

The effect of the free zones management policies on stock prices and liquidity indicators in post-sanction: Observation from Iran

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Abstract.

The purpose of this paper investigates the effect of the free zones management policies on stock prices and liquidity indicators in post-sanction. America and some countries consider sanctions for Iran. They wanted to prevent the growth and development of the country. But Iran used a new strategy to overcome limitations. One solution was to create free zones for investment. Of course, the best solution is applied to Iran. Use professional management. In this study, we used a sample of companies in Iran free zones in year 2015 in sanction and post-sanction. The results show that the free zones management policies effective on stock price, turnover. But there isn't significant relationship between free zones management policies effective and the number of stock traders in post-sanction.

Key words: Free zones management, stock prices, liquidity indicators, post-sanction.

1. Introduction.

The sanctions debate is, once again, in full bloom. Thanks to Iran's budding nuclear program and the intransigence of Tehran thus far, policymakers and pundits are again pondering the utility of sanctions. Amid a flurry of sanctions activity at the U.S. Department of Treasury, in Congress, at the UN, and overseas, the question persists: "Do sanctions work?" (O'Sullivan, 2010). In 1992, the US became concerned that Iran's development of military means could endanger American interests in the Persian Gulf. That led the US to take measures to prevent Iran from producing conventional arms, ballistic missiles, and nuclear bombs, chemical and biological weapons. Consequently, in May 1993, the US adopted the dual containment policy towards Iran and Iraq, which meant containing Iran and Iraq simultaneously by means of economic sanctions in order to protect US interests in the Persian Gulf (Lake, 1994). The American policy towards Iran, however, was not well received by the US allies.

In other hand create free zones thus achieving greater investment opportunities. The best profit opportunities when they are professional management. Over the past few decades, the effectiveness of management styles has emerged as a focus of attention in management studies. Empirical evidence supporting a contingent theory has long established that certain antecedents, such as management styles and organizational culture, have the capability to direct employee behavior (Luthans and Stajkovic, 1999). Walumbwa, Lawler, and Avolio (2007) reported that individuals exhibited stronger positive attitudes than under other management conditions, such as satisfaction with supervisors or organizational commitment, when management styles involved a cultural value orientation. This suggests that certain contextual factors may weaken or even possibly reverse the effects of management styles on subordinate performance and their development of professional skills. (Yu et al, 2016). So, this research is trying to answer the following question: Is there a significant relationship between effect free zones management policies on stock prices and liquidity indicators in post-sanction?

2. Review of literature.

The United States has increasingly used economic sanctions in recent years as a means to promote its foreign policy objectives. The US unilaterally, and/or through its influence at the United Nations' Security Council, has imposed economic sanctions on certain countries that have challenged its wishes. The US is concerned that possible access to nuclear, chemical and biological weapons by the so-called 'rogue states' may endanger its interests in some parts of the world (Huntington, 1999). The US regards preserving its domination over the Persian Gulf countries strategically very important due to the fact that these countries possess about two-thirds of the world oil and gas reserves. Since its inception in 1979, the Islamic Republic has challenged the US domination of the Persian Gulf region. In response, the US has used economic sanctions to force the Islamic regime to change its hostile behavior. The economic sanctions on Iran were originally started by President Jimmy Carter in 1979 and have been more or less in effect in various forms until the present time. On 30 April, 1995, President Clinton announced that the US would cut off all trade and investment ties with Iran, including purchase of Iranian oil. The new sanctions supplemented the previously imposed ones that had been in effect since 1984 and constituted a full embargo against Iran. (Torbat, 2005).

In June 2010 the United Nations approved a fourth round of sanctions against Iran, and a few weeks later several nations announced additional unilateral measures. There is now strong evidence to suggest that despite repeated denials by some Iranian leaders, these sanctions are imposing a heavy cost on the Iranian economy. Some of Iran’s major trade partners, such as South Korea, are among the latest countries to have introduced unilateral trade sanctions against Iran. During the past two decades, imposition of the sanctions has evolved into a dynamic game between Iran and the United States: Every new round of sanctions by the U.S. or the international community has provoked a series of countermeasures by the Iranian government intended to neutralize them. (Habibi, 2010).

