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Investigating the Effect of Overinvestment on Financial leverage and Liquidity of the Listed Firms in Tehran Stock Exchange

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Abstract

Overinvestment influences the financial leverage and the corporate financial system liquidity. There is a relationship between corporate leverage and overinvestment when the financial system's cash flow is high, and this causes a change in the role of financial leverage. The main objective of this paper is Investigating the effect of overinvestment on financial leverage and liquidity of the listed firms in Tehran Stock Exchange. The present study is an applied type with a correlation approach and the necessary data using the statistical population including 160 companies listed on the Tehran Stock Exchange, for the period 1393 to 1397 using the combined data method and minimal regression Squares are analyzed. The results of regression model estimation show that there is a positive and significant relationship between financial leverage and overinvestment, Liquidity also has a significant effect on the relationship between financial leverage and overinvestment.

Keywords: overinvestment, financial leverage, liquidity.

Introduction

Capital is one of the most limited economic resources of countries and for this reason, economists and financial experts are always looking for ways to use it to provide investors. The importance of investment for economic and social growth and development is such that it is considered as one of the strong levers to achieve development. One of the most important financial decisions of managers is to determine the level of cash holdings, because deviating from an optimal liquidity policy can affect the company's performance. The optimal level of liquidity is the level at which the company does not suffer due to lack of liquidity and, on the other hand, does not suffer major losses due to excess liquidity. But in formulating a liquidity policy, a point that should not be overlooked is the discussion of the impact of the policy adopted on various aspects of business. Cash management includes a wide range of activities related to collecting, maintaining and paying cash, the purpose of which is to determine the liquidity required by the business unit according to its effects (Moradi et al., 2017). It can be said that liquidity shows the ability to meet the financial obligations of the company and low liquidity ratios in a company predict bankruptcy and financial crisis. Therefore, companies with a healthy financial position are expected to disclose more and better information than companies with a lack of liquidity. The most important goal of any company is to maximize the wealth of shareholders. To this end, company managers try to increase

the market value of the company and achieve the company's goal by using different financial combinations and decisions. Although changes in shareholder wealth are affected by a variety of factors, taking advantage of investment opportunities and adopting appropriate debt and profit-sharing policies, which are among the financial decision-making tools, can improve the company's position (Abbasi Et al., 1394). Investments are made in a variety of ways, including investing in corporate stocks through the stock market. The stock exchange can play a major role in the dynamism of companies and the economy by providing the necessary mechanism for investment in the shares of companies that have the conditions to offer their shares to the public; Therefore, companies by offering shares through stock exchanges and investors by buying shares and investing in companies' shares, have the opportunity to participate in economic development, and consider themselves as a part of contributing to the development and progress of the country's economy (Abzari et al., 2008).

(Meyer, 1977) in a study, analyzed the impact of factors that arise after the debt on the optimal investment strategy of shareholders and managers. He said that as more debt increases, the incentives of the shareholder-manager coalition in controlling the company to invest in opportunities with a net positive present value decrease. Because the benefits of such investments are (at least to some extent) transferred to creditors instead of shareholders. As a result, companies with high leverage will have fewer growth opportunities than companies with lower leverage. In his theory of underinvestment, he focuses on the effects of liquidity. And states that companies with higher debt obligations invest less, regardless of the nature of their growth opportunities. Another agency problem that exists based on agency theory is overinvestment, which

is based on the conflict between managers and shareholders. Managers tend to increase the size of the company even though they have to accept weak projects and reduce shareholder wealth. If there is no surplus cash flow, the ability of managers to achieve this goal is limited, but this limitation can be overcome by financing through debt. Subsequently, the manager must pay the principal and interest of these debts in cash, which were to be used in weak projects. Therefore, leverage is a mechanism for overcoming the problem of overinvestment and justifies the negative relationship between leverage and investment in companies that have less growth opportunities. In simpler terms, theories of optimal capital structure based on agency costs state that in some cases, the inverse effect of leverage on growth increases a firm's value by preventing the manager from undertaking weak projects. Thus, the negative relationship between leverage and growth may be due to the fact that it prevents the manager from doing so in projects that he should not invest in (Jensen, 1986).

