International Business Management 10 (17): 4085-4089, 2016
ISSN: 1993-5250
© Medwell Journals, 2016

The Relationship Between Political Communication and Performance of Accepted Companies in the Tehran Stock Exchange

[1]Abdolreza Mohseni, [2]Fazl Allah lak and [3]Raziyeh Rahnavard
[1]Department of Accounting, Islamic Azad University, Bushehr Branch,
[2]Department of Basic Sciences,
[3]Department of Graduate Studies, Islamic Azad University, Bushehr, Iran

Abstract: This study investigates the relationship between politics communication and performance of accepted companies in the Stock Exchange of Tehran. In this study, we want to investigate political communications and performance, asset return ratio and return of stakeholder's equity in accepted companies in Tehran Stock Exchange by using of theoretical study and obtained data challenging from the Iran's capital. This research is related to 103 accepted companies in the Tehran Stock Exchange, during 2011-2015. Political communication ofunder studding companies has examined with performance of companies. Research hypotheses have been investigated by statistical methods of multiple regression and (ANOVA) variance analyzing, panel analyzing and Hausman test. Political communications variable are known as the independent variable, equity ratio of stakeholders as the dependent variable and size, growth, the ratio of tangible fixed asset and company's financial leverage variables as controlling variables in research. Political communication has not relation with variable of return ratio of stakeholders' equity due to significant level. There is a relation betweensize, growth, the ratio of tangible fixed asset and company's financial leverage variables. According to that there is a significant relationship between political communication and return ratio of stakeholders' equity, the second hypothesis of research is confirmed. The concept of significantly in correlation is that whether the obtained correlation between two variables can be considered as a chance or accident or there is correlation between the two variables really. The matter that obtained number is significant or not is more important than obtained number.

Key words: Political communication, company's performance, ratio of tangible assets to total assets, company size and leverage ratio

INTRODUCTION

The main studied variable had been government's political support that has three dimensions: economic, social and individual. Its economical dimension means the percentage of government direct ownership from companies' capital. Its social dimension means investment of depending institutions to government in companies' capital that expresses the government Institutional support and this two dimensions have been used to asset the rate of government's political support. Other variables include the ratio of assets, rate of asset fixed tangibleto assets return total and the ratio of price to earnings. The size of the company also has been considered as a control variable. To determine the minimum percentage of possible ownership that can be effecton the decisions related to the financial and operating policies of an entity, be effective, the standard definition of No. 20 accounting of "considerable influence" has been considered. According to mentioned standard, if investor unit directly or indirectly (e.g., through subsidiaries) has at least 20% of the voting rights of the investee unit, it is assumed that has considerable influence, unless it can be clearly demonstrated the lack of influence (Accounting Standards Committee, Standard No. 20: 2). In the other hand, cannot be ignored the presence of government in the economy because the market mechanism cannot do all the economical tasks lonely and state policy is required to guide, revision and completing the market mechanism (Mahmoodabadi and Najafi, 2013). Although, the government's political support can leads to the creation of value for the company.

Theoretical principles and a review on the research's background: Government Political support depending on that's amount and volume has positive effects and economical adverse effects. Although, the government

Corresponding Author: Raziyeh Rahnavard, Department of Graduate Studies, Islamic Azad University, Bushehr, Iran

political support can creates the value for the company. Evaluation of company's performance and monitoring on the managers behavior is very pale when the government be in the owner role in relation with private agencies that has necessary motivation for monitoring on the behavior of managers in companies under the government's political support.

According to the role of government in the economy and information transparency as a way to meet managers duties in the one hand and the importance of evaluating the company's performance on the other hand in this research is attempted at the first, the effect of government political support and the transparency of information on the performance of company be investigated so we can finally answer to this question that.

What role information transparency plays in explaining the relationship between the political support of the government and company performance? (Mahmoodabadi and Najafi, 2013). The government has an essential role in the structure of large companies in IRAN'S politic and major industries are state-owned companies. Government investment in joint stock companies is directly or through controlling the banking sector and institutional investment. Various factors such as firm size, the management state, the amount of production and sales, sources of obtaining raw materials, access to financing markets as well as economic and political environments have made them Cautious to take optimal decisions in this field (Mahmoodabadi and Najafi, 2013).

