

THE IMPACT OF FINANCIAL AND NON-FINANCIAL FACTORS ON SHORT-TERM RETURN OF THE INITIAL STOCK OFFERS

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Abstract: This study deals with the effects of financial and non-financial factors on the short-term return of initial offers in the Tehran Stock Exchange. The present research is descriptive and correlational in nature, in terms of purpose applicative and also after event. The statistical population of this research consists of 34 companies that during the years 2006 to 2012 their shares have been offered for the first time on the stock exchange. In the present research the auditor's credibility and suppliers' credibility have been considered as the non-financial factors and the current ratio, return rate of assets, debts ratio to shareholders equity as the financial factors; the used statistical method is the multiple variable linear regression which was conducted by the use of SPSS software. The results show that suppliers' credibility and auditor's credibility do not have a significant effect on the short-term return of initial offers; the current ratio, return rate of assets, debts ratio to salary of shareholders have a positive and significant effect on the short-term return of initial offers; the current ratio has a significant effect on the short-term return of initial offers; the debts ratio to shareholders equity has a significant effect on the short-term return of initial offers. Therefore, in general it can be concluded that the non-financial factors have not a significant effect on the short-term return of initial offers and the financial factors have a significant effect on the short-term return of initial offers.

Keywords: initial stock offer, short-term return, financial variables, non-financial variables

1. INTRODUCTION

Initial stock offer is a financial phenomenon that has been done the different researches and theories about it over the world; investors are always looking for appropriate opportunities to get the short-term returns, for this reason the early days of the issuance of stocks can be a good opportunity for investors in the capital markets around the world. Every year, many companies with offering their shares to the public through

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the capital market provide their financial needs; of course, these companies take less action of initial offer with pricing down their shares despite the unusual short-term positive return that is in buyers' interest and then to the detriment of the previous owners. (Yaghoubnejad and Tajiknia, 2008).

On the other hand during the initial stock offer the people need to the timely information on the purchase of shares in order to make a decision. In the case of asymmetric information during the stock offer a group of well-informed individuals achieves an abnormal return and as a result the capital of ordinary people and those who have less information is at risk. Many studies in many different financial exchanges around the world have been made in connection with the initial public stock offer. Results of most of these researches show that the prices set for the companies' shares in the initial offer of market for a variety of reasons such as information asymmetry among the providers of new shares, institutions of the fund providing and the outside investors have not reflected the true value of the stock. Therefore they make to create opportunities for achieving the abnormal returns by way of trading the shares of these companies. (Pour Heydari and Reza Khani, 2013)

To determine the pricing lower than the initial offer one the diverse financial and non-financial factors have been proposed; some of these factors include: supplier's credibility, auditor's credibility, the rate of asset return, current ratio, ratio of debt to the shareholder equity (Razafynda Bynana and Kahn, 2013).

The aim of this study is to determine the factors affecting the pricing lower than the initial offer one and these factors are examined in 2 groups of financial and non-financial factors.

2. SUBJECT LITERATURE AND RESEARCH BACKGROUND

Researchers have provided several reasons for pricing less than real. These reasons have been proposed in the form of different traditional theories and hypotheses. The most prominent of these theories and hypotheses include: the theory based on the information asymmetry, the hypothesis of the winner curse, hypothesis of the future ambiguity, assumption of the signing theory, hypothesis of investment banks as confirmer, hypothesis of preventing the claims, hypothesis of the bubble increase of prices, the hypothesis of interests in the long term that in the following are discussed in detail.

- 2-1 definition of the initial public offer
- 2-2 concepts related with the initial stock offer
- 2-3 implementation methods of the initial public offer
- 2-4 the initial stock offer in Teheran Stock Exchange
- 2-5 pricing less than real and related theories
- 2-6 research background

Khodaparasti and others (2013) have conducted a study with the title 'factors affecting the short- and long-term return of shares supplied in the initial offers in the Tehran Stock Exchange'. The findings of this study that have been selected from the governmental transferred companies and non-governmental companies show that the short-term return average of the governmental transferred companies in this period is 19/5% (adjusted by the market return) and for the private companies is only 8%; in the governmental transferred companies the company size and in the private companies the company size and lifetime in relation to the Rial value of trade were identified as the most important variables affecting the long-term return.

