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A Study on the Relationship between the Presence of Institutional Shareholders, Bank Shareholders and the Cost of Financing Firms

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A B S T R A C T

The present study seeks to obtain evidence regarding the relationship between the presence of institutional investors, bank shareholders and financial costs of listed firms in Tehran Stock Exchange. To achieve this goal, the information of 188 firms is collected through the financial statements of firms listed in the stock market, and analyzed through R and spss statistical software and combined data. In this study, the presence of institutional investors and shareholders of the bank is evaluated as the independent variable and financial costs as the dependent variable. Based on Albring Model (2014), two indices are studied as the variables of financing. According to the results of research hypotheses, the existence of a significant relationship between the variables of institutional investors' presence and firm growth, due to the reduction of financial costs, debt-to-asset ratio and dividends on assets ratio, taking into account internal growth rate, has been approved. In addition, the presence of this relationship is confirmed about debt-to-asset ratio with regard to the variable of short-term growth rate.

Keywords: Institutional Shareholders, Bank Shareholders, Cost of Financing, Tehran Stock Exchange, Firm Growth

INTRODUCTION

Firm growth is the main goal of management and it is considered as one of the factors influencing the investors' decision-making. Firm's continued growth leads to create confidence in investors and consequently it is a factor that increases the stock price and value of the firm. Given the fact that the profitability of the firm has a significant effect on its value, any attempt to reduce costs, which leads to increase profits, will enhance the firm's value. That's why, when choosing the method of financing, managers should always try to choose the method that leads to the minimization of the cost of financing. One of the most important factors in achieving the above objective, is the ability to access the financial resources needed in every moment of time and the most significant source of funds is banks and financial institutions. Therefore, banks play an important role in the firm's financial costs[1]. That is why the presence of necessary mechanisms in order to create a good relationship with these institutions will be effective in reducing financial costs. Furthermore, the presence of shareholders with high power of liquidity will be of great help to financial flexibility. In addition due to the ability to make timely turnover of facilities and lack of cross-sectional stagnant of funds received from different sources among Peer firms, it will lead to share the cost between several firms and ultimately

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reduce the financial cost. According to the above description, it seems that any shareholder relationship between the firms can be effective on the amount of financial costs.

SUBJECT AND IMPORTANCE OF RESEARCH

One of the most important issues of firms that are of interest for many executives as well as investors, is the firm's access to financial resources and its ability for in time flexibility. Funding the firm's liquidity at the right time certainly improves the firm's performance and increases the efficiency of working capital. That's why one of the most significant cases of non-bank creditors in decision-making for customers is funding the cash.

In this regard, it is required to review whether, in fact the presence of institutional investors among firm shareholders is helpful in order to create appropriate contingency funding channels to facilitate the above conditions and ultimately improve the firm's performance. One of the most important factors affecting the value of the firm is its profitability. That's why managers are always trying to reduce costs, as a result of which the firm's earnings will be increased. One of the major costs of the firms in recent years, due to limited financial resources and increasing demands on resources, is the cost of financing within the firms. Pursuant to the above mentioned issues, trying to reduce this cost will lead to the improvement of the performance and ultimately will result in the firm's growth. That's why managers should always try to choose the method, which leads to costs reduction and thus maximization of shareholders wealth.

Due to the above introduction, one of the factors contributing to firm's objectives achievement and ultimately its growth and elevation is the firm's ability to access the required financial resources (Lin et al., 2004). Therefore, the presence of factors facilitating the access to financial resources, can reduce costs, and ultimately help firm's growth. There are several solutions in connection with firms financing. According to some experts, domestic financing, due to its availability, will impose a lower cost to the firm. That's why instead of using facilities, financing through shareholders is put in priority. Therefore, when there is a need for liquidity, mainly attracting resources through equity is suggested.

This liquidity is provided through increasing capital and or borrowing from major shareholder. In contrast to this theory, some believe that given the investors' uncertainty over the amount and accessibility of future cash flows arising from investing, shareholders' expected returns are also high. Therefore, domestic financing through shareholders will increase financial costs. Accordingly, financing of this group is done mainly through sources outside the firm.

