

Financial Health Effect of Stock Ownership in Companies Listed in Tehran Stock Exchange

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ABSTRACT

This study examines the impact of stock ownership in companies listed on the Tehran Stock Exchange on their financial health. The results of the previous research on the subject indicate that type of stock ownership on the financial health of companies has worked so that no matter how much institutional ownership in the companies is, the more the financial health of companies will be higher. The study population consists of firms listed in Tehran Stock Exchange. After the systematic screening 84 companies were selected, therequire information between 2001 and 2011 was collected. Also, after the breakdown of institutional investor's active and non-active number of these public between declined to 54 companies. To test the hypothesis EVIEWS 6 software was used. The results of this research indicate that institutional ownership of financial health had a significant positive relationship but the ownership of the financial health no significant relationship was found. It is cleared that among active institutional ownership there is no significant relationship between financial health.

KEYWORDS: institutional investors, public investors, financial health, Tehran Stock Exchange.

1. INTRODUCTION

Based on Boshee definition (1998) institutional investors are investors such as banks, insurance companies, investment companies, institute for Pension etc. In this study the influence of the type of ownership of shares including major and minor shareholders (institutional investors) on the financial health of the companies accepted in the stock exchange has been examined. Institutional investors are divided between two active institutional investors and passive institutional investors, and in this division active institutional investors are those that have one or more representative in the board of directors of the Company, and passive institutional investors are those that do not have a representative on the board. (Bushee, 1998). The company's financial health also means on-going profitability and the company's net profit is not random (abedzadehkanafi et al, 2012). In this study, to assess the financial health of the company ROA and ROE indicators are used. It seems that the company that is in a better condition in the above indicators, it will also has a higher financial health.

Considering the lack of research in this area in the country, and considering the fact that the subject of financial health has been less discussed, and the financial scandals in recent years in different countries, it is necessary to discuss the topic of financial health. (Tutor Universe, 2011)

Theoretical and research background

Corporate governance, including a set of communication links the boards of directors of that company; shareholders and other stakeholders are corporate governance also provides a structure that of the goals set giving way to achieve those goals and monitoring performance are determined. Tong and Ning (2004) stated that institutional investors in effective monitoring of management performance individual investors are the real differences they can also access the two multiple data sources information about the company get faster and easy. Mancinelli and Ozkan (2006) stated that institutional Investors individual investors are different from their real because they the number of additional shares companies hold and the amount of additional funds managed therefore, institutional investors key role in monitoring investee companies plays because it takes place in the such regulatory resources more the cost is. Jensen (1986) and Sterling (1988) also expressed Institutional Investors can reduce agency costs effective monitoring will help the company's performance. Shleifer and Vishny (1997) stated that institutional Investors have a positive role in corporate governance this would automatically companies will improve performance. Hessel and Norman (1992) and Kian Poor (2009) stated that institutional Investors according to the enjoyment of top Specialty investment, companies can choose to invest the have a high financial health and are likely future are growing. Velury and Jenkins (2006) examine the relationship between financial health institutional investors have their growth opportunities they define a measure of financial health. their findings showed that firms with higher growth rates capital gains more shareholders to make the result was a significant positive relationship the growth of institutional investors, corporate level there. Dan S. Dhaliwal, Oliver Zhen Li, and Hong Xie (2010) in a research with title "the

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relationship between institutional investors and financial health for 30 years” in the interval from 1989 to 1999 were examined ROA and ROE are indicators of the BTM to assess the financial health of the group. Their results showed that between institutional investors there are significant healths and financial this means that firms with high institutional investors have greater financial health and firms with lower institutional investors have less financial health. In 2011 to review institutional investors, financial health equity investments have value. Their results showed that a positive relationship between institutional investors and the financial health of the company is located. (Shleifer and Vishny (1997).

