THE STUDY OF GROWTH OPPORTUNITIES RELATIONSHIP WITH DIVIDED AND DEBT POLICIES IN FIRMS ACCEPTED IN TEHRAN STOCK EXCHANGE

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ABSTRACT

All corporations with various dimensions and sizes have opportunities for development. Those companies that did not use these opportunities will lose competition and their profitability decreases; therefore, firms are forced to study growth opportunities in order to achieve it and select the best direction. On the other hand, funding methods for opportunities are different and choosing each of them had direct effect on its profitability and firm's efficacy. This study tries to investigate relationship between growth opportunities with dividend and debt policies in 2003-2011 in firms accepted in Tehran stock exchange which are selected with random deletion method. Correlation analysis and linear regression test showed that there is a direct relationship between opportunities and dividend policy. There is a reverse relationship between opportunities and debts ratio to asset's market value and stock market value. There was no relationship between opportunities and debts sums ratio to asset's book value and stock book value.

Keywords: growth opportunities, dividend policies, debt policy.
INTRODUCTION

Concerning future by users of statements has always guided accountants to seek superior methods for interpreting financial information. One of these methods is growth opportunities (Ferdinand & Burch, 1999). Growth opportunities are different in various life-cycles. Firms with high flexibility in using these opportunities have promising future (Islami Bigdeli & Islami, 2006). In fact, growth opportunities show potential investment capacity of firm. It means that the more ability for investing in future, the more opportunities have the firm (Ferdinand & Burch, 1999). Two factors that can be effective in funding these opportunities after identifying growth opportunities are dividend and debt policies.

In other words, role of debt in determining growth and profitability opportunities is an important issue which should be concerned in financial analysis and flexibility of firms, because proper use of debt can create leverage for firm and improper use has no profit and even encounters the firm with the risk of bankruptcy. Dividend is a challenging issue in financial knowledge domain and frequent researches have conducted about it by scholars. Dividend is a revenue source for stockholders and firms and attention to one approaches of dividend policy either leads stockholders toward selling shares or creates difficulties for firm in funding growth opportunities. Therefore, it is necessary to know that what effects had on creating growth opportunities and increasing stockholders' wealth.

SIGNIFICANCE OF THE STUDY

When banks and other financial-credit institution cannot decide about contribution or giving credit to real or legal entities and investors commit mistake in buying or selling shares, it is important to provide information which can organize the situation (Zaynalabedin, 2010).

Companies use their resources in order to achieve competitive advantage and improve their conditions regarding competitors and promoting position of company forms better opportunities in future. Also, if a company cannot use its growth opportunities its survival will be at risk such that by loosing growth opportunities they cannot compete with other companies. This study is significant because it tries to identify growth opportunities with dividend policy and debt policy in firms accepted in Tehran stock exchange in order to provide information for proper decision-making by managers, banks, investors and other users and these groups can choose desired firms for investment.

REVIEW OF RELATED LITERATURE

According to Fridman consumption function people receive their income in long intervals (e.g. monthly) but they do not behave as they had considerable in one day and had not any income in the other day. People save money in good times and spend money in other times. Therefore, Friedman perfects even or continuous income theory; in which individuals prefer to take consumption, saving and investment decisions regarding their real but variable income. Therefore, an action for increasing saving with the time is investment (Islami Bidgoli et.al, 2007).
INVESTMENT NATURE

Investment includes transforming financial amounts to one or more property which will be hold for a time in future. Determining value of company is an important factor in investment process. Value of each company can be determined by its share value. Therefore, investor determines his priority in investment regarding value of company. Investment includes investing in saving accounts, debt stocks, stocks or common funds (Tehrani & Noorbaksh, 2003).

GROWTH OPPORTUNITIES (INVESTMENT)

Investors should always consider risk in their investment decisions because what causes success is optimal use of investments and for this, effective financial policies on growth opportunities should be identified in business units. Growth opportunities are various investment opportunities for firms and they can use these opportunities for developing their activities and increase profitability (Chen et.al, 2005).

