The Effect of Institutional Ownership on Growth Opportunities and Dividing the Profit Policy in the Financial Institutions Listed on the Tehran Stock Exchange

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ABSTRACT: The main purpose of this research is to identify and investigate the influence of institutional ownership on the growth opportunities and dividend policies in the accepted financial firm in Tehran's securities markets. Statistical community in this research including all of accepted financial firms in Tehran's security markets from 2006 to 2010, which by the use of Eclusin method and limitations encountered by the community samples are chosen and examined. For examining the hypotheses of this research we use the TOBIT1 model. The over-all result shows that there is a significant relation between institutional ownership and growth opportunities and dividend policies.
Keywords: Institutional Ownership, Growth Opportunities, Dividend Policies, Agency Theory, Financial Institutions.

ORIGINAL ARTICLE

INTRODUCTION

The payment of profit is one of the remarkable information for making decision for the investors which a number of factors can influence it .the earned income by success full firms may be invested in the operating assets or be used in getting securities and refunding or be distribution among the shareholder. The dividend policy receives a lot of attention from financial literature during the recent year and so far different studies concerning the justification and distribution of profit among shareholder and investor' attention to dividend have been done and this subject remains a mystery of dividend in the area of financial literature.

Corporate ownership through share ownership had a remarkable effect on the control of firms. So, ownership entitled the executive to the corporate management and securities markets took from. one of the tool of the appropriation optimal researches is securities markets. So, in case any problem surfaces in securities market it is not only economic but also turns into a social one in which public interests face danger (Szewczyk et al., 1992).

To settle the problems in   question, the concept of corporate governance has been brought up during the two decades .two basic theoretical viewpoints consist of Agency theory and Shareholder theory which deal with the problem of the stock-broker and beneficiary.

Finance market, as the economic pulse of developing countries, is considered one of the most important sources of finance management and tools of efficient appropriation of resources that receives attention of researchers in the area of the positive approach to the description of the behavior of market and investors. Despite the deficiencies in the structure if securities market, It still held it's fascination for the investors and any study about it can improve investors' behavior patterns and the optimal appropriation of the state's economic resources.

Investors in the securities market aim at gaining resources from dividend and increasing the share price, speculating with the hop of efficiency increase.

Alongside, exercising the suitable dividend policy is an element that can influence the motivation and taste of investors as well the canalization of market resources.

on the assumption that we have Information Symmetry and the existence of the growth opportunities (for investment) , dividend by the firm can cause the decrease of internal resources and the increase of need to the external resources and finally the decrease of firm value.

So, we expect that in the presence of the growth opportunities. A negative relation between dividend and firm value arise.

Guo et al. (2008) investigated the relation between institutional ownership and dividend policy. Findings regarding the investigation of American industrial firm from 1980 to 2002 show that there is a direct relation between profit payment rate and institutional ownership. Kouki et al. (2009) investigated the influence of the structure of ownership on the Tunisian firms' dividend policy. Finding show that firms with more concentrated ownership here distributed more profits. There is a negative and significant relation between institutional ownership and

distributed dividend level and the relation between dividend policy and government ownership is positive.

Wiberg (2008) dealt with the relation between institutional ownership and dividend policy in 189 Swedish firms. Findings showed that there is a positive relation between institutional ownership and dividend.

Abdelsalam et al. (2008) in a research investigated the influence of the composition of the board and ownership structure undivided policies. Alongside, 50 Egyptian firms from 2003 to 2005 were investigated .finding confirmed that firms with the rate of return of equity and more institutional ownership dividend more profits. Furthermore there is not any significant relation between the composition of the board and dividend policy.

Truong et al. (2007) following the recognition of the variables believed to influence the dividend policy and profit payment ratio in an efficient market studied the information of 300 firm from 2001 to 2005 which were accidentally chosen from accepted firms' in Kuala lumpur's stock market. Results showed that dividend did not influence the future profit growth of firms remarkably but it had a negative and significant relation with the firm's financial pyramid. He also realized the profit of each stock and book value of equity had a positive and significant relation with payment ration.

MATERIALS AND METHODS

Because Ordinary Least Square (OLS) is the most useful technique for investigation of determining policies for dividend payment, so this research use OLS as the primary statistic tool for analysis.

However in investigating dividend distribution, paying attention to the fact that firms can either pay the dividend or no is of high importance but the firm cannot receive on amount as the share negative profit in case the firm is making a loss and profit payment rate of which in calculation criterion is negative that does not correspond with totalities. The present covers all of accepted financial firm in the market including the bank and insurance, so, by, the use of exclusion method limitation of the research samples are chosen and examined .the tome span of this research is 5 year in a row from 2006 to 2010 .

