

# Assessing the relationship between ownership structure and divined policy on subject of companies listed in Tehran Stocks Exchange

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**ABSTRACT:** Need to a cooperate governance roots in agency problem. cooperate governance system provides an opportunity to control and developing balance between benefits of managers and shareholders and consequently decrease agency conflict. The main objective of this study is "assessing the relationship between ownership structure and divined policy on subject of companies listed in Tehran Stocks Exchange within an interval of 2008-12. So ownership structure (institution ownership, management ownership, cooperate ownership and ownership concentration) as independent variables and divined policy as a dependent variable is regarded, meanwhile company size and financial leverage are regarded as control variables. Library method is recruited on theory principles part to collect data while document mining is applied on hypothesizes test. Correlation method and multi- variables Regression are used as analysis methods. The results of study showed there was an inverse and significant relationship between management ownership, institution ownership and ownership concentration in respect to divined policy, while no significant relationship was observed between cooperate ownership and divined policy. The results of control variables showed financial leverage have an inversed relationship and company size has a direct relationship regarding divined policy.

**Keywords:** divined policy, ownership structure, institution ownership, ownership concentration and cooperate ownership.

## INTRODUCTION

Investee companies hold annual meetings to present performance reporting and ask for decision making in respect to some company shareholders. The most challenging part of meeting mainly is decision making about dividend. Since shareholders propose distributing of maximum profits to receive cash return of their investment, while managers are not tended to dividend or recover lack of liquidity and preventing flow of financial resources. So different issues related to dividends such as dividend amount and payment time are discussed between managers and shareholders, which finally determines company policy on cash dividend (Malek Mohammadi, 2002).

The structure and composition of corporate ownership is also one of the effective factors on dividend policy of companies. The recent studies showed companies with high financial performance enjoy more private and concentrated ownership structure (Mitton, 2012). regarding importance and affectivity of ownership structure on dividend policy, this study aims to assess this issue on subject of Tehran Stock Exchange.

### **Research problem**

Dividend policy is one of the primary and basic part of companies financing which is analyzed using complex finance models, meanwhile most of financial expertise are faced with this problem, so many issues about effect of dividend shareholder wealth and other cases related to company performance are not still considered Backer and ., (2012). It's believed that denouncing of dividend is an agreeable predictor for future financial performance of

company. Evidences show analyzing dividend amount and its changes during time can provide useful information about financial performance of company and its capability to create future cash flow for investors (Mitton, 2012).

Financial researchers like Miller and Rock (1985), Jonn and Viliamse (1985) and others have showed dividend adjustments leads to future changes in expected cash flow of the company as well its value. Many of researchers have tried to determine market reaction to changes in dividend (Omran, 2011).

Dividend shows profit distribution between shareholders of a company which is approved in annual general meeting and then repaid to shareholders. Decisions related to profit distribution is one of four important financial decision. The three other decision includes working capital management decisions, investment and Financing

Rose, Vesterfeld and Joff (2002) approve the importance of profit distribution, since determines the amount of cash flow payment to investors, besides determines those funds which must be accumulated in company to be invested. In addition, profit distribution provides some information about financial performance of company for stakeholders (Terang and Hinny, 2010).

The results of a study by Fung, Zakaria and Tann (2007) showed conducted investments of company determines profitability and future cash dividend of company, besides dividend effects capital cost and financial leverage of company. The main objective of taking these related decision is maximizing shareholders wealth (2012). Shareholders of manufacturing companies like shareholders of other company expect receiving profit on their investment. The ability of companies to pay dividend to shareholders depends on their financial performance and their bankruptcy risk.

Lasherr (2000) believes decreasing in dividend is considered as a bad news for investors which generally occurs after permanent decreasing in profit. Many studies are conducted on this field but most of them have carried out based on data of non-financial institutions. Dividend policy is one of the most important discussion which proposed in financial management because dividend expresses cash payments of most countries and considered as one the most important option and decision which managers are faced manager has to decide how much profit must be divided and how much must be accumulated in form of profit to invest in company again. Although paying dividend benefit shareholders directly, but effects company ability in profit accumulation to recruit development opportunities (Beiker and Povel 2005, P 4002). This policy also has information content in stock market, and changing this policy signal some information to shareholders. Every investor purchase stocks of a company that he knows it as a company with agreeable dividend policy regarding his interest. The amount of profitability which proposed by management board usually provides information about manager's expectations in respect to future profitability of company (Jahankhani and Parsaiyan, 2005; P 421). Dividend policy is also influenced by agency conflicts (Harard and Negovin 2006).

