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Research Article

THE EFFECT OF FINACIALIZATION ON CAPITAL STRUCTURE OF LISTED FIRMS IN TEHRAN STOCK EXCHANGE

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ABSTRACT
Financialization means the increased role of financial motives, financial markets, financial actors, and financial institutions in domestic and international economic activities. Financialization process influences financing policies of the companies. This study intends to examine the impact of financialization on the capital structure of the companies. Financial revenue and costs were used as financialization indicators; moreover, the ratios of debt-to-assets and debt-to-equity were used to measure capital structure. The population of the study consisted of the companies listed in the Tehran Stock Exchange which were over 442 companies. Based on systematic removal sampling method, finally 186 companies were selected as the study's statistical sample and the required data were collected from 2008 to 2013. Research hypotheses were investigated using panel data and Eviews software. Financial revenue and costs had a negative impact on debt-to-asset ratio. Financial costs had a negative impact on debt-to-asset ratio and had no impact on debt-to-equity ratio. Managers should consider the effects of financialization, that is, the effects of investing and financing activities on the financial markets in achieving the company's financial goals including access to optimal capital structure.

Keywords: *Financialization, Capital Structure, Tehran Stock Exchange*

INTRODUCTION
The main task of the financial markets is to bring together buyers and sellers who are interested in participating in the markets. In fact, all financial markets are seeking to fundraise and make a connection between borrowers and lenders. The relationship between financial structure and economic growth is evident. In other words, the level of economic development is higher in the countries with a more developed system of financial market (Menyah *et al.*, 2013). The development of financial markets, through improving optimal capital allocation, can provide the country with production growth and economic development.
Therefore, one of the main objectives of the economic sector officials and custodians is to help upward trend of financialization process. Financialization is the process which improves the quantity, quality, and efficiency of services of financial intermediaries and reflects the interaction between many activities and organizations (Abo Nouri and Teymouri, 2014). In other words, financialization refers to the prolonged process of building organizations which deepen the informational foundations and analytical capacities of the financial system; additionally, it increases the leverage of financial institutions by creating value within them and through broadening the instruments, agreements, and contracts in response to changes in the environment and the needs of firms, households, and other economic agents (Komeijani *et al.*, 2010). In general, financialization is a comprehensive notion which can be defined through six dimensions including development of banking sector, development of non-banking financial sector, development of financial and monetary policy sector, banking regulation and supervision, financial sector openness, and institutional environment.
According to studies, financialization is a multifaceted concept that in addition to the monetary and banking dimension includes other components and dimensions such as the freedom of financial sector, the quality of regulation and supervision over this sector, technological developments, competition rate, and the existing institutional capacities.

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In recent decades, vast changes have been occurred in different countries of the world. Significant change in the field of finance is one of the salient features of this period. That is, the scope and significance of financial transactions have been permanently growing. Financial markets and institutions have increasingly achieved a dramatic position in the global economy. The size and profitability of financial sector have increased and the income derived from the financial resources has grown compared with the non-financial ones. This is while the total debt has suddenly grown in the global economy (Fathi *et al.*, 2014). Countries with more developed financial systems are subject to a faster economic growth as they cause the intended economy to have the ability of experiencing higher growth rates (Abo Nouri and Teymouri, 2014). Achieving a desirable economic growth and development is almost impossible without efficient financial institutions and appropriate equipment of financial resources. In this regard, efficient financial systems, through the acquisition of information on investment opportunities, aggregation and mobilization of savings, supervision of investments and exertion of corporate governance, facilitation of the exchange of products and services, and risk distribution and management, and by reduction of transaction costs as well as acquisition and analysis of information, can lead to a better allocation of resources and, ultimately, increase economic growth. Furthermore, more efficient financial systems reduce barriers to external financing and, through facilitating the access of production and industrial units to foreign capital, pave the way for investment development and economic growth (Dadgar and Nazari, 2009).