The research has used TOBIN model which is supported by the present financial research.

TOBIN model : to examine the hypothesis we use the TOBIN model in this research : Although OLS is a widespread predicator technique in the financial research but it has it's limitation , that is , dependent variables are omitted from the high distribution or low one or both and also observed value of dependent variables are ignored and substitutes are registered instead. In each technique OLS displays a descending

evaluation of the slope coefficient .in order to control this problem James Tobin in 1958 a substitute technique that it was later named after him. Generally speaking, this evaluation includes the deletion of data from under level showing that DPO up to zero is deleted because a firm only can either pay the positive profit or does not pay at all and no firm can have a negative profit.

$Y_{it} = 0$, if y^* it ≤ 0

$Y_{it} = y^*_{it}$, if y^* it > 0

To evaluate Beta, MLE method by the use of STATA and Eesy Reg. Software has been used. To analyze the relation between institutional investment, profitability opportunities and dividend policy in the research the regression model is used.

RESULTS

The examination of the research hypotheses

H1: There is a significant relation between institutional ownership concentration and the growth opportunities.

H_0: there is no a significant relation between institutional ownership concentration and the growth opportunities (between the bank and insurance companies).

H_1: there is a significant relation between institutional ownership concentration and the growth opportunities (between the bank and insurance companies)

The analysis of the results of integrated examination of the research first hypothesis

1- According to results of table 1 and 2 we can see that variable coefficient of insurance rate is 0.149397, so it can be obviously said that there is a direct and significant relation between institutional ownership concentration and the growth opportunities (in the balance and the insurance companies)

That is, each unit of insurance rate, 0.149397, insurance the distributed dividend rate the banks and insurance companies. So according to the statistical "t" (1.232242) and the possibility of 100% insurance rate variable is significant and acceptable.

2- Mode variable coefficient (the ratio tradable in the stock market) is –0.636443, so it can be obviously said that is a significant and reverse relation between institutional ownership concentration and the growth opportunities. that is , each change unit of mode (the ratio of tradable in the stock market), 0.636443, decreases the distributed rate (DPO) in the insurance companies .so, according to the statistical "t" and the possibility 0f %100 , the mode variable (the ration of tradable share in the stock market) is significant and acceptable .

3- Institutional ownership concentration is 5.136205, so it can be obviously said that there is a

direct and significant relation between institutional ownership concentration and the growth opportunities (in the banks and the insurance companies). It means each change unit of institutional ownership, 5.136205, increases the distributed dividend (DPO) in the banks and the insurance companies .so, according to the statistical "t" (2.989890) and the possibility %100 institutional ownership variable is significant and acceptable.

4- Owner's trust coefficient in dependent investment is -2.035281, so it can be obviously said that there is a significant and direct relation between institutional ownership concentration and growth opportunities (in the banks and insurance companies). It means each change unit of owner's trust in dependent investment, -2.035287 decreases the distributed dividend rate (DPO) in the banks and insurance companies. So, according to the statistical "t" (-2.223699) and the possibility of %100 institutional ownership variable is significant and acceptable.

5- Variable coefficient of growth rate is 0.481693, so it can be obviously said that there is a significant and revers relation between institutional ownership concentration and growth opportunities (in the banks and insurance companies). It means each change unit of the growth rate variable, 0.481693, increases distributed dividend rate (DPO) in the banks and insurance companies. So, according to the statistical "t" (0.520962) and the possibility of %100 the growth rate variable is significant and acceptable.

6- Variable coefficient of the size is -0.527609. So it can be obviously said that there is a significant and direct relation between institutional ownership concentration and growth opportunities (in the banks and insurance companies). That is, each change unit of the size rate variable, -0.521609, decreases the distributed dividend rate (DPO) in the banks and insurance companies. So, according to the statistical "t" (-1.448076) and the possibility of %100 the size rate variable is significant and acceptable.

7- Variable coefficient of the average is 0.163325. so it can be obviously said that there is a significant and revers relation between institutional ownership concentration and growth opportunities (in the banks and insurance companies).it means, each change unit of the average rate variable, 0.163325, increases the distributed dividend rate (DPO) in the banks and insurance companies. So, according to the statistical "t" (1.504617) and the possibility of %100 the average rate variable is significant and acceptable.

8- Variable coefficient of the profitability is 0.0001452. So it can be obviously said that there is a significant and revers relation between institutional ownership concentration and growth opportunities (in the banks and insurance companies). It means, each

change unit of the profitability rate variable, 0.001452, increases the distributed dividend rate (DPO) in the banks and insurance companies. So, according to the statistical "t" (0.302479) and the possibility of %100 the profitability variable is significant and acceptable.