Growth opportunity is an invisible variable. In order to measure growth opportunities, 3 criteria were calculated and a common factor results under growth opportunities which show company's potential ability for profitable investment activities. Growth opportunity is calculated using three indicators as below:

Total assets’ market value to book value ratio = \( \frac{\text{ASSETS} - \text{BVE} + \text{MVE}}{\text{ASSETS}} \)

Total market value of common equity + total book value of common equity - total assets book value

Total assets book value

Market value to book value of common equity = MVE = \( \frac{\text{BE}}{\text{total book value of common equity}} \)

Profit of each share to share price = EPS = \( \frac{\text{income of each share}}{\text{price of each share}} \)

Total market value of assets:

Total market value of common equity + total book value of common equity - total book value of assets = market value of assets

Total book value of assets:
In order to calculate total book value of assets we use book value and finished costs of assets in balance-sheet.

Total book value of common equity:

In order to calculate total book value of common equity we use stockholders book value in balance-sheet date.

Total market value of common equity:

Total market value of common equity calculates by multiplying last price of stock market for each company at the end of fiscal year in number of shares (Ferdinand & Burch, 1999).

**EVALUATING GROWTH OPPORTUNITIES (INVESTMENT)**

Firms use following methods for evaluating growth opportunities:

- Capital return period method
- Accounting output rate method
- Present net value method
- Internal output rate method
- Inverse capital returning period method
- Profitability index method

**A. CAPITAL RECOVERING PERIOD METHOD**

In this method, which is called capital returning method, required time for recovering initial investment is measured through annual input cash flows. This method reflects liquidity of project and it is considered as a criterion for measuring risk of investment projects. If annual estimated cash flows be identical in all project running years, investment return period obtains with below equation (Islami Bidgoli et.al, 2007).

\[
\text{Investment recovery period} = \frac{\text{initial investment}}{\text{annual cash flows}}
\]

**B. ACCOUNTING OUTPUT RATE METHOD**

In contrary with other evaluation methods for projects in which only cash figures are used, all cash and non-cash costs (like depreciation) include in calculations because obtaining profit in accounting needs considering all costs including non-cash costs (Islami Bidgoli et.al, 2007).
Accounting output rate based on initial investment = \frac{\text{annual income mean}}{\text{initial investment}}

C. CURRENT NET VALUE METHOD

In this method a project will be accepted that its total cash value is higher than paid cash value (present investment value); in other words, its present net value is positive and its equation is as below (Islami Bidgoli et.al, 2007).

D. INTERNAL OUTPUT RATE METHOD

Internal input rate can be used a debt criteria. In internal output rate method present value theory is used. In this method, after calculating internal output rate, this rate is compared with other investment projects and a project is accepted that its internal output rate is higher than company's cost or has high internal output rate comparing other projects.

If annual cash flows be equal in project life, first we calculate present value of installments by below equation:

\text{Interest factor of present value for equal installments} = \frac{\text{investment amount}}{\text{Annual cash flows}}

Then by referring to table of equal installments we extract discount rate in a given row which its interest rate is equal with interest rate obtained by above formula.

If there is no accurate rate in table, the most proximate number to interest factor is extracted with relevant percents. After that, we can determine internal output of project as below:

\text{Internal output rate} = \frac{\text{higher rate - (difference between two rates × present negative NET value)}}{\text{Total present net value}}

Or

\text{Internal output rate} = \frac{\text{lower rate + (difference of two rates × present positive net value)}}{\text{present net value}}
If annual cash flows were not equal, we cannot use equal installments table and obtain a determined rate. In these cases trial and error method is used (Islami Bidgoli et. al, 2007).

**E. REVERSE INVESTMENT RECOVERY METHOD**

Reverse of investment recovery period obtains by dividing one number to investment return time which is an approximate estimation of internal input rate. This estimation is reliable when first, life of project is double of investment return time and secondly, annual input cash rates are same.

