Original Article

The Relationship between Profitability and Financial Flexibility, and Investment Opportunities and Dividend Policy in Companies Listed in Tehran Stock Exchange

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ABSTRACT

The main objective of this study was to investigate the relationship between profitability and financial flexibility, and investment opportunities and dividend policy of listed companies in Tehran Stock Exchange. To achieve this goal, all listed companies in Tehran Stock Exchange, which have provided the financial statements (balance sheet, income statement) and the required information in the years 2008-2012, were reviewed in a 5year period. A total of 565 companies were selected that were tested. Multivariate regression (Inter method) was used to test the hypothesis, and their significance was performed by using t and F statistics. Also, in order to test the autocorrelation of the model, the Durbin - Watson test was used. The obtained results suggest that there is a significant relationship between profitability and financial flexibility of the companies and the investment opportunities of the companies. But there is no significant relationship between the companies' profitability and financial flexibility and the dividend policy of the companies.
Keywords: Profitability, Financial Flexibility, Investment Opportunities, Dividend Policy

INTRODUCTION

Earning is important information in economic decisions. Managers and financial analysts have always used earning in investment applications as guidance to dividend payments, assessment, management effectiveness, means of forecasting, and decision-making evaluation [1].

Development of capital market, promotion of profitability culture, flexible firms, as well as opportunities of appropriate growth and investment, and the policies and procedures of dividend, all need an appropriate foundation. Basically, one of the decisions that have to be done in most companies is related to the company's earning situation. Therefore, identifying companies with high flexibility, market mechanisms, profitability characteristics, dividend policy for grand and small investors, and the protection of their rights is very important. However, identifying opportunities and risks of the business unit is requires to understand the nature of business activity. This information from balance sheet, financial performance statement and cash statement can provide some information about flexibility as well as debt repayment [2]. Marchica and Mura have studied on the issue of the relationship between financial flexibility and investment decisions and have come to the conclusion that there is a strong correlation between investment and financial flexibility [3]. Deshmukh examined the dynamics of dividend policy by a stochastic model. He concluded that the dividend is positively associated with the level of cash dividend and profitability status [4].

Bullan and Hull in a paper presented a technical review on the reduction of the dividend policy and concluded that financial flexibility is associated with the reason of earning payments reduction [5]. Abor et al. (mentioned by Saghafi, and Aghai) in a research studied the impact of investment opportunities and sources of funds on the dividend line. The results show that profitable firms are more likely to divide earnings among shareholders [1]. Anil et al. [6] determined the influential factors on dividend policy in India. The results of examination showed that the profitability and cash flow have a positive impact on dividend policy [6].

Wambi and Tsapi investigated the effect of dividend distribution in Cameroon and have concluded that the impact of profitability on the dividend policy is based on signaling theory. Thus, the relationship between profitability and dividend policy in the Cameroonian companies was approved [7]. Mulkay examined the impact of financial factors on investment in Belgium, France, Germany and Britain and concluded that the financial flexibility has a positive and significant influence on investment. On the other hand there is a significant relationship between investment and profitability [8]. Jimmy showed that firms with a high degree of conservatism, have less financial flexibility, their cash flow sensitivity is higher than investment and have fewer dividends [2]. Assadi and AziziBasir (2007) examined the relationship between profitability and liquidity and its impact on dividend in listed companies in Tehran Stock Exchange. They concluded that there is a significant relationship between profitability and dividend policy [9]. Saghafi and Naderi presented a study on conservatism in financial reporting. Their results showed that regard to the conventional interest point of view, the conservative companies have more financial flexibility as well as having more dividends [10].

MATERIALS AND METHODS

The statistical population of this research includes the companies listed in Tehran Stock Exchange which are adjusted according to the following limitations:
• Due to different nature, they should not be included among the financial investment and brokering companies.
• They should be listed in stock exchange during the period of 2008-2012.
• The end of their fiscal year is mid of March.
Methods of data analysis were applied by multivariate regression models discussed in the research. To test the hypotheses, student t-test was used in order to prove significant correlation between the variables, and the Fisher F statistic was used to determine the significance of the regression model. Also to investigate the determination coefficient (R^2) ANOVA mechanism is performed. In addition, Durbin-Watson test will be used to investigate that there is no autocorrelation problem between Residual Words. Kolmogorov - Smirnov test was used for normality of distribution of research variables. In addition, each of the research variables is tested in %5 error level.

