An Investigation of the relation between Core values of Company and decision making of investors in Tehran Stock Exchange

Ahmad Sarani,[a] Rasoul Norouzi,[b] Bozorgmehr Khandoozi [c]*

a- Management Dept., Islamic Azad University, Aliabad Katoul Branch,
b- M.A. in Business Administration (Financial Management Tendency).
c- Management Dept,Islamic Azad University,Aliabad Katoul Branch,Golestan, Iran

Abstract

This paper investigates the relation between Core Values of Company and decision making of investors at Tehran Stock Exchange (TSE).The main goal of this article is to investigate the effect of Core Values of Company on investing decisions of investors at TSE. Meanwhile, Core Values of company include: Customer Satisfaction, Profitability, ROA , Economical Stability.Therefore,130 Manufacturing companies have been selected from statistical society considering that their necessary information for a five years period from 1382 to 1386 have been available. The necessary data of the research have been collected from the financial statements of the companies. Core values of company have been regarded as independent variables and share buy volume has been considered as dependant variable. Univariate regression technique has been used to investigate the hypotheses. The results show that there is a relation between Core Values of Company and investing decisions of investors in Tehran Stock Exchange.

Key Words: Customer Satisfaction, Profitability, Economical Stability, Share buy Volume, ROA.

Introduction

Decision Making is one of the most important affairs of life nowadays and it has a broad range which some of them have been made in business, investing, financing and so on. Decision making at stock market is critical and investors should examine the information of company accurately to make decision about their investing on shares. However, Companies trying to exist in competitive environment and to manage their durability they need to finance themselves with financing tools which one of the common way of financing is publishing and selling the shares. CEO need to be aware about the determinant factors which impact the decisions of investors at stock market to win among other companies for financing themselves and increasing the wealth of shareholders of company .Thus, in this research we investigate the relation between Core Values of Company and decision making of investors at Tehran Stock Exchange (TSE) . Walters & Halliday state core values have different interpretations and in commercial concepts ,core values emphasis the stakeholders satisfaction and it is not restricted to customer satisfaction and include other factors like employer's needs, supplier's needs, shareholders, government and unities. (Walters David, HallidayMichael, 2005).moreover, in a research model of bankruptcy of companies was examined via financial ratios, liquidity ratios, performance and leverages in this model ratios like : $\frac{net\ income}{total\ asset}$, $\frac{total\ debt}{total\ asset}$, $\frac{current\ debt}{current\ asset}$ were used. The result shows that there is a direct relation between debt ratio and bankruptcy risk.(Zeithmal , Valerie A; Leonard L.Berry and A. Parasuraman ,1996). Martinez, in a research in federal bank of Columbia investigated determinant factors of bankruptcy of companies via debt ratio, profitability ratio and liquidity ratio, his findings show that bankrupt companies have higher debt ratio than usual companies in industry but profitability and liquidity ratio are lower in comparison with not bankrupt companies(Martinez.A. Oscar ,2003). Eriotis,in a research expresses that high debt ratio in Greek companies caused less profitability for them. (Eriotis, N .2007).in a research findings show that if customers be satisfied by receiving the products or services ,their purchasing will be increased and they repeat their purchasing .(Zeithmal , Valerie A; Leonard L.Berry and A. Parasuraman .1996).Furthermore, in a research titled from *customer satisfaction to profitability*, has been shown that there is a positive relation between customer satisfaction and financial performance of company (Yeung Matthew C. H; Ennew Christine T. 2000).Besides, in a research was shown there is a positive relation between customer satisfaction and profitability of company. (Anderson, E.w., C.Fornel and S.K.Mazvanchery., 2004).Rahgozar examined the application of financial criterions based on values according to share prices and

the results show that customer satisfaction which was measured by sales volume has a positive relation with share price(rahgozar,reza2007).

Research Hypothesises

1- There is a relationship between Economical Stability of company and decision making of investors at TSE.
2- There is a relationship between ROA of company and decision making of investors at TSE.
3- There is a relationship between Profitability of company and decision making of investors at TSE.
4- There is a relationship between Customer Satisfaction of company and decision making of investors at TSE.

Research Methodology

This research is a correlation ones which pursues applicable target and the sample is 130 manufacturing companies at TSE which have been selected from statistical society considering that their necessary information for a five years period from 1382 to 1386 have been available at TSE .To analyze data SPSS software was used.

Variables

In this research, decision making of investors at TSE is an dependant variable and core values of companies which can be measured by financial criterions are independent variables.

Investors: whoever buys shares at TSE.

Decision Making of investors: in this research decision making of investors was shown by purchasing volume of share by investors.

Customer Satisfaction: in long term customer satisfaction is the only cause that makes customers purchase from the company and sales volume of company increases when Customers are satisfied thus, in this research customer satisfaction is measured by sales volume of company.