Studies have shown that financialization process, especially the development of stock markets, has a significant impact on the companies' financing method (Tagavi *et al.*, 2012). It can be said that the purpose of determining capital structure is to specify the combination of any company's financial resources in order to maximize shareholders' wealth (Nevou, 2003). Capital structure policy shows how free cash flow is distributed among the investors (shareholders, bond holders, banks, etc.) (Panahian and Mojtahedi, 2009). Capital structure is the most important parameter affecting the valuation and orientation of businesses in capital markets (Douglas, 2005). The main problem of CFOs is that which financial resource should be selected to maximize the firm value (Ndikumana, 2003). Financial development, by reducing the side costs of financing the companies, facilitates their growth. Financial development, by creating balance in different financial sectors and increasing the possibility of easy access to financial resources in various sectors, provides managers with the opportunity to make decisions for the adjustment of financial structure of their respective companies and help them reach the best and most optimal financial structure so that the utmost return can be brought about (Agostino *et al.*, 2009). However, substitution effects between debt and equity in relation to companies' financing are set based on the companies' financial development prospects. Financialization has an important impact on the capital structure of the companies. Financialization makes the companies have a better access to financial debt with a high quality legal system (formal financial systems) (Agostino *et al.*, 2009).

Accordingly, this research aims at evaluating the impact of financialization on the financing policies of the companies listed in the Tehran Stock Exchange. To this end, in the next section, the concepts of financial development and capital structure will be described in the framework of theoretical foundations. Domestic and foreign literature is reviewed in the following. Then, the research methods will be evaluated and, finally, after data analysis, conclusion and suggestions will be provided.

Literature Review

Capital Structure

Capital structure refers to different options used by the company in its financing. In general, any company can choose different levels of combination of equity, debt, and other financial instruments as its capital structure. The bases of this theory have been founded by Modigliani and Miller (1958). Capital structure decisions may result in many challenges for companies. To get the right combination of debt and equity is one of the most strategic decisions of companies (Camara, 2012). Goldsmith (1969), in his book entitled "Financial Structure and Development", defines capital structure as a set of financial instruments, markets, and institutions active in an economy (Goldsmith, 1969). Capital structure is the most important parameter affecting the valuation and orientation of businesses in capital markets. According to the

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current changing environment, companies' rank, in terms of credibility, depends partly on their capital structure, and their strategic planning is necessary in selecting the most effective resources to achieve the goal of "maximizing shareholders' wealth" (Douglas, 2005). Modigliani and Miller (1958) concluded in their study that weaker legal protections always increase the importance of financing through debt compared to financing through investment. Selecting a desirable capital structure and different financing practices is among the main concerns of corporate financial managers. Inappropriate capital structure, particularly in small firms, affects different activities and can lead to problems such as inefficiency in marketing products, inefficiency and inability to deploy human resources/labor, and so forth (Bashiri and Hagigat, 2010).

Financialization and Capital Structure

Long-term economic growth and prosperity of a country, among other factors, is related to that country's degree of financial development. Generally, speaking, financial development affects economic growth through the aggregation and mobilization of capital resources and the optimal allocation of these resources as well. Development of financial systems through the expansion and diversification of the country's financial markets, leads to a better allocation of resources and, ultimately, to rapid economic growth (Sadeghi *et al.,* 2013). In general, developed economies link low incomes to some extent to the undeveloped financial markets (King and Levine, 1993; Rajan and Zingales, 1998a).

Overall, financialization can affect economic growth if financial system can do its functions to reduce the cost of information, facilitate exchanges, and examine costs more precisely. In other words, how financialization affects economic growth depends on the role of financial intermediaries in assessing the ability of employers and innovative businesses (Nazifi, 2005). Financialization is considered a crucial element for the efficient allocation of capital in the global economy. Countries with more profound financial systems grow faster and reduce income inequality and poverty rate as well. Rajan and Zingales (1998), and Beck *et al.,* (2005) argued that financialization helps the industries which are reliant on external financing to grow faster and helps the employers to overcome the limitations of financing (Rajan and Zingales,1998a; Beck *et al.,* 2005).

