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A Survey on the Role of Methods of Financing in Information Asymmetry in Companies Listed in Tehran Stock Exchange

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ABSTRACT

Certainly, new investments are necessary for development, progress, and competition in modern universe. Supplying the funds necessary for these investments is generally done using various financial instruments each of which has its own features. In Iran, these instruments are mostly limited to loan and common stock. Among these; although the financial Exchanges comprised of capital Exchange and money Exchange, the companies feel confident about supplying the necessary fund by referring to it and through various methods of financing. Some of the investors including the corporate insiders such as managers, their financial analysts, and the institutions receiving information from them can access the confidential information. If the confidential information increases, the range of difference between the offered purchase price and sale value increases. Therefore, the yield for investors not accessing these kinds of information decreases. Regarding the mentioned issues and the selection of method of financing by the managers, we can expect that the information asymmetry may affect the method of financing required for investment. This paper seeks to define the relation between the information asymmetry and methods of financing through common stock and debit, using the accounting information included in basic financial statements to assist the investors, managers, financial analysts, and other beneficiaries. In this sequence, first two hypotheses were presented: the first hypothesis examines the relation between information asymmetry and financing through debits; the second hypothesis studies the relation between information asymmetry and financing through common stock. Information asymmetry was selected as dependent variable; financing through debit and financing through common stock were selected as independent variables. Population of interest included the companies listed in Tehran Stock Exchange who have been active between years 2006- 2010. To select sample, elimination method was used and to achieve the goal of research, data collected from 61 companies were studied. Results of testing the hypotheses showed that there is no significant relationship between information asymmetry and debt financing, whereas the second hypothesis testing is indicative of a direct relationship between information asymmetry and common stock financing.

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INTRODUCTION

Economic organizations and enterprises particularly those who are active in industry section, need macro-capitals to survive and continue their production activities as well as to develop their activities. Also, these economic organizations and enterprises; to meet their capital requirements, are heavily dependent on financial markets. The role of these markets is to provide necessary capital for organizations and companies. One of the important points of interest to managers of economic enterprises is method and amount of financing. In this study, after introduction of various methods of financing, the role of information asymmetry in method of financing in companies is examined.

Development of industry and production growth requires of short-term, medium-term and long-term investment programs, which provide a great support foreconomy of any country. Resource of these investments is provided through retained earnings, new equity sales, banking facilities, or a combination of these sources.

One of the important goals of financial management is to maximize shareholder wealth. For this purpose, the financial managers seek to find methods of financing to achieve this goal. This study examines the corporate

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financing patterns to recognize the influence of information asymmetry on the choice of financing methods, prioritizing methods of financing (Abrazy, Dastgir & Gholipoor, 2007).

According to theoretical concepts of financial reporting, financial statements are primarily provided to present summarized and classified data concerning the financial condition, financial performance, and financial flexibility of business units in order to assist the users of financial statements in making their economic decisions.

Some part of corporate ownership is possessed by minor shareholders and individuals. These parties mainly rely on information publicly available such as published financial statements to monitor the performance of managers of companies; whereas another part of corporate ownership is under the authority of senior shareholders who; in contrast to the former group, receive valuable internal information in respect of future perspectives, commercial approaches, and long-term investments of companies through communication with managers of companies.

Informed investors are mostly individuals with confidential information such as managers, analysts, and institutions and individuals who provided confidential information. Due to their confidential information to inform not reflected in prices, informed investors take action to transact. Uninformed investors are ordinary people who access to information only through reports published by the companies. Such investors also called cash dealers only attempt to deal for cash. We know that the results of all economic activities of companies are not reflected in current profits, but profits from some activities, such as long-term contracts for sales, investment activities, research and development, will be studied in later years. Since the information of these activities are provided to senior shareholders, the mentioned shareholders, analyze information about share value not included in performance factors of current year such as annual profit, and consider them in share price. This information is provided to the network of shareholders through channels such as board members and common corporate members, and in this way some parties are informed of this information. Therefore, some of the shareholders are more informed than others. Therefore; due to information asymmetry, the shareholders gain different results from univalent subject (Khoshtinat & Yousefi, 2008).

