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Information Asymmetry within Financial Markets and Corporate Financing Decisions

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ABSTRACT

It is worth noticing that a great deal of interest has recently been paid by the financial literature with respect to the relationship prevailing between the information asymmetry and the financing decisions regarding 150 firms listed on the SBF 250 index over the period ranging from 2005 to 2012. The achieved estimation results have revealed that most variables turn out to be significantly correlated with financial leverage. This significant correlation is established not only starting from a static model estimated by OLS, taking into account the fixed individual specificities, but also by relying a dynamic model estimated by GMM in difference explaining the leverage variation by its last variation. These results prove to be so conclusive as to corroborate the variables relevance thesis as pertaining to the hierarchical financing theory. Indeed, they have turned out to reveal that French firms tend to resort more to debt above all with respect to the information asymmetry case as prevailing as between managers and investors.

Keywords: *Hierarchical financing theory, information asymmetry, corporate financing decisions.*

1. INTRODUCTION

Several researchers have dedicated the focus of their studies to exploring firms' financing decisions while referring to the pecking order theory. To note, the latter is often applied to show that firms tend to finance their investments primarily through internal sources of funding, for the sake of preventing exposure to an information asymmetry problem. Noteworthy, however, once external capital proves to be essential, firms are likely to issue debt (Fama and French, 2005; Byoun, 2008; Leary and Roberts, 2010).

It is also worth high lighting that in the heart of the pecking order theory there has a wide array of different financing modes. For instance, Myers and Majluf (1984) adopt the following hierarchy: self financing, non-risky debt (with guarantees), risky debt and capital increase. Such hierarchical classification is used to help restrict the risk of being submitted to underinvestment states.

Actually, owing to the prevalence of the information asymmetry issue, firms ought to opt for promoting the internal funding sources rather than the external ones. Most often, firms with large profits being made usually tend to have recourse and access to the preserved wealth rather than engaging in to debt practices to finance their investment projects and strategies. In fact, such a financing mode seems fit well for small, medium and large size firms. In case the firm manager turns out to be simultaneously its major shareholder, as it is often the case for most firms, he would often tend to strengthen and maintain his property and control powers, and therefore, would not readily accept the presence of a new shareholder. Regarding the case in which self-financing proves insufficient, manager would turn to seek debt from financial markets as such a procedure would certainly provide several advantages.

In this respect, the present paper makes an attempt to discuss the relationship as prevailing between information asymmetry and corporate financing decisions. In this sense, we will be primarily interested in the relationship theoretical bases and we will secondly identified the obtained results in terms of an empirical study pertaining to a sample made up of a number of French firms over the period ranging from 2005 to 2012.

2. CORPORATE FINANCING DECISIONS AND INFORMATION ASYMMETRY WITHIN FINANCIAL MARKETS: A THEORETICAL LITERATURE REVIEW

It is worth highlighting that the study dealing with firms' financial behavior is remarkably prevalent within the well known hierarchical financing theory. According to Myers and Majluf (1984), this research trend is interested in establishing a ranking system between the three financing mode, namely: self-financing, debt and equity issuance. The first mode is favored over the other sources as no issuance cost is incurred. Regarding the second mode's disciplinary role, it is most often criticized by managers. As for the third funding source, it involves in certain risks to be under gone is compared to the debt mode. It is usually regarded by shareholders as a potential signal announcing an unfavorable state likely to engender the threat of reducing the firm's value. It is actually, the adverse selection problem which has at the origin of the hierarchical order relevant to the different financing sources. Indeed, the costs incurred by such a problem help make internal funding cheaper. Noteworthy, however, once external funding is envisaged, resorting to debt should be favored over equity financing.

In the case of prevailing informational asymmetry, external investors and on considering their risky securities outside would tend to increase the external financing cost. In this respect, Myers and Majluf (1984) highlight that when the market can no longer distinguish good quality investment opportunities from the poor ones, firms with favorable opportunities would often opt for self-financing. Consequently, the resultant adverse selection would lead to an increase in external financing related cost as compared to the internal financing relevant one, thus generating a pure hierarchy regarding firms' financing sources.