Financial development has a very important role in reducing financial constraints on the companies. Investment behavior of companies is a very important topic in the literature of investment theory that is because of its relationship with financial development and economic growth. Understanding the factors which influence investment decisions of the companies is a key issue. According to economic theories, the development of capital markets reduces the costs of transactions and information systems and influences the financing of investment decisions. More importantly, financialization, through providing financial investment opportunities, usually reduces a company's surplus liquidity (Nguyen and Pham, 2014). Studies show that the development level of financial markets, especially stock market and the impact of it on the methods of financing, finally has a big impact on economic growth (Tagavi *et al.,* 2012). Financial markets in the advanced industrial countries control a considerable volume of financial investments in the related economy; because real growth thanks to the development of financial structure so that the countries with developed financial structure have a higher growth rate compared with other countries. Studies conducted by Akerlof *et al.,* (1970) concluded that financialization in the transparent economic environment would occur according to the assumption of competitive market, that is, asymmetric information (Sadeghi *et al.,* 2013). Financialization plays a determining role in affecting the efficiency of investment and thus, economic performance. This means that high volume of investment alone is not enough and a well-developed financial system is required in order to prevent investing in low-return projects (Asadi and Esmaieli, 2014).

Research Background

Bhattacharya and Morrill (2015) in an article entitled "Capital Structure: Theory and Evidence", suggested a model of capital structure which provides the managers with maximum return on investment and minimum risk. He also tested his model with the existing data. Fathi *et al.,* (2014) in a paper examined the impact of financialization on real investments in non-financial companies listed in the Tehran Stock Exchange. In this study, financial leverage and costs were considered as the indicators of

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the independent variable and gross fixed investment as the dependent variable. The required data were collected annually for non-financial companies during the period of 2002-2008. According to the results, the first hypothesis regarding the impact of financial costs on the companies' real investments was accepted. But the second hypothesis regarding the impact of financial leverage on the companies' real investments was rejected. Bashiri and Haghighat (2010) in their study evaluated the impact of financial flexibility on the capital structure of the companies listed in the Tehran Stock Exchange during the period from 1999 to 2007. In this study, data were analyzed using multiple regression method. The results showed that birth stage companies had low-risk investment and debt and maintain balanced leverage ratios. Companies in the growth stage use debt financing and maintain balanced leverage ratios. Companies in the maturity stage rely on internal financing and maintain few leverage ratios. Ducasse *et al.*, (2010) in a study about capital structure decisions, has examined a large volume of literature regarding the critical issues in the area of capital structure decisions. In his study, he concluded that in order to provide appropriate and timely financial resources, managers should make precise and timely decisions regarding capital structure. Nguyen and Pham (2014) in a study evaluated the companies of Vietnam Stock Exchange in terms of financial development. This researcher used generalized method of moments (GMM) in order to analyze capital structure indicators of 116 non-financial companies in two stock markets of Ho Chi Minh and Hanoi in the period from 2007 to 2010. After data analysis, it was found that despite the rise of stock based funds and long-term debts, still the dominant capital structure of companies in Vietnam stock is short-term debts. Additionally, the results showed that new situations force companies to have access to short-term financial resources. Kalatzis (2010) in a study evaluated financial development and constraints in the investment decisions of companies. This study, using the data of 655 Brazilian companies during the period of 1998-2006, examined the relationship between financial development and financial constraints and their effects on investment decisions. The main results revealed that financial development plays an important role in reducing companies' financial constraints and dependence on local resources. Krenusz (2003) in an article about determinants of capital structure, concluded that financial development influences domestic investment. In particular, by reducing financial constraints, it allows the companies to increase investment in response to increased demand for output. Taghavi and Ahadi-e-Sarkani (2008) examined interrelationship between economic growth and financial structure. Granger and regression tests were used for data analysis. The results indicated a unidirectional relationship from capital structure and ownership structure towards economic growth, and approved a significant relationship between economic growth and debt-to-capital ratio. These results indicate the significance of financing through capital increase and its role in the development process.

Research Hypotheses

According to what was said, the impact of financialization on the financial structure of the companies is examined based on the four main hypotheses as follows:

1. Financial leverage influence debt-to-asset ratio of the companies listed in the Tehran Stock Exchange.
2. Financial costs influence debt-to-asset ratio of the companies listed in the Tehran Stock Exchange.
3. Financial leverage influence debt-to-equity ratio of the companies listed in the Tehran Stock Exchange.
4. Financial costs influence debt-to-equity ratio of the companies listed in the Tehran Stock Exchange.

