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Unsystematic risk, financing policy and financing behavior of companies in the TSE

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Abstract

This research aimed to investigate the unsystematic risk related to the financing policy and behavior of companies in Tehran Stock Exchange. For this purpose, 114 companies listed in the Tehran Stock Exchange from 2015 to 2021 were selected as the statistical sample. This research was correlation using descriptive methods for applied purposes. For data collection, field and library methods were used. The statistical method to test the hypotheses was panel/pooled data, using multiple regression analysis. The results indicated that unsystematic risk has a significant and negative relationship with the financing policies of companies. Also, unsystematic risk had a significant and negative relationship with the financing policy of companies in Tehran Stock Exchange.

Keywords: Financing policy, Unsystematic risk, Financing behavior, Tehran Stock Exchange.

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1. Introduction

Unsystematic risk is also called "specified risk". It is related to the news specific to a certain stock or industry. For example, when the employees of a company you have invested in go on strike, unsystematic risk affects its stock price and reduces its value. Unsystematic risk is also called eliminable risk. This risk can be reduced through diversification and forming an investment portfolio. Unsystematic risk is not significant and can be ignored in a well-diversified portfolio (Qolipourkhanqah et al., 2017). In indirect financing, a financial intermediary stand between the saver and the borrower and helps transfer liquidity from one person to another. A financial intermediary does this process by borrowing funds from savers, using these funds to lend to the borrowers. The process of indirect financing using financial intermediaries is called financial intermediation, which is the way of transferring funds from the lender to the borrower. Therefore, it can be said that financial institutions are the foundation of financial markets. Without these institutions, financial markets cannot direct the society's savings to the individuals with productive investment opportunities; as a result, these institutions have an important effect on the performance of the economy. Banks are financial institutions that pay loans from the place of deposit acceptance. Mortgage loan institutions, joint savings, and credit institutions are a subset of banks. Banks are financial intermediaries that most people interact with. Most people keep a huge part of their wealth in banks in the form of checking accounts, savings accounts or other bank deposits. We should know that governments can influence and manage the economy at the macro levels with some decisions. Generally, these actions are carried out in the form of monetary and financial policies. In a simpler definition, all the tools used to control and influence the economy are called monetary and financial policies (Auerbach, 2002).

Risk is an integral part of all business activities; its effective management not only helps the company in preventing financial problems and capital budgeting but also improves the decision-making process. In fact, one of the main tasks of management is dealing with specific risks (unsystematic risk). Risk-taking plays a very important role in maintaining the competitive advantages of companies and can lead them to higher economic growth. In a competitive environment, companies follow different strategies to increase their share in the market and create barriers for others to enter. Choosing each strategy requires accepting a different risk level and affects the company's unsystematic risk differently (Sadati Talebani et al., 2022). From now on," risk" is used instead of "unsystematic risk". If a company has political connections, it is less likely to face financing problems; because, it can provide the necessary financial resources for investment better and easier than other companies through financial resources outside the company. In other words, when the company faces financing problems, the effect of financing problems is reduced for politically connected companies due to having political connections and the willingness of creditors, who are willing to cooperate with politically connected companies and easily provide scarce resources (Salehinia & Tamoradi, 2019). Companies with political support can put pressure on banks to get loans. Also, by putting pressure on the suppliers, they can use the advantage of credit purchases and benefit from these trade credits. Therefore, companies with political connections may have more debt in their capital structure. Fashio et al. (2019) also argued that in the companies with political connections, due to high debts in the capital structure, the risk of not repaying debts is high and the credit rating of such companies is low; but, creditors may be inclined to cooperate with the companies with political connections and give loans to them. Because, despite being risky and having a high credit risk, lenders believe that companies with political connections can receive financial assistance from thegovernment when facing financial problems through political support. Therefore, they will have a higher ability to repay their debts. Then, political