Theoretically, the debt effect can be weakened in a company that performs corrective operations and reduces its leverage, and on the other hand identifies its future growth opportunities in a timely manner. Even if it gives less incentive to invest. By recognizing the opportunities for growth ahead, the manager can reduce the leverage in advance and optimally and dilute its effect on growth (Noroush and Yazdani, 2010).

Capital structure theories state that managers of companies with good growth opportunities should choose less leverage, because if they increase their external debt, they will not be able to take advantage of their investment opportunities. As a result, there is a negative correlation between future growth and leverage, because managers of companies with high growth

opportunities will choose low leverage. Such results can be found in regressions that control growth opportunities (Harris and Raviv, 1990).

In order to analyze the value created for shareholders, cash flow is of particular importance. The status of a company's cash flows is determined by the cash inflows and outflows from the company's operating, financing, and investment activities (Frigo and Graziano, 2003). Evaluating the performance of companies has always been the focus of shareholders, investors and financial lenders such as banks, financial institutions and especially managers. Performance appraisal is assessed using liquidity and profitability indicators. Liquidity is more important because companies with low profitability or even non-profit can serve the economy for a longer period of time, but companies without liquidity have less life expectancy (Talebi, 1996). Various methods have been proposed to evaluate the profitability and liquidity of companies. One of them is the financial ratios that have been used to evaluate the business unit since the early twentieth century. Meanwhile, indicators that assess the liquidity of companies have long been of particular interest to analysts. This made it possible for analysts to present new indicators by analyzing the disadvantages of traditional indicators (Khoshtinat and Namazi, 2004). In making investment decisions, anticipating a company's cash flows is an important basis for demonstrating a company's ability for future periods. The expression of the problem and the importance of conducting research on the use of profit as a measure of firm performance due to its impact on estimates and various accounting methods and despite the theory of representation is associated with skepticism. Lack of internal resources of the company to implement investment projects increases the need for external resources, which can affect the cost of capital, profitability, the stock price of

the company and the expected return of shareholders in the future. On the other hand, maintaining internal resources in order to finance investments delays the expected return of shareholders. The ability of any company to pay dividends, finance investment projects, and even satisfy shareholders results from its ability to generate future cash flows. As a result, the impact of cash flows on stock prices and shareholder expectations is significant. According to the fundamental principle of value, economists and financial management equate the value of an asset with the present value of the cash flows derived from it; Therefore, the importance of this study is in evaluating stock prices and investment projects (Imampour and Razdar, 1396). The link between financial leverage and investment is because companies with high leverage are unlikely to be able to take advantage of their future growth opportunities. Also, companies with fewer future growth opportunities should avoid spending cash on weak projects. Because managers choose leverage based on confidential information, leverage can be a measure of growth opportunities. Companies whose leverage is higher than the industry average leverage invest less than companies whose leverage is below the industry average. Therefore, according to the issues raised, the main question of the present study is whether the overinvestment has an impact on financial leverage and liquidity in companies listed on the Tehran Stock Exchange or not?

Literature and research background

(Umut Gokcen, 2009) Measure the impact of information disclosure on expected stock returns on stocks listed on the NYSE during the period 1970 to 2011. He used the two variables price and volume to create a new standard for information. He showed information disclosure, lower future returns, beta control, size, book value to market ratio, liquidity and movement. A

short-term long-term trading strategy, based on its type, leads to an alpha information benchmark of 3 to 4 percent.

(Ogundipe et al, 2012) studied the impact of working capital management on the performance and value of companies listed on the Nigeria Stock Exchange during 1995-2009. The results of their study showed that there is a significant negative relationship between the cash conversion cycle and market value and company performance.

