International Business Management 10 (Special Issue 6): 6721-6725, 2016
ISSN: 1993-5250

The Effect of the Decline Stage of the Company Life Cycle on the Company's Appetite Risk and Investor Sentiment in the Companies Listed on the Tehran Stock Exchange

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Abstract: The aim of this research is identifying the decline stage of the life cycle of enterprise, risk-taking companies and the investment sentiment. The research method in terms of purpose the method of implementation of the cross in terms of quantitative data in terms of correlation analysis, cross-sectional view of run-time and in terms of inductive logic was implemented. In this study the decline of the company's life cycle as the independent variable and the company's risk appetite and investor sentiment were considered as the dependent variable. The study, based on real stock market data and information through the basic financial statements and other financial reports, financial statements and accompanying notes issued by member firms the sample is collected. The results of 636 year now in the period 2009-2014, showed that the direct link between a company's life cycle and risk stocks as well as the decline of the company's life cycle on investor sentiment, significant impact there is significant.

Key words: Enterprise life cycle stage of decline, risk-taking company, investor sentiment, financial statements, stock market

INTRODUCTION

Today the financial decision-making processes, during the lifetime of companies, critical for corporate decision-making has become. Addressing research and comprehensive analysis of the financial, economic, social and cultural life of the securities the pace of development of the capital market which is one of the main and important the category is private the realization of the give.

The life-cycle theory, companies and businesses, also have a life cycle that at every stage of this cycle different policies, adopt. These policies in a way is reflected in corporate data. In other words, like living organisms, growth and aging of business units, based on the ability to control and show flexibility.

Firms, since the beginning of its creation, different stages during their life cycle and each one according to its seat in a four-stage life cycle, to select appropriate strategies. These steps are not exhaustive but could provide a framework for assessing, designing and developing strategies provide. One of the important variables in the formulation of corporate strategy, due to the fact that the company in which life cycle stages, each stage of emergence, growth, maturity and decline are located.

Researchers in the field of accounting, a four-stage life cycle companies have been explained the birth or appearance. In this stage the assets, cash flow from operations and profitability is at a low level and companies to achieve their objectives to high liquidity need. The dividend the company is usually zero or up to 10% and return on investments is usually negligible. Growth stage; At this stage firm size and income and financial resources more investment in productive assets. Dividend between 10-50% is varied. Maturity; At this point the need for cash in most cases the funds will be provided. Increased sales and company size and dividends between 50-100% in the swing. Due to high liquidity is generally favorable investment returns. The decline in all probability the company does not grow. Indicators of profitability, liquidity and obligations been on the decline and given the high cost of capital, there is also the possibility of external financing.

Companies during different stages of their lifecycle, features and conditions are different the details of

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accounting and reporting, impact. Studies show that the company's life cycle including cases in which should the analysis of market participants be considered (Anthony and Ramesh, 1992; Dickinson, 2011; Aharony *et al*., 2006).

History and theoretical research: The life cycle of the company including concepts that in recent decades the company has entered into various fields related to (Yan, 2010). In the literature on growth and development both mechanical and organic approach to growth and development there. While the mechanical approach the company is conceived as a car and growth and development is not the organic approach which is now regarded as a living being growth and development. Based on organic approach, Garner stated that the company has its unique life cycle. Accordingy the concept studies and research in the humanities including microeconomics, management, accounting and finance were used (Yan, 2010). Much of this content the existence of different stages in the life cycle of the company and the unique characteristics of each stage the next stage is based. In economic theory and management, life-cycle businesses and institutions are divided into steps. Institutions and companies, according to each stage of its economic life, politics and pursue a particular policy. These policies in a way is reflected in corporate accounting information (Qorbani and Ali, 2006).

About lifecycle numerous definitions have been offered. Aqreval states that life cycle stages temporarily change the competitive conditions in the industry and defines specific period of time. Due to the increasing rate of innovation and competitive changes industry life cycle patterns, it happens throughout the life cycle (Dickinson, 2011).

Financial theory claim that on average companies in the early stages of the life cycle, growth and high profitability. On the other hand large size, low and even negative profit growth companies are features that are in the final stages of the life cycle (Anthony and Ramesh, 1992). The expected return investors the two components, capital gains and dividends to be formed.

One of the risk factors that pay dividends and capital as well as profit is concerned the company's life cycle. On the other hand, all companies of the smallest of them, to their greatest need of capital. Financing conditions and needs of a company, its position in the life cycle, directly depends. Access to capital will use growth opportunities in good economic conditions and in the face of difficult economic conditions the company provides the possibility of survival. Given the importance of risk and return, investment decisions and given that the stock return the criteria that investors, by taking it to buy and sell stocks act thus determining the level of risk and therefore the return on equity is of utmost importance. complex factors on the degree of relationship life cycle of the company. The change in the life cycle investors are better-able to decide the amount of their investment. Also mentioned changes resulted in conclusions for management decisions and financial analysts will be.

