The Relationship between Institutional Ownership and Size and Tobin's Q Ratio of Listed Companies in Tehran Stock Exchange

Abolfazl Bagheri Zarch, Abbas Taleb Bidokhti and Alireza Farimani

INTRODUCTION

One of the most significant criteria that are always considered by the shareholders is the value of the company which is always expressed with risk because there is a direct relationship between risk and company returns. Certainly, only the companies with higher value along with less risk or the same risk along with higher value compared with other companies are considered by the shareholders. On the other hand the value and risk of the companies are under the influence of several factors and one of the main factors is the ownership of the company. The fact that what group and people are the main owners of the company is important for the shareholders. Institutional ownership which in fact shows the ownership of large investors such as banks, insurance companies, investment companies etc. has a significant role in this respect. For the same reason this research tries to analyze the relationship between institutional ownership and value and risk of the accepted companies at Tehran stock exchange.

The combination of different companies’ shareholders is different. Stock ownership can be divided into two general groups of institutional investors and non-institutional investors. In other words part of the ownership of the companies is under the control of small shareholders and real persons. These groups mostly depend on the data available for the public such as the published financial statements to supervise over the performance of the managers. This is while another part of the company ownership is under the control of professional shareholders that in contrast to the former type of shareholders have access to valuable internal data concerning the future horizons and trade approaches and long-term investments of the company by direct connection with company managers (Norush and Ebrahimi Khoror, 2006) and this later group of shareholders are called institutional shareholders. According to the definition of Bush institutional investment, large investors such as banks, insurance companies, investment companies etc. are...
On the basis of the aforementioned theoretical bases the present study is an attempt to answer the question that what is the effect of institutional owners and investors on the value and risk of the accepted companies at Tehran stock exchange?

REVIEW OF THE LITERATURE
Noravesh and Ebrahim Korde lor (2006) in a research entitled the study of the relationship between the combination of shareholders and the symmetry of the data and the profitability of the accounting criteria have analyzed the accounting performance. The research findings showed that in companies where there is more institutional ownership, the price of the stock the information about the future profits is the main issue. This finding is proportionate with relative advantage of the institutional shareholders at collecting and processing the data.

Kumar (2003) has studied the relationship between ownership structure and profit division policy in Indian companies. The research findings showed that the art of the company ownership and management is significant and institutional ownership is influential in a reverse way on the divided profit level. No significant relationship between the foreign ownership and the profit division policy was detected.

Jafar Nejad et al (2015) in a research entitled the effect of institutional ownership on value and risk of various companies has analyzed the relationship between the variables of the study. The selected research sample consisted of American companies whose data had been collected from 1998-2012. The results show that where there are more institutional investors there is higher value and less risk.

Roys Malariko and Santa Martin (2011) in a research analyzed the effect of control by the institutional owners mostly (bank foundations and mutual fund) on the value of the company has been analyzed and examined where they considered the right of vote in the hands of the institutional owners and large investors to be considered. The results showed that when the major shareholders consist of a bank there is a negative relationship between the right of vote of the owners and value of the company. This relationship positively influences the mutual fund. In addition to that the presence of major owners when a major institutional owner controls the company the value of the company is on the rise.

Mingazua and Yugado (2007) in a research entitled “does the ownership structure influence the value of the company or not” have studied the effect of ownership structure on the value of the company in Spain from 1998-2000 in capital market of Spain. The research findings showed that there is no significant relationship between the centralization of ownership and the value of the company. They also found out that there is a significant relationship between individual ownership and the value of the company that has not been detected at investment companies.

Abdoleslam et al (2008) studies the effect of the composition of the board and the ownership structure on the profit division policy. In this respect 50 Egyptian companies were analyzed over 2003-2005. The results confirmed the fact that companies with higher rate of income feedback of the shareholders and institutional ownership they divide more profit. In addition to that there is no significant relationship between management board and the policy of profit division.

Jiew Nai (2009) studied the relationship between institutional ownership and the policy of profit division. The research about industrial American companies findings over 1980-2002 show that there is a direct relationship between profit payment and institutional ownership.

Kukiugizani (2009) also analyzed the effect of ownership structure on profit division policy of Tunisian companies. The research findings show that companies with more focused ownership distribute more benefits and there is a negative and significant relationship between institutional ownership and the level of divided profit and the relationship between profit division policy and state ownership.