In overall, there are two point of view in respect to the relationship between dividend and agency conflicts. In the first perspective, dividend is consider as a solution to decrease agent conflicts between managers and shareholders, while the second perspective propose dividend as a replacement for agency issues (Kouki and Gizani, 2009). However, theoretical principles and findings of experimental studies indicate there is a significant relationship between ownership structure and composition of management board with agency costs. (Noravesh, 2009). Regarding mentioned issues which indicate a direct relationship between dividend policy and agency costs, it is expected that ownership structure effects dividend policy. This study aims to assess relationship between ownership structure and dividend policy, regarding importance of dividend policy and detecting related effective factors in stock change market.

### **Literature**

Kumar (2011) assessed the relationship between ownership structure and dividend policy on subject of Indian companies. The findings show the amount of cooperate ownership and management ownership positively and significantly effect dividend level while institution ownership has an inversed effect on dividend level. No evidences have observed which indicate there is a significant relationship between foreign ownership dividend policy.

Stouraitis and Wu (2011) assessed effect of ownership structure on dividend on subject of Japanese companies. The obtained findings of Regression analyze for data within 1992 to 2000 indicate the effect of management ownership and bank ownership on dividend yield especially for companies with low growth is positive.

Harada and Nguyen (2012) assessed the effect of ownership structure on dividend policy on subject of Japanese companies. The findings show there is an inverse relationship between ownership concentration and dividend. In addition, not only there is less probability that companies with a concentrated ownership increase profit making in line to dividend, but also there is more probability that no profit be paid as investment opportunities are being improved.

Naceur and (2012) assessed dividend policy and its effective factors on subject of Tunis Stock Exchange. Findings indicate profitability and its stability effect paid dividend directly, while liquidity of stock market and size

effects paid dividend inversely. However, ownership concentration and financial leverage have no effect on amount of dividend.

Guo and Ni (2013) assessed the relationship between institution ownership and dividend policy. The findings of assessing industrial companies of the United States within an interval of 2000- 12 indicate there is a direct relationship between amount of paid dividend and institution ownership.

Kouki and Guizani (2014) also assessed the effect of ownership structure on dividend policy on subject of Tunisian companies. The findings indicate those companies which enjoy more concentrated companies distribute more profit. There is a negative and significant relationship between institution ownership and level of distributed dividend, while there is a positive relationship dividend policy and government ownership.

Ali gholi Pour (2014) conducted a study titled "assessing the effect of dividend policies and distributing bonus shares on share price of companies listed in Tehran Stock Exchange" which its results showed

- A) In first hypothesis, shareholders internal rate of return of companies which distributed the maximized profit is %84, while shareholders Internal rate of return of companies which distributed the maximized bonus shares is %70.
- B) The results of second hypothesis the price after meeting is less than theory price, so the second hypothesis is approved.
- C) In third hypothesis, based on comparing unusual rate of return around meeting of dividend distributing an (%23) and unusual rate of return around meeting of cash dividend, we conclude that shareholders prefer bonus shares rather than cash dividend, so the third hypothesis is approved.

Ammeri (2013) assessing divined policy trend and a direct relationship between dividend policy and profit quality inferred there is no steady trend in dividend policy of companies within investigated periods. The results showed there is a significant correlation between size and ratio of dividend, besides there is a significant correlation between dividend ratio and dividend quality.

Etemadi and Chalaki (2005) assessed the relationship between performance and dividend. The results show there is no significant relationship between tow variables regardless to industry type.

Mashayekh and Abdollahi (2011) assessed the relationship between ownership concentration, company performance and divined policy on subject of companies which listed in Tehran Stock Exchange. In this study, 64 companies are assessed within an interval of 2001- 9. the recruited approach to examine hypothesizes includes integration of time and cross-sectional data. In this study, integrated Least-squares regression method (data panel) is used. Ownership concentration using percentage of shareholders with ownership above 5 percent, performance based on three criteria of ROA, ROE and *Tobin's Q* Ratio and divined policy using divined ratio (DPS/EPS) are assessed. The results showed there is a significant relationship between ownership concentration and two criteria of performance meaning ROA and *Tobin's Q* in Confidence level of 95%, which means more ownership concentration leads to more control on managers which finally results improving od company performance. This fact means improving of performance can lead to increasing of divined. At the same time, no statistically significant relationship between ownership concentration and divined ratio was observed.

