The position of funding in capital market and its influence on stock return of accepted companies in exchange market

Dr. Mohsen Mehr Ara¹, Majid Lotfi Ghahrood², Oveis Bageri³, Mohammad Hossein Salimi⁴

¹ Member of scientific board of economy faculty of Tehran University
²³ Phd candidate of capital management of Tehran University
⁴ M.A. in accounting from Pyame Noor University

ABSTRACT

In present conditions, economic units for different reasons are in need of financial resources and different approaches of capital provision for approaching optimal finance structure and producing value for company owners is of great importance. In this study the position of funding in finance market and that which of the available funding models can lead to influential return for companies, is analyzed. For this purpose, 106 accepted companies in Tehran exchange market during the time period of 2001-2007 were selected and by means of 574 observations for research variable, research hypotheses were tested. Research hypotheses were approved by the use of Spearman and Pearson correlation and regression analysis. Research findings show that in accepted companies in exchange market, capital sources attraction by means of funding which includes funding by means of share issue and funding by means of borrowing and creating liability negatively influences the future stock return and by their increase stock return will decrease.

Key words: funding, stock return, share issue, borrowing
1. Introduction

Establishing and developing economic departments on an increasing basis requires considerable provision of funding resources which is beyond the power of founders. Capital market for companies provides this opportunity to provide their required funding resources by issuing securities. In other words, capital market acts as a channel for transferring resources from savers to consumers of capital resources and by providing required capital for economic departments and optimal cost allocation, plays a considerable role in the economy of the countries. [1] Managers by the use of obtained resources try in order to proceed and develop their organizations. This happens along with extreme competitive condition, political-economic-capital crises and ownership and legal requirements have led companies to ask for more resources and at times make use of the obtained resources from operations in economic department which belongs to the owners to invest for another time within the economic department.

Since funding methods along with investment decision making and dividends policies will ultimately influence the value and wealth of the share holders, identifying patterns and models which companies follow them is of great importance.

While capital structure case has special position in developed countries but its position in developing countries’ economic system is obscure for two main reasons. First of all, developing countries have allotted a little attention to economic departments in their economic development processes. Therefore, large trade departments which are in fact potential leaders of industrializing and development in less developed countries, in development culture, have not found their position. Secondly, almost until last two decades, economic department in most less developed countries, were faced with considerable limitations in terms of selecting required funding resources. Among such limitations are state economy dominance and loss of competition among non-state economic departments, lack of capital market development and limitation of funding resources. Therefore, funding resources were mainly under the control of finance institutions and credit foundations such as commerce banks. [2]

2. Statement of the problem

Funding ways is one of the main decision making fields of company managers in order to increase the wealth of the share holders. Companies at the time of new capital resources requirements can do it by borrowing funds or remising part of the company ownership. Any company needs to determine the cost of different funding resources and the influences of each one on return and operational risk of the company at the time of making decisions to make use of a funding resource. Generally, use of apposite funding resource for administering profitable projects plays a considerable role which can increase the wealth of the share holders. As we know, progress and continuation of companies requires funding resources which is usually faced with problems for provision. [11] Therefore for proceeding the finance attraction, its usage should be in a way which can provide an apposite share for providers and users. Generally, funding resources consist of four main resources of borrowing, common share issue, preferred share issue, and using accumulated dividends and borrowing. common share issue and preferred share issue are introduced as external resources and accumulated dividends is introduced as internal resources. [12] Some of the experts believe that funding by means of liability because of tax saving and lower rate in comparison with capital increase is a more optimal solution for funding companies. Credit providers in offering loans and credits, forecast future cash flow of loan taker and estimate the payment abilities of returning the loan and its interest and credit and paying credits are highly important in heir eyes. [13]