Tajik Nia (2010) has conducted a research with the title 'an explanation of financial and non-financial factors in the short-term performance of the initial stock offer in the Tehran Stock Exchange'. His aim has been to investigate the short-term performance of initial public offers on the stock exchange between 2004 to 2008. Results of his study indicate that the short-term abnormal return in the new shares on the Tehran Stock Exchange is a phenomenon as well as on the other countries of the world. Eghbal Nia (2009) has investigated the short-term performance of initial public offer of the companies listed in the Tehran Stock Exchange. Based on the results of the 91 initial public offers in that period it was observed that the shares of the initial public offer in Tehran Stock Exchange are similar to many other stock exchanges of the world.

Bagherzade et al (2009) examined the short-term return of the initial public offers in the Tehran Stock Exchange and identified the factors affecting it within the period 1997 to 2004. Their findings suggest that the shares of initial offers in the Tehran Stock Exchange as well as the ones in other countries in period of four weeks after the supply date created on the average 14/85 percent the initial return and 12/39 percent the abnormal initial return (adjusted return with market portfolio). Their results also showed that among the studied variables only two variables of percentage of initial stock offer and the company's financial leverage at the initial offer period were the most important variables affecting the short-term return of shares of the initial offers.

Hejazi and Haghbin (2008) have done a study under the title "anomalies of the first public offering of shares in Tehran Stock Exchange". Their research focuses on investigating the companies that for the first time in their career take out to offer their shares to the public. In known reviews many companies for the first time venture to supply annually the public offer of their shares; but one of the problems that they are faced with are the anomalies related to the initial public offer of shares; the most important anomalies in the first public offer of shares area falling in prices in the long term, pricing less than real and the first hot public offer.

Firuzi (2008) has done a study entitled "investigating the effect of the industry type, market conditions, the investor's behavior factors affecting the stock return of the initial offers in Tehran Stock Exchange. In order to determine the period of the short term abnormal return at the beginning of the year 2007 until the end of the 2008 he has used the two-stage model. The results show that like the foreign markets the short-

term performance of new shares in the course of research accompanies with abnormal return.

Also another research in the field of short-term and long-term performance of shares of companies listed newly on Tehran Stock Exchange in 2004 was conducted by Bagherzade. According to his research and other conducted empirical researches the initial offer shares in the short term have had a high abnormal return and in the long term have had a return lower than usual in relation with index.

Mike Hopkins (2014) examined the dominant technique used in the effects of authentication of documents in IPO in order to apply the reduction grade of pricing that is similar to a power of attorney for affirmation. The proportion of this power of attorney was investigated in the context of private property of partners behind IPO. The results revealed an inequality among affirmation by the seller and forecasts of the pricing reduction. The result indicates that the reduction of pricing is an noisy variable for affirming the power of attorney.

Binti Abubakret al (2014) in an article entitled "creating the initial document on the Initial offer of stocks for companies subject to Islamic law" have examined the performance of reducing the pricing and two terminal of IPO for companies subject to Islamic law listed on Malaysia Stock Exchange during 2011-2000. In the first stage, reducing the pricing IPO and the calculated amount of the pricing reduction of IPO for companies subject to the law are measured. In the second phase a power of attorney is used for ranking the obliged with high credit and the obliged with low credit together with an additional participation that was entered in the model as an explanatory variable. The analysis results indicate that the grade of reducing the pricing of IPO for companies subject to the law in the MSE was 16/38%. The results show that an average of reduction in pricing of IPO for companies subject to the law by the obliged with high credit was 31/37% and compared with the obliged with low credit 90/35%. The same results show that the welfare of the additional participation was 8.29 rank in MSE. Furthermore the recursive analysis of the terminals of pricing reduction of IPO shows that both credits of the obliged and opportunities to additional participation have had a significant impact on the grade of pricing reduction of IPO.

