The method of financing for companies in Tehran Stock Exchange

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ABSTRACT

Financial institutions and agencies especially active in the industry section, for their survival and production activities as well as to develop activities, need macro capital. Also, these financial agencies to finance their required hood are highly dependent to the financial markets. Their role is make available necessary capital for institutions and companies. One of the main points of interest to the financial managers of the financial agencies is methods and the extent of financing. Financing is the most important issues in financial management and is considered as trouble and financial functions. Companies can use various methods to finance. Awareness of financial managers of the various methods and means of financing and its impact on companies will lead to the continuation of the company and their financial structure being less vulnerable and the operations flow will be facilitated. Having better understanding of the impacts and the relations of financing and operational performance, will help to managers in strategic and essential decision-making and will provide useful information for those interested in investing in these companies. The tasks of financial manager are to access desired objectives.

INTRODUCTION

The main tasks of financial management, decisions in connection with the financing, are investment and profit division, shareholders are faced with a problem, is that in order to maximize their wealth how much of the profits should be divided and how much invest in the form of non-division profit in the company and each of these decision making in the context of combining these three cases, is maximizing the value of company for stakeholders, therefore identification the priorities of funding methods and factors affecting on them and selection of appropriate methods in order to maximize shareholder wealth has a great significance.

A- Investment and or management of expenditures: For management of expenditures, several tasks have to be considered and the most important of these are: liquidity handling, management of current assets and management of investments.

B- Supply of financial sources: In order to finance the task of financial manager is this that primarily determines the amount and percentage of each of the financial sources and then they act towards their supply management so that its result is to create of maximum for stakeholders.

One of the most important financial decisions that will be taken in any organization is corporate financing, financing plays an important role to perform profitable projects for the company's growth. The company’s ability in highlighting financial sources whether domestic or foreign to afford capital to invest and providing appropriate financial plans is considered as the factors of development and progress of the companies.

The most important methods of financing, is the use of external sources of profit-unit. Common methods of financing of profit-unit are to increase capital through the issuance of shares, short-term and long-term finance and credit facilities (Debt financing).

Definitely identify the different ways of financing and utilization of appropriate tools of financial will help management to make more accurate decisions and to gain more interests.

Performance evaluation in terms of economic and financial is considered of the major problems in the process of managing economical agencies and financial decisions. Logical assessment of performance depends on identify and explain and use of financial and non-financial indicators, including of financial indicators is the rate of profitability or dividend (the copy on the back, 160, 2007).
Other findings from previous research in the field of finance, suggests that stock returns are significantly influenced by the company’s external financing activities. Accordingly, in the company provides financing, often lower efficiency are related with financing transactions, such as release equity for the first time or re-release of capital stock, such as release combining bonds like convertible debits (to stocks) and long period debts, which increase the company funds.

This study attempts to investigate the effect of financing methods on dividend of the accepted companies in the stock exchange, due to the current situation in Iran capital market and using the current information in the financial statements such as profit and loss and balance sheet.

Choosing the best financing option should be done by considering the expenditures of financing, which is referred to as the cost of capital in the financial literature. Identify the different components of financing and utilization of appropriate financial tools will help management to make more accurate decisions, and to gain more interests.

Performance evaluation in terms of economic and financial is considered of the major problems in the process of managing economical agencies and financial decisions. Logical assessment of performance depends on identify and explain and use of financial and non-financial indicators, including of financial indicators is the rate of profitability or dividend (the copy on the back, 160, 2007).

1-3 The initial research question:
The initial question of present study is:
What is the relationship between the method of financing of accepted companies in Tehran Stock Exchange and the amount of their profits?

1-3-1 Sub-questions of research:
1 – Is there a significant relationship between international and trade credits as a factor of finance in long-term and profitability of the accepted companies on the Stock Exchange?
2 - Is there a significant relationship between short-term credits and the rates of profitability of the accepted companies in Tehran Stock Exchange?
3 – Is there a significant relationship between the retained earning rates and profitability of the accepted companies in Tehran Stock Exchange?

