



# The effect of capital structure on the working capital and growth opportunity of the listed firms on Tehran Stock Exchange

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**Abstract:** This article considered the effect of different variables in the form of 3 ratio of debt capital structure, the ratio of equity to total assets and the ratio of debt to equity based working capital and growth opportunities. This article from the purpose point of view is applied. The research is quasi-experimental research used a casual approach. The sample consists of all firms listed on Tehran Stock Exchange respectively. The study period is considered from 2009 to 2013. Using the sampling method to remove systematic, 90 companies formed the study population. Data research through data collection firms in the sample by reference to the financial statements, explanatory notes, weekly and monthly reports Dinasahtm Stock Exchange and using the software, desert, ATMs do verify hypotheses were embargoed management and given the nature of information and data from past research that is based on actual data, the methods employed in this study, multivariate linear regression using data fusion panel. In this regard, used Excel and Views software's. Results showed that, between the debt ratio and debt-to-equity ratio of working capital there is no significant relationship and the ratio of equity to total assets working capital between the total assets of the working capital there is a positive and significant relationship. Also between the depth ratio and debt ratio to equity ratio there is a significant negative relationship and between growth opportunities and between the ratio of equity and total assets on growth opportunity there is positive and significant relationship.

**Keywords:** capital structure, working capital, growth opportunities, debt, equity, exchange

## Introduction

Determine the optimal capital structure, is one of the key issues of the financing companies. It's important to use care in making decisions with respect to finance current operations and investment plans of the company. Due to lower debt risk, the expected return is lower than expected return on shareholders creditors. So, to a certain ceiling, the amount of debt financing is, the total capital cost less and be more profitable. However, with the increase in debt, firms increased financial risk as a result of their creditors to demand higher interest rates. In this case, the total capital cost increases. As a result, the optimal capital structure exists between two limit financing (equity and debt) (Kurdistan and Najafi, 2008).

In general, research in the field of capital structure can be divided into two parts. First part of it tries to find effective factors on capital structure and other factors affecting the impact of capital structure on the performance of its business units. Most of the research done in this regard is in the first and few studies on the impact of capital structure and financing for working capital business (Hillier et al., 2008). Some companies considered no preset program to its capital structure and only for the financial decisions taken by management, without any specific plan to restructure the company's capital.

Decisions on capital structure and working capital affected the company's stock market value may be affected as a result of capital structure choices. In fact, it can be said that in order to decide on the finance director should answer the following questions:

What is the amount of investment needed for the project?

How does the amount of working capital financing and affect growth opportunities?

Is the optimal mix of sources of financing to maximize shareholder value is firms?

Is the optimal mix of financing, the company's operations?

Firms in operation for financing scheme design should consider what factors?

One of the important issues raised in the area of corporate finance, working capital management practices companies. Working capital management is to optimize the combination of working capital items, ie assets and current liabilities, in a way that will maximize shareholder wealth.

Efficient management of working capital in the throes of financial firms will not only be safe, but also improves the competitive position and profitability (Namazi et al., 2010).

Given the particular importance of capital structure and financial resources as well as changes in the alignment of business strategies in different circumstances, This study seeks effects between capital structure and working capital growth opportunities.

### **The empirical record**

Anvar Rostami et al. (2014), a study to investigate the factors affecting Working Capital Management Company listed on the Tehran Stock Exchange, the test results indicate that Between the variables debt ratio, Return on assets and investments in fixed assets, with management of working capital there is a significant inverse relationship, and between the variable operating cash flow with working capital management there is a significant relationship.

The study found that companies with more life and better cash flow have longer cash conversion cycle than other companies. Also, companies with return on assets ratio, debt ratio, growth opportunities and investment in fixed assets above, the policies are comprehensive and better working capital management.

Baharmoghaddam and et all (2012), a study based on data from 80 companies of Tehran Stock Exchange during 2005 to 2010 carried out the impact of special features on working capital management companies were investigated. Their findings showed that the growth opportunities and operating cash flow and working capital management there is a significant negative correlation, while there is significant positive relationship between the capital structure and working capital management.