The main issues discussed in previous studies are the effects of these shareholders' presence on the firm's performance improvement. However, recently given the firm's requirements to establish internal controls system and implementation of corporate governance mechanisms, the attention of this type of research has focused on in-depth review of these cases. The main focus of the studies is on the firm's performance improvement through effectiveness of regulatory systems and ultimately reduction of agency costs[2].

Corporate governance involves a set of practices that helps firms to achieve pre-determined objectives. In addition, corporate governance provides the shareholders who are not involved in administrative matters of the firm, the assurance that the firm's performance is under control. Corporate governance, according to the definition provided by Economic Cooperation and Development Organization is the procedures and processes according to which an organization is directed and controlled. Corporate governance structure specifies the distribution of rights and responsibilities between the various actors of the organization, such as the Board, managers, shareholders and other stakeholders and determines rules and procedures for decision-making.

Many studies have been conducted in relation to corporate governance. In summary, the most important issues studied in connection with this subject are divided into two groups:

internal and external groups. Internal mechanisms include the Board of Directors, executives and management by ownership and external mechanisms include external shareholders, legal systems and institutional ownership. Accordingly, it seems that the most significant strategy to improve performance is not increasing the profitability, and firms' focus is on reducing costs[3]. Therefore, the study and identification of the factors affecting firm costs will be one of the most important solutions to improve the efficiency. The aforementioned issues are the explanatory for the fact that the presence of shareholders with high access to liquidity, will help to fund cheap.

In addition, it is also assumed that institutional shareholders due to various and attractive parameters for banks and financial institutions, are good tools to achieve liquidity at low cost. In this study, institutional shareholders refer to firms, institutions and investment groups, which do invest in their firm stock. Furthermore, if this group is also part of banking groups, it is considered as bank shareholder. Based on the objectives of the study, the cost of financing in this study is investigated as the dependent variable and institutional shareholders and bank shareholders have been studied as independent variables.

According to the above description, it seems that any relationship between the firms with these resources will be effective on the amount of financial costs. The aim of this study is to investigate the effect of institutional and bank shareholders presence on the firm's financial costs. In fact, this research seeks to answer the question of whether the presence of institutional and banking shareholders in the firm affects the financial costs and ultimately the firm's growth.

LITERATURE REVIEW

Institutional shareholders control the firm's operations effectively and have the ability to monitor it operatively. For this reason, they have the power to create conditions to restrict earnings management and provide real profits report, consequently, with high quality[4,5]. The amount of institutional ownership has an impact on financial reporting and allows management to provide the report at any time according to its own interests[6]. In addition, consistent with previous research results, Osama and Noguer[7] found that institutional investors have an important role in reducing earnings management. Furthermore, the findings of the study carried out by Hashim[8] indicate a positive effect of these shareholders on earnings quality.

Farkoo et al[4] believe that the increase in shares held by institutional shareholders will increase the firm's monitoring motivation. According to this description, the existence of such shareholders will have a positive effect on improving firm's reporting structure. Based on active monitoring hypothesis, the presence of institutional shareholders with high percentage of shares, creates high motivation in management activities control[9]. This is due to the ability of shareholders in the collection and interpretation of data and also detection of data and management intentional manipulation. Results of previous studies have approved the significant association between the usefulness of accounting earnings and the presence of major institutional shareholders.

Farkoo et al[4] in a comprehensive study, entitled ″Evaluation of the association between the presence of institutional investors and corporate governance″, investigated the relationship between institutional investors and regulatory and control systems. Their research results show that institutional shareholders control the firm's operations effectively and have the ability to monitor it operatively. For this reason, they have the power to create conditions to use inter-organizational relationships and effective use of cheap financial resources.