3. Development of hypothesis.

Based on the above study we consider the following hypotheses:

H1. The free zones management policies effective on stock price in post-sanction.

H2. The free zones management policies effective on turnover price in post-sanction.

H3. The free zones management policies effective on the number of stock traders in post-sanction

4. Methodology.

In terms of goal this research is applied and considering the nature is descriptive research. In this study independent variable is related to a period than two months (In the sanction and in post-sanction) and dependent variables are stock price, turnover price and number of stock traders. We use the method to remove systematic for sample selection. In this research to collect data of Tehran Securities Exchange Technology Management Company website and the Tehran Stock Exchange website. However, the study considered 2015/06/14 until 2015/07/14 for sanction period and 2015/07/15 until 2015/08/15 for post- sanction.

5. Empirical results.

Table 1 shows Descriptive Statistics for all variables. For example, descriptive statistics the price stock in sanction is 965 for minimum and 52174 maximum and average is 27459.85 and standard deviation is 8002.15.

Table 1
Descriptive Statistics

year	variable	N	Minimum	Maximum	Average	Standard deviation
2015	Stock prices in sanction	80	965.00	52174.00	27549.85	8002.15
	Turnover in sanction	80	23674.00	459065779	31255404	351836.87
	the number of stock traders in sanction	80	5.00	727.00	1808.32	230.54
	Stock prices in post-sanction	80	1027.00	6645.00	762.59	1132.07
	Turnover in post-sanction	80	8.00	26502.00	2370.93	3705.22
	the number of stock traders in post-sanction	80	5.00	43.00	16.78	4.080

In this hypotheses, we use paired test this test compared two variables of a society. To test this claim we do this way:

$$H_{0=} \mu_D = 0$$

$$H_{1=} \mu_D \neq 0$$

Table 2
Paired samples test (Hypothesis 1)

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Stock prices In sanction Stock prices in Post-sanction	.06793	.14688	.01427	.03964	.09622	4.761	105	.000

Table 2 shown, in paired test in first hypothesis significant level was smaller of the quorum. Then, the null hypothesis is rejected, and the research hypothesis is accepted. So, there is a significant relationship between the free zones management policies effective and stock price in post-sanction. And table 3 shown, in paired test in second hypothesis significant level is smaller than 5%. So, the one hypothesis is accepted. Then, there is a significant relationship between free zones management policies effective and turnover price in post-sanction. Finally, table 4 shown, in paired test in last hypothesis, there isn't significant relationship between free zones management policies effective and the number of stock traders in post-sanction.

Table 3
Paired Samples Test (Hypothesis 2)

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Turnover in sanction Turnover in post-sanction	.46099	1.53682	.14927	-.75696	-.16502	3.088	105	.003

Table 4
Paired Samples Test (Hypothesis 3)

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	The number of shares traded In sanction The number of shares traded in post-sanction	341.89623	1443.67841	140.22244	-619.93143	-63.86102	2.438	105	.056

6. Conclusion.

In this study mentioned the effect of the free zones management policies on stock prices and liquidity indicators in post-sanction in year 2015. The results of this study suggest that the free zones management policies in post-sanction has been more successful. The result could be due to similarly with the dual policy of sanctions, the intelligence of manager's free zones and Strategic Successful Managers. The results show is a significant relationship between the free zones management policies effective and stock price in post-sanction and there is a significant relationship between the free zones management policies effective and turnover price in post-sanction. But, there isn't significant relationship between free zones management policies effective and the number of stock traders in post-sanction.

In this study not considered non-financial variables such as type of ownership, industry, product type. We hypothesized investors and capital markets use the stock price information and liquidity indicators. Due to limitations of the study the sample is low.

At the last the following suggestion is addressed for the future studies:

1. The effect post-sanction on other economic markets such as money market, foreign exchange market.
2. The effect of the seasons on stock price indices of liquidity in the Tehran Stock Exchange.
3. The effect of other special occasions and same period on price stock and liquidity indicators.

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