connections are expected to influence corporate financing policies. Repeated fluctuations caused by the uncertainty of economic policies in recent decades have drawn much attention to its effects on economic and financial activities. Previous empirical research has concluded that this type of politics-related risks significantly affects the company's investment activities. However, little attention has been paid to how they affect the company's financial security. This research is important for managers to determine and adjust appropriate financial strategies because it can increase their awareness for policy change (Vahedi & Korkeabadi, 2022). Many researchers and experts study the companies' financing behavior because of their practical consequences for corporate management, performance, and even for the entire economy. Many of these studies have focused on identifying the determining factors that guide companies to choose their financing strategies. Although the real effects of specific company characteristics, such as size, profitability, cash flow, and growth opportunity on financing behavior have been empirically proven, there is doubt whether these company characteristics fully explain financing decisions. From a macro-based perspective, macroeconomic conditions and policies implemented by a government are vitally important to change the business environment in which companies operate. For example, monetary policy has a major impact on foreign financing and the discount rate of investment projects (Lee et al., 2017). A contractionary monetary policy increases the interest rate and thus the cost of financing; on the other hand, higher discount rates reduce the investment rate and thus lead to a decrease in the demand for foreign financing. Nevertheless, the effect of factors at the country level, including macroeconomic conditions and institutional changes, has not yet created any proper recognition.

For the limitations of the previous data in the existing works, this topic has been ignored as to how the risks related to the policies affect the financial decisions of the companies. This problem can be ameliorated by adopting economic policy uncertainty (EPU), which includes policy uncertainty based on news, expiration of tax laws, and dispersion in economic forecasts, as a result of which a broad set of economic and related uncertainties can be portrayed. Also, there is a growing recognition that a country's geopolitical uncertainty and its political risk are equally important factors that affect business cycles and financial market performance. The recently developed Geopolitical Risk (GPR) index and the International Country Risk Guide (ICRG) index also provide proper measures for policy-related risks. Using these newly published indices, efforts to formulate a better understanding of the impact of policy-related risk on the financing activities of companies has increased (Vahedi & Korkeabadi, 2022). Iran provides a unique environment for our research for many reasons. First, with the rapid growth of the national economy in recent decades, capital markets, institutions and companies have become more important in global conditions. Second, the transition in Iran from a centrally planned economy to a market-based economy is increasing. Although it is less severe than in the past, Iran is still a state-oriented country that often implements central policies to control and influence the economic behavior of decision-making units in the economy. Third, from the financial point of view, Iran's capital market is facing serious problems of defects and agency costs, which significantly affect the company's financial decisions.

The uncertainty characteristic of Iran's economic policy around important economic and political events makes Iran a good laboratory for evaluating the impact of policy-related risk on financial behavior (Faghani Makrani et al., 2021). Accordingly, this study aimed to find “What is the relationship between the risk and policy and financing behavior of companies in Tehran Stock Exchange?”

2. Literature Review

Focusing on the quarterly data of publicly listed companies in Iran from the first quarter to the second quarter of 2010, Vahedi & Korkeabadi (2001) offered an exploratory analysis of the causes of the companies' financing behavior through the channels of company-level characteristics, country level factors and Policy -related risks. In this research, multi-dimensional criteria of risks related to politics, including economic policy uncertainty, geopolitical risk, and political risk were used. This research aimed to answer the question that "Is the correlation between policy-related risks and financing activities different under different financing strategies, such as debt financing and equity financing?" It was also investigated how the financial limitations and differences of the industry affect the financing of the company. Experimental findings showed that the risks related to the policies can have a negative effect on the financing decisions of the company. The effect of policy risk on debt financing was more than that of equity financing. The evidence showed that both the factors at the company level and at the country level are the main determinants that guide the company's financing decisions. Finally, the deterrent effect of policy-related risk is larger for two separate sub-samples of companies with financial constraints as well as manufacturing companies. Awareness of these effects can help managers and policy makers to formulate more effective strategies with the aim of improving their economic performance.

Pourmansouri (2021) deals with the exploratory analysis of the reasons for companies' financing behavior through the channels of company-level characteristics, country-level factors, and policy-related risks. This analysis uses multidimensional measures of policy-related risks, including economic policy uncertainty and political risk. In addition, it was evaluated whether the relationship between policy risks and financing activities is different under different financing strategies, such as debt financing and equity financing. It was also investigated how financial restrictions and industry differences affect the financial provision of the company. This research has been investigated in the statistical sample of 84 companies from the companies listed in the Tehran Stock Exchange between 2014 and 2017. Financial flexibility is measured using the four factors of cash flow, growth opportunity, size, and profitability that determine the financial provision of the company. The results of this research, analyzed by panel analysis method, showed that the risk variable related to the policy has a significant negative effect on the financing activities of the companies, and the characteristics of the company level, the flow of funds, the investment opportunity, the growth opportunity and the size of the company has a positive relationship with the financial provision of the company; while profitability has a negative effect on the financial provision of the company.

