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Studying the effect of Political Relations on Capital Structure and Profit Sharing Policy of Companies Listed in Tehran Stock Exchange

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Abstract: The purpose of this study is to investigate the effect of political relations on the capital structure and profit distribution policy of companies listed on the Tehran Stock Exchange during the years 2014 to 2020. Since the results of this research can be used by auditing organizations, auditing firms, researchers, students and companies, in terms of categorization of research in terms of purpose, it is of the type of applied research and in terms of classification of research in terms of method is causal after occurrence. The data collection tools in this research are scientific articles and Rahavard Novin software using information companies. Data analysis was performed using Ives software. The statistical population in this study is all companies listed on the stock exchange, of which 94 companies were selected as a sample through screening. The results showed that there is a significant relationship between the political relations of the parliament and the political relations of the government with financial leverage. Because the probability value of each of these variables is less than the standard value of 0.05%. The results also showed that there is a significant relationship between the political relations of the parliament and the political relations of the government and the policy of profit sharing. Because the probability value of each of these variables is less than the standard value of 0.05%.

Keywords: Political Communication, Stock Exchange, Dividend Policy, Capital Structure.

INTRODUCTION

The expansion and increasing complexity of investments and the different goals of investors have necessitated the acquisition of information about capital structure and dividend policy. The issue of dividend policy has always been one of the most controversial financial issues, so that it has attracted the interest of economists of the present century and more than the last five decades. In general, the relationship between dividends and earnings per share indicates the dividend policy (Qalibaf, 2007). Awareness of the determinants of dividend policy, while providing a clear picture of the company's ability to distribute liquidity, also makes it possible to estimate their future behavior. The goal of investors is to receive more cash dividends as part of their investment and they want to get their stock returns in the form of cash dividends, on the other hand, major and institutional shareholders tend to maintain profits in the company and spend them on development and as a result, the company's stock price will increase in this way (Sadeghi Sharif and Bahadori, 2009). According to Pal et al. (2007), dividends are a portion of a company's earnings paid to ordinary shareholders. Profit sharing is one of the oldest and most common ways companies transfer profits to shareholders.

Capital structure has been proposed as the most important parameter affecting the valuation of companies and their orientation in capital markets. The current changing environment has also made the rating of companies in terms of credit to some extent dependent on its capital structure. This has brought their strategic planning closer to selecting more effective resources aimed at maximizing shareholder wealth (Daglas, 2001). Therefore, variable and fluid factors affecting the capital structure can affect the profitability and efficiency of companies in covering this goal in the form of agency theory and adherence to the theory of hierarchy (warner, 1997). It is clear that the decision-making wave of financial managers in observing the principle of conformity when providing financial resources, is a certain approach in modifying these decisions according to the requirements of the economic environment and it is considered a suitable model for the growth and effectiveness of thinking governing the performance of companies. The issue of how companies select and adjust the composition of their strategic financial resources has long been the focus of many financial economists and is still the subject of much debate (Markez & Santuz, 2004).

The capital structure of any company is a combination of debt and equity through which companies finance their assets. Capital structure is a combination of long-term funds sources used by the company and changing this combination changes the company's cost of capital. The main purpose of capital structure decisions is to create the right combination of long-term funding sources, in order to minimize the cost of the company's capital and thereby maximize the value of the company. This combination is called the optimal capital structure (Nowruzi, 2014). Capital structure is a combination of common stock, preferred stock and related subsidiaries, retained earnings, and debt that an entity uses to finance its assets (Dimitiris & Mariya, 2010).

