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Capital Structure and its Impact on Company's Market Value: A Field Study on the Companies Listed in the Saudi Stock Exchange

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Abstract

The primary objective of this study is to understand the impact of capital structure financing decisions on the market value of companies listed on the Saudi Stock Exchange. To achieve this objective, the researchers adopted an inductive approach to identify the problem of the study, to formulate its questions, and to review previous literature related to study's topics, in addition to prepare theoretical framework for the study. Researchers also used descriptive analytical approach to analyze the field study data and test the hypotheses to find results and obtain appropriate recommendations. The researchers prepared questionnaire form, (50) Questionnaires were distributed to study sample within the community of the study which represented by companies listed in Saudi stock of exchange, (100%) collected and analyzed. The study's findings showed that, Capital structure affects a company's market value if it obtains financing through long-term debt. In addition, the study finding revealed that Capital structure affects a company's market value if it relies

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on equity to obtain the necessary financing. The study recommended that, Companies listed in Saudi stock of exchange should consider Kingdom vision 2030 when planning for their capital structures, so as improve their competitive advantages, for the competition with foreign companies that intend to invest in KSA in light of this vision will increase.

Keywords: Capital Structure, Company's Market Value, Debt Financing, Equity Financing.

1. Introduction

Capital structure decisions are among the most important decisions that management seeks to rationalize to achieve the optimal method for forming a company's capital structure, given the many options available to it. Determining capital structure is a complex matter facing management, due to its interrelationship with other financial decision variables. Failure to consider the optimal financial decision for the capital structure may lead to an increase in the cost of capital and the resulting increased risks, which affects the value of the company due to increased debt (Fawzi, 2022). Financing decisions in companies in general, and in banks specifically, are among the most important decisions affecting the company's future cash flows, profits, and liquidity. This decision relates to determining the proportion of financing from short-term and long-term sources, as well as determining the appropriate mix of debt and equity sources. Using the optimal financing mix is important because it lowers the company's cost of capital, thereby maximizing its value and increasing profitable investment opportunities available to the company (Al-Hamdan & Al-Qudah, 2013). On the other hand, increasing the market value of a company is considered one of the most important management functions, especially in light of rapid economic developments and the increasing intensity of competition between companies, in addition to the availability of alternatives for consumers and customers, which generated by contemporary technological developments. Because the business environment in the KSA is not immune to these developments, especially in light of the Kingdom's move towards sustainable development and the realization of its plan to advance the economy in line with KSA vision 2030, this study examines the impact of capital structure on company's value for companies listed on the Saudi Stock Exchange.

2. Research Problem

The research problem is that capital-structuring decisions considered complex decisions for management due to the availability of funding sources, which include debt financing with its various instruments, or equity financing. This is in addition to the risks that can result from making the wrong decision regarding reliance on a particular financing source, which could harm the company's future existence and lead to its inability to meet its obligations. Therefore, the research problem formulated in the following main question: Do capital-structuring decisions affect the company's market value? The following questions branched out from this question:

Q1. Do debt-financing decisions affect the company's market value?

Q2. Do equity-financing decisions affect the company's market value?

3. Significance of the Study

The scientific importance of the study stems from the importance of the market value of Saudi companies in light of the Kingdom's Vision 2030. Furthermore, the study is a valuable addition to the scientific library, providing students and researchers with insights into its variables. The study also focuses on the market value of companies in a highly competitive economic environment, given the availability of funding sources. The practical importance of the study lies in clarifying the implications of decisions related to capital structure. It also demonstrates how companies can benefit from the availability of funding sources in the Saudi stock exchange to choose the funding source that best suits the nature of their activities.

4. Objectives of the Study

The primary objective of this study is to understand the impact of capital structure financing decisions on the market value of companies listed on the Saudi Stock Exchange. The following objectives branch out from this study:

1. To demonstrate the importance of capital structure decisions and their impact on companies' market value.
2. To demonstrate the various sources of financing available to companies in the Saudi Stock Exchange.
3. To study the relationship between capital structure decisions and companies' market value in the Saudi business environment.
4. To assist companies in rationalizing their capital structure decisions by providing sufficient information on the sources of financing available in the Saudi Stock Exchange.