Razafindrambinina, D, & Kwan (2013) did a study entitled "the impact of credit of subscribers and auditors on pricing lower than the limit of initial offer". The aim of their research was to measure the impact of credit of subscribers and auditors on pricing lower than the limit of the initial offers. Their research sample includes companies listed on the Indonesia Stock Exchange in the period from 2004 to 2009. Findings showed that the credit of greater number of subscribers and auditors leads to an increase in initial short-term return of the initial offer.

Razafindrambinina, D, & Kwan (2013) examined the companies dealing the initial stock offer (IPO) in order to raise funds and desire maximization of their initial profits. Information asymmetry among these sectors in the Initial stock offer risks mostly

the relation of potential investors. Aside from these financial factors the credit of subscribers and auditors has a significant impact on initial earnings of shares.

Wang *et al.* (2013) in an article assessed the effect of credit of subscribers and auditors on reducing the pricing of stock prices. Their findings show that with higher credit is the return of original earning lower. Thus there is a higher level of reduction of the evaluation. The used examples are the companies listed in Indonesia Stock Exchange (IDX) during the years 2009-2014. This study can be involved in acquaintance of academicians, companies and researchers about the impact of non-financial factors on the prices of shares in the initial stock offer.

Agathee *et al.* (2012) in a study investigated the pricing less than real of the shares of initial public offers and identified the factors affecting it. The results showed that the pricing less than real of the shares of initial public offers at Boursland is about 10 to 20 percent, and two risk variables resulting from lack of confidence and reputation of subscriber publisher have a significant positive relationship with short-term return, while variable of financial power of company Ketederin the level of the initial offer has an inverse relationship with return.

3.1. Research methodology

The research hypotheses are presented as follows:

First hypothesis: the credibility of suppliers has a significant effect on the short-term return of initial offers.

The second hypothesis: the credibility of auditors has a significant effect on the short-term return of initial offers.

The third hypothesis: The return ratio of assets has a significant effect on the short-term return of initial offers.

The fourth hypothesis: The current ratio has a significant effect on the short-term return of initial offers.

Fifth hypothesis: the ratio of debts to the shareholders equity has a significant effect on the short-term return of initial offers.

The present study in terms of classification and on the basis of the purpose is an applied research. The purpose of the applied research is an extension in a certain field. This research also in terms of method and nature is of a correlation type. Our aim is to determine the relationship between variables, i.e. investigating the existence of a relationship and correlation between variables through regression; the research methodology is an after-event research (by the use of the past information).

3.2. The variables of research

The short-term return of the initial offer (IR) in all hypotheses is the dependent variable that is measured as relation 1. In this relation the stock price is at the end of first month after the supply and P_0 is the price of initial stock offer.

Relation 1:

$$I_R = \frac{P_1 - P_0}{P_0} \times 100$$

And the company size is the control variable in all of the above hypotheses which is equal to the natural logarithm of total assets during the initial offer.

First hypothesis:

The credibility of suppliers has a significant effect on the term-short return of the initial offers.

The regression equation of the first hypothesis is obtained with the relation 2.

Relation 2

$$IR_{i,t} = a_0 + a_1 SR_{i,t} + a_2 size_{i,t} + e_{i,t}$$

that in this relation IR is the short-term return, SR the credibility of supplier, size the company size and e_i is the error part,

Dependent variable: Short-term return of initial offer is IR which can be calculated from relation 1.

In this relation P_1 is the stock price at the end of the first month after supply and P_0 the initial stock offer price.

Independent variable: In the first hypothesis the credibility of supplier (SR) is an independent variable that is measured as follows.

In this study the companies that their shares are supplied initially by people such as investment companies, holdings and investment funds, they selected as suppliers with high credit and number one is considered for them and for other companies is considered the number zero.