1-4 The importance and urgency of select the research topic:
Today, the performance of stock market in developed countries is used as an indicator to assess policies and changes in financial, economic and commercial in such countries, continuation of the Stock Exchange of each country is considered as a continued growth and economic development process.

1-5 Research Objectives:
1-5-1 Overall goals:
The overall objective of this study is to investigate the relationship between financing practices and the rated of profits accepted in Tehran Stock Exchange for the years 2007 to 2010.
If there is a significant relationship between methods of financing with profitability indicators, managers should consider its impact on the indicators in the target company in choosing the sources of finance and if there is no correlation there will be no limit on the chosen method of financing.

1-5-2 Sub-objectives:
In line with the main aim of this research the attempt will be to realize the following sub-objectives:
- Evaluation of the relationship between banking and commercial credits and as a financing factor in long-term on profitability of the accepted companies in Iran Stock Exchange.
- Evaluation of the relationship between short-term credit and the rates of profitability of the accepted companies in Tehran Stock Exchange.
- Evaluation of the relationship between the amount of retained earnings and profitability of the accepted companies in Tehran Stock Exchange.
1-6 Conceptual model of research:

In the above model, because the cases of documented credit, credit limit, secure placement of receivable accounts and secure of placement inventories are all including short-term financing we stated these cases as short-term financing.

7-1 Research hypotheses:
1-7-1 Main hypothesis:
There is a significant relationship between modes of financing and profitability of accepted companies in stock exchange.

8-1 Methodology:
Access to the goal of science or scientific knowledge would not be possible, but when done with right methodology. In other words, research is credited in terms of methods not the subject of study.

The study in terms of the nature of subject and methods is descriptive – correlative and deals to describe the relationship between financial and economic variables using Pearson correlation coefficients test and regression and in terms of aim is applied.

1-8-1 Statistical population and its characteristics:
According to research subject, the statistical population of this study was selected from among all accepted companies that must have the following characteristics.
A - They would be accepted in Tehran Stock Exchange.
B - The end of their financial year would be 20 March of each year.
C – Its join experience in stock would be since 2005.

According to the above cited criteria, the member industry companies of Stock Exchange with respect to the features that will be included in the third quarter, 50 companies which had this features, were selected as sample.

1-8-2 Data collection:
Visit the website Tehran Stock Exchange to access the financial information of accepted companies in Tehran Stock Exchange.

1-8-3 Method of data analysis:
In this study, first using descriptive statistics we analyze the data and then to test the hypotheses, it is used of regression and correlation analysis, this means that the required information to perform the test using SPSS software version 16 is processed, given that our discussed variables are in type of interval, to analysis the research’s sub-hypotheses Pearson correlation is used and regression is used to analysis the main research hypothesis.
1-9 The study scope:
1-9-1 Spatial scope of research:
Spatial scope of present study are included all companies that are active on the Stock Exchange and as well as were active in the period 2007-2010 in Stock Exchange.

1-9-2 Time scope of research:
In terms of the time scope this study relates to the accepted companies on the Stock Exchange according to the information in the period 2007 to 2010, which this study has been formed in 2013.

1-9-3 Thematic scope of the research:
The thematic scope of the study is "assess the effect of modes of financing in the rate of profitability of the accepted companies in Tehran Stock Exchange".

1-10 Explanation of words and phrases used in this study:
Financing: Acquisition of funds for capital budgeting, financing takes place in many forms, including debt financing, issuance of stock and corporate retained profits.

Stock Exchange:
Stock Exchange means of a formal capital market where buying and selling corporate stocks or bonds or private institutions is done under certain terms. An important characteristic of Stock Exchange is legal support of owners of savings and investment and stagnant capital and legal requirements for capital applicants.

Debt financing:
The signing of the contract with banks and financial institutions to obtain needed funds and uses it to finance the company's needs.

1-11 Conceptual definition of the research variables:
1-11-1 Independent variables of research:
A - Retained Earning:
Retained Earning is always one of the main sources of financing for companies in the long term. Since the company’s annual dividend divided into two parts, that is, part of it is given to shareholders as its profits and part of it is allowed in the retained earnings account, the board can use of dividend policy as a guide.