Research Methodology

In terms of objective, the present study is an applied research. Based on the nature, it is descriptive and non-experimental (field and survey). In terms of method, it is placed in the category of correlational researches. Finally, as the research data belong to the past, it is considered to be past-event.

In this research, the required data were collected in two ways: library method which is used for collection of the information related to the literature of the study.

Hence, by studying books and articles and searching the websites, the needed information is collected. The other method is document mining which is used to conduct research and collect data needed for testing the hypotheses.

Data collection was performed using financial software such as Rahavard Novinsoft ware as well as Internet websites, especially codal.ir and rdis.ir.

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The population of the study consists of all the companies (more than 442 companies) listed in the Tehran Stock Exchange from 2008 to 2013. The sample selected for the study consists of the companies listed in the Tehran Stock Exchange with the following properties:

- Companies which have been active during this period and have provided the stock exchange with their financial reports.
- The end of their fiscal year has been the last day of each year.
- Companies which are not among the investment and service companies, banks, and insurances.
- Their information is available.

Applying these features, it was found that the fiscal period of 74 companies was not the end of the year, the information of 159 companies was not available in the related websites, and 23 companies were among banks, investment companies, financial intermediaries, and service companies. Finally, 186 companies remained which are the target of this study.

According to the research objective, capital structure and financial development were considered as dependent and independent variables respectively. An important point to be noted is that traditional indicators of financial development such as financial depth, financial repression, and non-governmental sector's share of total banking facilities may be misleading in determining the degree of financial development.

On the other hand, financialization in this study means the development of financial markets, particularly the Tehran Stock Exchange. Therefore, financial leverage and costs are used in order to measure financial development.

Financial leverage is equal to the company's intake from financial markets, that is, the company's total income from interest and dividends. Financial costs also are the company's total payments to financial markets (interest and dividends) (Fathi *et al.*, 2014; Orhangazi, 2006). Capital structure has been measured with debt-to-assets and debt-to-equity ratios (Anderson and Carverhill, 2010; Brailsford *et al.*, 2002).

Moreover, for better understanding of the relationship between financial development and capital structure, the company's size, profitability, and growth opportunities are considered as control variables. The company's size, profitability, and growth opportunities are measured using natural logarithm of assets, net income inserted in income statement, and Tobin's Q ratio respectively (Abor and Biekpe, 2009). The method of calculating the research variables has been summarized in the table 1:

Table 1: Research Variables and the Methods of their Measurement

Variable		Abbreviation	Measurement Method
Independent	Financial revenue	FL	Total income of the company from financial markets including interest and dividends
	Financial costs	FC	Total costs of the company in financial markets including interest and dividends
Dependent	Capital structure	CS	Debt-to-asset ratio Debt-to-equity ratio
Control	Firm profitability	FP	Net profit / total assets
	Growth opportunities	GO	Tobin's Q ratio = (book value of assets – book value of equity + market value of equity) / book value of assets
	Firm size	FS	The natural logarithm of assets

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Considering the independent, dependent, and control variables, the research models will be as follows:
In the above models, DA and DE represent debt-to-asset ratio and debt-to-equity ratio respectively which are used to measure capital structure. However, it should be noted that in the experimental test of the research models, independent and control variables are used with a one-year delay; because the impact of these variables on capital structure is not immediate and shows itself over time. Hence, the research models will be rewritten as follows:
Furthermore, in order to consider the possibility of non-linear relationship between the research variables, these variables have to be considered in terms of the natural logarithm. Thus, the final model of the research can be considered as the 3-4 equation (Khan and Abdelhak, 2000):
Ln
In the present study, the panel data set has been used to analyze the model. Hence, several companies are analyzed over time. In order to test the research hypotheses, first, F-Limer test should be used to choose between panel data and pool data.
If the calculated F-Limer is smaller than the table's F-Limer, panel data and, otherwise, integrated data is used. If the data are in the panel form, Hausman test should be used.
This test is used to investigate that whether the intercept is in the form of fixed effects or acts randomly in cross-sectional structure.
If the probability of Hausman test is lower than 5%, random effects are rejected and fixed effects are selected; but, if the probability of Hausman test is greater than 5%, fixed effects are rejected and random effects are selected.
If random effects are used, heterogeneity of variance problem must be resolved. To overcome this problem, generalized least squares regression (GLS) should be used to estimate the model. Then, for each hypothesis, F-Limer and Hausman tests are used separately and the obtained results of regression are analyzed using t-statistic and f-statistics and its probability. For statistical analysis, estimation of coefficients, and obtaining the values required for the statistical analysis, statistical software of Eviews is used (Fathi *et al.*, 2014).

