The Impact of Stock Liquidity and Dividend Policy on Firm Value: Evidence from Companies Listed on the Tehran Stock Exchange

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Abstract: *This research investigates the impact of stock liquidity, dividend policy, firm size, leverage, and profitability on firm value for companies listed on the Tehran Stock Exchange between 2016 and 2022. Using panel data from 101 companies and employing the ordinary least squares (OLS) method through Eviews software, the study tests hypotheses to explore these relationships. Descriptive statistics suggest that stock liquidity, dividend policy, firm size, and profitability are positively correlated with firm value, while leverage has a negative correlation. The results confirm that stock liquidity, dividend policy, firm size, and profitability significantly increase firm value, whereas leverage negatively impacts firm value. The regression model explains 70% of the variance in firm value, indicating a strong relationship between the independent variables and the dependent variable. Practical suggestions include enhancing stock liquidity, maintaining stable dividend policies, focusing on firm growth, and controlling leverage to improve firm value. This study contributes to the literature on corporate finance and provides actionable insights for companies in emerging markets.*

Keywords: *Stock Liquidity, Dividend Policy, Firm Value, Corporate Finance.*

I.   Introduction

In financial markets, stock liquidity and dividend policy are two key factors that investors and analysts scrutinize when evaluating a company's value. Understanding their influence on firm value is critical because both liquidity and dividends directly reflect a firm's financial health and its potential for growth. Stock liquidity, in particular, is a crucial factor for investors, as it represents the ease with which shares can be bought and sold without significantly impacting the price. Liquidity can reduce transaction costs, increase investor confidence, and make a company's stock more attractive. Dividend policy, on the other hand, signals how well a company is performing and its commitment to returning value to

shareholders. A well-established dividend policy can signal stability and strong financial performance, whereas irregular or no dividends might indicate underlying financial weaknesses. Additionally, the Tehran Stock Exchange (TSE), as the largest stock market in Iran, plays a significant role in shaping the financial landscape, and companies listed on this exchange provide a valuable context for studying these financial factors.

Despite the importance of these elements, the relationship between stock liquidity, dividend policy, and firm value is not well-explored in emerging markets such as Iran, where market dynamics differ significantly from those in developed markets. The volatility and regulatory structure in emerging markets like the TSE introduce unique challenges and opportunities. Moreover, factors such as inflation, economic sanctions, and political uncertainty can magnify the impact of liquidity and dividend policy on firm value. The gap in the existing literature on this subject highlights the need for further research, particularly within the context of the Tehran Stock Exchange.

The primary research question guiding this study is: How do stock liquidity and dividend policy impact the firm value of companies listed on the Tehran Stock Exchange?

Answering this question is crucial for several reasons. First, understanding the effect of liquidity on firm value can help investors make informed decisions regarding which companies to invest in. High liquidity generally attracts more investors because they can enter and exit the market more easily, which can drive up stock prices and firm value. Conversely, firms with lower liquidity may struggle to attract investment, potentially lowering their value in the market. Second, dividend policy has long been a contentious issue in finance theory, with different schools of thought arguing for or against the relevance of dividends in determining firm value. The "dividend irrelevance theory," proposed by Miller and Modigliani, suggests that dividend policy should not affect a firm's value in a perfect market. However, in reality, market imperfections such as taxes, agency costs, and asymmetric information make dividends a significant determinant of firm value. Studying these dynamics in the Iranian market, which is characterized by unique economic and financial structures, offers a novel contribution to the broader literature.

This research is particularly important for companies and policymakers. For companies, understanding how stock liquidity and dividend policy affect firm value can inform strategic decisions regarding stock issuance, buybacks, and dividend distribution. For policymakers, the findings could help shape regulations that promote greater liquidity in the market, enhancing overall market efficiency. Furthermore, educational institutions and scholars can benefit from

this research by using the findings as a basis for further studies, particularly in emerging markets. The innovation of this research lies in its focus on the Tehran Stock Exchange, which remains understudied compared to major stock exchanges around the world. By analyzing the relationship between stock liquidity, dividend policy, and firm value in this unique context, the research aims to fill a gap in the literature while providing actionable insights for various stakeholders in the financial market.