B - Long term finance:
Long term finance is a type of long-term debt, usually for more than one year and less than ten years are refundable and is used to financial acquirement of fixed assets and working capital margin and usually receive from banks and financial institutions.

C - Short time finance:
Short term financing:
Short term financing is used to support temporary investment in current assets and their maturity is less than one year.

As well as the included dependent variables:
Net profit after tax:
Profits which are distributed among shareholders are called dividends and dividends are in the form of cash, share and or non-cash asset and according to the business rules of each country can be also in addition of the benefit of current year, maximum by the limit of total retained earnings and even spending of share and savings shares (excluding statutory reserves).

1-11-2 operational definition of the research variables:
A - Retained Earning:
Part of the annual profit retained by the company that does not divided between stakeholders and maintain in the form of retained earnings to finance the future projects and investments of the company is called retained earnings.

B - Long term finance:
Long term finance which also is called long term financing is certain representative of debt financing and usually is refundable for more than one year and less than ten years.
C- Short term finance:
Temporary short term financing is used to support investment in current assets, usually the financial director after planning investment in current assets and forecast required resources of economic unit in the coming year should be thinking about ways to finance their program and make decision about financing practices.

D- Commercial Credit:
The commercial credit is as a result of credit purchase in goods or services from vendors and this debt is reflected in creditors’ accounts or business payable accounts.

E- Short-term Commercial papers:
Commercial papers that are issued by companies are kind of source of funds or are considered spending funds.

F- Current and short term liabilities:
Companies in their daily activities including buying raw materials may be don’t pay all amount of purchased material on the same day and they are recorded as debts in the accounts, this type of financing activities that are happening in most companies often called current and short-term liabilities.

G- Save Tax:
At the end of the fiscal year and after calculation of profit (loss), if the company's results of operations resulted in benefits, accounting to the tax laws and in order to respect accounting standards, must be attempted to calculate the Provision for Income Tax. If there is a tax, applying the rate of tax according to tax laws, corporate reserve of income tax is calculated.

2- Research Literature:
2-1 Introduction:
Proper finance to perform profitable projects can play a key role to increase shareholders wealth. Increasing shareholder wealth is the ultimate goal of profit- institutions, to gain more profit by changing the composition of the capital structure, particularly the use of debt financing for long time periods, are such things that are considered by companies as a way to achieve their desired objectives.

2-2 Characteristics of financing methods:
Debt financing and issued preferred stock or common stock have a common feature, i.e., the funding sources are outside of profit-unit and its operations, while retained earnings represent a source of domestic funding source, as long as that the management of profit unit can persuade people to investment in profit unit or granting credit and loan it, there will be no restrictions in terms of funding from external sources, but retained earnings, is an internal source of profit unit and the amount of that is limited to profits of acquired years by profit units after deducting distributed profits.

Factors affecting the supply of funds:
There are factors and criteria that will determine the needed funds through what way can be achieved and these factors according to the state of institute determine that what type of funds can be used and given the economic circumstances of industry and company will give weight to each of effecting factors in determining the type of funds, and these factors is limited the freedom of management to select a combination of debt and equity, assume that if management wants to get more debt, but suppliers of resources may come to the conclusion that it (the loan) is at greater risk for them.

Income:
One of the objectives of the management in financial planning using the various funds is to increase the income of common shareholders. By the use of financial leverage we can understand use of those funds were favorable or not.

Risk:
Common shareholders are the last groups that are entitled to participate in the profits and assets of the company (at the time of bankruptcy).

Control:
Controlling the company is interested by shareholders. If the majority of share in a company is currently owned by a small number of shareholders who control the cited unit; maintain of this control over decisions
related to the choice between the various methods of financing and any of the methods that will be of particular interest, but large companies that have multiple stakeholders, often controlling factor will not have much impact on financial decisions.