In this respect, Clarke and Shastri (2001) are interested in studying the information asymmetry level between managers and investors. These authors examine the relationship between information asymmetry measures and the firms' internal characterizing features such as intangible assets, asset pertaining research and development and operating expenses. They have discovered that information asymmetry increases with respect to the intangible assets level. They have also noted that the analysts' control increases with the research and development related expenditure. Thus, wherever a security is being perceived by analysts, information asymmetry turns out to be low.

As for Cumming (2001), he seems to associate the firms' financing decisions to the adverse selection problem by stigmatizing several firms characterized by adopting various financing modes. Noteworthy, also, the author under take to study the nature of uncertainty as faced by investors engaged in various types of financing. As a matter of fact, firms would opt for a better decision of financing in case of prevailing information asymmetry between managers and investors.

Actually, firms tend to issue less debt and more equity with respect to the cases in which risk appears to constitute an important element of the adverse selection problem pertinent to external financing. Noteworthy, however, while small firms tend often issue equity, large companies are discovered to issue or engage in to debts (Halov and Heider, 2003). To note, in 2004, these authors devised a special adverse selection model pertinent to corporate financing decisions based on information friction as soon as firms come in to contact with the external financial market. In an article published in 2005, they revealed that firms may not engage in to issuing debt for the site of avoiding debt-related adverse selection cost. Hence, firms would favour under taking a debt-issuing procedure only providing the debt relevant adverse selection cost is negligible.

As a matter of fact, the lack of internal funds strongly influences the debt-issuing decisions. Faced with such scarcity, the firm resorts to such a fund-raising under taking once it encounters a state of share undervaluation pertaining information asymmetry. However, this idea holds true for the small rather than large firms. In fact, firms would turn to share issuance to finance its activities only if its financing ability via debt or convertible securities turns out to be too low (Kammoun and Khemiri, 2006).

In this context, Lemmon et al. (2008) underline that if security issues are discovered to skid in respect of expectations, the information would stand as a valuable sign for the market, thereby reducing the information asymmetry problem. Thus, depending on the rent, the information content could be either positive or negative, as. It is emission inherent and could be estimated by means of financial liquidity values as long as they constitute an information asymmetry sustaining proxy.

In turn, Bharath, Pasquariello and Wu (2009) have studied the influence of information asymmetry on firm-financing decisions. Actually, the information asymmetry is related to firm characteristics including such features as size, growth opportunities, profitability, assets' tangibility, research and development intensity level, capital volatility, lifespan and institutional ownership. Information pertaining to a certain firm' environment has been estimated via their equity residual volatility, public announcements intensity in regard of its economic activity or the analysts' revenue forecasts dispersion. These authors' reached results reveal by show that the majority of variables reflecting the characteristics of firms and information asymmetry prove to positively and significantly affect their financial behavior. Firms use debt issues when faced with serious adverse selection related problems.

The information asymmetry as prevailing between firm management and outside investors provides perfect explanations and justifies well the firms' undertaken financing decisions (De Jong et al. 2011). According to the hierarchical order theory, firms witnessing severe asymmetric information tend to exhibit a high market leverage. This might have its justification in the fact that the information environment surrounding businesses appears to affect their external capital comparative cost. Firms with greater deal of information asymmetries tend to avoid the high equity-related agency cost and rather apply larger proportions of bond-pertaining resources. Moreover, the authors demonstrated that the more intense the adverse selection problem is, the higher firm-equity cost would be. Nevertheless, corporate cost debt does not appear to be affected by the adverse selection problem. More importantly, their achieved results also highlight that the information asymmetry weight amount highly decreases the firms' application of recourse to long-term debt.

Sahar and Vaez (2013) show that the information asymmetry between managers and external investors is an important determinant of financing decisions of 170 firms listed on the Teheran Stock Exchange (TSE) during 2009 to 2011. They also show that the firm intends to issue most debts in case where the

information asymmetry is high. The relationship between information asymmetry and debts issuing is positive. High information asymmetry not only increases the probability of a debts issuance, but firms should also issue a relatively larger volume of debts when information asymmetry is temporarily high.

3. THE EMPIRICAL METHODOLOGY

3.1 Sample Construction

Our sample consists of some 150 firms listed on the SBF 250 index. Noteworthy, also, data relevant to firms' characteristics and analyzed over the period ranging from 2005 to 2012, have been gathered from the World Scope database. In addition, financial data including share price (the adjusted closing price, the lowest price and the highest price), the transaction volumes as well as the daily bid and ask prices have been collected from financial reports, as appearing in the "Euronext" site. These various data are used to help determine the type of relationship binding of information asymmetry and corporate funding decisions.

