Investigation the effect of ownership structure, financial leverage, profitability and Investment Opportunity on Dividend Policy

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Abstract

The purpose of this study was to investigate the effect of ownership structure, financial leverage, profitability, firm size and Investment Opportunity on Dividend Policy and firm performance in the 105 companies listed in Tehran Stock Exchange for the period 2010 to 2014, that using multiple regression with controlling determinants on Dividend Policy has been tested. The purpose of applied research and the nature of the event, and a sample of 478 companies listed on the Stock Exchange for the systematic elimination is done. In all statistical techniques have been used Excel Eviews software. The finding show that managerial ownership and profitability there is a significant positive correlation with Dividend Policy. Finding also show that financial leverage there is significant negative correlations with Dividend Payment. But finding no significant correlations with Investment Opportunity and Dividend Policy.

Introduction
Making a decision about interest payment and its amount is an important and controversial issue in the field of corporate management; because in this process of decision-making, the amount of money that should be paid to capitalists and also the amount of money that should be accumulated for reinvestment is specified. One of the topics discussed in financial management is profit sharing. The news related to profit sharing and the changes of dividend in comparison with the previous years is very important to shareholders. Regarding the profit sharing, many theories and viewpoints have been proposed. This issue is also very important to managers and capitalists. Therefore, a part of CEO's power and consideration is focused on a category called profit sharing policy. It can be said that the change of company profit sharing policy gives this message to shareholders and investors: how is the financial situation of the company? Finding the cause of adopting a distinctive profit sharing policy by companies is more important than profit sharing policy. This issue can be helpful for important economical decisions for different groups of beneficiaries specially shareholders.

Despite the development of the ownership domain and the number of shareholders, the corporate control and governance is entrusted to special group of shareholders. Because most of the buying and selling of the company stock by investors is done with the goal of gaining profit in a short term and not with the goal of investing for a long term. Actually, this issue results in the decrease of low-ranking investors' influence in selecting the company board of directors and supervising their performance and the corporate control and governance is entrusted to special shareholders. This issue results in violation of rights and the interests of minority shareholders due to their lack of participation in influential controlling and observing the company and determining the independent managers and auditors. Resolving these insufficiencies needs an appropriate governance system in companies.

Review of the Literature
Foreign Researches
Schmidt et al (2011), in a research called "corporate governance and company value", investigated the influence of the relationship between corporate governance and companies value in 6663 observations in 22 countries from 2003 to 2007. Their findings showed a positive and significant relationship between all the features of corporate governance and also companies' social behavior with company value.
Elenjar (2013), in research called "financial factors determining the cash holdings: evidences from some of the emerging markets", investigated the influential factors on cash holdings in developing countries (Brazil, India, Russia and China). The results showed that the capital structure and the profit sharing policy influence on cash holdings and there are similarities between developing and developed countries in terms of influential factors on cash holdings.
Maria and Jim (2014) investigated the influence of financial reporting quality on the company performance in 17 European countries. In this research, the financial reporting quality is
measured by abnormal accruals and the company performance is measured by ROA and ROE (return on assets and return on equity). They reached to a conclusion that financial reporting quality has a negative influence on company performance and the increase of income resulting from abnormal accruals, which means the decrease of accounting quality, increases ROA.

**Internal Researches**

Rasaeeyan et al (2010) investigated the corporate governance and supervision tools, the level of cash holdings and the performance of companies accepted in Tehran stock exchange. The results of the research showed that there is a positive and significant relationship between the ownership percent of institutional investors and the value of companies accepted in Tehran stock exchange. Sinayi et al (2011) in a research called "the influence of growth opportunities on the relationship between capital structures, dividend and ownership structure with company value" reached to a conclusion that there is a significant relationship between capital structure and dividend with company value and in case of growth opportunities, this relationship is negative and significant. Malekian and Salmani (2014) in a research called "the influence of corporate governance on financial performance" reached to a conclusion that there is no significant relationship between the presence of institutional investors and the twofold role of the CEO with company financial performance.