The second hypothesis: The credibility of auditors has a significant effect on short-term return of the initial offers.

The regression equation of the second hypothesis is relation 3.

Relation 3

$$IR_{i,t} = a_0 + a_1 AR_{i,t} + a_2 size_{i,t} + e_{i,t}$$

Dependent variable: In this study in order to estimate the model parameters the method of the ordinary least squares is used; this method rests on the assumption that the research dependent variable is normally distributed so that non-normal distribution of the dependent variable leads to violations of the assumptions of this method for estimating the parameters and does not produce the correct results; thus it is necessary the normality of distribution of this variable to be tested.

Independent variable: In the second hypothesis the credibility of auditor is AR; in this study the companies that are investigated by the auditory organization are selected as auditors with high credibility and number one is considered for them and for other companies is considered the number zero.

The third hypothesis

Rate of assetsreturn has a significant effect on short-term return of the initial offers.

The regression equation of third hypothesis is the relation 4.

Relation 4

$$IR_{i,t} = a_0 + a_1 ROA_{i,t} + a_2 size_{i,t} + e_{i,t}$$

Dependent variable: The short-term return of the initial offers is (IR) which can be calculated from relation 1.

Independent variable: In the third hypothesis the ratio of assetsreturn (ROA) is an independent variable that is equal to the division of the net profit to total assets.

The fourth hypothesis

The current ratio has a significant effect on the short-term return of initial offers.

The regression equation of the fourth hypothesis is the relation 5.

Relation 5

$$IR_{i,t} = a_0 + a_1 CR_{i,t} + a_2 size_{i,t} + e_{i,t}$$

Dependent variable: IR is the short-term return that can be calculated from relation 1.

Independent variable: Current ratio (CR) that is equal to the division of the net profit to total assets.

Fifth hypothesis

The ratio of debt to shareholders equities has a significant effect on the short-term return of initial offers.

The regression equation of the fifth hypothesis is the relation 6.

Relation 6

$$IR_{i,t} = a_0 + a_1 DE_{i,t} + a_2 size_{i,t} + e_{i,t}$$

Dependent variable: IR is the short-term return of initial offers that can be calculated from relation 1.

Independent variable: It is the ratio of debts to the shareholders equities (DE) which is equal to the division of total debt to total shareholders equities.

Control variable: In all above hypotheses the company size is a control variable that is equal to the natural logarithm of total assets during the initial offer.

3.3. Population and statistical sample:

The statistical sample of this study includes all companies listed on the Tehran Stock Exchange that their shares have been supplied for the first time in the period 2006-2013.

In this study the sampling is done by using the systematic letter method, therefore the selected sample is all companies listed in Tehran Stock Exchange that have the following conditions:

1. Their national year is ended to 29 Esfand of each year.
2. During the research period have not changed their fiscal year.
3. Their financial statements information is fully and continuously available from year 2006.
4. They do not belong to the intermediation and investment companies.

It is worth mentioning after considering the above mentioned conditions 34 companies are qualified and were considered to perform the statistical tests.

4. RESEARCH RESULTS

First hypothesis: the provider credibility on the short-term return of initial offers

Table 1
Results of the significance test of regression model of first hypothesis

<i>variables</i>	<i>Model coefficients</i>	<i>T statistics</i>	<i>Significance</i>
	48.574	2.199	3.35
(SR)	-7.693	-1.113	0.274
(SIZE)	-1.959	-1.441	0.160
(R ²)	0.090	Model significance	0.230
(Adj-R ²)	0.032	Watson-camera	2.457
F	1.539	Observations number	33

According to the data in Table 1, since the model significance is more than 0/05 (Significance level is equal to 0.230), thus we can say the indicator of model fitness (F statistics) to the dependent variable of the short-term return of the initial stock offers (IR) is not significant.

In order to examine the non-self-correlation assumption in the results of the regression equation the Watson-camera test was used. The estimated amount of Watson-camera in table is equal to 2.457, and since the calculated amount is in the range between 1/5 to 2/5, this amount indicates that between residuals there exists the self-correlation of first type.