3.2 Variables Measurement

Table 1, below, depicts the different variables and their respective measurements.

Table 1: Variables Measurement

Variables	Measurements
Financial leverage (LEV)	The ratio of debt amount to assets' market value[1].
Tangibility (TANG)	The ratio of fixed assets to total assets.
Growth opportunities (MTB)	The ratio of assets' market value to assets' books value.
Company size (LS)	The natural logarithm of firm's total sales.
Profitability (PROF)	The ratio of operating income to total assets.
Information asymmetry (ASY)	A five-variable indicator highlighting the adverse selection between managers and investors.

[1] The assets' market value equals the assets' book of value plus the difference between the equity market value and equity books value.

4. RESULTS AND INTERPRETATIONS

4.1 Variables' Stationary

It is worth pointing out that Im, Pesaran and Shin (2003) have divised a stationary test of the panel data IPS. This test supposes statistics based on the individual statistics average of Dickey-Fuller or Augmented Dickey-Fuller. The authors have developed an alternative hypothesis en comparing an autoregressive coefficients heterogeneity along with a heterogeneity relevant to the presence of a unit root in the panel. Table 2 below summarizes stationnarity results pertinent to our basic constituent variable following application of the unit root test (IPS).

Table 2: Variables stationary in panel

Variables	Stationnarity in level with constant and no tendency	Stationnarity in level with constant and tendency	Stationary in primary differences with constant and no tendency	Stationary in primary differences with constant and tendency
LEV	1.12504	-0.47351	-9.48625	-7.99714
TANG	-4.84531	-2.97016	.....	.....
MTB	1.87413	-0.60478	-10.6320	-8.54205
LS	2.48821	-1.09689	-11.0214	-7.32543
PROF	14.3502	2.07452	-5.45706	-8.78045
ASY	-1.28563	-2.34504	.....	.....

As can be noted, this table shows that the tangibility variable (TANG) and the information asymmetry variable (ASY) are stationary in level, as the calculated value associated with each variable is lower in respect of the tabular value[2] and thus, they are integrated in the same order I(0). As for the other variables, they are discovered to be stationary only with respect to the first difference; they are integrated at order one [I(1)]. As a result, a co integration test turns out to be imposed.

4.2 The Cintegration Test

The co integration test is used to check the presence of a long-term relationship between the explanatory variables and the dependent one which have to be stationary and of the same order integration. In this regard, a study of the Peter Pedroni co integration test between leverage, growth opportunities, size and profitability; These are stationary variables with the first difference [I(1)][3].

[2] Decision rule: If the calculated value of each model variable proves to be lower than the tabular value (-1.64), no unit root will exist and then the series will be stationary, otherwise the series is nonstationary.

[3] I: integration order ; I(0): Integrated variable at zero order i.e the series is stationary in level ; I(1) : Integrated variable at order one or the series is stationary in first difference.

Table 3: Co integration test

Alternative hypothesis: common AR coefs. (within-dimension)				
Weighted				
	Statistic	**Prob.**	**Statistic**	**Prob.**
Panel v-Statistic	0.362135	0.3742	-0.244121	0.5954
Panel rho-Statistic	1.701256	0.8103	1.452636	0.9125
Panel PP-Statistic	-1.068525	0.1740	-3.125850	0.0007
Panel ADF-Statistic	-0.702781	0.2877	-2.698523	0.0058
Alternative hypothesis: individual AR coefs. (between-dimension)				
	Statistic	**Prob.**		
Group rho-Statistic	4.669336	1.0000		
Group PP-Statistic	-7.007714	0.0000		
Group ADF-Statistic	-2.845961	0.0031		

The above table depicts the presence of a long-term relationship between the exogenous variables and the endogenous one in the within dimension as well as in the between one when referring to statistics from Panel-PP and Panel-ADF.

4.3 Statical and Dynamic Analysis of Debt in Absence of Information Asymmetry

In which follows, we will proceed with two logical estimates: a static logic and a dynamic one.

The retained selected model is formulated:

$$LEV_{it} = \beta_0 + \beta_1 TANG_{it} + \beta_2 MTB_{it} + \beta_3 LS_{it} + \beta_4 RENT_{it} + \varepsilon_{it}$$

To reflect the past financial leverage values, it is essential to proceed by the dynamic model.