Salehinia et al. (2021) studied the effect of political communication on financing policies. The aim of the research was to investigate the effect of political communication on financing policies. For this purpose, a sample of 150 companies listed in the Tehran Stock Exchange from 2011 to 2017 was examined. The results of the research hypothesis test indicated that political communication has a positive and significant effect on the ratio of short-term debts, the ratio of long-term debts, the ratio of total debts and the cost of debt. Also, the findings indicated that political communication has a significant and negative effect on the credit rating of companies.

Vali Nia et al. (2022) studied real earnings management seeking to identify abnormal levels of business unit activities; because, real earnings management is related to the changes in the timing or structure of real activities of a business unit. However, more limited studies have been conducted on the effect of real earnings management on the decisions of investors and market shareholders and the types of companies' risks. Therefore, the research was an attempt to investigate the market's reaction to the management of real earnings, financial risk, and commercial risk of companies listed in the Tehran Stock Exchange. The research was

descriptive in nature and correlation in terms of methodology. The statistical population of the research was the companies listed in the Tehran Stock Exchange since 2008-2018. A total of 260 companies were selected as a statistical sample using the systematic elimination method. Data were collected from relevant and valid databases and analyzed using regression equations and panel data. Results showed that the market's reaction to real earnings management and financial risk of companies was negative and its reaction to commercial risk was positive. Real earnings management also had a great impact on the financial and commercial risk of the studied companies.

In a study titled "Monetary Policy and Corporate Financing: Evidence from Different Industries", Lee et al. (2022) examined the effect of monetary policy on the financing of companies. This study compared the effect of strict monetary policies on bank loans and commercial credit financing for real estate companies and manufacturing companies. The results indicated that the effects of monetary policy have been heterogeneous among different industries. Strict monetary policies significantly curbed the financing scale of manufacturing companies in terms of bank loans and commercial credit but had no effect on real estate companies. There was a phenomenon of financing discrimination among Chinese companies. The priority of bank credit for government companies was shown for both real estate and manufacturing industries.

Chauhan et al. (2020) investigated the company's financing and target behavior with new tests and evidence. They addressed the recent concerns in the capital structure literature about the reliability of target behavior tests. Using a new experimental strategy, it was investigated whether the financing choices of the companies are consistent with the behavior of pursuing the goal instead of the movement of their debt ratio, and if so, to what extent. Results showed that the financing decisions of the companies were generally not compatible with pursuing the systematic goals. The results were also robust to different target specifications and the methodology can reliably distinguish target behavior from random financing. Further tests also confirmed the results of the research and showed that the financing decisions of the companies were not mainly caused by the deviation from the target debt ratio of the companies.

According to the literature review and theoretical debates above, the research hypotheses including one main hypothesis and two sub-hypotheses were stated as follows:

H1. Unsystematic risk is related to the financing policy and behavior of companies in Tehran Stock Exchange.

H1a. Unsystematic risk is related to the financing policy of companies in Tehran Stock Exchange.

H1b. Unsystematic risk is related to the financing behavior of companies in Tehran Stock Exchange.

Main hypothesis

Unsystematic risk is related to the financing policy and behavior of companies in Tehran Stock Exchange.

First sub-hypothesis

Unsystematic risk is related to the policy of companies in Tehran Stock Exchange

$$CF_{i,t} = \beta_0 + \beta_1 Idiovolati_{i,t} + \beta_2 TQ_{i,t} + \beta_3 SG_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 ROA_{i,t} + \beta_6 INF_{i,t} + \beta_7 GDP_{i,t} + \varepsilon_{i,t}$$

Second sub-hypothesis

Unsystematic risk is related to the financing behavior of companies in Tehran Stock Exchange.

$AF_{i,t} = \beta_0 + \beta_1 Idiovolati_{i,t} + \beta_2 TQ_{i,t} + \beta_3 SG_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 ROA_{i,t} + \beta_6 INF_{i,t} + \beta_7 GDP_{i,t} + \varepsilon_{i,t}$

The dependent variable

Financing policy (CF): To measure this variable, cash flow was used, which is obtained by dividing cash and cash equivalents by total assets.
Financing behavior of companies (AF): It is measured by the real financing variable, which is obtained through dividing real financial resources by total assets (Pourmansouri et al., 2021).

