Impact the Investment of Institutional Shareholders of Listed Companies in Tehran Stock Exchange

Solmaz Nourizadeh 1, Elahe Sarfi 2,*

1 Department of Accounting, Damghan Branch, Islamic Azad University, Damghan, Iran
2 Department of Accounting, Damghan Branch, Islamic Azad University, Damghan, Iran

ABSTRACT

The investment affect on institutional shareholders in listed companies on Tehran Stock Exchange were examined. A total of 135 companies during the period 1389 to 1393 were studied. Financial information required by Microsoft Excel software RAHAVARD new 3 extracted and summarized, classified and calculated, and finally through the software 8Eviews, using panel data regression methods were analyzed generalized least squares regression analysis was. According to the statistical procedures conducted in the assumptions are tested reliability. The results showed that the hypothesis that the influence of institutional investors on investment in companies with institutional ownership reliable evidence found at %95.

KEYWORDS
Investment of institutional, Shareholders, Tehran stock exchange, capital expenditure.

INTRODUCTION

Expansion and development capital as well as increase the efficiency of investment firms including issues very important to solve economic problems is the (Arabsalhy and Nori Kazemi, 1393, p. 98). Page 98 financing, investment decisions in circumstances that because the cost of transport and asymmetrical markets, markets are imperfect, gives affected. In such markets, agency problems caused by the interaction between shareholders, creditors and managers can occur and the subsequent incentives to invest more or less the size causes the agency problems may cause a range of investments that are not in shareholders’ interests (Noravesh and Yazdani, 1389, p. 36).

Institutional investors, due to the influence that they can play a key role in management decisions. Institutional shareholders in the transfer of information to other stockholders have in abundance. They can acquire private information from the management and transfer information to others. So institutional investors can have an important role in the choice of financing methods and given that the major ownership are, has significant interests in the company, so they can prevent costly financing are selected. In other words if company executives choose to fund loans if these resources are costly compared to other resources, institutional shareholders can influence management decisions are participating barrier. According to the above, the main research question is whether institutional shareholders have impact on investment? Accordingly, this study deals with these issues. In this study corporate governance in order to reduce the problems related to investment decisions is examined.

INVESTMENT

Investment decision-making process that managers use to identify projects that the value of the company. Use adds, in other words, money managers and employees is the most important task of preparing the capital budget (P.Neveu, 1390). The capital budget is the set of investment projects that have one thing in common, in terms of the efficiency of each of these long-term (over one year) achieved.

It is noteworthy capital budgeting decisions define its strategic direction of a company, because before the company decided to produce new products, or new services provide, or enter new markets, the investment must do. Second, the results of capital budgeting decisions continue for several years will reduce the company's flexibility. Third, weak and inefficient investment can have serious financial consequences. If the company has a very large sum for inefficient investment, the company will face unnecessary costs, depreciation and other costs. On the other hand, if it does not invest enough, its equipment and computer software may not be sufficiently advanced to produce the company could compete. Also, if the company does not have enough capacity, may cede market share to competitors, which would then regain lost customers requires heavy selling expenses, lower sales prices or
improved products that either of these are very costly (Weston and Brigham, 1386). In other words, investment is to spend money to buy securities such as common stock, preferred stock, bonds, etc., financial investment, is a means for people's participation in physical investment. In another definition, the financial investment is to spend funds now look forward to receiving more income in the future. In this definition, there are two important factors: 1-times and 2-risk. Investors can diversify through investment, reduce risk venture ownership of securities.

(Diversify) the risk is reduced when the rate of return on the securities in the investment portfolio are not completely correlated with each other (Ahmadpur Kaskry, 1377).

- **Corporate governance:**

This concept refers to the rule that applies to a public company and according to it, the company's responsiveness to shareholders and other stakeholders of the organizational as well as the lie. Thus, the function of important firms as well as society as a whole counted, and in recent years has attracted the attention of many. This has led to different groups according to their interests and different definitions that provide mental molds (Osman Imam and Malik, 2007: 90). Among these views, addressing the issue of corporate governance is to find a diagnosis and decision-making powers to the fullest in the service manager of a company's shareholders.