Research Hypotheses
1. There is a significant relationship between the companies' profitability and investment opportunities of companies.
2. There is a significant relationship between the companies' financial flexibility and investment opportunities of companies.
3. There is a significant relationship between the companies' profitability and dividend policy.
4. There is a significant relationship between the companies' financial flexibility and dividend policy.
To test the research hypotheses, Marchica and Mura models with the necessary adjustments are used, which is as follows:
To test hypothesis 1 and 2, the model (2) of research was applied.
To test hypothesis 3 and 4, the model (3) of research was applied.
Model (1) of the research which is derived from Marchica and Mura's research is applied for the determination of financially flexible companies and non-financially flexible companies and can be used to predict corporates leverage. First, we estimate the company's leverage for the research definite period. Then, through Model (1) of the research, predicted Leverage is compared with actual leverage. The obtained deviation from the actual leverage value and the predicted leverage value is applied for classifying the firms as financially flexible firms (FF). How this works is that if the deviation of the actual value from the predicted value is negative for the three consecutive years, the company is called FF.

$Lev_{it} = \alpha Lev_{it-1} + \beta 1 Mtbv + \beta 2 Size + \beta 3 Collateral + \beta 4 Profitability + \beta 5 Cash + \beta 6 DebtMaturity + \beta 7 Dividends + \beta 8 Tax + \beta 9 Ndts + \varepsilon$

In which:
Lev= is the rate of total debt to total assets
Mtbv = is the book value rate of total assets minus book value of equity plus market value of equity divided by book value of total assets
Size = is the natural logarithm of total assets
Collateral = is the rate of total fixed assets to total assets
Profitability = is the rate of Earnings before interest and taxes and amortization to total assets
Cash = is the rate of total cash and equivalent items to total assets
Debt Maturity = is the rate of total loans to be repaid after one year to total debt
Dividends = is the rate of ordinary dividends to total assets
Tax = is the total tax expense to total assets
Ndts = amortization cost proportional to the total assets

Model (2) of the research to evaluate the relationship between profitability and financial flexibility, and investment opportunities:

$TobinQ_{i,t} = \beta_0 + \beta_1 FF_{i,t} + \beta_2 Lev_{i,t} + \beta_3 (Lev_{i,t} \times FF_{i,t}) + \beta_4 Size_{i,t} + \beta_5 Profitability_{i,t} + \beta_6 Cash_{i,t} + \beta_7 Q_{i,t} + \varepsilon$ In which:

Tobin'sQ = the following equation is used to calculate Tobin's Q which is the index of investment opportunities in this research:

Where:

Qs = is the simple Tobin's Q ratio

MVCS = is the market value of the common stock of the company at the end of the year

MVPS = is the market value of the preferred stock of the company at the end of the year

BVLTD = is the book value of long-term debt at end of year

BVSTD = is the book value of short-term debt

BVA = is the book Value of total assets of the company

FF = is dummy variable for measuring flexible companies, in a way that point 1 is for the firms that their deviation between the actual value and the expected value for three consecutive years is negative, and zero is for the other (non-flexible) companies.

Q = is the rate of book value of total assets minus book value of equity plus market value of equity to capital stock.

Other variables of the research are described in Model (1).

Model (3) of the research to evaluate the relationship between profitability and financial flexibility of the company and dividend policy:

$DPS = \beta_0 + \beta_1 FF_{i,t} + \beta_2 Lev_{i,t} + \beta_3 (Lev_{i,t} \times FF_{i,t}) + \beta_4 Size_{i,t} + \beta_5 Profitability_{i,t} + \beta_6 Cash_{i,t} + \beta_7 Q_{i,t} + \varepsilon$

In which:

DPS = is the dividend per share, this ratio represents the amount of earnings that a company pays per share. To calculate this ratio, the number of dividend must be divided by the number of ordinary shares which are in the hands of shareholders.

