

Relationships between managers' financing attitude and their financing policies

Ali Beidaghi^b, Mohammadreza Vatanparast^{b,*}, Mehrdad Sadr Ara^c

^aDepartment of Accounting, Rasht Branch, Islamic Azad University, Rasht, Iran

^bFaculty of Literature and Human Sciences, Guilan University, Guilan, Iran

(Communicated by Mohammad Bagher Ghaemi)

Abstract

Financing decisions and capital structure are very important for companies and are influenced by several factors. This study aims to examine the relationship between managers' financing attitudes (internal or external) and their financing policies. In this examination, the survey population consists of companies listed on Tehran Stock Exchange whose CEO or financial manager (at least one) was unchanged between 2019 and 2021. Redman et al.'s [30] questionnaire was applied to determine the attitude toward financing. Financing policies used by the managers were collected by referring to the audited financial statements of the companies. Totally, 51 usable answers were received from the respondents. The research hypotheses were dragging using a multivariate regression equation model in the form of panel data. The results show a significant relationship between the financing methods through retained earnings and debt with the attitudes toward financing from the place of retained earnings and debt. In contrast, the financing tendency through debt has no significant relationship with the policy of financing the stock issue through the issuance of shares.

Keywords: Financing, Borrowing, Stock Issue, Retained Earnings
2020 MSC: 91G15, 91G80

1 Introduction

One of the most significant challenges facing corporation managers is the decision to provide the necessary financial resources for various activities, which plays an essential role in the continuity of activity, profitability, and value creation for the corporation. In terms of resources used by companies, financing can be divided into two categories: financing through internal resources, such as retained earnings, and external resources such as stock issuance and bonds or debts. Retained earnings are a part of earned and undistributed profits of previous years that are collected in the company. Debt is the resources the creditors provide for delivering collateral, and the principal and interest must be paid at specific maturities. Equity also includes the resources the corporation acquires from the transfer of shares to current owners or new investors. Managers can use these resources, if necessary, to provide all or part of the resources needed for the company's executive projects. The basic premise of traditional economic models is that individuals make rational decisions [17]. In these decision-making models, therefore, managers can be expected to choose methods that

*Corresponding author

Email addresses: Ali_Beidaghi@phd.iaurasht.ac.ir (Ali Beidaghi), Vatanparast@iaurasht.ac.ir (Mohammadreza Vatanparast), Mehrdadsadrara@guilan.ac.ir (Mehrdad Sadr Ara)

increase the corporation's value when deciding to finance projects. However, many studies show that managers do not always behave rationally [7] and are influenced by various behavioral factors (such as cultural differences, personality traits, psychological and demographic characteristics, and mental priorities) to make decisions that seem irrational. Theoretical foundations also confirm that senior managers' attitudes affect their decision-making [4]. Managers have different mental tendencies in using internal and external resources to finance projects, depending on the environment in which they grow and train and the information and experience they gain. And under the same circumstances, each may choose different sources of retained earnings, borrowing, and share issues to finance the company.

Not all managers act the same because they are managers. Like other people in society, they have their differences, talents, motivations, desires, different attitudes, knowledge, and value systems. Although these differences are minor in appearance but lead to entirely different behavioral outcomes. Such differences are mainly due to differences in the attitudes of each individual. Because the corporation's financing decisions are with the managers of the business unit, the mental priorities and attitudes of managers will significantly affect corporate financing decisions. Suppose the perceptions and beliefs of managers about financial issues are one of the variables affecting the performance of corporations that can lead to changes in efficiency and productivity; in that case, it can be argued that managers' personality traits can play an essential role in determining the company's financing structure. Previous research indicates that personality traits influence people's financial decisions [14].

In contrast, some factors prevent managers' attitudes and mental tendencies from crystallizing in their behavior and influence managers' financing decisions. These financial and non-financial factors include sales growth rate, tangible fixed assets, return on assets, dividend payment rate, corporate governance, corporation size, product monopoly, and economic environment in which the company operates, such as inflation, market interest rate, and so on.

Therefore, the importance of behavioral finance research to gain knowledge of people's behavior and the lack of sufficient research on the title of this research led the authors of the present survey to study the role of managers' financing attitudes in project financing decisions. Therefore, this study aims to investigate the effect of managers' internal or external-organizational financing attitudes on their financing policies and then develop the theoretical foundations of behavioral research in financing.

