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Effects of changes in ownership on performance indexes in automotive industry and parts in Tehran Stock Exchange

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Abstract: In financial literature and texts, the relationship between ownership structure and companies performance has been the focus of many researchers, however, consensus on the nature of the relationship has not been established. On the other hands, some of capital structures give the possibility to some investors to access the amount of inappropriate control with the ownership that they have in companies. All these factors might be effective on companies' performance. The main reason to select the issue is also limited researches about ownership on performance in Tehran Stock Exchange and inconsistent and sometimes contradictory in the results of previous research in economic environment of Iran. In fact, the type of ownership in firm and or a company can have different effect on industry performance and the study of this issue in stock companies has high importance and necessity. The method has been used in this research is data panel for period of the year 2006 to 2012 and the variables have been used in this research are as follow: dependent variable: profitability indexes (ROE, RoA, Q tobin), independent variables: different ownership indexes, control variables: asset logarithm, debt logarithm. The results show that different ownership indexes of automotive industry and parts companies in Tehran Stock Exchange has significant effect on different variety performance index. The effect of two variables institutional ownership and ownership of largest shareholder has had significant and positive effect on different performance index. This means that whatever institutional and real ownership increased, the efficiency of company will be improved and monitoring of private sector increase, profitability indexes and performance will be increased. Also results show that asset logarithm has positive effect and debt logarithm has negative effect on performance index. This means that increase in debt ratio has increased the risk and decrease in assets is caused to destroy the investors view and finally profitability index is decreased.

Key words: *Ownership structure; Institutional ownership; Return of income of shareholders; Return of all assets; Q tobin ratio; Data panel*

1. Introduction

Some of capital structures give the possibility to some investors to access to the amount of inappropriate control with the ownership that they have in company. All these factors might be effective on companies' performance, because many investors in assess the cost-benefit enforce their property may conclude that with using of the logical amount of analysis can reach to financial return and more capital growth. Therefore, the type of ownership on stock companies performance is important.

For many years, it was assumed in economic that all groups in stock company are working for a common goal. However, in the past thirty years, many cases of conflicts of interest between the groups and how to deal with these conflicts have been presented. Development of share companies with over time leads to emerge and increase cortical owners of capital who have no direct operation in controlling companies and they supervise the company affairs by selecting the board of directors. The basic criteria for deciding on stock are profitability indexes. Profitability indexes itself have information content and most actual and potential investors use them in financial analysis and predictions. Therefore, considering the effective variables on them are very important in the Stock Exchange member companies. One of the important effective variables on profitability index is type of ownership. According to the contents in above, the relationship between ownership and performance index of automotive and a parts company is the issue of research and it has been dealt with this issue.

2. Literature and background of the study

2.1. Shareholders ownership and companies' performance

The effect of ownership identity and companies' performance is not easy to explain, because, there is two main views about it. The first major argument is incentive alignment of interests. This argument expresses that increase in internal ownership in one company can improve the company's performance, which this means better alignment in interests between shareholders and managements (Jensen

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and Meckling, 1976). The positive effects of ownership of domestic shareholders on company's performance are caused by alignment of interests between shareholders (owners) and managements. The ownership of domestic shareholders can almost solve the problems in branch because;it can separate the issue of ownership from control. The own owners are also the owner of some shares of company and they are following to maximize the value of the company and shareholders' interests because, this issue depends on their interests. This argument also has been followed by many other writers. For instance, it can be noted to the researches which have been done by Mcconnell and Srvas(1990 and 1995), Dennis and Mcconnell (2003) and Moork and et al (1998) which have shown that the ownership of domestic shareholders can have positive effects on company's performance. Williamson (1964) is also one of the initial founders in this argument. He recommends that the owner of non-domestic shares can determine interests better than the owner of shares. Consequently, domestic ownership has positive relationship with companies' performance during the critical period (Lio and et al, 2012).

Another argument in this issue is as entrenchment discussion which expresses that the ownership of most domestic shareholders might lead to decrease the companies' performance because; when companies' insiders have more share of company, they will have more power which they might not consider other shareholders. Therefore, they will be so reach and they may have no longer incentive to maximize their profit (Moork, Shifler and Vishni, 1988). When domestic owners have considerable shares of company, they will have more freedom to maximize their profit. On the other words, insider owners seek to stabilize their situation in some parts (Demsetz, 1983, Dennis and Mcconnell, 2003, Shifler and Vishni, 1997).

2.2. Background of the study

Saeedi and Ghohi (2012), in an article entitled "ownership structure and companies' performance", show that there is no any relationship between different variety of ownership and performance, however, a significant linear relationship and inverse obtained between holders of more than 5 percent of company shares and its performance in generalized regression model and other effect of ownership structure indexes, it means the amount of ownership of real and legal shareholders and largest shareholder on company's performance was not confirmed.

