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The Impact of Family Ownership on Financial Performance and Firm Value

Mohammad Ajami[1]*, Ahmad Nateq Golestan[2]

[1]Department of Business Management (Financial Branch), Neishabour Branch, Islamic Azad University, Neishabour, Iran.
[2]Department of Financial Management, Neishabour Branch, Islamic Azad University, Neishabour, Iran.

*Corresponding Author

Abstract: *The purpose of this research is to investigate the effect of family ownership on financial performance and the value of companies admitted to the Tehran Stock Exchange. The sample consists of 125 active companies in Tehran Stock Exchange during the period from 2011 to 2015, which has been selected by systematic elimination method. Which were a total of 625 years old. In this research, linear regression test was used to investigate the research hypotheses. To analyze the data and test the hypotheses of the research, software Eviews-6 has been used. The results indicate that family ownership has a significant effect on the return on assets of listed companies in Tehran Stock Exchange. Also, family ownership has a significant effect on the value of companies admitted to Tehran Stock Exchange.*

Key words: *Family Ownership, Financial Performance, Corporate Value*

INTRODUCTION

One of the important and important issues in determining the value of companies is their ownership structure. The ownership structure is a measure of centralized ownership, which is collective ownership defined as the size of the shareholder. The main task of the stock market is to collect small funds from different individuals to provide the needed capital of the companies and allocate the optimal resources. Individuals with investments in corporate stocks are actually considered to be the owner's equity shares. In stock companies listed on the Stock Exchange, shareholders of a company are composed of a wide range of individuals who are legal shareholders of directors of employees, etc., samples of such persons are tired. In fact, it can be said that the ownership of listed companies is a wide and diverse range of shareholders (landlords) of the company. With the expansion of human societies and global trade, single-member business units have given way to corporations and other types of companies. The existence of joint stock companies caused the issue of separation of ownership from control. Corporate governance is now emerging as a major solution to this issue and has given a lot of research. Considering that shareholders are the most risk-takers in stock companies, it is important for investors to consider how the ownership structure can affect company performance (Matkin et al., 2015).
The importance of family firms in the global economy is so high that about 35% (175 companies) of the top 500 American firms are family-owned. For this reason, in many countries, there are several indicators for the definition of such companies, and researchers have done different researches about these companies in recent years due to the importance of these companies. In family businesses, generally, a large portion of the shares is held by one or more genuine shareholder members of a family, and family members are employed in management and operational positions. According to the research, it has been pointed out that if the share of managers is to a greater degree, they can create incentives for them to provide a more

favorable financial position and performance, and also major shareholders can control the behavior of managers on decisions and Company activities are influential (Ball et al, 2003).
Family firms are defined as a company whose family-based directors are part of the board of directors, retaining important senior management rankings, or are the main shareholders of the company (Chen et al., 2008). Researchers generally have accepted family involvement in the company as something that makes these types of companies different, and most of them, interfere with family ownership and The management interprets. Churchill and Hatton (1987) add a family succession to this interpretation. Therefore, in a comprehensive manner, a family firm is a company whose members of the founder's family maintain their place in senior management and are members of the board of directors, Or holders of a large volume of companies. Ghanbari (2007) showed that the ratio of the presence of non-members in the composition of the board does not affect the performance, the existence of the internal auditor has a direct relationship with performance, the transparency of information is not related to the performance of the company, and the ownership of institutional investors has a direct relationship with performance. Also, current (2008) showed that due to the fact that institutional ownership is high in companies admitted to Tehran Stock Exchange, there is no significant relationship between institutional shareholders and company value. However, in all sample companies, there is at least one non-executive member on the board, which leads to a significant relationship between the ratio of non-executive directors and the value of the company. Finally, the purpose of this research is to answer the following questions:

1. Does family ownership affect the value of companies admitted to the Tehran Stock Exchange?
2. Does family ownership affect the return on the assets of companies admitted to the Tehran Stock Exchange?

Background Research

Hey and Qie (2017) In a study, the relationship between ownership structure and over-investment decisions by Chinese government companies has been studied. the results of this research show that there is a negative relationship between ownership of management and excessive investment, as well as state ownership has a negative impact on investment decisions. Jennifer et al. (2016) have been researching this topic. Is the family ownership of a company linked to the control of corporate governance and company decisions? This empirical research has been conducted on a large sample of internationally listed companies from 20 countries during 2002-2010. demonstrating that family ownership reduces the risk of administrative expropriation through voluntary means. Darzio et al. (2016) examined the differences between family and non-family firms in accessing bank loans during the 2007-2009 financial crisis. Statistical results and evidence show that credit for family firms is heavily less than non-family firms. It is shown that this difference is related to the increased role for soft information in the performance of the Italian bank. Amiriyani and Momeni (2017) investigated the relationship between company ownership structure and long-term operational performance in Tehran Stock Exchange family shirts. The results of this study showed that there is a significant relationship between Sherket property and asset returns in family firms that can be attributed to the fact that corporate ownership in family firms has a significant relationship with asset returns. It was also found that there is a significant relationship between corporate ownership and equity returns in family firms. Zahedi et al. (2017) have explored the family ownership pattern of companies. The results showed that with the increase of family ownership, the coefficients also increased, with the increase in the amount of family ownership, the effect of it on the company's performance increases.