We know that providing funding resources in large companies is a reasonable activity. Company management has different funding resources and required cash for financing expenses and company operations under control. Funding resources can be done through issuing stock or liability notes whose differences are apparent. Many studies have been done about the relation among issuing liability, stock, dividends and future cash flow. [14]
Generally, funding resources consist of four main resources of borrowing, common share issue, preferred share issue, and using accumulated dividends and borrowing, common share issue and preferred share issue are introduced as external resources and accumulated dividends is introduced as internal resources. [12] At every organization one of the responsibilities of the manager is to make decisions in terms of funding resources. Since funding resources happen in different ways, therefore, taking the right approach is of great importance and many studies have been done in this case. [18]

Generally active economic departments’ use of external resources such as cash from interest rise and borrowing are used for two reasons:

Performing financial projects such as development projects; and increasing the practicality of the running operation and improving capital structure in order to decrease the liability costs and facilitating the share holders’ return [17]

Although using the cash from funding resources can simultaneously follows both of the aforementioned goals, but the important issue in this case is the studying the effect of funding resources on general efficiency of the company. In other words, in an efficient market, progress and profitability of a company and finally rise of share holders’ wealth will be actualized only when the outcome of implementing capital resources from issuing shares is more than the expenses from company liabilities and the cost of opportunity because of financial projects under hand. [15]

In fact doing this study is an answer to the question that is there a relation between different ways of funding resources and stock return and in case of relation, what is the effect of each method of funding resources on the company efficiency?

3- Purpose of the research

The general purpose of this research is to create guidelines for company managers, investors (potential and actual) and also credit providers in line with detecting how to find the relation between funding resources ways and future stock return. Therefore, all beneficiaries by means of apposite indexes estimate and analyze the capital state of companies and facilitate the understanding of companies in creating values for share holders.

The general purpose of the research is to analyze the relation between ways of funding resources and stock return in Tehran exchange market.

In case of the existence of a significant relation between any ways of funding resources, (issuing shares-borrowing) with stock return, managers should consider its impact on company in terms of selecting funding resources and in case of lack of coordination there will be no limitation in terms of selecting funding resources.

4- Review of the literature

The capital structure case was first presented by Modiliani and Miler in 1960s. The common belief is that identifying and valuing companies according to properties and the way of funding resources depends on capital structure recognition. According to the researches, in special conditions called efficient market, capital structure is a basic factor in determining the value of the company (Modiliani and Miler 1963). A research in 2006 by Bradshaw and Richardson about funding resources activities, stock analysis predictors, and stock return was analyzed and showed that there is a converse relation between net cash amount from external funding resources activities and future stock return. [5] In the same year a research by Thomas and Cohen about the relation between funding resources activities, covenant accounts and stock return was done. [6] This research was done in line with Brad Shaw and Richardson and equal results were obtained. Bradshaw, Richardson and Slown (BRS) in a comprehensive estimation which they had done found the negative relation between funding resources activities of companies and future stock return and future profitability of them. By considering that
covenantal factors of accounting causes rise of net operational property in balance sheet of a company. Our question is that is it possible to differentiate between 'abnormal and external funding resources 'recorded by BRS and 'abnormal commitments' which was first shown by Slown (1996). We show that by control over all covenantal factors the relation between external funding resources and future stock return is weakened and is not significant in terms of statistics. These findings are in proportion with that of Richardson and Slown’s (2006) findings. Michaeles et al., (1999) believe that capital structure research only shows a part of reality at each time point. For the same reason different researchers in studying internal and external variables of company on capital structure according to different economic and cultural position and environment have reached to unequal results [9]. For example, Dicemsaek, Padiel and Pestou (2004) by studying the influential factors on capital structure in middle Asia region have reached the conclusion that capital structure is under the influence of environment and space in which companies are entangled. They and some others believe that different economic and political crises-such as capital crisis of 1997-and different cultural and economic conditions ruling company activities are determining in the type and rate of dominant variables on company activities. Titiman and Wessels and also Harris and Raviv 1991 state that choosing influential variables

Because of uncertainty in terms of the rate of influence and equality of the influence on almost all companies have problems. [8]