Yahyazadehfar et al (2010) in the investigating relationship between capital structure and firm characteristics concluded that there is a significant negative relationship between the growth opportunities (the ratio of market value to book value) and capital structure.

Noravesh and Yazdani (2010), have done a study entitled "The impact of financial leverage on the investment in the Tehran Stock Exchange listed companies". Results showed a significant negative correlation between leverage and investment there. As well as relationships of leverage and investment for firms with low growth opportunities, are stronger than companies with high growth opportunities.

Chiu and Cheng (2006), examined factors affecting working capital management in US companies in the period 1996-2004. The results showed that the debt ratio and operating cash flow had negetive effect and working capital had a positive effect on company size, as well as business cycles, industry and sales growth have no impact on working capital.

Hovakimian (2009), in a study titled "Sensitivity investment cash flow" with the selected sample of 7176 companies for the period -19852003, after controlling for firm size, leverage, growth opportunities and dividend as a percentage limits Finance showed that capital expenditures are sensitive to cash flows.

Hovakimian & Li (2011), in a study entitled "How to adjust the capital structure objective test" leverage target (optimal) through measures such as profitability, growth opportunities, tangible assets (collateral), Size and Price estimated research and development; they achieved a negative relationship between growth opportunities (Tobin's Q) and financial leverage.

Ahmed Sheikh and Wang (2011), conducted a study as determinants of capital structure. This study showed that the profitability of liquidity, volatility of earnings and tangible assets are negatively related to debt ratio, while positive correlation with company size ratio debt. Also, growth opportunities are not associated with debt.

Wasiuzzaman & Arumugan (2013), in relation to the effect on the efficiency of working capital management and corporate governance in Malaysia by examining data for the period 2000-2007 to 192 companies based on the lack of evidence of a significant relationship between board characteristics such as the size of the Board and the percentage of outside directors board with net working capital reached.

In addition, the results showed those companies with tangible assets and less leverage, sales growth and operating cash flows and also were less inequality, are more willing to invest in working capital. Olayinka (2012), done a study of the factors affecting working capital in Nigeria. The results showed growth in sales, operating cycle, Economic activity and positive relationship and between financial leverage exist negative correlation with their working capital.

### Research hypothesis

There is a significant relationship between debt and working capital.

There is a significant relationship between owner and total capital and working capital.

There is a significant relationship between debt to owner of capital and working capital.

There is a significant relationship between debt and growth opportunities.

There is a significant relationship between the ratio of equity to total capital and growth opportunities.

There is a significant relationship between debt to-equity ratio and growth opportunities.

### Research Methodology

This research from the purpose point of view is applied. This is quasi-experimental research design using casual approach (from the past). The sample of the study consisted of all firms listed on Tehran Stock Exchange respectively. The scope of our study considered from 2009 to 2013. Due to issues such as access to financial faces prepared based on the accounting standards of the time of this study (2013), providing the ability to compare and to generalize the results to other firms, the society through conditions the following words have been adjusted and specified statistical sample. The selected sample of this research, are companies that meet the following conditions:

Prior to fiscal year 2009 in Tehran Stock Exchange are accepted (for access to comprehensive information firms).

Respect for the ability to compare financial era is ending in March (due to seasonal fluctuations and changes in the firms, allowing comparability less evenly).

In the review period of the fiscal year have not changed or altered activity (due to changes in the activities of firms and its impact on financial faces, allowing comparison between different years less evenly).

Investment companies and intermediaries are not (due to the different nature of the investment company and the fact that income from operations for the profit and loss account as well as is different with other companies ).

The financial statements and information be available.

Taking into account the above conditions, are the 90 companies that make up the population of this study. Data research through data collection firms in the sample by reference to the financial statements, explanatory notes, weekly and monthly reports Dnashm Stock Exchange done by using the software and desert. To investigate the hypothesis, and given the nature of the information and data from past research that is based on actual data, the methods employed in this study is multivariate linear regression using the data compilation (panel). In this regard, Excel and Eviews software were used. How to check the measurements in this study to determine the relationship between capital structure and working capital carried out through regression model (1) and the relationship between capital structure and growth opportunities regression model (2).