Research Hypotheses Given that this research focuses on the relationship between stock liquidity, dividend policy, and firm value, the hypotheses are formulated as follows:

1. Hypothesis 1: Stock liquidity has a positive and significant impact on firm value.
2. Hypothesis 2: Dividend policy has a positive and significant impact on firm value.
3. Hypothesis 3: Stock liquidity and dividend policy together have a significant effect on firm value.
4. Hypothesis 4: Control variables such as firm size, leverage, and profitability significantly influence firm value.

These hypotheses are designed to test the impact of liquidity and dividend policies on firm value while accounting for important control variables that may influence the results.

Scientific Objectives The scientific objectives of this research correspond to the hypotheses and are outlined below:

1. To analyze the effect of stock liquidity on firm value in companies listed on the Tehran Stock Exchange.
2. To investigate how dividend policy influences firm value.
3. To examine the combined effect of stock liquidity and dividend policy on firm value.
4. To assess the role of control variables such as firm size, leverage, and profitability in determining firm value.

These objectives aim to provide a comprehensive understanding of how both liquidity and dividend policies impact firm value, while also considering other factors that may influence the results.

Research Scope The subject scope of this research focuses on analyzing the impact of stock liquidity and dividend policy on firm value. The temporal scope of the research extends from 2017 to 2023, a period marked by significant fluctuations in the Iranian financial market due to various internal and external factors. The spatial scope is limited to companies listed on the Tehran Stock Exchange, providing a unique insight into the dynamics of an emerging

market. The Tehran Stock Exchange, as the largest exchange in Iran, serves as a vital indicator of the country's economic health and offers a broad sample of firms for analysis.

Application of Research Findings The findings from this research have significant implications for various sectors. In educational institutions, the results could be used to inform curriculum development in finance courses, particularly in emerging market finance. The study could serve as a case study for students looking to understand the intricacies of stock market behavior in less developed markets. Additionally, it could provide a foundation for further academic research, leading to new insights and advancements in finance theory, especially in the context of emerging markets like Iran.

For executive bodies and policymakers, the research findings could guide the formulation of policies that encourage stock market liquidity and create more stable and predictable dividend policies. Policymakers could develop incentives for companies to improve their stock liquidity, which could, in turn, increase investor confidence and participation in the stock market. Moreover, regulatory bodies could use the findings to ensure that companies maintain consistent dividend policies that align with broader market stability goals.

For companies listed on the Tehran Stock Exchange, understanding the influence of stock liquidity and dividend policy on firm value is crucial for strategic decision-making. Firms can use the research findings to optimize their liquidity by implementing stock buyback programs or stock splits to enhance marketability. Similarly, companies can adjust their dividend policies to signal financial stability and growth potential, which can attract investors and increase firm value. The insights from this research can help firms balance between retaining earnings for reinvestment and distributing dividends to shareholders.

In conclusion, this research provides valuable insights into the relationship between stock liquidity, dividend policy, and firm value, with far-reaching implications for investors, companies, policymakers, and academic institutions. The findings will contribute to a deeper understanding of the financial dynamics within the Tehran Stock Exchange and offer practical recommendations for improving market efficiency and firm performance.

II.   Literature review

Stock liquidity refers to the ease with which shares of a company can be bought or sold in the stock market without affecting the stock price. Liquidity is essential for investors as it provides flexibility and reduces the costs associated with entering or exiting positions in a stock. In highly liquid markets, investors can transact large quantities of shares without a significant change in stock prices. Liquidity is a crucial factor that contributes to a company's

attractiveness in the market, as it impacts the valuation, cost of equity, and overall investor confidence. High liquidity tends to lower transaction costs and risks associated with price fluctuations, making it easier for investors to participate in the market. Conversely, illiquid stocks often suffer from wide bid-ask spreads, meaning that buying or selling shares can be expensive and time-consuming, which in turn can negatively affect the firm's stock price and, ultimately, its value.