2- There is a significant relation between the institutional ownership concentration and dividend policies.

H0: there is no significant relation between institutional ownership concentration and the dividend policies (in the banks and the insurance companies).

H1: there is significant relation between institutional ownership concentration and the dividend policies (in the banks and the insurance companies).

The analysis of the relation of the integrated examination of the research basic hypothesis:

1- According to the results table 3 and 4 we can see that variable coefficient of the insurance rate is -1.927232. So, it can be obviously said that there is a direct and significant relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies). It means each change unit of insurance rate, -1.927232, decreases the distributed dividend rate (DIVINT) in the banks and insurance companies. So, according to the statistical "t" (-1.121540) and the possibility of %100, the insurance rate variable is significant and acceptable.

2- Mode variable coefficient (ration of the tradable share in the stock market) is -7.175030, so, it can be obviously said that there is significant and reversion relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of mode (ration of the tradable share in the stock market), -7.175030, decreases the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (-3.939956) and the possibility of %100, the mode variable (ration of the tradable share in the stock market) is significant and acceptable.

3- The institutional ownership coefficient is -8.584140, so , it so , it can be obviously said that there is significant and direct relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of institutional ownership -8.584140 , decreases the distributed dividend rate (DPO) in the banks and the insurance companies. So, according to the statistical "t" (0.504371) and the possibility of %100, the institutional ownership is significant and acceptable.

4- The owner's trust coefficient in the dependent investment is -13.56200. So, it can be obviously said

that there is significant and direct relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of owner's trust owner's trust, decreases the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (-1.802023) and the possibility of %100, the institutional ownership is significant and acceptable.

5- The coefficient in of the growth rate variable is 11.54372. So, it can be obviously said that there is significant and reversion relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of growth rate variable, 11.54372, increases the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (1.608316) and the possibility of %100, the growth rate variable is significant and acceptable.

6- The variable coefficient in of the size rate is -5.314252.so, it can be obviously said that there is significant and direct relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of size rate variable,-5.314252, decreases

the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (1.608316) and the possibility of %100, the growth rate variable is significant and acceptable.

7- The variable coefficient in of the average rate is 0.897799.so, it can be obviously said that there is significant and revers relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of the variable coefficient of the average, rate 0.897799, increases the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (0.800052) and the possibility of %100, the average variable is significant and acceptable.

8- The variable coefficient in of the profitability rate is 0.068087. So, it can be obviously said that there is significant and revers relation between institutional ownership concentration and dividend policies (in the banks and the insurance companies).It means each change unit of the profitability, rate 0.068087, increases the distributed dividend rate (DIVINT) in the banks and the insurance companies. So, according to the statistical "t" (1.633864) and the possibility of %100, the profitability variable is significant and acceptable.

Table1. The volume examination the research basic hypothesis variables (the bank and insurance companies) for the dependent variable of distributed dividend (DPO)

Dependent Variable: DPO?				
Method: Pooled EGLS (Cross-section weights)				
Sample: 2006-2010				
Included observations: 5				
Cross-sections included: 36				
Total pool (balanced) observations: 180				
Linear estimation after one-step weighting matrix				
Cross sections without valid observations dropped				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INSUR?	0.033507	0.113061	0.296362	0.7673
MOD?	-0.206693	0.034048	-6.070711	0.0000
INST?	8.892379	0.921071	9.654391	0.0000
NIT?	-0.750312	0.434230	-1.727912	0.0858
GROTHW?	2.137712	0.309406	6.909078	0.0000
SIZE?	-0.024162	0.068720	-0.351599	0.7256
AVRG?	0.003142	0.025194	0.124709	0.9009
PRFT?	0.005583	0.002571	2.171854	0.0312
DUM?	0.961004	0.073614	13.05469	0.0000
		Weighted Statistics		
R-squared	0.761381	Mean dependent var		2.371207
Adjusted R-squared	0.750218	S.D. dependent var		2.028627
S.E. of regression	1.034824	Sum squared reside\ual		183.1171
Durbin-Watson stat	1.680989			
		Unweight Statistics		
R-squared	0.400791	Mean dependent var		1.364889
Sum squared residual	204.2834	Durbin-Watson stat		1.225705

Table 2. The summary of integrated examination of the research basic hypothesis (the banks and Insurance companies) for the dependent variable of distribution dividend (DPO)