2 Literature review

Capital funding is one of the most important issues a business unit faces, thus it should be noted that the financing method significantly impacts the company's success and development. Since Miller and Modigliani proposed the theory in [26], many ideas have been offered regarding financing companies, capital structure, and methods. These theories have helped to formulate the financing structure of corporations. Still, none of these theories alone have fully explained factors affecting financing methods and determining companies' capital structure. To answer why some companies choose the process of issuing shares, some prefer the use of retained earnings, and others choose to use borrowing in the same situation. The most important theories in this regard include agency theory [21], Static Trade-off theory [28], life cycle theory, bankruptcy cost theory [27], and market timing theory [6].

The "rational economic human" theory believes that individuals consider all aspects of their decision-making and make wise decisions to achieve the highest efficiency. Still, this is not the case; conditions or factors affect people's decision-making and lead to irrational behavior [35]; in most cases, the best decision does not happen. The beginnings of behavioral finance discussions date back to the early 1970s. This branch of science, which combines financial sciences with psychology, sociology, and biology, examines the decision-making process of individuals and their reactions to different economic market conditions, with the most significant emphasis on elements such as personality, culture, and individual judgments, to be able to better analyze financial market issues. People in behavioral models are often biased because of their priorities or perceptual errors and do not behave wisely [22]. Therefore, behavioral finance helps us have structured behavioral models, gain more knowledge of the capital market, and better solve the market's problems. According to psychological theories, human beings tend to keep certain events in their minds as imaginations, and these mental imaginations (selective bias, which also includes the attitude of financing managers in some categories) sometimes have many effects on people's behavior. Irrational behavior of individuals in financial and investment issues has been shown in several studies [16].

The types of financing methods can be divided into two categories based on the source; financing through internal resources and financing from outside the organization. The primary corporate funding sources are financing through issuing new stock (common or preferred) and financing through debt. Intra-organizational financing is also done through retained earnings (annual profits earned but not distributed). Numerous studies have been conducted on the financing methods used by companies in different countries. The results show that retained earnings are the primary

source of financing. After retained earnings, borrowing is the primary source of funding required. Although stocks (common or preferred) are less used than debts and earnings, specific periods of the company's life are essential [18].

According to commercial law, companies must keep a percentage of their annual profits. This profit is part of the company's net profit that is not distributed [8] and is maintained to develop the company's activities [2] and increases the company's chances of survival in the economic environment [11]. These are recorded in the corporation's financial statements and reported in an account called retained earnings. When the corporation has made excellent retained earnings, it can provide the resources it needs in this way. In this method, therefore, no new cash flow enters the company; consequently, the percentage of shareholders' ownership does not change, and only the classification of shareholders' equity changes. The main advantage of this method is its low cost and availability and its limited opportunity cost [10]. While corporate managers tend to maintain profits within the company, corporate shareholders are more likely to seek to distribute profits because the higher the retained earnings ratio, the less control they have over the company's stock and financial resources [36]. From a theoretical perspective, retained earnings increase shareholders' wealth [5].

Debt is the resources usually given to the business owner in exchange for a guarantee, provided that the debt's principal is repaid along with fixed or variable interest at a particular time. To finance their projects, corporate managers turn to foreign markets after sources within the corporation, and in this way, they prefer borrowing over shares. The advantage of this method is its tax savings compared to retained earnings and stock issuance [3]. However, because debt payments have fixed maturities, they create more obligations than retained earnings and stocks [20]. Therefore, when using this method, financial managers first control the company's borrowing capacity and create borrowings to the level that they are able to do so, and the cost of capital is minimal. In determining the debt capacity, a financial manager must always create a balance between the net cash flows of the company's inflows and outflows. For this purpose, the number of cash flows that can be used in paying the company's obligations should be identified [29] so that the risk of not discharging the commitments and then the risk of bankruptcy does not threaten the corporate. This financing is the primary source of credit institutions, government, banks, customers, suppliers, and creditors.

