate that there is a significant relationship between the free float percentage of a stock with the ratio of total stocks traded in the market to the total number of shares of the company (the first liquidity index), the ratio of the number of days a stock traded to the total trading days, and the price offered for buying and selling shares (the third liquidity index). Also, no correlation was observed between stock returns and free float percentage.

Keywords: stocks liquidity, stocks floating, stock returns, trading days

Introduction

Assessing the risk and return on investments is one of the decisions that every investor is always faced with. In other words, among investments with the same risk, the investor always makes a decision that has a higher return, and conversely, in conditions of equal returns, the investor seeks less risk in the investment. In addition to these two wings of investment, namely risk and return, investors consider other factors such as the number of shares in circulation on the stock exchange, the amount of stock liquidity, trading

volume, intrinsic value of investment, ownership structure, profitability, financial ratios, type and size of the company takes into account the macroeconomic factors that affect the industry, political and social factors, and finally its degree of adaptation to personal preferences. The higher the floating stock in the capital market for a stock, in other words, the larger the company, the lower the risk of price changes and speculation. That is, in large companies with a high share floating percentage, intervention by market participants in securities prices is reduced and limited. This is because high floating requires high liquidity and it is not appropriate to spend high liquidity on a stock in terms of investment principles. In the financial and accounting literature, the rate of acceleration in the process of converting cash into an asset and vice versa converting financial assets into cash is called the liquidity of that financial asset. One of the most important functions of capital markets, including the stock market, is to increase this liquidity for securities, especially corporate stocks. Many active investors and shareholders in the market tend to buy and sell stocks that have the power of liquidity and the ability to sell in the shortest possible time. Liquidity is the ability to buy and sell significant amounts of securities quickly and with very little effect on price. One of the key issues in investing is the amount of stock liquidity. The role of liquidity in valuation is very important, because investors are concerned about whether there is a good market for them if they want to sell their assets. The liquidity of a stock means that it can be sold quickly. The faster a stock can be sold at a lower cost, the more liquid it can be said. Securities that are traded daily and frequently have more liquidity and ultimately less risk than securities that are traded on a limited or low frequency.

The importance of this research for the Iraq Stock Exchange and its investors and shareholders can be that they are careful in choosing high or low floating stocks so that they can use high liquidity whenever they need liquidity to trade and sell their stocks and reach cash. Therefore, considering the importance of the issue, in this article, we will examine the three important and key terms of stock floating, stock liquidity, and stock returns.

- **Stock floating**

It is a part of a company's stock whose owners are ready to offer and sell those shares and do not intend to participate in the management of the company by maintaining that part of the stock and it is expected to be traded in the near future.

- **Stock liquidity**

Facilitating, accelerating and reducing costs in the process of converting cash into financial assets and vice versa, means converting cash into financial assets, is one of the important functions of financial markets, especially stock exchanges.

- **Stock returns**

Return means a set of benefits that accrue to a share over a period of time.

Theoretical foundations of research

Stock liquidity

The liquidity of a security in the financial and capital markets is as much as its ability to attract major buy or sell transactions in a short period of time so that repetitive buying and selling queues are not created. In another definition, stock liquidity is the ability to trade stocks at high speed at low cost and without causing large price volatilities.

A) Criteria related to transactions in the market: Among these indicators, we can mention the ratio of trading volume to the monthly average, daily trading volume and the value of traded stocks.

B) Criteria related to buy and sell orders: These indicators include market depth, the difference between the bid price of supply and demand for stocks and the difference between effective buying and selling.

The importance of liquidity in market activity and stock value

Understanding the importance of liquidity participation in financial markets has led the world's stock exchanges to forecast and create the necessary work to solve the problem of liquidity in these markets. Trading volume can be used as a tool to detect what is happening in the market, and liquidity risk is a type of market risk that results from changes in the volume of market transactions. Assuming other factors increase the volume of transactions, liquidity risk decreases.

Stocks floating

In financial markets, especially the capital market and the stock exchange, floating stocks are defined as the amount of stock that is allowed to be traded on the stock exchange and is easily expected to be traded in the near future.

