LIQUIDITY RISK AND THE RELATIONSHIP BETWEEN INSTITUTIONAL OWNERSHIP IN BANKS AND FINANCIAL INSTITUTIONS LISTED IN THE TEHRAN STOCK EXCHANGE

[a]FATEME NAJAFI, [b]BABAK JAMSHIDINAVID

[a] *Department of Accounting, Collage of Humanities, Kermanshah science and Research Branch, Islamic Azad University, Kermanshah, Iran*
[b] *Department of Accounting, College of Humanities, Kermanshah Branch, Islamic Azad University, Kermanshah, Iran*
Email: [a]fatemehnajafi12@gmail.com,
[b]jamshidinavid@iauksh.ac.ir

Abstract: The research main aim is study of relationship between liquidity risk and institutional ownership in banks and accepted financial institutes in Tehran Stock Exchange. This research is implicational based on its aim, is descriptive and measurable based on its nature, is correlative based on its methodology, and has padding data and squaring Regression which have been used to analyze research data. Research statistic sample includes all banks and accepted financial institutes in Tehran Stock Exchange. Research conclusions indicate that there aren`t any positive meaningful relationships between these elementary standards: liquidity risk (cash money includes foreign exchange and coins, short-term investments, partnership stocks for sale, and demand deposits in banks) and institutional ownership.

Keywords: Liquidity risk, Cash money, short-term deposits, demand deposits, short-term investments, institutional ownership

1. Introduction

One of the risk kinds in banking industry is liquidity risk which directly causes damages to banks because of unsuitable management. Liquidity risk includes risk lack of necessary liquidity for short-term commitments` coverage and outputs` money. Keeping desirable level of cashing is banks` duties, if banks don`t consider it, their liquidity risk will increase. So, successful desire or indirect activity are related to banks` abilities in liquidity exhibition to customers (Saeidi and ShaebaniMotlagh, 2012).

Institutional shareholders in recent decades have been important members of asset markets in most countries of world. So, most contents of investments have been done by these institutes. In fact, institutional investors are sources to supervise corporations and are the ways to solve representation problem through institutional ownership which approximate relationship between corporations` managers and beneficiaries (Kim 1993). Based on Bush description (2000), institutional investors are major investors such as banks, insurance corporations, investment corporations, and retirement boxes. It is believed that institutional investors` presences will cause change in corporations` behaviors that will originate from supervising activities which are done by these investors (Walery and Jinkinz, 2006).

The main problem of the research is whether liquidity risk plays an effective role on institutional ownership of banks and accepted financial institutes in Tehran Stock Exchange or not? And how can the effect of effective variables on liquidity risk and institutional ownership of banks and accepted financial institutes in Tehran Stock Exchange in time duration of research investigation be?

The research is important because humans` decisions are along with limitations in information. The limitations will increase risk level and have effective roles in decisions, so risk level determination and its management are important for decision makers. (Doorlaf and Bollom, 2008). Based on experimental witnesses most investors are running away from risk and want extra returns to accept more risks. So, risk investigation in financial management is one of the main decision. Existence of big moderators such as institutional investor can solve agency problems because of his ability in economic advantage benefit originated from criterions (Diamond, 1984). Glaston and

Millgroom (1985), believed that institutional existence with information advantage will cause personnel costs for unknowledgeable investors and liquidity will decrease.

The main problem of the research is determining relationship between liquidity risk standards and institutional ownership in the accepted corporations in Tehran Stock Exchange.

Research Background

Ahmadpoor and et al. (2011), in their research investigated corporation government effect and auditing quality on financial security cost through liability. The research conclusions showed that chief institutional shareholders` existences in investors` compositions and their activities supervisions would have meaningful decrease effect on liability cost of statistic sample corporations while auditing quality didn`t have such effects.

Mehrmanesh and Jadehkenari (2014), investigated relationship between institutional ownership and share price fluctuations in the accepted corporations in Tehran Stock Exchange. The research conclusions indicated positive meaningful relationship between institutional ownership and increase fluctuations of shares` prices, while there is no confirmed bilateral and mutual relationship between ownership and pricefluctuations.