**Research Hypotheses**

There is a significant relationship between management ownership and the profit sharing policy.
There is a significant relationship between financial leverage and profit sharing policy.
There is a significant relationship between profitability and profit sharing policy.
There is a significant relationship between investment opportunities and profit sharing policy.

**Research Methodology**

This research is based on the actual data of stock market and the audited annual financial statements of companies accepted in Tehran stock exchange. After collecting and classifying the data, the next phase of research process is the analysis of data. At first, the research samples are selected by using the list of companies accepted in Tehran stock exchange from 2010 to 2014. After collecting the required data, Excel and Eviews8 software is used in order to analyze the data. In the next phase, we try to investigate the analytic data descriptively with statistical methods and then the research hypotheses are tested by using multivariate regression method and the simultaneous relationship between independent and control variables with dependant variables is evaluated.
The Research Model
According to the theoretical principles and the research background, Rezekia et al (2013) model is used for testing the research hypotheses.
In this model:

Statistical Society
A sample is consisted of 105 companies from 478 companies accepted in Tehran stock exchange market from 2010 to 2014. The selection of research sample is started from stock site by observing the year in which the company accepted in stock exchange.

Investigating the Quantitative Results from Estimating the Research Model
In order to estimate the research pattern from 2010 to 2014 in the framework of mixed data, at first Chow test bound is used. This test determines the use of pooled model or fixed effects model. If F-statistics is significant in an error level of 5%, the null hypothesis (pooled model) will be rejected and the fixed effects model will be accepted. The results of Chow test are presented in chart 4-4:

<table>
<thead>
<tr>
<th>Description</th>
<th>F-statistics</th>
<th>Error level of 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chow test for investigating the model</td>
<td>356/6</td>
<td>0000/0</td>
</tr>
</tbody>
</table>

Source: research results

As it can be seen in chart 4-4, F-statistics is significant in an error level of 5%. Therefore, Chow test has strongly rejected the similarity of y-intercept in all periods. So, in this test, the kind of data is combinatorial. In the next phase, the fixed effects method is tested against random effects model; Hausman test is used. If computational statistics is significant in an error level of 5%, the random effects hypothesis will be rejected and the fixed effects model will be accepted. In order to investigate the selection of estimation method, the results of Hausman test are presented in chart 5-4:
According to chart (5-4), computational statistics of Hausman test is significant in an error level of 5%. Therefore, the lack of relationship between personal effects and explanatory variables is rejected. So, fixed effects model will be used for estimating the model.

**The results of Estimating the Research Model**

Chart (6-4) shows the results of estimating the parameters of research model. For this model, Durbin-Watson statistics is 2.245 and in an error level of 5%, the disturbance autocorrelation is rejected. The amount of probability related to F-statistics is 0.000/0, which is less than 5%, in order to specify the model. Therefore, the null hypothesis based on the error of model specification is rejected. So, at reliability level of 95%, the significance of model is accepted. The adjusted coefficient of determination of model is 831/0. This statistics shows that almost 83% of the dependent variable changes is described by independent and control variables. According to the model statistics not rejected, the research hypotheses are investigated.

**Chart 5-4: the results of Chow test (F bound)**

<table>
<thead>
<tr>
<th>Description</th>
<th>F-statistics</th>
<th>Error level of 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hausman test for investigating the model</td>
<td>52/483</td>
<td>0000/0</td>
</tr>
</tbody>
</table>

*Source: research results*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Statistics of test</th>
<th>Error probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management ownership</td>
<td>0/467</td>
<td>9/547</td>
<td>0/000</td>
</tr>
<tr>
<td>Profitability</td>
<td>1/552</td>
<td>6/173</td>
<td>0/000</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>-0/183</td>
<td>-13/712</td>
<td>0/000</td>
</tr>
<tr>
<td>Investment opportunities</td>
<td>0/125</td>
<td>1/739</td>
<td>0/083</td>
</tr>
<tr>
<td>Stock price ratio</td>
<td>0/014</td>
<td>3/409</td>
<td>0/001</td>
</tr>
<tr>
<td>cash flow from operating activities</td>
<td>-0/267</td>
<td>-2/4</td>
<td>0/017</td>
</tr>
</tbody>
</table>
Testing the First Hypothesis:
The first research hypothesis is as follow:
There is a significant relationship between management ownership and profit sharing policy.