(Ruta and Eric, 2011) They have studied the effect of excess cash holdings and overinvestment in working capital on the value of French companies. Using the analysis of the panel data, they obtained evidence that excess cash holdings generates less wealth for shareholders than overinvestment in net working capital.

(Umutlu, 2010) Investigated the effect of leverage on investment in emerging markets. He argues that the effect of leverage on investment is important because the value of the company is determined by the cash flows expected from the investment, but the channel through which the leverage affects investment is unclear. In any case, the manager does not want the investment to be financed more through debt, because creditors also share in the outflow of investments.

Therefore, by increasing the debt ratio, the manager may not even make the appropriate investments, which leads to a decrease in the value of the company. Conversion theory for the relationship between leverage and investment arises from a conflict of interest between shareholders and the manager. Managers prefer the size of the company to grow and they increase their power in the company, even if it is at the expense of losing shareholder wealth and reducing the value of the company due to the acceptance of weak projects.

(Sung, 2009) Experimentally examined the relationship between financial leverage and investment opportunities in Chinese industrial companies. He used four ratios to measure financial leverage: debt-to-equity ratio (book value of common stock plus book value of preferred stock), debt-to-capital market value ratio (common stock market value plus preferred stock book value), ratio Long-term debt to book value of capital Book value of capital (ordinary shares plus book value of preferred stock) and the ratio of long-term debt to market value of value stock (ordinary stock market plus book value of preferred stock). The market-to-book ratio of common stock was used to measure growth opportunities. Companies were also classified according to the type of industry. He said Chinese companies with more growth opportunities were expected to be less inclined to lend. In this study, companies were also divided into two groups of large companies and small companies and a separate test was performed for each category, because it is believed that the debt-to-capital ratio has a positive relationship with company size. Also, large corporations use more debt, but small corporations use more of the firm's own funds for investments.

(Farfari and Mohammadzadeh Saleteh, 2017) Investigated the Impact of Investment Opportunities on the Relationship between Excess Cash holdings and Audit Fees. The research period was 1390-1394. The statistical population of the present study is all companies listed on the Tehran Stock Exchange, of which 90 companies have been selected as a sample. To analyze the research data, multivariate regression models of panel data in Eviews software were used. The dependent variable in this study is the audit fee and the independent variable is the maintenance of excess cash

holdings. Also, in this study, investment opportunities have been used as a moderating variable. The control variables used in this study are firm size, return on assets, losses, liquidity, market value to book value. The results of this study indicate that investment opportunities do not affect the relationship between maintaining excess cash holdings and auditing fees.

(Imampour and Razdar, 1396) studied the effect of liquidity on the level of investment in companies. One hundred companies listed on the Tehran Stock Exchange for the years 1381-1387 were studied. The year 1385 is the base year. In this paper, the effect of four variables related to operating cash flow, financing and investment on the level of investment was examined. These variables are evident in operating income, operating profit, debt ratio and changes in fixed assets. The results of regression test showed that cash flow, past operating income, operating profit, debt ratio and tangible fixed assets have a positive and significant effect on the level of investment of companies, but future operating income does not have a significant effect on investment of companies.

(Taherabadi and Yari, 2016) examined the effect of investment intensity on financial leverage in companies listed on the Tehran Stock Exchange. The type of research is descriptive and with content analysis method. The method of data collection is library resources and online articles. Research findings showed; The intensity of investment has a significant effect on financial leverage. The results of this study are consistent with the idea that companies invest in other profitable projects with negative net present value by increasing debt (financial leverage), which reduces the value of the company.

(Abbaspour, 2016) The effect of capital structure on liquidity and investment growth opportunities in companies listed on the Tehran Stock Exchange in the period 1392-1387 was examined. For this purpose, least squares regression was used to test the research hypotheses. In this study, financial leverage was selected as a dependent variable and liquidity ratios and investment growth opportunity indicators were selected as independent variables. The results of the hypothesis test showed that financial leverage has a significant effect on liquidity and growth opportunities. Hypothesis 3, however, that there is a significant effect of financial leverage on the ratio of cash flows to net profit is rejected. Also in this research, the variables of sales growth and company size were used as control variables. These variables are inversely related to the capital structure.