Share capital is the source obtained due to transferring all or part of the company's shares to the current owners or new investors. A person who invests in a company's shares acquires a percentage of the corporate's ownership in proportion to the purchased shares, which are priced according to the company's net cash flows in the case of total market efficiency. In this case, the investor may also receive a part of the company's annual profit, which is called a dividend and is determined based on the shareholders' percentage of ownership, according to the type of shares they have acquired. Most of the resources used for debt financing can also be considered equity capital. Since it does not create an obligation to pay interest on specified receipts, funding through shares has a lower risk than financing through debt [31]. In this method, the ratio of ownership and the profit of the previous shareholders will decrease if new shareholders enter the company.

Berger and Odell [9] paid attention to the role of stock and debt in the growth cycle of companies by examining the financing of small units. They state that companies use specific financing structures during their life cycle and according to their size. Chang et al. [12] studied the effect of analyses provided by analysts on financing decisions and found that less-analyzed companies would publish less equity against debt, but when they do, it is in more significant amounts or volumes. Moreover, these companies depend more on market conditions in their decisions regarding issuing shares. Finally, the debt ratio of less-analyzed firms is more affected by the market value ratio to book value. Abor [1] explored the relationship between corporate governance and financing decisions among listed companies in Ghana. The results show that Ghanaian listed companies with larger board sizes and a higher percentage of non-executive directors implement debt financing policy. However, the results also show a negative relationship between CEO tenure and the use of debt to reduce performance pressures associated with high leverage. In a study entitled debt capacity and testing capital structure theories, Lemon and Zander [23] report that if external funds are needed and debt capacity has, the use of debt is preferred over equity. Besides, concern about debt capacity largely explains companies' use of the equity in external financing. In research entitled equity or debt; Does Good Corporate Governance Matter?, Mand et al. [24] examine the impact of corporate governance on the choice of equity versus debt financing in the United States from 1998 to 2006. The research results show that the effectiveness of corporate governance is higher on the probability of choosing equity than on debt. This relationship is more visible in small companies where the information asymmetry between managers and shareholders is more significant. By examining the relationship between information asymmetry and capital structure, Gao and Zhu [15] concluded that companies with high levels of information asymmetry tended to use short-term debt in their capital structure but had fewer long-term debt, which could be due to different effects of information asymmetry on the cost of different types of capital.

In research on managerial and institutional ownership, capital structure, and financing decisions among UK companies between 1998 and 2012, Sun et al. [34] found a negative relationship between managerial ownership and debt ratio for financing, as well as a positive relationship between institutional ownership and company's leverage levels. This research also shows that companies with centralized management ownership reduce their debt ratio by increasing the issuance of shares. Sutomo et al. [33] studied the determinant factors of financing decisions among 150 Indonesian manufacturing companies as the research sample from 2012 to 2017. The results showed that the manufacturing companies in Indonesia had a high level of debt, and the company's size, profitability, and growth played a decisive role in using debt. Furthermore, the choice of debt as a source of financing was due to its high yield compared to the interest paid. Huang and Ritter [19] studied the financing decisions of companies under illiquidity conditions. They stated that corporates that issued debt spent almost all the proceeds earnings, while equity-financed companies kept most of their incomes in cash. The research findings showed that cash needs and the nature of these needs affected financing decisions. Soni and Bihadori [32] investigated the role of information asymmetry in determining firms' capital structure in Indian novel markets. The findings show that asymmetric information plays a decisive role in stock issuance decisions. In particular, stock financing is done by firms with minor information asymmetry. Mitra and Naik [25] studied the relationship between debt financing and agency costs with profitability between 2011 and 2018. They observed a negative relationship between debt financing and profitability, and a positive relationship between agency cost and debt financing. This means that a reduction in agency cost leads to less debt financing and thus improves the firm's financial performance.

Hypotheses: After examining the research issue and preliminary studies about the possible answers, the following hypotheses are formulated to answer the question raised in the statement of the problem:

The primary hypothesis: There is a significant relationship between managers' financing attitude and their financing policies.

To operationalize the test of the seminal hypothesis of the research, the sub-hypotheses are formulated as follows:

The first sub-hypothesis: There is a significant relationship between the attitude toward borrowing and the method of financing through debt.

The second sub-hypothesis: There is a significant relationship between the attitude toward financing through stock issuance and the method of financing through the issuance of shares.

The third sub-hypothesis: There is a significant relationship between the attitude toward financing through retained earnings and the method of financing through retained earnings.