Habibi I., (2012) assessed the relationship between ownership concentration, company performance and divined policy on subject of companies which listed in Tehran Stock Exchange. The statistical sample of study includes 94 companies within an interval of 2005- 11. Ownership concentration using percentage of shareholders with ownership above 5 percent, performance using criteria for return on asset ratio, Return On Equity of shareholders, revenue growth, Return on Sales and divined policy using divined ratio (divined per share/ profit per shre) are assessed. The Results show there is a positive and significant relationship between ownership concentration and Return on Equity of shareholders. So more ownership concentration leads to more control on managers as well increasing of Return on Equity of shareholders. Besides, the results confirm a positive and significant relationship between divined policy and Return on Sales of company which shows a positive and good relationship between sale performance of company and divined ratio meaning improvement of sale performance can result to increasing of divined. However, no significant relationship between ownership concentration and divined policy was observed.

### **Hypothesis**

- 1- There is a significant relationship between ownership structure (shareholders composition) and divined policy of companies.
  - 1-1 There is a significant relationship between institution ownership and divined policy of companies.
  - 1-2 There is a significant relationship between cooperate ownership and divined policy of companies.
  - 1-3 There is a significant relationship between management ownership and divined policy of companies.
  - 1-4 There is a significant relationship between ownership concentration and divined policy of companies

The space domain of research is companies which listed in Tehran Stock Exchange, meanwhile time domain includes an interval of 2008- 12. The systematic omission method is recruited to select statistical sample. Those companies with following features are selected as a sample and others were excluded:

- A) The target companies must be manufacturing.
- B) Those company which listed in Tehran Stock Exchange before 2009 and their transections were active during 2009- 12, meanwhile their interval length is not be more than 3 months are considered as active companies.

To provide an opportunity for comparison and preventing heterogeny , their finance year must ended to 31th December, meanwhile they did not change their finance year within 2009-12. Financial statements and associated explanatory notes must be accessible. The document mining method is recruited to collect data. In this study, required data are obtained from Audited Financial Statements and reports of board to General Ordinary Meeting of sample companies directly, besides Rahavard Novin and Tadbir Pardaz software are recruited to collect required data to examine hypothesizes. After data collecting, Excel spreadsheet software is used to calculate and classify data to examine hypothesizes.

## MATERIALS AND METHODS

This study is descriptive- correlative and regarding objective is practical since, the main conducted to be used in capital market.

### **Pattern**

Ownership structure (institution ownership, management ownership, cooperate ownership and ownership concentration) are considered as independent variables, while dividend policy as dependent variable, besides company size and financial leverage are considered as control variables.

The independent variable of this study is ownership structure of companies. ownership structure is measured using shareholders combination and amount of ownership concentration.

Same to a study by Kumar (2003), the composition of shareholders is measured using four variables of "institution ownership, cooperate ownership, management ownership and foreign ownership". The percentage of control one share" is recruited as basis for assessing amount of ownership concentration. "control one share" means percentage of ownership of shareholders who as a economic group have the most percentage of company control share while less mentioned percentage indicates *Ownership Dispersion*. (Jahankhani and Ghorbani, 2005).

### **B: Dependent variable**

Dividend policy of company is the dependent variable of study. In overall, the relationship between divined and profit per share indicates Dividend policy of company (Cooper and Ijieri 1983, P 179; Mansinteli and Ouzakan, 2006). In addition, among all available criteria for Dividend policy, dividend ratio of each share to profit per share are most common criteria which used in studies by Rozef (1192), Gall and killi (1999), Hansineli and Ouzkan (20006) and Negoyn (2006) who believe occurrence of unexpected items may decrease beneficiary of this relationship on subject of assessing dividend policy. So in this study, cash dividend ratio to profit on ordinary activities are recruited to assess dividend policy of company.