(Asoudeh et al, 2016) examined the impact of working capital management and liquidity management on investment efficiency. This research is a type of library and analytical study and is based on panel data analysis (panel-data). In this study, the financial information of 201 companies listed on the Tehran Stock Exchange during the period 2009 to 2014 has been reviewed (612 companies-year). Used to analyze the results obtained. The results showed that working capital management has a significant and direct effect on the investment efficiency of companies. Also, according to the analysis, liquidity management has a significant and direct impact on the investment efficiency of companies. The results showed that the current ratio has a significant and direct effect on the investment efficiency of companies. Finally, according to the analysis, we concluded that the instantaneous ratio has a significant and inverse effect on the investment efficiency of companies.

(Khosh Andam et al., 2015) studied the relationship between investment and liquidity fluctuations. The research is applied in terms of the purpose of the

research and is cross-sectional in terms of time of research and quantitative in terms of how to conduct research, descriptive, survey in terms of data type and causal and post-event. In this study, all companies listed on the Tehran Stock Exchange in the period from 2008 to the end of 2012 have been considered as a statistical population. In the present study, the model estimation method was based on integrated data, which is a combination of time series information and cross-sectional data. The software program used in this study was the Eviwse *8 software program. Findings showed that* there is a negative relationship between short-term (current) investment and liquidity fluctuations in companies listed on the Tehran Stock Exchange by considering three general conditions (financial constraints, negative liquidity growth and positive liquidity growth). And there is meaning. Due to the fact that the value of test statistics in the above three cases was more than the critical value and the level of probability was less than 0.05, the null hypothesis that there was no co-accumulation was rejected and the opposite hypothesis (co-accumulation and long-term relationship between variables) was accepted. These results show that there is a strong long-term relationship between the variables.

(Najafi et al., 2011) Due to the importance of sources of liquidity in agricultural activities, to study the factors affecting the investment of rural cooperatives in Fars province and identify appropriate tools to provide liquidity to agricultural producers. For this purpose, the investment theory was used and the statistics and data required for the study were collected from the information available in the balance sheets, capital statements and profit and loss of 32 rural cooperatives during the financial period of 2006-2007. In addition, a sample of 15 CEOs and a sample of 152 members of cooperatives were interviewed and the necessary information was collected. The results of the study showed that the amount of cash flow and cash balance play an essential role in the investment behavior of rural cooperatives in the province.Also, final profitability, unit size and debt to capital ratio are among the factors affecting investment in rural cooperatives. The results of calculating the financial management power of companies showed that managers of 33% of rural cooperatives have good financial management power. At the end of the article, a structure for financing and increasing the liquidity of rural cooperatives is proposed. The main purpose of this study is to explain how to invest in excess of financial leverage and liquidity in companies listed on the Tehran Stock Exchange. The practical purpose of this study is to investigate the relationship between overinvestment on financial leverage and liquidity. The results of this study can be used by investors in the stock market, managers in listed companies and other users inside and outside the organization.

Research Hypotheses

The following hypotheses have been designed according to the research objectives.

Hypothesis 1: There is a significant relationship between financial leverage and overinvestment.

Hypothesis 2: Liquidity has a significant effect on the relationship between financial leverage and overinvestment.

research method

This research is a quantitative research from the perspective of the implementation process (data type), an applied research from the perspective of the result of its implementation, an analytical research (from the correlation method) from the perspective of the deductive-inductive research and from the perspective of the

dimension Time is a longitudinal (post-event) research.