5. Literature Review and Hypotheses' Formulation

Numerous previous studies conducted by authors and researchers have addressed decisions related to capital structure and financing sources and their impact on the market value of companies, particularly those listed on stock markets and operating in a highly competitive environment. Among these studies is the study of (Ahmed, 2004) entitled "Capital Structure and Its Impact on the Market Value of the Company," which aimed to understand the impact of capital structure on the market value of a company in the Sudanese business environment. The results of the study showed that debt financing at a rate commensurate with the size and nature of the company increases its market value, while increasing the debt-financing ratio beyond the reasonable limit for each company leads to negative results, leading to risks that may lead to the company's collapse. The study also recommended that public and private joint stock companies should increase the size of their creditor financing at a rate that is appropriate to their size and the nature of their activity in order to increase their market value. A study of (Samhan, 2015) entitled "The Impact of Capital Structure, financial-leverage, and Profitability on the Value of Jordanian Education and Investment Companies" aimed to identify the impact of capital structure, financial leverage, and profitability on the value of Jordanian education and investment companies listed on the Amman Stock Exchange. This study helps financial analysts identify the most important variables in the value of this type of company. The study concluded that education and investment companies in Jordan were able to increase their market value by utilizing capital structure. The study recommended that education and investment companies in Jordan should focus on managing their capital structure and financial advantage in a manner that leads to continued growth in their market value. Fawzi's study (2022) entitled "The Impact of Capital Structure on the Market Value of Economic Companies Listed on the Algiers Stock Exchange during the Period 2011-2014" aimed to determine the impact of capital structure on the market value of economic companies listed on the Algiers Stock Exchange. The study's results showed that Algerian companies rely on equity compared to long-term liabilities, which leads to no effect of capital structure on the market value of economic companies in Algeria. Furthermore, companies that rely on long-term liabilities have higher market value compared to companies that rely on equity in the financing process. Based on the results of these studies, the first hypothesis of the study formulated as follows:

H1: Debt Financing Decisions Affect the Market Value of the Company:

On the other hand, a study (Aqoun and Ben Taboula, 2017) entitled "The Impact of Capital Structure Cost on the Value of a Listed Company" aimed to verify the impact of capital structure costs on the value of Saidal Group, helping investors rely on the cost of financing sources in making their investment decisions. The study's results indicated that issuing shares that are more common leads to a lower loan-to-equity ratio, which in turn increases the company's future lending capacity. Higher debt and financial burdens lead to a decrease in the company's net income. Therefore, financing with equity capital is preferable to financing with debt, as the higher the ratio of equity to loans, the greater the company's borrowing capacity. The study recommended the need to conduct financial evaluation studies of the group after any financing transaction to determine its impact on market value. In addition, the study of (Kruk, 2021) titled "impact of capital structure on corporate value", aimed to review and try to organize the most important theories of capital structure, paying attention to the influence of capital structure on the processes of creating value. The paper also highlights the most important theoretical works in this area. The result of the study showed that, that there is no agreement to what extent capital structure translates into the process of creating company's value. Therefore, it seems justified to conduct appropriate empirical research in this respect. While the study of (Al-Kanani, 2023) entitled "Capital structure and its impact on the market value of shares within the framework of capture and market timing theories" aimed to test the capital structure within the framework of the capture theory with its dimensions (retained earnings ratio, debt ratio and common stock ratio). Moreover, the capital structure within the framework of the market timing theory with its dimensions (company size, liquidity, tangible assets, market value to book value, weighted rate of external financing to the market value to book value ratio) and their impact on the market value of shares. The study results showed that Iraqi industrial companies are more likely to use the capture theory than the market timing theory in building their capital structure, despite continuing to issue common stocks in most cases, rather than resorting to debt as a second financing option after retained earnings. The study recommended the importance of enacting a law that allows Iraqi companies to repurchase their shares from the financial market in a way that helps these companies, using the market timing theory, maintain the market value of the company's shares in the event that they fall below their book value. Based on the results of these studies, the second hypothesis of the study formulated as follows:

H2: Equity Financing Decisions Affect the Market Value of the Company:

By **reviewing** previous studies, it became clear that some studies focused on capital structure and its impact on the company's market value, while other studies focused on the impact of capital structure on the company's profitability and share profitability. What distinguishes this study from those studies is its approach, in addition to the existence of differences in the study's methodology, spatial boundaries, temporal boundaries, objective boundaries, and human boundaries.