Independent variable
Unsystematic risk (Idiovolati): Unsystematic risk is not directly visible in the market and is related to asset pricing models. The market model is used to estimate unsystematic risk. Therefore, the market model is estimated according to the following equation (Salimi et al., 2022):
$ER_{i,t} = \alpha_0 + \alpha_1 ER_{m,t} + \varepsilon_{i,t}$

Unsystematic risk is equal to the standard deviation of the regression residual of the market model, using the following equation (Bali et al., 2008).

$Idiovolati_i = (var(\varepsilon_{i,t}))^{(1/2)}$
Where,
$ER_{i,t}$: Surplus return of share i in day t
$ERm,$ = Arithmetic average daily return of N companies in the market portfolio on day t
$\varepsilon_{i,t}$ = regression residual
$Idiovolatii$ = unsystematic risk of share i

Control variables
Tubin Q (TQ): Investment opportunity evaluation based on the ratio of the stock market value to the book value of the total assets
Sales Growth (SG): Assessment of growth opportunity, regarding percentage of change in sales
Company size (SIZE): Natural logarithm of total assets
Return on assets (ROA): The ratio of net profit to total assets
Inflation rate (INF): Information about inflation is extracted from the statistics center of Central Bank website.
Growth rate of gross domestic product (GDP): The information about the growth rate of gross domestic product is extracted from the statistics center of Central Bank website.

3. Methodology

This research was correlation, using descriptive methods for applied goals. For data collection, it used field and library methods. Policy-induced shocks are theoretically regarded as a major influencing factor of economic activity and are strongly related to the firms' financing decisions through both supply and demand channels. On the supply side, external uncertainty causes problems, information asymmetry, more unstable future cash flows, and greater default risk, leading to credit crises. On the demand side, firms operating under a high degree of external

uncertainty are more likely to maintain their financial flexibility to cope with its adverse effects. From one hand, when faced with more serious uncertainty for future cash flows, firms reduce their demand for financing. Reducing financial risk and avoiding high external financing cost and bankruptcy cost, and on the other hand, policy-related risk can reduce the company's investment due to the irreversibility of investment; so, the demand for financing is reduced. Based on the above explanations, it is necessary to consider the relationship of policy risk with corporate financing from empirical aspects. Benchmark models to use are panel regression amplifiers common in the finance literature.

Equation (1).

$$AF_{i,t} = ai + \beta 1PRi, t-1 + \beta 2CFi, t-1 + \beta 3TQi, t + \beta 4SGi, t + yX\mathrm{i,t} - 1 + Mi, t$$

Where, i indicates the cross-sectional unit and t indicates the time period. In this regression, the dependent variable AFi, t represents the actual financing of a company. The main explanatory variable is $PR_{i,t}$, which represents policy-related risk measures, such as economic policy uncertainty, geopolitical risk, and political risk indicators. $CF_{i,t}$ is a proxy for cash flow; while the $TQ_{i,t}$ and $SG_{i,t}$ represent investment opportunity and growth opportunity, respectively. $X_{i,t}$ controls include other firm-specific characteristics that are commonly included in leveraged regressions, such as size (SIZE) and profitability (ROA). Finally, αi is the unobservable fixed effect and $\mu_{i,t}$ is the error term. To get a more complete picture of the financing decisions of the firm, we also consider several factors at the country level as control variables.

We control for GDP growth and inflation. Therefore, the benchmark model is modified as follows:

Equation (2).

$$AF_{i,t} = ai + \beta 1PRi, t-1 + \beta 2CFi, t-1 + \beta 3TQi, t + \beta 4SGi, t + yX\mathrm{i,t} - 1 + \delta Mi, t - 1Mi, t$$

Here, country-level factors include inflation change (INF) and gross domestic product (GDP) growth rate.

The statistical population included all the companies listed in the Tehran Stock Exchange during the period of 2013-2021. According to the official website of the Tehran Stock Exchange, all the listted companies until 2021 included 458 companies in 37 industrial groups.

Table 1. Screening of sample companies

Different sampling stages	No.
The number of companies listed in the Tehran Stock Exchange at the end of the year	458
The number of companies that were not active in the Tehran Stock Exchange since 2013- 2021	(125)
The number of companies that have been listed in the stock exchange since 2013	(64)
The number of companies other than holding companies, investments, financial intermediaries, banks or leasing	(67)
The number of companies that had a trading break of more than 6 months in the research period	(27)
The number of companies whose financial year does not end on the last winter month or have changed the financial year in the time period.	(57)
The number of companies whose information is not available in the time domain of the research	(8)
Number of sample companies	114

In order to carry out this research, information sources were divided into two categories. The first category was related to the research literature and its background, using library sources, internal and external magazines and information bases, articles and theses; the second was related to data collection resources linked to the website of Tehran's Stock Exchange and securities and its comprehensive information system and financial information software were prepared and compiled. Eviews software was used for data analysis.

