

The substitution effect of shocks cash flow in companies with more tangible assets

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Abstract

The fundamental aim of this study to examine the sensitivity, outside the company's financial resources to changes in cash flow under conditions of financial constraints and the economic crisis. In accordance with the goal, 1, who was the main hypotheses on the relationship between the variables focused on basic research. 102 statistical model research company adopted in the securities market Tehran that they are data for a period of 6 - year - old from 2008 to 2013 and statistical analysis. Research hypotheses through multiple regression models considering findings suggest that the relationship between finance outside the company with domestic sources of cash (cash flow), companies with assets of more evident in, has been higher. In other words, in the firms with higher, the intensity of the Finance obvious successor financial resources of companies with domestic financial resources, has been higher

Keywords: finance outside the company, local sources of cash, finance, the effect of succession

1- Introduction

Managers can share with the publication of the prize as a succession of cash for profit, cash and maintain its investment in projects . Companies may be several reasons, including a lack of sufficient financial resources that may result from the liquidity problems or the necessity of the development of assets, cash flows in the company. Another ways of increasing the capital, offering the shares of cash brought new shareholders or claims from the site. This kind of approach financing from foreign sources. offering the shares of the new demands were now shareholders , one of the most common methods in financing companies , which is often to profit and current operations with liquidity shortage .

2- Theoretical foundations of research:

Increasing the capital of the cash brought shareholders will increase shareholder rights and increase from the other side of the company's assets. The new shares for subscription due to the increase of capital can through issuing precedence buying shares or personal priority of existing shareholders and public share, the equivalent of nominal value or cost more than nominal value. When the company being through dissemination of new shares on the size of their capital to add to the current shareholders, a sort of

securities in the name of "priority" and they can it to buy new shares, and in the company of ownership. Usually time using the precedence to buy the short - term. When it comes to seek through publication of the common stock new financing , should give priority to buy shares in the company and normal before it shares on the market , to allow them , that the shares to the nominal value or cost less than the market (less than the others , which shares offered to buy) . The kind of form is usually the right to buy led to increasing the paid - up capital to the right because when Priority and applied to sell shares, the new capital for the company. The major difference between a share of the profits and precedence buying shares, amount to shareholders in exchange for additional shares. Giving priority will keep % owned by the current shareholders (Abdullah Zada, 2007).

In the primary supply supplier, the company's shares, and to buy shares for subscription. The new shares for subscription to nominal value or on the basis of market prices and created value added to order shares. raise funds through subscription pricing , according to the transfer market price, " added value to account for the sale of shares and new shares through certification precedence , is most appropriate way that enough funding for the company, the interests of small shareholders to complete a fair . in case of companies to finance through issuing new shares to publish precedence equivalent of the nominal value of the shares are normal , the precedence between buyers and sellers exchanged and is the ultimate source of entering the company only nominal value of new shares will be published , (Abdullah 1386 ,

3- Research background:

3- 1 -foreign research:

Capo Bianco and Fernandez (2012) research in aimed at determining optimal capital structure for aviation transport companies in the world, the model data envelopment analysis. In this study, researchers using the technique to determine the optimal capital structure, efficient border between the companies and then formed on the basis that the optimal capital structure in the industry. In other words, they between the companies, the capital of the companies that her performance than other companies, using the technique to identify them and then the basis for other companies in determining optimal structure. Input variables in this research, including financial leverage and output variables included ROA, firm size and has a fixed on the sidelines. The outcome of this research showed that the optimal capital structure, including lever 60 % for the distant inheritor of all.

Tong and Jang (2012)using an analysis of at least squares extended to conduct Fred lever housing companies in comparison with the software companies . Also, the researchers seeking common factors determining financial leverage. The findings showed that the fixed assets, growth opportunities and the joint effect of these two variables, significant determinants for long - term debts are housing companies. Also, analyzing the joint effect two variables indicated that the use of long - term debts, fixed assets and growth opportunities effect on each other. With the findings of financing unique housing companies, the authors hope that useful information for corporate financial planners and institutions with housing, according to finance in a way that would provide debt.

Margarytz and Paselque (2013), in a study carried out to examine the relationship between the effectiveness and efficiency of leverage. They first companies using the technique of determining their investigation and then using quantile regression analysis, the relationship between efficiency and lever. Results showed that the relationship between efficiency and leverage, there is a significant and positive relationship, and these companies more leverage. This can be carrying the message to the Creditors, which is more efficient companies, the ability to pay its debt and can also have more leverage.