Expansion of research hypotheses

In reviewing the accounting and financial management literature, there are many applied researches that have examined the liquidity situation of stocks in the capital market. Meanwhile, many studies emphasize that stock liquidity is highly dependent on the amount of shares distributed among market shareholders who do not have institutional ownership. In other words, the amount of shares that companies are allowed to distribute in the capital market. For example, Gu et al. (2018) examined the relationship between stock liquidity and stock floating. The study sample includes 1172 Chinese companies during the period 2001 to 2015, which includes a total of 12925 years-companies. The results show that stock floating leads to higher stock liquidity. Evidence also shows that the negative impact of stock liquidity on firm diversity is stronger in companies facing financial constraints. Also, the impact of stock liquidity on firm diversity is greater among companies with severe information asymmetries. Sivathaasanet al. (2016) examined the relationship between stock liquidity, corporate governance and financial leverage. Researchers surveyed 1,207 Australian non-financial corporations between 2001 and 2013, for a total of 9,555 company-years, and concluded that firms with higher stock liquidity had less financial leverage. The results also showed that the negative relationship between corporate governance and financial leverage exists only for companies with high stock liquidity and this relationship was not observed for companies with low stock liquidity.

Similar to the above research, Robin (2006) examined price changes using floating stock manipulation. The results showed that with a decrease in floating stocks, prices increase and with an increase, prices decrease.

Also, Zandshiraz (2017) examined the relationship between stock liquidity and stock floating in companies listed on the Tehran Stock Exchange. Method / Approach / Data Collection: A total of 82 companies among the companies active in the Tehran Stock Exchange were studied by elimination sampling method for the period 2007-2015. The Amihod (2002) criterion was used to measure stock liquidity. The combined data approach was used to test the hypotheses. The results of testing the hypotheses showed that stock floating has a positive and significant effect on stock liquidity.

According to the research presented above, the first to third hypotheses of the research are explained as follows:

Hypothesis 1: There is a significant relationship between the percentage of free float of one share and the ratio of total shares traded in the market during a financial year to the total number of shares of the company.

Hypothesis 2: There is a significant relationship between the percentage of free float of a stock and the ratio of the number of days that a stock is traded to the total days of stock exchange activity.

Hypothesis 3: There is a significant relationship between the percentage of free float of a share and the difference in the price offered for buying and selling shares.

On the other hand, stock floating can increase the desirability of shares among investors and lead to increased demand for it, which can lead to excess returns for shares. In this regard, Zhang (2016) studied the relationship between stock market floating and stock returns. The findings showed that lower floating stocks in the market produce higher returns when purchased by a particular group, but under normal market conditions, higher floating stocks will yield higher returns.Asli et al. (2012) examined the effect of stock floating on firm returns and earnings management. The results of their study also showed a significant relationship between stock returns and stock floating and also a two-way relationship between earnings management and stock floating in large companies. Rezaei (2016) studied the interdependency of Tehran stock market with other stock exchanges in the world. The hypotheses that are presented in this research and are tested experimentally for Iran Stock Exchange are as follows:Hypothesis 1: There is a significant relationship between the returns of regional stock indices and the returns of the Iranian stock market. Hypothesis 2: There is a significant relationship between the returns of world stock indices and the returns of the Iranian stock market index. Finally, according to the results of tests in the equilibrium transaction related to the two hypotheses, there is a significant relationship between the returns of regional and world stock exchanges and the returns of the Iranian stock market index. Among the proposals for allowing foreigners to enter the Iranian securities market to trade in this market, if the entry and exit of capital and the transfer of dividends are recorded in the Central Bank, it is considered as positive. In addition, Marshall and Young (2003) examined the relationship between stocks floating and stock returns. The model used in this research also uses market efficiency and size factors, which ultimately have a negative effect on the size factor. Their results showed that stock floating creates abnormal returns for the stock.

Accordingly, the fourth research hypothesis is presented as follows:

Hypothesis 4: There is a significant relationship between stock returns and the percentage of free float.

Procedure

In this chapter, first a definition of research was presented. Then, by defining the hypothesis, the research hypotheses were expressed, which led to the definition of research variables. Finally, in the method of data analysis and hypothesis testing, the classical hypothesis test, which includes the absence of autocorrelation and variance homogeneity, hypothesis testing methods, multivariate regression, coefficient of determination and adjusted coefficient of determination were discussed. Significance test was expressed in the regression model, including the test of significance of the equation and regression coefficients. The models used were also expressed and the parameters of each of these models were defined.

Research plan

The present research is considered as one of the applied researches that provides the most effective measures in the field of accounting quality. The method of this research is correlation using multiple regression.

