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Analyze the Linear and Curvature Relationship of Financing by Debt and Firms Performance and Moderator Role of Firm Size

Hanieh Dehghan[a] Mohammadreza Shorvarzi[b]

[a] Department of Accounting, Faculty of Human Sciences, Islamic Azad University, Neyshabur, Iran, Dehghan.hani@gmail.com

[b] Department of Accounting, Faculty of Human Sciences, Islamic Azad University, Neyshabur, Iran.

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Abstract

Achieve to optimal financial leverage for achieving to maximum profitable, value and minimum capital are important topics of research that studies by financial experts. Economic researchers found that capital structure and firms performance are affiliated with each other but the relationship between them according to financial operations in international affairs is not the same and according to country type depends on financial structure and economic conditions. The aim of the present article is to evaluate the mutual relationship between financial leverage and firm performance concerning the moderating role of the firm size. Given that, the financial information of 108 listed companies in Tehran Stock Exchange were used during the financial period from 2005 to 2014. Multivariable regression model was employed for hypotheses testing. The results indicated that there is a positive and significant relationship between financial leverage and firm performance and the firm size has no moderating effect on the relationship between the two variables. Moreover, there is a negative and significant relationship between financial leverage and the changes of firm performance and the firm size has no moderating impact on these relationships. On the other hand, there is a negative and significant relationship between firm performance and the changes of financial leverage. Similarly, the moderating effect of the firm size was not significant in these relationships.