Faraze et al. (1998) research in financial constraints and Investment Company, for the first time in response to the relationship investment cash flows financial restrictions and found that the relationship between changes in investment rate with cash flow changes in firms with financial restrictions than other companies. They companies based classification profit sharing policies and assumed that the firms with higher than profit sharing, less prone to financial constraints. Their findings showed that the cash flow on investment firms with profit sharing, less than firms with more profit sharing, is more effective. The

findings if the impact of the cash flow on investment in the company's capital market due to the gaps. The researchers have argued that the companies that have financial restrictions to finance new projects, the use of domestic resources, because they are funded by foreign debt (them) is extremely expensive.

Avplir et al. (1999) factors affecting cash left companies in the United States for a period of years to 1994 1971 and found that the firms with higher growth opportunities and cash flows with higher risk, compared to the cash to total assets of maintenance of non - cash.

Ozkan pillars (2004) and concluded that the cash stock companies by a negative relationship with cash and assets of the current assets. The results suggest that firms can from the current assets as a surrogate for cash stocks. Also, due to lack of liquidity to sharing profits, the more cash stocks.

3- 2 -Internal investigation.

A gentleman et al. (2009) to study the factors affecting the maintenance of cash supplies in the companies registered on the Stock Exchange of Tehran. They include 283 selected sample period of their Research Company and 2000 years to 2005. the results of the study shows that of accounts receivable , net in circulation , commodity stocks and short - term debts , respectively, of the most important factors have a negative impact on the maintenance of cash stocks . On the other hand, the company's growth opportunities, profit sharing, and net profits flowing cash final, respectively, of the most important factors have a positive impact on the maintenance of cash stocks are enough evidence in the case, but the negative impact of long - term debt and the size of the firm's maintenance cash stocks.

Mohamed Ali , " Gholam Reza Jamali and Hassan Ahmadi (2010)in research examining impulses operational cash flows on asset structure and the company's capital , adopted in the Stock Exchange Tehran found between the change of cash flows from operations (impulses cash flows)and changes in the structure of Finance and investment companies there is a significant relationship , as well as the results of their research showed that companies in the short - term increase in cash guarded and reduce borrowing or selling shares and capital tend to increase its investments in the long term, logical and foreign finance venture . Indeed how the allocation of cash flows companies reaction to express companies impulses of cash flows.

Drakhshandi et al. (2011) in a study to examine the relationship quality of interest (independent variables) and the cash (dependent variable) in Tehran Stock Exchange. Other control variables used in the present study, include growth opportunities , size Racquets , structure due debts , the relationship with financial institutions, the cost of capital assets investment opportunities in cash , leverage , other cash assets , the company's production capacity of cash flows , % profit sharing , the ratio of investment in fixed assets net fixed assets on the first period, the number of years that the company has continued its operations and membership in the business group . In this regard, ten - year - old information (2000- 2009) - a hundred and fifty company, was investigated. To test Hypotheses Multivariate regression with the use of synthetic data is used. The results of the research has shown that between profit and the quality of cash on the Stock Exchange of Tehran, negative and significant relationship. Overall, the research results showed that almost 85 percent of the change in the cash accepted companies in the Stock Exchange, changes in Tehran with variables used in research model is explained.

Rezaian (2005) and Sinai in scholarly characteristics effect on capital structure companies to examine the effect of the four feature size, profitability, growth opportunities and assets of the company, evident as the most effective inter - firm parameters on corporate capital structure . They believed that key variables companies with capital structure of the ruling speaks to them being non - scientific conditions and a taste of financing system in money and capital markets with regard to the situation in Iran.

4- Society and statistical model.

demographic research all accepted companies in the Stock Exchange Tehran during the same period to 2008- 2013 (6) during the year consists of financial data in this study classified and auditing companies operative adopted in Tehran Stock Exchange used Astray following conditions :

1) Company during the course of the study, constant presence in the market.

- 2) Company but the investment companies and financial intermediation.
 - 3) Fiscal year - end firm to the end of March.
 - 4) Participate in fiscal year period of change. Icon trading companies operative and more than 4 months in the year to stop trading symbol.
 - 5) Remain shareholder rights companies during the course of the investigation has not been negative.
- Method of sampling, screening method is the companies that have five conditions as the sample survey, the selection of companies and other bourse lacks the conditions are eliminated and studied for

5 - Research question:

Is the cash flow shocks in companies with assets of more evident, stricter substitution effect?

6 - Research hypotheses:

Cash flow shocks in companies with assets of more evident, stricter substitution effect.

7 – Research methods and data analysis.