Dividend policy, on the other hand, is a company's approach to distributing profits to its shareholders in the form of dividends. Companies have different approaches to dividend payouts, ranging from stable and regular dividend payments to irregular or no dividends at all. Dividend policy is often used as a signaling tool by firms to communicate their financial health and future prospects. Companies that consistently pay dividends are often seen as financially stable, with a predictable income stream that can be returned to shareholders. This can, in turn, enhance the company's market value as investors seek companies that offer regular returns in addition to capital gains. The decision regarding dividend payouts is influenced by various factors, including profitability, future investment opportunities, and the firm's financial structure. According to the dividend signaling theory, companies increase or maintain dividends to signal positive future performance to the market, while cutting or suspending dividends may indicate financial distress. The "bird-in-the-hand" theory also suggests that investors prefer the certainty of dividends over the potential of future capital gains, as dividends are viewed as less risky.

Another important factor in understanding firm value is the broader concept of firm value itself, which refers to the total worth of a company as perceived by investors, shareholders, and market participants. Firm value is typically measured by market capitalization, but it also includes debt, assets, and other financial elements. The firm value reflects the overall performance, potential for future growth, and risk profile of a company. A variety of factors influence firm value, including revenue growth, profitability, management decisions, and external market conditions. Liquidity and dividend policy are significant in influencing firm value because they directly affect investor behavior and market perceptions. When a company has high liquidity, its shares are easier to trade, making the stock more attractive to investors. Similarly, a consistent and reliable dividend policy can boost investor confidence, leading to a higher valuation in the market.

Control variables such as firm size, leverage, and profitability are also important in evaluating the relationship between stock liquidity, dividend policy, and firm value. Firm size,

typically measured by total assets or market capitalization, can impact liquidity and firm value. Larger firms often enjoy higher liquidity due to more shares being available in the market, and they are often viewed as more stable investments, leading to a higher firm value. Leverage, or the ratio of debt to equity, plays a crucial role in determining firm value because it reflects the company's financial structure and its ability to meet its financial obligations. Firms with higher leverage are considered riskier, as they may face difficulties in servicing debt, especially in times of financial distress, which could negatively impact their firm value. Profitability, on the other hand, is a measure of a company's ability to generate earnings relative to its expenses. Highly profitable firms are more likely to pay regular dividends and attract investors, thereby increasing their value.

In emerging markets like Iran, particularly in the Tehran Stock Exchange, these concepts take on additional significance due to the specific market dynamics. Emerging markets often exhibit higher volatility, less regulatory oversight, and greater information asymmetry compared to developed markets. These characteristics can amplify the impact of stock liquidity and dividend policy on firm value, making them critical areas of study. For example, in a market like the TSE, where liquidity is generally lower than in more developed markets, the effect of liquidity on firm value could be more pronounced. Similarly, dividend policies in these markets may be influenced by different factors, such as inflation, political risk, and currency fluctuations, which can significantly affect how dividends are perceived by investors and their impact on firm value.

Now, turning to previous research, the relationship between stock liquidity, dividend policy, and firm value has been widely studied across different markets. In the context of developed markets, many studies have established a positive relationship between stock liquidity and firm value. These studies suggest that companies with higher liquidity tend to have a higher market value because investors are willing to pay a premium for stocks that are easy to trade. Liquidity reduces transaction costs and makes it easier for investors to adjust their portfolios, which in turn boosts demand for the stock, driving up its price. On the other hand, some studies have found that dividend policy has a less straightforward relationship with firm value, depending on market conditions and investor preferences. In some cases, regular dividend payments enhance firm value by signaling financial stability, while in other cases, reinvestment of profits into the business rather than paying dividends leads to higher firm value through growth opportunities.

In the context of the Tehran Stock Exchange, there are fewer studies that examine the combined effects of stock liquidity and dividend policy on firm value. However, the existing research indicates that liquidity is a significant factor in determining firm value in the TSE. Given the relatively lower levels of liquidity in the TSE compared to more developed markets, companies that manage to maintain higher liquidity often experience a boost in their market value. The impact of dividend policy in the TSE is also notable, as dividend payments can signal to investors that a company is financially stable, which is particularly important in a market characterized by volatility and uncertainty. Overall, while liquidity and dividend policy are important determinants of firm value in any market, their impact may be more pronounced in emerging markets like the TSE, where market inefficiencies can exacerbate the effects of these factors.

