Impact of Capital Market Efficiency Based on the Theory of Limitation on the Total Return on Stock Rates

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Abstract

The main purpose of this study is to test the effectiveness of capital market efficiency through the mediating variable of political cycles based on the theory of constraint on the rate of total stock returns for manufacturing companies listed on the Iranian Stock Exchange. In this regard, first the theoretical foundations and internal and external background of the research have been examined and in the next step a sample of 178 companies from manufacturing companies based on the fixed effects method and for two research models the estimation of panel econometric models has been done. In the next step, the research model was estimated by considering the variables of political cycles for the period of 1384 to 1392 (political period of fundamentalism) and also the period of 1392 to 1398 (non-fundamentalist political period). The results showed the negative effect of the political cycle variable in the fundamentalist period and the positive and significant effect of the political cycle variable in the non-fundamentalist period on the stock return rate. In the end, suggestions were made to improve the stock rate of return of listed companies based on the results.

Key Word: Political cycles, capital market efficiency, total stock rate of return, constraint theory, Tehran Stock Exchange

Introduction

The degree to which stock prices reflect all available relevant information is called market efficiency. Market efficiency was introduced in 1970 by the famous economist Eugene Fama. In the efficient market hypothesis, he states that an investor may not be able to perform better than the market because all available and influential information is already reflected in the share price and investors cannot use the information they collect to earn a higher return from the market Investors who agree with the efficient market theory choose to buy the funds they have invested in the

index. Because these funds follow the performance of the whole market and grow or decrease with the index (Molaei et al., 2016).

First, the efficient market hypothesis assumes that all investors understand all available information in exactly the same way. But the existence of numerous methods for analyzing, analyzing and valuing stocks challenges the validity of the efficient market hypothesis. For example, if an investor is looking for undervalued stocks, while another investor is valuing stocks based on their growth potential, the two investors have come up with different valuations of normal stock market value. Therefore, one of the existing arguments against the efficient market hypothesis points out that because investors value stocks in different ways, it is impossible to determine what the value of stocks should be in the efficient market (Hashemi and Motalebian, 2013, 6).

Second, according to the efficient market hypothesis, no investment can be more profitable than another investor who has the same amount of invested funds; when we say that they have the same information, it means that they can only achieve the same efficiency. But the wide range of return on investment obtained by investors, mutual funds, etc., shows the opposite. If no investment had an advantage over other investors, would these annual returns be possible in the mutual fund industry (which ranges from huge losses to profits of 50 percent or more)? According to the efficient market hypothesis, if the activity of one investor is profitable, it means that the activity of all other investors will be profitable, while in reality, this is not always

the case (Hashemi and Motalebian, 2013, 6). Investors and academics have different views on the actual market performance, which is shown in strong, semi-strong and weak versions. In contrast, Fama and its followers are investors who use the strategy of investing in value stocks and believe that stocks can be priced more or less than their true value. These investors have been able to gain a lot of profit and wealth by buying shares of companies that are priced below the real value and selling them when their price rises (Molaei et al., 2016).

Theoretical foundations and research background

Constraint theory (concept, steps and applications)

Constraint theory is one of the new approaches to continuous improvement that was first introduced to the world by Dr. Goldrat, a Jewish physicist, in the mid-1980s. Perhaps the basis of this theory can be stated in one sentence: The limitations of any system determine the performance of that system. The main focus of this theory is first recognizing the limitations and then managing them to increase system performance. "Purpose" is a book that describes the problems of production and the process of dealing with them in the form of a novel. Restriction theory views the company as a system and its purpose is to make money now and in the future. The system is also a set of interconnected components. Each component is related to the other components on the one hand, and on the other hand, as part of the joint efforts of each component, the components are related to

the overall performance of the system. System constraint is the fact that every system has a number. To achieve this goal, the company must identify and manage bottlenecks to limit the company's performance. This theory was introduced by Goldart and Cox in 1984. (Copeland & Kenan, 1998).

Constraint theory should be used as a dynamic process and management should use the following five steps to maximize performance.

1. Identify system limitations
2. Decide on how to remove the restriction
3. Subject all cases to the decision of the second stage
4. Remove system restrictions
5. If the system constraint is broken in the previous steps, return to the previous steps. But it must be borne in mind that system stagnation does not become a larger constraint.