6. Theoretical Framework of Capital Structure

6.1. Concept of Capital Structure:

The financial structure represents all forms and types of financing, whether equity or borrowing, from long-term or short-term sources. It also demonstrates how a company finances its various assets. Therefore, the financing decision is one of the most important factors that directly affects the financial structure in terms of maintaining company ownership. When owners are unwilling to bring in new shareholders, they may force management to resort to other sources, such as borrowing, which will influence the financing mix. Furthermore, the company faces the risk of bankruptcy. Sometimes, owners fear that the company will reach a certain stage of borrowing, as this exposes it to bankruptcy. Therefore, they demand that management determine the financing mix (Zubari, 2023). Samhan (2015) defined capital structure as a company's permanent financing, typically consisting of long-term liabilities such as bonds, equity such as preferred stocks, and retained earnings used by the company to finance its assets. Hammad (2008) defined capital structure as the combination of sources from which an entity obtains funds to finance its investments, thus encompassing all elements that make up the liabilities side, whether long-term or short-term. Dhankar (2019:198) pointed out that capital structure is the method by which a company finances its operations through a mix of equity and debt. This means that it is a combination of long-term financing sources, including common and preferred stocks, bonds, long-term loans, and retained earnings. Determining the required capital structure, which is consistent with the company's policies, is an important decision for financial management, as it is closely linked to the company's value. Capital structure is the permanent financing of the company, primarily comprised of long-term debt and equity. It is clear from the above that one of the important decisions that financial management is concerned with and takes is the decision related to choosing the financing structure in determining the appropriate mix of sources of borrowing and equity funds, i.e. the capital structure.

6.2. Determinants of Capital Structure:

Regarding the determinants of capital, Fadala (2000) believes that they include sales growth rate and stability, returns, company size, asset structure, ownership concentration, project life cycle, dividend policy, and liquidity. Houston & Brigham (2009) believe that the main factors influencing capital structure decisions are business risk, the company's tax status, financial flexibility, and low management. Al-Ardi (2013) also points out that financial-leverage, the cost of capital, and government policy are among the most important determinants of capital structure. Therefore, companies must consider all of these factors when making decisions regarding capital structure and determining optimal sources of financing. This is particularly important when planning for capital structure, as government policies often restrict the movement of large, long-term funds from external sources. Each element of the capital structure has its own cost, so companies must also consider the cost of capital structure when planning.

6.3. Sources of Financing Capital Structure:

Companies seek at various times to obtain funds to carry out their daily operations and expand their future business horizons. To accomplish this task, the following explains the components that make up the capital structure:

6.3.1. Equity: Equity constitutes the most important internal source of the capital structure, as represented by the following (Kazem, 2021):

- Paid-in capital (common stock): Represents the amounts of money the company received from its owners (founders and shareholders) at the beginning of its establishment.
- Reserves: These include the legal reserve, special reserves, and capital reserves.
- Retained earnings: These are the net profits earned by the company in previous years that were not distributed to shareholders or portions of which retained and added to credit resources to meet additional security requirements (Royer, 2017).
- Preferred stock: Preferred stock generally has very specific voting rights, and sometimes-preferred stockholders do not grant voting rights. This type of stock is marketed to the company's founding investors (Juan, 2021).

6.3.2. Long-term financing (Long-term Debt): The funds a company obtains through borrowing to finance its projects, such as long-term debt. Bonds issued by the company are a type of long-term borrowing. They used as a source of financing because they provide advantages and features to the company, such as tax savings. These include the following (Chandra et al., 2019):

- Long-term loans: Long-term loans are loans where there is an agreement between the lender and borrower regarding (maturity date, collateral, interest rate), and the cost of this loan is a percentage of the loan value.
- Bonds: These marketable securities that considered debt instruments whereby the holder of the bond contract undertakes to make future financial payments according to an agreed-upon schedule specified in the bond contract. These payments expire at the end of the bond's maturity (Alifani, Nugroho, 2013). It argued that aligning debt and equity to achieve the optimal financial structure mix reduces the cost of capital.

