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INVESTIGATION AND IDENTIFICATION OF EFFECTIVE ELEMENTS ON ATTRACTING DEBTS IN COMPANIES LISTED IN TEHRAN STOCK EXCHANGE

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ABSTRACT

The purpose of this research is to investigate and identify the effective elements on attracting debts in companies listed in Tehran stock exchange. The population includes all listed companies in Tehran's stock exchange as 500 entities. Among the population, a number of 99 companies were selected as the sample. Data collection instrument in this research is the issued financial statements of the listed companies in Tehran's stock exchange between 2006 and 2013. In order to analyze the collected data, the regression test was used. Results of correlation matrices between variables indicates that attracting debts has an insignificant positive relation with institutional ownership, firm size, Payment ratio of dividend stock and volume of company's sales and also it has a negative insignificant relation with growth and investment opportunities, fixed assets, profitability, volatility of profits, tax considerations, liquidity, firm value, exclusiveness of firm products and business risk. Also with respect to the identification coefficient of R^2 it can be stated that about 66.3% of changes of the dependent variable (attracting debts) are as a result of changes in dependent variables (institutional ownership, firm size, and Payment ratio of dividend stock, volume of company's sales, growth and investment opportunities, fixed assets, profitability, volatility of profits, tax considerations, liquidity, firm value, exclusiveness of firm products and business risk).

Keywords: *Attracting Debts, Institutional Ownership, Liquidity, Firm Value*

INTRODUCTION

Stock exchange is a market consisted of capital which is used to attract society's free resources and also to align capitals towards deployment of firms and desirable allocation of resources. In terms of demands for financial resources, firms must supply their required cash in a way that it leads to satisfaction of the main purpose of the owners, in other words increase of the firm size (Taheri, 2010-1).

The environment of firm's activities is rapidly growing and is also extremely competitive. On this basis, companies and firms are forced to compete with several national and international entities and develop their activities through new investments in order to survive. Firms need financial resources for investment, although financial resources and their manner of implication should be clear so that the firm is able to be profitable and this is the duty of financial manager to determine the sources of financing and their manner of implication (Raas *et al.*, 2009).

In general, firm's financing resources are divided in two parts of internal financial resources and external financial resources. In terms of internal financial resources, the firms tend to finance from the obtained profits; it means instead of dividing the benefits between shareholders, implicates the benefits in firm's mostly operational activities in order to obtain more efficiency. In terms of external resources, the firm tends to finance from debts and issuance of shares (Titman, 1998).

Rajan and Zingales (1995) conducted a joint research and investigated balance sheets of large samples of publicly traded companies of the world's seven great industrial countries (America, England, Canada, France, Germany, Italy and Japan). First they calculated ratios of debts via book values and equity markets. At the same time, they realized that presence of different accounting methods and principles in each of the studied countries somehow violates the comparability of results; as a result, they started to adjust the ratios of book values and the market. Findings of the research conducted by Bevan and Danbolt (2000) shows that the role of short-term debts is extremely significant in the capital structure of English

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firms and analyses that are only based on long-term debts provide a limited understanding of mechanisms involved in firm's financial structure. Results of the research by Al-Kedah (2011) on Jordan firms revealed that profitability has a negative significant impact on financial leverage. Also, short-term debts include a significant part of studied firm's capital structure. Ultimately, Jordan firms use less long-term debts in their capital structure. Rodent and Leven (1995) conducted a research titled as "discussing the relation between debt ratio and firm's profitability" among a sample consisted of 48 American firms which had financed during 1981 to 1990 through buying debts. They concluded that as a result of debt's tax advantages and the fact that the cost of loans forces managers to have more motivation (Based on free cash flow theory); debt ratio and firm's profitability are positively related. Lara and Mesquite (2003) found a relation between profitability and ratio of short-term debts and equity for firm's shareholders and also a negative relation among profitability and firm's long-term debts. Sibilkov (2009) found out that there is a positive relation among liquidity of assets and capital structure. He also found the same relation between liquidity of assets and guaranteed debts.