Also, constraint theory uses three criteria, which are:

1. The performance criterion of the system (T) is the rate at which the system generates money or the target unit through sales, or in other words, all the money that enters the company minus all the money that the company pays to the sellers slow. (Total company sales minus total variable costs).
2. Investment Criterion (I) Investment is the total amount that the system spends on items it intends to sell. The total investment includes all the assets of the company. There is a fundamental difference between performance accounting and conventional accounting in how goods are processed during manufacturing and the inventory of manufactured goods.
3. The operating cost (OE) measure includes all the amounts that the system spends to convert investment into performance. Total operating costs include wages, depreciation, rent, fuel, etc.

Political cycles (parties) (definition, functions and their role in elections)

In general, a comprehensive definition of a political party can be defined as: "A party is a stable gathering of a group of people who have common ideas and a regular organization and fight with the support of the people to gain political power through legal means."» (Eivazi, 1388).

The special work and functions of real parties always lead to political stability and security in any political system. In general, some of the most important functions of political parties are:

1. Parties can act as a tool for political recruitment and a conduit for bottom-up pressure.
2. Parties provide opportunities to form coalitions of those with strong political interests in order to maintain and maintain the government. (Bagheri Khozani, 2004)
3. Parties have a mobilizing role; they can mobilize the people or participate in cooperation projects at the national level. (Clive Smith, 2001)
4. Political parties are considered as essential institutions for maintaining political stability. Inspired by

Dutuquil, Huntington recalls that the whole political system is effective when it has a high degree of institutionalization. Society depends on absorbing this increasing level of political participation on a large scale. Parties can act constructively and legitimately as the main institutional tools for organizing this political participation. (Badie, 1379: 100 and 94)

5. Dealing with and criticizing the government and trying to prevent the majority government from deviating from the criteria of national values, interests and interests with constant supervision.

6. Increasing the accuracy of political decisions and strategic policies and reducing the possibility of error by increasing the participation and conflict of votes at the level of elites and the general public.

On the other hand, political parties are closely related to all aspects of politics, especially elections. Political parties, by organizing the ideas and political tendencies in society, while dividing and organizing people into different branches and sections, bring together and integrate individual and social sub-tendencies in the form of doctrines. Ideologies or systems of thought are more or less coherent, Social and cultural, and will present to the political market in the form of more organized issues. Party elections are also superior to non-party elections. Because in the first case, the number of candidates will be more reasonable, and this will prevent the scattering of citizens' votes and will increase

the power of representation of the elected, while if there are no parties, citizens will be both candidates and In terms of voting, it will be dispersed and, naturally, the support factor of the representatives will decrease, and the voting process will be based on dependence on personalities and necessarily emotional or superficial, instead of being based on political program or ideological and professional thought. During the elections, in addition to the official voting and monitoring systems, representatives of political parties and groups also participate in verifying the correctness of the election and monitoring its proper conduct (Rezaei, 2006: 203-201)

Therefore, in a conclusion, it can be said that the existence of political parties in society is considered a necessary and fundamental need, so that both the government and society need a party. The reason why society needs a party is that today the demands of groups and strata have changed and their understanding of their class needs has increased so that they can increase this class need to the political system, and because their education and awareness have increased. They are increasingly becoming an organization that we call the party. The government also feels that it cannot continue without the party. Governments need to connect with society. One of these connections is the party. Therefore, participations that take place in the form of a party will be more democratic. Of course, the mere existence of the party is not enough. The obstacles of the party must be removed; a serious pathology must be done to reach an ideal point. The concepts of political development, popular participation, political legitimacy, legitimacy, tolerance, political

order and stability are concepts that intersect at the emergence of political parties and groups.

Background Research

Table (1) provides an overview of studies and research close to this research.

Table 1. Provides an overview of studies and research close to this research

Research Result	Subject	Researcher & Year
The results of the Tehran Stock Market study show that in this market there are long-term memory effects in the form of predictable non-periodic cycles, the weak form of the efficient market hypothesis is rejected most of the time and the fractal market hypothesis and the adaptive market hypothesis are confirmed. To be.	Efficiency of Tehran Stock Exchange with emphasis on dynamic approach	Moradi and Ghandehari. (2016)
The results indicate the existence of calendar anomalies and the non-random nature of the trend of news affecting returns and excess trading volume, which can challenge the efficiency of the market at the semi-strong level.	Investigating the information efficiency of Tehran Stock Exchange at the semi-strong level	Sinai et al., (2015)
Findings showed that there is a significant and negative relationship between abnormal operating cash flows and stock returns.	Investigating the relationship between abnormal operating cash flows and stock returns of companies listed on the Tehran Stock Exchange	Hashemi and Motalebian.(2013)