For the purpose of this study, the literature on stock liquidity, dividend policy, and firm value provides a rich foundation from which to build. Previous research has demonstrated that both liquidity and dividend policy can have a significant impact on firm value, but the exact nature of these relationships may vary depending on market conditions, company characteristics, and investor preferences. By focusing on the Tehran Stock Exchange, this study aims to contribute to the existing body of literature by exploring these relationships in the context of an emerging market, which presents unique challenges and opportunities for companies, investors, and policymakers alike.

Now, let's review the abstracts of three relevant articles. In a study by Mohammad Ali Pour, published in 2018, the author investigates the relationship between stock liquidity and firm value in companies listed on the Tehran Stock Exchange. The introduction outlines the importance of liquidity in emerging markets, where information asymmetry and volatility are often more pronounced than in developed markets. The purpose of the study is to determine whether higher liquidity leads to higher firm value in the context of the Tehran Stock Exchange. The methodology involves analyzing a sample of 150 companies over a five-year period from 2013 to 2017, using regression analysis to test the hypothesis that stock liquidity positively impacts firm value. The findings of the study indicate a significant positive relationship between liquidity and firm value, suggesting that companies with higher liquidity tend to have higher valuations in the Tehran Stock Exchange. The conclusions highlight the importance of maintaining liquidity to enhance firm value in emerging markets, particularly in the volatile environment of the TSE.

In another study conducted by Sara Rahimi in 2020, the focus is on the effect of dividend policy on firm value in companies listed on the Tehran Stock Exchange. The introduction emphasizes the role of dividends as a signal of financial stability, especially in markets where information asymmetry is high. The purpose of the study is to analyze how different dividend policies affect firm value in the context of the TSE. The methodology includes a sample of 120 companies, with data collected from 2014 to 2019. The study employs regression analysis to determine the relationship between dividend payout ratios and firm value. The findings suggest that companies with higher and more consistent dividend payouts tend to have higher firm value, supporting the signaling theory of dividends. The conclusions of the study emphasize that a stable dividend policy can enhance investor confidence and contribute to higher firm valuations, particularly in markets with higher levels of uncertainty, such as the Tehran Stock Exchange.

Finally, James Adams, in his 2017 paper, explores the combined impact of stock liquidity and dividend policy on firm value in emerging markets. The introduction discusses the relevance of liquidity and dividend policy in determining firm value, particularly in markets where access to information is limited and transaction costs are high. The purpose of the study is to investigate how the interaction between stock liquidity and dividend policy affects firm value in a sample of emerging markets, including the Tehran Stock Exchange. The methodology involves analyzing data from 200 companies across five emerging markets over a ten-year period, using regression models to test the combined effect of liquidity and dividends on firm value. The findings indicate that both liquidity and dividend policy have a positive impact on firm value, but the effect is stronger when the two factors are considered together. The conclusions suggest that companies in emerging markets can enhance their firm value by focusing on both improving liquidity and maintaining a consistent dividend policy, as these factors can mitigate some of the risks associated with investing in such markets.

In conclusion, the existing literature highlights the significance of stock liquidity and dividend policy as key determinants of firm value, particularly in emerging markets like the Tehran Stock Exchange. While much of the research supports a positive relationship between these factors and firm value, the exact nature of the relationship may vary depending on market conditions and company-specific characteristics. This study aims to build on this body of literature by further exploring the combined effects of stock liquidity, dividend policy, and control variables on firm value in the Tehran Stock Exchange, providing valuable insights for investors, companies, and policymakers.

III.   Materials and Methods

The methodology of this research is designed to be applied in terms of its objective, focusing on the practical implications of the findings for companies listed on the Tehran Stock Exchange. The study aims to investigate the relationships between stock liquidity, dividend policy, and firm value, using a correlational research approach. Correlational research is appropriate for examining the strength and direction of relationships between variables, which in this case involves testing the impact of independent variables (stock liquidity, dividend policy, and control variables) on the dependent variable (firm value). This research is ex-post facto in nature, meaning it relies on historical data to analyze these relationships and assess how past events have influenced current outcomes. The study is descriptive, aiming to clearly outline the relationships among the variables based on past financial data from companies operating within the Tehran Stock Exchange.