RESULTS

In Table 1, it is illustrated that the firm's debt leverage variable (LEV) has a mean of 0.635, and the highest and lowest variables are 2.36 and 0.04, respectively. The standard deviation and the leverage variance respectively are equal to 0. 22 and 0.0529. Cash variable, being a measure of evaluating the cash, has an average of 0.026, which is between 0.001 and 0.279. The size of firms (Size) has a mean of 5.56 and the maximum value of this variable is 7.20 and the minimum value of it is 4.43. According to the applied researches in Iran, the sample companies of this research are approximately the average size. Also, the mean of tax variable is 0.020 and this means that on the average, the sample companies approximately pay only %2 of their assets each year as the tax. Its minimum is zero and its maximum is 0.15 and the standard deviation of assets is 0.024, which indicates that the paid tax of the sample companies has small dispersion.

Table 1. Description of central indexes and the distribution of research variables

Items	Minimum	Maximum	Mean	Standard deviation	Variance
Lev	0.04	2.36	0.6350	0.22841	0.052
Tobin'sQ	0.29	8.76	1.7566	0.91522	0.838
MTB	-0.56	59.00	2.4004	3.50463	12.282
FF	0	1	0.17	o.372	0.139
Mtbv	0.19	11.80	1.7843	1.38910	1.930
Size	4.43	7.20	5.5634	o.50843	0.258
Collateral	0.00	0.89	0.2529	o.18651	0.035
Profitability	-0.58	1.18	0.1978	o.16797	0.028
Cash	0.001	0.279	0.0261	32036.315	1.026
DebtMaturity	0.00	0.67	0.0455	0.09985	0.010
Dividends	0.00	3.55	0.1491	0.22248	0.049
Tax	0.00	0.15	0.0200	0.02482	0.001
Ndts	-0.04	0.62	0.0462	0.06909	0.005
Q	0.41	104.57	12.6606	13.99005	195.722

The consideration of model (1) of research in order to forecast the corporate leverage:

In this section, according to model (1) of research, which is used to estimate corporate leverage, the model coefficients are determined according to the research data. Ultimately the company's leverage is estimated by the final model. Comparing this estimated leverage with the actual leverage of the company, the companies are classified as flexible (FF) and non-flexible.

Levi, t=αLevi, t-1+β1Mtbv+β2Size+β3Collateral+β4Profitability+β5Cash1+β6Debt Maturity+β7Dividends+β8 Tax+ ei, t

In Table 2 it can be seen that the correlation coefficient of the model is 0. 901. This indicates a very strong correlation between the research variables and has the determination coefficient of 0.812. This means that almost %80 of the variability of the dependent variables can be explained by the included variables in the model. As it can be seen in the last column of the table, the Durbin-Watson value is equal to 1. 792 that this number is between 1.5 and 2.5. Therefore, the independence assumption of errors will be accepted.

Table 2. Summary of model

Model	Correlation coefficient	Determination coefficient	Adjusted coefficient of determination	Standard error of estimate	Durbin - Watson
1	0.901a	0.812	0.808	0.106012	1.792
a. Predictors: (Constant), Collateral, SIZE, MTVB, LEV$_{t,1}$, Cash, Dividends, Tax, Debt maturity, Profitability					
b. Dependent Variable: LEV$_t$					

The examination of the existence of linear relationship between the dependent variable and independent variables: As it is illustrated in Table 3, F-test significance level is less than one percent (zero). Thus, according to this table the assumption of the existence of linear relationship between the dependent variable and independent variables in Model (1) of the research is confirmed.