Community and statistical sample

To select the statistical population, companies listed on the Tehran Stock Exchange have been referred to. Despite the heterogeneity due to differences in the type of activity (commercial, service and production), the type of ownership (public and private) and the type of industry, this choice seems appropriate. Because, firstly, the financial information of the companies listed on the Tehran Stock Exchange are under the supervision and supervision of the Exchange Organization and are required to conduct an annual audit, as a result, the information in the financial statements of these companies is more quality and credible. Secondly, due to the need to implement the rules, regulations and standards of financial accounting in the preparation of financial statements, the information contained in the financial statements of these companies is more homogeneous and more comparable. The statistical population of this research is all member companies of Tehran Stock Exchange since its establishment.

In this research, the screening method of companies is used to select the desired sample. The reason for using this method is to eliminate the effect of uncontrollable phenomena and increase the comparability of companies. According to the above explanations of the study sample of this study, all companies listed on the Tehran Stock Exchange for a period of five years from the beginning of 1393 to the end of 1397 will be screened taking into account the following conditions:

1)   Company data is available.
2)   Companies whose required information is non-stop for 5 consecutive years from (1393 to 1397).

3)   Their financial period should end at the end of March.
4)   There is no change of activity or change of fiscal year during these financial years.
5)   Prior to 2014, it was accepted in the stock exchange.
6)   Banks, financial institutions, insurance companies, holding companies, investors and the like. Among the reasons for the elimination of companies and financial institutions:

6-1- There is a difference in the interpretation of financial risk (high leverage ratios) in financial and non-financial companies, so that this risk may seem abnormal for financial companies and for non-financial companies and lead to the adoption of Make incorrect decisions.

6-2- There are differences in accounting methods and estimates in financial and non-financial companies that interfere with each other may lead to erroneous results.

6-3- Lack of transparency of classification between operating activities and financing of financial and non-financial companies.

Research data were collected from the financial statements of companies through the official website of the Stock Exchange Organization and after performing appropriate classification on the data and performing calculations and initial processing in Excel software by Eviews software and using the technique Econometric studies are statistically analyzed.

Research models and variables

In this regard, research hypotheses are evaluated according to the following regression model:

Formula 1:

$$\text{INEW}_{i.t} = \alpha_0 + \alpha_1 \text{LEV}_{i.t-1} + \alpha_2 \text{CASH}_{i.t-1} + \alpha_3 \text{STOCKRETURN}_{i.t-1} + \alpha_4 \text{AGE}_{i.t-1} + \alpha_5 \text{SIZE}_{i.t-1} + \alpha_6 \text{ROA}_{i.t-1} + \alpha_7 \text{INSOWN}_{i.t-1} + \varepsilon_{i.t}$$

According to studies by researchers such as Richardson (2006), Gah et al. (2016), Hong et al. (2015) and Zhang and Su (2015), the above model has been used to calculate the amount of overinvestment in the company. Following Lee et al. (2014), we consider the positive remainder of the model ($\varepsilon\_(i.t) > 0$) as an indicator for corporate overinvestment (OVERI). The larger the positive balance, the greater the amount of overinvestment. This is the remainder of the model-dependent variable by which we measure hypotheses by considering the changing role of financial leverage and the liquidity of the financial system in overinvestment.

Formula 2:

$$\text{AVERI}_{i.t} = \alpha_0 + \alpha_1 \text{LEV}_{i.t} + \alpha_2 \text{DLIQ}_{i.t} + \alpha_3(\text{LEV}_{i.t} * \text{DLIQ}_{i.t}) + \alpha_4(\text{FCF})_{i.t} + \alpha_5(\text{OWN15})_{i.t} + \alpha_6(\text{SIZE})_{i.t} + e_{i.t}$$

DLIQ stands for liquidity. Liquidity is calculated from the ratio of current assets to current debt, and companies with a higher than average liquidity rate give code one and other companies give code zero.

Here we use the LEV variable calculated in year t and its interactive role with financial system liquidity (LEV * DLIQ) to measure the impact on overinvestment of debt, such as debts affected by financial system liquidity.