Research Methodology

Hypothesis

- Family ownership has a significant effect on the value of companies admitted to Tehran Stock Exchange.

- Family ownership has a significant effect on the return on assets of the companies admitted to the Tehran Stock Exchange.

Operational definition of variables

Table 1: How to measure the variables of the research

Row	Title	Type of variable	How to measure
1	Tobin's q	The dependent variable	The book value of the company's assets is divided into (the company's stock market value + company debt). The return on assets is considered to be profit before interest and taxes divided by the total carrying amount of the asset.
2	FOWN	independent variable	In this research, the following condition has been used to define family firms in Iran: The actual shareholder owns at least 20% of the company's ordinary shares. Non-family firms are also companies that do not have the terms listed.
3	GROWTH	Control variable	Ratio of asset growth minus the growth of corporate assets.
4	LEV	Control variable	By dividing the total debts of the company into total company assets, it can be calculated.
5	RISK	Control variable	RISK=STDEV(R)
6	AGE	Control variable	Natural logarithm Years of activity of the company (Logarithm of the year of the company's difference until now).
7	FSIZE	Control variable	Which can be calculated through the logarithm of the total assets of the company.
8	Price	Control variable	The final price is the market price of each share at the end of the fiscal year.
9	Lagged ROA	Control variable	The return on assets is defined as profit before interest and taxes divided by the total value of the asset.

Regression model

The regression model of the first hypothesis

$$\text{Tobin's q} = \alpha + \beta_1\text{FOWN} + \beta_2\text{GROWTH} + \beta_3\text{LEV} + \beta_4\text{RISK} + \beta_5\text{AGE} + \beta_6\text{FSIZE} + \beta_7\text{Lagged ROA} + \beta_8\text{PRICE} + \varepsilon$$

The regression model of the second hypothesis

$$\text{ROA} = \alpha + \beta_1\text{FOWN} + \beta_2\text{GROWTH} + \beta_3\text{LEV} + \beta_4\text{RISK} + \beta_5\text{AGE} + \beta_6\text{FSIZE} + \beta_7\text{Lagged ROA} + \beta_8\text{PRICE} + \varepsilon$$

Society and statistical sample

The statistical population of this study is the companies listed in the Tehran Stock Exchange between 2011 and 2015. In this research, considering the nature of the research and the existence of some inconsistencies between the companies accepted in Tehran Stock Exchange, the following conditions are considered for the purpose of determining the sample of the research:

1. In terms of increasing comparability, their financial period will end in March.
2. During the financial years under review, they did not change the activity or change the financial year.
3. The components of banks and financial institutions (investment companies, financial intermediation, holding and leasing) that do not have financial disclosure and structure of the company's strategic principles.
4. Available data are available.
5. The shares of the company will be traded on Tehran Stock Exchange.

Based on the systematic deletion method, 125 companies were selected as a sample based on a systematic elimination method.

Data analysis method

Data analysis In this research, according to the subject, variables, hypotheses and research method, Eviews software will be used to test the hypotheses and the significance of relationships between variables as well as Excel for calculations. In order to check the normality of the variables of the research, the Jarck test is to be used. In the present study, the significance test in the regression model is included; the regression significance test and the coefficient significance test will be performed. Also, the default assumptions for using the regression model include variance analysis, F Limer test and Hausman test.

Results

Descriptive Statistics

Table 2: Descriptive statistics of variables

Variables	Lagged ROA	PRICE	FSIZE	AGE	RISK	LEV	GROWTH	ROA	Tobin'sq
Average	0/185333	0/916933	14/10179	3/489810	0/141181	0/617619	0/188876	0/163440	1/708115
Middle	0/160000	1/000000	13/90000	3/580000	0/120000	0/610000	0/140000	0/151400	1/723000
Max	0/680000	8/000000	18/74000	4/160000	0/860000	3/060000	1/270000	0/456400	2/889290
Min	-0/14000	0/120000	10/35000	2/400000	0/010000	0/010000	-0/400000	-0/15740	0/780000
Stdev	0/130445	0/370382	1/464727	0/419270	0/089384	0/267847	0/254041	0/110667	0/433978
Jar bra	45/49573	1418365/	79/17815	37/45231	3200/608	11193/70	323/3822	5/028971	5/272289
Sig.	0/000000	0/000000	0/000000	0/000000	0/000000	0/000000	0/000000	0/080905	0/071637