Information asymmetry often stems from the nature of company's investment opportunity. Information asymmetry mainly due to growth options, provide more opportunities for income smoothing and transferring wealth to management through local deals and extra bonuses. The company's greater growth opportunities increase the non-verifiable future cash flows; consequently, leads to more information asymmetry between managers and shareholders. So identification of priority financing methods and factors affecting their choice of appropriate methods in order to maximize shareholder wealth is of great importance.

Theoretical Bases and Research Background:

One of the most important components of any business is to provide financial resources required. Required funds can be secured from shareholder's equity or debt. Combination of debt and shareholder's equity in financing (left side of balance sheet) is indicative of capital structure. If debt is considered as the cheap resource of financing, employing debt in the structure of companies' capital increases the return on equity (ROE). Increasing efficiency by using financial leverage enhances competitive ability of companies. In such circumstances, deciding to use debt in capital structure is very important and decisive, because increasing debt, if the interest on investment is higher than the debt, increase the company's risk. On the other hand, if return on investments is lower than the debt, employing debt financing will not be a desirable financing procedure. Analyzed some factors in capital structure, companies define their goal.

This goal will change by change in conditions over time; but at any specified time, the managers of companies define a specified capital structure in their mind and each decision on financing must be compatible with this target. If the actual amount of debt in the capital structure is lower than the target level, the required financing is performed by debt, whereas. If the actual amount of debt is higher than the target level, the common stock may be sold.

Deciding on financial structure meaning method of financing; as financial managers' other decision, affect the company's value. The managers, as shareholders' representatives, must define financial structure of the company in such a way that minimizes the cost and maximizes company's value and shareholder's wealth.

On the other hand, one of the factors in deciding is information relevant to the subject. If the required information is distributed asymmetrically among individuals, (the information is distributed asymmetrically between people), it can lead to different conclusions regarding the same subject). Therefore, prior to the information, evaluation of the quality of information distribution is important (Ghaemi & Vatanparast 2005).

If information asymmetry about shares of a company rises, the real value of shares will be different from the value considered by investors in capital market; consequently there will be a difference between the real share value and the value expected by shareholders.

What should be noted in capital markets is that most of the people investing in capital market are ordinary people who only have access to the information published by companies. One example of such information is the information about investment situation of companies which people outside the company are not informed of.

Such information is called asymmetric information. If there are; among investor of capital market, people who are in higher informational level; for example have information in respect of return and investment situation of the companies, they can affect demand and supply of market and cause a price gap. This issue mainly derives from information asymmetry in capital market, according to which, the individuals informed of confidential information (or any significant news) such as managers and other personnel in the company are in a better situation for decision making (Ghaemi&Vatanparast, 2005).

Ekerlof *et al* (1970) founded a theory in information economics which was introduced as Information Asymmetry Theory. They showed that information asymmetry may increase adverse selection in markets which occurs to the individuals before transaction. Glasten and Haris (1988) understood that the cost incurred by irrelevant selection is directly related to information asymmetry. Since then, Stal (1989) achieved evidence indicating that 43% of offer price range is incurred by irrelevant information in market.

Gitzman and Ireland (2005); studying the relationship between disclosure and cost of investment in London Stock Markets, understood that there is a negative relationship between disclosure and cost of investment. Also, this relationship is significant only for companies adopting aggressive policies in accounting. Jang and Ding (2006) studied the relationship between disclosure and capital cost of Chinese companies; their findings were indicative of reverse relationship between capital cost and disclosure.

Mairz and Majolf (1984) argued that, managers of companies are aware of some information in respect of value of current assets and growth opportunities of company which others are not informed of. According to their model, rational investors are only aware of the probability distribution of asset value; managers issue share in order for shareholders' interest only if, the market prices shares higher than the real value; therefore, rational investors interpret issue of shares as a bad news.

Valiums, John, and Emberish (1987) showed that the reaction of share price to corporate financing depends on relative contribution of existing assets and growth opportunities in information asymmetry model. For example, a leading information source of a developed company is its existing; therefore it has limited profitable growth opportunities limited and the funding announcement effect is negative. But in a developing company, quick development procedure (with profitable growth opportunities and information source of investment opportunities), the effect of positive financing (NPV) is positive, because capital increase enable companies to execute projects by net present value; they proved their model by experimental evidence; because their samples were developed companies listed in the American and New York Stock Exchange.