RESEARCH METHODOLOGY

The research method the target application is the effect of ownership financial health and quality of earnings listed Companies the Tehran Stock Exchange deals. Recent research describes the type of data from survey a casual approach. Firstly, sample type of Ownership and ownership of institutional investors will be divided among the investors. Furthermore, the proposed indicators to assess the financial health (ROA: return on assets, which by dividing the net profit the total value of the company's assets the first period is calculated, ROE: return on equity dividing the net profit the book value of equity the first period is calculated) the quality of corporate profits (according to Penman model by dividing cash operating activities the net profit is obtained) using the information exchange and the fruit of modern software measures will be calculated and paid then, the information gathered, category of the Excel program. In the next step the software program Eviews ease of use high precision and great facilities. The analysis of the combined data it is important, the econometric analysis this model was used. (Bushee,1998).

Population and sample

Statistical population in this study, all companies listed in the beginning of 2001 to end of 2011 the present study have been. Examples of research using systematic elimination, the number 84 was chosen to participate. The breakdown of institutional investor's active and passive sampling was reduced to 54 companies. To collect information the theoretical and research background library method (Internet, publications, e-books and printed) is used. Model estimated based on the combined data the time series data (2001 to 2011) and cross-sectional data (84 companies listed in Tehran Stock Exchange) is. accounting and financial variables the annual financial statements of companies and explanatory notes accompanying financial statements and through database the Tehran Stock Exchange, the fruit of the new financial software tact cash is collected. Then, the information gathered, category of the Excel program. And in the next step software program 6Eviews ease of use high precision and great facilities. The analysis of the combined data it is important, the econometric analysis this model was used. (Kian Poor, 2009)

Research hypotheses and models introduced

Firstly sample of the type of property and ownership of institutional investors will be divided among the investors. furthermore, the proposed indicators to assess the financial health (ROA: return on assets by dividing the net profit the total value of the company's assets the first period is calculated, ROE : return on equity dividing the net profit the book value of equity the first period is calculated) and earnings quality firms using stock info and the fruit of the software will compute the new compass. The main hypotheses: type of ownership (institutional component) financial health of the companies listed on the Tehran Stock Exchange has a significant positive impact.

Model 1

$$1) ROA_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$$

$$2) ROE_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 ROE_{it-1} + \varepsilon_{it}$$

$$3) RR_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 RR_{it-1} + \varepsilon_{it}$$

ROA_{it}: Company's return on assets in year i. t

ROE_{it}: return on equity in the company i.t

RR_{it}: total return on assets and return on equity as a measure of the financial health of a company i in year. t

MN_{it}: ownership of institutional investors in firm i. t

MJ_{it}: i participate in property investment component. t

ε_{it}: represents invisible factors during that time, and at all different companies

Sub-hypothesis 1: ownership of institutional investor's active financial health has a significant positive impact.

Model 1-1

$$ROA_{it} = \delta_0 + \delta_1 MNF_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$$

$$ROE_{it} = \delta_0 + \delta_1 MNF_{it} + \delta_3 ROE_{it-1} + \varepsilon_{it}$$

$$RR_{it} = \delta_0 + \delta_1 MNF_{it} + \delta_3 RR_{it-1} + \varepsilon_{it}$$

MNF_{it}: ownership of institutional investors actively participate in i. t

Sub-Hypothesis 2: The level of ownership passive institutional investors financial health Has a significant positive impact.

Model 1-2

$$ROA_{it} = \delta_0 + \delta_1 MNGH_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$$

$$ROE_{it} = \delta_0 + \delta_1 MNGH_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$$

$$RR_{it} = \delta_0 + \delta_1 MNGH_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$$

MNGH_{it}: institutional investors passive ownership company I in. t

Test hypotheses and findings

the main hypotheses:

Measure of financial health, is (ROA).

1) $ROA_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 ROA_{it-1} + \varepsilon_{it}$

F LYMER test

In this type of test should be paid to this issue that the possibility of combining data among the sample units there is a check or although the parameters each unit will be paid. in the first case considering that the P-Value the confidence level of 95%, equal to (0.026/0) is. in other words, P-Value <0.05 is. Therefore, the null hypothesis that being Polling model (which is against the hypothesis of the intercept it is for all levels), rejected and the hypothesis is accepted. so for each of the sections of (CO), an intercept should be considered separately. Then can be used to estimate the panel method is used.