Reza Gharabagh and Mohammadi[10] examined the impact of financing patterns on firm financial performance in economic fluctuations (case study of manufacturing automobile and parts firms). This article tried to examine this issue by a sample of manufacturing automobile and parts firms listed in the Stock Exchange. Therefore, 27 stock firms in a volatile period (2008-2012) had been studied. In order to investigate the effects of financing on financial metrics, such as cost per unit of debt, earnings per unit of stock and earnings per unit of sale, the

Pearson correlation coefficient was used. Afterwards, to evaluate the results of hypotheses test results in each individual firm and years of economic recession, the firms were grouped on the basis of two criteria of debt-based and stock-based. The results show that the studied stock-based firms, due to lower financial costs in comparison with the industry average, have had a better financial performance in terms of maintaining liquidity in the period of economic recession.

Esfahanian et al[11] examined the relationship between earnings management and financing costs in listed firms in Tehran Stock Exchange. The aim of this paper was to show the influence of factors such as financing costs on earnings management in the firms, using Modified Jones model. Therefore, 94 firms listed on Tehran Stock Exchange, in the period 2004-2009 were examined. The results of the research showed that no significant relationship was observed between the cost of debt and earnings management in these firms, while by the increase in the cost of equity, the incentive of imposing earnings management has declined. Therefore, there is a negative and significant relationship between the cost of equity and earnings management in these firms.

RESEARCH HYPOTHESES

According to the research topic, the tested hypotheses in this study are:

First Hypothesis: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs.

In order to test this hypothesis, two variables are applied as the representatives of reviewing financial costs. These variables include sfg that means the highest accessible growth of the firm and refers to the rate of interest cost payment being zero and ig that refers to the flat-rate of interest payment and reliance on internal resources.

Thus, the study on the first hypothesis includes the investigation of two sub hypotheses as follows:

First sub-hypothesis: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs with respect to the variable of short-term growth rate.

Second sub-hypothesis: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs with respect to the variable of internal growth rate.

METHODOLOGY

Since the present study reviews the relationship between two variables of firms financing cost and the participation of institutional and banking investors, therefore it is a cross-sectional correlation study and on the other hand, since this study can be used in decision-making process, it is considered as a kind of applied research. In terms of nature and methodology, the study is descriptive-correlation, because it reviews the present status and analyzes the relationship between different variables.

Research Model and Variables

$$EFG_{it} = \alpha + \beta_1 DIV_{it}/TA_{it} + \beta_2 NI_{it}/NS_{it} + \beta_3 NS_{it}/NFA_{it} + \beta_4 LOG\text{-}TA_{it} + \beta_5 NFA_{it}/TA_{it} + \beta_6 Q_{it} + \beta_7 COM + \beta_8 LARGEST\ SHAREHOLDER\ OWNERSHIP + \beta_9 DABOOK + \beta_{10} AGE + \varepsilon_{it}$$

In this model:

$EFG_{i,t}$ = The need for external financing, **$DIV_{i,t}$** = Total dividend, **$NI_{i,t}$** = Net income, **$NS_{i,t}$** = Net sell, **$NFA_{i,t}$** = Net fixed assets, **$LOG\text{-}TA_{i,t}$** = logarithm of total assets , **$TA_{i,t}$** = Total assets, **$Q_{i,t}$** = Tobin's Q ratio, **COM** = in the presence of institutional investors number one and zero otherwise, **Dabook** = ratio of total debt to

total assets (based on the market value of assets), **Age** = date the firm was founded until review, **Largest shareholder ownership** = amount of shares owned by 10 major shareholders of the firm

The second hypothesis of the study is analyzed the hypothesis using the following model[1].

$$EFG_{it}=\alpha+\beta 1DIV_{it}/TA_{it}+\beta 2NI_{it}/NS_{it}+\beta 3NS_{it}/NFA_{it}+\beta 4LOG\text{-}TA_{it}+\beta 5NFA_{it}/TA_{it}+\beta 6Q_{it}+\beta 7COM+\beta 8LARGEST\ SHAREHOLDER\ OWNERSHIP+\beta 9DABOOK+\beta 10AGE+\beta 1BANKPRESENCE+\varepsilon_{it}$$