Mahmoud Abadi and Najafi (2015), investigate the role of information transparency in explaining the relationship between the state political support and performance of accepted companiesin Tehran Stock Exchange. The results of the panel data analyzing by using two stage squares least method during 2004-2011 showed there is significant and negative relationship between government political support and information transparency. But government political support and information transparency have not significant relation with the assets returning ratio and when Tobin's Q ratio is considered as a criteria of performance measuring. There is a significant and positive relationship betweengovernment political support and the compan's performance. Also, information transparency variable has mediator role in the relationship between government political support and Tobin's Q ratio. In other words, government political support is led to reduce information transparency, and low information transparency is led to improved company's performance by itself (Tobin's Q ratio).

Khajavi *et al*. (2010), this study investigates the relationship between the type of company' ownership (rate of support and political) and structure of accepted companies capitals in Tehran stock exchange. In this study that has been done for a 10 year period, has been investigated the relationship between the ownership type of under studding companies with the under test companies capital. The other independent variables such as company's size, investments opportunities, growth, and ratio of beheld fix assets have been used to total assets and assets return that among them the size of the company is as a control variable. The research hypotheses have been investigated by statistical methods: multivariate linear regression, panel analyzing and Student's t-test. The results show that there is significant and positive relationship between capital structure and political support. These finding indicates that in Iran capital structure of state-owned companies does not have a necessary efficiency. And is necessary to achieve the optimal capital structure is applied more controls that this important matter is not possible except in shadow of privatization proper implementation.

Boubakri *et al*. (2012a, b) during 2001-1997, investigated the impact of political relations on the cost of company'scapital in 26 countries. The obtained results showed that the capital cost of companies that have political connections is lower that their counterpart companies that do not have political relations. And investors considered lower risk for such as this companies. Also is lower in larger and older companies and companies of countries that have less freedom and democracy and the possibility of government's support and help is more in that's countries financial crisis time.

Hung *et al*. (2012) investigated the political considerations in the decision-making of accepted state-ownship companies in Hong Kong's Stock Exchange. The sample was including the accepted companies in foreign exchange also accepted companies in Shanghai and Shenzhen local stock exchange. The results showed that companies with political connections have weaker performance. Despite the poor performance, these companies' managers by using their political power and influence and also to enjoyment of personal benefitsprovide the field for accepting such companies in foreign stock exchanges.

Research hypotheses: In this study, the aim of this study is to determine the important structures of political relationship and accepted companies performance in Tehran Stock Exchange. In order to achieve the research goals based on the research questions, the following hypothesis is arisen.

The first hypothesis: there is a significant relationship between political communications and companies' performance.

The second hypothesis: there is a significant relationship between the companies 'political communications and return ratio of assets.

The third hypothesis: there is a significant relationship between the companies' political communications and return ratio of stakeholder's equity.

MATERIALS AND METHODS

This research is related to 103 accepted companies in the Tehran Stock Exchange during 2001-2015. Political communication of under study companies have been examined by performance of companies. Research hypotheses have been investigated by multiple regression statistical methods and variance analysis (ANOVA), panel analyzing and Housman test. Statistical analysis has been performed by using Stata Software.

The research's variables and its measuring method: The research's variables are political communication through the government and company's performance. That performance variable is measured by assets return ratio and ratio of stakeholders equity method. According to the Bushman and colleagues research's in this research hypothesis the government political communication variable is investigated as the research's independent variables. The direct or indirect ownership percentage of government or state-ownship institutions if they be >20%.

According to that in Fan, Boubakri *et al*. (2008), (2012b) researches in addition to percentage of government or related to government institution ownership has been used of presence of politicians in directorate to variable measuring. In this study, the dependent variables are the performance of investigated company. In order to evaluating the performance is used of two accounting variables means assets returning (Namazi *et al*., 2009).