In the Iranian economy, the government plays a key role in the structure of large companies, and the major industries are state-owned companies. Government investment in joint stock companies is either direct or through the control of the banking sector, and institutional investment. The capital structure of any company is an initial warning about the extent of the company's financial distress and it is necessary to determine the factors affecting the efficiency of financing companies in their strategic planning. Various factors such as company size, management status, production and sales, sources of raw materials, access to financing markets as well as economic and political environments have made them cautious about optimal decisions in this field (Khajavi et al., 2011). On the other hand, one of the ways for governments to control the country's economy is to influence the units of government influence in economic units through communication with politicians or government ownership (Nelli sari&Ano gero, 2011). Government influence and political support may create value for the company, Like companies that have good relationships with governments and pay less taxes, have more market share, and use bank facilities more easily, the government assists them in the public offering of shares and enjoys significant advantages at a lower threshold and at a lower cost than other companies (Euz & Iearholzergy, 2006). Government support brings benefits such as lower financing costs for a particular company but on the other hand, it may lead to inefficiency of the company's performance (Nilisari and Anograh, 2011).

Profit sharing is very important in two ways: In a sense, profit sharing is a factor affecting the investments made by companies. The more profit is distributed, the less internal resources the company will have to carry out investment projects and the need for external financial resources increases, which can affect the stock price of companies in the future. On the other hand, many shareholders of the company want to distribute cash dividends. Therefore, in order to maximize shareholder wealth, managers must always strike a balance between the different interests of shareholders, so as not to miss out on profitable investment opportunities and pay the cash dividends needed by some shareholders. Therefore, profit sharing decisions made by company managers are very sensitive and important (Mehrani and Talaneh, 2002). Research has shown that almost all successful companies pay dividends and corporate financial managers pay special attention to dividend policy. Profit-sharing policies also affect the value of a company's stock (Frankfurter et al, 2002). One of the most important financial decisions is the allocation of earnings per share into two parts: dividends and accumulated earnings (Mashayekh and Abdollahi, 2011). According to the representation cost theory, as the dispersion of ownership increases, the cash dividends demanded by shareholders increase; therefore, it is expected that centrally owned companies will be less inclined to distribute profits. In addition, in concentrated ownership companies, there is no need to distribute more profits to improve financial order or the convergence of interests between managers and shareholders. Dividend payment, on the other hand, is an alternative to supervision. Thus, the major shareholders of centrally owned companies can use their voting rights to force the company to distribute additional cash flows to reduce agency costs as an alternative to their oversight. Managers communicate their expectations to the market by paying interest, but the presence of institutional shareholders in the company is a valid message that is transmitted to the market. Representation costs have been reduced due to the oversight activities of this group of shareholders. Therefore, the presence of these investors reduces the need to use dividends as a message of good performance. On the other hand, the motivation of institutional investors to ride for free from regulatory activities requires, this group of investors, instead of direct supervision, use their voting power to force companies to increase dividends to reduce the costs of representation related to free cash flows (Mashayekh and Behzadpour, 2014). According to the mentioned topics, the main purpose of the present study is to investigate the effect of political relations on the management of profit distribution and capital structure of companies listed on the Tehran Stock Exchange. In other words, the main question of the research is whether political relations are effective in managing the distribution of profits and capital structure of companies listed on the Tehran Stock Exchange or not?

THEORETICAL FOUNDATIONS AND RESEARCH BACKGROUND

Due to the existence of international evidence for the existence of political relations between government and companies, a large number of studies have examined the phenomenon of political relations in companies (Choy et al, 2011). The index of political relations has three dimensions: economic, social and personal. The economic dimension of political communication is, percentage of direct government ownership of company shares, so that more than fifty percent of company shares belong to the government (Ahsan et al 2017). The social dimension of political communication is the investment of government-affiliated institutions in the corporate ownership structure that expresses the institutional support of the government. In other words, the social dimension is,