7. Theoretical Framework of Company's Market Value

7.1. Concept of Company's Market Value:

The topic of corporate value is a fundamental area of corporate finance, and it is of interest to many parties with relationships and interests in the organization. Estimating corporate value is difficult due to its connection to factors specific to its nature. The estimation process is also linked to factors specific to its nature and characteristics. This also includes the perceived benefit of each individual, upon which value is determined. This leads to multiple values attributed to the same company. From the perspective of (Aqoun, Ben Tabboula, 2019), the primary goal of a company is to maximize its market value in order to maintain its position and sustainability. However, the concept of value is unclear and complex, as the value of any asset depends on several factors, including the entity conducting the valuation, the quality of the asset being evaluated, the timing of the valuation, and the purpose of the valuation process. Moreover, (Bou Hadhra, 2012) defines value as the amount paid for an asset, or the right to receive future returns from the use of that asset. Value differs from the price, which represents the amount paid to acquire an asset. Value resides in the essence of the thing, and the exchange process translates into a price. Corporate value (Suissi, 2008) is the amount arrived at by a specialized expert. This amount generally accepted by the various stakeholders at each stage of the measurement process, reflecting the fair value of all the company's resources utilized in its existing organization, given the concept of business continuity. A company's value is determined by evaluating its various financial assets, including common, preferred stocks, and bonds, if they are traded securities. If they not traded, the company as a whole evaluated using a variety of methods.

7.2. Types of Company's Market Value:

There are different concepts of value depending on the areas of use for each type. These are summarized in the following points:

- Market Value: Also known as fair value, it is the most common estimate of value. It is the amount at which ownership of an asset transferred from a seller to a buyer, both of whom have reasonable information about all relevant facts. It is considered one of the most important valuation methods because it expresses the company's value in the market (Hamad, 2008).

- Investment Value: It expresses the value of the future benefits resulting from owning an asset for a specific buyer. This value can vary significantly from one potential buyer to another due to several factors that may influence the buyer's assessment of the company's investment value.

- Goodwill Value: Goodwill is a special type of non-financial asset. It defined as the set of attributes that cannot precisely weighed or measured that attract customers to a particular business. It calculated as the difference between the price paid and the fair market value of the acquired assets, whether tangible or intangible, excluding liabilities (Al-Muhtadi, 2014).

- Book Value: Expresses the historical accounting value of a physical asset after deducting accumulated depreciation and impairment losses, if any. For a financial asset (common share), it is expressed as the result of dividing net equity by the number of common shares, after deducting all liabilities and the corresponding values of preferred shares.
- Value in Use: This is the value of the benefit derived by the investor from the asset, even if it is old and has no exchange value. It is the most common and includes market value, new value, holding value, and exploitation value (Dadden, 2007).
- Liquidation Value: This value obtained upon the forced or compulsory liquidation of an organization's assets for a specific reason. In this case, the asset value risks are appraised at a very low price.
- Insurable Value: This simply represents the value of the perishable parts of an asset, which insured to compensate the owner in the event of a loss.
- Salvage value: The amount that could be realized when an asset is sold or disposed of after it has become useless to the current owner (Suissi, 2008).

The multiplicity of concepts and types of market value of a company emphasizes the importance of market value. It also emphasizes that this difference in market value types is due to differences in the nature of companies' activities and the components of each company's capital structure.

8. Impact of Capital Structure on Company's Market Value

A study conducted by (Aqoun and Ben Taboula, 2019) concluded that a company's high debt and financial-leverage lead to a decrease in its net profit. Accordingly, financing the capital structure with equity is preferable to financing with debt, as the higher the equity ratio over loans, the greater the company's borrowing capacity. A study by Fawzi (2022) concluded that firms that rely on equity for financing are better off than those that rely on long-term liabilities, indicating that the capital structure via equity has an impact on firm value. A study by Samhan (2015) concluded that the value of companies affected by their use of debt in their capital structure, which indicates that capital structure has an impact on the market value of the Jordanian companies under study. A study by Othman (2014) also concluded that as debt increases, the market value of the company increases. This means that Jordanian companies use debt to increase the value of the company rather than increasing their profits. This is further evidence of the impact of capital structure, which relies on debt, on the value of the company. It is clear from the above that the company’s capital structure decisions have a varying impact on the market value of the company, depending on the nature of its business and the economic conditions in which it operate.