Most of the experimental studies on the impact of special variables of company on capital structure among companies with different degree of capital lever appears equal. [7] But other researches about different response of the managers of leverage companies and non-leverage ones and different funding resources have been done. Generally, the results of most of the researches show that the definite factor of each company may have different effects on the choice of optimal capital structure [2]. Iranian scholars so far in different scientific essays have analyzed different aspects of capital structure. In 2001, Tooraj Dastyar studied the relation between debit ratios on stock price. He found out that the debit ratios over several years have no effect on the stock price. Maryam Pilevar in 2002 studied the impact of funding resources methods in profitability ratios (ROA, ROE, ROI). She found out that the profitability ratios are not influenced by capital funding resources methods. In 2002 Seyyed Javad Ahmadi Nejad studied long term capital funding resources methods (capital rise and long term loan) on accepted companies’ stock return in Tehran exchange market. He found out that generally there is no significant difference in terms of sales ratios and assets total among companies which have tried to increase capital with those companies which have tried to receive long term loans. And also found out that using debt can provide optimal capital leverage and does not lead to rise of return ratios in companies. Hadi Yazdi in 2003 studied the relation between resources and capital consumption and company stock return. He found out that there is a significant relation between capital provision from share holders’ financial claims or from savings (capital resources) and stock return. And also the re is a significant relation between capital consumption for development and factory completion and stock return. But there is no significant relation between capital consumption to compensate for capital shortage and capital structure improvement and stock return.

Abdolhossin Farhoodi Nogadam in 2003 studied the relation between capital rise and accepted companies stock return in Tehran exchange market. The results of his study states that capital rise is not a positive factor in stock return rise and capital rise by means of issuing common stock does not lead to share holders’ wealth. Hassan Sadegh poor in 2005 studied the influence of company size on the return of the accepted companies in Tehran exchange market. The results of his research showed that for a number of years there was no significant relation between size of sale and size of the company and stock return but not in other years. Marayn Shaker in 2006 studied the effect of capital rise and its type on stock return and accepted companied financial return in Tehran exchange market. The results of her hypotheses tests show that the type of capital rise did not have any effect on company stocks but companies which have increased capital by means of accumulated profit and savings place have higher rate of investment in comparison with companies which have increased capital by means of financial claims and brought cash. These findings and other researchers’ findings showed that the amount of capital has no effect on stock return and investment return of companies.[10]
Hasan Ali sinaie and Abdolhossien Nissi in 2003 by the purpose of determining the relation between the capital leverage of company and industry type, trade risk and operational leverage for the use of managers in their decisions have studied the role of influential factors in corporations. They found out that capital leverage is in relation with company size but has no relation with other variables. In 2004 in a research by Amirali Sabeti studied the company capital from financial claims and cash earnings and change of investors return in exchange market and the result was that there is no significant relation between capital rise from aforementioned resources and a number of capital resources such as cash return, property return and share holders’ return and stock price changes. In 2002 a research entitled studying the effect of funding resources method on company performance in Tehran exchange market was done by Reyhane Lavasani. And also in the year 2002 another study entitled, study of relation between capital provision by means of profit quality in Tehran exchange market by Seyyed Moeen Jahromi. Another study by Hadi Roshani was done in 2002 entitled the study of funding resources methods on return ratios of share holders’ rights in accepted companies in Tehran exchange market.

5- Methodology

The general purpose of the study is to study the relation between funding resources methods and stock return in Tehran exchange market. Therefore this research in terms of subject type is a coordination estimation research- which is an experimental research type- and explains the relation between capital and accounting variables by the use of Pearson, Spearman and Regression coordination indexes. And also methodology of the research is post-event in type (by means of earlier data).

6- Research Hypotheses

Research hypotheses are as follows:

There is converse relation between net cash funds obtained from funding activities and stock return.

There is converse relation between funded funds by means of issuing stock and stock return.

There is a converse relation between funded funds by means of borrowing and stock return.