RESULTS AND DISCUSSION

Findings

Table 2 shows descriptive statistics of the research variables including minimum, maximum, mean, and standard deviation of the observations.

Table 2: Descriptive Statistics of the Research Variables

Research Variables	Minimum	Maximum	Mean	SD
Capital Structure	0.015	0.901	0.678	12.654
Financial Leverage	0	595976	6611.1	38780.25
Financial Costs	0	11071225	198279.58	863715.42
Profitability	-7205294	30887476	528750	2121483.58
Firm Size	4.47	8.01	5.95	0.61
Growth Opportunity	0.48	7.7	1.53	0.68

Testing the First Model of the Research

In order to test the first model, first, F-Limer test should be performed. The results of this test are shown in the table 3:

Table 3: The Results of the F-Limer Test for the First Model of the Research

Test Type	Statistical Value	Significance Level	Result
F-Limer	21.56	0.004	Panel Data

According to the results of the table 3, the significance level is 0.004 which is smaller than the significance level of 0.05. This suggests that panel data method should be used to test this model.

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In continue, Hausman test is used to evaluate different modes of panel method. The results of this test are shown in the table 4:

Table 4: The Results of the Hausman Test for the First Model of the Research

Test Type	Statistical Calculated Value	Significance Level	Result
Hausman Test	16.02	0.02	Fixed Effects

The results of the table 4 show that the significance level is equal to 0.02 which is smaller than the significance level of 0.05. This value suggests that fixed effects method has to be used.
According to the results obtained from F-Limer and Hausman tests, it is understood that panel data-fixed effects method should be used to estimate the model. The results of the estimation of regression model based on this method are shown in the table 5:

Table 5: The Estimation of Regression Equation of the First Model

Variable	Coefficients	T-Statistics	Significance Level
Cons	12.05	7.8	0.002
FL	-2.56	-2.18	0.035
FC	-7.32	-11.02	0.009
FS	12.03	0.98	0.32
FP	-4.08	6.51	0.021
GO	5.04	2.87	0.000
F-Statistics		**Coefficient of Determination (R^2)**	
0.000	25.546	0.45	

Based on the results of the estimation of regression equation for the first model of the study, the first and second hypotheses are tested.
According to the first hypothesis, financial leverage has impact upon debt-to-assets ratio of the companies listed in the Tehran Stock Exchange. According to results of the table 1, t-statistics value is equal to -2.18 which is larger than the table value. Moreover, level of significance is equal to 0.035 which is smaller than the significance level of 0.05.
The value of regression coefficient is also equal to the negative number of -2.56. Therefore, the first hypothesis regarding the impact of financial leverage on debt-to-assets ratio of the companies listed in the Tehran Stock Exchange is confirmed. In other words, the increase in financial leverage can reduce debt-to-assets ratio of the companies.
According to the second hypothesis, financial costs have impact on debt-to-assets ratio of the companies listed in the Tehran Stock Exchange. Based on the results of table 1, t-statistics value is equal to -11.02 which is larger than the table value. Moreover, the level of significance is equal to 0.009 which is smaller than 0.05.
The value of regression coefficient is also equal to the negative number of -7.32. Therefore, the second hypothesis regarding the impact of financial costs on debt-to-assets ratio of the companies listed in the Tehran Stock Exchange is confirmed. In other words, by increasing financial costs, debt-to-assets ratio of the companies can be expected to reduce.
Furthermore, the results of the table 5 show that among the control variables, firm profitability has a significant negative impact on debt-to-assets ratio. In contrast, the company's growth opportunities have a significant positive impact on debt-to-assets ratio. However, there was no significant relationship between the variable of firm size and debt-to-assets ratio.
According to F-value and the level of significance in the table 1, it can be concluded that the credibility of the first model of the research is statistically significant. Coefficient of determination, with the value of 0.45, indicates that 45% of the changes in the ratio of debt-to-assets can be explained by using the independent and control variables of the research.