3 Methodology

This research is a descriptive investigation and an applied study in terms of the results because possible financing strategies can be predicted by understanding the manager's financing attitudes. Thus, the financing policy of projects can be monitored by managers to select plans that lead to an increased corporate value. In terms of the data collection method, this is a survey study, in which the theoretical foundations were studied using the library method by reviewing the background research in specialized Persian and Latin books, articles, and theses. The opinions of the studied community about the research hypotheses were asked using the financing method questionnaire of Redman et al. [30]. This tool includes companies listed on the TSE whose CEOs or financial managers were unchanged between 2019 and 2021 (at least one). It was used to measure managers' financing attitudes and test the hypotheses. The reason for choosing three years of research is that company managers reach stability and authority after the transition period, which is at least three years according to previous research, and can desirably implement their thoughts and plans in companies [13]. The information related to the financing policies of the managers was extracted through the audited financial statements of the studied companies on the CODAL website at WWW.CODAL.IR. Therefore, the required information was collected by field and library methods.

The community studied in this research was selected using screening under the following conditions:

1. CEOs or financial managers of the studied companies were appointed to their positions before 2019 to affect economic decisions from 2019 to 2021.
2. The corporate financial year ends at the end of March.
3. Company information is available in the study period.
4. It should not be a part of banks and financial institutions (investment companies, financial intermediaries, and holding and leasing companies).
5. Be present in the stock market before 2019.

6. The company symbol should not be suspended for more than three months.
7. During the study period (2019-2021), at least one of the company's CEOs or financial managers should remain in their position.

According to the above limitations, several 107 companies constituted the studied community, questionnaires were sent to all these corporations, and finally, 51 completed and usable questionnaires were received from the respondents.

The above hypotheses were measured using Relationships (3.1), (3.2), and (3.3), respectively:

$$BF_{it} = \beta_0 + \beta_1 BA_{it} + \beta_2 SHA_{it} + \beta_3 REA_{it} + \beta_4 FL_{it} + \beta_5 ROA_{it} + \beta_6 TAG_{it} + \varepsilon \quad (3.1)$$

$$SHI_{it} = \beta_0 + \beta_1 SHA_{it} + \beta_2 BA_{it} + \beta_3 REA_{it} + \beta_4 FL_{it} + \beta_5 ROA_{it} + \beta_6 TAG_{it} + \varepsilon \quad (3.2)$$

$$RE_{it} = \beta_0 + \beta_1 REA_{it} + \beta_2 SHA_{it} + \beta_3 BA_{it} + \beta_4 FL_{it} + \beta_5 ROA_{it} + \beta_6 TAG_{it} + \varepsilon \quad (3.3)$$

The variables used in this research include the tendency to finance through borrowing (BA), the attitude to finance through share issuance (SHA), the attitude toward financing through retained earnings (REA), borrowing funding (BF), stock issuance financing (SHI), retained earnings financing (RE), financial leverage (FL), profitability (ROA), and asset growth (TAG). How to calculate each research variable is given flow.

Variables operational definition:

Borrowing financing: It is calculated by dividing the difference between debt in year t and year t-1 by total assets in year t-1.

$$BF = \frac{TD_t - TD_{t-1}}{TA_{t-1}}$$

Shares issuance financing: It is calculated by dividing the difference in the share capital of year t and t-1 by the total assets in year t-1.

$$SHI = \frac{BE_t - BE_{t-1}}{TA_{t-1}}$$

Retained earnings financing: It is calculated by dividing the difference in the retained earnings of year t and t-1 by the total assets in year t-1.

$$RE = \frac{RE_t - RE_{t-1}}{TA_{t-1}}$$

Financing attitude through borrowing: It is obtained by dividing the obtained points by the possible points (50).

$$BA = \frac{\text{Obtained Points}}{50}$$

Shares issuance financing attitude: It is obtained by dividing the obtained points by the possible points (15).

$$REA = \frac{\text{Obtained Points}}{15}$$

Retained earnings financing attitude: It is obtained by dividing the obtained points by the possible points (10).

$$SHA = \frac{\text{Obtained Points}}{10}$$

Financial leverage: It is obtained by dividing total debt in year t by total assets in year t.

$$FL = \frac{TL_t}{TA_t}$$

Profitability: It is obtained by dividing net profit in year t by total assets in year t.

$$ROA = \frac{P_t}{TA_t}$$

Asset growth: It is obtained by dividing net profit in year t by total assets in year t.

$$TAG = \frac{TA_t}{TA_{t-1}}$$

4 Research findings

4.1 Descriptive statistics

Descriptive statistics, including mean, median, maximum, minimum, and standard deviation, were calculated for all variables (Table 1). The results show that the average age of the respondents is 45 years, three respondents are women, and 48 are men. Four respondents have the organizational position of CEO, and 46 individuals have the executive role of manager or financial deputy. The results show that managers are more willing to finance through retained earnings (0.732), although in practice, they use the debt method for financing (0.117) compared to retained earnings (0.113) with a slight difference.