**Model (1)**  $WC_{it} = \alpha + \beta_1 LEV_{it} + \beta_2 EAR_{it} + \beta_3 LER_{it} + \beta_4 SIZE_{it} + \beta_5 GRS_{it} + \varepsilon_{it}$

**Model (2)**  $M/B_{it} = \alpha + \beta_1 LEV_{it} + \beta_2 EAR_{it} + \beta_3 LER_{it} + \beta_4 SIZE_{it} + \beta_5 GRS_{it} + \varepsilon_{it}$

### In these models

WC: represent working capital, ie current assets minus current liabilities, divided by the beginning balance of current assets.

M / B: represents the company's growth opportunities, ie the ratio of market value to book value.

$\alpha$ : the intercept.

$\beta$ : coefficients of the regression slope.

LEV: represents the company's leverage, the ratio of total debt to total assets.

EAR: represents the ratio of equity to total assets and obtained from the division.

LER: represents the ratio of total debt to total equity and also obtained from the division.

SIZE: indicates the size of the company, and obtained from the natural logarithm of assets.

GRS: expresses the growth rate of sales, namely: the difference between the sales divisions achieved two consecutive quarters of the base year.

### **The definition of variables**

#### **The dependent variables**

Working capital (WC): Working capital of a company set the amounts to be invested in current assets. If current liabilities are deducted, net working capital is obtained. Most of the current assets are funded from current liabilities. In this study, current assets minus current debt working capital as current assets on the balance sheet divided by the beginning balance of the companies that the Stock Exchange is shown, and use of information by companies during the collect the period (Rimvand.py Novo, 1995).

Growth opportunities (M / B): Although different criteria, such as the ratio of P / E and M / B can be used to determine growth opportunities, but the M / B has the highest content of information on investment opportunities. Thus, in this study, the main measure of growth opportunities of M / B, because this measure is a useful indicator also provides possibility of compare this study with other research. The company's market value to book value ratio is variable. The market value of the company's stock price in the last year in the number of outstanding shares and the book value of the company is equal to the book value of equity (Lopez and Vicente, 2010).

#### **Independent variables**

##### **leverage (LEV)**

Financial ratios, which indicates it is, what proportion of the total debt (the sum of current liabilities, long-term debt) related to assets (total current assets, assets fixed and other assets, such as goodwill) is to, say debt. In simple terms, the debt ratio is calculated by dividing total debt by total assets (Hillier et al., 2010).

Debt ratio higher than one indicates that its debts is higher than assets and debt ratio less than one indicates that corporate assets are greater than its liabilities. Debt ratio in combination with other methods, measures the company's financial health. Debt ratio can help investors determine the degree of risk in different companies.

##### **The ratio of equity to total assets (EAR)**

This ratio is expressed as a percentage. This ratio shows the importance and the role of stakeholders in the provision of total assets of the firms. A low ratio indicates that although its brilliance, but increase the risk management financing company from the perspective of banks and creditors. This variable achieved the quotient of total equity to total assets (Wikipedia).

##### **Debt-to-equity ratio**

(LER) is one of the measures of financial ratios measuring the financial leverage of the company. This ratio by dividing the company's total debt to equity is obtained, which shows what percentage of a company to finance its assets using the equity and debt. The high ratio of debt to equity can lead to excess payment of interest and usually it means that the firms used debt more in financing (Patterson, 1999). If a large amount of debt used in financing companies and increase the ratio of debt to equity; and potential company must earn more than when not external financing, production. If this is the company's revenues significantly compared to the cost of debt (interest expense) increased shareholders of more income to the amount of their old investments will benefit the company.

##### **Control variables**

size (SIZE) size is a control variable, because there is a correlation between company size and other characteristics of the company. The larger the size, nature and volume of the company's working capital is higher. The must neutralize the effects of this variable in research models the relationship between working capital and investment opportunities to be measured properly. to calculate used natural variable logarithm of assets (Skinner, 1993).