The model is then written as:

$$LEV_{it} = \alpha_0 + \delta\, LEV_{it-1} + \alpha_1 TANG_{it} + \alpha_2 MTB_{it} + \alpha_3 LS_{it} + \alpha_4 RENT_{it} + \varepsilon_{it}$$

and the difference model is written as:

$$\Delta LEV_{it} = \delta \Delta LEV_{it-1} + \alpha_1 \Delta TANG_{it} + \alpha_2 \Delta MTB_{it} + \alpha_3 \Delta LS_{it} + \alpha_4 \Delta RENT_{it} + \Delta\varepsilon_{it}$$

Table 4: The model's static and dynamic estimates

	Estimated cœfficients	
Explanatory variables	**Static regression (Fixed effects model)**	**Dynamic regression**
$CONS_{it}$	6.433*** (130.162)	
LEV_{it-1}		0.723*** (2.078)
$TANG_{it}$	-5.98E-05 (-0.113)	-0.574*** (-3.174)
LS_{it}	0.022* (1.073)	0.094* (1.834)
$PROF_{it}$	-0.735 *** (-2.184)	-0.688** (-3.432)
R^2 Within	0.689	
Hausman test	0.0037	
J-statistic		113.741
Nbr. Inst		42
Nbr. Obs	1200	900

***,**,* indicates significance at 1%, 5% and 10% level respectively

Note: The bracketed coefficients indicate t-statistics.

Based on the achieved results, we reckon to chose the "Within" estimator. This estimate indicates that the guaranteed variable "TANG" is no significant in the static regression case, with its effect on the financial leverage remaining ambiguous. The variable growth opportunities negatively and significantly affect this leverage. Firms with high growth opportunities are those that are in need for more significant capital requirements. The debt negative correlation with the market-to-book ratio exhibits several explanations, the first of which demonstrates that highly leveraged firms are those that have a tendency of not making profitable investment projects. Besides, firms enjoying the greatest growth opportunities should rather privilege and focus on issuing shares rather than debts. A second explanation lies in the fact that firms with high market-to-book ratio exhibit higher failure or financial reorganization incurred costs preventing which incurred them from resorting to an even

higher leverage. A final explanation relates to the market adaptation theory (Market Timing) stipulating that firms tend to issue shares once their stock exchange course proves to be high in the market with respect to their book value, which is likely to temporarily reduce part of their debt.

As can be noticed a positive correlation seems to prevail between firm size and debt, which provide a good justification explaining why the big size firms that are more exclusively involved in debt. Various other explanations can also be suggested. First, the probability of bankruptcy is reduced with respect to be large firms as activity diversification helps highly reduce the exclusively cash flow volatility and, therefore, the bankruptcy probability. Second, large firms have more access to capital markets and can borrow at more favourable conditions. Finally, with regard to small firms, the agency conflicts as prevailing between shareholders and bondholders, may be further intensified as long as managing leaders are generally and significantly the major shareholders and as such firms enjoy a greater flexibility in regard of their investment choices.

The profitability variable "PROF" influences, negatively and significantly, the corporate debtedness decision at a 1% threshold level. As a firm performance indicator, profitability plays an important role in the financial structure conduct by managers. The profitability negative and significant coefficient confirms well the prevalence of a financing hierarchy (Pecking Order Theory) according to which firms of any size would initially exhaust the internal financing sources (cash flow), at a first stage, before being significantly involved into debt. Actually, a good profitability can be interpreted as an indicator of financial health, as the more profitable a firm is, the better financed it would turn out to be.

It is also worth noting that the results achieved via the generalized moments method (GMM) based around difference, are discovered to be interesting following application of the instrumental variables. In fact, the applied instruments' validity has its justification in the Sargon test as represented via the J-Statistic. Actually, these instruments have to be correlated with the endogenous variable and not with the model perturbating disturbances.

Noteworthy, too, the selection of instruments constitutes an essential step in estimating our model via the GMM method. The latter serves to highlight the major financial leverage variation impact as concluded over the year t-1 over the financial leverage variation pertaining to year t. To note the dynamic estimates indicate well that the lagged dependent variable is of the order of (t-1) and the selected independent variables' instruments, undergo a delay of an order of (t-3); such steps have been undertaken for sake of eliminating the endogeniety problem.