Table 2. Research variables and their role in the model

Variable	Symbol	Variable type in model
Financing policy	CF	Dependent
Financing behavior	AF	Dependent
Unsystematic risk	Idiovolati	Independent
Investment opportunity	TQ	Control
Growth opportunity	SG	Control
Company size	SIZE	Control
Return on assets	ROA	Control
Inflation rate	INF	Control
Gross domestic product	GDP	Control

Table 3. Descriptive indices and normality test for research variables

Variable	Mean	Median	Max	Min	SD
CF	0.113	0.098	0.642	-0.384	0.134
AF	0.041	0.032	0.139	0.001	0.033
Idiovolati	0.078	0.063	0.408	0.001	0.057
TQ	1.791	1.223	6.74	0.394	1.433
SG	0.195	0.163	0.883	-0.316	0.271
SIZE	14.811	14.619	21.327	11.156	1.506
ROA	0.154	0.125	0.830	-0.403	0.151
INF	24.773	31.2	41	9	13.038
GDP	454.657	432.7	756	258.2	153.469

As shown in Table 3, financing policy as the dependent variable of the regression model has a mean of 0.113, median of 0.098, maximum of 0.642, minimum of -0.384, standard deviation 0.134, skewness of 0.503, kurtosis 4.758, quartile statistic of 120.544 and the probability of significance is 0.000. Also, AF variable "financing behavior" as a dependent variable of the regression model of the research has a mean of 0.041, median of 0.032, maximum of 0.139,

minimum of 0.001, standard deviation of 0.033, skewness of 0.932, skewness of 3.095, quartile statistic of 102.388 and significant likelihood of 0.000.

The following model is used to test the H1a, stating that unsystematic risk is related to the policies of companies in the Tehran Stock Exchange.

Model 1.

$$CF_{i,t} = \beta_0 + \beta_1 \text{Idiovolati}_{i,t} + \beta_2 \text{TQ}_{i,t} + \beta_3 SG_{i,t} + \beta_4 \text{SIZE}_{i,t} + \beta_5 \text{ROA}_{i,t} + \beta_6 INF_{i,t} + \beta_7 GDP_{i,t} + \varepsilon_{i,t}$$

Table 4. Results of testing H1a

Variables		Coefficient	SD	T_Statistics	Sig.
Intercept	β_0	0.109	0.033	3.222	0.001
Unsystematic risk	Idiovolati	-0.222	0.045	-5.018	0.000
Investment opportunity	TQ	-0.005	0.002	-2.210	0.027
Growth opportunity	SG	-0.002	0.007	-0.356	0.721
Firm size	SIZE	-0.001	0.002	-0.512	0.608
Return on asset	ROA	0.082	0.030	2.737	0.016
Inflation	INF	0.220	0.080	2.734	0.017
Gross domestic product	GDP	-0.674	0.264	2.569	0.010
R^2		0.588	Adj. R^2		0.579
F value		26.559	D-W Value		2.011
Sig.		0.000			

According to the Table (4) and the estimated regression coefficients for the model of the H1a, it can be seen that the variable coefficient of unsystematic risk (Idiovolati) is -0.222 and the significance level is 0.0000; so, considering that the value of the alpha level is below 0.05, it can be said that there is a significant and negative relationship between unsystematic risk and corporate policy in Tehran Stock Exchange. In examining the significance of the whole model, considering that the probability of significance of the F variance test is below 0.05 (P-Value < 0.05), the significance of the whole model is confirmed with 95% confidence. The determination coefficient of the model also shows that 58% of the changes are explained by the variables entered in the model, which is a suitable value. Also, the results of Durbin-Watson's statistical estimation in order to confirm the independence of the error components show that this statistic is estimated with a value of 2.01, which is in the appropriate range of 1.5 to 2.5.
The following model was used to test H1b, stating that unsystematic risk is related to the financing behavior of companies in the Tehran Stock Exchange.