7- Statistic population and company selection

The subject under study consists of accepted companies in Tehran exchange market which until 2001 have been accepted in exchange market and at least by the end of the year 2007 are running. Therefore, the statistical subjects are limited and definite and according to the aforementioned conditions the number of the statistical subjects consists of 439 companies. In this research the sampling model consists of companies which have the following characteristics:

Their financial year end in March

He required data of the company in the period is available

There is no change in financial year of the period under study

According to the aforementioned parameters, the subject under study consists of 106. The data from these companies were collected from Tehran exchange market, credits exchange site of Tehran and Tadbir Pardaz and Raharvar Novin software. To obtain the estimated observations 106 companies were selected, their data along the years of study were collected and research variable values were extracted from them. In this research the number of observations was 2544 cases.
8- Data Collection

In this study in order to collect the data, first library method was implemented. In library part, subjective foundations of the research were collected from Persian and Latin books and references. And later the research data was processed by means of collecting corresponding data of the selected companies by referring to financial lists, explanatory notes, weekly reports and exchange market monthly and by means of Rahavard Novin and Tadbir Pardaz software.

9- Research Variables

9-1- Dependent Variable:

Dependent variable in this study is the stock return which is: “It’s a return rate which is obtained based on stock price and cash profit”. [1]

Equation 1

\[
R = \frac{P_t - P_{t-1} + D}{P_{t-1}}
\]

Pt: Stock market price at the end of the period

P_{t-1}: Stock market price at the beginning of the period

D: cash dividends distributed during the period

9-2- Independent Variables

Cash funds variables obtained from funding operations (ΔXFIN), funded funds by means of issuing shares (ΔEQUITY), and funded funds by means of borrowing (ΔDEBT) is introduced as independent variable which besides estimating their relation with dependent variable, their impact on stock return is analyzed and estimated. The method of estimating variables is as follows:

9-2-1- funded funds by means of issuing shares (ΔEQUITY):

Which state the net cash obtained from the stock sale by the reduction of paid stock profits [16] All of the data was extracted from comprehensive Tadbir Pardaz software and account heading (funds obtained from capital rise) and account heading (paid profit) which is extracted from the statement of cash flow of 8 years time. Multiplying two account headings show net cash funds obtained from stock sale by reduction of paid dividends.

9-2-2- funded funds by means of borrowing (ΔDEBT):

This states that the net flow of cash from long term liability including receiving long term loan and issuing liability notes by the reduction of returning the original loan value and these data is also extracted from comprehensive Tadbir Pardaz software which has implemented cash funds list which includes heading (receiving financial facilities), and heading (returning the original facilities) in the same year. Multiplying two headings show the net cash flow from long term debt.

Cash funds obtained from financial operations (ΔXFIN):

We divided ΔXFIN, ΔEQUITY and ΔDEBT by total average of assets (debts, capital owners’ rights) for two consecutive years, as index weighed in order to measure the new funding operations in
proportion with present assets and express them in proportion with the size of the companies so that data have more coordination (Brawdshow and Richardson, 2006:10).

\[ \Delta \text{XFIN} = \Delta \text{EQUITY} + \Delta \text{DEBT} \]

In fact the creativity of the research plan by the use of cash flow list for the analysis of capital structure which has a cash9 perspective in this case.

**10- Data Analysis**

At present study the data s analyzed by the use of descriptive statistics about two main indexes that is inclination towards center indexes and digression indexes. Deductive statistics is used to analyze the data and test of hypotheses and in terms of hypotheses interpretation and explanation has been done. For the analysis of the research hypotheses parametric and non-parametric methods have been implemented which is referred later.

**11- Research Findings**

**11-1- First Hypothesis**

Null hypothesis: There is no relation between funding operations and stock return

Research hypothesis: There is a converse relation between funding operations and stock return

Equation 6

\[
\begin{align*}
H_0 : r &= 0 \\
H_1 : r &< 0
\end{align*}
\]

\[ r = -0.185 \quad p=0.000 \quad p<0.01 \]

The rate of Pearson coordination between net cash funds obtained from funding operations and stock return according to 547 observations with a value of -0.185 has a deviation level of less than 0.01. According to statistical test parameter and according to the small size of deviation level from 0/01 null hypothesis is rejected with 99% certainty and according to negative nature between two variables research hypothesis is saved as accurate hypothesis. Consequently it can be claimed that the relation between net cash obtained from funding operations and stock return is significantly converse. Since variable distribution of this research hypothesis is not normal, Spearman coordination test is implemented which does not require related assumptions about Pearson coordination index test and the presence of relation between two variables with the value of -0.167 and deviation level less than 0/01 is approved.