Firms with no or small debts, are faced with less bankruptcy risks but on one hand, they have waived a relatively cheap source of financing known as debts. Firms who receive debts have the opportunity to invest it in their value creator projects and as a result, optimize their value and performance. But on the other hand, these firms undergo the cost of interest which can leave negative impacts on their performance. Modigliani and Miller (1958) believed that in the world with no friction, there is no difference between financing through debts and emolument of shareholders regarding firm's value. As a result, financing decisions are free of added value and are not relevant for managers, although Obtained evidences in the real world do not approve this issue. On this basis, with respect to provided content, discussing the effective elements on attracting debts in companies listed on Tehran's stock exchange is highly important.

Research Hypotheses

1. Institutional ownership is effective on attracting debts by companies listed in Tehran's stock exchange.
2. Firm size is effective on attracting debts by companies listed in Tehran's stock exchange.
3. Growth and investment opportunities are effective on attracting debts by companies listed in Tehran's stock exchange.
4. The level of fixed assets is effective on attracting debts by companies listed in Tehran's stock exchange.
5. Profitability is effective on attracting debts by companies listed in Tehran's stock exchange.
6. Volatility of benefits is effective on attracting debts by companies listed in Tehran's stock exchange.
7. Tax considerations are effective on attracting debts by companies listed in Tehran's stock exchange.
8. Payment ratio of dividend stock is effective on attracting debts by companies listed in Tehran's stock exchange.
9. Business risk is effective on attracting debts by companies listed in Tehran's stock exchange.
10. Liquidity is effective on attracting debts by companies listed in Tehran's stock exchange.
11. Firm value is effective on attracting debts by companies listed in Tehran's stock exchange.
12. Exclusiveness of firm's products is effective on attracting debts by companies listed in Tehran's stock exchange.
13. Firm's sales volume is effective on attracting debts by companies listed in Tehran's stock exchange.

MATERIALS AND METHODS

Methods

In terms of purpose, the present study is an applicable research carried out through a descriptive-correlative method. The population includes approximately 500 companies which are listed in Tehran's stock exchange. Sample size determination is carried out through systematic elimination method. On the other hand, those companies in the population which had the following circumstances were selected as the sample and the rest were omitted. 1- In order to keep their comparability, the firm's financial year must end at the final month of the year. 2- Firms that had no changes in their financial period during the duration of the research. 3- Availability of the entire firm's required information for the research. 4- Not

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being a bank or financial institute (investment firms, financial mediate, Holding companies, Leasing companies and insurance institutes). By implementing the aforementioned restrictions, a number of 99 firms were selected as the sample of the research. Required information for discussing and testing research hypotheses are extracted from firm's provided financial statements for the stock exchange center and the software of Tadbirpardaz and firm's financial information disks.

Research Variables and their Measurement Manner

Dependent Variable

The variable of attracting debts is the dependent variable of the research which is consisted of: total debts divided by total assets. It is referred to composition of debts and emoluments of shareholders of capital structure for whose calculation, the ratio of total debts to total assets (criterion for attracting debts) is used.

Independent Variables

1. Institutional ownership

It is calculated from the ratio of shares in possession of institutional owners to the total approved shares as a percentage of institutional ownership (relative criterion for institutional ownership) in the following way:

$$PIO = IOS/TIS$$

2. Firm size

This ratio is calculated via natural logarithm of total assets in the following way:

$$SIZE_{it} = Ln(TA_{it})$$

3. Growth and investment opportunities

This ratio is calculated via adjusted value of assets divided by its book value, in the following way:

$$Q - \text{Tobin} = \frac{BVTA - BVE - MVE}{BVTA}$$

4. Level of fixed assets (Ratio of fixed assets)

This ratio is calculated via the ratio of fixed assets to the firm's total assets in the following way:

$$TANG_{it} = FA_{it} / TA_{it}$$

5. Profitability (Ratio of shareholder's emolument efficiency)

This ratio is calculated via dividing the net profits by ownership emoluments in the following way:

$$ROE_{it} = NI_{it} / OE_{it}$$

6. Volatility of profits

Ratio of changes of net benefits of the year t to year t-1

7. Tax considerations

This ratio is calculated via dividing tax by benefits before deducting the tax in the following way:

$$TR = \frac{\text{Tax}}{EBT}$$

8. Payment ratio of dividend stock

This ratio is calculated via dividing the liquid benefits of each share by earnings per each share in the following way:

$$DPO_{it} = DPS_{it} / EPS_{it}$$

9. Business risk (standard deviation of efficiency of firm's holdings)

This ratio is calculated through standard deviation of efficiency of firm's holdings.

