

DESCRIPTION FOR THE GENERAL PUBLIC

What is liquidity? It has many meanings, but in reference to shares it means the ease with which these shares can be bought or sold. The studies conducted over the past 30 years indicated that the harder it is to sell (liquidate) given securities, the higher earnings are required by investors who want to buy it. Therefore, it can be stated that it has an impact on investors' expectations on the capital market.

The expectations of a single group of capital market participants (namely investors) must be reflected in the decisions taken by the other group of participants in this market – namely companies. While the impact of liquidity (and its constraints) on investors' expectations is relatively well-known in the world literature, the second of the areas of research mentioned above has been poorly developed so far. It is equally important that the results of research on the relation between the stock liquidity and returns expected by investors are not unambiguous, especially in the context of emerging markets, which until recently had included the Warsaw Stock Exchange. This is an argument for deepening the studies on the impact of liquidity on the investors' expectations in emerging equity markets, especially the Polish one. Warsaw Stock Exchange, as the largest and fastest growing stock exchange in Central and Eastern Europe, is an important and interesting subject of research in this field.

The studies on the relations between the ease of trading with shares and the decisions made by companies to meet investors' expectations is interesting not only in the emerging market, but also in developed economies. Analyses conducted in this field have a much shorter history and their results are extremely ambiguous, especially those conducted in emerging markets.

The project aims to fill the research gap in terms of the impact of stock liquidity on various types of financial decisions made by companies that have issued these shares. One can expect that companies would make decisions which, on the one hand, would minimize the adverse effect of investors' expectations and, on the other hand, maximize the stock liquidity, thus reducing investors' expectations. The research conducted in the project will make it possible to deepen the knowledge about the effect of liquidity on investors' expectations, on the one hand, and on the decisions of the companies on the other. These decisions include primarily decisions on the payouts for shareholders and on financing the company.

The research planned in the project will contribute to a significant enrichment of the Polish literature on stock liquidity and its results will fill the gap in terms of liquidity effects on the expected returns and the decisions taken by the companies. The results of the research will not only be of great cognitive importance, but they will also serve capital market practitioners and managers of listed companies.