In this study of the Multivariate regression to combined data. To analyze the data on research and test the hypotheses research methods to two forms of statistical inference descriptive and will be used in the first, using the descriptive statistics state and describing the characteristics of the demographic data , and then to estimate the parameters and test the hypotheses research, the regression classical was reviewed. Eviews also for the descriptive analysis software and data mining and test the hypotheses using regression model.

8- Landscape patterns making research variables:

8 - 1 - The dependent variable:

Dependent variables of the present study include:

Financing activities exclude out: for access to finance the requirement for completion of the project

8 - 2 - independent variable:

Independent variables would include:

Cash flow operational: entry and exit of sources of cash into the company for the ability to provide cash commitment to play

8 - 3 - Intervening variable

Interventionist variables of the present study include:

Visible assets.

8-4- Control variable:

Control variables of the present study include:

9- The overall patterns research hypotheses:

This research to test Hypothesis from a multiple regression model is used in the ways and means of financing exclude out as the dependent variable and a function of domestic sources of cash as the independent variable. To enter, the impact of apparent assets from a dummy variable is used. The regression model by Garcia et al. (2014) and is used. The researchers have argued that the link between the cash flow changes companies with choice of method financing can be influenced by the structure of their assets. Based on the findings of the researchers, companies that fixed asset ratio to total assets is high; due to the low liquidated assets, changes cash flow, with more intensity on the behavior of financing the company. While in firms with less than fixed assets, the possibility of using liquid assets - to finance and redressing cash flow (Garcia et al.

$$\text{EXTFIN}_{i,t} = \beta_0 + \beta_1 \text{TANG}_{i,t} + \beta_2 \text{CASH FLOW}_{i,t} + \beta_3 \text{TANG} * \text{CASH FLOW}_{i,t} + \beta_4 \text{SIZE}_{i,t} + \beta_5 \text{GROWTH}_{i,t} + \beta_6 \text{CASH}_{i,t-1} + \beta_7 \text{COLLATERAL}_{i,t-1} + \beta_8 \text{LEVERAGE}_{i,t-1} + \epsilon_{i,t}$$

TANG: a dummy variable that, if the total fixed assets with investments to total assets , higher than the national average for the entire sample statistics , the number of companies and otherwise 1 will be zero.

10 - Analysis of data and the findings of the think tank.

Chart: 1 research variables descriptive statistics

Finance criteria	the size of the company	financial leverage	Sales growth	a total of inventory,	cash left	operatin cash flow	total financing	financing through the	Financing via debt	Persian equivalent
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visible				receivable accounts and fixed assets				capital		variable
TANG	SIZE	LEV	GROW	COLLATERAL	CASH	CF	EXTFIN	EXTFIN –E	EXTFIN -D	variable symbol
0.441176	13.32926	0.586721	-1.790280	0.697861	0.043739	0.182702	0.224865	0.124757	0.100109	average
0.000000	13.17104	0.603325	0.142984	0.743158	0.031386	0.110194	0.108085	0.046620	0.015300	middling
1.000000	19.71095	0.991793	0.997577	0.989627	0.460921	33.74034	8.956850	2.643250	6.313600	maximum
0.000000	8.899731	0.096415	-565.7376	0.003496	0.000595	-0.336060	0.000000	0.000000	0.000000	minimum
0.496934	1.541779	0.182392	27.30310	0.199924	0.047531	1.366274	0.547739	0.251764	0.369343	the standard deviation
0.236940	0.529939	-0.350923	-17.39507	-1.189634	3.077674	24.26958	10.18497	5.124547	11.88109	Skewness
1.056140	3.770823	2.586735	328.9609	4.347173	19.02575	596.6000	138.5566	38.30295	175.1875	protraction
612	612	612	612	612	612	612	612	612	612	The number of observations

Descriptive analysis, useful information regarding the distribution of the data collected and measured variables in the researcher. For example, the results presented in Table 1 shows that the standard deviation obtained for the variables financed via debt financing investment and financing total, an average of these variables is higher. This finding suggests the lack of normality these variables (as the dependent variables) and the existence of a sharp fluctuations in their behavior analysis them through regression models, is particularly important. Normal because of the absence of these variables can be attributed to the negative values in computations related to remove them. Because for every three variables, positive changes during the period is considered as an indicator of finance and negative changes reflect the finance and not to have been regarded as a zero. Meanwhile, the average obtained through variable for financing funds to finance the higher debt method is showing that statistics sample companies during the period of research, the willingness to rely more on resources and the shareholders brought.

