SURVEYING THE IMPACT OF CAPITAL STRUCTURE ON FIRM VALUE AT LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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Abstract

Financing has been one of the challenges of today's companies, which CAB be financed from equity or debt. Nowadays the role of financial managers in determining the optimal structure is evident to everyone. Through an optimal financing structure, a company's stock value will increase. This research is trying to study the effect of capital structure on company value among companies listed on Tehran Stock Exchange. In this study, the library is used to collect data and Excel software was used for data classification and after classifying the data Eviews software was used in order to process the information and test the hypotheses .Sample of this research consisted of 126 companies listed on the stock exchange. The research hypotheses were tested by means of multiple variable regression analysis. In general, the hypothesis test results show a significant effect on the value of the company's capital structure in the companies studied.

Keywords: capital structure, company value, size of company

1- Introduction

Investors seek to invest in the items of property may have the following characteristics; 1. Maximum output power 2. The minimal risk 3. The more Liquidity Power, it means high level of trading in the stock market as Amihud (2002) has been introduced liquidity power as risk indicator and expresses that whenever a share has less power of liquidity, it will be less attractive to investors , Unless the holder's income increase efficiently (Yahyazadefar and Khorramdin, 2008, 102). The objective of the investment before anything is increase or at least preserve the value of financial assets, Portfolio performance evaluation is important for investors in terms of liquidity whether an individual review his own portfolio or an investment company to check it. One of the methods that can be employed to maximize shareholder wealth Proper selection of the main sources of financing Where the combined resources with features such as low cost of capital and rate of return to higher income, The capital structure of the company's overall cost of capital will increase or decrease the optimal capital structure of the company And the equity optimal structure and is a combination of capital and debt and whenever the stocks are of high liquidity, the cost of stock holders will decreases. And companies with high liquidity stocks tend to have lowered financial leverage

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(Sandra Mortal, mark Lipson, 2009). The capital structure (especially in cases of information asymmetry) is preferred to be funded from internal resources and relatively secure financial stocks are carried through. There are many theories regarding the capital structure of the company. Some of these theories assume the existing of debt in the company capital structure as increasing factor of the company value and some other assume it as decreasing factor. Theoretically it seems that managers will have reason for restructuring the capital. So with regard to the roles of capital in creating wealth of the company these roles are important factors influencing it. Therefore it can be assumed that there is a relationship between capital structure and liquidity indicators. The main objective of this research is to test the relationship between these two categories, and the factors affecting capital structure, the findings of this study can be applied to directors of listed companies on the Stock Exchange in order to determine the appropriate method of financing be effective, Discussion of Modigliani and Miller about capital structure studies (1958) were considered further. They believe that there is no difference between the financing through equity and debt, depending on the value of the company (Dechow & Dichev, 2002). Hence, various methods of financing for the company have no additional value and therefore do not limit the director; however, further experimental evidence indicates that this issue does not exist in practice and researches of Modigliani and Miller (1963) also achieved new results and the importance of corporate capital structure recognized more than previously. Much research in the field of finance companies are out there that tries to explain the capital structure and the company's influence. As you know, the most important concepts in accounting are recognition and measurement so that the main purpose of accounting is the preparation of financial reports, Valuation is important. Recognition and measurement principles have always been considered of questionable accounting field.

Therefore, at the present study we want to find answers to this question; what is the link between capital structures on the firm value in listed companies at Tehran Stock Exchange?

2- Materials and Methods

This research was carried out within the framework of inductive- reasoning. The population of this study includes companies listed in Tehran Stock Exchange from 2006 to 2011. The population of the Banks which met the following conditions is the chosen:

1) Which is listed up to March 2005 on the Tehran Stock Exchange.
2) Financial year ending is in March.
3) Financial information required to carry out the study for the period 2006 to 2011 have been fully provided.
4) Company's stock trading is constantly done and at the Tehran Stock Exchange stops about Trading in the stocks mentioned has not happened over the three months.
5) Company has not been changed financially during the year studied.
6) The mentioned company is not among leasing companies.

Overall, this study aims to develop a literature survey of methods using library and To test research hypotheses we used data contained in the financial forms, application processor, and also devise new reserved methods of the Stock Exchange and these websites; www.rdis.ir and www.irbourse.com been used.

According to the hypothesis of the presence or absence of the effect of independent variables on the dependent survey result, multiple regression analysis can be used to test the research hypotheses.

3- Findings

This study includes seven sets of hypotheses; regression testing is used to test the hypothesis.

The statistical hypotheses are null hypothesis (Ho) and the opposite assumption (H1) is the following:
Ho: capital structure has not any effect on firm value.
H1: capital structure has effect on firm value.
Regression model; $Q = \beta 0 + \beta 1 \times CS \times \varepsilon$
In regression model Q represents dependent variable the value of the accepted company in Tehran stock exchange. CS represents the independent variable capital structure and the CH represents independent variable of cash holdings variable. β0 constant factor and β1 and β2 the regression coefficient of the independent variables that actually represent the effect of independent variables on the dependent variable, and the objective is to estimate the regression analysis.
3-1- Durbin Watson test
As the result table shows, the Durbin Watson statistic is equal to 1.6470. Thus, assuming no correlation between the errors cannot be ruled out. The test camera Watson also concluded that there is a possibility of using the above regression model.
3-2- The results of the regression analysis model are:
Table (1): Results of regression analysis

	B	**t**	**Sig**
Constant	2.166	32.01	0.000
CS	-1.89	-21.97	0.000
R^2 0.436	F 282.923	Sig 0.000	Durbin Watson 1.64

However, we continue to investigate the above table.

3-3- Test of significance of the regression equation.
First, we examine the following hypothesis:
Ho; Regression model is not valid
H1: Regression model is valid
As you can see, the value of obtained Prob (F-statistic) is 0.0000 and is less than 0.05 probability level. Therefore the H0 rejected, In other words, the regression model is statistically valid with a confidence level of 0.05 and with confidence of 0.95

3-4- Test of significance of the coefficients
Based on the above table can be made about the significance of the independent variables .
In fact, in this section we test the following hypothesis:
Ho; the coefficient β is equal to zero
H1; β coefficient is opposite to zero
As you can see from the second row in the table above variable amount of capital structure are estimated to-1.8930. Test statistic value - 21.9787 and the significance level is obtained 0.0000, which is smaller than 0.05. The result concluded that the test rejects the H_0, so in the levels of 0.05 and with confidence of 0.95, capital structure has the opposite effect on firm value.

4- Conclusions and recommendations
According to the regarding, obtained results by testing hypothesis on the capital structure on firm value is obvious and above hypothesis confirmed. So this can be presented that companies in order to increase their value do focus on the cash holding and capital structure. If a company's capital structure is optimal from the perspective of the value of the company's investors. It also will affect the stock price.

Obviously, due to differences in the degree of influence of these factors on corporate, capital and liquidity requirements will vary in proportion. Based on the above results, it was hypothesized that one of the important factors that determines the level of maintenance of cash, is the company's capital structure.

In the present study it was observed that the capital structure and cash holdings is efficient to firm value The result of the research hypotheses corresponds to the Kurdistani, G. and Pyrdavoody, Tannaz(2011), Hassas Yegane, Jafari and Rasayiyan (2010), Chow (1998). According to researchs of Sandra Mortal and Mark lipson (2009) and Kashani-Poor and Nagi'nejad (2009) capital structure and cash holdings have no effect to firm value. The above findings lead to the hypothesis do not match to the present study.

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