Furthermore, the achieved results indicate well that the year t-1 leverage tends to positively and significantly affect the year t relevant leverage. In fact, the French firms turn out to resort rather to debt to finance their investments. The signs and significance pertinent to the exogenous variables obtained via dynamic estimation remain similar to the static estimate, except for the tangibility variable, which proves to be significant exclusively within the dynamic estimation; this actually highlights the advantage attached to such an estimation method. In addition, tangibility appears to negatively affect the financial leverage. Thus, firms with low asset ratios permanent tend to opt for a higher debt level.

4.4 Static and Dynamic Analysis of Debt In Case Of Information Asymmetry

After estimating the model linking corporate financial leverage to their conventional characteristics such as tangibility (TANG), market-to-book ratio (MTB), size (LS) and profitability (PROF). We turn to further consolidate strengthen our model by introducing the adverse selection level measure (ASY). In case information asymmetry is discovered to be a crucial determinant of debt issuances in which financial leverage represents the cumulative effect, we expect the "ASY" variable coefficient to be positive and significant. Besides, a strong information asymmetry is likely to make French firm turn to debts. In our study case, information asymmetry is measured by means of a five-variable index composite highlighting adverse selection as prevailing between managers and investors.

$$ASY_{it} = \alpha_K \sum_{K=1}^{2} asy_{Kit}$$

With K = 1,….,5 : representing the variable components ASY; i = stands for the firms (1…….124); t = the corresponding year (1999…. 2008); α_j : coefficients' vector**,** is constant for the 124 firms in their entirety over the study period (1999-2008).

asy1: the Role model calculated on a daily basis, then reduced to respective average corresponding to year t.

$$RS_{it} = moy[200 I_{it}\sqrt{-\operatorname{cov}(r_{it}(k), r_{it}(k-1))} - 200(1-I_{it})\sqrt{\operatorname{cov}(r_{it}(k), r_{it}(k-1))}]$$

Where: cov (r_{it}, r_{it-1}) is the daily stock returns' covariance relevant to year t; If cov (r_{it} (k), r_{it} (k-1)) ‹ 0 then I_{it} = 1 otherwise I_{it} = 0.

asy2: the inverse of the daily trading volume of stock i, calculated on average during the year t;

asy3: the standard deviation of stock i daily returns, calculated on average during the year t;

asy4: the ratio of insiders' total purchases and sales to trading volume, calculated on average during the year t;

asy5: the natural logarithm of the average daily-action closing price during the year t.

The retained model will then be written as:

$$LEV_{it} = \beta_0 + \beta_1 TANG_{it} + \beta_2 MTB_{it} + \beta_3 LS_{it} + \beta_4 PROF_{it} + \beta_5 ASY_{it} + \varepsilon_{it}$$

To reflect the financial leverage past values impact, it seems imposed to proceed by the dynamic model, which turns out to be written in the following way:

$$LEV_{it} = \alpha_0 + \delta\ LEV_{it-1} + \alpha_1 TANG_{it} + \alpha_2 MTB_{it} + \alpha_3 LS_{it} + \alpha_4 PROF_{it} + \alpha_5 ASY_{it} + \varepsilon_{it}$$

As for the difference model, it is written as follows:

$$\Delta LEV_{it} = \delta\ \Delta LEV_{it-1} + \alpha_1 \Delta TANG_{it} + \alpha_2 \Delta MTB_{it} + \alpha_3 \Delta LS_{it} + \alpha_4 \Delta PROF_{it} + \alpha_5 \Delta ASY_{it} + \Delta\varepsilon_{it}$$

Table 5: The model's Static and dynamic estimates

	Estimated cœfficients	
Explanatory variables	**Static regression (Fixed effects model)**	**Dynamic regression**
$CONS_{it}$	5.887*** (144.571)	
LEV_{it-1}		0.855*** (2.869)
$TANG_{it}$	-0.004*** (-1.538)	-0.135*** (-3.784)
MTB_{it}	-0.284*** (-6.322)	-0.674*** (-5.721)
LS_{it}	0.055* (0.257)	0.039* (1.511)
$PROF_{it}$	-0.584*** (-6.713)	-0.941 *** (-4.692)
ASY_{it}	0.301 ** (1.725)	0.773 *** (2.736)
R^2 Within	0.904	
Hausman test	33.622	
J-statistic		126.477
Nbr. Inst		43
Nbr. Obs	1200	900

( ) Student test ; *** ,**,* indicates significance at 1%, 5% and 10% threshold respectively.