Qorbani and Ali (2006) the relationship between profits and cash flows the value of the company life cycle model examined. The findings show that in terms of growth and decline of cash flow to enterprise value the value is significantly stronger than that of profit. The results of their research confirms that the information content of earnings maturity period a significant figure, most of the information content of cash flows.

Karami and Omrani (2010) also explores the impact of the company's life cycle on the relevance of the risk criteria and their performance. The results showed that the relevance of the risk criteria and performance as well as increasing the explanatory power of risk measures at various stages of the life cycle (growth, maturity and decline) significantly different from each other. The results of the test showed that Wong increasing the explanatory power of risk measures in the growth stage the highest amount and the lowest is in the mature stage.

Esta and Qeytasi states the effect of the company's life cycle the discretionary accruals have achieved these results the use of discretionary accruals different companies at different stages of the life cycle so that the use of discretionary accruals in the growth, maturity and decline further to and the use of these items in maturity to decline less.

Jakenz states examined the impact of the company's life cycle on the relevance of their earnings components. His findings show that the relevance of earnings components depending on the company at what stage of the life cycle is different.

Omenif found that as the higher one's life, health and the quality of its predicted profit will be greater because profit forecasts, for young companies to companies that have a long history and reliable profit, more difficult.

The company's life cycle: Adizes states that all living things, including plants, animals and humans, all of the lifecycle or follow the life cycle these creatures are born, grow, grow old with and they eventually die. The living systems at any stage of their life cycle, specific behavior patterns in order to overcome the issues of the day and issues related to the transition from period to period are. Corporate life cycle theory assumes that companies and institutions-economic like all living creatures that are born, grow and die, life or life cycle curve (Karami and Omrani, 2010).

The decline phase (independent variable): Step decline the market downturn shows. Companies and the recession began to decline. Sales due to unattractive product for clients is weak. Due to the lack of innovation and external challenges, profitability is reduced which in turn would lead to a shortage of financial resources. At this point, if growth opportunities exist in all probability, very small. Indicators of profitability, liquidity and obligations, been on the decline. Participation in the competition is very intense conditions while the cost of financing, foreign sources are also high so that in most cases, return on investment lower than the rate of financing in other words the relationship (IRR<K) established (Karami and Omrani, 2010).

Risk company (the dependent variable): Although, the studies the effects are not company-wide risk but these studies are of great diversity. The company's risk-taking, entrepreneurial efforts that led to the creation of new business within the company refers.

Enterprise risk the risk that the business unit to achieve aimes is ready to accept. Risk appetite risk management philosophy that gives sighn entity the entity's culture and style affect operations. Investor sentiment (the dependent variable) investor sentiment, can be based on Baker and Wurgler (2007). Measured the combination of six proxy is common. Baker and Wurgler (2007) investor sentiment as belief about future cash flows, future investment and risk that can not be justified on the basis of available facts has been defined.

Research model: The model used in this study is derived from the model Dickinson (2011) as follows:

$$RISK_{i,t} = \alpha_0 + \sum_{j=1}^{4} \beta_j LCS_{DUM_{i,t}} + \beta_5 AGE_{i,t} + \beta_6 CR_{i,t} + \beta_7 SIZE_{i,t} \sum_t \alpha_t YEAR_t + \sum_t \times IND_t + \varepsilon_{i,t}, ...$$

Where:

RISK = Defining criteria for companies risk-taking

LCSDUM = Vector transformed variables which represent different stages of company life cycle, follows the Dickinson (2011) Model, where β_1-β_4 respectively stages of emergence, growth, maturity and decline of the show

AGE = Represents the company's life as the number of previous years, when the company first was once covered the center for research in security prices for age regression analysis for the natural logarithm (age 1+) measured

CR = Current Ratio (current assets divided by current liabilities)

SIZE = Represents the size of the company which is the natural logarithm of Total Assets (AT) Co., measured at the end of the fiscal year

YEAR = Represent dummy variables to control the effect of year

IND = Represent dummy variables to control the effects of industry

MATERIALS AND METHODS

This study is a kind of applied research in terms of quantitative data in terms of run-time, temporary and the implementation of inductive logic. In this study, data collection software for new achievements and Kedal site is used as well as for data processing, Excel spreadsheet software is used and the data, using software statistical Eviews and SPSS have been analyzed. The study population, all companies listed on the Tehran Stock Exchange and the sample a total of 636 year of the company.

Statistical analysis done with the help of computer software. To test the hypothesis the regression analysis is used. In analyzing the data the software Eviews and SPSS to check the normality of the data, Kolmogorov-Smirnov test was used.