Long and Moft (2011), investigated relationship between information transparency and lack of liquidity insurance in crisis duration. Used standards to evaluate information transparency were based on accounting standards, auditor choice, profit management, observing analyst and anticipation accuracy. The research conclusions indicated negative relationship between information transparency and different standards lack of liquidity insurance such as liquidity changeability and corporation liquidity correlation with market liquidity and market return.

Zoorigat (2011), investigated ownership structure effect on auditing quality in Jordon accepted corporations. Research conclusions indicated positive meaningful relationship between institutional ownership and ownership concentration with auditing quality. While external ownership indicated negative and lack of meaning relationship with auditing quality.

Antonius (2013), investigated study of auditor choice characteristics with institutional investors. French corporations from 2006 to 2011 were the research statistic sample and research conclusions described positive relationship between external institutional investors and auditing quality.

2. Conceptual and Operational Definitions of Research Variables

Liquidity Risk (Independent Variable):

Liquidity risk in banks (demand coverage of cash money) is cash money for investors to indicate that:

How much do banks have ability to cover demand? Whether banks can answer investors to receive their received deposits or not? If this amount is high, bank liquidity risk will fall. The way to calculate this amount is brought in follow (Ardakani and et.al 2015):

Cash it: includes foreign exchanges and coins

Securities for sale it: short-term investments and partnership stocks for sale

Demand Deposit it: demand deposits in banks

Short-term Deposits it: People`s short-term deposits in banks

Short-term loan it: total short-term loans of banks` acceptance

Total Assets it: total assets

Cash Money Such as Foreign Exchanges and Coins:

Based on Iran standard 2 of accounting standards, cash money is cash stock and demand deposits in banks and financial institutes in both Rials and foreign exchanges (include short-term investment deposits without any receipts).

Short-term Investments and Partnership Stocks for Sale:

Short-term investments are investments which can be sold easily or change to cash money and have been situated for one year. These investments are categorized in balance sheet as financial assets, so based on it finished cost or market price are reflected in financial statements. Partnership stocks for sale enforce corporations to establish stocks before determined contract nuisance with sale definite price.

These stocks` prices are more than nominal values which have extra amounts payments over nominal value and are called sale expenditure.

Demand Deposits in Banks: Demand (flow) deposits are deposits which banks should give back based on their money owners demands.

People`s Short-term Deposits in Banks: Deposits usually form big part of banks` liabilities. Customers ` deposits indicate accepted amount of money from national money sources or foreign exchange. Amount, usance date, resistance, and foreign exchange type are topics which should be considered in the expense time of the sources.

Total Short-term loans of Banks` Acceptances: Main important asset of each corporation usually is get by short-term loans that are get by paid sources in one year or less than it and is used for temporary investment protection in used flow assets.

Institutional Ownership (Dependent variable): Based on presented definition by Azibi and et.al (2010), institutional ownership is collection of shares in banks, insurances, holdings, investments corporations, retirement salaries, assets securements corporations, investments boxes, organizations, governmental institutes, governmental corporations and corporations' shareholders. Rhimian (2012), suggested following formula:

$$S\_i=(s\_(i^{\wedge})/s) \tag{1}$$

Si: Institutional Owners` stocks, S: Total corporations` shares, Controlling Variables:

Assets Returns: Assets returns are received by net profit divisions (profit after tax deduction) over banks assets collection.

(ROA) Assets returns= net profit / banks assets collection

Bank Size (SIZE): In this research incomes collection of banks durations ends are considered as measuring criterion of banks sizes. To evaluate bank size, natural logarithm of bank value (summation of duration end incomes) is used in duration end (Dang Wazhang 2008). However, Zimerman (1983), used summation logarithm of sale incomes as corporation size factor. Corporation size is calculated by following formula:

$$〖SIZE〗\_(it)=LN(〖Incom〗\_it) \tag{2}$$

SIZE: corporation size, MV: corporation market value, i: investigating corporation, t: investigating year

Research Methodology

In the research RahnavardNovin software has been used to gather data because of insufficient data in information bank, formal site of Tehran Stock Exchange (Codal Site) have been considered. At first RahnavardNovin software has been used to calculate independent variable data, liquidity risk which includes foreign exchange and coins, short-term investments and partnership stocks for sale, demand deposits in banks, people`s short-term deposits in banks, total short-term loans of banks` acceptances as assessment criterions of liquidity risk which are equal to weighting. Data extraction from RahnavardNovin enter Excel and are formulated for test hypotheses. Then to get other variable data, institutional ownership which is dependent variable in the research data extraction from RahnavardNovin enter Excel and are formulated for test hypotheses.