Some researchers also took into consideration the leveraged effect of financing activities. Regarding tax savings of bonds, issue of shares decreases share price if debt ratio decreases. This hypothesis was presented by Modigliani and Miller. According to this hypothesis, issue of shares decreases the financial leverage. Due to due to the tax advantages loss incurred by equity finance, decrease of financial leverage decrease share price and is directly related to range of issue of shares. by reducing financial leverage and reduced price or amount of the price reduction rate of the size of the emissions are directly related. Issue of shares in order to redeem bonds, has more negative impacts on issue of shares in order to finance investment costs; because it has more effect on financial leverage. Issue of bonds decreases future tax debts; consequently affect share price positively.

Eberhart and Sidik (2002), studying wealth transfer, observed that value equity interest market responds slowly to changes in debt and share incurred by financing events. They showed that unusual return of companies following release of their shares is negative, differentiating full and partial wealth transfer hypothesis; some parts of loss on shareholders' wealth is indicative of wealth transfer to bond holders which confirms partial transfer of wealth.

Little discussions have been done on loan which is classified as private debt and has more different status compared to public share and debt according to researchers' idea. We investigate last studied on this subject.

Special role of banks as providers of private debt has been emphasized in the literature. For example, Diamond (1984) suggested that the key benefit of banks for public investors is access to confidential information and reduction of existing information asymmetry between different groups in the market.

Mickleson and Pitcher (1986); James (1987); Lomere and McConnel (1989), followed by others, indicated that loan announcements leads to positive abnormal returns for borrowing joint-stock companies. James (1987) compared share price to loan announcement and other kinds of issue of debt; his findings showed that share price is significantly and statistically sensitive to loan announcement; but a negative sensitivity was observed for issue of debt. James concluded that acts as a sign in expected increase of cash flow and therefore decrease in probability of company's failure in payment. His study was followed by others. For example Lomere and McConnel (1988) differentiated new loan agreements and loan renew agreements. They found that positive sensitivity of share price is just incurred by the latter category i.e. renewed loans.

In Iran, no research evaluating the impact of information asymmetry on financing approach has been done, but various researches have been done on information asymmetry as well as financing methods in companies listed in Tehran Stock Exchange which can be referred to in this respect.

Ghaemi and Vatanparast (2005) studied the role of accounting information in decreasing information asymmetry in Tehran Stock Exchange. The results of their research showed that during their study information

asymmetry existed in Tehran Stock Exchange and this problem is greater before profit announcement compared to the time following profit announcement. Also they recognized that information asymmetry was related to level of transactions in such a way that before profit announcement volume of transactions increased and the price share fluctuated.

In a study titled "the relationship Between Information Asymmetry and conservatism in financial reporting" by Rezazadeh and Azad (1387), they studied the relationship between information asymmetry and conservatism and used the range of difference between offer price and sell price of stock and Basu Criteria (1997) for information asymmetry and conservatism respectively.

The result of empirical tests were obtained from a sample of companies listed in Tehran Stock Exchange between years 2002-2006; illustrated that there is a positive significant relationship between information asymmetry among investors and level of conservatism in financial statements.

Abrazi, Dastgir, and Gholipour (2007) studied and analyzed methods of financing in companies listed in Tehran Stock Exchange; in this research the studied various methods of financing in companies listed in Stock Exchange, the relationship between method of financing in companies and feature of firm size, fixed assets and profitability were studied. According to the findings of this research; in spite of no significant difference between applying various methods of financing (retained profit, share, and debt) among companies studied, there is a significant relationship between methods of financing in companies and their size. Increasing the size of companies leads to increase in using retained profit and share for financing; also, although there is a relationship between method of financing in companies and the rate of their fixed assets, No significant relationship between method of financing of companies and their profitability capacity was observed.

Abdeh Tabrizi and Miri studied the factors defining Iranian companies' capital structure in order to investigate decisions related to capital structure, especially factors defining this structure in Iran. According to their theoretical studies, 9 factors affecting capital structure were studied. The results of this study showed that some of the factors affecting capital structure are compatible with the results of studies in other companies; some other factors are not compatible with other countries according to information of Iranian companies. In other words, fundamental issue associated with the corporate capital structure in Iran, like other countries, is true, but factors affecting it are different.

The results of research done by Dehghani Firuzabadi (2004) in order to study the influence of issue of shares and loans on share price of the companies illustrated that issue of shares increases share price and loans have no effect on share price.

