

Investigation of the Relationship between Firm Capabilities and Financing Strategies in Companies Listed in Tehran Stock Exchange

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Finding the best capital structure can be one of the most important decisions for a financial manager. For such a decision, many factors have to be taken into consideration. This thesis investigates the relationship between firm capabilities and financing strategies in companies listed in Tehran stock exchange. Three financing strategies are considered which include share issuing, debt, and using retained earnings. Firm capabilities considered here include profitability, fixed assets and firm size. This study is a descriptive type research and the goal is application. Statistical population encompasses the companies listed in Tehran stock exchange in the period between 2010 and 2014. Financial data gathering for hypothesis test is performed using audited statements of companies in 2010-2014 period available in RahavardNovin software. Then, hypotheses are analyzed using Estimated Generalized Least Squares (EGLS) method by Eviews 9 software. Findings indicate that there is a significant negative correlation between fixed assets and internal financing and a significant positive correlation between fixed assets and financing through share issuing and debt. In addition, significant positive correlation between profitability and internal financing was found. It is shown that profitability and financing through share issuing and debt are not correlated.

Keywords : Firm Capabilities Profitability Financing

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