To get two controlling variables such as bank size and assets returns, at first natural logarithm of bank total incomes has been used to calculate corporation size variables. Then to receive assets returns variables, net profit ratio (profit after tax deduction) on total bank asset has been used.

Statistical analyses are done by computes` software's. To test research hypotheses Regression analysis is used, models` meaningfulness are estimated by t-statistic, data measuring standard is a negative standard and relative standard shows highest and the most accurate measuring level. Research theoretical bases and backgrounds are collected analogically by library, other researches and internet, however, for research hypotheses acceptances or rejections statistical methodologies are used. Research aim is correlation relationship recognition between liquidity risk and institutional ownership, however, this research includes all researches which investigated relationship between different variables with use of correlation coefficient. So, correlation coefficient is an accurate indicator which indicate how variables changes depend on other variables.

The research can be past viewer or future viewer in term of its time duration. Totally, it can be said that if data gathering is related to the past event, research design will be past viewer, so this research is a past viewer one.

3. Statistic Population

Statistic population are all elements and people in a geographical criterion (world or region) that have one or several similar characteristics (Hafeznia and Sarmad 2003). The research considers all banks and accepted financial institutes in Tehran Stock Exchange that include 11 banks. Research data have been gathered by RahnavardNovin and formal site of Tehran Stock Exchange (Codal Site).

Table 1: Banks` names of research

Saman Bank
EtebaryToseah
EtebaryAskarieh
EghtesadNovin Bank
Parsian Bank
Pasargad Bank
Tejart Bank
Sina Bank
Iran Saderat Bank
Karafarin Bank
Melat Bank

4. Data Gathering Methodology

In this research library method has been used to gather data, it means internal and external publication sources in books and internet that have been used. Needed data to calculated research variables have been extracted by information bank of Rahavard Novin software. To compensate insufficient data in information bank, formal site of Tehran Stock Exchange has been used. Two software's Excel and Eviews have been used to process and analyze research data. While Eviews is an appropriate software of measuring economic. So, it is better to use it to analyze data.

5. Hypotheses Tests

Table2: First Sub-hypothesis Test conclusions

$SI1_{it} = 5/69 - 4/74C_{it} - 1209ROA_{it} + 8/45\ SIZE_{it}$					
Meaningful level	t amount	Standard error	coefficient	Independent variable	Dependent variable
0.327	-0.987	4.8	-4.74	Cash money	Institutional ownership
0.00	-3.86	328	-12.09	Assets returns	
0.041	2.09	4.03	8.45	Corporation size	
0.893	0.134	42.39	5.69	Fixed amount	
0.304			Determination coefficient		
7.45			Fisher test		
0.00			Fisher meaningful level		
2.27			Watson Doorbin		

While Chow test is meaningful, so modulation methodology has been used to test research hypotheses. Data have been categorized to analyze in pudding way. Above table conclusions show the test squares to estimate model and vif amount indicated lack of any linear problem between independent variables.

Conclusions indicate that Watson Doorbin amount is 2.27, this conclusions describe that variables errors are independent from each other and there is no correlation between them. In the above table, determination coefficient amount is 0.304 which shows that independent variable with 30.4 percent amount has been justified. In otherwise, anticipation ability of dependent variable is 30.4 percent. Meaningful level of Fisher test describes that model in this hypothesis is meaningful. Meaningful level of t-test for cash money variable such as foreign exchange and coins is more than 0.050 (0.327). So, dependent variable hasn`t been affected by it. Finally, H0 is accepted and H1 is rejected, there is no positive meaningful relationship between foreign exchange and coins with institutional ownership.

5.1 First Sub-hypothesis Test:

There is a positive meaningful relationship between foreign exchange and coins with institutional ownership.

H0:There is no positive meaningful relationship between foreign exchange and coins with institutional ownership.

H1:There is a positive meaningful relationship between foreign exchange and coins with institutional ownership.

5.2 Second Sub-hypothesis Test

There is a positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.

H0: There is no positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.

H1: There is a positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.