10. Liquidity (Current ratio)

This ratio is calculated via dividing the flowing assets by flowing debts in the following way:

$$LIQ_{it} = CA_{it} / CL_{it}$$

11. Firm value

This ratio is calculated via dividing the market value by book value of emolument of shareholders.

12. Exclusiveness of firm's products

This value is determined via dividing the sales of firm's largest product by total sales.

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13. Firm's sales volume

For calculating the firm's sales volume, the natural logarithm of the firm's annual net sales is used.

Data Analysis Methods

In order to analyze the collected data, the regression test is performed via SPSS software.

RESULTS AND DISCUSSION

Results

Descriptive findings

Descriptive findings related to research variables are provided in table1.

Table 1: Descriptive analysis of research data

Maximum	Minimum	Standard deviation	Average	Number of observations	Signifier	Variable
0/97	0/04	0/22159	0/6437	594	DEBT	Attracting debts
1	0	0/21796	0/7643	594	PIO	Institutional ownership
18/45	10/5	1/38416	13/5202	594	SIZE	Firm size
5/76	0/36	0/84058	1/6232	594	Q_Tobin	Growth and investment opportunities
0/89	0/0	0/18260	0/2275	594	Tang	Level of fixed assets
2/16	-1/02	0/34578	0/2792	594	ROE	profitability
9/39	-8/39	1/67603	0/011	594	Dearn	Volatility of profits
0/27	0	0/09067	0/1049	594	TR	Tax considerations
1/44	0	0/36948	0/5835	594	DPO	Payment ratio of dividend stock
1/74	0	0/17656	0/0822	594	STD_ROA	Business risk
3/48	0/22	0/55293	1/2866	594	LIQ	liquidity
9/35	-3/58	2/796	2/3659	594	MTB	Firm size
0/99	0	0/25353	0/4341	594	HERF	Exclusiveness of firm's products
18/49	9/83	1/42880	13/2010	594	VolSale	Firm's sales volume

Discussing the Manner of Data Distribution

In order to test the manner of data distribution, the Kolmogorov-Smirnoff test is implemented and the results are evident in table2.

Table 2: Results of Kolmogorov-Smirnoff test

(P-Value)	Z statistics	Signifier	Variable
0/155	1/131	DEBT	Attracting debts
0/000	4/129	PIO	Institutional ownership
0/105	1/212	SIZE	Firm size
0/000	4/128	Q_Tobin	Growth and investment opportunities
0/000	3/088	Tang	Level of fixed assets
0/124	1/179	ROE	profitability
0/000	4/534	Dearn	Volatility of profits
0/000	4/572	TR	Tax considerations
0/000	3/408	DPO	Payment of dividend stock
0/000	7/878	STD_ROA	Business risk
0/000	2/660	LIQ	liquidity
0/000	4/148	MTB	Firm value
0/64	1/311	HERF	Exclusiveness of firm's products
0/000	2/073	VolSale	Firm's sales volume

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In order to test the hypotheses, the regression analysis method was used. Table3 shows the entering/exiting variables and implemented regression method. Based on this, the variable of institutional ownership enters the regression model as the first variable.