Model 2.

$$AF_{i,t} = \beta_0 + \beta_1 \text{Idiovolati}_{i,t} + \beta_2 \text{TQ}_{i,t} + \beta_3 SG_{i,t} + \beta_4 \text{SIZE}_{i,t} + \beta_5 \text{ROA}_{i,t} + \beta_6 INF_{i,t} + \beta_7 GDP_{i,t} + \varepsilon_{i,t}$$

Table 5. Results of H1b test

Variables		Coefficient	SD	T_Statistics	Sig.
intercept	β_0	-0.005	0.063699	-0.091	0.926
unsystematic risk	Idiovolati	-0.301	0.112203	-2.604	0.000
Investment opportunity	TQ	-0.124	0.034093	-3.674	0.000
Growth opportunity	SG	-0.009	0.004	-2.223	0.006

Variables		Coefficient	SD	T_Statistics	Sig.
Company size	SIZE	0.004	0.004	0.983	0.326
Return on asset	ROA	-0.557	0.225	-2.475	0.022
inflation	INF	-0.0002	0.000	-1.494	0.135
Gross domestic product	GDP	-2.61E-05	1.16E-05	-2.262	0.004
R^2		0.607	Adj. R^2		0.494
F value		5.373	D-W value		2.234
Sig.		0.000			

According to Table (5), it can be seen that the variable coefficient of unsystematic risk (Idiovolati) is -0.301 and the significance level is 0.000; so, considering that this value is lower than the alpha of the research (< 0.05), it can be said that there is a significant and negative relationship between unsystematic risk and the financing behavior of companies in the stock market. In examining the significance of the whole model, considering that the significance likelihood of the F variance test is below 0.05 (P-Value < 0.05), the significance of the whole model is confirmed at 95% confidence level. The determination coefficient of the model also shows that 60% of the changes are explained by the variables entered in the model. Also, the results of Durbin-Watson's statistic estimation in order to confirm the independence of error components showed the value of 2.23, which is in the appropriate range of 1.5 to 2.5.

5. Conclusion

The results of statistical data analysis showed that unsystematic risk has a significant and negative relationship with the policies of companies in Tehran Stock Exchange. Evaluating and investigating factors affecting the performance of companies in relation to unsystematic risk is one of the important issues of listed companies' policy. Practically, shareholders, investors and stock market traders in general have a clear interest in evaluating companies. Because, they have to decide on buying, selling, or keeping shares of companies. Therefore, it is very important to develop and test models in order to investigate the factors affecting the performance of companies. Therefore, according to the findings of this research, it will be clear that any kind of monetary policy in the macroeconomic field will lead to the changes in the performance of companies at the micro level.

Accordingly, before adopting and applying any type of monetary policy, special attention should be paid to its consequences in the stock market and the performance of companies listed in it. The findings of this hypothesis are consistent with the findings of Lee et al. (2022).

Also, the results of statistical data analysis showed that unsystematic risk has a significant and negative relationship with the financing behavior of companies in the stock market. One of the consequences of the financial crisis is that companies need to adjust their capital structure (equity and debt). During a financial crisis, banks show a tendency to lend money to existing and potential borrowers, especially large companies and companies with more tangible assets, and this increases financial costs for the borrowing companies. In addition, financing through shares and issuing shares during the financial crisis is very difficult due to a significant decrease in the profitability of companies, and financing is significantly reduced in this way. One of the influencing factors in unsystematic risk is the adoption of a wrong decision by the management or board members, which leads to a strike by the company's employees, or even the wrong decisions of the investors themselves and the behavior of financing. Also, the company's lack of up-to-datedness has caused their services and products not to be sold, and this lack of sales and acquisition of capital causes unsystematic risk, which can be controlled and compensated as mentioned. The findings of this hypothesis are consistent with Merton (1987).

According to the results, the following suggestions can be provided:
- It is suggested that small companies use more internal sources for financing; because, in the economic crisis, due to the decrease in the profitability of the companies, covering financial costs makes it difficult for these companies to continue their activities.
- It is suggested to the company managers to use the cash flow statement information and focus on liquidity management. It seems that cash flows and paying attention to them have special importance, and the content of financial reports (especially the cash flow statement) is the basis for making decisions about capital expenditures. Therefore, it seems necessary to improve the level of financial knowledge of managers in order to make a correct decision about capital expenditures.
- It is recommended to train managers in focusing on the market and long-term perspective and avoiding short-sightedness and more studies in this field.
- It is suggested to reduce unsystematic risk through diversification and formation of investment portfolio. In a well-diversified portfolio, unsystematic risk is negligible and can be ignored.

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