**Flexibility:**
This refers to the impact of current financing decisions of various financing in future periods. Using a specific method of financing in the current may be limited usable financing methods in the future times.

2-3 Factors affecting on the choice of financing strategy:
In general, the choice of an appropriate strategy for required funding should be to consider the following:
1- Usage area of resources
2- costs and risks is inherent in each method and its impact on the capital cost of the institute
3- The financial structure of the firm (the ratio of liabilities to equity)
4- Conditions of current liabilities of the institute (maturities of existing debt)
5- Specific conditions of each financing method (type of guarantee or collateral security and credit awarders and certain conditions of investors and their desired exclusive rights)
6- Special conditions and the outlook for potential developments
7- Status of profitability and liquidity of the Institute

2-3-1 The impact of financing methods on shareholder profits:

2-3-2 The impact of financing methods on risk and profit:
In order to clarify the impact of financing techniques on profit and risk of shareholders, first the term of a company’s required financial leverage is defined by debt and the stock.

2-3-3 The effect of financial leverage on profit (return) of shareholders:
The main purpose of institute in using financial leverage is to increase returns to shareholders in a favorable condition.

2-4 Changes in financial leverage and its application:
2-5 Funds resources of the companies:

1 – Funds resources that do not charge:

**Research Methodology:**

3-1 Introduction:
The aim of all science is to understand the world around us. In order to understand the problems of social world, scientific methods have changed considerably. These trends and movements have led to use of scientific method to review greater various fields. The purpose of scientific method is all ways and practices that keep in safe the researcher in every way and provide the possibility to reach the truth for him.

3-2 Research Methodology:
One method of doing scientific research is the method of descriptive research that their aims is to describe conditions with desired phenomena which involves gathering information to test hypotheses or answer questions related to the research. In such research, the researcher without being involved in what is done, objective results of the situation of phenomena or indicators is reported and using a variety of ways deals to describe it.

Statistical population is all of accepted companies in Tehran Stock Exchange; in this regard it should be said of which 89 companies have been accepted in stock exchange by 2010, these companies’ data is considered in the period of 2007 to 2010.

3-3-1 Statistical sample:
In the present study, the method of determining of sample members is judgment and objective and since the members of statistical population is low, the total statistical population are selected as sample thus between statistical population the companies that have the following conditions and are active in the following industries were selected as samples.

1. The end of their fiscal year would be 20 March and within the time scope of the research have not changed their fiscal year; this is due to control the effects of other economic variables at different time during the year, and being the same of its impact on the sample.
2. Studied companies in the 4-year period should be active in the Tehran Stock Exchange and their financial statement should be available.
3. Companies who during the years 2007-2010, by keeping borrowing dividends have been attempted to raise capital and finance.
After the above operations 63 companies remain that were selected as samples and however this number should be considered according to the table of Krejcie Morgan which will be explained in more detail in the next section.

3-3-2 Morgan sampling table to determine sample size:

Table of estimated volume or the sample size of the population

Now, according to previous information that had 63 companies and taking into account the Krejcie Morgan table the sample population has been calculated 50 companies. The statistical population is all of the accepted companies in Tehrahn Stock Exchange, in this regard, it should be said that the investigation the rate of profitability of accepted companies of industries in Tehran Stock Exchange in the period 2005 - 2009 is to be considered.

3-4 Data collection:

In this study, the actual financial data of companies has been analyzed for the period of study and since the data used were quantitative (numbers) there was no need to measure them through measurement tools.

3-4-1 Time period:

The time scope is between 2007- 2010 and this research has been done in 2013.

3-4-2 Method of data collection:

There are several methods, some of these methods have been applied in financial research and is most commonly used by researchers and funding research. However the data collection method in scientific research should be selected so that through that true and accurate information regarding the subject matter is to be collected.

To gather information in order to formulate and regulate the research literature is used of library method and to collect data in order to test hypotheses the field method is used. For this purpose information is extracted from various sources, including Exchange Online, the website of Iran's Institute for Scientific Information and Documentation which after transition to SPSS software have been studied.