This angle is actually directed at owners and managers control costs arising from the opposition represented by the corporate governance structure. In this context Shleifer and Vishny understand the topic of corporate governance procedures that funders know the company gives assurance that their investment returns will be enough (Shleifer and Vishny, 1997: 737). Organization for Economic Cooperation and Development (1998) corporate governance structure of relationships between shareholders, managers and members of the board and responsibilities related to those call.

In terms of the organization of such a structure that is competitive performance required to achieve the primary objectives of the company, provides have delivered. Thus, corporate governance guidance and control system is an company known and its structure and scope of rights and responsibilities of an organization such as the board, managers, shareholders and other stakeholders set screw (Hasas yeganeh and Kazemi, 1386: 54).

- **Institutional ownership:**

According to the literature on corporate governance, institutional investors including banks, insurance companies, pension funds, investment firms and other companies and government agencies that pay to buy and sell securities (Margaritis & Psillaki, 2010: 625).

Institutional investors usually due to having a significant number of shares in the investment firms and the professional ability and incentive to monitor firms have an important loss. They are generally assumed presence of institutional investors may lead to a change in behavior and performance, it is the investors carrying out surveillance activities emanating behalf (Ebrahim kordlor and Shahiki Tash et al., 1389: 84). Shleifer and Vishny (1986), found that institutional investors are more successful in monitoring the performance of the management team. Also, institutional investors have more knowledge and information, they have access to various news sources. Jensen (1986), stating that institutional investors can help to reduce agency costs, the company's performance and monitor equity, Site change to the monitoring company, and eventually, when the control takes place, to defend the interests of shareholders. The investee companies, seems to replace the majority ownership of individual shareholders are more favorable to investment firms. Because Suha major shareholders in the form of legal entities capable of investment decisions, providing better operational and financial decisions.

- **Institutional investors and investment:**

The regulatory and institutional investors alike have the same motives to actively monitor their management. Hence they also impact on the performance of different firms. Accordingly, institutional investors can be divided into two categories: regulatory (supervisory, non-pressure sensitive, active) and non-regulatory (non-observant, sensitive to pressure, passive, temporary) split. Investors supervisory authority for monitoring and controlling the management enjoy higher motivation.

This group of institutional shareholders are more compliant with the hypothesis monitoring (Cornett et al.2007) .Elyasiani & Jia (2010) argue that institutional investors insensitive long term view and long term performance of the company in mind.

So much motivation for representation on the board of the investee company .Low turnover portfolio showed great motivation for these investors to hold stocks and encourage managers to improve operations and enhance shareholders wealth . Porter (1992) states that the shareholders by actively monitoring management decisions, incentives to provide greater accountability management. Under this basis, the more it increases the performance of managers and shareholders will thus improve the performance of firms. Also, Elyasiani & Jia (2010) argue that institutional investors are less inclined to challenge those non-supervisory management. It seems that these institutional investors are more compliant with the hypothesis of convergence of interests. In addition, Porter (1992) suggested that the pressure-sensitive institutional investors, have a high portfolio turnover and trading strategy that moment. For example, a good news and bad news stock purchase shares, sell.

The owner was very important for the current stock price and the short-term perspective and long-term performance of the company's current performance prefer. So much motivation for the monitoring and management of investee companies are represented on the board, because it is unlikely that the interests of surveillance in the short term will accrue to them. In other words, focus on short term performance would put pressure on managers to sacrifice long-term investment and performance in order to maintain short-term profit growth flora. In this respect, the results of Chen et al (2013) showed that if the stock you are our
government is too inefficient and wasteful corporate management and therefore it will be cash flow positive on investment is much higher sensitivity. In contrast, a higher proportion of specialized institutional investors such as banks, manage, improve and as a result of it, the importance of investment fund flows will decrease. A higher proportion of inexperienced shareholders will have the opposite effect. In addition, if the property is built too high, because Jhghgy management, the positive impact this process will be trampled. If investors are very focused, because it may reduce the sensitivity of cash flows to financing costs or improve management. If there are management problems, Stock holdings of government on cash flow, high sensitivity creates. High foreign ownership, when financial constraints there will be no impact on cash flow sensitivity. But when management improves, we will see the effect of reducing this type of stock ownership (Chen et al., 2013).