percentage of shares held by state-owned and public companies from the total shares of capital, which these companies include insurance companies, financial institutions, banks, state-owned companies and other government components (Etemadi and Ahmadi, 2017). The individual dimension of political communication is also, companies in whose ownership structure one of the major shareholders of the company (a shareholder who owns more than 10% of the company's shares) is a former or current figure in the government (Khan et al ,2016). However, in recent research studies, the political relations between the company and the government have been studied more in the form of the presence of major government-affiliated investors in the ownership structure of the company (the individual dimension of political relations). In general, investors in the stock market are divided into two categories: real shareholders and legal shareholders. Real shareholders are a wide range of shareholders in a company, some of whom may be government-affiliated personalities and politicians (Faccio et al, 2006). One of the ways forward for the government to control economic units is to acquire corporate shares through the ownership of a major political shareholder (ownership of more than 10%) in the corporate ownership structure (Ding et al., 2014). The government infiltrates companies through these connections. Also, the presence of government-affiliated investors can influence the company's financial policies. For this purpose, these companies are called companies with political connections (Habib, A., & Muhammadi, A. H., 2018). Companies also have a strong desire to build relationships with the government and disclose these relationships in their financial statements to use it as a competitive advantage; Because with political support through relationships, many benefits such as easier access to foreign financing (Cull et al ,205), debt reduction (Lassoued, 2014), Taxes and tariffs and improving growth opportunities and reducing the likelihood of bankruptcy (Hamdan, 2012), follow for the company (Maaloul et al ,2018); Thus, in relationship-based economic systems, political communication is an important and valuable resource for companies.

Hooshmand and Derakhshanmehr (2016), in a study examined the effect of political relations on the relationship between the quality of accruals and dividend policy of listed companies during the years 2011 to 2016. The results showed that there is a significant and inverse relationship between the quality of accruals and dividend policy. Political relations also have a significant and inverse effect on the relationship between the quality of accruals and dividend policy. Ansari et al. (2017) in a study examined the effect of political relations on the capital structure of companies listed on the Tehran Stock Exchange during the years 2004-2016. The results showed that there is a positive and significant relationship between political relations through the legislature and the capital structure of companies. It was also found that there is no significant relationship between political communication through the executive branch and the capital structure of companies. Shokri (2016), in a study, studied the relationship between dividend policy and political relations of companies listed on the Tehran Stock Exchange during the years 2010 to 2014. The results showed that at the level of 99% confidence, communication has a positive and significant effect on cash dividends, in other words, with the increase of communications, the cash dividend of stocks also increases. The findings also showed that there is a significant relationship between political communication and stock returns. Nourbakhsh and Ghanbari (2014) studied institutional ownership of dividend distribution policy on industrial companies. The results showed that there is a significant relationship between dividend policy and financial leverage, company size and ordinary shareholders. But the results of the study were not significant for non-institutional ownership of dividend policy. Mashayekh and Behzadpour (2014) investigated the effect of managers' overconfidence on dividend policy. The results showed that there is a negative and significant relationship between managers' overconfidence and company profit distribution; So that more confident managers have less profit sharing. Studies also show that by increasing operating cash flows, the more confident manager estimates higher future operating cash flows and pay more dividends. On the other hand, regardless of whether the manager is more confident or rational, the company manager pays higher dividends for higher growth opportunities. Balali and Nourshahi (2011) investigated the relationship between corporate capital expenditures and the quality of accounting information. In this research, two hypotheses have been used that the first hypothesis of the research states that, higher quality accounting information increases the efficiency of companies' capital expenditures by reducing representation issues. The second hypothesis of the study also states that this effect in companies that have financed mostly through equity (issuance of shares in the capital market), their results show that, higher quality accounting information increases the efficiency of companies' capital expenditures by reducing agency issues. Maaloul et al. (2018) in a study examined the effect of political communication on the performance and value of Tunisian companies. Based on the results, political communication improves the performance and value of the company, in fact, investors tend to invest in companies with high political affiliations because of greater profits. David S. Koo et al. (2017) in a study examined the effect of the quality of financial reporting on corporate dividend policy. The results showed that high quality of reporting has a significant relationship with higher dividends. This positive relationship in companies that face more severe cash flow problems and it is also more common among companies whose ownership is heavily supervised by institutional investors. Chwee Ming Tee (2017), in a study examining the political relationships and institutional investors and the concurrence of stock prices in Malaysian companies. As a result, identifying institutional investors as one of the factors influencing the effectiveness of the supervision of companies with political connections can be useful. Tang et al. (2016) in