Equation 7

\[
\begin{align*}
H_0 : r_s &= 0 \\
H_1 : r_s &< 0
\end{align*}
\]

\[ r_s = -0.167 \quad p=0.000 \quad p<0.01 \]
Therefore, by referring to the observed data which is statistical in type and obtained from probability theory the presence of a converse relation between net cash fund obtained from funding operations and stock return is approved as an accurate hypothesis. The results of the test is presented in the following table.

Table-1 results of the Pearson and Spearman coordination index between first hypothesis variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Index name</th>
<th>Cash fund obtained from funding operations</th>
<th>Pearson coordination index result</th>
<th>Spearman coordination index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock return</td>
<td>Index</td>
<td>- 0.185</td>
<td>- 0.167</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deviation level</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>574</td>
<td>574</td>
<td></td>
</tr>
<tr>
<td>Result</td>
<td></td>
<td>The relation is negative and significant</td>
<td>The relation is negative and significant</td>
<td></td>
</tr>
</tbody>
</table>

Regression analysis is used to measure independent variable effect on cash face obtained from funding operations on dependent variable of stock return.

Equation 8

$$H_0 : \beta = 0$$
$$H_1 : \beta < 0$$

$$y = \alpha + \beta X + \epsilon$$
Return = 0.030 + (-0.618)(\Delta Financ) 
$$t = 1.553 \quad -4.511$$
$$p = 0.121 \quad 0.000$$
$$f = 20.346 \rightarrow p = 0.000$$

$$R = -0.185 \quad R^2 = 0.034$$

Std. Error of the Estimate = 0.4466

$$\beta = -0.185 \quad t = -4.511 \quad p= 0.000 \quad p< 0.01$$

Obtained statistics from regression analysis from research hypothesis refers to converse face of cash fund obtained from funding operations on stock return. F statistics with 20/346 value is larger than crisis value and standard deviation is smaller than 0/01 which shows that the relation between dependent and independent variables is linearly significant. T statistics for independent variable with -4/511 value is smaller than -1/96 which shows that partial index of independent variable of cash fund face obtained from funding operations on stock return variable with the value of -0/185 is significant. Index determination (R2) shows one unit rise in cash fund face obtained from financial funding operations has an impact equal to 0/034 on stock return value decline in accepted companies in Tehran exchange market. Consequently, it can be claimed that by the increase of cash fund face changes because of financial funding operations stock return decreases.
Table- 2 Results of Regression analysis test of first research hypothesis variables

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>N0n- standard index</th>
<th>Standard index</th>
<th>t- statistics</th>
<th>Deviation level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable</td>
<td>0.030</td>
<td>0.019</td>
<td>1.553</td>
<td>0.121</td>
</tr>
<tr>
<td>Funding operations</td>
<td>-0.618</td>
<td>0.137</td>
<td>-0.185</td>
<td>-4.511</td>
</tr>
</tbody>
</table>

Tables’ analysis: there is a converse relation between funding operations and stock return

11-2- Second hypothesis

Null hypothesis: there is no significant relation between funded funds by means of issuing stock and stock return

Research hypothesis: there is a converse relation between funded funds by means of issuing stock and stock return

Equation 9

\[
\begin{align*}
H_0 &: r = 0 \\
H_1 &: r < 0
\end{align*}
\]

\[ r = 0.173 \quad p = 0.000 \quad p<0.01 \]

The rate of Pearson coordination between funded funds by means of issuing stocks and stock return according to 574 observations with the value of -0.173 has smaller deviation level than 0.01. According to statistic test parameter and small size of deviation level from 0.01 null hypothesis is rejected with 99% certainty and according to negative nature between two variables the research variable is saved as an accurate one. Consequently, it can be claimed that the relation between funded funds by means of issuing shares and stock return is significantly converse. Since the distribution of variables of the research are not normal Spearman coordination test which does not require Pearson coordination index test is implemented and the relation between two variables with the value of -0.124 and deviation level less than 0.01 is confirmed.