##### **The rate of Sales growth**

(GRS): by dividing the difference between the sale of two consecutive terms obtained by dividing the base year.

**Findings**

**Correlation variables**

Table1. Correlation variables of the research

Variables	symbol	WC	M\B	LEV	EAR	LER	SIZE	GRS
Working capital	WC	1						
Growing opportunity	M\B	0.205** 0.0001	1					
Debt ratio	LEV	-0.380 0.0001		1				
The ratio of equity to total assets	EAR	0.380** 0.0001	0.084 0.074	-.670 0.0001	1			
Debt-to-equity ratio	LER	-0.201 0.0001	0.486 0.0001	0.484 0.0001	-0.484 0.0001	1		
Size	SIZE	-0.210 0.0001	0.005 0.913	0.172** 0.0001	-0.172 0.0001	0.186** 0.0001	1	
Rate of selling growth	GRS	0.125 0.008	0.094* 0.045	-0.052 0.267	0.052 0.267	-0.014 0.768	0.057 0.228	1

As shown in Table 1 in the review of the independent variables (independent variables in a model) are also due to the lack of correlation with high (greater than 70.0) or very low (less than -70 /0) to conclude there is no co-linearity with respect to the value of the correlation coefficient.

**Static test**

Table 2. Results of the unit root test Dickey – Fuller

Variables	Symbols	ADF statistics	Significant level	Result
Working capital	WC	507.399	0.0001	Without the latitude of origin is stable surface.
Growing opportunity	M\B	250.148	0.0001*	Without the latitude of origin is stable surface.
Debt ratio	LEV	319.476	0.0001*	No end is in the process and the width of the source.
The ratio of equity to total assets	EAR	304.355	0.0001*	No end is in the process and the width of the source.
Debt-to-equity ratio	LER	316.748	0.0001**	Without the latitude of origin is stable surface.
Size	SIZE	218.297	0.0271**	The process and the origin is at the end
Rate of selling growth	GRS	373.891	0.0001***	Without the latitude of origin is stable surface.

Table2. Results of Dickey-Fuller test, all variables based on the significance level obtained are reliable. The first regression model is to test assumptions 1. Check the normality of the dependent variable for the first model

Table 3. Test normality of the data for the model

Variables	Average	Middle	Standard deviation	degrees of freedom	Statistic Ks	significance level	result
wc	0.227	0.235	0.651	1.048	395	0.532	The assumption of normality

Table3. Due to the significant level of 05.0 for the variable model is so accepted hypothesis H0 and H1 hypothesis is rejected. So the distribution of variables is normal.

The homogeneity of variance test

Table 4. Variance homogeneity test hypotheses

Kind of test	Test statistic	Significant level	Result
Wald	123.450	0.762	Homogeneity of variance

As shown in Table 4, according to the significance level of the test statistic is greater than 5%. Assumption of homogeneity of variance 0 H is confirmed.

Table 5. The second hypothesis of variance homogeneity test

Kind of test	Test statistic	Significant level	Result
Wald	104.554	0.789	Homogeneity of variance

According to table 5 with respect to the level of significance of the test statistic that is more than 5%. Assumption of homogeneity of variance 0 H is confirmed.

Table6. Third hypothesis of variance homogeneity test.

Kind of test	Test statistic	Significant level	Result
Wald	138.09	0.679	Homogeneity of variance

As shown in Table 6 according to significance level of the test statistic is greater than 5%. 0H assumption of homogeneity of variance is approved.

Test of autocorrelation As shown in Table 7 in the Durbin-Watson statistic model number is nearly 2 and assuming no autocorrelation will be accepted.

Table 7. Test results autocorrelation

Watson statistic camera	Result
2.1829	There is no autocorrelation

**The first model**

Regression model are as follows

$$WC_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 EAR_{it} + \beta_3 LER_{it} + \beta_4 SIZE_{it} + \beta_5 GRS_{it} + \epsilon_{it}$$

To model using Chow and Hausman test, we specify:

**Chow test**

Table 8. result of Hausman test

Statistic test	Significant level	Result
14.3409	0.0224	Efficiency of fixed effects

The results of the Hausman test in Table 9, indicate reject the null hypothesis and the efficiency of fixed effects, respectively.