Explanatory variables	Variable	Coefficient	t-statistic	Prob.
Insurance	C	5.097608	2.975794	0.0035
Mode	INSUR?	0.149397	1.232242	0.2200
Institutional ownership	MOD?	-0.636443	-2.676476	0.0084
Investment dependent owner's trust	INST?	5.136205	2.989890	0.0033
Growth	NIT?	-2.035281	-2.223699	0.0278
Sixe	GROTHW?	0.481693	0.520962	0.6032
Average	SIZE?	-0.521609	-1.448076	0.1499
Profitability	AVRG?	0.163325	1.504617	0.1348
Dummy variable	PRFT?	0.001452	0.302479	0.7628
R-squared	DUM?	0.581083	2.836581	0.0053
Adjusted R-squared	0.630356	*	*	*
F-statistic	0.509879	*	*	*
Prob.(F-statistic)	5.232182	*	*	*
Durbin-Watson stat	0.000000	*	*	*
R-squared	2.028830	*	*	*

Table 3: The value examination of the research basic hypothesis variables (the banks and the insurance companies) for the dependent variables if distributed dividend

Dependent Variable: DIVINT?				
Method: Pooled EGLS (Cross-section weights)				
Sample: 2006-2010				
Included observations: 5				
Cross-sections included: 36				
Total pool (balanced) observations: 180				
Linear estimation after one-step weighting matrix				
Cross sections without valid observations dropped				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INSUR?	-0.575361	1.434802	-0.401004	0.6889
MOD?	-1.925942	0.615379	-3.129683	0.0021
INST?	41.26765	10.56137	3.907413	0.0001
NIT?	-16.09020	6.557669	-2.453647	0.0151
GROTHW?	32.52030	4.344317	7.485710	0.0000
SIZE?	1.108427	1.020063	1.086626	0.2787
AVRG?	-0.328005	0.397045	-0.826116	0.4099
PRFT?	0.107362	0.034042	3.153819	0.0019
DUM?	19.09703	1.219236	15.66311	0.0000
	Weighted Statistics			
R-squared	0.777459	Mean dependent var.		30.64548
Adjusted R-squared	0.767048	S.D. dependent var.		24.70179
S.E. of regression	11.76106	Sum squared residual		23653.15
Durbin-Watson stat	1.599386			
	Unweight Statistics			
R-squared	0.511690	Mean dependent var.		21.43743
Sum squared residual	26025.14	Durbin-Watson stat		1.622771

Table 4: The summary of integrated examination of the research basic hypothesis (the banks and insurance companies) for the variable of distributed dividend rate (DIVINT)

Explanatory variables	Variable	Coefficients	t- statistic	Prob.
Insurance	C	61.74585	4.880322	0.0000
Mode	INSUR?	-1.927232	-1.121540	0.2640
Institutional ownership	MOD?	-7.175030	-3.939956	0.0001
Investment dependent owner's trust	INST?	-8.584140	-0.504371	0.6148
Growth	NIT?	-13.56200	-1.802023	0.0738
Sixe	GROTHW?	11.54372	1.608316	0.1101
Average	SIZE?	-5.314252	-1.395836	0.1651
Profitability	AVRG?	0.897799	0.800052	0.4251
Dummy variable	PRFT?	0.068087	1.633864	0.1046
R-squared	DUM?	18.30594	11.32684	0.0000
Adjusted R-squared	0.816747	*	*	*
F-statistic	0.757020	*	*	*
Prob (F-statistic)	13.67470	*	*	*
Durbin-Watson stat	0.000000	*	*	*
R-squared	2.025006	*	*	*

DISCUSSION

Paying attention to the theoretical principal and conducted researchers, we attempted to prove the hypotheses, the results showed that there is a significant relation between the institutional ownership and the dividend policies and the growth opportunities which corresponded with the relation between institutional ownership and the dividend policies in 189 Swedish firms. The finding showed that there is a positive relation between the institutional ownership and the paid dividend (Alangar et al., 1999; Gompers et al., 2001).

But the finding did not correspond with that of Abdesalam et al. (2008). Abdesalam et al. (2008) in a research investigated the influence of the composition of the board on the ownership structure and the dividend policies .in this regard 50 Egyptian firms from 2003 to 2005 were investigated .the results confirmed that the firms with the higher rate of return for equity and institutional ownership divided more profits .Furthermore, there is not a significant relation between the composition of the board and the dividend policies. Also generally the results of the research do not correspond with these of Maori and Pajoust (2002).

Maori and Pajoust (2002) in a research titled the control of shareholder, agency problems and the dividend policies arrived at the conclusion that there is a negative and significant relation between ownership concentration and the paid dividend among the Finnish firms.

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