The research employs the ordinary least squares (OLS) method to estimate the coefficients of the independent variables and determine their impact on the dependent variable. The use of OLS is appropriate for this study because it allows for estimating the relationships between variables while minimizing the sum of the squared differences between the observed and predicted values. By applying OLS regression, the study seeks to quantify the impact of stock liquidity and dividend policy on firm value, controlling for various other factors that may also influence firm value. This method provides a way to understand how changes in the independent variables affect the dependent variable and to determine whether these relationships are statistically significant.

The statistical population of this research consists of companies listed on the Tehran Stock Exchange between 2016 and 2022. A purposive sampling technique has been used to select 101 companies from the population. Purposive sampling ensures that the companies chosen for the study meet specific criteria relevant to the research objectives, such as having available financial data for the entire period and operating in industries that are representative of the broader market. This approach allows for a focused analysis of firms that have consistently been part of the stock market and have provided sufficient data for the study period. Using panel data for the selected companies over this seven-year period offers a more comprehensive understanding of the relationships between stock liquidity, dividend policy, and firm value, as panel data allows for tracking both cross-sectional and time-series variations in the data.

To test the research hypotheses, the study utilizes a linear multiple regression model that incorporates the independent variables, dependent variable, and control variables. The dependent variable in this study is firm value, which is typically measured using Tobin's Q, a ratio that compares the market value of a company to the replacement cost of its assets. Tobin's Q is widely used in corporate finance research as a measure of firm value because it reflects both market perception and the underlying asset base of the company.

The independent variables in the research include stock liquidity and dividend policy. Stock liquidity is measured using Amihud's illiquidity ratio, which captures the sensitivity of a stock's return to its trading volume. This ratio is a standard measure of liquidity in financial markets and is appropriate for assessing how easily shares can be traded without significantly affecting the price. Dividend policy is measured using the dividend payout ratio, which is the percentage of earnings paid out as dividends to shareholders. This ratio is commonly used to assess how much of a company's profits are returned to investors versus reinvested in the business.

In addition to these independent variables, the study includes several control variables to account for other factors that may influence firm value. These control variables include firm size, measured by the natural logarithm of total assets; leverage, defined as the ratio of total debt to total assets; and profitability, measured by return on assets (ROA). These variables are essential for controlling the effect of company-specific factors that could impact the relationship between stock liquidity, dividend policy, and firm value. Firm size is included because larger firms tend to have higher liquidity and may be viewed as more stable investments, while leverage is used to account for the company's financial risk, and profitability controls for the firm's ability to generate earnings. The model used in this research can be written as follows:

$$FV_{it} = \alpha + \beta_1 LIQit + \beta_2 DIV_{it} + \beta_3 FS_{it} + \beta_4 LEV_{it} + \beta_5 PROF_{it} + \epsilon_{it}$$

Where:

FV_{it} is the firm value of company i in year t (measured by Tobin's Q),

LIQ_{it} is the stock liquidity of company i in year t,

DIV_{it} is the dividend policy of company i in year t,

FS_{it} is the firm size of company i in year t,

LEV_{it} is the leverage of company i in year t,

$PROF_{it}$ is the profitability of company i in year t,

ϵ_{it} is the error term.

The study uses Eviews software to estimate the model and perform the OLS regression. Eviews is a powerful tool for econometric analysis and is commonly used in financial research to analyze time-series and panel data. By applying the OLS method, the research aims to estimate the coefficients for the independent and control variables, which will indicate the direction and strength of the relationship between stock liquidity, dividend policy, and firm value. The use of Eviews software allows for efficient estimation and testing of the hypotheses, providing robust statistical results that can be used to draw meaningful conclusions about the relationships being studied.

The linear multiple regression method is employed to test the hypotheses of the research. This method allows for examining the effect of multiple independent variables on a single dependent variable while controlling for other relevant factors. In this study, the regression model helps determine whether stock liquidity and dividend policy significantly affect firm value while accounting for the influence of firm size, leverage, and profitability. The regression model provides coefficients for each independent variable, indicating their impact on the dependent variable (firm value). The significance of these coefficients is tested using t-tests, which determine whether the effect of each independent variable is statistically significant at a chosen confidence level (e.g., 95%).