Where:
Bank Presence = presence of bank shareholders at least among 10 major shareholders
Assuming the need for external financing of the firm is zero, firm growth is calculated by the three indexes as follows:
The first figure, which represents the highest growth rate in conditions that the firm relies on domestic resources, and interest payments rate is fixed, is called internal growth rate and is calculated using the following equation.

$$\mathbf{IG_t= (ROA_t*b_t)/ (1-ROA_t*b_t)}$$

Where, $\mathbf{ROA_t}$ is the ratio of profit after interest and tax to assets.
$\mathbf{SFG_t}$ also represents the firm's highest accessible growth through internal available cash and short-term debt, which is called short-term growth rate and is calculated by putting the number **1** instead of **b** in the above equation (showing zero interest payment rate) and it comes from the following equation:

$$\mathbf{SFG_t= ROTC_t/(1-ROTC_t)}$$

Where, $\mathbf{ROLTC_t}$ is equal to the ratio of profit after interest and taxes to fixed assets.
Finally, instead of **EFG** in the original model, the above three indexes will be used for each firm in each given year (Demirguc and Maksimovic 1998, Susan et al., 2013).
Based on the presented description provided in this section, examined models in order to achieve results have been used, with respect to the above described hypotheses, as follows:

$$SFG_{it}=\alpha+\beta 1DIV_{it}/TA_{it}+\beta 2NI_{it}/NS_{it}+\beta 3NS_{it}/NFA_{it}+\beta 4LOG\text{-}TA_{it}+5NFAit/TA_{it}+\beta 6Q_{it}+\beta 7COM+\beta 8LARGEST\ SHAREHOLDER\ OWNERSHIP+\beta 9DABOOK+\beta 10AGE+\varepsilon_{it}$$

$$IG_{it}=\alpha+\beta 1DIVit/TA_{it}+\beta 2NI_{it}/NS_{it}+\beta 3NS_{it}/NFA_{it}+\beta 4LOG\text{-}TA_{it}+\beta 5NFA_{it}/TA_{it}+\beta 6Q_{it}+\beta 7COM+\beta 8LARGEST\ SHAREHOLDER\ OWNERSHIP+\beta 9DABOOK+\beta 10AGE+\varepsilon_{it}$$

$$SFG_{it}=\alpha+\beta 1DIV_{it}/TA_{it}+\beta 2NI_{it}/NS_{it}+\beta 3NS_{it}/NFA_{it}+\beta 4LOG\text{-}TA_{it}+\beta 5NFA_{it}/TA_{it}+\beta 6Q_{it}+\beta 7COM+\beta 8LARGEST\ SHAREHOLDER\ OWNERSHIP+\beta 9DABOOK+\beta 10AGE+\beta 1BANKPRESENCE+\varepsilon_{it}$$

$$IG_{it}=\alpha+\beta 1DIV_{it}/TA_{it}+\beta 2NI_{it}/NS_{it}+\beta 3NS_{it}/NFA_{it}+\beta 4LOG\text{-}TA_{it}+\beta 5NFA_{it}/TA_{it}+\beta 6Q_{it}+\beta 7COM+\beta 8LARGEST\ SHAREHOLDER\ OWNERSHIP+\beta 9DABOOK+\beta 10AGE+\beta 1BANKPRESENCE+\varepsilon_{it}$$

Research Population, Sample and Study Period

The study population included all listed firms during the period 2007 to 2013 that are in Tehran Stock Exchange and are eligible for the following conditions:

• The firms should be listed on Tehran Stock Exchange prior to 2007 and should be among the listed firms in Tehran Stock Exchange by the end of 2013.

• The firms should not be among investment firms, financial intermediaries and leasing.

• The fiscal year of the firms should be ended by March of each year and have no fiscal year change during the research period.

• The information needed to calculate the variables of the study in the studied years must be accessible and available.