Given that a significance level of the independent variable is equal to 0.274 which is more than 0.05, the results of model indicate that on the confidence level of 95% there is no significant relationship between the independent variable of suppliers' credibility (SR) and the dependent variable of the short-term return of the initial stock offers (IR); in other words the hypothesis 0 is accepted and the hypothesis 1 is rejected, i. e. the research first hypothesis is rejected.

The second hypothesis: the auditor's credibility on the short-term return of initial offers

Table 2
Results of the significance test of regression model of second hypothesis

$$IR_{it} = a_0 + a_1SR_{it} + a_2SIZE_{it} + e_{it}$$

Variables	Model coefficients	T statistics	significance
41.662	1.982	0.056	
(SR)	7.908	1.218	0.232
(SIZE)	2.059-	1.512-	0.141
(R2)	0.097	Model significance	0.205
(Adj-R2)	0.039	Watson- camera	2.372
F	1.668	Observations number	33

According to the data in Table 2, since the model significance is more than 0.05 (significance level is equal to 0.205), thus we can say the indicator of model fitness (F statistics) to the dependent variable of the short-term return of the initial stock offers (IR) is not significant.

In order to examine the non-self-correlation assumption in the results of the regression equation the Watson-camera test was used. The estimated amount of Watson-camera in table is equal to 2.372, and since the calculated amount is in the range between 1/5 to 2/5, this amount indicates that between residuals there does not exist the self-correlation of first type.

Given that a significance level of the independent variable is equal to 0.232 which is more than 0.05, the results of model indicate that on the confidence level of 95% there is not a significant relationship between the independent variable of auditors' credibility (SR) and the dependent variable of the short-term return of the initial stock offers (IR); in other words the hypothesis 0 is accepted and the hypothesis 1 is rejected, i. e. the research second hypothesis is rejected.

The third hypothesis: rate of assets return has a significant effect on the short-term return of initial offers.

Table 3
Results of the significance test of regression model of third hypothesis

$IR_{it} = a_0 + a_1SR_{it} + a_2SIZE_{it} + e_{it}$			
<i>Variables</i>	<i>Model coefficients</i>	<i>T statistics</i>	<i>significance</i>
21.939	1.149	0.259	
(SR)	91.489	3.466	0.002
(SIZE)	1.464-	1.243-	0.223
(R2)	0.318	Model significance	0.003
(Adj-R2)	0.274	Watson-camera	1.978
F	7.235	Observations number	33

According to the data in Table 3, since the model significance is less than 0/05 (Significance level is equal to 0.003), thus we can say the indicator of model fitness (F statistics) to the dependent variable of the short-term return of the initial stock offers (IR) is significant.

In order to examine the non-self-correlation assumption in the results of the regression equation the Watson-camera test was used. The estimated amount of Watson-camera in table is equal to 1.978, and since the calculated amount is in the range between 1/5 to 2/5, this amount indicates that between residuals there does not exist the self-correlation of first type.

Given that a significance level of the independent variable is equal to 0.002 which is less than 0/05, the results of model indicate that on the confidence level of 95% there is a significant relationship between the independent variable of rate of the assets return (ROA) and the dependent variable of the short-term return of the initial stock offers (IR); in other words the hypothesis 1 is accepted and the hypothesis 0 is rejected. Given that the independent variable coefficient is positive (91.489), the relationship is a positive relationship; it can be concluded that when the rate of the assets return increases in the companies that their shares have been supplied initially, the amount of short-term return of the initial stock offers increases also. Therefore the research third hypothesis is confirmed and the direction of relation is positive.

Amount of the adjusted determination coefficient (Adj-R2) in the estimated results of the regression model of this hypothesis is equal to 0.274; this amount indicates that about 27% of the dependent variable behavior is explained by the independent variable.