Table 3. Analysis of Variance

Model		Sum of squares	D f	Mean of squares	F	Significance
1	Regression	23.088	9	2.565	228.258	0.000a
	The remaining	5.350	476	0.011		
	Total	28.437	485			
a. Predictors: (Constant), Collateral, SIZE, MTVB, LEV$_{t,1}$, Cash, Dividends, Tax, Debtmaturity, Profitability						
b. Dependent Variable: LEV$_t$						

The examination of the estimated coefficients significance of model (1) of the research: As it is indicated in table 4, the estimated coefficient for the debt leverage variable of the previous year (Levt-1) is equal to 0.837. According to the significance column it is observed that the estimated coefficient is %95 statistically significant at the confidence level, so the fact that there is a relationship between leverage of every year and the year before is confirmed. Also the estimated coefficients for the variables of MTVB and the firm size and Profitability, are respectively, 0.030, 0.003 and -0.547. Regard to the coefficients significance column of these variables, the variable coefficient of firm size is not significant (its significance level is greater than %5) and this variable (firm size) must be emitted from the model. According to the coefficients significance column in Table 4 it can be seen that Debt maturity, Dividends, and Tax Collateral is not significant at a confidence level of %95.

Table 4. Coefficients of variables in model 1

Model		Non-standardized coefficients		Standardized coefficients	T	Sig.
		Coefficients	Error	Beta		
1	(Constant)	0.139	0.070		1.985	0.048
	LEV $_{t-1}$	0.837	0.024	0.769	35.490	0.000
	MTVB	0.030	0.006	0.130	5.158	0.000
	SIZE	0.003	0.011	0.006	0.278	0.781
	Profitability	-0.547	0.038	-0.390	-14.536	0.000
	Debt maturity	0.031	0.056	0.014	0.555	0.579
	Dividends	0.047	0.028	0.041	1.650	0.100
	Tax	0.510	0.260	0.051	1.959	0.051
	Cash	-0.435	0.162	-0.057	-2.690	0.007
	Collateral	-0.024	0.030	-0.018	-0.792	0.428
a. Dependent Variable: LEV$_t$						

The final model for estimating the leverage of firms is as follows:
Levi, t = 0.139+0.837Levi, t-1+ 0.030Mtbv + 0.003Size -0. 024Collateral – 0.547Profitability – 0.435Cash +0.031Debt Maturity + 0.047Dividends + 0.510Tax + ei, t
Testing Hypothesis 1 and 2:
Hypothesis 1: There is a significant relationship between companies' profitability and investment opportunities.
Hypothesis 2: There is a significant relationship between companies' profitability and investment opportunities.
To test these hypotheses, the model2 of the research has been used, which is presented below:

Tobin's Q $_{i,t+1}$= β0+β1FF$_{i,t}$+β2Lev$_{i,t}$ +β3(Lev$_{i,t}$×FF$_{,t}$)+β4Size$_{i,t}$+ β5Profitability$_{i,t}$+β6Cash$_{i,t}$+ β7Q$_{i,t}$ +ε

The hypothesis of errors independence of each other:

As it is observed in Table 5, the value of obtained Durbin-Watson is 1.798, which is between 1.5 and 2.5. So the hypothesis of errors independence is accepted.

Table 5. Summary of model

Model	Correlation coefficient	Determination coefficient	Adjusted coefficient of determination	Standard error of estimate	Durbin - Watson
1	0.159a	0.025	0.012	0.91964	1.798
a. Predictors: (Constant), Q, size, lev$_{i,t}$FF$_{i,t}$, lev, Cash, Profitability, FF					
b. Dependent Variable: Tobin's Q					

As table 5 illustrates, the obtained correlation coefficient is 0.159, which indicates high correlation between the independent variables and the dependent variable in Model (2) of the research. The value of the obtained standard determination coefficient is 0.025. So, almost %2 of variation in the dependent variable of the model is due to changes in the defined independent variables of model (2).