**The model assumptions and the results of the first hypnosis**

Table 9

The coefficient of determination (R2)	coefficient of determination (R2)	standard deviation	Statistic F	Significant level of model
0.6938	0.6904	0.5905	0.7568	0.0001

Table 10. Summary of results of the regression model

Variable	Symbols	Coefficient	Standard deviation	T Statistic	Significant level
Constant amount	$\alpha$	-0.600	118.922	-0.005	0.996
Debt ratio	LEV	1.206	118.922	0.010	0.992
The ratio of equity to total assets	EAR	36.519	18.065	2.022	0.013
The ratio of debt to equity	LER	0.001	0.012	0.054	0.957
Size of company	SIZE	-0.069	0.021	-3.233	0.001
The selling ratio	GRS	0.144	0.054	0.642	0.009**

According to Table 10, according to the statistic regression model F and the significance that this represents significant variables in the model to determine the effect of each of these factors played a significant test continues and validity of the model is also characterized by the coefficient of determination. On the other hand, according to the coefficient of determination the 0.6938 can be concluded that about 38.69% of the variation in the dependent variable explained by the independent variables.

**The results of the first model assumptions**

**First hypothesis: there is a significant relationship between ratio of debt and working capital.**

According to the obtained coefficient that is equal to the significance level 206.1 (0.992) that is more than 5% the result is not statistically significant in terms of there is a significant relationship between ratio of debt and working capital. Therefore, we reject the hypothesis at 95%.

**The second hypothesis: there is a significant relationship between ratio of equity to total assets on working capital.**

According to the obtained coefficient that is equal to 36.519 significance level is (0.013) which is less than 5% is statistically significant result shows there is a significant and positive relationship between the ratio of equity to total assets and working capital. So our hypothesis is confirmed at 95% level.

**The third hypothesis: there is a significant relationship between ratios of debt to equity on working capital.**

According to the obtained coefficient that is equal to the significance level 0.001 (0.957) more than 5% is not significant in terms of results; there is not a significant relationship between ratio of debt and working capital. Therefore, we reject the hypothesis at 95% level.

**The second regression model to test assumptions**

**Check the normality of the dependent variable for the second model**

Table 11. Test normality of the data for the second model

Variables	Average	Middle	Standard deviation	degrees of freedom	Statistic Ks	significance level	result
M\B	2.095	1.770	1.731	1.080	395	0.634	The assumption of normality

According to Table 11, according to a significant level of 0.05 for the variable model is so accepted hypothesis H0 and H1 hypothesis is rejected. The distribution of variables is not normal.

**The homogeneity of variance test**

Table 12. consistency test variance fourth hypothesis

Kind of test	Test statistic	Significant level	Result
Wald	120.441	0.771	Homogeneity of variance

Due to the significance level of the test statistic is greater than 5%. Assumption of homogeneity of variance 0 H is confirmed.

Table13. V test of the variance homogeneity of the hypothesis.

Kind of test	Test statistic	Significant level	Result
Wald	007.156	0.609	Homogeneity of variance

Due to the significance level of the test statistic is greater than 5%. Assumption of homogeneity of variance 0 H is confirmed.

Table 14. test the hypothesis of homogeneity of variance in sixth hypothesis.

Kind of test	Test statistic	Significant level	Result
Wald	347.111	0.782	Homogeneity of variance

Due to the significance level of the test statistic is greater than 5%. Assumption of homogeneity of variance 0 H is confirmed.

**Test of autocorrelation According to Table 15, the Durbin-Watson statistic model number is nearly 2 and assuming no autocorrelation will be accepted.**

Table 15. The results of autocorrelation

There is no autocorrelation	Result
1.6022	Durbin-Watson

**The second model**

**The second regression model is as follows:**



$$M/B_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 EAR_{it} + \beta_3 LER_{it} + \beta_4 SIZE_{it} + \beta_5 GRS_{it} + \varepsilon_{it}$$

To model using Chow and Hausman test, we specify:

**Chow test**

Table 16. result of Chow test

Kind of test	Test statistic	Significant level	Result
Wald	1.6537	0.1598	Integrated model

The results are shown in Table 16, indicating that the null hypothesis is accepted and the use of integrated models for these data.