RESEARCH HYPOTHESES
1. There is a significant relationship between institutional ownership and Q Tobin ratio among accepted companies in Tehran Stock Exchange
2. There is a significant relationship between size and Q Tobin ratio among accepted companies in Tehran Stock Exchange

METHODOLOGY
Studies can be explorative or descriptive or intend to test the hypotheses and this classification is done on the basis of the research goals. On the other hand the research can be divided into causative and correlation. Causative study is done when there is a necessity of establishing cause and effect relationship and if the researcher intends to determine the significant related issues the correlation analysis is required (Danaee fard et al, 2008, p.202). In other words, correlation studies are done to find out the relationship between variables but discovering the cause and effect relationship is not the intended goal (Farhangi and Safarzade, 2007, p.281). Given the purpose of the present study, it is a descriptive study and correlation and the subset of regression analysis. The research data are analyzed via an eclectic method for accepted companies in Tehran stock exchange over the years 2009-2014.

STATISTICAL POPULATION
Population refers to all the people, events and phenomena that the scholar intends to analyze (Danaee fard et al, 2008). In other words population consists of real and imaginary components that the research findings are transferred to them.

In the present study the accepted companies in Tehran stock exchange over 2009-2014 because of being required to provide audited financial statements and data therefore their data were more dependable and were considered as the research data sample.
DATA COLLECTION INSTRUMENTS

Data collection instruments is the exploration of documents and the required data from the audited financial statements of the accepted companies in Tehran Stock Exchange and the information banks of the Tehran Stock Exchange, available software in this respect such as Tadbir Pardaz, Rah Avard Novin and information systems of Stock Exchange organization (e.g. Codal etc.) has been obtained and the research period is over 2009-2014.

DESCRIPTIVE ANALYSIS OF DATA

At the present study the data after being extracted from the information resources and related software were categorized by the use of Excel software and analyzed. The measurement method of each of the variables is discussed at chapter three. Descriptive statistics give a general view of the situation of variables including mean, minimum, maximum, and the number of observations so that users have a general view of the variables and the research data. The obtained data concerning the present study is presented at table 1.

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<table>
<thead>
<tr>
<th>Number of observations</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Full name</th>
<th>Variable symbol</th>
<th>Variable name</th>
</tr>
</thead>
<tbody>
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<td>0.580</td>
<td>770</td>
<td>1.491</td>
<td>Q</td>
<td>Q</td>
<td>Tobin</td>
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<tr>
<td>240</td>
<td>88</td>
<td>95154</td>
<td>1577</td>
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<td>IO</td>
<td>Institutional ownership</td>
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<td>240</td>
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<td>13447</td>
<td>4540</td>
<td>NSH</td>
<td>NSH</td>
<td>Num ber of shares traded</td>
</tr>
<tr>
<td>240</td>
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<td>18.93</td>
<td>Volum e</td>
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</tr>
<tr>
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<td>28335</td>
<td>3302</td>
<td>VSH</td>
<td>Volum e of shares</td>
<td></td>
</tr>
<tr>
<td>240</td>
<td>0.02</td>
<td>50.3</td>
<td>35.6</td>
<td>ROA</td>
<td>Return on Asset</td>
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<tr>
<td>240</td>
<td>10.03</td>
<td>14.00</td>
<td>11.71</td>
<td>SIZE</td>
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</tbody>
</table>

MODEL EVALUATION AND RESULT ANALYSIS

Hsaman test:

At this part in order to determine the fixed effects model or random effects model Hasman test was implemented. According to the obtained findings it can be observed that the possibility of the evaluated F equals 0/1531 and therefore, random effects method is implemented. The findings of the Limer and Hasman show that the random effects will be estimated by the use of board data method.

<table>
<thead>
<tr>
<th>Model</th>
<th>Test statistics probability</th>
<th>Degrees of freedom</th>
<th>Chi-square statistics</th>
<th>Test type</th>
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</thead>
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<tr>
<td></td>
<td>/1531</td>
<td>5</td>
<td>8.056</td>
<td>Hausman</td>
</tr>
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</table>

After determining the estimation method the first model of the research to test the first to third research hypotheses is conducted and the results are presented at table 2.

<table>
<thead>
<tr>
<th>Research model</th>
<th>Significance</th>
<th>t statistics</th>
<th>Indexes</th>
<th>Research variables</th>
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<td>F statistics</td>
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On the basis of the results of the first model of research presented at table 5 F statistics (Fisher test) and since its significance is less than 5% that is (0/012) it can be asserted that the research model is significant with 95% certainty. And also the coefficient of determination equals 0/44 that is the independent variables explain approximately 44% of the changes in the dependent variable. The high rate of the coefficient of determination shows the high explanatory power of the model to determine the changes of the dependent variable by the independent variable. In addition to the abovementioned tests by the use of Durbin and Watson test we can analyze the independence of research error elements. The value of this statistics at reliable
performance is (1/5 - 2/5) which shows the independence of the research components.