**F. PROFITABILITY INDEX METHOD**

This method provides a common basis for comparing investment projects with different amounts and is obtained by below equation:

\[ \text{Profitability index} = \frac{\text{present value of input cash flows}}{\text{Initial investment}} \]

A project is accepted in this method that its profitability factor is higher than one and the higher profitability rate it is more optimal because it creates higher output regarding investments. Profitability factor equal with one indicated neutrality point or accept/reject boundary in investment projects and profitability factor lower than one is present negative net value of projects (Islami Bidgoli et.al, 2007).

Companies should extend their activities through growth opportunities to remain in competition. They need financial resources for using growth opportunities (Jahankhani & Parsayan, 2009). Funding is done through short-term and long-term methods and firm can fund from inside and outside. In other words, firms need investment for establishment and need more investment for growth. Required amounts are provided from various resources and by different methods (Mashaeikhi & Shahrokhi, 2006).

Funding resources are divided into two parts based on funding policy:

In internal funding company provides funds from incomes or reserves.
In external funding company funds from debts and issuing new shares (Namazi & Shirzad, 2005).

**DEBT POLICY**

Debt policy can be defined as this: evaluating debt capacity of company to borrowing in order to reach company's goals. Financial manager must consider balance between internal and external cash flows of organization in determining debt capacity (Rahimian, 1997).

Debt policy is calculated by four factors:
Independent variable of total debts to market value of common equity

This variable is obtained by dividing total debts to market value of common equity which is shown as below:

\[
\text{Total debts to market value of common equity} = \text{MARK LEVG1} = \frac{\text{total debt}}{\text{market value of common equity}}
\]

Independent variable of total debts to assets' market value

This variable is obtained by dividing total debts to assets' market value which is shown as below:

\[
\text{Total debts to assets' market value ratio} = \text{MARK LEVG2} = \frac{\text{total debts}}{\text{assets' market value}}
\]

Independent variable total debts to book value of common equity

This variable is obtained by dividing debts to book value of common equity which is shown as below:

\[
\text{Total debts to book value of common equity} = \text{BOOK LEVG1} = \frac{\text{total debts}}{\text{book value of common equity}}
\]

Independent variable total debts to assets' book value

This variable is obtained by dividing total debts to assets' book value which is shown below:

\[
\text{Total debts to assets' book value ratio} = \text{BOOK LEVG2} = \frac{\text{total debts}}{\text{total asset's book value}}
\]
ADVANTAGES OF USING DEBT (BORROWING POLICY)

1. Because repayment is promised to creditors he will have lower risk than stockholders. Therefore, loan interest is lower than a rate which should be paid to stockholders.
2. Loan meets financial needs (seasonal, short-term or long-term). Each loan will be repaid when there is no need and after that no interest will be paid for it.
3. In most cases, the shorter debt is due, interest rate will be lower. Therefore, it is reasonable that credits offered by raw material suppliers and short-term bank credits are used for providing investment, because its cost is lower than interest paid to stockholders and it is more inexpensive than stockholders' expected output rate.
4. Lower cost of funding through debt decreases average investment cost and accepts profitable investment projects.
5. In institution which is relied on debt, little share will be issued; therefore, income of each equity increases in this firm and stockholders wealth will increase (Petroff, 2001).

DEBET DISADVANTAGES

1. Increasing income per share variation is seen even when the debt is very low. Variability increases by increasing debt.
2. Using debt causes that creditors impose restrictions on firm's operation.

INCOME NATURE

Income is distributing cash, non-cash assets and company's share among stockholders regarding issued shares (Iturriaga et.al, 2010). Therefore, income indicates distribution of revenues in cash or non-cash form or transforming those revenues to capital through issuing shares (Namazi & Shirzade, 2005).