Table 1 summarizes the test results of the first case F LYMER

P-Value	Statistics	Type of test
0/0026	1/53	F LYMER

Houseman test this section is characterized data to estimate in panel data, which method (fixed effects or random effects) are more suitable. For this purpose Houseman test is used. It is assumed that the fixed effects estimates intercept the same for each of the sections (cooperatives) there is. The intercept for each company is different explanatory variables that can be modeled correlation or not. The results of the test Houseman for the first model, as regards Houseman statistic of 92/02 is and also, the P-Value <0.05 is. therefore, the null hypothesis is rejected reject the null hypothesis H0 shows that way random effects are inconsistent and the use of fixed effects.

Table 2 summarizes the test results Houseman the first case

P-Value	Statistics	Type of test
0/0000	92/02	Houseman test

The fixed effects model, relationship between institutional ownership and ownership of financial health (return on assets) in year T the companies concerned was negative and significant. and increasing a unit the level of institutional ownership and ownership of order to decrease 2954/0 and 3000/0 unit financial health is and also about the financial health in year t and fiscal health in year t-1 positive and has significant and increasing a Unit the financial health of year t-1 increase 4803/0 unit year t is the fiscal health. the correlation coefficient (R2) the results show that explanatory variables are able to model 58% variability explained. since the this model the dependent variable with our continuous we are not valid Watson dorbin and to demonstrate their lack of solidarity the dorbin equation is as follows be used:

$$H = \left(1 - \frac{D.W}{2}\right) \sqrt{\frac{n}{1-n \cdot v(\theta)}}$$

the formula (V (θ is a continuous variable with variance and n is the number of observations. h dorbin if the interval is 1.96 to- 1.96 autocorrelation is rejected (Dutta, 1975). in this model, h dorbin with the 1/31 is autocorrelation is not shown. According to adjusted coefficient of determination (52%), It is clear that the high rate and its Implications model is able to account for and the Fisher F test statistic (89/10) the fit of the regression is valid.

Table 3. Summary of the fixed effects model

P-Value	T-statistics	Standard deviation	Coefficients	Fixed effects model
0/0003	3/5983	9/8066	35/2880	C
0/0026	-3/0243	0/09770	-0/2954	MN _{it}
0/0030	-2/9789	0/1007	-0/3000	MI _{it}
0/0000	12/9817	0/0370	0/4803	ROA _{it-1}
	0/5835			R ²
	0/5299			R ²
	1/91			D.W
	10/89			Fisher

Measure of financial health is,(ROE).

F LYMER test

$$2)ROE_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 ROE_{it-1} + \varepsilon_{it}$$

in the second case as regards the P-Value at 95% confidence level, almost (3347/0) is .in other words, P-Value> 0.05, the in result second hypothesis panel rejected that model pooling of the model.the possibility of combining data the sample units are and only an intercept for all businesses to use.

Table 4summary of test results F LYMER latter

P-Value	Statistics	Type of test
0/3347	1/06	F LYMER

According toPolling model no need to test Houseman model Estimation and Results is as follows:

Table 5 summarizes the findings of the second mode

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/1238	1/5408	0/1362	0/2099	MN _{it}
0/9758	0/0303	0/2294	0/0069	MI _{it}
0/0071	2/6988	0/133	0/3600	ROE _{it-1}
		0/011		R ²
		0/008		R ²
		1/20		D.W

According to the Polling model relation to the property financial health (return on equity)n t the companies concerned not significant, but the relationship between institutional ownership financial health (return on equity) in t the companies concerned 90% confidence level is positive and significant increasing a Unit the ownership of the increase 0/0069 unit financial health is. And also about the financial health in year t and fiscal health in year t-1 is positive and significant. And increasing a Unit the financial health of year t-1 increase 0/0341 unit year t is the fiscal health in the second model because the dependent variable the model is right there interruption, in this model, hcamera with a -0/91 and that there is no autocorrelation measure of financial health, (RR) is.