a study examined the relationship between political communication and corporate value. The results showed that the value of companies whose managers have political affiliation has decreased significantly following the announcement of the new law and the subsequent resignation of managers. Sáez Lacave, M. Gutiérrez Urtiaga, M (2014), in a study entitled dividend policy with shareholder control, examined the determinants of dividend policy in companies with a centralized ownership structure. The research findings showed that in companies with shareholder control, the dividend payment ratio is lower. The results also show that there is an unresolved agency conflict between controlling shareholders and foreign shareholders. The controlling shareholders use the dividend policy to dispossess the ownership of the minority shareholders. Su. X, Y Becker and D Rosenfeld. (2013) examined the predictive power of asset growth to assess future stock returns. Examples include data from 23 countries on three continents: the United States, Europe, and Asia. The results show that there is high predictive power in the measures of asset growth for stock returns. This predictive power continued for 4 years after the date of initial measurement. In addition, they stated that, these results can be generalized to different examples, including large corporations, small corporations, and corporations in a geographic area.

METHODOLOGY

Since the results of this research can be used by the audit organization, auditing firms, researchers, students and companies, in terms of categorizing research by purpose, it is of the type of applied research and in terms of classification, research according to the method is of the causal type after occurrence. The data collection tools in this research are scientific articles and Rahavard Novin software using information companies. Data analysis was performed using Ives software. The statistical population in this study is all companies listed on the stock exchange. The sample was selected through screening (94 companies) and must meet the following conditions:

- Their financial period ends on 12/29 each year, so that the data can be put together and used in tabular or combined formats.
- Do not change the financial period during the research period, so that the results of financial performance are comparable.
- Not be part of companies active in the field of financial activities, including investment companies, banks, insurance companies and financial institutions. Because these institutions are different in nature and their main income is from investment and depends on the activities of other companies. Therefore, are fundamentally different from other companies, so they will be excluded from the research.
- The required data for the research variables are available during the period 2014 to 2019, so that the calculations can be performed without defects as much as possible.
- Do not stop trading for more than 6 months during the fiscal year. Since stopping trading causes an inability to estimate the market value, this inability leads to a lack of variables needed for research.

RESULTS

In the present study, the following two proposed models were used to investigate the effect of political relations on profit sharing policy and corporate capital structure, in the research of Malol et al. (2018) and David Osko et al. (2017), which are as follows.

$$\text{Leverage}_{it} = \beta_0 + \beta_1 \text{GOCO}_{it} + \beta_2 \text{PACO}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{ROE}_{it} + \beta_5 \text{LIQ}_{it} + \beta_6 \text{TobinsQ}_{it} + \varepsilon_{it}$$

$$\text{Cash Dividend}_{it} = \beta_0 + \beta_1 \text{GOCO}_{it} + \beta_2 \text{PACO}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{LEV}_{it} + \beta_5 \text{ROE}_{it} + \beta_6 \text{LIQ}_{it} + \beta_7 \text{TobinsQ}_{it} + \varepsilon_{it}$$

Dependent Variables

Financial leverage (Leverage $_{it}$): In the present study, financial leverage was used as a proxy for capital structure that the ratio of total liabilities divided by total assets of the company in year t was used.

Cash Dividend (it Cash Dividend〗 $_{it}$): In the present study, cash dividends were used as a proxy for dividend policy that the ratio of total cash dividends paid to shareholders was measured by dividing the total number of shares.

Independent Variables

Government Political Communication ($GOCO_{it}$): If senior executives or board members are currently in the cabinet, it will be 1, otherwise it will be 0.

Parliamentary Political Relations ($PACO_{it}$): If senior executives or board members are currently in the House of Commons, it will be 1 and otherwise 0.

Control Variables

Company size (〖SIZE〗 $_{it}$): Indicates the size of the company for which the natural logarithm of the book value of the company's assets was used.