HISTORY RESEARCH

Poorzamani and KHaridar (1390) study the impact of major institutional investors, conducted on the value of the company. The results showed that the relationship between institutional ownership and firm value. Also, the major shareholder and corporate value in banks and investment funds there is a significant relationship.

Afsharzadeh (1391) study entitled The effect of corporate governance on investment performance did. A total of 102 companies religion during the period of 1389-1384 examined. In this context, and using Richardson (2006) to calculate investment performance, investment inefficiency divided into two categories: over-the low investment and the results of research based on negative assumptions test the independence of board members and over and investment between institutional ownership and low investment. Therefore, the use of two mechanisms of corporate governance can reduce the inefficiency of investment. This research also shows evidence of the relationship between institutional ownership and more investment as well as the independence of the board members did not. The results of this study indicate that corporate governance can increase performance by reducing both over-the low investment in effective investment.

Namazi and Shokrollahi (1392) the interaction between free cash flow, debt policy and ownership structure studied. The results showed that the use of debt to free cash flow risk due to its interactions, the perfect solution for reducing agency costs of free cash flow and increase it is. The focus variables and variable institutional ownership and state ownership has an important negative effect on the risk level of institutional ownership has a positive effect significant free cash flow.

Jiraporn and Gleason (2007) study entitled ‘capital structure, shareholder rights, and corporate governance did. In the relationship between capital structure and corporate governance announced Managers tend to avoid the creation of debt. They also weaker equity firms tend to be financed through debt and a higher debt ratio and because investment managers have expressed the desire to conservative policies. Then the expected bankruptcy costs debt with tax benefits at higher levels of financial leverage their light and heavy. Accordingly, it was found that companies with weak ownership of the shareholders, bond yields are lower at the time of debt And less willing to use debt and credit, and the integration tend to reduce their risks Ben Moussa and Chichiti (2011) examines the role of the ownership structure and debt policy to reduce agency costs of free cash flow paid in exchange Tunisia. The results of their study showed that companies with problems more investment, more financial leverage and financial leverage are consistent with the hypothesis of free cash flow effect of significantly negative free cash flow. In addition, property managers and state ownership has a negative impact on free cash flow and free cash flow risk, however concentration of ownership increases. However, institutional ownership had no significant effect on free cash flow.

Belghitar & Khan (2013) study the mechanisms of governance, collection and investment opportunities in small and medium companies have cash holdings. The aim of this study was to investigate the relationship between company characteristics and governance mechanisms to keep cash resources for a sample of England small and medium companies. The results show that the British small and medium companies with more cash volatility and institutional investors, who hold more cash, while small and medium companies with non-executive ownership, cash, they are less maintenance. The results also indicated that the ownership structure described only source of cash for companies with high growth investment opportunities is important, and financial leverage explained only in cash held by companies with low growth investment opportunities is important. The results show that internal governance mechanisms for SMEs with high growth investment opportunities more effectively, while the external governance mechanisms, such as monitoring the capital market, investment opportunities are more effective for firms with low growth.

RESEARCH HYPOTHESIS

1. Institutional shareholders to invest in listed companies in Tehran Stock Exchange impressive.

DEFINING AND MEASURING VARIABLES

A concept that is variable over two or more of the value or number assigned to it.