Research questions

According to the research, the main question of the research is whether there is a significant relationship between the floating rate of stocks and the amount of liquidity and its return?

Research objectives

Objective 1: To investigate the relationship between the ratio of the number of shares traded in the market during a fiscal year to the total shares of the company and the percentage of free float shares on the stock exchange.

Objective 2: To investigate the relationship between the number of trading days for the company's shares to the total days of the stock exchange and the percentage of free float shares in the stock exchange.

Objective 3: To investigate the relationship between the difference between the price offered for the purchase and sale of shares and the percentage of free float shares on the stock exchange.

Objective 4: Investigate the relationship between the company's stock return and the percentage of free float in the stock market.

Research hypotheses

Hypothesis 1: There is a significant relationship between the percentage of free float of one share and the ratio of total shares traded in the market during a financial year to the total number of shares of the company.

Hypothesis 2: There is a significant relationship between the percentage of free float of a stock and the ratio of the number of days that a stock is traded to the total days of stock exchange activity.

Hypothesis 3: There is a significant relationship between the percentage of free float of a share and the difference in the price offered for buying and selling shares.

Hypothesis 4: There is a significant relationship between stock returns and the percentage of free float stocks.

Society, sampling and samples

1- The company has not changed the fiscal year from 2013 to 2018.

2- The activity of the company in the stock exchange during the research years should not stop for more than 6 months.

3- It has provided the data related to the research variables in full during the research period.

4- The company should be among the manufacturing and service industries to be the same as the reporting method and increase the comparability.

Research data analysis model

Test model of the hypothesis 1:

$$LIQUID1_{t,i} = a_0 + a_1\,FREE_{t,i} + a_2\,SIZE_{t,I} + a_3\,ROA_{t,i}$$
$$a_4\,Cash\,Flow\,Volatility_{t,i} + a_5\,Loss_{t,i} + a_6\,Sales\,Growth_{t,i} +$$
$$\Sigma\,Year + \Sigma\,Industry + \epsilon_{t,i} +$$

Test model of the hypothesis 2:

$$LIQUID2_{t,i} = a_0 + a_1\,FREE_{t,i} + a_2\,SIZE_{t,I} + a_3\,ROA_{t,i}$$
$$a_4\,Cash\,Flow\,Volatility_{t,i} + a_5\,Loss_{t,i} + a_6\,Sales\,Growth_{t,i} +$$
$$\Sigma\,Year + \Sigma\,Industry + \epsilon_{t,i} +$$

Test model of the hypothesis 3:

$$LIQUID3_{t,i} = a_0 + a_1\,FREE_{t,i} + a_2\,SIZE_{t,I} + a_3\,ROA_{t,i}$$
$$+ a_4\,Cash\,Flow\,Volatility_{t,i} + a_5\,Loss_{t,i} + a_6\,Sales\,Growth_{t,i}$$
$$+ \Sigma\,Year + \Sigma\,Industry + \epsilon_{t,i}$$

Test model of the hypothesis 4:

$$RETURN_{t,i} = a_0 + a_1\,FREE_{t,i} + a_2\,SIZE_{t,I} + a_3\,ROA_{t,i}$$
$$+ a_4\,Cash\,Flow\,Volatility_{t,i} + a_5\,Loss_{t,i} + a_6\,Sales\,Growth_{t,i}$$
$$+ \Sigma\,Year + \Sigma\,Industry + \epsilon_{t,i}$$

Research variables

1- Dependent variable

A) LIQUID1: Indicates the variable of the ratio of the number of shares traded to total shares, which has been used as the first indicator of the amount of liquidity.

B) LIQUID2: This variable is calculated by dividing the number of days that the company's shares traded on the stock exchange by the total number of days of the stock exchange activity and constitutes the second indicator indicating the amount of liquidity.

C) LIQUID3: This variable is calculated from the difference between the bid price for the purchase and the bid price for the sale of a share in the trading board and the third factor is measuring the amount of liquidity in this study.

The second dependent variable of this study is the company's stock return (RETURN), which is calculated by dividing the total changes in stock prices and dividends by the stock price at the beginning of the period.

2- Independent variables

The independent variable of this research is the percentage of FREE float. Free float is a percentage of a company's total capital that is available to investors for trading in the stock market and can be traded without any restrictions.