9. Methodology of the Study

Researchers adopted an inductive approach to identify the problem of the study, to formulate its questions, and to review previous literature related to study’s topics, in addition to prepare theoretical framework for the study. Researchers also used descriptive analytical approach to analyze the field study data and test the hypotheses to find results and obtain appropriate recommendations. As for the sources of data collection, the primary sources were the questionnaire form which was prepared by researchers to conduct field study. While secondary sources were books, periodicals and theses related to the subject of the study, in addition to the Internet. Regarding study’s limits, objectivity limits of the study represented in its focusing on capital structure and its impact on company value. Moreover, the spatial limits represented by companies listed in Saudi stock of exchange. The human limits represented by some employees in the community of the study. Time limits represented by the current year 2025.

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The statistical program (SPSS) used to analyze the data and to achieve the objectives set within the framework of this study. It is based on the significance level (5%) corresponding to confidence (95%) to interpret the results of the tests that were conducted. Several statistical methods used, the most important of which are the reliability test (Cronbach alpha), descriptive and analytical statistical methods, and percentages. For the study community, it included the employees of some companies listed in Saudi stock of exchange. The study sample selected randomly, while the questionnaire distributed randomly to the study's sample. The sample size was determined with the help of academic expert arbitrators to include various job titles and administrative levels in the sample organizations. (50) Questionnaires were distributed, and (100%) collected and analyzed. Such a percentage of questionnaire's collection and analysis will lead to acceptance of the study's results. Researchers are highly interested in diversity of the study's sample members, diversity of their characteristics and their opinions on capital structure and its impact on company value.

10. Procedures of the Field Study

10.1. Stability and Validity of the Study Tool: To ensure the apparent honesty of the questionnaire, the validity of its phrases in terms of wording and clarity, the questionnaire presented to a number of academic arbitrators and specialists in the field of the study. After the questionnaire returned from the arbitrators, the modifications that suggested were made. The stability and validity test of the questionnaire phrases conducted using Cronbach -alpha and the result was (**0.883**) and (0.906) respectively, which means that there is stability and validity of the data as shown in table (1) below:

Table (1): Alpha Cronbach coefficient of the questionnaire's stability and validity (Source: Information obtained from the output of SPSS program, 2025)

No	Axis	Number of phrases	Stability coefficient	Validity coefficient
1	First hypothesis	5	0.891	0.901
2	Second hypothesis	5	0.871	0.912
	Total phrases	**10**	**0.883**	**0.906**

It is clear to the researcher from table (1) that, the percentage of the stability coefficient and the percentage of the validity's coefficient, according to the split-half coefficient, used the Spearman equation for each of the study's hypotheses separately. The total result is greater than (50%) and very close to (100%), this indicates the power and validity of the questionnaire form, and then the possibility of relying on it in testing hypotheses of the study.

10.2. Data Analysis and Hypothesis Testing: The hypotheses tested by finding the weighted arithmetic means (answer power) and standard deviations for each of the questionnaire phrases. All hypotheses are descriptive questions according to the five-point Likert scale. The variable that expresses the options (strongly agree, agree, neutral, disagree, strongly disagree) ordinal scale. In addition, weighted averages calculated according to Likert scale through a number of steps. Firstly, assigning each value in Likert scale is a specific weight (strongly agree 5, agree 4, neutral3, disagree 2, strongly disagree 1). Secondly find the result by multiplying the number of the sample by the weight, and in the third step find the sum of the totals of multiplication results, then find the arithmetic mean by dividing the sum of the totals of multiplication results in the previous step / the number of the sample, to get the arithmetic mean. For analyzing the sample, there is a so-called hypothetical average, which is equal to the sum of the weights divided by their number (the scale items), that is, the hypothetical mean = (5 + 4 + 3 + 2 + 1) /5 = 3. Accordingly, the averages were distributed according to their positive or negative deviation from the hypothetical mean, and the distribution of the averages becomes as follows (1 to 1.79 strongly disagree, from 1.80 to 2.59 disagree, from 2.60 to 3.39 neutral, from 3.40 to 4.19 agree, and from 4.20 to 5 strongly agree).