Income, as one of the most important items is statements had attracted attentions and there are many researches about different aspects of income which shows its importance (Khoshniet & Rezaee, 2006). In other words, income is one of the essential and important items of statements and is has various applications. For example, it can be a basis for calculating tax, dividend policy, guiding investments and decision-makings (Belkaoui, 1997).

Dividend is paid twice a year and payment level is determined such that in years that income is low this policy can be followed. In other words, profit units determine ratio of dividend payment regarding estimation of future income, payment ratio and growth opportunities (Shabahang, 1995).

DIVIDEND POLICY

Profit organizations can pay their annual net income as dividend to stockholders or spend it for repaying other items like repaying debts or providing financial resources for new growth opportunities. Allocation of income under each of these titles is called dividend policy. Dividend policy is calculated using two indicators as below (Shabahng, 1995):
**Independent variable dividend to income**

This variable is calculated by dividing dividend to income per share which is shown as below:

\[
Payout = \frac{\text{dividend per share}}{\text{income per share}} = \frac{\text{DPS}}{\text{EPS}}
\]

**Independent variable dividend to price of each share ratio**

This variable is calculated by dividing dividend to price of each share:

\[
Yield = \frac{\text{dividend per share}}{\text{price per share}} = \frac{\text{DPS}}{\text{P}}
\]

**Statistical Sample**

Statistical sample of this research is all firms accepted in Tehran stock exchange from beginning of 2003 to end of 2011. In this study, we used systematic deletion method to determine statistical sample. In other words, all companies classified in 36 industries and these conditions were imposed by researcher because they are not random and have more reliability:

1. In order to compare items, first companies were deleted that entered after 2003 to stock exchange.
2. Companies that have one year loss were eliminated from study.
3. Banks, financial institutions and investment companies were deleted because they had higher debt ratio regarding their activities while these high debts are not sign of higher risk.
4. Companies that their fiscal years did not end in 29/12.
5. Finally, companies that their information for calculating variables was defective or not available, were deleted.

It is necessary to mention that companies must be accepted in Tehran stock exchange before 2003 and did not change fiscal year during research. The reason is that numbers of statistical samples were identical in study years. Regarding these conditions, 130 companies were selected for model estimation and hypothesis testing.
RESEARCH HYPOTHESES

First hypothesis: there is a relationship between growth opportunities and dividend per share.

Second hypothesis: there is a relationship between growth opportunities and total debts to market value of common equity.

Third hypothesis: there is a relationship between growth opportunities and total debts ratio to market value of common equity.

Fourth hypothesis: there is a relationship between growth opportunities and total debts to market value of assets.

Fifth hypothesis: there is a relationship between growth opportunities and total debts to book value of common equity.

Sixth hypothesis: there is a relationship between growth opportunities and total debts to assets' book value.

RESEARCH METHOD

This is an applied descriptive research. It is also empirical-field study. First, quantitative data of companies were extracted from their statements for accepting or rejecting hypotheses such that descriptive statistics has calculated three criteria for growth opportunities and using correlation matrix, we obtain an equation for growth opportunities that by substituting three growth opportunity criteria in this equation we obtain a common factor which is called growth opportunity for each company. We repeat this method for all companies in each year, and then we calculate means of growth opportunities for all companies and consider it as a basis for that year's growth opportunities. We repeat this procedure for calculating growth opportunities in all study years that finally 9 indicators were obtained for growth opportunities.

In order to calculate other variables we obtain the ratio for each variable based on companies' data in each year and consider mean of each year as an indicator for said variable, such that we obtain 9 indicators for each variable. After calculation, we use Pearson correlation test and simple linear regression model to study their linear relationship. Conclusion is done regarding research analysis.

VALIDITY OF DATA GATHERING TOOL

Because data gathering tool in this study id databases of Tehran stock exchange and these banks have statements, these data are valid and we can trust their validity.

Descriptive statistics
In this research, first we calculated market value of assets, book value of assets, equity book value, and income per share, price per share and dividend per share using balance-sheet data and then we present descriptive statistics including mean, median and standard deviation, minimum, maximum, skew and bias.