3- Control variables

Company Size: The natural sales logarithm (operating income) of the company at the end of the current year.

Return on assets (ROA): Equivalent to operating profit divided by total assets.

Sales growth: The growth of a company's sales, which is calculated by dividing the difference between the sales of this year and the previous year by the sales of the previous year.

Loss: If the company reports a loss this year, it will be one and in other cases it will be zero.

Cash flow volatilities: The cash flow standard deviation is due to operating activities divided by the average assets for the last three years.

Tests related to research hypotheses

The following steps are observed in the formation, analysis and approval of the regression model:

1) Identifying variables.

2) Data collection.

3) Determining the relationship between independent and dependent variables, for example, is the relationship linear or nonlinear?

4) Estimation of model parameters.

5) Evaluating simple linear regression model hypotheses to determine whether regression model hypotheses are met.

6) Testing the significance of the model, in this step, according to the desired level of significance, we test the parameters in the model statistically to determine whether they are significant or not.

Advantages of using composite data

In composite models, the researcher can have more flexibility in explaining the differences in individual behaviors of phenomena over time.

Statistical methodology and types of statistical tests used in the research

1- Regression analysis

Regression analysis is a method for studying the contribution of one or more independent variables in predicting the dependent variable. For linear regression models, the ordinary least squares (OLS) method is the simplest and most common method. A multivariate linear regression model describes the relationship.

$$y = a + b_1 x_1 + b_2 x_2 + \ldots + b_i x_i + e_i$$

xi is the independent variable, yi is the dependent variable, ei is the remainder and i is the number of samples.

2- F Limer test

First, the F-Limer test is used to determine the use of panel data model or integrated data model. The statistics of this test are:

$$F = \frac{RRSS - URSS/(N-1)}{URSS/(NT - N - K)}$$

where in; RRSS is the sum of the squares of bound residuals, URSS is the sum of the squares of unrestrained waste, K is the number of explanatory variables, N is the number of sections (number of companies), and T is the total number of years studied. The statistic of this test is the Fisher distribution and if the initial hypothesis of the model used by the panel is rejected, the effects are constant. In the F Limer test, the hypotheses are as follows:

$$\begin{cases} H_0 & \text{The OLS model is suitable} \\ H_1 & \text{The fixed effects panel model is suitable} \end{cases}$$

3- Hussmann test

If the fixed effects panel method is selected based on the F Lmer test, the question arises as to whether the difference in area from the origin of the cross-sectional units is constant or whether random functions can express this difference between the units more clearly. These two methods are called fixed effects and random effects methods, respectively. To choose one of the two methods, Hussmann test is used. In this test, the hypotheses are as follows:

$$H_0:$$

H_1:

4- Breusch – Pagan test (LM)

In 1979, Breusch and Pagan used the Lagrange coefficient to test the integrated data model against two-way random effects obtained by the maximum likelihood method. In this test, the hypotheses are as follows:

$$\begin{cases} H_0: & \text{Using the integrated data model} \\ H_1: & \text{Existence of a random effect in the model} \end{cases}$$

Research findings

In this chapter, first the descriptive statistics of research variables were expressed and initial analyzes were performed. After that, some necessary assumptions were made for statistical analysis, including correlation and linearity analysis. Finally, the research hypotheses were tested and each hypothesis was analyzed separately and the results were presented. Their test results are summarized in the following table:

Table 1: Summary of hypothesis test results

No.	Description of the hypothesis	Result
1	There is a significant relationship between the percentage of free float per share and the ratio of total shares traded in the market to the total number of shares of the company.	Confirmed
2	There is a significant relationship between the percentage of free float of a stock and the ratio of the number of days that a stock is traded to the total number of trading days of the stock exchange.	Confirmed
3	There is a significant relationship between the percentage of free float of a share and the difference in the price offered for buying and selling shares.	Confirmed
4	There is a significant relationship between stock returns and the percentage of free float.	Confirmed

Correlation between research variables

In order to investigate the degree of correlation between research variables to fit in research models and also to identify linear relationships between each of the research variables, we have investigated the correlation of research variables.