Equation 10

\[
\begin{align*}
H_0 &: r_s = 0 \\
H_1 &: r_s < 0
\end{align*}
\]

\[ P < 0.002 \quad p = 0.124 \]

Therefore, by referring to the obtained results from Pearson and Spearman coordination index test it can be claimed that the relation between funded funds by means of issuing shares and stock return is significant. Consequently, research hypothesis is approved. The results of the tests are displayed in the following table.
Table-3 Pearson and Spearman index test results between second hypothesis variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Index name</th>
<th>Funded funds by means of issuing shares</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Pearson coordination index</td>
<td>Spearman coordination index</td>
<td></td>
</tr>
<tr>
<td>Stock return</td>
<td>Index</td>
<td>-0.174</td>
<td>-0.124</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deviation level</td>
<td>0.000</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>574</td>
<td>574</td>
<td></td>
</tr>
</tbody>
</table>

Result: The relation is converse and significant

Regression analysis is implemented to measure the effect of independent variable of funded funds by means of issuing shares on dependent variable of stock return.

Equation 11

\[
\begin{align*}
H_0 : \beta &= 0 \\
H_1 : \beta &< 0
\end{align*}
\]

\[
y = \alpha + \beta X + \varepsilon
\]

Return = -0.0050 + (-0.808)(\Delta EQUITY)

\[
t = -0.278 \\
p = 0.781
\]

\[
f = 17.631 \rightarrow p = 0.000
\]

\[
R = -0.173
\]

\[
R^2 = 0.030
\]

Std. Error of the Estimate = 0.44763

\[
\beta = -0.173 \\
t = -4.199 \\
p < 0.01
\]

Obtained statistics from regression analysis of research hypothesis refers to supporting the impact of financial funding by means of issuing shares on stock return. F statistics with 17/631 value is larger than crisis value and estimated deviation level is smaller than 0/01 which shows that the relation between independent variable and dependent variable is linearly significant. t statistics for independent variable with -4/119 value is smaller than -1/96 which shows that the funded funds independent variable partial index by means of issuing share on stock return with -0/173 variable is significant. Determining index shows that a unit rise in funded funds changes by means of issuing shares has an impact equal to 0/030 on the stock return decline in accepted companies is observed. Consequently it can be claimed that by the rise of changes in funded funds by means of issuing shares stock return shows decline.
Table 4: Regression analysis test results of second research hypothesis

<table>
<thead>
<tr>
<th>Research independent variable</th>
<th>Non-standard index</th>
<th>Standard index</th>
<th>t statistics</th>
<th>Deviation level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Index</td>
<td>Standard deviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>-0.005</td>
<td>0.019</td>
<td>-0.278</td>
<td>0.781</td>
</tr>
<tr>
<td>Funded funds by means of issuing shares</td>
<td>-0.808</td>
<td>0.192</td>
<td>-0.173</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Tables’ analysis: There is a converse relation between funded funds by means of issuing shares with stock return.

3.13. Third hypothesis

Null hypothesis: there is no relation between funded funds by means of borrowing and stock return.

Research hypothesis: there is a converse relation between funded funds by means of borrowing and stock return.