Table 3: Variables, entering the regression model

Model	Entering / exiting variables		Method
	Entered variables	Omitted variables	
1	Institutional ownership		Step by step
2	Firm size		Step by step
3	Growth and investment opportunities		Step by step
4	Level of fixed assets		Step by step
5	Profitability		Step by step
6	Volatility of profits		Step by step
7	Tax considerations		Step by step
8	Payment of dividend stock		Step by step
9	Business risk		Step by step
10	Liquidity		Step by step
11	Firm value		Step by step
12	Exclusiveness of firm's products		Step by step
13	Sales volume		Step by step

Dependent variable: attracting debts

The summary of the model is provided in table4. Adjusted determination coefficients of 0.655, 0.656, 0.657, 0.657, 0.657 show that the level of flexibility of attracting debts is high due to effective elements on attracting debts.

Table 4: Summary of regression model

Watson camera statistics	Standard deviation	Model summary			
		Adjusted determination coefficient	Determination coefficient	Correlation coefficient	Model
2/151	0/13015	0/655	0/663	^a 0/814	1
	0/13004	0/656	0/663	^b 0/814	2
	0/12993	0/656	0/663	^c 0/814	3
	0/12983	0/657	0/663	^d 0/814	4
	0/12978	0/657	0/662	^e 0/814	5
	0/12982	0/657	0/661	^f 0/813	6

a. Predictors (fixed): firm's sales volume, tax considerations, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

b. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

c. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

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d. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

e. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

f. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, institutional ownership, exclusiveness of firm's products, liquidity, firm value, payment of share's dividend stock, firm size

g. Dependent variable: attracting debtsThe value of Watson camera statistics in table4 shows that there are no reasons to decline the assumption of freedom of errors in regression model. Also table5 shows the variance analysis. With respect to the fact that the value of obtained significance level is less than 0.05, the assumption of existence a direct relation between model's variables is accepted.

Table 5: Variance analysis of the regression model

Significance level	F	Variance analysis			Model	
		Average of squares	Freedom degree	Sum of squares		
^a 0/000	87/618	1/484	13	19/294	regression	1
		0/017	580	9/825	remaining	
			593	29/119	sum	
^b 0/000	95/083	1/608	12	19/294	regression	2
		0/017	581	9/825	remaining	
			593	29/119	sum	
^c 0/000	103/896	1/754	11	19/294	regression	3
		0/017	582	9/825	remaining	
			593	29/119	sum	
^d 0/000	114/449	1/929	10	19/292	regression	4
		0/017	583	9/827	remaining	
			593	29/119	sum	
^e 0/000	127/216	2/143	9	19/283	regression	5
		0/017	584	9/86	remaining	
			593	29/119	sum	
^f 0/000	142/857	2/408	8	19/260	regression	6
		0/017	585	9/859	remaining	
			593	29/119	sum	

a. Predictors (fixed): firm's sales volume, tax considerations, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

b. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

c. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

d. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

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e. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

f. Predictors (fixed): firm's sales volume, level of fixed assets, growth and investment opportunities, institutional ownership, exclusiveness of firm's products, liquidity, firm value, payment of share's dividend stock, firm size

g. Dependent variable: attracting debts

In the variance analysis table, the first row shows the level of changes of dependent variable (attracting debts) which is determined via the effective elements on attracting debts. The second row indicates the level of changes of the dependent variable (attracting debts) which is determined via other (random) elements. With respect to table6, the regression equation is as follows:

$$y = 1/179 + 0/083 x_1 + 0/029 x_2 + 0/019 x_3 - 0/376 x_4 - 0/159 x_5 - 0/284 x_6 - 0/009 x_7 + 0/025 x_8$$