<table>
<thead>
<tr>
<th>Type of required information</th>
<th>Sources of information</th>
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<tbody>
<tr>
<td>Information related to the research subject and theoretical</td>
<td>Library resources such as books, Masters and PhD theses and</td>
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<tr>
<td>discussions</td>
<td>domestic magazines</td>
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<tr>
<td>Information about the financial situation of enterprises</td>
<td>Reports and financial statements provided by companies via</td>
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3-5 Reliability and validity of the tools of data collection:

Due to this that the required documents are review and approve by the company's auditors and the audit organization, also according to the surveillance audit on the documents as well as professors comments, it seems to have necessary reliability and validity.

3-6 Methods for analyzing data and testing hypotheses:

In this study, first using descriptive statistics deals to analyze the data and in the following since the studied sample is 50 companies it is normal and therefore it is used of Pearson correlation and regression analyzes to test the hypotheses. That means using the statistical software SPSS version 19 and given that our discussed variables are of type interval, due to being normal it is used of Pearson correlation coefficient to analyze sub-hypotheses of the research and regression analysis is used to analyze the main hypotheses of the research.

3-7 Research variables and how they are calculated:

Variables are one of the major elements of the study. They can vary in terms of value and can usually assume different numerical values (statistically speaking means that have the variance) (Homan, 1994, 113).

3-7-1 Retained earning:

A retained earning is form of the remaining profits in the profit unit after paying the dividend. The major difference between retained earnings and the other three sources of financing is that the retained earnings is limited to its available amount, and also it is not required the acquisition of funds from people outside of Profit unit (awarders of fiscal incentives). And a retained profit which is maintained to finance company’s future projects and investment is called retained earnings.

3-7-2 Long term finance:

Long term finance which also is called long term financing is certain representative of debt financing and usually is refundable for more than one year and less than ten years and it is applied to financial acquirement of fixed assets and working capital margin.
C- Short term finance:
Temporary short term finance is used to support investment in current assets, usually the financial director after planning investment in current assets and forecast required resources of economic unit in the coming year should be thinking about ways to finance their program and make decision about financing practices.

3-8 Pearson correlation test:
Whenever a goal is to evaluate the correlation between two variables, the correlation test is used to evaluate their relevance; if changes in these two variables are in line with each other, it is so-called they have direct correlation (positive) and if changes in these two variables are in opposite direction of each other, they have inverse correlation (negative) and the null hypothesis and the opposite hypothesis is formulated as follows.

Summary of third Chapter: The basic foundation of any research is to collect data correctly and calculate the variables based on the research literature. Statistically reliable results in any research are related to the methods of data collection, selection population and sampling method. In this chapter the stages of conducting research was examined.

4-1 Introduction:
The raw data collected, are non-useful numbers and without applied capability. In order to make data collected applied in the analysis phase it is tried to use data and data collected in order to fulfill objective/objectives of the research and to answer to its questions and problems by application of statistical and non-statistical techniques. In this stage primarily the data should be analyzed and the results of the analysis should be interpreted and expressed. As mentioned in the first chapter, examining the relationship between net profit and long-term and short-term finance, and retained earning, therefore, in order to gather information it is used of survey the financial documents of statistical population between years of 2007 to 2010 that are in the site of Iran's stock.

4-1-2 Normality test:
To illustrate the normal and non-normal distribution of variables the test of Kolmogorov-Smirnov (K-S) is used. If the decision criteria is greater than 0.05 and distribution is normal it can be used of parametric tests to analyze, otherwise it is used of non-parametric tests.

Result: Test results show that since the decision criteria it is greater than 5% therefore the variables of research have normal distribution, thus parametric tests can be used for analysis.

4-1-3 Evaluation research questions:
4-1-3-1 Evaluation the first question:
Question: Is there a significant relationship between the method of financing through retained earnings of accepted companies in Tehran Stock Exchange and their profitability?

4-1-3-1-1 Correlation test of variables:
Pearson's test was used because the entered values are less continuous.