Equation 12

\[
\begin{align*}
H_0 & : r = 0 \\
H_1 & : r < 0
\end{align*}
\]

\[r = -0.087 \quad p = 0.019 \quad p < 0.05\]

The rate of Pearson coordination between funded funds by means of issuing stocks and stock return according to 574 observations with the value of -0.087 has smaller deviation level than 0/05. According to statistic test parameter and small size of deviation level from 0/05 null hypothesis is rejected with 95% certainty and according to negative nature between two variables the research variable is saved as an accurate one. Consequently, it can be claimed that the relation between funded funds by means of issuing shares and stock return is significantly converse. Since the distribution of variables of the research are not normal Spearman coordination test which does not require Pearson coordination index test is implemented and the relation between two variables with the value of -0.120 and deviation level less than 0/01 is confirmed.

Equation 13

\[
\begin{align*}
H_0 & : r_s = 0 \\
H_1 & : r_s < 0
\end{align*}
\]

\[r_s = -0.120 \quad p = 0.002 \quad p < 0.01\]

Therefore, by referring to the obtained results from Pearson and Spearman coordination index test it can be claimed that the relation between funded funds by means of issuing shares and stock return is significant. Consequently, research hypothesis is approved. The results of the tests are displayed in the following table.
Table-5 Pearson and Spearman coordination test results between third hypothesis variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Index name</th>
<th>Funded funds by means of borrowing</th>
<th>Pearson coordination index</th>
<th>Spearman coordination index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock return</td>
<td>Index</td>
<td>-0.087</td>
<td>-0.120</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deviation level</td>
<td>0.019</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>574</td>
<td>574</td>
<td></td>
</tr>
<tr>
<td>Result</td>
<td></td>
<td>Converse and significant relation</td>
<td>Converse and significant relation</td>
<td></td>
</tr>
</tbody>
</table>

Regression analysis is implemented to measure the effect of independent variable of funded funds by means of issuing shares on dependent variable of stock return.

\[
\begin{align*}
H_0 & : \beta = 0 \\
H_1 & : \beta < 0
\end{align*}
\]

\[
y = \alpha + \beta X + \epsilon
\]

Return = 0.030 + (-0.403)(\Delta DEBT)

\[
t = 1.418 \quad -2.077
\]

\[
p = 0.157 \quad 0.038
\]

\[
f = 4.314 \quad \rightarrow p = 0.038
\]

\[
R = -0.087 \quad R^2 = 0.007
\]

Std. Error of the Estimate = 0.45278

\[
\beta = 0.087 \quad t = -2.077 \quad p < 0.05
\]

Obtained statistics from regression analysis of research hypothesis refers to supporting the impact of financial funding by means of borrowing on stock return. F statistics with 4/314 value is larger than crisis value and estimated deviation level is smaller than 0/05 which shows that the relation between independent variable and dependent variable is linearly significant. t statistics for independent variable with -2/077 value is smaller than -1/96 which shows that the funded funds independent variable partial index by means of borrowing on stock return with -0/173 variable is significant. Determining index shows that a unit rise in funded funds changes by means of issuing shares has an impact equal to 0/007 on the stock return decline in accepted companies is observed. Consequently it can be claimed that by the rise of changes in funded funds by means of borrowing stock return shows decline.

Table-6 Regression analysis test results of third research hypothesis

<table>
<thead>
<tr>
<th>Independent research variable</th>
<th>Non-standard index</th>
<th>Standard index</th>
<th>t statistics</th>
<th>Deviation level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Index</td>
<td>Standard deviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable</td>
<td>0.03</td>
<td>0.021</td>
<td></td>
<td>1.418</td>
</tr>
<tr>
<td>Funded financial operations by means of borrowing</td>
<td>-0.403</td>
<td>0.194</td>
<td>-0.087</td>
<td>-2.077</td>
</tr>
</tbody>
</table>
Tables’ analysis: There is a converse relation between funded funds by means of borrowing with stock return

11-4- Research Hypotheses Test Results

Research hypotheses were tested by the use of non-parametric Spearman coordination index test and Pearson coordination parametric test and mono-variable and multi-variable regression analysis. The results of all three test by rejecting the null hypothesis, saved the research hypothesis and reaffirmed the converse relation between net funds independent variables obtained from financial funding operations, funded funds by means of issuing shares and financially funded funds by means of borrowing with dependent variables of stock return. Research hypotheses test results is displayed in the following table.