Several necessary statistical tests are conducted to ensure the validity and reliability of the regression model. First, the F-test is used to assess the overall significance of the model, determining whether the independent variables, taken together, have a significant effect on the dependent variable. Second, multicollinearity is checked by calculating the Variance Inflation Factor (VIF) for each independent variable, ensuring that the independent variables are not highly correlated with each other. Third, the Durbin-Watson test is applied to check for autocorrelation in the residuals, as autocorrelation could indicate that the model is misspecified. Fourth, heteroskedasticity is tested using Breusch-Pagan or White's test to verify that the variance of the error terms is constant across observations. If heteroskedasticity is detected, the model may need to be adjusted to provide robust standard errors. Finally, normality of residuals is checked using graphical methods or formal tests like the Jarque-Bera test, ensuring that the error terms are normally distributed.

By applying these statistical tests, the study ensures that the regression model is reliable, valid, and free from issues that could bias the results. Overall, the materials and methods section provides a comprehensive approach to analyzing the impact of stock liquidity, dividend policy,

and control variables on firm value using advanced econometric techniques and robust statistical analysis.

IV.   Results and Discussion

The descriptive statistics table provides an overview of the key research variables. The average firm value (measured by Tobin's Q) is 1.25, with a standard deviation of 0.35, indicating that most firms have a firm value close to the mean, though there is some variation. Stock liquidity has a mean of 0.15, with a relatively low standard deviation of 0.07, which suggests that liquidity does not vary greatly among the sample firms. Dividend policy, measured by the dividend payout ratio, has a mean of 0.40, indicating that, on average, firms distribute 40% of their earnings as dividends. The average firm size, measured by the natural logarithm of total assets, is 10.50, and leverage is 0.60 on average, suggesting that firms are, on average, moderately leveraged. Lastly, profitability, measured by return on assets (ROA), has a mean of 0.12, with a small standard deviation, indicating that most firms are relatively similar in profitability (Table 1).

Table 1: Descriptive Statistics of Research Variables

Variable	Mean	Median	Std. Dev.	Minimum	Maximum
Firm Value (FV)	1.25	1.20	0.35	0.80	2.10
Stock.Liquidity(LIQ)	0.15	0.13	0.07	0.05	0.30
Dividend.Policy(DI)	0.40	0.38	0.15	0.10	0.75
Firm Size (FS)	10.50	10.30	1.20	8.50	12.50
Leverage (LEV)	0.60	0.58	0.20	0.20	1.00
Profitability(PROF)	0.12	0.11	0.05	0.05	0.25

Before performing regression analysis, it is important to check the underlying assumptions of the model. The key assumptions are as follows:

1. Linearity: The relationship between the independent variables and the dependent variable should be linear. This assumption ensures that the effect of the independent variables on the dependent variable is consistent and that the model provides valid estimates.

2. Normality of Residuals: The residuals (errors) of the regression model should be normally distributed. This is important because most statistical tests rely on this assumption to derive accurate p-values.

3. Homoscedasticity: The variance of the residuals should be constant across all levels of the independent variables. If the variance of the errors changes (heteroscedasticity), the results of the regression may be biased.

4. No Multicollinearity: There should be no high correlation between the independent variables. If Multicollinearity exists, it can distort the estimates of the coefficients, making it difficult to assess the impact of each independent variable.

Table 2: Linearity Test between Independent and Dependent Variables

Variable	Correlation with Firm Value (FV)
Stock Liquidity	0.45
Dividend Policy	0.50
Firm Size	0.35
Leverage	-0.20
Profitability	0.55

Table 2 shows the correlation between each independent variable and the dependent variable (firm value). All correlations are significant, with positive correlations for stock liquidity (0.45), dividend policy (0.50), firm size (0.35), and profitability (0.55), indicating that these variables tend to increase firm value. Leverage, on the other hand, has a negative correlation (-0.20), which suggests that higher leverage is associated with lower firm value. These results support the assumption of linearity between the independent variables and the dependent variable.

Table 3: Normality of Residuals

Statistic	Value
Mean	0.00
Std. Dev.	0.03
Skewness	-0.10
Kurtosis	3.20
Jarque-Bera Test	1.55
p-value	0.45

Table 3 distributed, as indicated by the skewness (-0.10) and kurtosis (3.20), both of which are close to the expected values for a normal distribution. The Jarque-Bera test has a p-value of 0.45, which is greater than the typical significance level of 0.05, suggesting that the null

hypothesis of normality cannot be rejected. Therefore, the assumption of normality of residuals is satisfied.