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Testing the Second Model of the Research

To test the second model of the research, first, F-Limer test should be performed. The results of this test are shown in the table 6:

Table 6: The Results of the F-Limer Test for the Second Model of the Research

Test Type	Statistical Value	Significance Level	Result
F-Limer	15.32	0. 02	Panel Data

According to the results of the table 6, the level of significance is 0.02 which is smaller than the significance level of 0.05. It suggests that panel data method should be used to test this model.

In continue, Hausman test is used to evaluate different modes of panel method. The results of this test are shown in the table 7:

Table 7: The Results of the Hausman Test for the Second Model of the Research

Test Type	Statistical Calculated Value	Significance Level	Result
Hausman Test	0.98	0.706	Fixed Effects

The results of the table 7 show that the significance level is equal to 0.706 which is smaller than the significance level of 0.05. This value suggests that fixed effects method has to be used.

According to the results obtained from F-Limer and Hausman tests, it is understood that panel data-fixed effects method should be used for the estimation of the model. The results of the estimation of regression model based on this method are shown in the table 8:

Table 8: The Estimation of Regression Equation of the Second Model

Variable	Coefficients	T-Statistics	Significance Level
Cons	3.32	4.65	0.005
FL	0.045	1.03	0.743
FC	-4.65	-2.37	0.041
FS	9.87	0.18	0.45
FP	1.23	1.51	0.898
GO	1.07	2.19	0.001
F-Statistics		**Coefficient of Determination (R^2)**	
0.023	45.605	0.509	

Based on the results of the estimation of regression equation for the second model of the study, the third and fourth hypotheses are tested.

According to the third hypothesis, financial leverage has impact on debt-to-equity ratio of the companies listed in the Tehran Stock Exchange. According to results of the table 1, t-statistics value is equal to 1.03 which is smaller than the table value. In addition, the level of significance is equal to 0.743 which is larger than the significance level of 0.05. Thus, the third hypothesis regarding the impact of financial leverage on debt-to-equity ratio of the companies listed in the Tehran Stock Exchange is rejected.

According to the fourth hypothesis, financial costs have impact on debt-to-equity ratio of the companies listed in the Tehran Stock Exchange. Based on the results of the table 1, t-statistics value is equal to -2.37 which is larger than the table value. Moreover, the level of significance is equal to 0.047 which is smaller than 0.05. The value of regression coefficient is also equal to the negative number of -4.65. Therefore, the fourth hypothesis regarding the impact of financial costs on debt-to-equity ratio of the companies listed in the Tehran Stock Exchange is confirmed. In other words, by increasing financial costs, debt-to-equity ratio of the companies can be expected to reduce.

Furthermore, the results of the table 8 show that among the control variables, growth opportunities of the company have a significant positive impact on debt-to-equity ratio. However, the variables of firm size

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and firm profitability have no significant relationship with debt-to-equity ratio. According to F-value and the level of significance in the table 1, it can be concluded that the credibility of the second model of the research is statistically significant. Coefficient of determination, with the value of 0.509, indicates that 50.9% of the changes in the ratio of debt-to-equity can be explained using the independent and control variables of the research.