**Hausman test**

Since the Chow test rejected by the panel is not required to perform Hausman test.

**Estimation and hypothesis testing results of the second model**

Table 17. Summary of results of the regression model

Variable	Symbols	Coefficient	Standard deviation	T Statistic	Significant level
Constant amount	$\alpha$	-18.865	274.783	-0.069	0.945
Debt ratio	LEV	-19.390	9.365	-2.071	0.012
The ratio of equity to total assets	EAR	2.537	11.285	2.086	0.012
The ratio of debt to equity	LER	-0.433	0.027	-16.146	0.0001
Size of company	SIZE	-0.076	0.049	-1.547	0.123
The selling ratio	GRS	0.289	0.126	2.292	0.022**

  

The coefficient of determination (R2)	coefficient of determination (R2)	standard deviation	Statistic F	Significant level of model
0.7797	0.77777	1.3707	57.3654	54.3654

According to Table 17, according to F-statistic and significant regression obtained is significant that this reflects the significance of the model is to determine the effect of each of these variables more significant test of the model's coefficients were determined by the coefficient of determination. On the other hand, according to the coefficient of determination 0.7797 models is that it can be concluded that about 97.77% of the variation in the dependent variable explained by the independent variables.

**The results of the assumptions of the model:**

**The fourth hypothesis: there is a significant impact between ratio of debt and growth opportunities.**

According to the obtained factor equal to -390.19 and the significance level (0.012) which is less than 5% as a result from the statistic point of view is significant means there is significant and negative relationship between ratio of debt and growth opportunities at 95% level, so our hypothesis is confirmed.

**Fifth hypothesis:**

There is a significant relationship between ratio of equity to total assets and growth opportunities.

According to the obtained coefficient that is equal to the significance level 2.537 (0.012) which is less than 5% is statistically significant result which means there is a significant and positive relationship between the ratio of equity to total assets and growth opportunities at the level of 95%, so our hypothesis is confirmed.

**Sixth hypothesis: there is a significant relationship between ratio of debt to equity and growth opportunities.**

According to the obtained factor equal to -0.433 and significance level (0.0001), which is less than 1%, is a result of significant growth, which means there is significant and negative relationship between the ratios of debt to equity of opportunity at the confidence level of 99%. Therefore, our hypothesis is confirmed.

**Conclusion**

Here present a summary of the findings of the first model: In the first hypothesis: variable according to the results of a significant level of debt as the independent variable was not statistically significant, which means that the ratio of debt and working capital, there was no significant relationship. From justifying this relationship can be said Companies with increasing levels of debt and invest in assets will face with restrictions on working capital, because to be part of the working capital must stay to pay for the cost of debt and investment funds, So with the increase in the debt ratio, working capital decreases. The results of the research are opposite with research result of Anwari, Rostami et al. (2014), Baharmoghaddam et al. (2012), Wasiuzzaman & Arumugan (2013) and Avlaynka (2012).

In the second hypothesis: the results show a significant level of variable ratio of equity to total assets ratio as the independent variable and also its coefficient is significant and positive, which means that between the ratio of equity to total assets on working capital at 95% level had a significant and positive impact. confidence there for justifying this relationship can be said ratio of equity to total assets (equity ratio) represents the shareholders of the company's assets and subtracting liabilities from assets the ratio of one share of the company shows. A high ratio indicates a high degree of confidence to pay off the debts by the company and that the companies have high leverage and fixed debt arising from payment of interest in such a company down and therefore will have higher amount of capital. The results agree with the results of Baharmoghaddam et al (2012).e was a significant positive relationship.