Ebadidolat Abadi (2002) studied the effect of financing methods on ROA and share price in companies; he decided that share issues affect more on share price compared to long-term assets. Also increase of capital affects more yield on stock compared to banking borrowing. In this field, Zahmatkesh, 2005; Valipour, 2006; Baghani 2005, concluded that various methods of financing are not significantly related to yield on stock.

Pourheydari (1995) examined the effect of factors such as firm size, profitability, and collateral assets on financial structure of companies listed in Tehran Stock Exchange; using unilateral variance analysis, F-test, and multivariate regression; to study the factors defining the financial structure of companies listed in Tehran Stock Exchange. He concluded that the parties deciding on selection of financial structure do not consider commercial risk and type of industry, but creditors and financial managers consider firm size in selection of financial structure.

Rahmani (1975), studying the effect of financing methods (long-term loans and issue of common stock) on share prices of companies listed in Stock Exchange, concluded that issue of shares decreases share price, whereas debt does not.

Delavari (1975) studied the effect of financing on ratio of Return on owners' equity (ROE) in companies listed in Tehran Stock Exchange; during this five-year study, he understood that although there is a significant difference of total assets-to-equity interest ratio among the companies that have received loans is statistically significantly different from this ratio between companies increasing their capital; but the ratio of ROE and sale to total assets, and net profit-to-sale in the two groups are not significantly different. In other words, financial leverage had no influence on profitability of companies listed in Tehran Stock Exchange.

Bagherzadeh (2003), studying the financial structure pattern of companies listed in Tehran Stock Exchange, evaluated the factors affecting capital structure in companies listed in Tehran Stock Exchange during years 1998-2002. The case sample included 158 manufacturing companies among 252 companies during the research period. He studied the capital structure of the companies in framework of theory of financing methods hierarchies. Theory of financing methods hierarchies argues that those companies pass specific hierarchies in supplying their necessary fund. Formation of these hierarchies is incurred by information asymmetry.

Among the most significant researches done in the field of capital structure in Iran, we can refer to the study done by Kordestan and Najafi Omran (2008) which assessed the factors specifying capital structure comparatively based on two theories hierarchy and static equilibrium in Tehran Stock Exchange. They understood that the relationship between some factors such as growth opportunity, ratio of fixed tangible assets, and profitability

with similar capital structure is expected by hierarchy theory; relationship between firm size and capital structure is expected by static equilibrium.

Kashanipour and MomeniYansary (2012) studied the role of information asymmetry in decisions on capital structure of companies; expanding Rajan and Zinglas model and using the sample data comprised of 60 companies among companies listed in Tehraan Stock Market during years 2003-2007. To evaluate capital structure (debt ratios) as a dependant variable in this research, 4 ratio including total debt-to- total equity interest, total debt-to- total assets, short-term debt –to- total assets, and long-term debt-to- total assets were used; also, they applied range of offer price for purchase and sale to measure information asymmetry. They used multivariate linear regression models based on integrated statistical technique (panel data) to examine research hypothesis; also, testing the significance of coefficient and models of this study was done by statistics T and F respectively. The results of testing the research hypothesis illustrated that there is a positive significant relationship between information asymmetry with ratio of total assets –to- total equity interest, total debt-to-total assets and short-term debt-to-total assets. This Meanwhile, the findings of this study informs no significant relationship between information asymmetry term debt to total assets ratio will be.

Research method:

The goal of this study has an applied aspect because it assess the relationship between information asymmetry and financing methods in population of research including the companies listed in Tehran Stock Exchange; the results are used to solve the problems in this population. This research, regarding the researcher's control on variables, is correlated non-experimental since it assesses the relationship among several variables. Also, regarding mechanism of implementation, this research is in category of post-event studies.

Research Hypotheses:

In this research, the difference between offer prices for purchase and sale of shares and its relevance to equity financing and debt financing in companies is investigated to find:

Is information asymmetry between investors and managers effective of selection of financing methods?

To answer this question and regarding the existing theoretical bases in this respect, some hypotheses have been provided:

1. There is a significant relationship between information asymmetry and debt financing.
2. There is a significant relationship between information asymmetry and equity finance.