### **C: Control variables**

Financial leverage of company: this ratio assesses and determines the relationship between financial resources used by Business unit regarding debts or rights of shareholders. Actually, it assesses how they are composed (Aghai and Chalaki, 2009). ook value of long-term debt is divided on while asserts to measure financial leverage of company (Sinaee and Neisi 2003).

### **FL=BV/TOTL ASSETS**

### **BV= book value of long-term debts**

Company size: there is many criteria to measure variable of "company size" including amount of whole asserts, amount of sale and number of all employees. In this study, natural logarithm of whole asserts is used to measure variable of "company size".

## RESULTS AND DISCUSSION

**Descriptive findings**

Divined policy, management ownership, institution ownership, cooperate ownership. Descriptive statistic of research variables are ownership concentration, company size, financial leverage and divined.

Table 1. Descriptive analysis of research variables

Stretching	skewness	variance	Standard deviation	mean	maximum	Minimum	number	variable
-.121	.312	.120	.121	.549	.959	.138	455	CON
.241	.246	.123	.178	.238	1	0	455	CO
.521	.163	.063	.117	.286	1	0	455	INS
.389	.943	.015	.159	.476	1	0	455	MO
.213	-.299	.025	.142	3.365	.126	.25	455	D
.163	.369	2.217	.143	.30	.78	.25	455	FL
.209	.306	.327	.156	13.021	9.62	18.06	455	SIZE

In this chapter, first descriptive statistic is assessed. The number of observation in descriptive statistic related to companies is 455 (91 companies within 5 years). Regarding descriptive statistic, dispersion index of these variables in different companies is little. The highest standard deviation allocated to variable of cooperate ownership, meanwhile the least standard deviation is allocated to variable of institution ownership.

**Normality test of variables**

Kolmogorov-Smirnov Test is recruited to assess normality of research variables. Actually, this test is recruited to assess normality of data distribution of a quantitative variable which is applied to this study using SPSS software. The results for normality test of variables are showed in the following table:

Table 2. Normality test of variables

Significance level	Kolmogorov-Smirnov	Variables
.238	2.031	CON
.691	1.712	CO
.299	1.450	INS
.642	1.741	MO
.582	1.777	D
.447	1.247	FL
.311	1.968	SIZE

As you see, since significance level for all variables is more than 5%, so research variables have a normal distribution.

**Correlation test:**

In this study, correlation between variables is assessed before testing hypothesizes. As the prior part shows the data distribution is normal, so Pearson coefficient correlation test is recruited to assess correlation between variables. The obtained results are showed in table 3.

Table 3. Pearson coefficient correlation test for research variables

SIZE	FL	D	MO	INS	CO	CON	variable
.064*	.452	-.520*	.432	.294	.853	1	CON
.093	-.308	.196	.407	.385	1	.853	OC
.096	-.157	-.083*	.180	1	.385	.294	INS
-.081	.371	-.068*	1	.180	.407	.432	MO
.027*	-.311*	1	-.068*	-.083*	.196	-.520*	D
.087*	1	-.311*	.371	-.157*	-.308	.452	FL
1	.087*	.027*	-.081	.096	.093	.064*	SIZE

Significance in error level of 5%

Regarding correlation table, there is a significant and inversed dividend policy and ownership concentration, institution ownership, management ownership and financial leverage. There is also a significant and direct

relationship between dividend policy and company size, meanwhile has no significant relationship with cooperate ownership.

**Testing hypothesizes of research**

Regression multi-variables test is recruited to examine hypothesize. First, assumption of Regression model is examined.

**Significance of Regression test**

Regarding F statistic in all tables elated to Regression, since their significance level is less than 0.5 % so Regression Model in while of hypothesizes exam is significant.

Linear test

**The linear test for research variables is:**

Table 4. Linear test

Statue index	Especial value	Variables
3.832	0.948	1
4.217	0.983	2
5.514	0.973	3
5.938	0.916	4

As you see, especial values show internal correlation probability between variables. However all statue indexes are less than 15 which indicates lack of linearity between independent variable.

**Lack of self-correlation test**

Camera-Watson statistic in each hypothesis test shows self-correlation test between variables. Since this statistic in each table of Regression Test is between 1.5 to 2.5, so there is no self-correlation problem between variables.