**Test of first main hypothesis:**
The first hypothesis of the present research has been codified as follows: There is a significant relationship between institutional ownership and Q Tobin ratio among accepted companies in Tehran Stock Exchange. To test the aforementioned test H0 and H1 statistical hypotheses were codified and the author’s hypothesis is presented by H1. On the basis of the data presented at table 35 and the significance of the t test is less than 0.05 that is (0.009) and it can be stated that there is a significant relationship between institutional ownership and value of the company and the hypothesis put forward by the author is approved at 95% of certitude. Given the variable coefficient at the table there is a positive and direct relationship between dependent and independent variable.

**Test of second main hypothesis:**
According to the second hypothesis:
There is a significant relationship between size and Q Tobin ratio among accepted companies in Tehran Stock Exchange.
To test the aforementioned hypothesis board data method and random effects are implemented to estimate the obtained results of table 3. On the basis of the data available at the table there is a significant relationship between the size of the companies and their value on the basis of Q Tobin criterion because the significance level is less than 5% that is (0.015) and the hypothesis claimed by the author is accepted at 95% that on the basis of the variable coefficient it can be stated that there is a negative relationship between the size and the value of the company.

**CONCLUSION**
In line with the data analysis four research hypotheses were examined and the relationship between the research variables were analyzed in multi-variable regression framework and the obtained results are as follows:

**Results of the first hypothesis test:**
The first research hypothesis is as follows:
There is a significant relationship between institutional ownership and Q Tobin ratio among accepted companies in Tehran Stock Exchange.
H0 hypothesis state that there is no significant relationship between institutional ownership as the independent variable and Q Tobin ratio as the dependent variable and on the other hand H1 states that there is a significant relationship between the variables. The argued hypothesis of the author is stated as H1. The obtained data from the test of hypothesis which are presented at table 3 confirm the researcher hypothesis. Because the significance level is less than t Test that is less than 0.5%. Given the variable coefficient which is positive it can be concluded that there is a positive relationship between the variables. Which means that by the rise of the institutional ownership part at companies, their value is increased.

**Results of the second hypothesis test:**
The second hypothesis is codified as follows: There is a significant relationship between size and Q Tobin ratio among accepted companies in Tehran Stock Exchange.
In order to test the abovementioned hypothesis two H0 and H1 were codified so that on the basis of them the argued hypothesis can be accepted or rejected. The null hypothesis states that there is no significant relationship between size and the value of the company. The hypothesis test results are presented at table 3. The results show that the size has a significant influence on the value of the company and as a result the argued hypothesis of the researcher is approved at 95% of certainty. According to the obtained coefficients it can be stated that the direction of the relation is negative and reverse that by the rise of the size of the company the value of the company gets decreased.

**Suggestions:**
1. According to the research results which has confirmed the significant relationship between company value (on the basis of Tobin Q criterion) and institutional ownership it is suggested that the active companies in the stock exchange by consulting and counseling with the large institutions and foundations try to convince them to buy stocks and make investments so that increase the value of the company and encourage the small and large investors to buy their stocks.
2. On the basis of the obtained results there is a significant and reverse relationship between size and the value of the company. Accordingly, it is suggested to large companies that perform lost of activities simultaneously establish smaller companies and assign the affairs and jobs to them and take the supervision responsibility themselves in order to move towards meritocracy. Independent units with responsibility are more responsive and have more potential to be evaluated.

**Limitations of the study:**
Conducting any research has limitations depending on the administration condition, time and place that considering them would improve the practical results of the research. The present study the same as other studies had a number of limitations as follows:
1. The present study is conducted on the basis of the data from 40 accepted companies in Tehran Stock Exchange over 2009-2014 and does not include all industrial departments present at Tehran Stock Exchange. Therefore, this issue should be considered when generalizing the results of the present study to other companies and industries.
2. In implementing the data from accepted companies in Tehran Stock Exchange the documentary value is considered and the impact of inflation has not been included which needs to be considered.
REFERENCES


[16] Fakhar, H., Taheri , E. S.,(2010)" investigate the relationship between institutional investors and stock return volatility of listed companies in Tehran Stock Exchange”, the Financial Accounting Research,Number 6 , from 159 to 172.