For a closer look, we estimate the model using the placement of the LEV variable with the change of the previous year's financial leverage (VARLEV). It also uses the free cash flow control variable over the company (FCF), which holds a stock deficit of 5 major shareholders (OWNE15) to control assets and financial forecasts for new investments for control by ownership concentration.

Introducing model variables:

dependent variable:

$\text{INEV}_{i.t}$: New investment of the company in year t.

independent variable:

$\text{LEV}_{i.t-1}$: Financial leverage in the previous year; Is equal to the total debt of the company divided by the total assets of the company.

$\text{CASH}_{i.t-1}$: Changes in the company's cash in the previous year, which is equal to the cash at the end of the current period minus the cash at the end of the previous period.

$\text{STOCKRETURN}_{i.t-1}$: The rate of return is time. This variable is equal to the amount of earnings from holding stocks over a specified period of time. This income is due to changes in stock prices plus any other profits.

Formula number 3:

$$R_{i.t} = \frac{P_{i.t} + 1(1 + \alpha + \beta) + P_{i.t} - (P_{i.t} + C\beta)}{(P_{i.t} + C\beta)}$$

In this model:

D: Cash dividends

P: Stock prices in the market

β: Percentage of capital increase from receivables and cash inflows

α: Percentage increase in capital from savings

C: The amount paid by the investor for the capital increase is from the place of receivables and cash flow. (New calculation software is used to calculate this variable).

Control variable:

$SIZE_{i.t-1}$: company size in previous year; Which is equal to the natural logarithm of the day value of the company's stock market.

$AGE_{i.t-1}$: Age of participation in the previous year; Is equal to the natural logarithm of the number of years a company has lived.

$ROA_{i.t-1}$: The rate of return on an asset equal to the net profit (loss) divided by the total assets

$INSOWN_{i.t-1}$: Is the percentage of institutional ownership that is equal to the total percentage of shareholders who own more than 5% of the company's shares.

Research results

Descriptive Statistics

Table 1: Results of descriptive statistics of research data

Variable	OVERI	LEV	DLIQ	LEVDLIQ	FCF	OWNERSHIP	SIZE
Mean	0/0004	0/65	0/24	0/09	0/02	72/20	14/36
Median	-0/003	0/63	0/00	0/00	0/01	76/76	14/07
Maximum	0/54	3/40	1/00	0/98	0/58	100/00	19/18
Minimum	-0/48	0/01	0/00	0/00	1/003 -	0/00	9/82
Std. Dev.	0/07	0/29	0/43	0/19	0/15	18/79	1/55
Skewness	2/11	1/77	1/16	1/94	-0/21	-1/18	0/82
Kurtosis	16/89	14/82	2/34	5/89	6/97	4/28	3/66
Jarque-Bera	6631/94	4795/57	182/95	739/44	50/611	228/51	99/17
Probability	0/00	0/00	0/00	0/00	0/00	0/00	0/00

In this table, the number of observations for each variable in the models is equal to 800 observations. The mean shows that most of the data for each variable is centered around this point. The median is one of the central indicators that shows the state of society. This index shows that half of the data is less than this value and the other half is more than this value. Dispersion parameters are generally a criterion for determining the degree of dispersion of data from each other or their degree of dispersion relative to the mean. The degree of asymmetry of the frequency curve is called skewness. If the skewness coefficient is zero, society is perfectly symmetrical, and if the skewness

coefficient is positive, there will be skewering to the right, and if it is negative, skewering to the left. The amount of kurtosis of the frequency curve relative to the standard normal curve is called protrusion or kurtosis. If the kurtosis is about zero, the frequency curve will be balanced and normal in terms of kurtosis, if this value is positive, the curve is prominent and if it is negative, it is a wide curve. The **Test hypotheses test results**

kurtosis of all these variables is positive. The positive kurtosis coefficients indicate that it is higher than the normal distribution and the data is centered around the mean.