Mohammadi and et al (2010) in an article entitled "the effect of ownership structure (concentration and combination) on return and accepted companies' value in Tehran Stock Exchange" the related results to the effect of type of ownership test show that unlike inverse relationship between return of shares and the ratio of government ownership, the relationship between ratio of individual ownership, company and private with return, is direct and significant. However, the ownership concentration variable has still direct linear relationship with return of shares in all models. The test of relationship of type of ownership with company value also leaded to similar results with what it is mentioned about return.

MarinkeScholten (2014) in an article entitled "ownership structure and companies' performance: evidences from the Netherlands country" the main findings of this research show that there is significant experimental evidence from second degree effect of ownership concentration on companies' performance that is calculated with using of ROA index. At the beginning with increase in ownership concentration, companies' performance starts to improve. Then, at the certain point (when ownership concentration reaches to almost 48 percent) the company performance starts to reduce. In relationship with effectiveness of internal shareholders concentration on companies' performance, the results are less convincing.

Yigit and Anil (2012) in an article entitled "the effect of management structure and ownership on variability of behavior: a survey of businesses of selected companies on the Stock market in Istanbul" the results show that the studied companies have had degrees and percents of variety ownership. Also, the findings show that the attention to ownership percentage is increased to compare with business percentage in mentioned companies.

3. Research model and research variables

This research is functional in terms of goal and it is analysis description in terms of the research method. For collecting the material related to literature of topic, the library method like books, magazines, and article is used and for estimating the pattern, data panel method is used for companies of Tehran Stock Exchange.

The used model in this research is as below:

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5 + \alpha_6 X_6 + \alpha_7 X_7$$

Research variables

Dependent variable is profitability index (ROE, RoA.Qtobin)

Independent variable:

Ownership index (the ownership of shareholders up to 5 percent, institutional ownership, ownership largest shareholder)

Control variables: asset logarithm, debt logarithm

4. Pattern estimation

Three patterns are estimated in this research and the effect of ownership on different indexes of performance is studied.

4.1. First pattern estimation

At the beginning two tests F Limer and Hasman are done that data panel method and fix effect method is selected (Table 1, Table 2 and Table 3).

Table 1: F Limer

Result	Probability	Statistic
Confirm data panel method	0.0001	11.082875

Source: research findings

Table 2: Hasman

Probability	Statistic	Freedom degree	Result
0.0001	56.626160	5	Fix effect

Source: research findings

Table 3: the results of estimation of combination regression for the years 2006 to 2012 (dependent variable ROA)

Coefficient of significant	statistic	Deviation criteria	Coefficient	Variable
0.0001	6.972895	0.171254	1.194139	c
0.0001	-6.798230	0.045932	-0.312255	Debt logarithm
0.0001 0.0061	7.862615 2.907544	0.011696 0.008298	0.091958 0.024128	Asset logarithm Ownership of largest shareholder
0.0112	1.959189	0.01648	0.032287	Ownership of institutional shareholder
0.0213	2.061310	0.026545	0.054717	Ownership of total shareholder up to 5 percent
Determine coefficient R^2	0.808426	Statistic of Durbin Watson	1.902500	
Adjusted R^2	0.768003	Statistic F**Error! Bookmark not defined.** Significant of statistic F	19.99879 0.0001	

Source: research findings

Determined coefficient in amount of 80 percent shows the power of explanation. The results indicate that one percent change in debt ratio variable caused -0/312255 percent decrease in dependent ROA variable. One percent change in asset logarithm caused 0/091958 increase in dependent ROA variable. One percent change in ownership of largest shareholder variable caused 0/024128 increase in dependent ROA variable. One percent change in ownership of institutional shareholder caused 0/032287 increase in dependent ROA variable. One percent change in ownership of total shareholders up to 5 percent variable caused 0/054717 increase in dependent ROA variable.

At the beginning two tests F Limer and Hasman is done and data panel method with fix effect method is selected (Table 4, Table 5 and Table 6).