F LYMER test

$$3)RR_{it} = \delta_0 + \delta_1 MN_{it} + \delta_2 MJ_{it} + \delta_3 RR_{it-1} + \varepsilon_{it}$$

in the third case as regards the P-Value at 95% confidence level, almost (3594/0) is in other words, P-Value> 0.05, then the second hypothesis that panel rejected the ModelPooling of the model. The possibility of combining data among the sample units there are studies and only an intercept bvote for all companies to use.

Table 6 Summary of the Third Test F LYMER

P-Value	Statistics	Type of test
0/3594	1/05	F LYMER

The Polling model no need to test Houseman model estimation results are as follows:

Table 7 summarizes the findings of the third case

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/1059	1/6188	0/1434	0/2321	MN _{it}
0/9611	0/0487	0/2313	0/011	MI _{it}
0/0002	3/7080	0/1223	0/4573	RR _{it-1}
		0/020		R ²
		0/017		R ²
		1/22		D.W

According to the Polling model relationship between institutional ownership the financial health of the companies concerned 90% confidence level is positive and significant and increasing levels of institutional ownership in a unit increase in 0/2321 unit financial health is but the relationship between public ownership and financial health in the company of t no. relation to financial health in year t and year t-1 fiscal health is positive and significant and increasing a Unit quality of earnings in year t-1increase in 0/2787 unit year t is the fiscal health. In the second model because the dependent variable the model is right there interruption, in this model, h camera with a -0/52 and that there is no autocorrelation. Sub-hypothesis 1: measure of financial health, is (ROA).

Table 8 summarizes the test results of Houseman. F LYMER

Model	P-Value	Statistics	Type of test
Panels	0/0001	2/05	F LYMER
Fixed effects	0/0000	81/04	Houseman

Table 9 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	model pooling
0/0001	3/8437	1/2541	4/8205	C
0/2015	1/2792	0/0145	0/0186	MNF _{it}
0/0000	11/6293	0/0418	0/4870	ROA _{it-1}
		0/6611		R ²
		0/6177		R ²
		2/02		D.W
		0/0771		H-D.W
		15/24		Fisher

According to the results, can be said between institutional ownership and return on assets (ROA) as a measure of financial health there is no significant relationship. Measure of financial health, is (ROE).

Table 10: summarizes the test results and Houseman F LYMER

Model Panels	P-Value	Statistics	Type of test
Panels	0/0000	2/13	F LYMER
Fixed effects Panels	0/0000	102/71	Houseman

Table 11 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/0003	3/6216	7/6550	27/7241	C
0/1416	1/4726	0/0941	0/1385	MNF _{it}
0/095	-1/6714	0/0473	-0/0791	ROE _{it-1}
		0/2275		R ²
		0/1287		R ²
		2/24		D.W
		0/939		H-D.W
		2/30		Fisher

According to the results, it said the activist institutional ownership and on equity (ROE) as a measure of financial healththere is no significant relationship. Measure of financial health is (RR)

Table 12 summarizes the test results and Houseman F LYMER

ModelPanels Fixed effects	P-Value	Statistics	Type of test
Panels	0/0000	2/38	F LYMER
Fixed effects	0/0000	116/36	Houseman

Table 13 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/0000	4/3015	8/2745	35/5934	C
0/1536	1/4292	0/1004	0/1435	MNF _{it}
0/7279	0/3481	0/0471	0/0164	RR _{it-1}
		0/299		R ²
		0/2098		R ²
		2/24		D.W
		0/939		H-D.W
		3/34		Fisher

According to the findings can be said among active institutional ownership and total on equity return of assets (RR = ROE + ROA) as a measure of financial health there is no significant relationship. sub-hypothesis 2: measure of financial health,is (ROA) .

Table 14 summarizes the test results and Houseman F LYMER

Model	P-Value	Statistics	Type of test
Panels	0/0001	2/04	F LYMER
Fixed effects	0/0000	81/04	Houseman

Table 15 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/0000	8/7379	0/7578	6/6223	C
0/2198	-1/2289	0/0143	-0/0179	MNGH _{it}
0/0000	11/6572	0/0415	0/4845	ROA _{it-1}
	0/6593			R ²
	0/6157			R ²
	2/02			D.W
	0/0771			H-D.W
	15/12			Fisher

According to the findings, it can be said between institutional ownership disabled and return on assets (ROA) as a measure of financial health there is no significant relationship measure of financial health ,is (ROE).