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of net profit and the independent variable of retained earnings is 0.878. This amount represents that the correlation between variables is in one direction, this means that as retained earnings increase, studied company’s net profit will also increase. It is noteworthy that the correlation rate between the two variables is high.

4-1-3-1-2 Analysis and test variables using regression:
Null hypothesis:
There is no significant relationship between method of financing through retained earnings of accepted companies in Tehran stock exchange and their profitability.

One hypothesis:
There is a significant relationship between method of financing through retained earnings of the accepted companies in Tehran Stock Exchange and their profitability.

Results:
In the performed analysis it is determined that the decision criteria is less than 5%. Hypotheses H1 is thus confirmed. That means there is a relationship between the variables of company’s retained profits and the investigated dependent variable of profitability. According to the table of regression coefficients β represents the effect of test dependent variable on independent variable.
The resulting linear equation:

According to our outputs table of a linear equation regression between these two variables is as follows. In fact, it can be said that the amount of net profit for the analyzed companies obeys the following linear equation. Entered values in the equation are in terms of millions Rials.

\[(\text{Retained Earning} \times 0.878) + 72564.946 = \text{Profitability}\]

4-1-3-2 Evaluation second question:
Is there a significant relationship between the method of financing through long-term bank finance of the accepted companies in Tehran Stock Exchange and profitability?

4-1-3-2-1 Correlation test of variables:
Pearson's test was used because the entered values are less continuous.

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of profitability and the independent variable of long term finance is 0.784. This amount represents that the correlation between variables is in one direction, this means that as long term finance increase, studied company’s profitability will also increase. It is noteworthy that the correlation rate between the two variables is high.

4-1-3-2-2 Analysis and test variables using regression:
Null hypothesis:

There is no significant relationship between method of financing through long term finance of accepted companies in Tehran stock exchange and profitability.

One hypothesis:

There is a significant relationship between method of financing through long term finance of the accepted companies in Tehran Stock Exchange and profitability.

Results:

In the performed analysis it is determined that the decision criteria is less than 5%. Hypotheses H1 is thus confirmed. That means there is a relationship between the variables of long term finance and the investigated dependent variable of profitability. According to the table of regression coefficients $\beta$ represents the effect of test dependent variable on independent variable.

The resulting linear equation:

According to our outputs table of a linear equation regression between these two variables is as follows. In fact, it can be said that the amount of net profit for the analyzed companies obeys the following linear equation. Entered values in the equation are in terms of millions Rials.

\[(\text{Long term finance} \times 0.784) + 18426.214 = \text{Profitability}\]

4-1-3-3 Evaluation third question:
Is there a significant relationship between the method of financing through short-term bank loans of the accepted companies in Tehran Stock Exchange and profitability?

4-1-3-3-1 Correlation test of variables:

Pearson's test was used because the entered values are less continuous.

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of profitability and the independent variable of short term finance is 0.882. This amount represents that the correlation between variables is in one direction, this means that as short term finance increase, studied company’s profitability will also increase. It is noteworthy that the correlation rate between the two variables is high.

4-1-3-3-2 Analysis and test variables using regression:
Null hypothesis:

There is no significant relationship between method of financing through short term finance of accepted companies in Tehran stock exchange and profitability.

One hypothesis:

There is a significant relationship between method of financing through short term finance of the accepted companies in Tehran Stock Exchange and profitability.
**Results:**

In the performed analysis it is determined that the decision criteria is less than 5%. Hypotheses H1 is thus confirmed. That means there is a relationship between the variables of short term finance and the investigated dependent variable of profitability. According to the table of regression coefficients $\beta$ represents the effect of test dependent variable on independent variable.

**The resulting linear equation:**

According to our outputs table of a linear equation regression between these two variables is as follows. In fact, it can be said that the amount of net profit for the analyzed companies obeys the following linear equation. Entered values in the equation are in terms of millions Rials.

\[(\text{Short term finance} \times 0.882) + 24129.628 = \text{Profitability}\]

**5-1 Introduction:**

One of the fundamental processes of scientific research is results. Also providing practical suggestions is one of the goals of an applied research. Interpreting the results is performed after statistical analysis of observed data and its aim is extracting meaning from a series of observations collected by the researcher. In fact, analysis of the survey data is not enough to find answers to the questions of research, but it is also necessary to change the interpretation of the data. As a result, in any research in addition to analysis data, interpretation and expression also takes place.