Continuation of Table No . 1

Findings from the application of the turnover test indicate that the efficiency of the Tehran Stock Exchange is not confirmed in a weak form. The results of using the entropy method also indicate that the "market information system" has the greatest impact on the efficiency of the Tehran Stock Exchange.	Investigating the efficiency of Tehran Stock Exchange at a weak level and prioritizing the factors affecting it	Danieli And Mansouri (2012)
These results are based on the inclusion of industry or fixed effects of the country, the deprivation of the oil industry, and the use of alternative criteria for the quality of earnings management.	The role of stock market efficiency and quality of earnings management	Inas (2017)
The results of this study showed that in principle, both operating profit and cash flow are positively related to the sum of stock returns. But with this increase in information asymmetry, this relationship with stock returns decreases. Other research findings showed that operating cash flows have a better ability to explain stock returns.	Relationship between earnings and operating cash flow on stock returns, emphasizing the role of information asymmetry	Rap(2016)
The results show that the relationship between traditional cash flow metrics (ie net profit plus depreciation and working capital from operations and changes in current non-cash operating assets and changes in current operating liabilities) is negligible. Also, the relationship between cash flow metrics and wider adjustments is less important, while there is a high correlation between traditional cash flow metrics and earnings.	Evidence about the relationship between earnings and different cash flow metrics	Bowen, Borgestalro Daly (2015)
Showed that for a given level of earnings, smoother earnings are associated with higher market value of equity. The results after increasing the fluctuations of cash flows have an increasing information content.	Investigate the smoothing of earnings and equity	Hunt et al(2016)

Source: Research Findings

Data analysis (testing of hypotheses)
Research method, model and variables

The present research is in the field of descriptive and inductive research and is applied in terms of purpose. This research will be done in terms of segmentation according to implementation method, correlation method and based on post-event data. According to the objectives of the research, the statistical method is a combination of correlation (time series and cross-sectional), ie the study of the relationship between variables through regression. The experimental model of the research is generally based on the model of Miao Wang and MC Sunny Wang (2015), which of course is based on the model of McQueen and Torley (1994). The model of McQueen and Thorley states:

$$r_{t+1} = \alpha_1 RD_t + \alpha_2 DD_t + \theta' X_t + u_{t+1},$$

RDt and DDt represent the virtual variables of the political nature of the presidency. So that where the principled presidency takes over the government will be RDt = 1 and when the reformist presidency takes over the government (DDt = 1) and in other cases they will be equal to zero. On the other hand, in Wang (2015) model, Xt is a vector of the main independent variables. As έit: the residual deviation of the actual return from the expected return is based on fundamental risk and self-correlation, therefore it represents an abnormal return. On the other hand, in this study, the theory of constraints also includes: identifying and managing constraints in order to improve organizational and systemic performance in order to achieve goals. It is one of the most basic concepts. The first step is to identify the "limitation of the system or bottleneck" and to recognize the importance of the role of the target system for which the system was created. Constraint theory can be called a new systematic approach to the thought process**.**

Research model: Therefore, considering the factors affecting the stock return rate (based on conventional theories) as well as the variables considered and effective in this research (in particular) on the total real stock return, the following model as the main research model to test hypotheses It will be considered. In this model, rational speculation price bubbles and political cycles are considered as constraints on the capital market. By adding other independent variables based on the three criteria of this theory, we seek to improve the index of real total return on equity of the companies under study. On the other hand, considering the variables of political cycles (RDt and DDt) that represent the virtual variables of the political nature of the presidency, so that where the principled presidency takes over the government RDt = 1 and when the unprincipled presidency takes over the government Will be (DDt = 1) and in other cases will be equal to zero. It is set and considered as follows:

Rit=β0+β1CoCit+ β2 OCF+ β3Lit+ β4RDit+ β5DDit+ β6REit+ β7Sit+ Ɛit

As the variables are:

1. Rt: is the real total rate of return of shares for the 1st company in period

t and is calculated from the following equation:

$Rit = (Pit - Pit\text{-}1 + DPSit) / Pit\text{-}1$

Pit: The stock price of the i company at the end of the period t

Pit-1: The stock price of the 1st company at the beginning of the period t

DPSit: Cash profit received by iM company in round t

2. Cost of Capital: Based on the system performance criteria, it enters the system from the constraint theory. One of the perspectives for calculating the cost of common stock capital is the dividend discount model. In this method, the cost of existing common stock will be calculated from the following equation:

$$K_e = \frac{D_1(1+g)}{P_0} + g$$

As:

Ke: Equity cost of common stock, D0: Expected dividend to be paid at the end of the first year. P0: Current market price of the company's common stock

And g: Expected dividend growth rate

3. Financial leverage: (Leverage): is the ratio of total debt to total assets of the company (Hasas et al., 2010). This variable enters the model based on the first criterion (system performance) of constraint theory.

4. Retained Earnings: In accounting, refers to a percentage of a corporation's profit, which has not been paid to shareholders in the form of dividends, and the company, in order to reinvest in its core business,

or pay off debt, Kept. Accumulated earnings are recorded on the left side of the balance sheet and under the equity column. Dividends payable to shareholders are obtained by adding the net profit or deducting the net loss from the accumulated profit at the beginning of the period. This independent variable is entered into the model based on the second criterion of the theory of constraint (investment). Companies can finance and invest in development projects from this source from the accumulated profit.

5. Size of the company (Size): is the natural logarithm of the book value of the total assets of the company or the amount of capital of the company before the capital increase.

In this research, for estimating and analyzing econometrics and statistics of the research model, the panel data method will be used. (Shirinbakhsh, 2016).

Purpose and hypotheses of the research

In general, the main purpose of this study is to test the effect of capital market efficiency through the mediating variable of political cycles based on the theory of limitation on the total stock rate of return for manufacturing companies listed on the Iranian Stock Exchange in Iran as the main objective of the researcher. Accordingly, in this realization, the test of the following main hypothesis is considered:

The main hypothesis of the research

There is a significant relationship between the variable of stock market efficiency and the stock return rate of selected companies through the mediating variable of political cycles (principled and non-principled).

Unit root test (static variables)

Before estimating the model in the first step, to prevent false regression, the significance of the research model variables is examined. To perform this test, the unit root method in panel data, namely, Levin, Lin and Chou (LLC) test, was used. Hypothesis H0 in this test indicates the existence of a single root and anonymity. The results of this test are given in Table.

Table 2. Panel Unit (LLC) Root Test Results, Pattern Variables

Situation	**Probability**	**t value**	Variables
stationary	0.0000	-10.356	R
stationary	0.0000	-10.860	CoC
stationary	0.0000	-10.259	SE-EFit
stationary	0.0000	-5.029	OCF
stationary	0.0000	-10.055	L
stationary	0.0005	-3.285	RE
stationary	0.0000	-3.325	S

Source: Research Finding

According to Table (2), for the variables R, COC, (SE-EFit), L, RE and S LLC, the root of the unit is performed at the level (meaning the level is the same as the original time series without differentiation). They mean zero prob (less than 5%) and are meaningful. Therefore, no false regression is confirmed. It should be noted that since the variables are at the level of mana, they will not need the co-integration test.

F-Limer test (combined method or fixed effects) for the research model

The F-Limer test was used to investigate the existence of individual effects or differences between cross-sectional features across the origin. In F-Limer test, hypothesis H0 is defined as the same width of the origins of all sections (no individual effects) that if rejected it should be from the fixed effects model and if it is accepted from the ordinary least squares (combined) method to estimate Model used. In this study, according to Table (3), the results of F-Limer show the existence of individual effects and the need to use panel data for

the second model (related to the second hypothesis).

Table 3. Summary of F-Limer test method

F value	F value	F value
0.0010	(51.335)	36.842

Source: Research Finding

As Table (3) shows, prob is 0.05 and the calculated value of F-Limer statistic is significant. Therefore, the null hypothesis that the data are hybrid is rejected, and in fact the opposite hypothesis, which indicates the suitability of the FE method for estimating the model, is accepted.

Hausman test (fixed effects or random effects) for research model

After the F-Limer test showed that the width of the origin is not the same for different sections, the next step is to distinguish between two alternative models, the fixed effects and the random effects of the Hausman test. In Hausmann test, Hypothesis H0, the independence of explanatory variables from the component is disturbed, and if it is rejected, the fixed effects method is compatible and the random effects method is incompatible, and the fixed effects model must be used. The results of this test are given in the table below.