Through such measures and after the estimation and collection of primary data, the appropriate sample of the study is selected and relevant data has been extracted from financial statements, activity reports and other information software. The analyses are performed by Rah-Avard Novin software. Based on the studies conducted, a total of 245 firms have had the conditions mentioned in the survey, of which 42 insurance, investment, banking and financial intermediation firms as well as 15 firms whose information was not available for the period under review, have been deleted from the total sample. In total, all the studied firms are over 188 firms that with respect to the study of a 7 year period, a total of 915 firm-year remains. Due to the limited number of observations and in order to increase the research accuracy, total population is discussed

RESULTS

First Hypothesis Test:

The main hypothesis of research has been formulated based on defined goals as follows and two separate dependent variables are used in order to analyze the results. The variables are set and tested in the form of sub-hypotheses, which are presented in the following: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs.

First sub-hypothesis test: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs with respect to the variable of short-term growth rate.

The t-statistic is used to determine the significance of the coefficients of the independent variables in each model to study the effect of the independent variable. The null hypothesis of testing the coefficients significance indicates that the independent variable does not affect the dependent variable. That is to say the independent variable coefficient is zero. The decision on acceptance or rejection of the null hypothesis is made based on the p-value of t test. If the p-value of this test is less than 0.05, the hypothesis H0, based upon the ineffectiveness of the independent variable on the dependent variable, is rejected and the presence of a significant relationship between the independent variable and dependent variable is accepted. The results of model coefficients estimation and their significance test are presented in the Table below.

Table (1) Results of Model Coefficients Estimation and their Significance Test

data: log(abs(sfg)) ~ div.ta + ni.ns + ns.nfa + logta + nfa.ta + q +factor(com) + larg + dabook.la.ta + age					
Result	P-Value	t-Student Statistic	Standard Deviation	Coefficient	Variables
Presence of Significant relationship with Dependent Variable	* 0.01	–2.45	0.42	–1.02	div.ta
Presence of Significant relationship with Dependent Variable	**0.00	2.94	0.00	0.01	ni.ns
Absence of Significant relationship with Dependent Variable	0.10	–1.64	0.00	–0.00	ns.nfa
Presence of Significant relationship with Dependent Variableوابسته	* 0.02	–2.36	0.35	–0.83	Logta
Absence of Significant relationship with Dependent Variable	0.17	–1.36	0.42	–0.58	nfa.ta
Presence of Significant relationship with Dependent Variable	* 0.02	–2.37	0.01	–0.02	Q
Absence of Significant relationship with Dependent Variable	0.07	–1.78	0.15	–0.27	factor(com)1
Absence of Significant relationship with Dependent Variable	0.48	0.70	0.00	0.00	larg.
Presence of Significant relationship with Dependent Variable	□□□*** 0.00	3.35–	0.99	3.32–	dabook.la.ta
Absence of Significant relationship with Dependent Variable	0.54	0.62	0.03	0.02	Age

*** Significance at the level of 0.001
** Significance at the level of 0.01
* Significance at the level of 0.05

According to test results, the presence of relationship between the dependent and independent variables has not been confirmed.

Second sub-hypothesis test: There is a significant relationship between the presence of institutional shareholders and reduction of financing costs with respect to the variable of internal growth rate.

The t-statistic is used to determine the significance of the coefficients of the independent variables in each model to study the effect of the independent variable. The null hypothesis of testing the coefficients significance indicates that the independent variable does not affect the dependent variable. That is to say the independent variable coefficient is zero. The decision on acceptance or rejection of the null hypothesis is made based on the p-value of t test. If the p-value of this test is less than 0.05, the hypothesis H0, based upon the ineffectiveness of the independent variable on the dependent variable, is rejected and the presence of a significant relationship between the independent variable and dependent variable is accepted. The results of model coefficients estimation and their significance test are presented in the Table below.