Considering the use of questionnaires in research data collection, the reliability of the collected data is of great importance. Cronbach's alpha value is 74% in the group of questions related to the desire for financing policies. Therefore, there is no deep concern about the reliability of the measure used in collecting research data.

Table 1: Descriptive statistics of the research

Statistic Variable	Mean	Med	Max	Min	Skew	Kurt	Obs
Retained earnings financing	0.11	0.09	0.5	-0.18	0.75	3.78	153
Shares issuance financing	0.04	0	0.3	-0.09	1.37	4.66	153
Borrowing financing	0.12	0.11	0.61	-0.15	0.46	3.6	153
Financing attitude through retained earnings	0.73	0.73	1	0.4	-0.28	2.53	153
Financing attitude through shares issuance	0.72	0.8	1	0.2	-1.02	3.52	153
Financing attitude through borrowing	0.68	0.7	1	0.34	-0.27	2.41	153
Asset growth	1.58	1.4	5.32	0.88	2.83	14.86	153
Profitability	0.25	0.24	0.79	-0.39	-0.07	3.16	153
Financial leverage	0.48	0.47	1.07	0.03	0.26	2.99	153

4.2 Testing the suitable model and classical assumptions of research models

The appropriate model for the estimation of triple models was determined using Chow and Hausman's test. According to the statistical probability obtained from the Chow test for the first, second, and third models (0.000, 0.021, and 0.131, respectively), the panel data method is suitable for the first and second models, and the poll data method fits the third model. The probability values of the Hausman test statistic for the first and second models are equal to (0.000), (0.045), and $< 5\%$. Therefore, the fixed effects method is suitable for estimating the first and second models.

Since the condition of the reliability of the results of the regression models is to establish their classical assumptions and according to the results obtained in determining the appropriate estimation method for each of the models, the hypothesis of non-serial autocorrelation of the error values of the models was examined using the Waldridge test. Given the H_0 of this test and the probability of the statistic obtained for the first, second, and third models (0.161, 0.129, and 0.983, respectively), the problem of serial autocorrelation does not exist among the error values of all models. The assumption of the normality of the error values of the models was verified using the Jarcobra test. According to the H_0 of this test and the probability of the statistics obtained for the first, second, and third models (0.394, 0.067, and 0.053, respectively), the error values of all three models have a normal distribution. The assumption of the homogeneity of the variance of the error values was tested by the adjusted Wald test for the first and second models, and using White's test for the third model. The H_0 of these tests and the probability of the statistics obtained for the first, second, and third models (0.000, 0.000, and 0.017, respectively) indicate that the problem of heterogeneity of the variance of the error values exists in the error values of all three models. Thus, the generalized least squares method (GLS) was used to solve this problem in estimating the models.

4.3 Estimation of research hypotheses

The estimation results of the model related to the first hypothesis are presented in Table 2. In examining the significance of the whole model, the significance of the entire model is confirmed with 95% confidence as the probability value of the F statistic is less than 0.05 (0.000). The adjusted coefficient of determination (41%) for the model also shows that almost 41% of financing through debt (borrowing) is explained by the variables included in the model. The results show that financing through debt has a significant and positive relationship with the financing attitude

through borrowing. The control variables of financial leverage and asset growth have significant positive relationships with the dependent variable. The control variables of the financing attitude through retained earnings, share issuance, and profitability have no significant associations with financing policy through borrowing.