Population of Research and Sample:

Society is the greatest set of creatures desirable to us at a specified time and has at least one specified feature which is common among all elements of population of research and differentiates it from other populations. The population of research in this study includes the companies listed in Tehran Stock Exchange during years 2006-2010 which have the following features:

1. Their fiscal years should end on March 20, the reason of selection of this time limit is accounting annual spread coefficient coinciding the equations of calendar year and no influence of seasonal issues on this variable.
2. Due to using offered scope of purchase and sale during 5 years (the year studied and years following and preceding this year) in hypotheses, companies are included in population of research that have been listed in Tehran Stock Exchange.
3. Share transaction should not have a long interval. Companies with at least three- months (one quarter) interval excluded from the sample.
4. The companies should not be excluded from the list of companies listed in Tehran Stock Exchange till 2010.
5. The offer price for sale and purchase is available.

Data Collection Method:

After discussing the hypotheses, this study requires some information and datatobe tested. The data which are related to variables of the research are collected for answering the question of this studyis collected from information reflected in audited financial statements of companies existing in TadbirPardaz Data base and RahavarNovinn data base. Each of the variables are calculated using software Excel, Stata, and relevant models.

Research Variables and Testing Methods:

This research consists of 3 variables which are described in this section.

Independent Variable: Information Asymmetry.

We used the following model to account information asymmetry in Tehran Stock Exchange. This model was used by Chiang and Vinkatsh (1986) to define the scope of offer price for share sale and purchase. Since

then other researchers applied this model in their researches. In Iran, Ghaemi and Vataparast(2005) and AhmadpourVersaeian (2006) benefited from this model. The mentioned model is as follows:

$$SPREAD_{it} = \frac{C}{(A)}$$

Where,

t is time period ; I is the sample; SPREAD is difference range of offer price for sale and purchase; AP (ASK PRICE) is the average offer sale share price for company i in during period t; BP (BID PRICE) is the average offer purchase price for company i during period t.

Dependent Variables: Debt Financing.

$$D_{.t} = d_{.t} - d_{.t-1}$$

Where,

$D_{.t}$ is indicative of debt financing during t; $d_{.t}$ shows debt financing during t; $d_{.t-1}$ is debt financing during t-1

Equity Financing:

$$S = (C1 - C0) -$$

Where:

S is indicative of equity (Share) finance

C0 shows capital rate before capital increase

C1 Shows capital rate after capital increase

A shows the percent of capital increase ex shareholders cash earnings.

Method of Data Analysis:

In this research, we applied combined data set to analyze the model; in such a way that several companies are analyzed and studied during research period. A very rich environment of information for developing techniques of estimation and analyzable results is provided in analyzing combined data. In most case the researchers can use combined data when they cannot study just periodically or in sectional manner. First we should use F-limer test to select between methods of panel data or integrate data among combined data. If the accounted F-limer is smaller than the F-limer in the table, we should use panel data; otherwise we use integrated data. If the data are panel data, we must apply Houseman test. To assess whether intercept is shown as fixed effects or act randomly in the structure of sectional units, this test is used. If the probability of Houseman test is lower than 5 % null hypothesis (random effects) is rejected and fixed effects are selected; if Houseman test probability is greater than 5%, the null hypothesis is not rejected and the random effects can be selected.

According to result of F-limer test and Housman test, relevant regression method is selected; the research hypothesis is analyzed according to it. When applying panel data method, if the number of companies is more than levels of time period, the models may face with problem of anisotropy of variance. If the method applied is fixed effects, it is not required to solve this problem, because this method acts in such a way that the correlation problem is automatically solved during the process. If random effects method is applied, variance anisotropy problem must be solved. To solve this problem, we must apply Generalized Least Squares method (GLS) to estimate the model. Then we use F-limer test and Houseman test separately for each of the hypotheses; the regression results achieved was analyzed by statistics t and Probability t, statistics F and its probability and determination coefficient.

In this study, the following model has been used to assess the relationship between dependent and independent variables:

$$Y_{it} = \beta_0 + \beta_1 Sp$$

$Spread_{it}$ is the range of offer price for relative sale and purchase of company I in year t or information asymmetry criteria.

Y_{it} is a dependent variable.

Research Findings:

First Hypothesis: There is a significant relationship between information asymmetry and debt financing.

This relation can be statistically described as:

$$\begin{cases} H_0 : b_s = \hat{\beta}_s \\ H_1 : b_s \neq \hat{\beta}_s \end{cases}$$

To assess this equation; first, F-limer test is performed then if required, Housmen test is used.