The findings regarding the cash flow variable operation also suggest that this variable deviation from an average of it, and the distribution of the data is higher than normal distribution. The variable average is a positive and shows that statistics sample companies during the period of research, has a positive cash flow. The average measured variable cash left to show that more than 4 per cent of the assets of statistical model companies during the period of research, cash flows. In accordance with the findings, the average sales growth variable is negative, when will show that companies sold statistical model during the period of research, the downward trend. Also, in accordance with an average of accounting for financial leverage variable, about 60 percent of the company's assets statistics sample debt through.

10- 2 Test Hypothesis research:

Hypothesis: cash flow shocks in companies with assets of more evident, stricter substitution effect.

To test the hypothesis of a multiple regression model is used, the results are as follows.

The _ Chart: 2 statistical analysis of the results to test the hypothesis

meaningful level	Statistics t	Coefficient β	Variable
0.0070	2.704051	0.412317	TANG
0.2169	1.236085	0.059689	CASH FLOW
0.0045	-2.852637	-1.787069	CASH FLOW*TANG
0.7021	-0.382672	-0.015805	SIZE
0.3270	0.980990	0.002342	GROWTH
0.1791	1.345051	1.711504	CASH
0.0398	-2.060816	-0.640680	COLLATERAL

0.1478	-1.449322	-0.531079	LEVERAGE
Adjusted coefficient of determination : 0.235		Chow F statistics : 214.8	
Durbin-Watson statistic : 1.75		Significance level F Chow : 0.000	
Statistics F : 4.73		Hausman test: 26.216	
The significant level of statistic F : 0.000		The significance level Hasman: 0.000	

To test the hypothesis, one must be given appropriate model. In this regard, the Chow test is used. Statistical hypotheses for this test is as follows.

H0: regression, combined.

H1: regression, panel.

Given that a significant level test F in Table 2 below the level of error (05/0) is, accordingly, using panel regression model to test the hypothesis, it is recommended. Statistical hypothesis test of Housman just follows.

H0: random effects regression is based.

H1: regression based on the fixed effects.

Based on the findings, the Housman test significantly lower than 0/05, so, using fixed effects regression model is recommended.

The results show that between 5.1 to 5.2 Durbin-Watson statistic and therefore, there is a strong correlation between the errors of the regression model and the lack of correlation between errors, as one of the basic assumptions of the regression model fitted, will be accepted. F statistical significance level of less than significant level for the test ($0.05 = \alpha$) and therefore considered statistically significant regression and relationships between variables is linear.

According to the findings presented in the table above, the estimated coefficient for variable CASH FLOW relationship between external financing of the company's internal cash resources (cash flow) shows; 0.059 and with significance level of 0.216 is. However, the coefficient of correlation CASH FLOW * TANG mentioned above shows that in companies with tangible assets, equal to 1.781 and 0.004 is a significant level. These findings are indicative of the relationship between external financing of the company's internal cash resources (cash flow), in companies with more tangible assets, sharply higher. In other words, companies with higher tangible assets, financial resources outside the company succession strongly with local resources, was higher. This finding was consistent with claims made in the third main hypothesis and the hypothesis with a confidence level of 95%, will be accepted.

11 - Discussion and conclusions:

the main objective of this study is to investigate the cash flow shocks in companies with assets and their obvious successor in this context of financial data classification and auditing companies listed in the Stock Exchange during the period of time to Tehran 2008-2013 (6) during the year . As a result of the firms with higher, the intensity of the Finance obvious successor financial resources of companies with higher domestic financial resources. This finding is in line with this claim, according to the proposed hypothesis and the assumption 95 per cent confidence level is accepted.

12- As a result of the proposals of the research findings:

The findings of the test Hypothesis showed that the cash flow shocks in companies with assets of more evident, stricter substitution effect. In other words, the companies that investment in fixed assets, is high; changes in cash flow, with more intensity to finance outside the company. This finding potentially reflects the structure of working capital management in such companies and shows that if the company, the greater part of their capital in the context of the maintenance of the fixed asset, less current assets would have such a structure and the risk of more cash liquidity. Because the current assets could have more liquidity. Based on this argument that managers, statistics sample companies in the face of cash fluidity,

changes in the structure of the company's assets and have attempted to where there is a risk of liquidity cash in assets, is more aggressively seek ways to finance an alternative.

13 - Suggestions for future research.

- 1) Examine the impact of cash flow shocks decisions managers risk
- 2) Examine the impact of cash flow shocks on the amount of debt and the stock companies like a single

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