<table>
<thead>
<tr>
<th>Hypothesis number</th>
<th>Spearman coordination index</th>
<th>Pearson coordination index</th>
<th>Regression analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Null hypothesis Research hypothesis</td>
<td>Null hypothesis Research hypothesis</td>
<td>Null hypothesis Research hypothesis</td>
</tr>
<tr>
<td>First hypothesis</td>
<td>rs = 0 rs &lt; 0 r = 0 r &lt; 0 β = 0 β &lt; 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second hypothesis</td>
<td>x  ✓ x  ✓ x  ✓ x  ✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Hypothesis</td>
<td>x  ✓ x  ✓ x  ✓ x  ✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Explanation: the results of all tables are negative and significant. Regression analysis for second hypothesis and third hypothesis was done and the results show negative and significant relation.

Table analysis: There is a converse relation between financial funding by means of borrowing and stock return.

12- Conclusion

The main purpose of this research is to study the relation between financial funding methods and stock return in Tehran exchange market in years 2002-2008. To prepare an apposite pattern after a review of views and experimental works about capital structure, financial funding resources, and its relation with stock return in side and outside the country especially in researches carried out by Brawd Shaw and Richardson and slown (BRS) in 2004 and after them Thomas and Kohen in 2006 they analyzed and explained the relation between dependent variables of stock return and independent variables of cash funds obtained from financial funding operations which were classified into two independent financial funding variables by means of issuing stock and financial funding funds by means of borrowing which were analyzed by the use of Spearman and Pearson coordination indexes and regression analysis. Observations revealed a negative and significant relation between cash currents influenced by external financial funding operations and future return of the stock. That is by the entrance of cash currents obtained from financial funding operations of accepted companies in Tehran exchange market their outcome declined. These results showed that by considering the economic conditions and market condition in Iran, accepted companies in Tehran exchange market have not been able to make use of financial funding methods to create maximum return and value increase for the benefit of company owners. Low indexes of pattern determination have led to state
the results with caution. Another aspect analyzed in Brawshaw and Richardson research is the relation between stock interpreters’ predictions and stock return they showed that they have very optimistic view concerning the stock future and made use of external financial funding methods where price decline is observed in these cases when price decline is not actualized. Hereby, it is suggested to the investors not to have high expectations only because of implementing financial funding methods (including debts and share holders’ rights). And besides that since several factors influence stock return of companies (such as inflation, currency fluctuations etc.) it can be stated that at different intervals the impact of funding methods differ on stock return and this subject of researches (such as theses with the title of the relation between financial funding by means of debt and profit quality in Tehran exchange market, Saeed Moeen Jahromi) is also observable. For future researches this aspect of research in Iran is suggested.

References
1. P.jonse, charls, 2007, investment mangement, translated by reza tehrani and asgar noorbakhsh, tehran, neghahe danesh
2. Sinaee, hasanali, rezaian, ali, autumn 2005, company characteristic and capital structure(capital leverage) humaniterian research paper, fifth year, no.19th
3. Tajdari, parviz, (2005), scientific research method along with value determination, ata publications
5. Bradshaw, m., richardson, s.a, (2006),”the relation between corporate financing activities, analysts forecasts and stock returns“, journal of accounting and economics 42.
11. Flarin, thomas,(2010),the sequencing of stock market liberalization events and corporate financing decision, april
12. Armstrong, c , w, guay and weber,(2010), the role of information and financial reporting in corporate governance and debt contracting, journal of accounting and economics, pp. 179-234
15. Hermanns, s, (2006), financial information and earning quality, a literature review
16. Fasb. (2010), conceptual framework for financial reporting by business enterprise, statement of financial concept, no 8
17. Ghosh, al and d, moon, (2010), corporate debt financing and earnings quality, university of chicagopress, pp. 107-140
18. Casser, john, (2005), external financing and firm operating performance, working paper, university of california, berkely