- The dependent variable:

**Investment**: the dependent variable investment. The use of resources to develop investment and value creation. In this study, the purpose of investment, capital expenditures on fixed assets is conducted according to the company's growth and prosperity. To measure the variables of corporate capital expenditures (funds to pay for Acquisition of fixed assets in the statement of cash flows) be used (Marchica & Mura, 2010, Rahmani et al., 1391). One of the most important companies in fixed assets, non-cash exchanges. Other studies have indicated that the exchange of non-cash, has been limited. Of non-cash exchanges, to measure investment is negligible (Rahman et al., 1391).
Therefore, in this study, as well as non-cash exchanges, to measure investment is negligible. In this study is to evaluate the investment of capital expenditures.

- **The independent variable:**
  
  **Institutional investors:** according to the definition (Bushi, 1998), institutional investors, big investors such as banks, insurance companies, investment companies and so on.

  In other words, the purpose of the institutions that are institutional investors buying and selling large amounts of stocks involved. In this study, institutional investors include banks, insurance companies, investment firms and .... Based on existing literature, banks, insurance companies, pension funds and investment companies are considered part of institutional investors.

- **Control variables:**
  1. Tobin's Q ratio or growth opportunities:
     To calculate the growth opportunities of the equation (3-3) is used.
     \[
     Q_{it} = \frac{MV_{it}}{BV_{it}} \quad (3-3)
     \]
     \(Q_{it}\): growth opportunities for the company i in period t;
     \(MV_{it}\): the market value of asset i in period t;
     \(BV_{it}\): the book value of asset i in period t

     The ratio of market value to book value of assets and also represent a variable prospective managers' perceptions of the value of the Company, the Company could have an impact on investment (Sadidi and Mohammadi Saniany, 1393).

  2. Percent shareholder: To measure this variable percentage rate considered to be the largest shareholder in each company.

  3. Board independence: This variable is the ratio of non-board members to the board members is obtained.

  4. Board size: To measure this variable is obtained from the total number of board members.

  5. Operating cash flow ratio: This ratio is obtained by dividing the operating cash flow to total assets.

  6. Sales ratio: This ratio is obtained by dividing sales by total assets.

  7. Return on assets: This variable is derived by dividing the net profit to total assets.

  8. Firm size: the natural logarithm of this variable to calculate the market value of equity is considered (market value of equity is obtained by multiplying the number of shares participating in the stock market price).

**RESEARCH MODEL**

The following models are used to test the hypotheses.

**Model**

\[
I_{it} = \beta_1 + \beta_2 IO_{it} + \beta_3 Q_{it} + \beta_4 Topshare_{it} + \beta_5 Indepen_{it} + \beta_6 BSize_{it} + \beta_7 CF_{it} + \beta_8 Sales_{it} + \beta_9 Roa_{it} + \beta_{10} Size_{it} + \epsilon_{it}
\]

Here:

\(I_{it}\): investment firm i in period t;
\(IO_{it}\): institutional shareholders i in period t;
\(Topshare_{it}\): Percentage largest shareholder for the company i in period t.
\(Indepen_{it}\): independence of the board of the company i in period t.
\(CF_{it}\): the company's operating cash flow i at time t.
\(Sales_{it}\): sales i in period t.
\(Roa_{it}\): return on asset i in period t.
\(Size_{it}\): size of company i in period t.
\(\beta\): constant variables and models
\(\epsilon_{it}\): the model erro

**RESEARCH DOMAIN**

Each article should include a specific domain to researchers at all stages of research. Surrounded enough research on the subject and the results of the sample can be applied to society.

- **Territory research topics:**
  - The objective of this study was to investigate the effect of institutional property investments in listed companies in Tehran Stock Exchange is.

- **This spatial domain:**
  - Place territory included all the listed companies in Tehran Stock Exchange.

- **Once the domain of research:**
  - When the scope of this study is limited to 5 years from the beginning of fiscal year 1389 to 1393.

**STATISTICAL SAMPLE**

The sample consists of a limited number of sections of the population, which represents the main characteristics of the population (Hafeznia, 1387). In this research, sample selection, taking into account the following restrictions have been set. All companies that have the following conditions:

1. The company must be involved from 1389 to 1393 in stock.
2. the banks and financial institutions (investment companies, financial intermediaries, holding companies and leasing) not because of the financial information disclosure and corporate governance structures are different.
3. In order to be comparable information, the fiscal year ending 29 March.
4. Trading interval not more than 4 months.
5. financial information necessary to extract the required data is available.