Return on Assets (E ROE〗 $_{it}$): Indicates the return on assets. The ratio of net profit to average total assets was used to calculate it.
Liquidity (LIQ_{it}): Current assets minus current liabilities and cash divided by total assets.
Company Value ($TobinsQ_{it}$): The market value of equity plus the book value of all liabilities divided by the book value of all assets.

DATA ANALYSIS

Descriptive Statistics of Research Data

In the following table presents the descriptive statistics of research variables including mean, median, minimum, maximum, standard deviation, skewness and elongation of research variables. As can be seen, all research variables have been examined in terms of descriptive statistics and in terms of skewness and elongation, all variables are in good condition. The average is the main central indicator and shows the average of the data. If the data are aligned on a regular axis, the mean value is exactly the equilibrium point or center of gravity of the distribution. The average financial leverage of the sample companies is equal to 5.583 and its minimum and maximum values are equal to 7.935 and 4.184.

Table 1: Descriptive Statistics of Research Variables

Symbol	LEV	CAD	GOC	PAC	SIZE	ROE	LIQ	Q TOBIN
Average	5.5835	5.0655	10.824	-6.181	1.804862	5.676372	0.737044	0.961612
Middle	5.5107	5.0011	3.3788	0.2125	0.489221	5.560879	1.000000	1.000000
maximum	7.9354	7.3731	687.81	13.886	501.5876	7.814590	1.000000	1.000000
minimum	4.1844	2.9014	0.3576	-24.988	-38.551	4.523096	0.0000	0.0000
Skewness	0.7047	0.8474	49.239	0.3011	22.1411	0.659771	0.4406	0.192315
Elongation	0.6512	0.4225	10.433	-5.2122	22.142	0.915562	-1.0768	-4.805197

Panel Data (Data Panel)

First, to estimate the above model using the data panel method, tests should be used to determine the type of data panel model that in the following, these tests will be explained and performed.

Validity Tests of Research Models

In order to check the accuracy of using the variables of this research in least squares regression, the classical least squares regression assumptions for the residuals of the validated model must be provided. For this purpose, we will examine the classic hypotheses of least squares.

Group Test

It is very important to examine the existence of aggregation in composite data. If the model variables are not static, the model estimate may lead to a false regression. Therefore, in this case, to prevent false regression, a cumulative test is performed before estimating the research models. To ensure the desired pattern after ensuring a long-term relationship. According to the ADF statistics and its related probability, the existence of a consensus in the research model can be accepted. In other words, the null hypothesis that there is no coherence in the model is rejected. Therefore, it can be said that there is a long-term relationship between the dependent variable and other variables.

Table 2: The Results of Cao Group-examination of Research Models

Research model	t-Statistic	Prob
ADF group test of the first model	-16.645	0.0000
ADF group test of the second model	-9.599	0.0000

Normal Residues

One of the most common tests used for normality is the Jark-Bra test or JB for short. Assumption of zero Jark test - to indicate that the model residues are normal and therefore, the probability value of the test must be more than 0.05 to confirm the normality of the waste at the 95% level. The test results confirm the assumption of zero and normal model residues.

Table 3: Jark-Bra Test Results

Dependent variable	Jark-Bra statistics	Probability value	Result
Leverage_{it}	0.852	0.215	Normal
$\text{Cash Dividend}_{it}$	0.642	0.368	Normal

Cao Test

In the present study, the Cao test was used to ensure the co-integration relationship between the model variables. Hypothesis zero in this test is based on the absence of co-integration relationship. As reported in the table below, based on t-statistic, the opposite hypothesis is accepted and there is a significant relationship between model variables.