Mahmoudabadi and Najafi (2013) and return of stakeholders equity (Namazi *et al*., 2008, 2009; Nikbakht *et al*., 2010; Mahmoudabadi and Najafi, 2013) have used following relation in order to calculate the Rate of Assets return (ROA) and rate of stakeholders equity return (ROE) as accounting criteria of performance measuring:

$$ROA = \frac{NI}{Asset}$$

Where:

NI = Net profit

Asset = The book value of assets

$$ROE = \frac{NI}{Equity}$$

Where:

NI = Net profit

Equity = The book value of stakeholders equity

$$Performance_{it} = \alpha + \beta_1 GOCO_{it} + \beta_2 Leverag_{it-1} + \beta_3 Size_{it} + \beta_4 Growth + \beta_5 Tangibility + \varepsilon_{it}$$

Financial performance: that ratio of Assets Return (ROA) and the ratio of stakeholders equity return is used GOCOit: government political communication, size of the company, financial leverage, growth,tangibility fixed assets ratio, εit: error component.

RESULTS AND DISCUSSION

First hypothesis: deals between the company's Political Communications (PC) and the Ratio of Assets return (ROA). The obtained results indicate the model is optimal to test the hypothesis the f statistics (35.93) and significance level (0.000) confirms the no significance of the model to test the hypothesis. Also Valdrij test results show the lack of self-correlation between the residuals. Adjusted determination coefficient is 26%. Political associations' variable as independent variable, ratio of assets return as the dependent variable and the size, growth, the ratio of tangible fixed assets and financial levers are known as controlling variables in research. Government's political associations have negative and reverse relation according to significant level with variable of assets return ratio (0.004) in Table 1. There is relationship between size, growth, the ratio of tangible fixed assets and company's financial leverage controlling variables with the ratio of assets return. According to that there is significant relation between companies' political communications and ratio of assets return, the first research hypothesis is not confirmed. The concept of significant in the correlation is that whether obtained correlation between two variables can be known as a chance or really is a correlation between the two variables. This matter that, the obtained number is significant or not is more important than the obtained number. Correlation coefficient is shown with R to squared number of correlation coefficient obtains the rate of determining coefficient (R^2) between two variables. The determination coefficient shows that what percentage of dependent variable changes is explained by the independent variable. It has many applications in regression that base on this hypothesis result the determination coefficient of this research is 26% (Table 1).

Table 1: The first hypothesis test

	$roa_{it} = \alpha+\beta_1 GOCO_{it}+\beta_2 Leverag_{it-1}+\beta_3 Size_{it}+\beta_4 Growth+\beta_5 Tangibility+\varepsilon_{it}$			
Variables	Abbreviation mark	Coefficient	t-statistic	Significance level
State political communication	GOCO	-0/23	-2/94	0/004
Financial leverage	Lev	-0/162	-4/23	0/000
Company size	Size	0/69	3/16	0/000
Growth	Growth	0/36	2/02	0/048
Ratio of tangible fixed assets	Tangibility	0/56	3/89	0/000
Intercept	β_0	0/31	2/69	0/016

Adjusted determination coefficient = 0/26; F-statistic = 35/93; Significance level = 0/000

Table 2: Second sub-hypothesis test

	$roa_{it} = \alpha+\beta_1 GOCO_{it}+\beta_2 Leverag_{it-1}+\beta_3 Size_{it}+\beta_4 Growth+\beta_5 Tangibility+\varepsilon_{it}$			
Variables	Abbreviation mark	Coefficient	t-statistic	Significance level
State political communication	GOCO	-0/39	-0/13	0/000
Financial leverage	Lev	-0/72	-2/74	0/007
Company size	Size	0/54	2/63	0/012
Growth	Growth	0.46	2/12	0/036
Ratio of tangible fixed assets	Tangibility	0/29	2/47	0/025
Intercept	c	0/17	1/31	0/145

Adjusted determination coefficient = 0/17; F-statistic = 37/62; Significance level = 0/000