10.3. First Hypothesis Testing:

H1: Debt Financing Decisions Affect the Market Value of the Company:

Table (2): The frequency distribution of the responses of the sample members of the study for the first hypothesis terms (Source: Information obtained from the output of SPSS program, 2025)

No	Phrases	Frequency and percentage%									
		Strongly Disagree		Disagree		Neutral		Agree		Strongly agree	
		f	P	f	p	f	P	f	P	f	p
1	Financing through public offerings of bonds affects a company's market value	5	%10	4	%8	3	%6	21	%42	17	%34
2	Using certificates of deposit to obtain financing affects a company's market value	3	%6	3	%6	8	%16	16	%32	20	%40
3	Using corporate bonds to obtain financing affects a company's market value	5	%10	4	%8	6	%12	17	%34	18	%36
4	Obtaining financing through treasury bills affects a company's market value	4	%8	4	%8	5	%10	17	%34	20	%40
5	Obtaining financing through treasury bonds affects a company's market value	2	%4	6	%12	7	%14	17	%34	18	%36

It is clear to researchers from the table (2) Regarding the recurring distribution of the answers of the study sample members to the phrases of the first hypothesis, which stated that, (Debt financing decisions affect the market value of the company), that the majority of the answers were at the levels of “agree” and “strongly agree”.

Table (3): The mean and the mode of the responses of the sample members of the study for the terms of the first hypothesis (Source: Information obtained from the output of SPSS program, 2025)

No	Phrases	Arithmetic mean	Degree of freedom	Chi square	Mode	Statistical significance	Interpretation
1	Financing through public offerings of bonds affects a company's market value	4.00	1	95.44	4	.0000	agree
2	Using certificates of deposit to obtain financing affects a company's market value	3.75	1	120.12	5	.0000	Strongly agree
3	Using corporate bonds to obtain financing affects a company's market value	3.65	2	134.27	5	.0000	agree
4	Obtaining financing through treasury bills affects a company's market value	3.51	1	105.55	5	.0000	Strongly agree
5	Obtaining financing through treasury bonds affects a company's market value	3.85	2	97.81	5	.0000	Strongly agree

Table (3) showed that the Arithmetic mean is in the range between (3.51- 4.00) and mode is in the range between (4 -5). In addition, the values of the Ki square calculated as (95.44 – 120.12 – 134.27 – 105.55 –97.81) with degrees of freedom (1-2), and with the statistical significance for all phrases (0.00), when comparing the level of statistical significance with the permissible level of significance (0.05). It found that the level of statistical significance is less than the level of morale, which means there are differences of statistical significance of the terms of the hypothesis, and these results prove the validity of the hypothesis that stated (Debt financing decisions affect the market value of the company).

10.4. Second Hypothesis Testing:

H2: Equity financing decisions affect the market value of the company:

Table (4): The frequency distribution of the responses of the sample members of the study for the second hypothesis (Source: Information obtained from the output of SPSS program, 2025)

No	Phrase	Frequency and percentage%									
		Strongly Disagree		disagree		neutral		Agree		Strongly agree	
		f	p	f	p	f	P	f	P	f	p
1	Financing through a preferred stock offering affects a company's market value	3	%6	2	%4	9	%18	14	%28	22	%44
2	Using depositary receipts to obtain financing affects a company's market value	3	%6	5	%10	7	%14	13	%26	22	%44
3	Obtaining financing through convertible securities affects a company's market value	5	10 %	4	%8	11	%22	14	%28	16	%32
4	Financing through a public offering of common stock affects a company's market value	4	%8	8	%16	9	%18	12	%24	17	%34
5	Obtaining financing through convertible subscription rights affects a company's market value	3	%6	4	%8	11	%22	10	%20	22	%44

It is clear to the researchers from table (4) regarding the recurring distribution of the answers of the study sample members to the phrases of the second hypothesis, which states that (Equity financing decisions affect the market value of the company), the majority of the answers were at the levels of “agree” and “strongly agree”.