**TABLE 1: DESCRIPTIVE STATISTICS FOR THREE GROWTH OPPORTUNITIES INDICATORS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of companies</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
<th>Skew</th>
<th>Bias</th>
</tr>
</thead>
<tbody>
<tr>
<td>A ratio = assets' market value assets book value</td>
<td>130</td>
<td>13.93</td>
<td>10.09</td>
<td>12</td>
<td>2.93</td>
<td>70.46</td>
<td>2.72</td>
<td>9.33</td>
</tr>
<tr>
<td>B ratio = market value book value</td>
<td>130</td>
<td>4.098</td>
<td>26.56</td>
<td>40.82</td>
<td>9.23</td>
<td>31.96</td>
<td>3.25</td>
<td>12.46</td>
</tr>
<tr>
<td>C ratio = income per share price of each share</td>
<td>130</td>
<td>0.167</td>
<td>0.158</td>
<td>0.058</td>
<td>0.00</td>
<td>0.30</td>
<td>-</td>
<td>0.306</td>
</tr>
</tbody>
</table>

**TABLE 2: DESCRIPTIVE STATISTIC FOR DIVIDEND**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of companies</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
<th>Skew</th>
<th>Bias</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPS/EPS</td>
<td>130</td>
<td>0.039</td>
<td>0.037</td>
<td>0.019</td>
<td>0.005</td>
<td>0.084</td>
<td>0.47</td>
<td>-0.41</td>
</tr>
<tr>
<td>DPS/P</td>
<td>130</td>
<td>0.006</td>
<td>0.005</td>
<td>0.006</td>
<td>0.001</td>
<td>0.012</td>
<td>0.35</td>
<td>3.16</td>
</tr>
</tbody>
</table>
TABLE 3: DESCRIPTIVE STATISTIC FOR DEBT RATIO

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of companies</th>
<th>Mean</th>
<th>Med</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
<th>Skew</th>
<th>Bias</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debts total market value of common equity</td>
<td>130</td>
<td>0.987</td>
<td>0.072</td>
<td>0.087</td>
<td>0.011</td>
<td>0.461</td>
<td>2.40</td>
<td>6.83</td>
</tr>
<tr>
<td>Total debts assets’ market value</td>
<td>130</td>
<td>0.97</td>
<td>0.078</td>
<td>0.069</td>
<td>0.011</td>
<td>0.370</td>
<td>1.76</td>
<td>4.01</td>
</tr>
<tr>
<td>Total debts total book value of common equity</td>
<td>130</td>
<td>2.32</td>
<td>0.209</td>
<td>1.51</td>
<td>0.61</td>
<td>7.35</td>
<td>1.65</td>
<td>2.71</td>
</tr>
<tr>
<td>Total debts total book value of assets</td>
<td>130</td>
<td>0.64</td>
<td>0.016</td>
<td>0.118</td>
<td>0.37</td>
<td>0.87</td>
<td>0.094</td>
<td>-0.68</td>
</tr>
</tbody>
</table>

INFERENTIAL STATISTICS

Following descriptive measurement of three growth opportunities' indicators, in order to transform three indicators to a common factor it is necessary to use correlation matrix and principal factor method. Therefore, after analysis with MINITAB 16 and SPSS18, results are as below:

TABLE 4: ANALYSIS CORRELATION MATRIX

<table>
<thead>
<tr>
<th>Correlation matrix numbers</th>
<th>2.1628</th>
<th>0.719</th>
<th>0.1183</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratios</td>
<td>0.721</td>
<td>0.240</td>
<td>0.039</td>
</tr>
<tr>
<td>Total variables</td>
<td>0.721</td>
<td>0.961</td>
<td>1</td>
</tr>
<tr>
<td>A ratio</td>
<td>0.644</td>
<td>0.241</td>
<td>-0.727</td>
</tr>
<tr>
<td>B ratio</td>
<td>0.622</td>
<td>0.389</td>
<td>0.680</td>
</tr>
<tr>
<td>C ratio</td>
<td>-0.466</td>
<td>0.889</td>
<td>-0.101</td>
</tr>
</tbody>
</table>
Based on table (4) variance 0.644 transfers to first variable and this item is selected as growth opportunities. In row 4 table (4) correlation matrix amounts for three indicators. We has selected first item as main item; therefore, Pc1 is chosen as growth opportunity coefficients which is written as below:

\[ \text{Growth opportunities} = 0.644A + 0.622B - 0.446C \]

**TESTING HYPOTHESIS**

**First hypothesis**: there is a relationship between growth opportunities and dividend per share.

H0: there is no relationship between growth opportunities and dividend per share.

H1: there is a relationship between growth opportunities and dividend per share.

**TABLE 5 : GROWTH OPPORTUNITIES REGRESSION COEFFICIENTS**

<table>
<thead>
<tr>
<th>Variables</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>0.294</td>
<td>0.086</td>
<td>0.067</td>
</tr>
</tbody>
</table>

**TABLE 6 : FIRST HYPOTHESIS TESTING**

<table>
<thead>
<tr>
<th>Description</th>
<th>β</th>
<th>Std. Error</th>
<th>T coefficient</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>0.028</td>
<td>0.006</td>
<td>4.899</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>0.00026</td>
<td>0.000</td>
<td>2.127</td>
<td>0.039</td>
</tr>
</tbody>
</table>

**TABLE 7 : ANALYSIS OF VARIANCE**

<table>
<thead>
<tr>
<th>Variability source</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes by regression</td>
<td>1</td>
<td>0.002</td>
<td>0.002</td>
<td>4.526</td>
<td>0.039</td>
</tr>
<tr>
<td>Error changes</td>
<td>48</td>
<td>0.018</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>49</td>
<td>0.020</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As we can see in table (7), since Sig (0.039) is less than α, then H0 is rejected and H1 is accepted.

Regression equation = \[ \text{DPS} = 0.028 + 0.00026 \times \text{Growth opportunities} \]

Second hypothesis: there is a relationship between growth opportunities and dividend per share.

H0: there is no relationship between growth opportunities and dividend with price per share.

H1: there is a relationship between growth opportunities and dividend with price per share.

<table>
<thead>
<tr>
<th>Variables</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>0.145</td>
<td>0.021</td>
<td>0.000</td>
</tr>
</tbody>
</table>

TABLE 8: REGRESSION COEFFICIENTS FOR GROWTH OPPORTUNITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>B</th>
<th>Std. Error</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>0.005</td>
<td>0.001</td>
<td>5.956</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>1.937</td>
<td>0.000</td>
<td>1.005</td>
<td>0.0005</td>
</tr>
</tbody>
</table>

TABLE 9: SECOND HYPOTHESIS TESTING

<table>
<thead>
<tr>
<th>Variation</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression changes</td>
<td>1</td>
<td>0.000</td>
<td>0.000</td>
<td>1.009</td>
<td>0.0005</td>
</tr>
<tr>
<td>Error changes</td>
<td>47</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>48</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As we can see in table (10), since Sig (0.0005) is less than α, then H0 is rejected and H1 is accepted.

Regression equation: \( \text{DPS} = 0.005 + 1.937 \times \text{growth opportunities} \)

**Third hypothesis**: there is a relationship between growth opportunities and total debts to market value of common equity.

H0: there is no relationship between growth opportunities and total debts to market value of common equity.