Table (2) Results of Model Coefficients Estimation and their Significance Test

data: ig ~ div.ta + ni.ns + ns.nfa + logta + nfa.ta + q + factor(com) + larg. + dabook.la.ta + age					
Result	P-Value	t-Student Statistic	Standard Deviation	Coefficient	Variables
Presence of Significant relationship with Dependent Variable	0.66	–0.44	11.18	–4.97	div.ta
Absence of Significant relationship with Dependent Variable	0.35	–0.94	6.55	–6.17	ni.ns
Presence of Significant relationship with Dependent Variable	0.62	0.50	0.03	0.01	ns.nfa
Absence of Significant relationship with Dependent Variable	0.86	–0.17	0.02	0.00–	Logta
Presence of Significant relationship ه with Dependent Variable	0.83	–0.21	1.54	–0.33	nfa.ta
Absence of Significant relationship with Dependent Variable	0.54	–0.61	4.29	–2.61	Q
Presence of Significant relationship with Dependent Variable	* 0.03	–2.21	0.10	–0.22	factor(com)0
Presence of Significant relationship بسته with Dependent Variable	0.45	–0.76	2.00	–1.51	factor(com)1
Absence of Significant relationship with Dependent Variable	0.98	–0.03	0.03	–0.00	larg.
Presence of Significant relationship with Dependent Variable	0.56	0.59	10.28	6.02	dabook.la.ta
Absence of Significant relationship with Dependent Variable	0.14	1.49	0.07	0.11	Age
Presence of Significant relationship ته with Dependent Variable	***0.00	90.33	0.08	7.52	**sd.mu**
Presence of Significant relationship with Dependent Variable	*** 0.00	41.08	0.52	21.43	**sd.eps**

*** Significance at the level of 0.001

** Significance at the level of 0.01

* Significance at the level of 0.05

According to test results, the presence of relationship between the dependent and independent variables has been confirmed. Based on the research findings, there is a significant direct relationship between the dependent variable and independent variable at two levels of 0 and 1.

Second Hypothesis Test:

The second hypothesis of the research is explained as below. Therefore, in order to review it, using two separate dependent variables, the desired model is applied. The variables are set and tested in the form of sub-hypotheses, which are presented in the following: There is a significant relationship between the presence of banking shareholders and reduction of financing costs.

Third sub-hypothesis test: There is a significant relationship between the presence of banking shareholders and reduction of financing costs with respect to the variable of short-term growth rate.

The t-statistic is used to determine the significance of the coefficients of the independent variables in each model to study the effect of the independent variable. The null hypothesis of testing the coefficients significance indicates that the independent variable does not affect the dependent variable. That is to say the independent variable coefficient is zero. The decision on acceptance or rejection of the null hypothesis is made based on the p-value of t test. If the p-value of this test is less than 0.05, the hypothesis H0, based upon the ineffectiveness of the independent variable on the dependent variable, is rejected and the presence of a significant relationship between the independent variable and dependent variable is accepted. The results of model coefficients estimation and their significance test are presented in the Table below.

Table (3) Results of Model Coefficients Estimation and their Significance Test

data: log(abs(sfg)) ~ div.ta + ni.ns + ns.nfa + logta + nfa.ta + q + factor(com) + larg. + dabook.la.ta + age + factor(bankpresence)					
Result	P-Value	t-Student Statistic	Standard Deviation	Coefficient	Variables
Presence of Significant relationship with Dependent Variable	⁎0.02	–2.43	0.42	–1.01	div.ta
Presence of Significant relationship with Dependent Variable	⁎⁎0.00	2.93	0.00	0.01	ni.ns
Absence of Significant relationship with Dependent Variable	0.10	–1.63	0.00	–0.00	ns.nfa
Presence of Significant relationship with Dependent Variable	⁎ 0.02	–2.43	0.35	–0.83	log ta
Absence of Significant relationship with Dependent Variable	0.17	–1.36	0.42	–0.58	nfa.ta
Presence of Significant relationship with Dependent Variable	⁎ 0.02	–2.31	0.01	–0.02	q
Absence of Significant relationship with Dependent Variable	0.07	–1.76	0.15	–0.27	factor(com)1
Absence of Significant relationship with Dependent Variable	0.45	0.75	0.00	0.00	larg.
Presence of Significant relationship with Dependent Variable	⁎⁎0.00	–3.32	0.99	–3.31	dabook.la.ta
Absence of Significant relationship with Dependent Variable	0.54	0.60	0.03	0.02	age
Absence of Significant relationship with Dependent Variable	0.79	–0.27	0.18	0.02	factor(bankpresence)1

*** Significance at the level of 0.001

** Significance at the level of 0.01

* Significance at the level of 0.05

According to test results, the presence of relationship between the dependent and independent variables has not been confirmed.