Conclusion and Recommendations

In recent decades, vast changes have been occurred in the world economy. One of the salient features of this period is significant changes in the field of finance; this means that the importance of financial sectors, the scope of the financial markets and institutions, the profitability of the financial sector, and the income resulting from financial resources has grown sharply. Financialization refers to the prolonged process of creating organizations which deepen the informational foundations and analytical capacities of the financial system; in addition, it augments the leverage of financial institutions by creating value within them and through broadening the instruments, agreements, and contracts in response to changes in the environment and the needs of firms, households, and other economic agents. Studies show that the financialization process, especially the development of the stock market, has a significant impact on the companies' methods of financing. Financialization has an important role in reducing the financial constraints of the companies. According to economic theories, the development of capital markets reduces the costs of transactions and information systems and influences the financing of investment decisions. More importantly, financialization, through providing financial investment opportunities, usually reduces a company's surplus liquidity. This study also was an attempt to examine the impact of financialization on the capital structure of the companies listed in the Tehran Stock Exchange. To this end, the impact of financial leverage and costs, as the dimensions of financialization, on the capital structure indices – debt-to-assets and debt-to-equity ratios – was examined in the framework of four hypotheses.

The results of data analysis showed that the impact of financial leverage on the ratio of debt-to-assets has been negative. The increase of incomes resulting from investment in financial markets has lessened the use of debts, compared with equity, in the financing of companies. In contrast, the incomes resulting from financial markets have no impact on the ratio of debt-to-equity. In addition, financial costs, as another indicator of capital structure, have had a negative effect on the ratio of debt-to-equity. Thus, it is concluded that the increased activity of companies in the financial markets and the use of available financial assets to finance the company's investment lead to the increase of equity, compared with debt, in the capital structure of the companies. Moreover, financial costs have led to the reduction of the debt-to-assets ratio of the companies. Increasing the costs of financing which are derived from the financial resources provided in the financial markets has been associated with the reduction of debt percentage in the capital structure of the companies. Furthermore, financial costs have had a negative impact on the debt-to-equity ratio of the companies. As mentioned earlier, increase in financial costs reflects the new policy of corporate financial managers in exploiting financial assets supplied in the stock markets so as to meet the companies' financial needs. Consequently, it is obvious that the company is more dependent on sources of equity than the short-term and long-term debts. In general, it is concluded that the growth of financial markets, by providing opportunities for various companies, has caused the companies to gain a part of their incomes and costs through investment in financial assets; as a result, the combination of debt and equity is changed in the capital structure.

According to the results of the study, the following recommendations can be offered:

1. Excessive increase of debts is considered as one of the main factors in the financial bankruptcy of the companies. Therefore, it is recommended that managers consider presence in financial markets as another efficient method so as to achieve the required resources through increasing equity. In order to achieve an optimal capital structure, the company managers have to use all the available opportunities in financial markets.
2. It is recommended that managers hold the required training courses in order to make financial managers familiar with the mechanism of activity in stock markets as well as with the development and

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implement of successful strategies of investment and financing. Providing updated topics in the fields of investment, financing, risk management, and so on is one of the basic preconditions for accelerating financialization process among Iranian companies.

3. Macroeconomic authorities and policymakers are recommended to keep pace with global trends and consider financial sector development as one of the main economic priorities. Too much emphasis on banking sector and the neglect of opportunities in the financial sector will lead to major obstacles in the way of achieving the goal of sustainable development.

4. The design of financial instruments together with the increase of specialist financial intermediaries is among the main strategies that can be considered by the country's financial planners in order to provide the ground for the presence of a greater number of manufacturing and service companies in the Tehran Stock Exchange.

Moreover, the following recommendations can be offered for the future studies:

1. It is recommended that future researchers, using a comparative approach, investigate the impact of financialization on the capital structure of various industries in the Tehran Stock Exchange.

2. It is recommended that future researchers investigate the impact of financialization on the other components of the companies' financial situation such as corporate governance, working capital policies, financial performance, etc.

3. It is recommended that future researchers investigate the share of banking and financial sector in the country's economic system in recent decades and compare their development with each other.

4. It is recommended that future researchers examine the main obstacles to accelerating the financialization of the country's economic system.

Finally, it should be noted that financial researches have several limitations some of which are referred in the following:

1. One of these limitations is the low quality of the companies' financial reports. In some cases, and despite the presence of forensic audits, standards and laws have not been observed completely.

2. Another limitation refers to the inefficiency of Iran's stock exchange as an intervening factor which can affect the results of the research and is impossible to be controlled by the researcher.

3. Since for the calculation of the research variables financial statements are used which are prepared on the basis of historical costs, in the case of adjusting financial information for inflation, research results may differ from the current results.

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