As it can be seen in chart (6-4), the error level of management ownership is (0/000) and its coefficient is (0/467). Therefore, the first hypothesis in an error level of 5% is confirmed. This means that the variable of management ownership has a positive and significant relationship with the variable of profit sharing policy.

Testing the Second Hypothesis:
The second research hypothesis is as follow:
There is a significant relationship between financial leverage and profit sharing policy.

As it can be seen in chart (6-4), the error level of financial leverage is (0/000) and its coefficient is (-0/183). Therefore, the second hypothesis in an error level of 5% is confirmed. This means that the variable of financial leverage has a negative and significant relationship with the variable of profit sharing policy.

Testing the Third Hypothesis:
The third research hypothesis is as follow:
There is a significant relationship between profitability and profit sharing policy.

As it can be seen in chart (6-4), the error level of profitability is (0/000) and its coefficient is (1/552). Therefore, the third hypothesis in an error level of 5% is confirmed. This means that the variable of profitability has a direct and significant
relationship with the variable of profit sharing policy.

**Testing the Fourth Hypothesis:**

The fourth research hypothesis is as follow:

**There is a significant relationship between investment opportunities and profit sharing policy.**

As it can be seen in chart (6-4), the error level of investment opportunities is (0/083) and its coefficient is (0/125). Therefore, the fourth hypothesis in an error level of 5% is rejected. This means that the variable of investment opportunities has no significant relationship with the variable of profit sharing policy.

**Conclusion**

The results of testing the first hypothesis showed that there is a positive relationship between the ownership percent of management shareholders and dividend. This means that the more the ownership percent of management shareholders such as board of directors and CEO is; the higher possibility of dividend payment will be.

Profit sharing policy is a mechanism for decreasing the agency costs (Rozef, 1982). In the absence of other supervision tools, the profit sharing policy is used for supervising on the issue of agency. If the board of directors and CEO has an influential supervision role, the profit sharing policy is functioned as alternative tool for supervising the agency problems. In contrast, if supervision is inadequate, it is possible that more profit is divided in order to improve the management supervision. The results of this hypothesis are consistent with the results of Maton (2004) and Foroughi et al (2009) and are in contrary to the results of Rasaeeyan et al (2010).

The results of second hypothesis showed that the capitalism structure has a negative and significant relationship with dividend. According to the viewpoint of investment deduction proposed by Mayers (1997) for the first time, high debts have negative influence on company value and result in the managers' tendency toward investing in the profitable projects (Mayers, 1997). The results of this research are consistent with Sinayi et al (2011) and Malekian and Salmani (2014).

The third hypothesis of the research shows the relationship between profitability and profit sharing policy. The results of investigating this hypothesis showed that
profitability has a direct and significant influence on profit sharing policy. The results of this research showed that the amount of profit sharing is increased by the increase of sample companies' profitability. Profitability refers to the company's ability in earning money and profit. Durability and survival of a company in a long term depend on the company's ability in gaining adequate profit for performing all the obligations and providing the appropriate return for major shareholders. Company assets have a major role in gaining profit. The more efficient the assets are used, the more profitable the company will be. Therefore, it can be expected that the companies increase the amount of profit sharing by increasing the profitability in order to do their obligations for shareholders. The results of this research are consistent with the results of Bahramfar and Mehrani (2004), Chalaki (2005) and Asadi and Azizi basir (2008).

The fourth hypothesis of this research investigated the relationship between investment opportunities and profit sharing policy. The results of investigating this hypothesis showed that profitability has no significant influence on profit sharing policy.
References

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