**Lymr and Hausman test**

The question which mainly proposed in applied studies is whether any evidences which indicate merge capability of data or the model is different for all cross-sectional units. Therefore, first we should assess is there any heterogeneities or individual differences between sections or not. if so, panel data method is recruited and if not, integrated data method with Least Squares approach is recruited to evaluate model. F Limer test is used to achieve so. In this test  $H_0$  hypothesis meaning identity of width from origins (integrated data) in front of hypothesis which is opposite  $H_1$  meaning misidentify of width from origins (panel data method). If sections are determined heterogeneous which have individual differences, so recruiting panel method is more appropriate. Hausman Test is used to select between constant and random effects. The statistic of Hausman Test which is used to calculate constancy or randomness of sectional units differences which have Chi-square distribution with degrees of freedom equal to the number of independent variables.

Results of F Limer test is mentioned in the following table

Table 5. F Limer Test (identity of width from sections origins)

result	p-value	Freedom degree	F statistic	Research model	Hypothesis 0
$H_0$ is rejected	0	3	2.6453	Model 1	Width from origin is identical for all sections
$H_0$ is rejected	0	3	1.1325	Model 2	
$H_0$ is rejected	0	3	1.0231	Model 3	
$H_0$ is rejected	0	3	1.5343	Model 4	

Hypothesis 0 ( $H_0$ ) shows using integrated data method facing opposite hypothesis means using panel data method in F test. Regarding significance level of above mentioned table, the result of this test indicates investigated sections are heterogeneous and using data of panel method is more appropriate. After selecting data panel method using Limer test. Then Hausman test is conducted. In this test, if  $H_0$  is accepted, random effects model will be recruited, otherwise constant effects model will be recruited.

Table 6. The results of Hausman test. (Selecting between constant and random effects)

results	p-value	Freedom degree	The chi-square statistic	Research model	Hypothesis 0
$H_0$ is rejected	0	3	5.4503	Model 1	There is no difference between systematic coefficients
$H_0$ is rejected	0	3	4.4528	Model 2	
$H_0$ is rejected	0	3	4.3452	Model 3	
$H_0$ is rejected	0	3	5.5464	Model 4	

Results show the value of this statistic is significant each of models, meanwhile reported significance level in above table ( $p\text{-value} < .05$ ) indicates rejecting  $H_0$  in confidence level of 95 percent for each model, besides mentioning to use of constant effects method.

**Test of main hypothesis**

In this study, main hypothesis assessed the relationship between ownership structure and divined policy. This hypothesis has 4 main secondary hypothesizes which are tested in the following

**Test of first secondary hypothesis**

Test of first secondary hypothesis assesses the relationship between institution ownership and divined policy. The obtained result of Regression test is mentioned in table 7.

Table 7. The results of multi-variables Regression of institution ownership and divined policy

Significance level	T statistic	coefficient	Variable name	Symbol	Variable type
-	-	-	divined policy	Y	Dependent variable
0/025	- 1/648	- 1/744	Alpha	$\alpha$	Constant value
0/001	-1.995	- 0/240	institution ownership	X1	Independent variable
0/000	-1.853	- 0/533	Financial leverage		Control variable
020.0	80,1	627*0/	Company size		
-	-	856*1	Camera and watson		
0/003	-	742/3	F statistic		
-	-	4430/	Correlation coefficient	R	
-	-	1970/	Determination coefficient	R Square	
-	-	1960/	Adjusted determination coefficient	Adjusted R Square	

The level of significance is 0.05

As this chart shows there is a significant relationship between amount of institution ownership, financial leverage and company size ( $p\text{-value} < 5\%$ ) with divined policy. Variables coefficient shows the relationship between company size and divined policy is more comparing other variables. There is an inversed and significant relationship between institution ownership and financial leverage while there is a direct and significant relationship between variable of company size and divined policy. Regarding the value of F statistic, the processed Regression pattern is significant. Regarding determination coefficient, these variable explain 19/7 percent changes of divined policy. Since the Camera-Watson statistic is between 1/5 to 2/5 so it can be concluded that there is no problem of self-correlation between variables.

**Test of second secondary hypothesis**

Test of second secondary hypothesis assesses the relationship between cooperate ownership and divined policy. The obtained result of its Regression test is mentioned in table 8.