Table 4. Summary of Hausman test method

probability	d.f	F value
0.000	7	3.2320

Source: Research Finding

As Table (4) shows, prob <.05. Therefore, hypothesis H0 is rejected and the fixed effects approach is considered as the optimal method for estimating the research model.

Analysis of the results of research model estimation

In this section, according to the previous discussion on the selection of the above method, the research model is estimated to test the main hypothesis. Table (5) presents the results of this estimate, which is related to the test of the effect of political cycle variables (RD and DD) along with financial variables COC, OCF, L, RE and S (except for the capital market efficiency variable; (SE-EFit) shows the research dependent variable (stock return rate; R) for the companies under review during the years 2005-2016. Of course, the variables of political cycles show the virtual and mediating variables of the political nature of the presidency of the period in question in Iran, so that where the presidency was principled (1392-1384) the government takes over $RD_t = 1$ and when the

presidency is non-principled (1392-1392) will take over the government (DDt = 1). Therefore, based on the results of estimating the research model, it is determined that according to the positive and significant sign for all coefficients of variables in this model (except RD) and prob less than 0.05 can be said, COC variables (cost of capital), OCF (operational cash), L (financial leverage), RE (accumulated profit), S (company size) and political cycle variable DD (for the period of non-principled government in Iran) have a positive and significant effect on the annual stock rate variable (R) have.

Table 5. Results of model estimation to test the main research hypothesis

prob	value t	Coefficient	variable
0.0105*	3.3	-6.75	C
0.0008	3.86	6.02	COC
0.0100*	4.01	3.50	OCF
0.0207	2.35	1.66	L
0.0000*	-3.58	1.61	RE
0.0000*	3.2	1	S
0.0000	4.18	1.04	SE-EFit
0.1200	2.11	-1.66	RD
0.0004	-3.58	2.8	DD
Prob=0.000	DW=1.90	AdjustedR²=0.89	Regression statistics

Significant of Level is 0.05   Source: Research Finding

The COC (Capital Cost) variable is expected to have a positive effect on the stock rate of return, given the computational relationship of capital cost based on dividends and the direct relationship between earnings and stock returns. Thus, based on the estimation of the research model, it is observed that one-unit increase in the COC variable has been able to increase the annual stock rate variable to 6.02 units. Of course, the result of the significant test of the effect of this variable on the fit of the research model is also consistent with the results of Wang and MC Wan (2015).

Regarding the effect of operational cash (COF) variable, according to Wilson (1986) research, the set of accrual figures and cash from operations together have more information content than profit information content and that there is a positive correlation between components. There is a liability and operating cash (COF) with the stock returns of companies. Also, the result of the significant test of the effect of this variable is consistent with the results of Wang and MC Wang (2015). For the OCF variable, the estimation of the research model shows that the coefficient of the operating cash variable has a positive effect of 3.50 units and is significant with respect to prob <0.05.

The financial leverage variable (L) enters the model based on the first criterion of constraint theory (system performance). According to the study of Izadinia and

Rahimi Dastjerdi (2009), there is a positive and significant relationship between financial leverage and stock rate of return. As can be seen for the variable L (financial leverage), the coefficient sign is also positive and significant (prob <0.05). So that one unit decrease in L causes about 1.66 units decrease in rate of return. Of course, the result of the significant test of the effect of this variable on the fit of the research model is also consistent with the results of Wang and MC Wang (2015).

For the accumulated dividend (RE) variable, according to the computational relationship for the annual stock return rate, in the form of capital increase from the accumulated dividend (before and after the general assembly), it is observed that the accumulated profit with a positive sign in case of deduction of stock return rate. Appeared and its increase can increase the annual rate of return. Therefore, we expect that in the estimation model of the research, the sign of the coefficient related to this variable is positive (and of course statistically significant). Also, the estimation results show that the coefficient of variable RE (accumulated profit) is 1.61 and positive and significant (Prob <0.05). Of course, the result of the significant test of the effect of this variable on the fit of the research model is also consistent with the results of Wang and MC Wang (2015).