H1: there is a relationship between growth opportunities and total debts to market value of common equity

### TABLE 11: REGRESSION COEFFICIENTS

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation coefficient R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>-0.530</td>
<td>0.281</td>
<td>0.265</td>
</tr>
</tbody>
</table>

### TABLE 12: THIRD HYPOTHESIS TESTING

<table>
<thead>
<tr>
<th>Description</th>
<th>( \beta )</th>
<th>Std. Error</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>0.185</td>
<td>0.022</td>
<td>8.318</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>-0.002</td>
<td>0.000</td>
<td>-4.281</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### TABLE 13: ANALYSIS OF VARIANCE

<table>
<thead>
<tr>
<th>Variance</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F-statistic</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression changes</td>
<td>1</td>
<td>0.103</td>
<td>0.103</td>
<td>18.330</td>
<td>0.000</td>
</tr>
<tr>
<td>Error changes</td>
<td>47</td>
<td>0.265</td>
<td>0.006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>48</td>
<td></td>
<td>0.369</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As we can see in table (13), since Sig (0.000) is less than α(0.05), then H0 is rejected and H1 is accepted. 

Regression equation = \[
\frac{\text{total debts}}{\text{market value of common equity}} = 0.185 - 0.002 \text{ (growth opportunities)}
\]

**Fourth hypothesis**: there is a relationship between growth opportunities and total debts to assets’ market value.

H0: there is no relationship between growth opportunities and total debts to assets' market value.

H1: there is a relationship between growth opportunities and total debts to assets' market value.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation coefficient (R)</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>-0.513</td>
<td>0.263</td>
<td>0.247</td>
</tr>
</tbody>
</table>

**TABLE 15 : FOURTH HYPOTHESIS TESTING**

<table>
<thead>
<tr>
<th>Description</th>
<th>β</th>
<th>Std . Error</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>0.166</td>
<td>0.018</td>
<td>9.362</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>-0.022</td>
<td>0.000</td>
<td>-4.095</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**TABLE 16 : ANALYSIS OF VARIANCE**

<table>
<thead>
<tr>
<th>Variance</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F-statistics</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression changes</td>
<td>1</td>
<td>0.060</td>
<td>0.060</td>
<td>16.769</td>
<td>0.000</td>
</tr>
<tr>
<td>Error changes</td>
<td>47</td>
<td>0.167</td>
<td>0.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>48</td>
<td>0.227</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As we can see in table (16), since Sig (0.000) is less than α(0.05), then H0 is rejected and H1 is accepted.
Regression equation: \[
\text{total debts} = 0.166 - 0.002 \times (\text{growth opportunities}) / \text{market value of assets}
\]

Fifth hypothesis: there is a relationship between growth opportunities and debts to book value of common equity.

H0: there is no relationship between growth opportunities and debts to book value of common equity.

H1: there is a relationship between growth opportunities and debts to book value of common equity.

### TABLE 17: REGRESSION COEFFICIENTS

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation coefficient</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>0.124</td>
<td>0.015</td>
<td>-0.005</td>
</tr>
</tbody>
</table>

### TABLE 18: FIFTH HYPOTHESIS TESTING

<table>
<thead>
<tr>
<th>Description</th>
<th>β</th>
<th>Std. Error</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>1.973</td>
<td>0.455</td>
<td>4.337</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>0.008</td>
<td>0.010</td>
<td>0.859</td>
<td>0.395</td>
</tr>
</tbody>
</table>

### TABLE 19: ANALYSIS OF VARIANCE

<table>
<thead>
<tr>
<th>Variation</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression changes</td>
<td>1</td>
<td>1.734</td>
<td>1.734</td>
<td>0.738</td>
<td>0.395</td>
</tr>
<tr>
<td>Error changes</td>
<td>47</td>
<td>110.457</td>
<td>2.350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>48</td>
<td>112.190</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As we can see in table (19), since Sig (0.395) is larger than α(0.05), then H0 is accepted.

**Sixth hypothesis**: there is a relationship between growth opportunities and total debts t assets’ book value.

H0: there is no relationship between growth opportunities and total debts t assets’ book value.

H1: there is a relationship between growth opportunities and total debts t assets’ book value.