Table (2) contains the main indicators of centralization and dispersion. The mean, which represents the equilibrium point and the distribution center and is a good indicator of the centrality of the data, is for the company's value of 1.708. Median is another central indicator that shows the state of the society and shows that half of the data is less than this and half more than this amount. Also, the uniformity of the mean and median value indicates that this variable is normal for a company's value of 1.723 Dispersion indicators are a criterion for determining the amount of dispersion of data from one another or their dispersion relative to the average. In this study, elongation is positive for all variables. Also, based on the values presented in Table (2), since the values of the significance level, the company's value and asset returns are more than 5%, so the zero assumption, that is, the normality of the variable is confirmed. Therefore, the company's value variables and return on assets are normal distribution.

Maneuverability test

Table 3: Maneuverability test of research variables

Result	First order difference Sig.	Sig.	ADF Fisher Statistics	Variables
I(0)		0/0000	311/215	Tobin'sq
I(0)		0/0067	264/051	ROA
I(1)	0/0298	0/9308	4/33900	FOWN
I(0)		0/0103	260/293	GROWTH
I(1)	0/0000	0/3451	217/592	LEV
I(0)		0/0052	266/231	RISK
I(1)	0/0292	0/9999	105/748	AGE
I(0)		0/0014	276/731	FSIZE
I(0)		0/0005	107/977	PRICE
I(1)	0/0000	0/5744	205/522	Lagged ROA

As it is seen, the significant level of unit root test in all company value variables, asset return, asset growth rate, risk, firm size and final price is less than 0.05 and shows that the rank of zero I(0) and This means that the mean and variance of variables over time and covariance of the variables were stable between 2011 and 2015. And the variables of political communication, family ownership, the effect of political relationships on family ownership, financial leverage, life of the company and past performance With a differential load, these variables are stacked from order 1 or I(1). As a result, the use of this variable The models in the model do not result in false regression.

F Limer and Hausman test

Table 4: F Limer and Hausman tests

Result	Sig.	Hausman tests	Result	Sig.	F Limer	Pattern	
Fixed effects	0/0000	98/520103	A sign	0/0000	8/628520	First sub hypothesis	The main hypothesis of the first
Fixed effects	0/0000	108/456993	A sign	0/0000	6/867198	Second sub hypothesis	

According to the hypothesis model, the chi-square test probability is less than 5%. Therefore, constant effects are used to estimate and analyze the sub-hypotheses model. According to the obtained results, the panel data method is accepted for the sub-hypotheses model.

Test the first hypothesis

H0: Family ownership does not have a significant effect on the value of companies admitted to Tehran Stock Exchange.

H1: Family ownership has a significant effect on the value of companies admitted to Tehran Stock Exchange.

Table 5: The test result of the first hypothesis

Results	Sig.	t	Std.	Coefficients	Variables
+	0/0000	4/929275	0/796771	3/927503	α_0
-	0/0034	-2/948419	0/132773	-0/391469	FOWN
+	0/0004	3/566183	0/053068	0/189250	GROWTH
+	0/0076	2/681373	0/073443	0/196927	LEV
+	0/2719	1/100118	0/145619	0/160199	RISK
+	0/0008	3/392288	0/306554	1/039918	AGE
-	0/0000	-7/037237	0/055951	-0/393738	FSIZE
-	0/1161	-1/574827	0/173989	-0/274002	PRICE
-	0/0062	-2/752555	0/033495	-0/092197	Lagged ROA
10/33943		F		0/737582	R
0/000000		Sig.		0/666246	R2
		2/139476		D.W	

The results of the estimation show that the probability of the t statistic for the constant coefficient and coefficients of the family ownership variables, the ratio of the growth of assets, the financial leverage, the life of the company, the size of the company and the past return on the company's value is less than 5%. Therefore, meaningful. And the coefficient estimated by the software for the family ownership variable is negative and significant on the company's value. And the probability of t statistics for risk variables and the final price of the company's value is greater than 5%. Therefore, the estimated coefficient of these variables is not statistically significant. Therefore, with 95% confidence, this variable is meaningless in the regression model. The adjusted adjustment coefficient shows the explanatory power of independent variables, which can explain 67% of the variations of the dependent variable. The probability of the F statistic is that the whole model is statistically significant. Considering the hypothesis that the family ownership variables, the ratio of asset growth, financial leverage, life of the company, size of the company and past return on the value of the company in the meaningful model, so the assumption of H0 is rejected, that is, family ownership is effective on the value of the company.