**METHODS OF DATA ANALYSIS AND HYPOTHESIS TESTING**

In this study, descriptive and inferential statistical procedures used are described in detail in the following. After collecting data, the first step is to calculate the descriptive statistics of the variables used. This statistic includes the mean, median, standard deviation and other information is.
After reviewing the descriptive statistics, hypothesis using statistical methods understood that these methods are mentioned below, are tested.

Since the linear models used in this study included regression models, so in this section give a brief description of the models and assumptions about the type of classical addressed. The availability of data for econometric analysis should be considered correct.

**HYPOTHESIS TEST**

- The results of the model
  
  H0= Institutional shareholders to invest in companies listed on the Tehran Stock Exchange gets involved Not impressive.
  
  H1= Institutional shareholders to invest in companies listed on the Tehran Stock Exchange is effective.

The third model is the results of the following table.

\[
I_{it} = \beta_1 + \beta_2 IO_{it} + \beta_3 Q_{it} + \beta_4 Topshare_{it} + \beta_5 Indepen_{it} + \beta_6 BSize_{it} + \beta_7 CF_{it} + \beta_8 Sales_{it} + \beta_9 RoA_{it} + \beta_{10} Size_{it} + \epsilon_{it}
\]

Tab. 1. Statistical summary table model test results

<table>
<thead>
<tr>
<th>VIF</th>
<th>T-statistic</th>
<th>Standard deviation</th>
<th>Coefficients</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>----</td>
<td>------</td>
<td>-4.432</td>
<td>0.282</td>
<td>-1.251</td>
</tr>
<tr>
<td>1.13</td>
<td>0.125</td>
<td>1.538</td>
<td>0.110</td>
<td>0.169</td>
</tr>
<tr>
<td>1.03</td>
<td>.0786</td>
<td>-1.762</td>
<td>0.001</td>
<td>-0.002</td>
</tr>
<tr>
<td>1.15</td>
<td>0.540</td>
<td>-0.614</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>1.09</td>
<td>0.370</td>
<td>-0.897</td>
<td>0.040</td>
<td>-0.036</td>
</tr>
<tr>
<td>1.02</td>
<td>0.631</td>
<td>0.481</td>
<td>0.017</td>
<td>0.008</td>
</tr>
<tr>
<td>1.40</td>
<td>.655</td>
<td>-0.447</td>
<td>0.005</td>
<td>-0.002</td>
</tr>
<tr>
<td>1.47</td>
<td>0.387</td>
<td>-0.866</td>
<td>0.002</td>
<td>-0.002</td>
</tr>
<tr>
<td>1.19</td>
<td>0.000</td>
<td>-3.377</td>
<td>0.083</td>
<td>-0.280</td>
</tr>
<tr>
<td>1.11</td>
<td>0.000</td>
<td>6.104</td>
<td>0.045</td>
<td>0.274</td>
</tr>
<tr>
<td>1.991753</td>
<td>Durbin Watson</td>
<td>7.95888</td>
<td>F Fisher test (level of significance)</td>
<td></td>
</tr>
<tr>
<td>0.599046</td>
<td>Adjusted coefficient of determination (0.0000)</td>
<td>The coefficient of determination</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Determining the existence of multicollinearity:

The time line shows a situation in which an independent variable is a linear function of other independent variables. If the linear regression equation is high means that there is a high correlation between independent variables and may be elevated, not a model of high validity. According to the last column VIF value for all variables less than 10 (VIF <10) respectively. So there is no alignment between the independent variables. It is the fitted model has been validated. In addition to the research hypothesis based on the results obtained, we must ensure the accuracy of the results. In order to determine the significance of the F-test was used. F statistic is calculated according to the probability (0.0000), it can be argued that the fitted regression model is significant.