Table 16 summarizes the test results and Houseman F LYMER

Model	P-Value	Statistics	Type of test
Panels	0/0000	2/13	F LYMER
Fixed effects	0/0000	104/80	Houseman

Table 17 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/0000	10/995	3/7068	40/7596	C
0/1692	-1/3769	0/0920	-0/1267	MNGH _{it}
0/0997	-1/6500	0/0469	0/0774	ROE _{it-1}
	0/228			R ²
	0/129			R ²
	2/24			D.W
	0/939			H-D.W
	2/31			Fisher

According to the findings can be said between institutional ownership disabled and on equity (ROE) as a measure of financial health there is no significant relationship measure of financial health,is (RR)

Table 18 summarizes the test results and Houseman F LYMER

Model	P-Value	Statistics	Type of test
Panels	0/0000	2/13	F LYMER
Fixed effects	0/0000	104/80	Houseman

Table 19 summarizes the results of the fixed effects model.

P-Value	T-statistics	Standard deviation	Coefficients	Modelpooling
0/0000	11/550	4/3241	49/9451	C
0/1536	-1/4292	0/1004	-0/1435	MNGH _{it}
0/7279	0/3481	0/0471	0/016	RR _{it-1}
	0/299			R ²
	0/209			R ²
	2/24			D.W
	0/939			H-D.W
	3/34			Fisher

According to the findings, it can be said between institutional ownership disabled and total on equity return of assets (RR = ROE + ROA) as a measure of financial health there is no significant relationship.

Conclusions

The main hypotheses:

Type of ownership (institutional component) on the financial health of the companies listed in Tehran Stock Exchange has a significant positive impact.

First: If the measure of financial health is (ROA) test this hypothesis in the case of financial health measures is (ROA)itisNegative and significant.Increasing institutional ownership and ownership of a unit in order to reduce the 0/2954 and 0/3000 unit is financially healthy.

Second: If the measure of financial health is (ROE) test this hypothesis in the case of financial health measures is (ROE) and this suggests that Ownership of the financial health of the relationship was not significant but the relationship between institutional ownership financial health is positive and significant unit increase in the level of institutional ownership increase 0/0069 unit is financially healthy.

Third: overall financial health measures are (ROA) and (ROE) .test this hypothesis in the case of ROA and ROE indicators are measures of financial health. This suggests show relationship between institutional ownership of financial health Was positive and significant a unit increase in the level of institutional ownership increase in 2321 / unit is financially healthy. But there is no relationship between the financial health of the property.

Sub-hypothesis 1

between the ownership of institutional investors of active the financial health there is a significant positive relationship. First case: a measure of financial health is (ROA). The test of hypothesis show suggests that between institutional ownership and return on assets (ROA) as a measure of financial health, there is no significant relationship.

Second case: a measure of financial health is (ROE) the results of hypothesis testing, we can say among of active institutional ownership and return on equity (ROE) there is no correlation as a measure of financial health.

Third: a measure of financial health are total (ROA) and (ROE) .results of hypothesis testing when the financial health with indices ROA and ROE are measured this suggests that among of active institutional ownership and all indices ROA and ROE there is no correlation as a measure of financial health.

Sub-hypothesis 2

Between institutional investors passive ownership and financial health there is a significant positive effect.

First case: a measure of financial health is (ROA). According to the results of hypothesis testing in the event that ROA is an indicator of financial health can be expressed that between institutional ownership passive and return on assets (ROA) as a measure of financial health there is no significant relationship.

Second case: a measure of financial health is (ROE) according to the results can be expressed that between institutional ownership passive and return on equity (ROE) as a measure of financial health there is no significant relationship.

third case: a measure of financial health are total (ROA) and (ROE) .according to the results of hypothesis testing we can say that between institutional ownership passive the total return on assets and return on equity as a measures of financial health there is no significant relationship.

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