Table3: Second Sub-hypothesis Test conclusions

$SI1_{it} = -30/94 + 5/13SS_{it} - 920ROA_{it} + 1/047SIZE_{it}$					
Meaningful level	t amount	Standard error	Coefficient	Independent variable	Dependent variable
0.235	1.19	4.28	5.13	Cash money	Institutional ownership
0.0017	-3.31	277	-920	Assets returns	
0.797	0.257	4.06	1.047	Corporation size	
0.449	-0.777	39.42	-30.94	Fixed amount	
0.311			Determination coefficient		
7.67			Fisher test		
0.00			Fisher meaningful level		
2.29			Watson Doorbin		

While Chow test is meaningful, so modulation methodology has been used to test research hypotheses. Data have been categorized to analyze in pudding way. Above table conclusions show the test squares to estimate model and vif amount indicated lack of any linear problem between independent variables.

Conclusions indicate that Watson Doorbin amount is 2.29, this conclusions describe that variables errors are independent from each other and there is no correlation between them. In the above table, determination coefficient amount is 0.311 which shows that independent variable with 31.1 percent amount has been justified. In otherwise, anticipation ability of dependent variable is 31.1 percent. Meaningful level of Fisher test describes that model in this hypothesis is meaningful. Meaningful level of t-test for short-term investments and partnership stocks for sale variables is more than 0.050 (0.235). So, dependent variable

hasn`t been affected by it. Finally, H0 is accepted and H1 is rejected, there is no positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.

5.3 Third Sub-hypothesis Test

There is a positive meaningful relationship between demand deposits in banks and institutional ownership.

H0:There is no positive meaningful relationship between demand deposits in banks and institutional ownership.

H1:There is a positive meaningful relationship between demand deposits in banks and institutional ownership.

Table4: Third Sub-hypothesis Test conclusions

$SI1it = -408 + 2.16DDit - 925ROAit + 2.22SIZEit$					
Meaningful level	t amount	Standard error	Coefficient	Independent variable	Dependent variable
0.357	0.928	2.23	2.16	Cash money	
0.002	-3.24	284	-925	Assets returns	Institutional ownership
0.566	0.576	3.84	2.22	Corporation size	
0.916	-0.104	38.93	-4.08	Fixed amount	
0.303				Determination coefficient	
7.4				Fisher test	
0.00				Fisher meaningful level	
2.35				Watson Doorbin	

While Chow test is meaningful, so modulation methodology has been used to test research hypotheses. Data have been categorized to analyze in pudding way. Above table conclusions show the test squares to estimate model and vif amount indicated lack of any linear problem between independent variables.

Conclusions indicate that Watson Doorbin amount is 2.35, this conclusions describe that variables errors are independent from each other and there is no correlation between them. In the above table, determination coefficient amount is 0.303 which shows that independent variable with 30.3 percent amount has been justified. In otherwise, anticipation ability of dependent variable is 30.3 percent. Meaningful level of Fisher test describes that model in this hypothesis is meaningful. Meaningful level of t-test for demand deposits variables is more than 0.050 (0.357). So, dependent variable hasn`t been affected by it. Finally, H0 is

accepted and H1 is rejected, there is no positive meaningful relationship between demand deposits and institutional ownership.

5.4 Fourth Sub-hypothesis Test

There is a positive meaningful relationship between people`s short-term deposits in banks and institutional ownership.

H0:There is no positive meaningful relationship between people`s short-term deposits in banks and institutional ownership.

H1:There is a positive meaningful relationship between people`s short-term deposits in banks and institutional ownership.

Table5: Fourth Sub-hypothesis Test conclusions

$SI1it = -59.38 - 3.28STDit - 1022ROAit + 10.83SIZEit$					
Meaningful level	t amount	Standard error	Coefficient	Independent variable	Dependent variable
0.050	-2.14	1.63	-3.28	Cash money	
0.00	-3.94	259	-1022	Assets returns	Institutional ownership
0.004	2.97	3.64	10.83	Corporation size	
0.175	-1.37	43.21	-59.38	Fixed amount	
0.340				Determination coefficient	
8.78				Fisher test	
0.00				Fisher meaningful level	
2.17				Watson Doorbin	

Data have been categorized to analyze in pudding way. Above table conclusions show the test squares to estimate model and vif amount indicated lack of any linear problem between independent variables.