Table 6: Regression model coefficients

Significance level	t	Standard coefficients Beta	Coefficients		Model	
			Non-standard coefficients Standard error	B		
0/000	16/515		0/072	1/194	(Fixed)	1
0/002	3/185	0/080	0/026	0/082	Institutional ownership	
0/009	2/609	0/184	0/011	0/030	Firm size	
0/014	2/471	0/075	0/008	0/020	Growth and investment	
0/000	-11/648	-0/309	0/032	-0/375	Fixed assets	
0/856	-0/181	-0/005	0/018	-0/003	profitability	
0/249	-1/153	-0/029	0/003	-0/004	volatility of profits	
0/967	-0/041	-0/001	0/072	-0/003	tax considerations	
0/000	-8/332	-0/256	0/018	-0/153	ratio of dividend stock	
0/748	0/322	0/008	0/031	0/010	business risk	
0/000	-24/152	-0/708	0/012	-0/284	liquidity	
0/000	-4/132	-0/122	0/002	-0/010	Firm value	
0/479	-0/708	-0/018	0/022	-0/016	Exclusiveness of	
0/026	2/234	0/158	0/011	0/025	products	
					Firm's sales volume	
0/000	17/009		0/070	1/193	(fixed)	2
0/001	3/196	0/080	0/026	0/082	Institutional ownership	
0/007	2/691	0/184	0/011	0/029	Firm size	
0/013	2/492	0/076	0/008	0/020	Growth and investment	
0/000	-11/664	-0/309	0/032	-0/375	opportunities	
0/850	-0/189	-0/005	0/018	-0/003	Level of fixed assets	
0/248	-1/155	-0/029	0/003	-0/004	profitability	
0/000	-9/072	-0/256	0/017	-0/154	volatility of profits	
0/743	0/328	0/008	0/031	0/010	ratio of dividend stock	
0/000	-24/216	-0/708	0/012	-0/284	payment	
0/000	-4/205	-0/122	0/002	-0/010	business risk	
0/480	-0/707	-0/018	0/022	-0/016	liquidity	
0/023	2/272	0/158	0/011	0/024	Firm value	
					Exclusiveness of	
					products	
					Firm's sales volume	
0/000	17/038		0/070	1/193	(fixed)	3
0/001	3/194	0/080	0/026	0/081	Institutional ownership	

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0/007	2/693	0/182	0/011	0/029	Firm size	
0/011	2/552	0/074	0/008	0/019	Growth and investment	
0/000	-11/730	-0/309	0/032	-0/375	Level of fixed assets	
0/237	-1/183	-0/030	0/003	-0/004	Volatility of profits	
0/000	-9/613	-0/258	0/016	-0/155	Ratio of dividend stock	
0/741	0/331	0/008	0/031	0/010	payment	
0/000	-24/256	-0/708	-0/012	-0/284	Business risk	
0/000	-4/283	-0/121	0/002	-0/010	liquidity	
0/481	-0/704	-0/018	0/022	-0/016	Firm value	
0/023	2/271	0/156	0/011	0/024	Exclusiveness of products	
					Firm's sales volume (fixed)	4
0/000	17/435		0/069	1/198		
0/002	3/181	0/080	0/025	0/081	Institutional ownership	
0/006	2/736	0/184	0/011	0/029	Firm size	
0/011	2/561	0/074	0/008	0/020	Growth and investment	
0/000	-11/740	-0/309	0/032	-0/375	Level of fixed assets	
0/230	-1/202	-0/030	0/003	-0/004	Volatility of profits	
0/000	-9/617	-0/258	0/016	-0/155	Payment ratio of dividend stock	
0/000	-24/280	-0/708	0/012	-0/284	liquidity	
0/000	-4/293	-0/121	0/002	-0/010	Firm value	
0/477	-0/712	-0/018	0/022	-0/016	Exclusiveness of products	
0/023	2/282	0/156	0/011	0/024	Firm's sales volume (fixed)	5
0/000	18/843		0/062	1/177		
0/001	3/263	0/081	0/025	0/083	Institutional ownership	
0/006	2/772	0/186	0/011	0/030	Firm size	
0/012	2/522	0/073	0/008	0/019	Growth and investment	
0/000	-11/724	-0/308	0/032	-0/373	Level of fixed assets	
0/242	-1/170	-0/029	0/003	-0/004	Volatility of profits	
0/000	-9/740	-0/260	0/016	-0/156	Ratio of dividend stock	
0/000	-24/408	-0/705	0/012	-0/283	liquidity	
0/000	-4/304	-0/121	0/002	-0/010	Firm value	
0/015	2/432	0/164	0/010	-0/026	Firm's sales volume (Fixed)	6
0/000	18/858		0/06	1/179		
0/001	3/269	0/081	0/025	0/083	Institutional ownership	
0/007	2/692	0/180	0/011	0/029	Firm size	
0/015	2/443	0/070	0/008	0/019	Growth and investment	
0/000	-11/851	-0/10	0/032	-0/376	Level of fixed assets	
0/000	-10/070	-0/265	0/016	-0/159	Ratio of dividend stock	
0/000	-24/695	-0/709	0/012	-0/284	payment	
0/000	-4/240	-0/119	0/002	-0/009	liquidity	
0/018	2/371	0/160	0/010	0/025	Firm value	
					Firm's sales volume	