As shown in table 1, probability rate for F-limer is 1.00 ($p > 0.05$); in other words the accounted F is less than that of table, so integrated data method must be used to test this relevance.

Table 1: Data Related to Definition of Method used for the First Hypothesis

Test Type	Statistics	Probability	Result
F-limer	0.34	1/00	Integrated data

Considering the data of table 1, research data are analyzed by integrated data method. Using the data obtained by software "Stata8" the result are summarized in table 2.

Table 2: Integrated Model for Factor defining the First Hypothesis

Variable	Coeficient	Standard Data	Statistics	Probability
Asy	0/175	0/123	1/44	0/118
Cons	0/597	0/031	18/93	0/000
Statistics F(probability): 5.07 (0.0062)		Determination Coefficient (R2) : 0.11		

Considering the results shown in table 2, we can conclude that the relationship between main variable and dependent variable is positive. We will discuss them later.

Information asymmetry as the main variable is positively related to debt financing; this relation by 95% confidence is not statistically significant. So, one can say that the first hypothesis is rejected.

F indicates the total validity of this model. Considering the results shown in table 2 which indicates that the accounted F is greater than that of the table ($p < 0.05$); so we can say that this model is significant by 95% confidence; in other words this model is highly valid.

As shown in table 2, determination coefficient of this model is 11% which indicates that 11% of the amount of dependent variable is explainable by independent variables.

Second Hypothesis: There is a significant relationship between information asymmetry and equity finance.

This relationship is statistically described as follows:

$$\left\{ \begin{array}{l} H_0 : b_s = \hat{\beta}_s \\ H_1 : b_s \neq \hat{\beta}_s \end{array} \right.$$

To assesses this equation; first F-limer test is performed then if required, Housmen test is used.

As shown in table 3, probability rate for F-limer is 0.7054 ($p > 0.05$); in other words the accounted F is less than that of table, so integrated data method must be used to test this relevance.

Table 3: Data related to definition of Method used for the Second Hypothesis

Test Type	Statistics	Probability	Result
F-limer	0/7054	0/90	Integrated data

Regarding the data presented in table 3, the research data are analyzed by integrated method. Using the results of software "Stata 8", the data are summarized in table 4.

Table 4: Integrated Model for Factors Defining the Second Hypothesis

Variable	Coeficient	Standard Data	Statistics	Probability
Asy	0/412	0/132	3/10	0/002
Cons	0/606	0/029	20/97	0/000
Statistics F(probability): 9.63 (0.0021)		Determination Coefficient (R2) : 0.12		

According to results illustrated in table 4, one can conclude that the relationship between main variant and dependent variant is positive which will be discussed.

Information asymmetry as the main variant is positively related to equity finance, this relationship is significant by 95% confidence. Regarding this issue and as indicated in the above table; if equity finance increase by 1 unit, the dependent variant increases by 0.412; so the second hypothesis is not rejected.

As discussed, F statistics shows total validity of the model; regarding the results shown in table (5-4) the calculated F is greater than the Statistics F show in the table ($p < 0.05$); so one can say that this model is significant with 95% probability. In other words this model is highly valid.

As shown in the table, determination coefficient of this model is 12%, this figure shows that 12% of the amount of dependent variable are justified by independent variables.

Conclusion:

In this study, presence or absence of significant relation between information asymmetry and financing through debt financing or equity finance was assessed; two hypotheses were presented tested.

According to the results of first hypothesis test, information asymmetry as the main variable is positively correlated with debt financing. This relationship is not statistically significant by 95% confidence. So, one can say that the first hypothesis of research is rejected; in other words, there is no significant relationship between information asymmetry and debt financing.

In accordance with results obtained from second hypothesis test, the relationship between main variant and dependent variant is positive i.e. information asymmetry as the main variant is positively related to financing; this relation is statistically significant by 95% confidence. Therefore, if information asymmetry increases by 1 unit, dependent variant will increase by 0.412. So, in spite of significant relationship between information asymmetry and equity finance, the second hypothesis is not rejected.

Recent research and last studies showed that the less information asymmetry among investors is indicative of a fair market for transferring information to informed and uninformed dealers; illustrates the least secrecy and sale of critical information to informed dealers. In such market, share dealers enter stock market and invest with more information and cause fair distribution of profit among different groups of people; income distribution in society becomes balanced; social the divide between the poor and middle classes is reduced. The adverse situation occurs when information asymmetry increases.

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