Conclusions indicate that Watson Doorbin amount is 2.17, this conclusions describe that variables errors are independent from each other and there is no correlation between them. In the above table, determination coefficient amount is 0.340 which shows that independent variable with 34 percent amount has been justified. In otherwise, anticipation ability of dependent variable is 34 percent. Meaningful level of Fisher test describes that model in this hypothesis is meaningful. Meaningful level of t-test for people`s short-term deposits in banks variables is less than

0.050 (0.357). So, dependent variable has been affected by it. Finally, H0 is rejected and H1 is accepted, there is a positive meaningful relationship between people`s short-term deposits in banks and institutional ownership.

5.5 Fifth Sub-hypothesis Test

There is a positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership.

H0: There is no positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership.H1:There is a positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership.

Table 6: Fifth Sub-hypothesis Test conclusions

$SIIit = 4.14-6.83STLit - 1380ROAit + 11.5SIZEit$					
Meaningful level	t amount	Standard error	Coefficient	Independent variable	Dependent variable
0.034	-2.17	3.14	-6.83	Cash money	Institutional ownership
0.00	-4.51	305	-1380	Assets returns	
0.002	3.16	3.63	11.5	Corporation size	
0.911	0.111	37.06	4.14	Fixed amount	
0.351			Determination coefficient		
9.22			Fisher test		
0.00			Fisher meaningful level		
2.21			Watson Doorbin		

While Chow test is meaningful, so modulation methodology has been used to test research hypotheses. Data have been categorized to analyze in pudding way. Above table conclusions show the test squares to estimate model and vif amount indicated lack of any linear problem between independent variables.

Conclusions indicate that Watson Doorbin amount is 2.21, this conclusions describe that variables errors are independent from each other and there is no correlation between them. In the above table, determination coefficient amount is 0.351 which shows that independent variable with 35.1 percent amount has been justified. In otherwise, anticipation ability of dependent variable is 35.1 percent. Meaningful level of Fisher test describes that model in this hypothesis is meaningful. Meaningful level of t-test for total short-term deposits of banks` acceptances variables is less than 0.050 (0.357). So, dependent variable has been affected by it. Finally, H0 is rejected and H1 is accepted, there is a positive meaningful relationship between total short-term deposits of banks` acceptances and institutional ownership.

Table 7: All Hypotheses Conclusions

conclusions	Hypotheses interpretations	Hypotheses
H0 is accepted	There is a positive meaningful relationship between foreign exchange and coins with institutional ownership.	First hypothesis
H0 is accepted	There is a positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.	Second hypothesis
H0 is accepted	There is a positive meaningful relationship between demand deposits in banks and institutional ownership.	Third hypothesis
H0 is rejected	There is a positive meaningful relationship between people`s short-term deposits in banks and institutional ownership.	Fourth hypothesis
H0 is rejected	There is a positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership.	Fifth hypothesis

6. Discussion

6.1 First sub-hypothesis conclusions

For the first hypothesis, there is a positive meaningful relationship between foreign exchange and coins with institutional ownership, modulating and least squares methods have been used. Watson Doorbin test conclusions indicate that existence of correlation hypothesis among its statements is rejected, however, Fisher test conclusions describe that the model is credible to analyze its conclusions. Determination coefficient interprets that dependent variable (institutional ownership) has been justified about 30 percent. T-statistic conclusions of this hypothesis describes that amount of meaningful level for foreign exchange and coins is more than 0.050 (0.327), so foreign exchange and coins can`t effect on institutional ownership. Finally, this hypothesis is rejected, there is no positive meaningful relationship between foreign exchange and coins with institutional ownership.

This hypothesis conclusions are related to Ahmadpoor (2011) conclusions, he found that lack of existence of monetary market and effective and suitable monetary instruments are two factors in inability of liquidity extra management in Islamic countries, this research concluded that some of the standards of monetary instruments after their adaptations with Islamic doctrine should be used for liquidity extra management in Islamic banking.