a. Dependent variable: attracting debts

Table7 shows that the variables of tax considerations, profitability, business risk, exclusiveness of firm's products and volatility of profits cannot be inserted into the regression model as a result of having a significance level larger than 0.05.

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Table 7: Exiting variables from the regression model

Linear statistics	Partial correlation	Significance level	Exiting variables		Model	
			t	beta		
0/676	-0/002	0/967	-0/041	- ^a 0/001	Tax considerations	2
0/688	-0/003	0/947	-0/066	- ^b 0/002	Tax considerations	3
0/743	-0/008	0/850	-0/189	- ^b 0/005	profitability	
0/695	-0/004	0/921	-0/099	- ^c 0/003	Tax considerations	4
0/743	-0/008	0/846	-0/194	- ^c 0/005	profitability	
0/962	0/014	0/741	0/331	^c 0/008	business risk	
0/696	-0/003	0/946	-0/068	- ^d 0/002	Task considerations	5
0/744	-0/008	0/856	-0/181	- ^d 0/005	profitability	
0/962	0/014	0/729	0/347	^d 0/009	business risk	
0/883	-0/029	0/477	-0/712	- ^d 0/008	exclusiveness of products	
0/697	-0/005	0/907	-0/116	^e 0/008	Tax considerations	6
0/752	-0/013	0/759	-0/307	^e 0/008	profitability	
0/964	0/017	0/688	0/402	^e 0/008	business risk	
0/885	-0/027	0/511	-0/657	^e 0/008	exclusiveness of products	
0/913	-0/048	0/242	-1/170	^e 0/008	volatility of profits	

a. Model predictors: (Fixed) firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

b. Model predictors: (Fixed) firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

c. Model predictors: (Fixed) firm's sales volume, level of fixed assets, growth and investment opportunities, business risk, volatility of profits, institutional ownership, exclusiveness of firm's products, profitability, liquidity, firm value, payment of share's dividend stock, firm size

d. Model predictors: (Fixed) Firm's sales volume, level of fixed assets, growth and investment opportunities, volatility of profits, institutional ownership, liquidity, firm value, payment of share's dividend stock, firm size

e. Model predictors: (Fixed) firm's sales volume, level of fixed assets, growth and investment opportunities, exclusiveness of firm's products, liquidity, firm value, payment of share's dividend stock, firm size

f. Dependent variable: Attracting debts

The next exiting that is shown in table8 is related to descriptive statistics of estimated values by regression, errors (remaining), standardized estimated values and standardized (remaining) errors.

Table 8: Descriptive statistics of the regression model

Number	Standard deviation	Reminder's statistics			Model
		Average	Max	Min	
594	0/18022	0/6437	1/1425	-0/0170	Predicted value
594	0/12894	0/000	0/71845	-0/40655	remainder
594	1/000	0/000	2/768	-3/666	Standard predicted value
594	0/993	0/000	5/534	-/132	Standardized remainder