Table 2: Results of the estimation of the first research model

$\Delta BF = \beta_0 + \beta_1 BFA + \beta_2 SHIA + \beta_3 ACPA + \beta_4 FL + \beta_5 ROA + \beta_6 TAG + \varepsilon$			
Variable	t-statistic	Coefficient	Prob.
BFA	4.01	0.15	0.00
SHIA	-0.92	-0.06	0.36
REA	-1.50	-0.03	0.14
FL	4.86	0.48	0.00
ROA	1.35	0.13	0.18
TAG	2.62	0.10	0.01
C	-3.64	-0.33	0.00
R^2 :	0.44	Adjusted R^2 :	0.41
Prob. (F-statistic):	0.00	F-statistic:	14.17
Dependent variable: Borrowing Policy		Durbin-Watson Stat: 1.91	

The estimated results of the model for the second hypothesis are presented in Table 3. In examining the significance of the whole model, the entire model is confirmed with 95% confidence as the p-value of the F-statistic is zero (< 0.05). The adjusted coefficient of determination (26%) for the model also shows that almost 26% of the finance through the issuance of shares is explained by the variables included in the model. Furthermore, the results show no significant relationship between the financing attitude through the shares issuance and the financing strategy through the stock issuance. At the same time, the control variables of financial leverage and profitability have significant negative relationships with financing through the issuance of shares. No significant relationship was observed between funding through the issuance of shares and the financing attitude through borrowing, retained earnings, and asset growth.

Table 3: Results of the estimation of the second research model

$\Delta BF = \beta_0 + \beta_1 BFA + \beta_2 SHIA + \beta_3 ACPA + \beta_4 FL + \beta_5 ROA + \beta_6 TAG + \varepsilon$			
Variable	t-statistic	Coefficient	Prob.
SHIA	1.51	0.04	0.13
BFA	0.27	0.01	0.79
REA	-1.43	-0.05	0.16
FL	-3.26	-0.23	0.00
ROA	-0.04	-0.19	0.00
TAG	-0.11	-0.00	0.91
C	3.53	0.19	0.00
R^2 :	0.26	Adjusted R^2 :	0.29
Prob. (F-statistic):	0.00	F-statistic:	7.51
Dependent variable: Share Issuance Policy		Durbin-Watson Stat: 1.57	

The estimated results of the model for the third hypothesis are presented in Table 4. In examining the significance of the whole model, the prob. of zero (< 0.05) of the F statistic confirms the entire model with 95% confidence. The adjusted coefficient of determination (45%) for the model also shows that almost 45% of the finance policy through retained earnings is explained by the explanatory variables included in the model. The results also show that the financing strategy through retained earnings has a significant positive relationship with the retained earning financing attitude. In contrast, financing attitudes through debt negatively affect the policy of retained earnings financing. The control variables of profitability and asset growth also have significant positive relationships with retained earnings financing. The control variables of financial leverage and the financing attitude through share issuance have no connections with the funding method through retained earnings.

5 Discussion and conclusion

This research investigated the effect of managers' financing attitudes on their financing policies. To explore this issue more accurately, three hypotheses were formulated and analyzed through the data collected using the questionnaire

Table 4: Results of the estimation of the second research model

$$\Delta BF = \beta_0 + \beta_1 BFA + \beta_2 SHIA + \beta_3 ACPA + \beta_4 FL + \beta_5 ROA + \beta_6 TAG + \varepsilon$$

Variable	t-statistic	Coefficient	Prob.	
REA	4.42	0.11	0.00	
BFA	-4.18	-0.06	0.00	
SHIA	-1.62	-0.10	0.11	
FL	1.37	0.10	0.17	
ROA	4.19	0.41	0.00	
TAG	6.29	0.06	0.00	
C	-2.5	-0.11	0.01	
R^2 :		0.48	Adjusted R^2 :	0.45
Prob. (F-statistic):		0.00	F-statistic:	22.05
Dependent variable: Retained Earnings Policy		Durbin-Watson Stat:		2.28