Table 6. Analysis of Variance

Model		Sum of squares	D f	Mean of squares	F	Sig.
1	Regression	11.754	7	1.679	1.985	0.045a
	The remaining	455.012	538	0.846		
	Total	466.766	545			
a. Predictors: (Constant), Q, size, lev$_{i,t}$FF$_{i,t}$, lev, Cash, Profitability, FF						
b. Dependent Variable: Tobin's Q						

The examination of the existence of a linear relationship between the dependent variable and independent variables in the model (2):

To examine the linearity of the relationship between dependent variable and independent variables of the research, analysis of ANOVA table and Fisher's F-test were utilized. As Table 4- 6, which is the outputs of the software, shows significance level of F test is 0.045, and this coefficient is less than %5. Thus, according to this table, the assumption of the existence of a linear relationship between the dependent variable and independent variables and the existence of a linear relationship in model (2) of research is confirmed.

The examination of the estimated coefficients significance of model (2) of the research

As the results of table 7 indicate, the differential coefficient of corporate profitability (Profitability) in this model is 0.251. Regarding the significance column, it can be seen that this coefficient is statistically significant at the %5 error level. Thus, there is a significant relationship between profitability and investment opportunities of companies. Therefore, the first research hypothesis was confirmed.

According to the results of Table 7, it is observed that the estimated coefficient for the firm's flexibility variable (FF) is equal to 0.288. Regarding the significance column, it can be seen that the estimated coefficient is statistically significant at the % 95 confidence levels. Since, the value of defined error is as less than %5 (0.0477), thus, the first research hypothesis that there is a significant relationship between financial flexibility and investment opportunities of companies is approved.

Table 7. Coefficients of variables in model 2

Model		Non-standardized coefficients		Standardized coefficients	T	Si.	Multi Collinearity	
		Coefficients	Error	Beta			Tolerances	Variance inflation factor
1	(Constant)	2.044	0.541		3.781	0.000		
	FF	0.288	0.405	0.117	0.712	0.0477	0.067	14.944
	lev	0.040	0.220	0.010	0.180	0.857	0.614	1.628
	Lev$_{i,t}$FF$_{i,t}$	-0.076	0.618	-0.020	-0.122	0.903	0.067	15.021
	Profitability	0.251	0.298	-0.046	-0.844	0.0399	0.618	1.617
	size	-0.077	0.093	-0.042	-0.829	0.407	0.697	1.434
	Cash	2.760E-6	0.000	0.096	1.884	0.060	0.700	1.429
	Q	0.007	0.003	0.111	2.138	0.033	0.667	1.499
a. Dependent Variable: Tobin's Q								

Testing Hypothesis 3 and 4:

Hypothesis 3: There is a significant relationship between the companies' profitability and dividend policy.

Hypothesis 4: There is a significant relationship between the companies' financial flexibility and dividend policy.

To test the hypotheses 3 and 4 of the model, the following multiple regression is used.

Model (3) of the investigation:

DPS= β_0+ β_1FF$_{i, t}$+ β_2Lev$_{i, t}$ + β_3 (Lev$_{i, t}$×FF$_{i, t}$) + β_4Size$_{i, t}$+ β_5Profitability$_{i, t}$+ β_6Cash$_{i, t}$+ β_7Q$_{i, t}$ + ϵ

The hypothesis of errors independence of each other. According to Table 8, the value of obtained Durbin-Watson is 1.784, which is between 1.5 and 2.5. Therefore, the assumption of independence of errors is accepted.

Table 8. Summary of model

Model	Correlation coefficient	Determination coefficient	Adjusted coefficient of determination	Standard error of estimation	Durbin - Watson
3	0.181a	0.033	0.020	3.52201	1.784
a. Predictors: (Constant), Q, size, lev$_{i,t}$FF$_{i,t}$, lev, Cash, Profitability, FF					
b. Dependent Variable: DPS					

As it can be seen from Table 8, the obtained correlation coefficient (R) is 0.181, which indicates a weak correlation between the independent variables and the dependent variable. The value of obtained standard determination coefficient is 0.033. Therefore, approximately %3 of in the dependent variable of the model is resulted from the variations in the independent variables of the model.

The examination of the existence of a linear relationship between the dependent variable and independent variables. As Table 9 illustrates, significance level of F-test is less than 5 percent (0.012). Thus, according to this table the assumption of the existence of a linear relationship between the dependent variable and independent variables and the existence of a linear relationship in Model(3) of the research is confirmed.