Also about the third hypothesis: The results showed a significant level of debt-to-equity ratio variable as the independent variable was not statistically significant, and its coefficient is negative which means that there is a significant reverse impact between the debt-to-equity ratios of working capital. To justify this relationship can be said: as lower debt-to-equity ratio is better and with financial risk is low because of the low ratio means high debt or equity. If the capital of the company be in a higher proportion of equity provided by means higher equity ratio, which indicates having more equity and less of the cost of the interest on the loan, so the Company's working capital increases. The results of this research are in the opposite of the results of Baharmoghaddam et al (2012). A summary of the findings of the second model are also present:

About the fourth hypothesis: The results showed a significant level of variable rate debt as a significant independent variable which is negative, which means that the debt ratio at 95% confidence negatively on growth opportunities and significant. For justifying the relationship can be said this trade theory); Cross Litzenberg Scott, 1977 (use of debt, bankruptcy probability increases that may indicate a reduction in future growth opportunities Fama and French (2005) stated, shares of companies that have high leverage may be discounted by investors with high rates and a weak lever incentive to invest in projects lowers, which showed a negative relationship between leverage and the growth opportunities. The results of the research agrees with results of Yahyazadehfar and colleagues (2010), Noravesh and Yazdany (2010), Hovakimian and Lee (2011), Solagna and Jytendra (2010) and is opposite with the outcome of the investigation Ahmad Sheikh and Wang (2011).

About fifth hypothesis: The results showed a variable significant level of equity to total assets as the independent variable is the significant and its coefficient is positive, which means there is a significant positive impact between the ratio of equity to total assets and growth opportunities 95% confidence level. To justify this relationship can be said the equity ratio by dividing shareholders' equity to total assets it comes to hand. Equity ratio shows the share of equity in total assets. In other words, show what percentage of the company's assets as equity (capital, reserves and retained earnings). The difference between the figures of the number one, will determine the share of debt in the creation of assets. Too low or negative, this means that the loss of the company during the period of activity, the company accumulated losses Total capital and reserves of the company have increased. In other words, debt providers and compensator assets were now part of the loss and the use of debt, and increase bankruptcy probability that may imply lower future growth opportunities. The results of the research is opposite with results of Yahyazadehfar et al (2010).

In the sixth hypothesis: The results showed a significant level of debt-to-equity ratio variable as the independent variable is significant and its coefficient is negative, meaning that there is a significant reverse impact on debt-to-equity ratio on growth opportunities at 99% confidence.

To justify this relationship can be said the higher the debt-to-equity ratio,

This means that the company's high debt and higher financial risk, the higher the proportion of managers may invest in some projects with positive net present value of debt waiver in order to prevent them. The results of the research agree with results Yahyazadehfar et al (2010).

### **Research recommendations**

According to the results of the first hypothesis is proposed to maintain working capital, in the composition of the capital structure, to a reasonable proportion of their debt, because if you use too much debt should spend part of the working capital loan funds.

According to the results of the second hypothesis is suggested, when buying shares or granting credit to equity ratio (the ratio of equity to total assets) will pay special attention to the high ratio indicates a high degree of confidence by the company to pay off debt and that the Company has high financial leverage, and stable debt arising from payment of interest in such a company is low.

According to the results of the third hypothesis is proposed to raise the working capital and financial fixed costs (cost of borrowing) to finance its assets rather than debt use greater of the equity ratio, as well as to It is recommended creditors, the credit note in this respect because of high debt-to-equity ratio indicates that the company has a high debt.

Depending on the result of the fourth hypothesis that the negative relationship between debt and growth opportunities that may be due to the cost of debt and agency problems about the relationship between shareholders and managers, and between creditors and shareholders as possible to finance growth opportunities through debt limit and this effect may depend on the growth opportunities in companies recommended, control their debt levels.

According to the results of the fifth hypothesis is suggested when analyzing the financial position of companies in this regard because of being too low or negative ratio means Losses due to the company during the period of activity, the company accumulated losses Total capital and reserves of the company has increased. In other words, debt is providers and compensator assets now part of the losses and such companies have lower growth opportunities.

With respect to the outcome of the sixth hypothesis to increase its investment opportunities, use a greater proportion of capital equity.

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