Dependent variable: attracting debts

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Discussion and Conclusion

The purpose of this research is to identify the elements effective on attracting debts in companies listed in Tehran's stock exchange. According to results of extracted data and according to statistical tests, the Spearman's correlation coefficient and regression analysis show that hypotheses number 1,2,3,4,8,10,11 and 13 are accepted and hypotheses number 5,6,7,9 and 12 are declined. In this regard, results of research also indicate a significant and positive relation among firm's liquidity ratio and attracting debts. This means that companies with more liquid assets are susceptible of implementing their assets in order to supply their future investment fees. On this basis, the liquidity status of most companies is effective on their debts. Najar and Taylor (2008) conducted a research and concluded that there is a positive significant relation between firm's liquidity ratio and capital structure. They found out that liquidity performs a significant role in determining firm's capital structure. On the other hand, findings revealed a significant relation between size of the firms and debts. Larger firms tend to develop their activity domain and as a result they will have the ability of receiving loans and positive increase of their leverage. With respect to the fact that natural logarithm of the entire assets is used as the measure index, it can be concluded that in Iranian firms, as the level of total assets increases, the level of debts decreases. This finding is consistent with the findings of Rajan and Zingales (1995), Booth *et al.*, (2001) and Najar & Taylor (2008) who found out that there is a positive and significant relation among firm size and level of debts. Results of this research indicate that there are more diversifications in studied firms and also firms are less oriented towards being exposed to financial risks and bankruptcy. In this research, a significant and positive relation was found between structure of assets and debts which is consistent with the findings of Rajan and Zingales (1995), Titman and Wresler (1988) and Najar & Taylor (2008). This means that companies which have larger fixed assets are able to have more bailed assets which are consistent with representation theory in capital structure. In terms of fixed assets, it can be said that investigation of this variable is based on the assumption that companies undertake their required financings according to type of required assets. In fact, it can be stated that company's implications of financial leverage is not due to the manner of capital structures and companies undertake their required financings with respect to other elements and as a result of implicit governmental ownership of a large portion of this companies, their ability to access bank's financial resources is accompanied with more facilities and guarantees. Overall, the results of this research indicate a significant and positive relation between firm's liquid dividends and capital structure and also a positive and significant relation between company's growth and capital structure.

Results of previous foreign researches are also consistent with the results of the present research and introduce the identified effective elements on capital structure (debts), in a way that Akhtar (2005) has also studied the effective elements on determining the capital structure of multi-national companies of Australia during 1992 to 2000 via time-period regression. The results revealed that in all these companies, the variables of growth opportunities, profitability and firm size determine the ratio of debts. When he performed his research divided by industries, he found out that these elements are more significant for some industries. Huang and Sang (2006) conducted their research regarding 1200 Chinese firms. They studied the relation between some of the elements of capital structure and ratio of debts and showed that ratio of debts decreases with increase of profitability and increase of manager's ownership in the firm; also the level of fixed assets is effective on the ratio of debts. The results of research conducted by Baqerzadeh (2004) revealed that the capital structure of these firms is a function of variables such as level of fixed assets of the firm, firm size and profitability. The findings of this research approve the prediction of theory of sustainable balance of capital structure but decline the hierarchy of financing options.

Practical Suggestions

1- According to results, it is determined that the role of investigated elements, especially the size of the firm and growth opportunities play a more significant role in attracting debts. As a result, managers should pay specialized attentions to profit attraction opportunities and development of firm's activities in their evaluations. This means that the deployment of performance and developmental purposes scrutinize the firm's growth perspective on the market. If this issue is accepted in capital market and financing

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institutes, companies will have a balanced growth in the market and gain more profitability especially in the current rapidly changing economic environment.

2- Attracting investors via increasing the flowing profits

3- Another important internal element of firms is their fixed assets which is rationally a complement for other elements especially in terms of financing with fixed interest and existence of firm's valuable assets for loan lenders. As a result, it is recommended that both crediting (financing) institutes and activists in capital market to pay more attention to these issues; if as it was stated in the analysis of results, existence of government's implicit ownership in many firms has led to the fact that attention to capital structure and implementing debts in the structure are waived, paying attention to theoretical basics and future privatization can increase the desirable effects of paying attention to aforementioned issues.

4- Increase in institutional owner's consistent and effective monitoring.

5- Increasing firm's credibility and popularity with respect to their size.

6- Increasing low-risk assets in the firm instead of high-risk assets.

7- Increase in the level of fixed assets in order to decrease the cost of shares.

8- Firm's increased dependence on internal financing.

9- Increasing the liquidity power of firms via creating appropriate markets.

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