Table 8. The results of multi-variables Regression of cooperate ownership and divined policy

Significance level	T statistic	coefficient	Variable name	symbol	Variable type
-	-	-	divined policy	Y	Dependent variable
0/002	1/544	1/765*	Alpha	$\alpha$	Constant value
0/240	-1/531	-0/357	cooperate ownership	X1	Independent variable
0/000	-1/769	-0/377*	Financial leverage		Control variable
0/001	-1/958	0/64*	Company size		
-	-	1.775	Camera and Watson		
0/003	-	14/002*	F statistic		
-	-	0/668	Correlation coefficient	R	
-	-	0/446	Determination coefficient	R Square	
-	-	0/445	Adjusted determination coefficient	Adjusted R Square	

Significance level is 0.05

As this chart shows there is a significant relationship between financial leverage and company size (p-value<5%) with divined policy. Variables coefficient shows the relationship between company size and divined policy is more comparing financial leverage. There is an inverse and significant relationship between cooperate ownership and divined policy while there is no significant relationship between cooperate and divined policy. Regarding the value of F statistic, the processed Regression pattern is significant. Regarding determination coefficient, these variables explain 44/6 percent changes of divined policy. Since the Camera-Watson statistic is between 1/5 to 2/5 so it can be concluded that there is no problem of self-correlation between variables.

**Test of third secondary hypothesis**

Test of second secondary hypothesis assesses the relationship between management ownership and divined policy. The obtained result of its Regression test is mentioned in table9.

Table 9. The results of multi-variables Regression of management ownership and divined policy

Significance level	T statistic	coefficient	Variable name	symbol	Variable type
-	-	-	divined policy	Y	Dependent variable
0/000	1/365	1/445	Alpha	$\alpha$	Constant value
0/000	-1/118	-0/229*	Management ownership	X1	Independent variable
0/001	-1/686	-0/ 202*	Financial leverage		Control variable
0/000	1/254	0/387*	Company size		
-	-	1/894	Camera and Watson		
0/001	-	6/987	F statistic		
-	-	0/702	correlation coefficient	R	
-	-	0/492	Determination coefficient	R Square	
-	-	0/491	R <sup>2</sup>	Adjusted R Square	

Significance level is 0.05

As this chart shows there is a significant relationship between management ownership, financial leverage and company size (p-value<5%) with divined policy. Variables coefficient shows the relationship between company size and divined policy is more comparing other variables. There is an inverse and significant relationship between management ownership and divined policy while there is a direct and significant relationship between variable of company size and divined policy. Regarding the value of F statistic, the processed Regression pattern is significant. Regarding determination coefficient, these variables explain 49/2 percent changes of divined policy. Since the Camera-Watson statistic is between 1/5 to 2/5 so it can be concluded that there is no problem of self-correlation between variables.

**Test of fourth secondary hypothesis**

Test of second secondary hypothesis assesses the relationship between ownership concentration and divined policy. The obtained result of its Regression test is mentioned in table 10.



Table 10. The results of multi-variables Regression of ownership concentration and divined policy

Significance level	T statistic	coefficient	Variable name	sybhol	Variable type
-	-	-	divined policy	Y	Dependent variable
0/050	1/405	1/545	Alpha	$\alpha$	Constant value
0/003	1/950-	0/447*-	Ownership concentration	X1	Independent variable
0/000	1/736 -	0/531*-	Company size		Control variable
0/003	-1/840	0/745*	Company size		
-	-	1/921	Camera and Watson		
0/001	-	6/950	F statistic		
-	-	0/645	correlation coefficient	R	
-	-	0/416	Determination coefficient	R Square	
-	-	0/415	Adjusted determination coefficient	Adjusted R Square	

Significance level is 0.05

As this chart shows there is a significant relationship between ownership concentration financial leverage and company size (p-value<5%) with divined policy. Variables coefficient shows the relationship between company size and divined policy is more comparing financial leverage. There is an inverse and significant relationship between ownership concentration and financial leverage while there is a direct and significant relationship between company size . Regarding the value of F statistic, the processed Regression pattern is significant. Regarding determination coefficient, these variables explain 41/6 percent changes of divined policy. Since the Camera-Watson statistic is between 1/5 to 2/5 so it can be concluded that there is no problem of self-correlation between variables.