In analyzing the data it must first be determined using panel data or data poling that for this purpose the Chow test is used. To use panel data methods must use the fixed effects, random or specified for this important Hausman test was used. To determine the significance of the regression model the F-statistic and to determine the influence of the independent variable on the dependent variable t-test was used. Explains the model must be determined in default whether independent variables can explain the dependent variable the amount by R^2 (coefficient of determination) is measured, regression analysis should be in error (difference between observed and predicted), independent of also that in this respect the Durbin-Watson test the aid is taken.

Test research hypotheses

The first hypothesis test: The decline of the company's life cycle the company's risk appetite, a positive and significant impact.

Table 1: Test research hypotheses

The explanatory variables	Coefficients of the variables in the model	t-statistic	Significance level
Age	0/127	0/463	0/044
Constant	0/15	0/267	0/002
CR	0/171	0/347	0/009
SIZE	-0/08	-1/272	0/234

- H_0: The decline of the company's life cycle the company's risk appetite have a significant positive impact
- H_1: The decline of the company's life cycle the company's risk appetite a positive and significant impact

Based on the presented results (Table 1) the regression model the probability (p-value) the t-statistic is related to the variable firm size 0.23, <0.05 so at 95 percent hypothesis is confirmed and we can say that as the company does not impact the entity's risk appetite. And suggests that company size is not valid in the regression model. According to our findings there was no convincing evidence to accept the hypothesis and the first hypothesis at the 95% confidence level is rejected.

The second hypothesis test: The decline of the company's life cycle, on investor sentiment has a significant negative impact.

- H_0: The decline of the company's life cycle, on investor sentiment and not have a significant negative impact
- H_1: The decline of the company's life cycle, on investor sentiment has a significant negative impact

RESULTS AND DISCUSSION

Based on the results (Table 1) the regression model the probability (p-value) the t-statistic is related to investor sentiment 0.009 company is <0.05. So at 95% hypothesis was rejected and the decline of the company's life cycle on investor sentiment has a significant and positive impact. As a result the second hypothesis the 95% confidence level is confirmed. In this connection, given the positive investor sentiment index (171%) a direct link between the decline of the company's life cycle and there is investor sentiment. In total according to this result has been achieved convincing evidence to accept the hypothesis the hypothesis second at 95% will be accepted.

First hypothesis: The decline of the company's life cycle the company's risk appetite has a significant and positive impact. According to the first hypothesis, it can be concluded that a significant difference to the decline of the company's life cycle in the years before and after risk stocks in other words the mean decline stage of the life cycle of the company in year before the company's risk appetite, significantly greater than the average decline in the years following the company's risk appetite.

A study conducted by Dickinson (2011) demonstrated that the company is in the stage of stagnation, increase research and development. In a new study, take more risks the decline in the company's life cycle, follows the model of covert action devised by Bonmalesh and colleagues explained. They showed that when companies are faced with stagnant growth rate of investment opportunities the director of the company for investment, negative net present value projects, motivated to pretend they are still strong investment opportunities. Stein stated that if necessary efficiency rather than risk a share of the underlying share the investor is susceptible then the decision to invest the investor will be sensitive.

The decline the market downturn shows. Companies and the recession began to decline. Sales due to unattractive product for clients is weak. Due to the lack of innovation and external challenges, profitability is reduced which in turn would lead to a shortage of financial resources. At this point, if growth opportunities exist the probability is very small. Indicators of profitability, liquidity and obligations, been on the decline. Participation in the competition is very intense conditions while the cost of financing, foreign sources are also high so that in most cases the return on investment is less than the rate of financing.

It is suggested that managers of companies through restructuring such as acquisition, merger or other markets, joining the company's operations continue that in this case the company's risk appetite becomes gradually less.

The second hypothesis: The decline of the company's life cycle on investor sentiment has a significant and positive impact. According to the second hypothesis it can be concluded that a significant difference to the decline of the company's life cycle in the years before and after the launch of the stock there is in other words the mean decline stage of the life cycle of the company, in previous years investment sentiment, significantly greater than the average decline in the years following the investment sentiment. Baker and Wurgler (2007) investor sentiment as belief about future cash flows, future investment and risk that can not be justified on the basis of available facts has been defined. Discount Rate companies that have positive net present value projects with investment i.e., high value (low value) the market coincided with the greater (less) the total investment, even if you return later as these investments are less (greater) than expected.

CONCLUSION

The decline in growth opportunities, generally very small. Indicators of profitability, liquidity and obligations downward trend and participate in a very difficult competitive conditions, inscribed while the cost of financing from external sources is high so that the internal rate of return in most cases less than the rate of supply is financial.

SUGGESTIONS

It is suggested that financial analysts and investors when evaluating performance and current and future financial structure of companies their life cycle as a key factor attention and proper analysis of the financial situation the company's life cycle would not specify.

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