According to determine the coefficient of the fitted model can be claimed, about 68 percent of the variation in the dependent variable explained by the independent variables occurs. The estimated coefficient independent variable institutional shareholders IO table indicates the absence of a significant relationship between institutional investors and investment is at the level of 0.05. Because the p-value calculated for independent variable factor, more than 0.05 is obtained. (0.125) We can say that between institutional investors and investment there is no significant relationship at %95. The estimated coefficient for control variables Q (grow) Table indicates the absence of a significant relationship between growth opportunities and investment is at the level of 0.05. Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is obtained. (0.0786) So it can be said that the growth opportunities and investment at% 95 there is no significant relationship. The estimated coefficient for variable control of TOPSHARE (percent shareholder) Table indicates the absence of a significant relationship between the level of 0.05 percent and investment is the largest shareholder. Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is obtained. (0.540) so it can be said that the largest shareholder and investment between the percentage at %95, there is a significant relationship. The estimated coefficient for variable control of INDEPEN (independence of the board) table indicates the absence of a significant relationship between board independence and investment is at the level of 0.05.

Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is obtained. (0.370) We can say that the independence of the board and there is no significant relationship between investment at %95. The estimated coefficient for variable control the size of the board BSIZE table indicates the absence of a significant relationship between the size of the board and investment is at the level of 0.05. Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is obtained. (0.631) We can say that the size of the board and there is no significant relationship between investment at %95.

The estimated coefficient for variable control of cash flow CF table indicates the absence of a significant relationship between cash flow and investment is at the level of 0.05. Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is
obtained.  (0.655) so it can be said that cash flow and investment, there is no significant relationship at %95.

The estimated coefficient for variable control of Sales SALES table indicates the absence of a significant relationship between sales and investment is at the level of 0.05. Because the p-value calculated for the coefficient of this variable control of an investigation, more than 0.05 is obtained. (0.387) so it can be said that the sale and investments at 95% there is no significant relationship.

The estimated coefficient for variable control ROA return on assets, return on assets and investments in the table indicates a significant relationship between the level of 0.05. Because the calculated p-value for the variable control of an investigation coefficient of less than 0.05 is obtained .(0.000) so it can be said that the return on assets and investments at 95% there is a significant relationship. The estimated coefficient for control variables firm size SIZE Table indicates a significant relationship between firm size and investment is at the level of 0.05.

Because the calculated p-value for the variable control of an investigation coefficient of less than 0.05 is obtained .(0.000) so it can be said that the size of the company and invest significant relationship at %95. The lack of correlation remainder of the Durbin - Watson is studied. Camera test - Watson showed no correlation between the numbers remaining 1.5 to 2.5 (1.991753).

CONCLUSION

Given the changes that have occurred in today's world, especially in developing countries that are faced with numerous threats .This country to solve its economic problems needs proper planning to make the most of their God-given resources and riches are .In this regard, one of the main strategies, expansion and development investment .One of the most important economic decisions, investment decisions. Identify factors influencing the investment growth on the one hand reduces the amount of stray liquidity and inflation and the other is to increase the level of corporate performance leads to an increase in investor wealth One of the most important factors influencing investment growth, financial resources. Because investment decisions quickly and accurately requires adequate resources and financial situation is appropriate. Firms with less future growth opportunities should avoid taking out cash poor projects.

Since the managers, the lever selected based on confidential information, they can be used to leverage growth opportunities. For this purpose the effect of institutional ownership of investment firms listed in the Tehran Stock Exchange were examined. On the other hand one of the existing mechanisms to reduce the financial problem between shareholders and managers in capital markets, corporate governance system is based on the assumption that institutional ownership in companies with investments there ,was raised. In order to test the hypothesis of the study sample of 135 listed companies in Tehran Stock Exchange during 1389-1393 were selected. Data required for calculating variables, databases, known as “Tadbirpardaz” and “Rahvardnovin” is extracted and in cases of incomplete data in these databases, archives and libraries manually in Web site management, development and Islamic studies was referring stock exchange.

The EvIEWS software was used to estimate the research models.

REFERENCES