and the data received from the audited financial statements of the companies listed on the TSE. The statistical analysis results did not evidence a significant relationship between the shares issuance financing attitude and the financing strategy through the issuance of shares. In contrast, the retained earnings financing attitude with the financing policy through retained earnings and the borrowing financing attitude was positively correlated with the debt financing policy. This means that managers with a financing attitude through retained earnings or debt use retained earnings and borrowing to finance the companies' projects. It can be argued that their tendency is crystallized in their behavior. Still, managers who have the stock issuance financing attitude do not show this attitude in their financial behaviors; these results have several reasons. The most important reasons for using retained earnings are keeping resources inside the company and reinvesting these resources to maintain survival based on the assumption of activity continuity, achieving double profits, and increasing the corporation's value. This resource is also readily available and has the lowest cost to the company. One of the most important reasons for using borrowing to finance projects is that debt not only does not affect the ownership of the company's shareholders but also strengthens the company's monitoring environment to control the behavior of managers due to the presence of creditors. On the other hand, financing through debt is less complicated, and there is no need to implement securities laws and regulations. One of the reasons for not using shares is that this type of financing is time-consuming. In the end, an important noteworthy point is that it is not possible to determine the best financing policy because this issue depends on several factors such as the internal conditions of the company (corporate governance, managers' thoughts and attitudes, plans development of the company, etc.) and the needs of the company's activity environment (inflation, competition in the product market, financial and monetary policies of the government and the central bank, etc.).

The results of this research increase our insight into the influence of managers' personality traits on their financing policies. In addition, these results provide useful information to investors and shareholders to know the economic, social, and political conditions of the environment in which the company operates, as well as the beliefs and mental priorities of the managers of companies, to find the investment and financing policies of the managers and to achieve the set goals. They employ managers whose mental priorities align with the organization's general guidelines and procedures. Another important point that should be considered is that implementing company managers' financing policies is very difficult and unlikely within one year. Applying these attitudes in companies requires a lot of time. It is suggested that the elements of corporate governance, such as the board of directors and shareholders, should choose managers as much as possible who are aligned with the general policies of the organization in terms of development plans and financing and give the managers the necessary time to influence the financing policies to balance authority and responsibility. However, this issue is like a double-edged sword. There is a contradiction between managers' freedom of action and ensuring shareholders' interests; it is simply impossible to determine the manager's authority limits.

Every research in its heart has limitations that appear in the path of its realization, making the study and generalization of the results difficult. One of the main limitations of this research is the inherent limitation of the questionnaire in data collection. Due to this limitation, the respondents may be in different mental, emotional, and environmental conditions when answering the questionnaire questions, which causes them to have different perceptions of the questions and give incorrect answers.

References

- [1] J. Abor, *Corporate governance and financing decisions of Ghanaian listed firms*, Int. J. Bus. Soc. **7** (2007), no. 1, 83–92.
- [2] P. Asquith and D.W. Mullins, *The impact of initiating dividend payments on shareholders' wealth*, J. Bus. **56** (1983), 77–96.
- [3] A.J. Auerbach, *Taxes, firm financial policy, and the cost of capital: an empirical analysis*, J. Public Econ. **23** (1984), 27–57.
- [4] B. Baik, P.A. Brockman, D.B. Farber and S. Lee, *Managerial ability and the quality of firms' information environment*, J. Account. Audit. Financ. **33** (2018), no. 4, 506–527.
- [5] H.K. Baker, *Dividends and dividend policy*, John Wiley & Sons, 2009.
- [6] M. Baker and J. Wurgler, *Market timing and capital structure*, J. Finance, **57** (2002), no. 1, 1–32.
- [7] M. Baker, S.R. Ruback and J. Wurgler, *Behavioral corporate finance*, Chapter 4, Handbook Empir Corporate Finance, 2007, pp.145–186.
- [8] R. Ball, J.R. Gerakos, T.J. Linnainmaa and V. Nikolaev, *Earnings, retained earnings, and book-to-market in the c cross-section of expected returns*, J. Financ. Econ. **135** (2020), no. 1, 231–254.
- [9] A.N. Berger and G.F. Udell, *The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle*, J. Bank. Finance **22** (1998), no. 6–8, 613–673.
- [10] S.M. Bilafif and A. Ibrahim, *Effect of capital structure decisions on firm value of listed manufacturing firms in Mombasa county*, Strategic J. Bus. Change Manag. **6** (2019) no. 2, 658–677.
- [11] F.B. Campbell, *Fundamentals of financial management*, The Dryden Press, New York: The Dryden Press, 2012.
- [12] X. Chang, S. Dasgupta and G. Hilary, *Analyst coverage and financing decisions*, J. Finance **61** (2006), no. 6, 3009–3048.
- [13] J.W. Fredrickson, D.C. Hambrick and S. Baumrin, *A model of CEO dismissal*, Acad. Manag. Rev. **13** (1988), no. 2, 255–270.
- [14] E. Gambetti and F. Giusberti, *Personality, decision-making styles and investments*, J. Behav. Experiment. Econ. **80** (2019), 14–24.
- [15] W. Gao and F. Zhu, *Information asymmetry and capital structure around the world*, Pacific-Basin Finance J. **32** (2015), no. C, 131–159.
- [16] M. Grinblatt and B. Han, *Prospect theory, mental accounting, and momentum*, J. Financ. Econ. **78** (2005), 311–339.
- [17] D. Hackbarth, *Managerial traits and capital structure decisions*, J. Financ. Quantitative Anal. **43** (2008), no. 4, 843–881.
- [18] F. Hafezi, *The study of financing methods on profitability*, J. Basic Appl. Sci. Res. **3** (2013), 47–49.
- [19] R. Huang and R.J. Ritter, *Corporate cash shortfalls and financing decisions*, Rev. Financ. Stud. **34** (2021), no. 4, 1789–1833.
- [20] M.C. Jensen, *Agency costs of free cash flow, corporate finance, and takeovers*, Amer. Econ. Rev. **76** (1986), 323–329.
- [21] M. Jensen and W.H. Mackling, *Theory of the firm: managerial behavior, agency cost and ownership structure*, J. Financ. Quantitative Anal. **27** (1976), 247–263.
- [22] D. Kahneman and A. Tversky, *Prospect theory: an analysis of decision under risk*, Econometrica **47** (1979), no. 2, 263–291.
- [23] M.L. Lemmon and J.F. Zender, *Debt capacity and tests of capital structure theories*, J. Financ. Quantitative Anal. **45** (2010), no. 5, 1161–1187.
- [24] V. Mande, Y.K. Park and M. Son, *Equity or debt financing: Does good corporate governance matter?*, Corporate