Variable size of the company (Size) is also one of the other factors that has attracted the attention of experts, since large companies have access to cheaper financial resources, they are more efficient and profitable, resulting in higher stock returns. The result of estimating the model of this research is in line with this theoretical discussion and has been confirmed. As can be seen for the variable S (company size), the sign of the corresponding coefficient is also positive and quite significant (prob equal to 0.000). As a unit increase in S has caused a unit increase in stock rate. Of course, the result of the significant test of the effect of this variable on the fit of the research model is also consistent with the results of Wang and MC Wang (2015).

For the variable RD (political cycle for the period of establishment of the principled government in Iran) is also observed that the sign of the coefficient is negative and quite significant (prob equal to 0.012). As one-unit increase in RD has caused 1.66 units decrease in stock return rate. For the variable DD (political cycle for the period of establishment of unprincipled government in Iran) it is also observed that the sign of the coefficient is positive and quite significant (prob equal to 0.0000). As one-unit increase in DD has caused 2.8 units increase in stock rate. The capital market efficiency variable represents the capital market efficiency (based on the Yang and MCYang model; 2015). For this variable, it is observed that the sign of the corresponding coefficient is also positive and quite significant (prob equal to 0.000). An increase in SE-Efit has resulted in a 1.04 increase in the stock rate. Therefore, due to the positive and significant effect of this variable in this study, the result is the same as Wang and MC Wang (2015). Therefore, in a general view, it can be said that the coefficients of the estimated research model had exactly a positive and significant effect on the stock return rate (dependent variable)

exactly in accordance with the theoretical expectation and based on the article based on the research background. Therefore, the main hypothesis of the research that states that political cycles (political nature of the presidency) as a limiting factor of capital market efficiency has a significant effect on the real rate of return of manufacturing companies can be accepted. It is also noteworthy that due to the high F and prob zero statistics for the significance of the whole regression, it can be said that the model has 100% overall significance. The results of estimating the research model, as well as the adjusted coefficient of determination (R2) equal to 89% and Watson camera (DW) statistic equal to 1.90, respectively, indicate the good fit of the model and the absence of acute autocorrelation problem between disturbing sentences.

Results

Based on the results of estimating the research model, it is determined that according to the positive and significant sign for all coefficients of variables in this model (except RD) and prob less than 0.05 can be said, the variables COC (cost of capital), OCF (funds) Operating cash), L (financial leverage), RE (accumulated profit), S (firm size) and the SE-Efit variable have a positive and significant effect on the annual stock rate variable (R). Of course, for the variable DD (political cycle for the period of establishment of the unprincipled government in Iran), it is also observed that the coefficient sign related to it has become positive and significant.

1. Of course, the main purpose of testing the main hypothesis of the research was to investigate the effect of political cycle variables (the effect of political parties) in the form of RD and DD variables on the annual rate of return (as a variable limiting capital market efficiency). In other words, it was expected that we would see more of its moderating role in reducing the price bubble than a factor in intensifying the price bubble. Therefore, for the variable RD (political cycle for the period of establishment of the principled government in Iran) is also observed that the sign of the coefficient is negative and quite significant (prob equal to 0.012). As one-unit increase in S has caused 1.66 units decrease in stock return rate. For the variable DD (political cycle for the period of establishment of non-principled government in Iran) it is also observed that the sign of the coefficient is also positive and quite significant (prob equal to 0.0000). As one-unit increase in S has caused 2.8 units increase in stock rate. Therefore, the significant relationship between this variable and stock returns was confirmed. In a general view, it can be said that the coefficients of the research estimate model, exactly in accordance with the theoretical expectation and based on the article based on the research background, had a positive and significant effect on the stock return rate (dependent variable). Therefore, the main hypothesis of the research that states that political cycles

(political nature of the presidency) as a limiting factor of capital market efficiency has a significant effect on the real rate of return of companies in the group of manufacturing companies can be accepted.

Recommendations

According to the results of this study, the following suggestions are presented:

1. Considering the positive and significant effect of political cycle variables (provided the establishment of an unprincipled government) as a limiting factor of capital market efficiency on the stock return of companies under review in Iran, strengthening the moderation of political parties and party support with This political nature is proposed with the aim of modifying the effect of political cycles on stock returns.

2. Based on the negative and significant impact of principled political parties on stock returns, it is suggested that these parties adjust their approach to the nature of political moderation with the aim of improving stock returns by restricting the efficiency of the capital market.

3. Based on the results obtained from estimating both models, it is suggested to strengthen financial variables to improve the stock return rate due to their positive and significant impact along with the capital market efficiency variable

and also the political cycle's variable with a political moderation nature.

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