Table 4: F Limer

Result	Probability	Statistic
Confirm data panel method	0.0001	8.696871

Source: research findings

Table 5: Hasman

Probability	Statistic	Freedom degree	Result
0.0040	17.290324	5	Fix effect

Source: research findings

4.2. Second pattern estimation

Table 6: the results of estimation of combination regression for the years 2006 to 2012 (dependent ROE variable)

Coefficient of significant	Statistic t	Deviation criteria	Coefficient	Variable
0.0001	7.274060	0.626155	4.554687	C
0.0442	-2.300669	0.022798	-0.052450	Debt ratio
0.0001	7.647443	0.042097	0.321932	Asset logarithm
0.0402	1.957973	0.010991	0.021521	Ownership of largest shareholder
0.0515	1.935656	0.005989	0.011592	Ownership of institutional shareholder
0.0053	5.668402	0.005488	0.031107	Ownership of total shareholder up to 5 percent
Determine coefficient) R^2(	0.620046	Statistic of Durbin Watson	1.800868	
Adjusted R^2	0.539872	Statistic F Statistic of significant$F$	7.733780 010/00	

Source: research findings

Determine coefficient in amount of 62 percent shows the power of explanation. The results indicate that one percent change in debt ratio variable caused -0/052450 percent decrease in dependent ROE variable. One percent change in asset logarithm caused 0/321932 increase in dependent ROE variable. One percent change in ownership of largest shareholder variable caused 0/021521 increase in dependent ROE variable. One percent change in ownership of institutional shareholder caused 0/011592 increase in dependent ROE variable. One percent change in ownership of total shareholders up to 5 percent variable caused 0/031107 increase in dependent ROE variable.

4.3. Third pattern estimation

At the beginning two tests F Limer and Hasman is done and data panel method with fix effect method is selected (Table 7, Table 8 and Table 9).

Table 7: F Limer

Result	Probability	Statistic
Confirm data panel method	0.0001	15.950641

Source: research findings

Table 8: Hasman

Probability	Statistic	Freedom degree	Result
0.00001	73.477914	5	Fix effect

Source: research findings

Table 9: the results of estimation of combination regression for the years 2006 to 2012 (dependent Q- tobin variable)

Coefficient of significant	Statistic t	Deviation criteria	Coefficient	Variable
0.0001	11.59758	0.16593	1.924385	C
0.0001	-6.518100	0.052845	-0.344449	Debt ratio
0.0001	12.51969	0.010975	0.137408	Asset logarithm
0.0408	2.106807	0.024278	0.051150	Ownership of largest shareholder
0.0196	2.810216	0.011552	0.032463	Ownership of institutional shareholder
0.0559	1.946743	0.007836	0.015254	Ownership of total shareholders up to 5 percent
Determine coefficient) R^2(	0.770341	Statistic of Durbin Watson	1.862869	
Adjusted R^2	0.721881	=statistic F =statistic of significant F	15.89640 0.000001	

Source: research findings

Determine coefficient in amount of 77 percent shows the power of explanation. The results indicate that one percent change in debt ratio variable caused -0/344449 percent decrease in dependent Q- tobin variable. One percent change in asset logarithm caused 0/137408 increase in dependent Q- tobin variable. One percent change in ownership of largest shareholder variable caused 0/051150 increase in dependent Q- tobin variable. One percent change in ownership of institutional shareholder caused 0/032463 increase in dependent Q- tobin variable. One percent change in ownership of total shareholders up to 5 percent variable caused 0/015254 increase in dependent Q- tobin variable.

5. Conclusion and Recommendation

The results show that different indexes of ownership of automotive industry and parts companies in Tehran Stock Exchange have had significant effect on different varieties of performance index. The effect of two variables institutional ownership and the ownership of largest shareholder has had significant and positive effect on different performance indexes. This means that whatever institutional and real ownership are increase, the efficiency of company will improve and whatever the control of privacy part is increased, profitability indexes and performance will increase. On the other hand, increase in the percentage of highest shareholder and the presence monopoly in a kind of particular shares indicates the absence of kind of fluctuations in that shares, on the other words, big shareholder can be effective for confronting with fluctuations and decrease in income and etc. this issue causes to increase the profitability indexes. Also, results show that the effect of control variable of debt logarithm on performance indexes is significant and negative, this means that increase in debt is increased the risk and finally profitability indexes is decreased. The results also show that the effect of control variable of asset logarithm on performance logarithm is significant and positive.

In order to increase profitability indexes of automotive industry and parts companies in Tehran Stock Exchange, increase in ownership of shareholders up to 5 percent is recommended. In fact, the stock management can increase the profitability indexes with increase the ownership of shareholders up to 5 percent which will carry a kind of optimism and reduce the risk for shareholder. This policy is taken with considering overall state of stock structure and the ownership of Stock companies, because monopoly can have particular problem of efficiency and reduce the production.

In order to increase the profitability indexes, it is recommended to use institutional ownership index as a preservative for financial indexes and with connection to institutional companies increase the future of profitability indexes with reducing risk.

According to the results of hypothesis test, it is recommended to use institutional investment to reduce the investment risk.

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