Profitability: in this research profitability was measured by operating profit margin.

Economical Stability: it expressed the durability and existence of company in business environment and in this research it is measured via debt ratio.

ROA: it expressed how company spend capital to create income and it is measured by Total income .
Total Asset

Examination of hypothesis

1-First hypothesis expresses that there is a relation between economical stability of company and decision making of investors in TSE.

Model	Unstandardized coefficients		standardized coefficients	t	Sig.
	B	Std.Error	Beta		
constant	18.636	0.719		25.907	0
Debt ratio	-0.044	0.10	-0.344	-4.150	0

As the test result shows ,*B= - 0.044* and *sig < α =0.05* accordingly it is possible to express with %95 assurance there is a reverse relationship between debt ratio and decision making of investors in TSE.

2- Second hypothesis shows that there is a relation between ROA of company and decision making of investors in TSE.

Model	Unstandardized coefficients		standardized coefficients	t	Sig.
	B	Std.Error	Beta		
constant	14.783	0.283		55.220	0

| ROA | 0.056 | 0.014 | 0.341 | 4.103 | 0 |

As the test result shows **B= 0.056** and **sig < α =0.05** accordingly it is possible to declare with %95 assurance there is a positive relationship between ROA and decision making of investors in TSE.

3- Third hypothesis states that there is a relation between Profitability of company and decision making of investors in TSE.

Model	Unstandardized coefficients		standardized coefficients	t	Sig.
	B	Std.Error	Beta		
constant	14.762	0.276		53.579	0
Operation profit margin	4.36	0.998	0.359	4.353	0

As the test result shows **B= 4.36** and **sig < α =0.05** subsequently it is possible to announce with %95 assurance there is a positive relationship between Operation Profit Margin of company and decision making of investors in TSE.

4-The Last hypothesis claims that there is a relation between customer Satisfaction of company and decision making of investors in TSE.

Model	Unstandardized coefficients		standardized coefficients	t	Sig.
	B	Std.Error	Beta		
Constant	15.165	0.173		87.451	0
Sales Volume	0.001	0	0.504	6.599	0

As the test result shows **B= 0.001** and **sig < α =0.05** subsequently it is possible to announce with %95 assurance there is a positive relationship between Sales Volume of Company and decision making of investors in TSE.

Conclusion

Research results show that investors decrease purchasing of Company's shares when the Debt ratio of companies increase at TSE.In other words, there is a positive relationship between economical stability of company and decision making of investors at TSE.

Meanwhile, when ROA increase investors buy the relevant shares more and more therefore, there is a positive relationship between ROA of company and TSE.

Results also declare that there is a positive and direct relationship between operation profit margin and decision making of investors at TSE.In other words, profitability of companies cause investors buy shares increasingly.

Finally, the result show that there is appositive relationship between customer satisfaction of company and investors decision making at TSE . In other words, increasing in customer satisfaction level of company cause increase in stock value and this is mainly considered by investors at TSE.

To Sum UP: Customer Satisfaction, Profitability, Economical Stability and ROA which are titled Core values of company have impacts on decision making of investors, moreover investors at TSE usually tend to use fundamental analysis to buy shares and investing.

Suggestion

1-In long term Customer satisfaction of company's products have influences on stockholder`s wealth, so the CEO should provide customer satisfaction mainly by tools like good after sales services, quality improvement etc.

2-Financing the company by publishing the new shares.

As high debt ratio increases the bankruptcy risk of company, it is recommended companies increase finance themselves by publishing new shares instead of publishing bonds.

References

1.Walters, David and Halliday, Michael (2005) , *Marketing and Financial Management,* Palgrave Macmilan,p.29.
 2.Anderson, , S.K.Mazvanchery and C.Fornel E.w. (2004)
 "customer satisfaction and shareholder value, " *journal of Marketing*, vol.68.no.4(October),172-185
3.Eriotis,N (2007), "How firm characteristics affect capital structure: an empirical study ,"*Managerial Finance,*Vol.33.no.5,pp.321-331.
4.Martinez.A. Oscar (2003). "the Particular aspects of financial stability, Determinants of corporate fragility in Colombia, "
www.banrep.gov.co/documentos/economic_reports/pdf/stability_jul.pdf, pp.60-70.
5.Rahgozar,Reza(2007) , "An Empirical Study on Value-Based Performance Measures, Stakeholder Satisfaction and Stock Prices,*The Iranian Accounting and Auditing Review*, Winter, 2007 vol.13, no.46,pp.8-27.
6.Yeung Matthew C. H; Ennew Christine T. (2000), "from customer satisfaction to profitability, " *Journal of Strategic Marketing* ,Vol. 8.(December) ,pp.313-326.
7.Zeithmal, Valerie A; Leonard L.Berry and A. Parasuraman (1996), "the Behavioral consequences of service quality", *journal of Marketing*, 60(2), April,31-47.