Table (5): The mean and the mode of the responses of the sample members of the study for the terms of the second hypothesis (Source: Information obtained from the output of SPSS program, 2025)

No	Phrases	Arithmetic mean	Degree of freedom	Chi square	Mode	Probability value	Interpretation
1	Financing through a preferred stock offering affects a company's market value	4.00	1	109.43	5	.0000	Strongly Agree
2	Using depositary receipts to obtain financing affects a company's market value	3.92	2	134.11	5	.0000	Strongly Agree
3	Obtaining financing through convertible securities affects a company's market value	3.64	2	124.44	5	.0000	Strongly agree
4	Financing through a public offering of common stock affects a company's market value	3.60	1	88.73	5	.0000	Strongly Agree
5	Obtaining financing through convertible subscription rights affects a company's market value	3.88	2	95.72	5	.0000	Strongly Agree

Table (3) showed that the Arithmetic mean is in the range between: (3.60 – 4.00) and the mode is (5) for all phrases. In addition, the values of the Ki square calculated as (109.43 – 134.11 – 124.44 – 88.73 – 95.72) with degrees of freedom (1-2), and with the statistical significance for all phrases (0.00), when comparing the level of statistical significance with the permissible level of significance (0.05). It also found that the level of statistical significance is less than the level of morale, which means there are differences in statistical significance of the terms of the hypothesis. These results prove the validity of the hypothesis that stated (Equity financing decisions affect the market value of the company).

11. Discussion of the Study's Findings

The primary objective of this study is to understand the impact of capital structure financing decisions on the market value of companies listed on the Saudi Stock Exchange. Moreover, the results of the study showed that capital structure affects a company's market value if it obtains financing through long-term debt. This result agrees with the results of (Ahmed, 2004) study, (Samhan, 2015) study, and the study of (Fawzi's study, 2022), and all these findings approve the validity of the first hypothesis of the study which stated, "Debt financing decisions affect the market value of the company". On the other hand, the study findings showed that, Capital structure affects a company's market value if it relies on equity to obtain the necessary financing. This result agrees with the results of (Aqoun and Ben Taboula, 2017) study, (Kruk, 2021) study and (Al-Kanani, 2023) study, and all these findings approve the validity of the first hypothesis of the study which stated, "Equity financing decisions affect the market value of the company". This study conducted on companies listed on the Saudi Stock Exchange, which operates in favorable economic conditions. Therefore, further research is needed to examine the impact of capital structure on the market value of companies under different economic conditions.

12. Results of the Study

After conducting the field study, the researcher found the following results:

1. Capital structure affects a company's market value if it obtains financing through long-term debt.
2. Financing through public offerings of bonds affects a company's market value.
3. Obtaining financing through treasury bills affects a company's market value.
4. Using certificates of deposit to obtain financing affects a company's market value.
5. Capital structure affects a company's market value if it relies on equity to obtain the necessary financing.
6. Financing through a public offering of common stock affects a company's market value.
7. Financing through a preferred stock offering affects a company's market value.
8. Using depositary receipts to obtain financing affects a company's market value.

9. There is no preference for the impact of capital structure on a company's market value when it obtains financing through debt or equity instruments, as this depends on the nature of the capital composition and the economic conditions in which the company operates.

13. Recommendations of the Study

Based on the results of the study, the researcher recommended the following:

1. Financing through long-term debt increases a company's obligations, but failure to meet these obligations could lead to bankruptcy. This means ensuring the company's ability to meet these obligations is essential when planning its capital structure.
2. The economic conditions surrounding a company determine the nature of the necessary financing sources, so companies must consider this when planning their capital structure.
3. Government policies also affect capital structure, so companies must consider this when planning their capital structure.
4. Companies listed in Saudi stock of exchange should consider Kingdom vision 2030 when planning for their capital structures, so as improve their competitive advantages, for the competitive with international companies that intend to invest in KSA in light of this vision will increase.
5. Need to conduct further research to examine the impact of capital structure on the market value of companies that are working under different economic conditions.

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