Given that a significance level of control variables of the company size (SIZE) is equal to 0.223 which is more than 0/05, the results of model show that in the confidence level of 95% there is not a significant relationship between the control variable of the company size and the dependent variable of with short-term return of the initial stock offers (IR).

The fourth hypothesis: the current ratio on the short-term return of the initial offers

Table 4
Results of the significance test of regression model of fourth hypothesis

$IR_{it} = a_0 + a_1SR_{it} + a_2SIZE_{it} + e_{it}$			
<i>Variables</i>	<i>Model coefficients</i>	<i>T statistics</i>	<i>significance</i>
17.261-	0.578-	0.569	
(SR)	23.633	3.086	0.005
(SIZE)	0.123	0.069	0.946
(R2)	0.277	Model significance	0.017
(Adj-R2)	0.219	Watson-camera	2.391
F	4.781	Observations number	33

According to the data in Table 4, since the model significance is less than 0/05 (Significance level is equal to 0.017), thus we can say the indicator of model fitness (F statistics) to the dependent variable of the short-term return of the initial stock offers (IR) is significant.

In order to examine the non-self-correlation assumption in the results of the regression equation the Watson-camera test was used. The estimated amount of Watson-camera in table is equal to 2.391, and since the calculated amount is in the range between 1/5 to 2/5, this amount indicates that between residuals there does not exist the self-correlation of first type.

Given that a significance level of the independent variable is equal to 0.005 which is less than 0/05, the results of model indicate that on the confidence level of 95% there is a significant relationship between the independent variable of the current ratio (CR) and the dependent variable of the short-term return of the initial stock offers (IR); in other words the hypothesis 1 is accepted and the hypothesis 0 is rejected. Given that the independent variable coefficient is positive (23.633), the relationship is a positive relationship; it can be concluded that when the current ratio increases in the companies that their shares have been supplied initially, the amount of short-term return of the initial stock offers increases also. Therefore the research fourth hypothesis is confirmed and the direction of relation is positive.

Amount of the adjusted determination coefficient (Adj-R²) in the estimated results of the regression model of this hypothesis is equal to 0.219; this amount indicates that about 22% of the dependent variable behavior is explained by the independent variable.

Given that a significance level of control variable of the company size (SIZE) is equal to 0.946 which is more than 0/05, the results of model show that in the confidence level of 95% there is not a significant relationship between the control variable of the company size and the dependent variable of the short-term return of the initial stock offers (IR).

Fifth hypothesis: the ratio of debts to the shareholders salary on the short-term return of the initial offers

Table 5
Results of the significance test of regression model of fifth hypothesis

$IR_{it} = a_0 + a_1SR_{it} + a_2SIZE_{it} + e_{it}$			
<i>Variables</i>	<i>Model coefficients</i>	<i>T statistics</i>	<i>significance</i>
41.350	2.204	0.035	
(SR)	1.015	3.122	0.004
(SIZE)	2.241-	1.849-	0.074
(R2)	0.280	Model significance	0.006
(Adj-R2)	0.234	Watson-camera	2.057
F	6.036	Observations number	33

According to the data in Table 5, since the model significance is less than 0/05 (Significance level is equal to 0.006), thus we can say the indicator of model fitness (F statistics) to the dependent variable of the short-term return of the initial stock offers (IR) is significant.

In order to examine the non-self-correlation assumption in the results of the regression equation the Watson-camera test was used. The estimated amount of Watson-camera in table is equal to 2.057, and since the calculated amount is in the range between 1/5 to 2/5, this amount indicates that between residuals there does not exist the self-correlation of first type.

Given that a significance level of the independent variable is equal to 0.004 which is less than 0/05, the results of model indicate that on the confidence level of 95% there is a significant relationship between the independent variable of the debts ratio to the shareholders salary (DE) and the dependent variable of the short-term return of the initial stock offers (IR); in other words the hypothesis 1 is accepted and the hypothesis 0 is rejected. Given that the independent variable coefficient is positive (1.015), the relationship is a positive relationship; it can be concluded that when the debts ratio to the shareholders salary increases in the companies that their shares have been supplied initially, the amount of short-term return of the initial stock offers increases also. Therefore the research fifth hypothesis is confirmed and the direction of relation is positive.