Second hypothesis: There is significant relationship between the company's Political Communications (PC) and the ratio of stakeholders' equity. The obtained results indicate the model is optimal to test the hypothesis. The f statistics (37.62) and significance level (0.000) confirm the no s ignificance of the model to test the hypothesis Political associations' variable as independent variable, ratio of stakeholders' equity as the dependent variable and the size, growth, the ratio of tangible fixed assets and company's financial lever variables are known as controlling variables in research. Government's political communications have not relation according to significant level (0.000) with variable of stakeholders' equity ratio (0.004) in the following table. There is relation between size, growth, the ratio of tangible fixed assets and company's financial leverage controlling variables with the ratio of stakeholders equity return. According to that there is significant relationship between companies' political communications and ratio of assets return, the second research sub-hypothesis is confirmed. The concept of significant in the correlation is that whether obtained correlation between two variables can be known as a chance or really is a correlation between the two variables. This matter that, the obtained number is significant or not is more important than the obtained number. Correlation coefficient is shown with R to squared number of correlation coefficient obtains the rate of determining coefficient (R^2) between two variables. The determination coefficient shows that what percentage of dependent variable changes is explained by the independent variable. It has many applications in regression that base on this hypothesis result the determination coefficient of this research is 17% (Table 2).

CONCLUSION

Our tests show that the variables normality test determines the type of used statistic. Normality test specifies the manner of distribution and data scattering. The significance level result of this test is >5 for all data, represents normality of this data. Normality data' determines the manner of distribution and data scattering. Alignment amounts greater than 10 indicate the possibility of Alignment between independent variables and amounts over 15 indicate a serious problem exist in the use of regression in available status. On the other hand, all of the alignment amounts are <10 that represent the absence of alignment between independent variables. Surveying the variants unequal test indicate significantly level had been higher than 5%. Therefor null hypothesis isn't rejected. This means that research's variables have variance equality and lack of self-correlation. Results of the research's hypothesis analyzing show that the political communication has inverse, significant and negative correlation with f equity ratio returns and return of stockholders' equity ratio. In fact, political communication in ours country's political crisis have a significant impact about decreasing returns and companies losses. If politicians increase in the directorate members or company owners is caused to more communication and lack of economic vision that have adverse impact on company and reduces the ratio of companies asset return and this is caused to investors find less desire to investment and whatever the transaction and investors be less is caused to reduce in the ratio of companies' efficiency.

REFERENCES

Boubakri, N., J.C. Cosset and W. Saffar, 2008. Political connections of newly privatized firms. J. Corp. Finance, 14: 654-673.

Boubakri, N., J.C. Cosset and W. Saffar, 2012. The impact of political connections on firms' operating performance and financing decisions. J. Finance Res., 35: 397-423.

Boubakri, N., O. Guedhami, D. Mishra and W. Saffar, 2012. Political connections and the cost of equity capital. J. Corp. Finance, 18: 541-559.

Hung, M., T.J. Wong and T. Zhang, 2012. Political considerations in the decision of Chinese SOEs to list in Hong Kong. J. Account. Econ., 53: 435-449.

Khajavi, Shokrallah and H. Hosseini, 2010. The relationship between the government political support and capital structure of listed companies in Tehran stock exchange. Account. Dev. Shiraz Univ., 58: 48-67.

Mahmoodabadi, H. and Z. Najafi, 2013. The role of corporate transparency in determining the relationship between government political support and the performance of the companies listed on Tehran stock exchange. J. Manage. Account., 6: 57-71.

Namazi, Mohammed and E. Kermani, 2008. The effect of ownership structure on the performance of companies listed on the Tehran stock exchange. Rev. Account. Audit., 53: 83-100.

Namazi, Mohammed, Hallaj, Muhammad and S. Ebrahimi, 2009. Impact of institutional ownership on past and future financial performance of listed companies in Tehran stock exchange. Rev. Account. Audit., 58: 113-130.

Nikbakht, M. Reza and J. Rahmanynya, 2010. The impact of institutional ownership on the performance of companies listed on the Tehran stock exchange Bhada. J. Stock Exchange, 9: 43-60.