Fourth sub-hypothesis test: There is a significant relationship between the presence of banking shareholders and reduction of financing costs with respect to the variable of internal growth rate.

The t-statistic is used to determine the significance of the coefficients of the independent variables in each model to study the effect of the independent variable. The null hypothesis of testing the coefficients significance indicates that the independent variable does not affect the dependent variable. That is to say the independent variable coefficient is zero. The decision on acceptance or rejection of the null hypothesis is made based on the p-value of t test. If the p-value of this test is less than 0.05, the hypothesis H0, based upon the ineffectiveness of the independent variable on the dependent variable, is rejected and the presence of a significant relationship between the independent variable and dependent variable is accepted. The results of model coefficients estimation and their significance test are presented in the Table below.

Table (4) Results of Model Coefficients Estimation and their Significance Test

data: ig ~ div.ta + ni.ns + ns.nfa + logta + nfa.ta + q + factor(com) + larg. + dabook.la.ta + age + factor(bankpresence)					
Result	P-Value	t-Student Statistic	Standard Deviation	Coefficient	Variables
Presence of Significant relationship with Dependent Variable	0.00***	–16.40	0.13	–2.10	div.ta
Absence of Significant relationship with Dependent Variable	0.81	0.25	0.00	0.00	ni.ns
Presence of Significant relationship with Dependent Variable	0.00***	–29.41	0.00	–0.01	ns.nfa
Absence of Significant relationship with Dependent Variable	0.50	0.67	0.03	0.02	Logta
Presence of Significant relationship with Dependent Variable	0.03*	–2.23	0.08	–0.18	nfa.ta
Absence of Significant relationship with Dependent Variable	0.95	0.07	0.00	0.00	Q
Presence of Significant relationship with Dependent Variable	0.00***	6.93	0.21	1.46	factor(com)0
Presence of Significant relationship with Dependent Variable	0.00***	6.85	0.21	1.46	factor(com)1
Absence of Significant relationship with Dependent Variable	0.42	0.81	0.00	0.00	larg
Presence of Significant relationship with Dependent Variable	0.00***	–7.50	0.20	–1.47	dabook.la.ta
Absence of Significant relationship with Dependent Variable	0.77	0.29	0.00	0.00	Age
Presence of Significant relationship with Dependent Variable	0.63	–0.47	0.05	–0.02	factor(bankpresence)1
Presence of Significant relationship with Dependent Variable	0.00***	–4.74	0.03	–0.12	sd.mu
Presence of Significant relationship with Dependent Variable	0.00***	38.63	0.01	0.42	sd.eps

*** Significance at the level of 0.001

** Significance at the level of 0.01

* Significance at the level of 0.05

According to test results, the presence of relationship between the dependent and independent variables has not been confirmed.

CONCLUSION AND RECOMMENDATIONS

Research hypotheses seek to evaluate the effect of the presence of institutional shareholders and bank shareholders on financial costs reduction and ultimately firm's performance improvement. The results of testing these hypotheses are as follows:

The presence of institutional shareholder affects the ratio of dividends to total assets with regard to both short-term growth rate and internal growth rate variables. The issue has been fulfilled with regard to the bank shareholders or regardless of them. This is generally due to the fact that the main objective of firms is to control some firms through the acquisition of their shares and for some reasons do not need to obtain profit. Therefore, the dividend policies will be affected by the presence of these shareholders. Consequently, these findings can be considered as a message on the subject of this study. If the result is carefully analyzed, the idea can be stated as a theoretical viewpoint that investment objectives of the banks are different from what