Finally, the jarque-bera test for abnormal distribution for the research variables shows that the calculated error level is less than 0.05.

Hypothesis 1: There is a significant relationship between financial leverage and overinvestment.

Hypothesis 2: Liquidity has a significant effect on the relationship between financial leverage and overinvestment.

Table 2: Research Hypothesis Test Results

Variable	Coefficient	Sts. Error	t-Statistic	Prob
LEV	0/36	0/10	3/47	0/00
DLIQ	-0/45	0/16	-2/85	0/00
LEV*DLIQ	1/10	0/31	3/51	0/00
FCF	0/34	0/20	1/71	0/08
OWNERSHIP	0/01	0/004	3/57	0/00
SIZE	-0/0001	0/04	-0/003	0/99
C	-1/27	0/76	-1/66	0/09
F-sraristic	12/95	**Durbin-Watson**		2/48
Prob(F-statistic)	0/00	**Adjusted R-squared**		0/71

In evaluating the significance of the model, considering that the probability value of F statistic is less than 0.05 (0.00), with 95% confidence, the significance of the whole model is confirmed and has a high validity. The coefficient of determination of the model also indicates that 71% of the changes of the dependent variable are explained by the independent and control variables entered in the model. Also, the value of the Durbin-Watson statistic should

be between 1.5 and 2.5, which in this study is 2.46, which indicates that there is no correlation in its disruption component. Given that the independent variable LEV (financial leverage) has a probability of less than 0.05, so it can be said that there is a significant relationship between financial leverage and overinvestment. Therefore, the first hypothesis of the research will be accepted.

Regarding the acceptance or non-acceptance of the second hypothesis, it can be said that because the interactive variable LEV * DLIQ (interactive variable) has a probability of less than 0.05, so it can be said that liquidity has a significant effect on the relationship between financial leverage and overinvestment. Therefore, the second hypothesis of the research will be accepted.

Summary and Conclusion

In this study, financial leverage and liquidity of independent variables and overinvestment are considered as dependent variables. This research is in the category of applied research. The data of this study were done by collecting sample companies with reference to financial statements, explanatory notes on the official website of Tehran Stock Exchange, which was selected as a statistical sample using the screening method of 160 companies. Descriptive statistics and inferential statistics were used to analyze the statistical data, for which Eviews software was used.The summary of research results is as follows:

Table 3: Research Hypothesis Test Results

Hypothesis	Description	Conclusion
First	There is a significant relationship between financial leverage and overinvestment.	Confirmed
Second	Liquidity has a significant effect on the relationship between financial leverage and overinvestment.	Confirmed

Suggestions based on research results

According to the research results, users of financial reports should know what is the function of financial leverage to invest capital in listed companies so that they can be more careful in the overinvestment that the company makes in order to make better investments in the stock market. And considering the impact of liquidity on the relationship between financial leverage and overinvestment, it is suggested that managers use the results of this study to determine the appropriate level of liquidity. In determining the value of overinvestment, shareholders should also pay attention to the investment opportunities ahead or the amount of liquidity in companies, and for companies that have few investment opportunities ahead or are facing overinvestment, such things as the amount of investment In capital assets, consider dividend policies and financial ratios. Companies should also disclose more information about the factors affecting financial leverage. Because, as the results of the present study show, with the increase of companies 'financial leverage, the amount of companies' overinvestment increases. Due to the complex process of calculating overinvestment in this research based on econometric models, it is proposed to facilitate access of analysts, researchers and investors and other users to the mentioned variables, software companies that provide financial information of companies and stock exchanges. Provide securities, calculate the variables and provide them to users to make financial decisions and academic research more quickly. For future research, it is suggested that the most appropriate method of measuring financial leverage and growth opportunities in companies listed on the Tehran Stock Exchange or other companies, taking into account factors such as production, company size and type of industry may be appropriate.

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