The study found that market liquidity deteriorated and after the introduction of short-selling restrictions, the number of shares traded per dollar of trading volume fell, indicating that investors have less liquidity for hedging and speculation. In contrast, short-selling restrictions significantly increased the number of shares held in margin accounts.

The research also showed that short-selling restrictions increased the time it took for market participants to unwind their positions, resulting in a decrease in market efficiency. This is consistent with the notion that managers are deciding whether to abandon value-reducing projects and businesses.

In summary, short-selling contributes to well-functioning financial markets and efficient price discovery. The study suggests that policymakers should consider the potential benefits of short-selling in their regulatory frameworks, including increased market liquidity and price discovery.