Table 9. Analysis of Variance

Model		Sum of squares	D f	Mean of squares	F	Significance
2	Regression	224.794	7	32.113	2.589	0.012a
	The remaining	6673.645	538	12.405		
	Total	6898.440	545			
a. Predictors: (Constant), Q, size, lev$_{i,t}$FF$_{i,t}$, lev, Cash, Profitability, FF						
b. Dependent Variable: DPS						

The examination of the estimated coefficients significance of model (3) of the research:

As the results of table 4-10 indicate, the differential coefficient of corporate profitability (Profitability) in this model is – 0.877. Regarding the significance column, it can be seen that this coefficient is not statistically significant at the %5 error level. Thus, there is no significant relationship between profitability and dividend policies of companies. Therefore, the third research hypothesis was rejected. Table 10 it can be seen that the estimated coefficient for flexible firms (FF) is equal to 2.873. Regarding the coefficients significance column, it can be observed that this coefficient at the % 95 confidence interval is not significant (its significance level is more than %5). Thus, the existence of a significant relationship between the flexibility of companies and their dividend policy is rejected. As a result, the second hypothesis is rejected.

Table 10. Coefficients of variables in model 3

Model		Non-standardized coefficients		Standardized coefficients	T	Si.	Multi Collinearity	
		Coefficients	Error	Beta			Tolerances	Variance inflation factor
1	(Constant)	5.479	2.071		2.646	0.008		
	FF	2.873	1.550	0.304	1.854	0.064	0.067	14.944
	lev	-0.048	0.843	-0.003	-0.057	0.955	0.614	1.628
	Lev$_{i,t}$FF$_{i,t}$	-2.465	2.367	-0.171	-1.042	0.298	0.067	15.021
	Profitability	-0.877	1.139	-0.042	-0.770	0.442	0.618	1.617
	size	-0.624	0.355	-0.089	-1.760	0.079	0.697	1.434
	Cash	5.476E-6	0.000	0.049	0.976	0.329	0.700	1.429
	Q	0.025	0.013	0.101	1.938	0.053	0.667	1.499

DISCUSSION

Hypothesis 1: There is a significant relationship between companies' profitability and investment opportunities of the companies.According to the research findings; it can be observed that there is a significant relationship between companies' profitability and their investment opportunities. Since, the differential

coefficient of corporate profitability (Profitability) in this model is 0.251. Regarding the significance column, it can be seen that this coefficient is statistically significant at the %5 error level. Thus, there is a significant relationship between profitability and investment opportunities of companies. This finding is in line with our expectations based on theoretical foundations of the research. Furthermore, the results of this research are consistent with the results of Marchica and Mura and Mulkay researches [3, 8].

Hypothesis 2: There is a significant relationship between companies' financial flexibility and investment opportunities of the companies .According to the research findings, it can be observed that there is a significant relationship between companies' financial flexibility and their investment opportunities. That's to say, the companies that are financially more flexible than other firms have more investment opportunities, because the estimated coefficient for the firm's flexibility (FF) variable is equal to 0.288.Regard to the significance column, it is observed that the estimated coefficient is statistically significant at the %95 confidence level, because the value of defined error is less than %5 (0.0477). Thus, the first hypothesis of the research that there is a significant relationship between flexibility of the companies and their investment opportunity is confirmed. As a result, the second hypothesis of the research was confirmed at the %90 confidence level by the findings based on theoretical foundations of the research. Furthermore, the results of this research are consistent with the results of Marchica and Mura and Mulkay researches [3, 8].

Hypothesis 3: There is a significant relationship between the companies' profitability and dividend policy of the companies.According to the research findings it can be seen that the differential coefficient of corporate profitability (Profitability) in this model is – 0.877. Regarding the significance column, it is obvious that this coefficient is not statistically significant at the %5 error level. Thus, there is no significant relationship between profitability and dividend policies of companies. Thus, the third hypothesis is rejected. The results of this research are consistent with the results of Bullan and Hull [5] research, but are not consistent with the results of Anil et al., Deshmukh, Wambi and Tsapi and Assadi and Azizi Basir researches [6, 4, 7, 9].