### TABLE 20: REGRESSION COEFFICIENTS

<table>
<thead>
<tr>
<th>Variables</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>0.053</td>
<td>0.003</td>
<td>-0.018</td>
</tr>
</tbody>
</table>

### TABLE 21: SIXTH HYPOTHESIS TESTING

<table>
<thead>
<tr>
<th>Description</th>
<th>β</th>
<th>Std. Error</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant rate</td>
<td>0.622</td>
<td>0.036</td>
<td>17.377</td>
<td>0.000</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>0.000</td>
<td>0.001</td>
<td>0.356</td>
<td>0.717</td>
</tr>
</tbody>
</table>

### TABLE 22: ANALYSIS OF VARIANCE

<table>
<thead>
<tr>
<th>Variance</th>
<th>DF</th>
<th>Sum of Squares(SS)</th>
<th>Mean Squares(MS)</th>
<th>F-statistics</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression changes</td>
<td>1</td>
<td>0.002</td>
<td>0.002</td>
<td>0.133</td>
<td>0.717</td>
</tr>
<tr>
<td>Error changes</td>
<td>47</td>
<td>0.685</td>
<td>0.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes</td>
<td>48</td>
<td>0.687</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As we can see in table (22), since Sig (0.717) is larger than α(0.05), then H0 is accepted.
INFERENTIAL ANALYSIS RESULTS

In this study 7 variables were studied in 5 hypotheses and results are as below:

First hypothesis:
Statistical findings confirmed that there is a significant relationship between growth opportunities and dividend with income per share. Because $\beta$ is positive (0.00026), we can say that this relationship is direct.

Second hypothesis:
Statistical findings confirmed that there is a significant relationship between growth opportunities and dividend with price per share. Because $\beta$ is positive (1.937), we can say that this relationship is direct.

In explaining first and second hypotheses we can say that when liquidity in company is high or company did not intend to use growth opportunities, payment to stockholders increases and in turn increase dividend per share and dividend per price and vice versa. Therefore, we can say that there is an inverse relationship between growth opportunities and dividend per share.

Third hypothesis:
We can infer that there is a relationship between growth opportunities and total debts to market value of common equity and because regression coefficient is negative, this relationship is an inverse.

Fourth hypothesis:
Findings indicated that there is significant relationship between growth opportunities and total debts with assets' market value and because regression coefficient is negative, this relationship is an inverse.

In explaining third and fourth hypotheses we can say that because current values are used for measuring growth opportunities and debts to market value and these values are real and relevant, results are consistent with foreign researches.

Fifth hypothesis:
Hypothesis testing rejects this hypothesis. Therefore, statistical findings confirm that there is no significant relationship between growth opportunities and debts with book value of common equity.

Sixth hypothesis:
Based on tests, significance level was 0.717 which is larger than error level and rejects this hypothesis. Therefore, findings indicated that there is no significant relationship between growth opportunities and debts to assets' book value.

Because of inflation in Iran there is no significant difference between historical values and current value of companies.
SUGGESTIONS

Based on obtained results from hypotheses testing, we present below suggestions:

1. Because results showed that there is a relationship between growth opportunities and debt policy, it is advised to statement users like banks and financial institution, creditors and investors that they analyze growth opportunities before investing in any company and select companies with higher growth opportunities.
2. It is advised to managers that before imposing any financial policy, they study its effects on growth opportunities and select those policies which increase growth opportunities and avoid policies with negative effects on growth opportunities.
3. It is advised to managers that they analyze growth opportunities before decision-making about dividends between stockholders and avoid giving dividend in the case of presence of profitable opportunities, because investment increases wealth.
4. It is suggested that for meeting changing needs of investors, statements must provide more information about future situation of company like management programs, opportunities and investment risks.
5. It is suggested that suitable structure of items in balance sheet of firms accepted in Tehran stock exchange studied to determine which company more uses growth opportunities.

REFERENCES