Following the introduction of the variable "ASY", one might well notice an improvement in the of the fixed effects model explanatory power, as the adjusted determination coefficient has increased from 0.689 to 0.904. Besides, there has also been an improvement in the variables' pertinent significance. In fact, most variables have turned out to be significant for both the static as well as the dynamic regressions. The hierarchical financing theory related predictions have also been confirmed by our econometric tests achieved results. Indeed, the tangibility variable negative correlation with that of the financial leverage reveals that firms enjoying more tangible assets tend to apply for external funds on a smaller scale. Actually, they reached result seem take in line and conformity with that attained by Morellec and Schürhoff (2011), who note that firms with few tangible assets will be most sensitive to information asymmetries. Henceforth, they will use debt as a means for external financings less sensitive to information asymmetries than stocks.

The obtained results have shown that 28% of the financial leverage has its explanations in the growth opportunities such as Market-To-Book ratio. Firms with strong growth levels resort less and less to debt, and would rather prefer to opt for equity rather, thus confirming the work results as elaborated by Hennessy and Whited (2004). Whenever growth opportunities increase, firms would tend to substitute debts obtained from financial markets for equities (in the form of retained benefits and/or capital increase). The reached result is also consistent with that attained by Alti (2005) stressing that firms with significant growth opportunities and high MTB ratios, are likely to apply capital for the sake of maintaining financial flexibility.

The size variable is statistically significant at the 10% threshold with regard to the dynamic regression case. Its pertinent coefficient positive sign appear to confirm the POT theoretical prediction stressing that large firms rely increasing on debts. As they enjoy easy access to financial markets. Nevertheless, they face a high risk of bankruptcy which entices them to go in to debt for a better investment prospects.

As for those firms whose profits are high, they tend to undertake fewer debt rates. This result is consistent with the hierarchical financing idea, as high profits help enhance self-financing with a lower use of debt. The negative sign attached this variable coefficient reveals that profitability improves internal financing through higher incorporated profits increase, which is likely to contribute to higher capital assets' ratio. Debt, as a profitability decreasing function, can be explained through managers' preference for an internal-resource type of financing in for the purpose of a better agency cost and information asymmetry control resulting from external financing.

In addition to tangibility, growth opportunities, size and profitability, information asymmetry as a dominant factor prevailing between firm's managers and investors constitutes an extra appropriate determinant of debt. Indeed, the "ASY" variable coefficient proves to be positive and significant. This indicates that financial leverage is higher with respect to for firms in which the adverse selection problems prove to be severe.

In regard of the dynamic regression related results, they highlight the year t-1 financial leverage turns out to positively and significantly affect year t relevant leverage. French firms tend to turn more and more to debts for the purpose of financing their investments. In addition, the exogenous variables are significant. In their entirety, which makes them considered as perfectly appropriate explainers of the financial leverage.

5. CONCLUSION

The study of corporate financing decisions lies at the heart of scientific research in the field of finance. The financial structure pertaining empirical analysis is studied with respect to a fundamental approach, namely, the hierarchical financing theory regarded as a useful referencial theoretical framework helpful for describing firms' relevant financial structure of the firm, as it deals, primarily, with hierarchical financing mode. Indeed, for the sake of eliminating the market-incurred signaling costs, owing to prevalence the information asymmetry, managers would opt for devising a special financing pertinent ranging from the order least risky source to the most risky one (cash flow, debt, equity).

Noteworthy, however, the explanatory factors involved in firms' debt related behavior are but the action variables as undertaken by managers while implementing their debt policy. As can be noticed from the synthesis summary, the variables regressions' results: growth opportunities, size and profitability are significant with respect to the static as well as the dynamic estimate cases. In addition, the tangibility variable turns out to be significant only in regard of the dynamic regression case, which assigns a key role to such an estimation method. Hence, while small firms tend to favor resorting to bank loans to other means of financing, large firms turn out to opt for debt issuances. It is also worth underlining that introduction of the variable information asymmetry "ASY" has helped make our designed model, therefore, more significant. Indeed, such a variable turn out to be so pertinent so that it has helped a great deal in explaining the financial leverage.

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