**5-2 A review of research**

Three hypotheses have been proposed in this study:

1. There is a significant relationship between the profits of accepted companies in Tehran Stock Exchange and financing through retained earnings.
2. There is a significant relationship between the profits of accepted companies in Tehran Stock Exchange and financing through long term finance.
3. There is a significant relationship between the profits of accepted companies in Tehran Stock Exchange and financing through short term finance.

**The first hypothesis:**

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of net profit and the independent variable of retained earnings is 0.878. This amount represents that the correlation between variables is in one direction, this means that as retained earnings increase, studied company’s profitability will also increase. It is noteworthy that the correlation rate between the two variables is high.

**Results:**

In the performed analysis it is determined that the decision criteria is less than 5%. Hypotheses H1 is thus confirmed. That means there is a relationship between the variables of company’s retained profits and the investigated dependent variable of profitability. According to the table of regression coefficients $\beta$ represents the effect of test dependent variable on independent variable.

**The resulting linear equation:**

According to our outputs table of a linear equation regression between these two variables is as follows. In fact, it can be said that the amount of net profit for the analyzed companies obeys the following linear equation. Entered values in the equation are in terms of millions Rials.

\[(\text{Retained earning} \times 0.878) + 72564.946 = \text{Profitability}\]

**The second hypothesis:**

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of profitability and the independent variable of long term finance is 0.784. This amount represents that the correlation between variables is in one direction, this means that as long term finance increase, studied company’s profitability will also increase. It is noteworthy that the correlation rate between the two variables is high.

**The third hypothesis:**

Obtained values are less than 0.05 for decision criteria and Pearson correlation coefficients between the dependent variable of profitability and the independent variable of short term is 0.882. This amount represents that the correlation between variables is in one direction, this means that as short term finance increase, studied
company’s profitability will also increase. It is noteworthy that the correlation rate between the two variables is high.

**Results:**
In the performed analysis it is determined that the decision criteria is less than 5%. Hypotheses H1 is thus confirmed. That means there is a relationship between the variables of short term finance and the investigated dependent variable of profitability. According to the table of regression coefficients $\beta$ represents the effect of test dependent variable on independent variable.

**The resulting linear equation:**
According to our outputs table of a linear equation regression between these two variables is as follows. In fact, it can be said that the amount of net profit for the analyzed companies obeys the following linear equation. Entered values in the equation are in terms of millions Rials.

$\text{Profitability} = 24129.628 + 0.882 \times \text{Short term finance}$

**5-3 Research Recommendations:**
There is advanced fields of finance industry which through a relatively complicated financing schemes and the use of particular securities and special financial instruments in the form of forming markets, provides the financial needs of investors. These methods do not have certain definition and limitation. The procedures depends on conditions of parties, project demanding, type of needs and agreement and it is suggested for companies that have specific financial needs that cannot be answered by traditional methods of financing such as loans.

**5-3-1 Recommendations resulted of hypotheses:**

**5-4 Restriction of the study:**
Usually every researcher to begin and continue their research work will be faced with countless obstacles. Such limitations and problems which in the present study caused the researcher face with the problem and fail to raise the speed to offer research include:

**5-4-1 Restriction under the control of the researcher:**
- Unwillingness of respondents to disclose information and accurate reports that the researcher attempted to solve them by visiting and supplementary interview.
- Lack of cooperation and failure to provide recorded documents in order to debt financing of these companies to the researcher

**5-4-2 Restrictions beyond the control of the researcher:**
- Facing of researcher with the constraints of resources which there are in about of financing on the native’s point of view, which is normal given the novelty of the issue. It is expected to arise the way for more extensive research in the future.

**REFERENCES**