is expected from an investor. Financial cost reduction through the acquisition of shares and granting low interest loans in the short-term leads to profitability growth of firm and it will help to increase the stock price. This will lead to an increase in the efficiency of banks investment.
The ratio of income to sell, the same as the first hypothesis, taking into account sfg variable in both hypotheses, has been affected. This result is obtained because, based on current theoretical foundations as well as the underlying assumption of this study, the presence of institutional investors reduces the cost of financing and will ultimately increase the firm's performance. Therefore, this ratio will be affected. In this regard, it can be argued that based on the results of the previous section, relying on this ratio by considering complex ownership structures, will possibly lead to the transfer of messages and affect decisions regard to buying such shares. Therefore, this result can change the decision of shares purchasers of some firms that lead to a shift of resources.

The presence of a relationship between the ratio of fixed assets to total assets with the presence of institutional shareholders with respect to the variable ig is due to the fact that the presence of institutional investors reduces the need to invest in fixed assets because of the possibility to use of the assets of the other firms of the group involved in the production. This means that in the presence of institutional shareholders who have physical assets, the firm's need to invest in fixed and capital consuming assets will be reduced. This will affect the firm's financial costs and finally, its performance by two ways:

A. On one hand, if the firm tries to achieve facilities and has no need to invest in fixed assets, the possibility to lead the investment to the production will increase. As a result, the firm will be helped in providing raw materials by cash. Therefore, there is no need for long-term purchase of production needs until the time of sale. Consequently, the payable amount is far less than long-term buying. Therefore, the financial costs will be reduced. In this case and in favorable conditions of balance sheet, as well as the presence of lower amount of debt, the risk of investing in firm will also decrease from the viewpoint of providers. Thus the probability for low-cost resources financing will increase.
B. On the other hand, if there is no impact on the purchase price of raw materials, the presence of free available resources will help firm to have more production and sales in appropriate economic conditions. Therefore, increasing the sales level, the amount of prorated financial cost to a product will be reduced theoretically. This will lead to an increase in profit margins per product and ultimately the firm's overall performance.

Tobin's Q ratio is affected by the presence of institutional and bank investors regard to the reduction of financing costs, improvement of performance and ultimately increase in the value of the firm. This can be expressed in this way that the ratio is somehow the indicator of the effect of market prices, and correspondingly is transparently explanatory for firms that have higher ratio of market value to book value. Higher stock prices and increase in the mentioned ratio will be the most likely derived from the firm's performance improvement. According to the control on the other factors in the model used in this study, the performance improvement certainly could have been caused by the financial cost. Therefore, the theoretical assumption of the researcher will be realized also true.

The relationship between the presence of bank institutional shareholders in the firm and reduction of financial cost has not been confirmed. The reason for this is that the presence of banks among shareholders is mainly due to gaining profit through stock price volatility. That's why a few firms can be found that have a bank shareholder with high present stock over a long term. The results of the present study are consistent with the results obtained in research carried out by Link et al[12]. Based on the research results the following recommendations can be made:

- Regard to the present survey results, the investors, who intend to have short-term investment in firms, are recommended to invest in firms that have more institutional investors.
- If shareholders consider achieving earnings arising from assets performance of the firm, they are recommended to invest in firms with more institutional investors.

- Financial managers and credits officials of the banks are suggested to prioritize the firms with bank shareholders, to facilitate the collection of short-term bank loans.
- According to the present study findings, Exchange Organization is recommended to adapt special measures regard to the Banks' performance in investment for a long term return, in connection with shareholders information disclosure as well as their changes during different periods and investigate the ability to change the firm's ownership in terms of the type of entities (financial, non-financial, manufacturing, investment, etc.) and control the effects of these changes.
- When there are imbalances in financing conditions, considering firms' internal return rate, the users are recommended to focus their attention to those firms that have more bank shareholders.
- The study results are analyzed based on main firms' information. Therefore, in order to get additional information, research should be conducted based on the consolidated financial statements.
- In the present study, the rate of inflation has not been considered. Therefore, it is recommended that a study be carried out taking into account the annual inflation rate effects.

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