Test the second hypothesis

H0: Family ownership does not have a significant effect on the Return on assets of companies admitted to Tehran Stock Exchange.

H1: Family ownership has a significant effect on the Return on assets of companies admitted to Tehran Stock Exchange.

Table 6: The test result of the second hypothesis

Results	Sig.	t	Std.	Coefficients	Variables
+	0/0000	6/121675	0/161529	0/988827	α_0
+	0/0412	2/047612	0/026917	0/055115	FOWN
+	0/0002	3/710724	0/010758	0/039922	GROWTH
−	0/0000	-10/52423	0/014889	-0/156695	LEV
+	0/0192	2/351179	0/029521	0/069410	RISK
−	0/0000	-5/233160	0/062147	-0/325228	AGE
+	0/0432	2/027877	0/011343	0/023002	FSIZE
+	0/0000	4/704318	0/035273	0/165934	PRICE
−	0/0244	-2/258682	0/006790	-0/015337	Lagged ROA
18/50094		F		0/834146	R
0/000000		Sig.		0/789059	R2

The results of the estimation show that the probability of t statistics for constant coefficients and coefficients of family ownership variables, asset growth ratio, financial leverage, risk, life of the company, firm size, final price and past return on the return on the company's assets is less than 5%; Therefore, this relationship is statistically significant. And the coefficient estimated by the software for the family ownership variable is positive and significant on the return on the company's assets. The adjusted adjustment coefficient shows the explanatory power of the independent variables, which can explain 79% of the variations of the dependent variable. The probability of the F statistic is that the whole model is statistically significant. Considering the hypothesis that family ownership variables, asset growth ratio, financial leverage, risk, company life, firm size, final price, and past return on company returns in a meaningful model, so the assumption of H0 is rejected, namely, family ownership on returns The company's assets are effective.

Conclusion and Recommendations

The result of the first hypothesis test showed that family ownership has a significant effect on the value of companies admitted to Tehran Stock Exchange. The results of the second hypothesis test showed that family ownership has a significant effect on the return on assets of the companies admitted to Tehran Stock Exchange. Therefore, according to some researchers, such as Damestes and Len (1985), Mc Connagy et al. (2001), Christians et al. (2007) and Chen et al. (2008), the problems of representation in family firms are much lower. It can improve performance and increase the value of the company. Mishra et al. (2001) also investigated the value of the company and its relationship with the control structure in a research entitled "The Impact of Family Ownership on Company Control and Values." The findings of this research showed that in companies with family ownership, the value of the company is significantly higher than non-family owned companies, considering that in the present study, the value of the company decreased with increasing family ownership, therefore, with the results of researches The above is not compatible. In contrast, Anderson and Reb (2003) investigated the performance of family firms in a research entitled "Family Companies and Company Performance: Evidence from S & P 500". In this study, they investigated the relationship between family ownership and the performance of large firms. The findings of the study indicated that family firms had a better performance compared to other companies with a variable of 21 families. Based on the results of the research in companies with family ownership, the return on the company's assets is significantly higher than non-family owned companies, with the results of the research, Anderson and Paste (2003). Accordingly, the following suggestions can be made:

- Based on the results of the first hypothesis, family ownership is effective on the company's value. Therefore, it is proposed to legislator institutions such as the audit organization and the stock exchange to increase the transparency of reporting and making optimal decisions by investors by requiring more disclosure of family ownership and its amount. Analytical agencies are encouraged to rate companies in terms of family ownership, in order to increase transparency on the market, and capital market investors can make better decisions by relying on them. Finally, financial analysts, educational institutions and students are encouraged to use the results of this research in comparative studies and other financial research, and investors, investment managers and financial suppliers use the results of this research to better predict performance. Companies that they want to use.

- Based on the result of the second hypothesis, family ownership is effective on the return on the company's assets. Hence, identifying factors such as the family property structure that can be linked to the financial structure helps investors to decide on and facilitate the control of corporate investment policies. Therefore, it is suggested to investors to pay attention to family ownership levels when making economic decisions. Moreover, considering that a significant percentage of the Tehran Stock Exchange is made up of family firms, this type of ownership structure has so far been a small share of It is proposed to investigate this type of ownership structure from different angles.

Research limitations

In all investigations, constraints are an integral part of the research. because these limitations provide the basis for future and future research. This research was no exception :

1. Selection of sample companies from listed companies in the Tehran Stock Exchange has made it impossible for companies to participate in the stock exchange.
2. The existence of fluctuations in prices and inflation in recent years has been another factor contributing to the results of the research.
3. Given that the statistical sample in this research is not selected based on industry, the results of this research may vary in different fields.

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