



Research Paper

**Investigating the Impact of Financial Structure Flexibility on
the Distribution of Cash Profit and Cost of Capital in Companies
Listed on the Tehran Stock Exchange¹**

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INTRODUCTION

The purpose of this research is to investigate the impact of the flexibility of the financial structure on the distribution of cash profit and the cost of capital in companies admitted to the Tehran Stock Exchange. Flexibility plays an important role in enabling managers to invest in the future. Capital market problems have made it necessary for companies to maintain flexibility to take advantage of profitable opportunities. Choosing the optimal capital structure and different methods of financing is the main concern of financial and executive managers of companies. The appropriate capital structure in any company affects different areas of the company's activity. Financial flexibility acts as a bridge between the theory and practice of financing and determining the capital structure of companies, which is the most important determining factor in their ability to provide financial resources to react appropriately to unforeseen events and cases, aiming to maximize the company's value. Financing decisions in the field of capital structure, as well as determining and choosing the best financing method and its combination, are among the basic decisions of companies. These decisions usually include the use of cash flows from operations, sales, and conversion of company assets into cash as internal sources of financing, as well as borrowing from the banking system and issuing new shares as external sources of financing.

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MATERIALS AND METHODS

The statistical community studied in this research comprises companies admitted to the Tehran Stock Exchange, and the sample was selected using the systematic elimination method, resulting in 103 companies. Information in the literature and theoretical foundations of the research was collected through library references and the compilation of relevant sources. Additionally, to test the hypotheses, audited financial statements of the statistical population and other reports of companies admitted to the Tehran Stock Exchange were utilized. The data gathering method involved examining the audited financial statements of the companies through databases of the stock exchange organization, such as Rahavard Navin software, Tadbir Pardaz, and the Kodal website, along with library references for the financial period from 2011 to 2018. For data analysis, the information obtained from Rahavard Navin and Tadbir Pardaz software, as well as the stock exchange information site named Kodal, was collected in an Excel spreadsheet. Subsequently, Eviews software was employed for hypothesis testing and analysis.

RESULTS AND DISCUSSION

The research findings indicate a positive and significant relationship between the flexibility of the financial structure and cash profit, company growth, and the intrinsic value of the company's shares. Additionally, the control variables of asset return and financial leverage exhibit a positive and significant relationship with the cash profit variable and company growth. However, no significant relationship was observed between the flexibility of the financial structure and the cost of capital. The control variables of asset return and financial leverage, on the other hand, demonstrated a positive and significant relationship with the cost of capital variable. Furthermore, the control variables of book value to market, return on assets, and financial leverage were found to have a negative, positive, and positive and significant relationship with the intrinsic value of the company's shares, respectively. In terms of the relationship between the flexibility of the financial structure and the debt ratio, no significant relationship was identified. The control variables of company size, asset return, and financial leverage, however, showed a negative, positive, and positive and significant relationship with the debt ratio variable, respectively.

Keywords: Financial Structure Flexibility, Cash Dividend, Cost of Capital, Company Growth, Intrinsic Value, Debt Ratio.

JEL Classification: M40, M41.



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