Table 4: Cao Test for Co-integration of Research Model Variables

Research model	Test	T **Statistics**	The significance level
The first model	Generalized Dickey-Fuller Statistics	0.851-	0.000
	Disruption component variance	3.152	---
	HAC variance	0.395	---
The second model	Generalized Dickey-Fuller Statistics	0.985-	0.000
	Disruption component variance	3.548	---
	HAC variance	0.412	---

Stability Variance Test of Error Sentences (Pagan Method)

To prove the lack of autocorrelation between the residuals of the models, Bruch-Pagan test is used. What is important here is that the model residues lack correlation. According to the results of Bruch-Pagan test and considering the level of significance and considering that the probability value obtained is more than 0.05, therefore, the null hypothesis of the research that there is no autocorrelation in the model wastes is accepted. Also, according to the F statistic as well as the multiplication statistic of the number of observations in the coefficient of determination, we conclude that there is no correlation between the residues of the model itself.

Table 5: Bruch-Pagan Test

Research model	Statistics	Computational statistics	Significance level
The first model	F-statistic	6.845	0.085
	Obs*R-squared	63.952	0.125
The second model	F-statistic	5.428	0.095
	Obs*R-squared	52.853	0.068

Panel Unit Root Test for Reliability of Variables

The unit root test is one of the most common tests used today to detect static variables. In these tests, the process of checking the durability is the same except for Hadri method and by rejecting H0, the non-durability is rejected and the expression of variability is variable. Therefore, by rejecting the H0 hypothesis, anonymity or unit root is rejected and permanence is accepted. In the present study, to evaluate the persistence of research variables, two Levin, Lin and Chou tests as well as M, boys and Shim tests have been used that the results of each of the two tests are presented in the table below. As can be seen, the null hypothesis of Levin, Lin, and Chu tests that all variables are non-persistent has been rejected at the 95% probability level. Therefore, all variables are at a stable level.

Table 6: Unit Root Test

Durability on the surface	Probability value	Statistics by Levin, Lane, Chow	Abbreviation
Durability on the surface	0/000	-29.24	Leverage_{it}
Durability on the surface	0/000	-25.46	$\text{Cash Dividend}_{it}$
Durability on the surface	0/000	-10.99	GOCO_{it}
Durability on the surface	0/000	-14.54	PACO_{it}
Durability on the surface	0/000	-21.48	SIZE_{it}
Durability on the surface	0/000	-23.96	ROE
Durability on the surface	0/000	-48.44	LIQ_{it}
Durability on the surface	0/000	-47.50	$Q\ Tobine_{it}$

Chow Test (F Limer)

In estimating the data panel model, we are faced with two general situations. The first case is that the width of the origin is the same for all sections, in which case we are faced with the (pool data) model. The second case is the width of the origin for all different sections, which is called (panel data). Chav test and F-Limer statistic are used to determine the method of using composite data and to determine whether they are homogeneous or heterogeneous. The statistical hypotheses of this test are as follows:

$$H_0 = \text{Pooled Data}$$

$$H_1 = \text{Panel Data}$$

Therefore, if the null hypothesis is rejected, the data panel technique should be used. The results show the confirmation of the fixed effects against the least squares aggregation method (In simpler terms, the approval of composite data (Panel) versus consolidated data (Pool)), because the probability value is less than the standard value of 0.05%.

Table 7: Chao Test Results

Chow test		Statistic	Prob
The first model	Cross-section F	1.549	0.001
	Cross-section Chi-square	151.403	0.000
The second model	Cross-section F	1.618	0.000
	Cross-section Chi-square	159.266	0.000

Hausman Test and Selection of Fixed or Random Effects

Hausmann's statement is used to determine the method of fixed or random effects for estimating models. If the calculated test statistic is greater than the table value, hypothesis H_0 is rejected and there is a correlation, so the fixed effects method should be used. In other words, the results indicate the confirmation of fixed effects versus random effects. Because the probability value is less than the standard value of 0.05%. Therefore, the model of this research should be estimated as a fixed effect. But in the second model, the null hypothesis of accepting random effects was accepted. Because the probability value obtained is higher than the standard value of 0.05%.