Amount of the adjusted determination coefficient (Adj-R²) in the estimated results of the regression model of this hypothesis is equal to 0.234; this amount indicates that about 23% of the dependent variable behavior is explained by the independent variable.

Given that a significance level of control variable of the company size (SIZE) is equal to 0.074 which is more than 0/05, the results of model show that in the confidence level of 95% there is not a significant relationship between the control variable of the company size and the dependent variable of the short-term return of the initial stock offers (IR).

- A comparison with the similar studies

The results of this research are compatible with the conducted researches of Tajiknia-Yacobnejad (2009), Bagherzadeh- Nikbakht *et al.* (2009). Tajiknia-Yacobnejad (2009) in their study showed that the impact of the initial public offer on the short-term return in Tehran Stock Exchange were positive; the results of their study show that there is a phenomenon as the short-term abnormal return in the new shares in the Tehran Stock Exchange as well as other countries of the world.

The results of the present research about the hypotheses 3 till 5 that are related to financial factors are compatible with the results of research of Razafyndram Bynyna and Kahn 2013. Razafyndram Bynyna and Kahn 2013 showed that the financial factors have a significant effect on pricing less than the initial offers one. The results of the present research with respect to the first and second hypotheses that are related to the non-financial factors have not compatible with the results of Razafyndram Bynyna and Kahn (2013).

5. CONCLUSION AND SUGGESTIONS

The first hypothesis examined the effect of the providers credibility on the short-term return of initial stock offers; the results of the study indicate a refutation of the first hypothesis on the significance level of 95%. The second hypothesis examined the effect of the auditors credibility on the short-term return of initial stock offers; the results of the study indicate a refutation of the second hypothesis on the significance level of 95%. The third hypothesis examined the effect of the ratio of assets return on the short-term return of initial stock offers; the results of the study indicate a confirmation of the third hypothesis on the significance level of 95%. The direction of relation is positive, that is to say with an increase in the rate of the companies' asset return the amount of short-term return of the initial offers increases. The fourth hypothesis examined the effect of the current ratio on the short-term return of initial stock offers; the results of the study indicate a confirmation of the fourth hypothesis on the significance level of 95%. The direction of relation is positive, that is to say with an increase in the current ratio the amount of short-term return of the initial offers increases. The fifth hypothesis examined the effect of the ratio of debts to the shareholders salary on the short-term return of initial stock offers; the results of the study indicate a confirmation of the fifth hypothesis on the significance level of 95%. The direction of relation is positive, that is to say with an increase in the ratio of debts to the shareholders salary the amount of short-term return of the initial offers increases. Given that the first and second research hypothesis are not accepted, it can be said that the non-financial factors have not a significant impact on the short-term return of the initial offers. And given that the third till fifth research hypotheses have been confirmed, it can be said that the financial factors have a significant impact on the short-term return of the initial offers.

Since the results of this study showed that the rate of assets return, current ratio, the ratio of debt to the shareholders salary have a significant effect on short-term return of the initial offers, it is suggested that the control institutions, including the

Stock Exchange Organization and the board members and publishers design the mechanisms that information of new companies is completely accessible to investors and financial analysts in order that a sufficient knowledge is get from the new companies and the information asymmetry is reduced and in this way pricing of the initial offers is done appropriately; to managers is proposed that they have more control on the pricing of the initial offers in the Stock Exchange Organization.

In this study, the effect of financial and non-financial factors on short-term return of the initial offers has been investigated; therefore, the researchers are recommended that in the future researches they also examine the effect of these two variables on the long-term abnormal return of the initial offers. Researchers also are recommended that in the future studies they examine the effect of the interest management, interest persistence etc. on the short-term return of the initial offers, and compare the conservatism, the quality of financial reporting, frustration etc. before and after the initial offer.

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