Table 2: Correlation coefficients of research variables

VCF	ROA	LOSS	GROTH	SIZE	FREE	RETURN	LIQUID1	Variable name
۰.۰۲۸	۰.۰۹۶	-۰.۰۲۰	-۰.۰۲۲	-۰.۰۶۹	۰.۱۶۷	۰.۰۵۶	۱.۰۰۰	LIQUID1
۰.۰۹۲	۰.۵۸۲	-۰.۲۰۲	۰.۲۱۰	۰.۱۰۷	۰.۱۰۲	۱.۰۰۰	۰.۰۵۶	RETURN
-۰.۰۲۶	۰.۲۰۷	-۰.۲۱۶	-۰.۰۲۱	۰.۲۱۲	۱.۰۰۰	۰.۱۰۲	۰.۱۶۷	FREE
-۰.۰۶۰	۰.۱۸۸	-۰.۲۰۷	۰.۲۲۱	۱.۰۰۰	۰.۲۱۲	۰.۱۰۷	-۰.۰۶۹	SIZE
۰.۱۸۸	۰.۱۸۲	-۰.۱۸۰	۱.۰۰۰	۰.۲۲۱	-۰.۰۲۱	۰.۲۱۰	-۰.۰۲۲	GROTH
-۰.۰۲۷	-۰.۶۹۹	۱.۰۰۰	-۰.۱۸۰	-۰.۲۰۷	-۰.۲۱۶	-۰.۲۰۲	-۰.۰۲۰	LOSS
۰.۱۰۲	۱.۰۰۰	-۰.۶۹۹	۰.۱۸۲	۰.۱۸۸	۰.۲۰۷	۰.۵۸۲	۰.۰۹۶	ROA
۱.۰۰۰	۰.۱۰۲	-۰.۰۲۷	۰.۱۸۸	-۰.۰۶۰	-۰.۰۲۶	۰.۰۹۲	۰.۰۲۸	VCF

Check the collinearity of variables

Collinearity is one of the assumptions of classical regression, which is necessary in order to better fit the regression model and the absence of false variables, and the degree of collinearity between independent variables should be investigated.

Table 3: Investigating the collinearity between research variables

Symbol	Operational definition	Variance coefficient	Inflation factor variance
LIQUID 1	Number of shares traded in total shares	0.019	1.618
LIQUID 2	Number of trading days of the company's shares on the total number of trading days of the stock exchange	0.975	1.648
LIQUID 3	The difference between the bid price and the sale offer price	0.023	1.426

FREE	Percentage of free floating	7.423	1.422
SIZE	size of the company	0.013	1.457
SALES GROWTH	Sales growth	0.157	1.199
LOSS	Loss	0.312	2.327
ROA	Return on assets	2.426	2.492
CASH FLOW VOLATILITY	Operating cash flow volatilities	2.679	1.175

Fitting the test model of hypotheses

1. **Fitting the test model of the first hypothesis**

Table 4: F-Limer test (Chow)

Test type	Test statistics	Probability
F-Limer	0.162	0.976

There is a significant relationship between the percentage of free float per share and the ratio of total shares traded in the market to the total number of shares of the company.

Table 5

Variable	Symbol	Coefficient	Test statistics	Probability
Fixed coefficient	C	0.438	1.032	0.303
Percentage of free float	FREE	2.711	4.908	0.000
Size of the company	SIZE	-0.020	-1.087	0.278
Sales growth	SALES GROWTH	0.015	0.229	0.818
Loss	LOSS	0.073	0.813	0.417
Return on assets	ROA	0.214	0.756	0.450
Operating cash flow	CASH FLOW VOLATILITY	0.755	2.293	0.022

volatilities				
Year variable	YEAR	Controlled		
Industry variable	INDUSTRY	Controlled		
Model determination coefficient			0.459	
Statistics F			18.890	
Statistical probability F			0.000	
Durbin-Watson Statistics			1.772	

2. Fitting the test model of the second hypothesis

Table 6: F-Limer test (Chow)

Test type	Test statistics	Probability
F-Limer	0.656	0.657

There is a significant relationship between the percentage of free float of a stock and the ratio of the number of days that a stock is traded to the total days of stock exchange activity.