Hypothesis 4: There is a significant relationship between the companies' financial flexibility and dividend policy of the companies.According to the research findings it can be seen that the estimated coefficient for the firm's flexibility (FF) is equal to 2.873. Regard to the coefficient significance column, it is observed that this coefficient is not statistically significant at the %95 confidence level (its significance level is more than %5).Thus, the existence of a significant relationship between flexibility of the companies and their dividend policy is rejected. The results of this research are consistent with the results of Bolan and Hall (2013) researches, but are not consistent with the results of Jimmy and Saghafi and Naderi researches [2, 10]. Thus, the second hypothesis is rejected. The following table summarizes the results of the research hypotheses testing:

Table 11. Results of the research hypotheses testing

Hypothesis Number	Hypothesis	Conclusion
Hypothesis 1	There is a significant relationship between companies' profitability and investment opportunities of the companies.	Acceptance
Hypothesis 2	There is a significant relationship between the companies' financial flexibility and dividend policy of the companies.	Acceptance
Hypothesis 3	There is a significant relationship between companies' profitability and investment opportunities of the companies.	Rejection
Hypothesis 4	There is a significant relationship between the companies' financial flexibility and dividend policy of the companies.	Rejection

Recommendations

The first hypothesis proposal: As the fact that there is a significant relationship between corporate profitability and investment opportunities was approved, it is recommended that companies get better investment opportunities, which is the driving force and is a specified parameter for investors. Information about the investment associated with the development of information technology makes the suppliers to invest their funds in profitable projects and to make use of the optimal opportunities. These opportunities are important factors for appropriate growth of the company's earning. The company which is more profitable has a clear vision of its future, and the shareholders' profits will be increased.

The second hypothesis proposal: Since the first hypothesis that there is a significant relationship between companies' financial flexibility and investment opportunities of the companies was approved; and regard to the fact that the investment opportunities at different stages of the life cycle are different; Companies that have high flexibility to use this opportunities, have a clear vision of the future. It should be noted that these opportunities are not created themselves. Different kinds of investments stem from various sectors and levels of firm that should be provided by excellent manager of the organization and board members. On the other hand, the capital structure, which is one of the main categories of growth opportunity, should be noted as well. So, flexible companies have good potential for investment.

The third hypothesis proposal: according to the obtained results of testing the third hypothesis, there is no significant relationship between profitability of the companies and their dividend policy. Regarding to the fact

that profitability also depends on the financial leverage. In profitability period of the companies, due to greater information transparency, financing is mainly the priority through internal resources. This is because of the managers' lack of willingness to spread the earnings, since they are integrated into new investment and want to keep the company's unified ownership. The dividend on the other hand, reduces internal resources of the firm and results in increased need to external resources. Therefore, dividend policy is very sensitive and complex. The factors influencing dividend policy as well as the constraints affecting this policy including liquidity, contractual restrictions and financial risk must be taken into account. Also on dividend policy the role of transparency and guidance in this procedure can be effective and useful.

The forth proposal: regard to the obtained results from the second hypothesis that there is no significant relationship between financial flexibility and the dividend policy, it is suggested that the company must have a sufficient capacity to store borrowings to be able to protect the company's power. Since, financial flexibility is considered policy ability for the company's management. Utilization of accumulated income helps to support them and will reduce the dividend, because the factors and constraints affecting this policy, which include liquidity, contractual restrictions, financial risk and etc., must be taken into account. So the more flexible is the company, the more limited will be the dividend.

Suggestions for Future Researchs

The investigation of profitability and financial flexibility, and investment opportunities and dividend policy in the OTC companies.

The investigation of the relationship between profitability and financial flexibility, and investment opportunities and dividend policy across industries.

The investigation of the relationship between profitability and financial flexibility, and investment opportunities and dividend policy in firms with concentrated ownership and decentralized ownership.

The investigation of the relationship between profitability and financial flexibility, and investment opportunities and dividend policy in small, medium and large companies.

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