Table 8: Hausmann Test Results

Hausman test		Statistic	Prob	Result
The first model	Cross-section random	11/044	0/087	Random effects
The second model	Cross-section random	12/916	0/044	Fixed effects

Method of Estimating and Interpreting the Model

According to the results obtained from F and Hausmann tests, we estimate the model by the generalized Least Square (GLS) method in the framework of cross-sectional weight regressions and taking into account the random effects. In general, generalized least squares control the alignment between waste statements. Therefore, it can be considered for everyone as they are:

$$E\left(\varepsilon_{it}.\varepsilon_{jt} \mid X_i^*\right) = \delta_i^2$$

$$E\left(\varepsilon_{is}.\varepsilon_{jt} \mid X_i^*\right) = \delta_i^2$$

The results of estimating the research models using the random effects model method are presented in the following table:

The first main hypothesis: There is a significant relationship between political relations and the capital structure of companies listed on the Tehran Stock Exchange.

As the model determination coefficient shows, the independent variables were able to predict 90% of the dependent variable changes. In other words, the explanatory power of the model is 90%. The F-statistic and the related significance level and its comparison with the error level (0.000) indicate that the model is significant at the 99% confidence level. The Durbin-Watson statistic is also equal to 1.81, which denies the existence of serial (first-order) correlation among the regression disturbance components. The rejection of serial self-correlation (first order) among the components of regression disorder indicates that, the regression coefficients of the model and the coefficient of determination are not false. The results also showed that there is a significant relationship between the political relations of the parliament and the political relations of the government with the financial leverage. Because the probability value of each of these variables is less than the standard value of 0.05%.

Table 9: Panel results of the first research model panel

Abbreviation	Variable	Coefficient	T amount	Significance level
$GOCO_{it}$	Government Political Communications	0.031	2.695	0.042
$PACO_{it}$	Parliamentary Political Communications	0.148	2.416	0.0021
$SIZE_{it}$	size of the company	0.983	0.124	0.325
ROE	Return on assets	-0.001	-3.771	0.002
LIQ_{it}	Liquidity	-2.01	-7.92	0.000
$Q\ Tobine_{it}$	company value	0.004	4.193	0.0000
	$\boldsymbol{D.W = 1.81}$ $\boldsymbol{probF = 0.000}$ $\boldsymbol{R^2 = 0.90}$			

The second main hypothesis: There is a significant relationship between political relations and dividend policy of companies listed on the Tehran Stock Exchange.

As the model determination coefficient shows, the independent variables were able to predict 67% of the dependent variable changes. In other words, the explanatory power of the model is 67%. The F-statistic and the related significance level and its comparison with the error level (0.000) indicate that the model is significant at the 99% confidence level. The Durbin-Watson statistic is also 1.84, which denies the existence of serial self-correlation (for the first time) among the regression disturbance components. Rejection of serial self-correlation (first time) between regression perturbation components indicates that the model regression coefficients and coefficient of determination are not false. The results also showed that there is a significant relationship between the political relations of the parliament and the political relations of the government and the policy of profit sharing. Because the probability value of each of these variables is less than the standard value of 0.05%.

Table 10: Test results of the second model research panel

Abbreviation	Variable	Coefficient	T amount	Significance level
$GOCO_{it}$	Government Political Communications	0.151	1.967	0.012
$PACO_{it}$	Parliamentary Political Communications	0.012	2.254	0.000
$SIZE_{it}$	size of the company	1.053	3.187	0.000
ROE	Return on assets	0.001	1.142	0.253
LIQ_{it}	Liquidity	2.74	3.78	0.000
$Q\ Tobine_{it}$	company value	-0.001	-2.522	0.012
	$\boldsymbol{D.W = 1.84}$ $\boldsymbol{probF = 0.000}$ $\boldsymbol{R^2 = 0.67}$			