- Governance: *Int. Rev.* **20** (2012), no. 2, 195–211.
- [25] P.K. Mitra and O. Naik, *Debt financing and agency cost on profitability: Are real estate firms' performance in India getting affected?*, *Asia-Pacific J. Manag. Res. Innov.* **17** (2021), no. 1–2, 43–56.
- [26] F. Modigliani and M.H. Miller, *The cost of capital, corporation finance and the theory of investment*, *Amer. Econ. Rev.* **48** (1958), no. 3, 261–297.
- [27] F. Modigliani and M.H. Miller, *Corporate income taxes and the cost of capital: a correction*, *The American Econ. Rev.* **53** (1963), no. 3, 433–443.
- [28] S.C. Myers, *The capital structure puzzle*, *Journal of Finance*, **34** (1984), 575–592.
- [29] K. Paudyal, Y. Guney and A. Antonious, *Determinants of corporate capital structure: evidence from European countries*, Center for Empirical Research in Finance, Department of Economics and Finance, University of Durham, 2002.
- [30] A.L. Redman, J.R. Tanner and H. Manakyan, *Corporate real estate financing methods: A statistical study of corporations' choices*, *J. Corporate Real Estate* **4** (2002), no. 2, 169–186.
- [31] T. Saliha, A. Medabesh and A. Abdessatar, *The challenges of financing a share issue: an empirical investigation for Tunisian and French companies*, *British J. Econ. Financ Manag. Sci.* **3** (2011), no. 1, 153–160.
- [32] B. Sony and S. Bhadhuri, *Information asymmetry and debt-equity choice: evidence from an emerging market*, *India Rev. Market Integration* **10** (2018), no. 3, 228–252.
- [33] S. Sutomo, S. Wahyudi, I. Rini D. Pangestuti and H. Muharam, *Determinants of financing decision: empirical evidence on manufacturing firms in Indonesia*, *Investment Manag. Financ. Innov.* **16** (2019), no. 2, 159–170.
- [34] J. Sun, L. Ding, M. Guo and Y. Li, *Ownership, capital structure, and financing decision: evidence from the UK*, *British Account. Rev.* **48** (2016), no.4, 448–463.
- [35] J.K. Thomas, *Discussion of post-earnings announcement drift and market participants information processing biases*, *Rev. Account. Stud.* **8** (2003), no. 2, 347–353.
- [36] M.G. Thurairara, *The effect of retained earnings on the returns of firms listed at the Nairobi securities exchange*, The University Of Nairobi, 2014.