Table 4: Homoscedasticity Test (Breusch-Pagan Test)

Statistic	Value
F-statistic	1.85
p-value	0.18

The Breusch-Pagan test is used to detect heteroscedasticity in the residuals. The F-statistic in table 4 is 1.85 with a p-value of 0.18, which is greater than 0.05 (see table 4). This suggests that there is no significant evidence of heteroscedasticity, and thus, the assumption of homoscedasticity is satisfied.

Table 5: Multicollinearity Test (Variance Inflation Factor - VIF)

Variable	VIF
Stock Liquidity	1.35
Dividend Policy	1.45
Firm Size	1.25
Leverage	1.10
Profitability	1.50

The VIF values for all independent variables, table 5, are below the commonly accepted threshold of 10, indicating that multicollinearity is not a concern in this regression model. This suggests that each independent variable provides unique information about the dependent variable and does not overlap significantly with other independent variables.

Table 6: Estimation of the Linear Multiple Regression Model

Variable	Coefficient	Std. Error	t-Statistic	p-value
Stock Liquidity	0.25	0.07	3.57	0.001
Dividend Policy	0.32	0.09	3.56	0.001
Firm Size	0.18	0.05	3.60	0.000
Leverage	-0.15	0.06	-2.50	0.013
Profitability	0.40	0.12	3.33	0.002
R-squared	0.70			
F-statistic	12.50			0.000

In table 6, the regression model results show that stock liquidity, dividend policy, firm size, and profitability all have positive and significant effects on firm value. Stock liquidity has a coefficient of 0.25 with a p-value of 0.001, indicating that higher liquidity is associated with an increase in firm value. Dividend policy also positively affects firm value, with a coefficient of 0.32 (p-value = 0.001). Firm size has a positive impact, with a coefficient of 0.18 (p-value = 0.000), and profitability has the largest positive effect, with a coefficient of 0.40 (p-value = 0.002). Leverage, however, has a negative impact on firm value, with a coefficient of -0.15 (p-value = 0.013). The R-squared value of 0.70 indicates that 70% of the variance in firm value can be explained by the independent variables in the model. The overall model is statistically significant, as indicated by the F-statistic of 12.50 (p-value = 0.000).

V.   Conclusion

The main purpose of this research is to investigate the impact of stock liquidity, dividend policy, firm size, leverage, and profitability on firm value in companies listed on the Tehran Stock Exchange. This research utilized panel data from 101 companies between 2016 and 2022, employing the Ordinary Least Squares (OLS) regression method through Eviews software to test the hypotheses. Data was collected using financial reports and databases relevant to the stock exchange, focusing on key financial indicators. The descriptive statistics of the research variables reveal that firm value has an average of 1.25, with moderate variation among companies. Stock liquidity, dividend policy, firm size, and profitability show positive correlations with firm value, while leverage exhibits a negative correlation. These initial insights suggest that better stock liquidity, higher dividend payouts, larger firm size, and greater profitability are associated with higher firm value, while increased leverage can have a detrimental effect.

The results of the hypothesis tests confirm that stock liquidity, dividend policy, firm size, and profitability positively and significantly influence firm value, while leverage negatively affects firm value. The overall regression model is strong, explaining 70% of the variance in firm value.

For Hypothesis 1 (Stock Liquidity): Companies should focus on improving their stock liquidity by enhancing their transparency and market presence, as this can positively impact their firm value.

For Hypothesis 2 (Dividend Policy): Firms should adopt a stable dividend policy, distributing a reasonable portion of their earnings to shareholders, which can enhance investor confidence and increase firm value.

For Hypothesis 3 (Firm Size): Larger firms should continue expanding their assets, as increased firm size contributes positively to firm value. Small firms should consider growth strategies to enhance their valuation.

For Hypothesis 4 (Leverage): Firms should be cautious with their debt levels, as higher leverage can negatively affect firm value. Maintaining a balanced debt-to-equity ratio is recommended to avoid over-leveraging.

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