6.2 Second sub-hypothesis conclusions

For the second hypothesis, there is a positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership, modulating and least squares methods have been used. Watson Doorbin test conclusions indicate that existence of correlation hypothesis among its statements is rejected, however, Fisher test conclusions describe that the model is credible to analyze its conclusions. Determination coefficient interprets that dependent variable (institutional ownership) has been justified about 31percent. T-statistic conclusions of this hypothesis describes that amount of meaningful level for foreign exchange and coins is more than 0.050 (0.235), so short-term investments and partnership stocks for sale can`t effect on institutional ownership. Finally, this hypothesis is rejected, there is no positive meaningful relationship between short-term investments and partnership stocks for sale with institutional ownership.

Institutional investors as main corporations` owners are responsible for effecting on corporations ` managements to play effective roles on their investment effectiveness. This hypothesis can be related to Tesay and Goo (2007) conclusions, they investigated relationship between institutional ownership and corporations` operations from 1999 to 2003. They found that institutional investors in investigating corporations may help investments to decrease representative problems resulted from division management and ownership. Moreover, financial

institutes try to invest in big corporations with lower financial levers.

6.3 Third sub-hypothesis conclusions

For the third hypothesis, there is a positive meaningful relationship between demand deposits in banks and institutional ownership, modulating and least squares methods have been used. Watson Doorbin test conclusions indicate that existence of correlation hypothesis among its statements is rejected, however, Fisher test conclusions describe that the model is credible to analyze its conclusions. Determination coefficient interprets that dependent variable (institutional ownership) has been justified about 30percent. T-statistic conclusions of this hypothesis describes that amount of meaningful level for foreign exchange and coins is more than 0.050 (0.357), so demand deposits in bankscan`t effect on institutional ownership. Finally, this hypothesis is rejected, there is no positive meaningful relationship between demand deposits in banks and institutional ownership.

This hypothesis conclusions are related to Rifky (2010) conclusions, he investigated investors` liquidity behavior of Islamic banks through three motivations areas: opening account, behavior in response to deposit and decision for money removal. He found that Islamic banks should know their duties in educating banking contents based on Islamic rules because most of the liquidity problems of Islamic banks are resulted from investors` incorrect expectations.

6.4 Fourth sub-hypothesis conclusions

For the fourth hypothesis, there is a positive meaningful relationship between people`s short-term investments in banks and institutional ownership, modulating and least squares methods have been used. Watson Doorbin test conclusions indicate that existence of correlation hypothesis among its statements is rejected, however, Fisher test conclusions describe that the model is credible to analyze its conclusions. Determination coefficient interprets that dependent variable (institutional ownership) has been justified about 34 percent. T-statistic conclusions of this hypothesis describes that amount of meaningful level for foreign exchange and coins is less than 0.050 (0.050), so people`s short-term investments in bank scan effect on institutional ownership. Finally, this hypothesis is not rejected, there is a positive meaningful relationship between people`s short-term investments in banks and institutional ownership. This hypothesis shows that increase in people`s short-term investments in banks will lessen institutional ownership (no related research to this hypothesis has been found).

6.5 Fifth sub-hypothesis conclusions

For the fifth hypothesis, there is a positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership, modulating and least squares methods have been used. Watson Doorbin test conclusions

indicate that existence of correlation hypothesis among its statements is rejected, however, Fisher test conclusions describe that the model is credible to analyze its conclusions. Determination coefficient interprets that dependent variable (institutional ownership) has been justified about 35 percent. T-statistic conclusions of this hypothesis describes that amount of meaningful level for foreign exchange and coins is less than 0.050 (0.034), so total short-term loans of banks` acceptances can effect on institutional ownership. Finally, this hypothesis is not rejected, there is a positive meaningful relationship between total short-term loans of banks` acceptances and institutional ownership. This hypothesis shows that increase in total short-term loans of banks` acceptances will lessen institutional ownership (no related research to this hypothesis has been found).

7. Conclusions

Many researches have been done based on institutional ownership which indicated that these owners should concentrate on economical operations and avoid opportunist situations. Liquidity risk is one of the fundamental doctrine in management of financial operations, as indicated in recent credible crisis, lack of liquidity can fall biggest banks and financial institutes. Lack of assets sales possibilities with expected prices or suitable costs are very dangerous. Although, this research conclusions indicate that risk liquidity doesn`t have more effect on institutional ownership kind. If it had effect, this effect would decrease institutional ownership.

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