**Discussion and conclusion**

1- There is an inverse and significant effect between institution ownership and divined policy on subject of companies listed in Tehran Stocks Exchanges within 2008-11. So it could be argued companies with higher percentage of institution ownership are associated with decreasing amount of divined.

This conclusion refers to this fact that institution investors play a main role in strategic system of company. They can observe on company management enjoying sufficient knowledge and experience in respect to financial and professional fields which lead to better seizing of investment opportunities. What above mentioned can be recruited to align management benefits with benefits of shareholders group to maximize shareholders wealth. They can solve problems of agency enjoying advantage of scale economy and diversifying. So it seems institution shareholders as a shareholder are less tended to divined meanwhile use accumulated profits as financial resources to invest in new projects, which leads to separation between ownership and control (Salmon ., 2003).

Besides the result of this hypothesis is in line to findings of Sajadi ., (2008) and in contrast to studies conducted by Aghai and Chalaki (2009)

2- There is an inverse and significant effect between management ownership and divined policy on subject of companies listed in Tehran Stocks Exchanges within 2008-11. So it could be argued companies with higher percentage of institution ownership are associated with decreasing amount of divined.

Regarding agency theory, as amount of shares in hand of managers increasing, they try more to improve financial performance of company to maximize their benefits. So higher percentage of management ownership in company leads to less divined since managers try to promote financial performance of company as well investigating on development opportunities.

3- There is an inverse and significant effect between ownership concentration and divined policy on subject of companies listed in Tehran Stocks Exchanges within 2008-11. So it could be argued companies with higher percentage of shares which belongs to few people are associated with decreasing amount of divined.

This conclusion refers to tis fact that one of the most important reasons for divined is high number of shareholders and their satisfaction. But when the number of shareholder is limited and ownership is more concentrated leads to less divined meanwhile accumulated profits are recruited to invest in new projects.

4- There is an inverse and significant effect between financial leverage and divined policy on subject of companies listed in Tehran Stocks Exchanges within 2008-11. So it could be argued companies with higher financial leverage are associated with decreasing amount of divined.

This result refers to this fact that profitability of companies requires high financial resources, assessed investments and experiencing new target markets. High financial leverage inhibits executing what above mentioned so profitability of company and consequently leads to decreasing of divined.

5- There is an inverse and significant effect between company size and dividend policy on subject of companies listed in Tehran Stocks Exchanges within 2008-11. So it could be argued companies with bigger size are associated with increasing amount of dividend.

This result refers to this fact that companies with bigger size are associated with more dividend, since managers have to distribute dividend to satisfy shareholders.

### **Research proposal**

Since institution ownership as a regulatory factor of cooperate government leads to decreasing of profit management of companies so ownership of institution shareholders increases in present companies of Stocks Exchange, because strong pretense of institution owners increase their regulatory role, besides companies and exchange Organization consider it more which will prevent probable misuses.

However, regarding results of this study, those people who want to enter investment market and invest on shares of companies must know that companies with more percentage of institution ownership are associated with less distributing of profits.

- 2- Regarding to agency theory, as the amount of shares in hand of managers increases, they try more to improve financial performance of company to maximize their benefits, while leads to less changing of financial statements. So it is recommended to present a part of company ownership to managers. However, regarding the results of this study, those people who want to enter investment market and invest on shares of companies must know that companies with more percentage of management ownership are associated with less distributing of profits.
- 3- It is proposed that Securities and Exchange Organization changes cooperate government criteria from regulations to laws to force company to keep them which gradually provides required motivations for foreign companies to invest in Iran. Since today, developed countries and international financial organizations as well main financial institutions emphasize on improving of cooperate government procedures, while all of them accepted that they must assess quality of cooperate government procedures in developing countries before investing or allocating credit.
- 4- Regarding the results of this study, those people who want to enter investment market and invest on shares of companies must know that companies with more percentage of ownership concentration are associated with less distributing of profits.

### **A proposal for further studies**

- 1- assessing the effect of Macroeconomic variables, Inflation, oil prices and exchange rates on the relationships between ownership structure and dividend policy
- 2- investigating the effect of industry type on relationships between ownership structure and dividend policy
- 3- assessing the effect of other mechanism of cooperate government such as board management composition, disclosure quality and etc.

assessing the relationship between ownership structure and dividend policy within level of company lifecycles dividing companies as companies with high growth and low growth.

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