Table 7: Test results of research hypotheses

Variable	Symbol	Coefficient	Test statistics	Probability
Fixed coefficient	C	0.979	14.179	0.000
Percentage of free float	FREE	-0.220	-2.248	0.025
Size of the company	SIZE	-0.332	-15.822	0.000
Sales growth	SALES GROWTH	-0.002	-0.244	0.0807
Loss	LOSS	-0.011	-0.701	0.483
Return on assets	ROA	0.089	1.204	0.229
Operating cash flow volatilities	CASH FLOW VOLATILITY	-0.088	-1.443	0.150
Year variable	YEAR	Controlled		
Industry variable	INDUSTRY	Controlled		

Model determination coefficient	0.372
Statistics F	13.202
Statistical probability F	0.000
Durbin-Watson Statistics	1.542

3. **Fitting the test model of the third hypothesis**

Table 8: F-Limer test (Chow)

Test type	Test statistics	Probability
F-Limer	0.212	0.957

There is a significant relationship between the percentage of free float of a share and the difference in the price offered for buying and selling shares.

Table 9: Test results of research hypotheses

Variable	Symbol	Coefficient	Test statistics	Probability
Fixed coefficient	C	-2.168	-4.333	0.000
Percentage of free float	FREE	-1.798	-2.287	0.023
Size of the company	SIZE	0.174	5.864	0.000
Sales growth	SALES GROWTH	-0.005	-0.081	0.934
Loss	LOSS	-0.394	-1.920	0.056
Return on assets	ROA	-0.235	-0.407	0.684
Operating cash flow volatilities	CASH FLOW VOLATILITY	0.729	2.438	0.015
Year variable	YEAR	Controlled		
Industry variable	INDUSTRY	Controlled		
Model determination coefficient			0.608	
Statistics F			34.602	
Statistical probability F			0.000	

Durbin-Watson Statistics	1.583

4. **Fitting the test model of the fourth hypothesis**

Table 10: F-Limer test (Chow)

Test type	Test statistics	Probability
F-Limer	0.610	0.692

There is a significant relationship between stock returns and the percentage of free float.

Table 11: Test results of research hypotheses

Variable	Symbol	Coefficient	Test statistics	Probability
Fixed coefficient	C	-1.835	0.776	0.438
Percentage of free float	FREE	-4.924	-1.811	0.071
Size of the company	SIZE	-0.042	0.372	0.710
Sales growth	SALES GROWTH	0.702	1.761	0.076
Loss	LOSS	-0.458	-0.823	0.411
Return on assets	ROA	9.299	5.961	0.000
Operating cash flow volatilities	CASH FLOW VOLATILITY	0.435	0.269	0.787
Year variable	YEAR	Controlled		
Industry variable	INDUSTRY	Controlled		
Model determination coefficient			0.354	
Statistics F			12.192	
Statistical probability F			0.000	
Durbin-Watson Statistics			2.370	

Conclusion and comparison of results with previous studies

The results of this study indicate that there is a significant relationship between the percentage of free float of a stock with the ratio of total stocks traded in the market to the total number of shares of the company (the first liquidity index), the ratio of the number of days a stock traded to total trading days (second liquidity index) and the price offered for buying and selling shares (the third liquidity index). Also, no correlation was observed between stock returns and free float percentage.

The results of this study are in line with the research conducted by Chang et al. (2019), Hu et al. (2019), Boubaker et al. (2019), Gu et al. (2018), Sivathaasan et al. (2016), Chen et al. 2015), Edwards et al. (2013), ModanlouJubiari and Khademlou (2017), Rezapour (2010), Chan et al. (2002), Longestuf (2005), Jamali (2008) and Kashanipour and Rezaei (2011), because they have also found a significant relationship between market share floating and its liquidity.

Practical suggestions

1. Investors in the Iraq Stock Exchange are advised to be careful when investing and choosing high or low floating stocks, so that they can trade using high liquidity of stocks whenever they need liquidity and sell it and get cash.

2. The Iraq Stock Exchange Organization and its legislators are advised to enact strict rules on the minimum floating of companies' stocks in order to increase the liquidity of stocks in the market.

Suggestions for future researches

1) Investigating the effect of the relationship between corporate governance oversight mechanisms such as the characteristics of the audit committee and the internal auditor on stock liquidity.

2) Investigating the effect of ownership structure on stock floating in companies listed on the Iraq Stock Exchange.

3) Investigating the effect of managers' abilities and board characteristics on stock liquidity.

Research limitations

1. The information provided by each of the financial variables is different from the others and none of them alone provides complete information to decision makers, so investors should not make decisions based on one factor alone.

2. Since this study was conducted for companies listed on the Iraq Stock Exchange for the years 2013 to 2018,therefore, users of the results of this study should be careful in generalizing these results to other companies and times.

References