CONCLUSIONS

Capital structure has been proposed as the most important parameter affecting the valuation of companies and their orientation in capital. The current changing environment has also made the credit rating of companies conditional on its capital structure. This has brought their strategic planning closer to choosing a platform that works to maximize shareholder wealth. Therefore, variable and fluid factors affecting the capital structure can affect the profitability and efficiency of companies in the said goal in the form of agency theory and adherence to the theory of hierarchy. It is clear that the wave of decision-making of financial managers in observing the principle of conformity when providing financial resources, is a certain approach in modifying these decisions according to the requirements of the economic environment and it is considered a suitable model for the prosperity and increasing effectiveness of the thinking that governs the performance of companies. Arguments made about the relationship between political connections and financial leverage in governance studies, it shows that political communication has a positive effect on the financial leverage of companies. The results also showed that there is a positive and significant relationship between political communication and profit sharing policy. Payment of dividends is an alternative to supervision. Therefore, the major shareholders of centrally owned companies can use their voting rights to force the company to distribute additional cash flows in order to reduce agency costs, to be an alternative to monitoring them. Managers communicate their expectations to the market by paying interest, but the presence of institutional shareholders in the company is a valid message that is transmitted to the market, based on that representation costs have been reduced due to the oversight activities of this group of shareholders. Therefore, the presence of these investors reduces the need to use dividends as a message of good performance. On the other hand, the motivation of institutional investors to ride for free from

regulatory activities requires this group of investors, instead of direct supervision, to use their voting power to force companies to increase dividends, to reduce agency costs related to free cash flow.

The results of the research are in line with the results of Ansari et al. (2017) and Calwell et al. (2018). Also, the results of research by Kian et al. (2011) show that managers may use political connections as a means to transfer wealth or profits from the company to their advantage and this causes the rights of shareholders to be violated. They showed that proprietary control activities are more common in companies with political affiliations than in other companies. Kian et al. (2011) believe that political affiliations are likely to increase the motivation of controlling owners to expropriate for at least two reasons:

- Members of the political affiliation want to optimize the benefits they derive from political connections in order to at least compensate for the losses (costs) incurred by continuing these connections;
- Evidence has shown that the profit-seeking activities of politicians and their support increase the financial leverage of companies.

According to the results of the research in which it was found that there is a positive and meaningful relationship between political relations and the capital structure of the company, it is suggested that investors and other stakeholders pay attention to the role of politically connected managers in their investments and analyzes, because companies that have political connections have higher financial leverage and continue to run into problems.

According to the variable of political communication, in the research model which is significant and that there is a positive and significant relationship between, in other words, with the increase of political connections, the cash dividend of stocks increases. Therefore, it is suggested that companies and especially investors with the intention of receiving profits, to increase their cash profits, pay special attention to increasing the political connections of companies.

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Annex

	Y1	Y2	X6	X5	X4	X3	X2	X1
Mean	5.583514	5.065592	10.82499	-181038.6	1.804862	5.676372	0.737044	0.961612
Median	5.510786	5.001188	3.378865	21256.00	0.489221	5.560879	1.000000	1.000000
Maximum	7.935447	7.373108	687.8168	13882353	501.5876	7.814590	1.000000	1.000000
Minimum	4.184464	2.901458	0.357692	-24988753	-38.55194	4.523096	0.000000	0.000000
Std. Dev.	0.704739	0.847455	49.23966	3011740.	22.14112	0.659771	0.440662	0.192315
Skewness	0.651211	0.422569	10.43328	-5.212280	22.14266	0.915562	-1.076889	-4.805197
Kurtosis	3.548498	3.104995	126.5927	44.72073	500.2637	3.550366	2.159691	24.08992
Jarque-Bera	43.35483	15.74464	341050.3	40145.01	5410421.	79.36383	116.0285	11660.51
Probability	0.000000	0.000381	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	2909.011	2639.174	5639.819	-94321133	940.3329	2957.390	384.0000	501.0000
Sum Sq. Dev.	258.2616	373.4539	1260763.	4.72E+15	254919.1	226.3548	100.9750	19.23225
Observations	521	521	521	521	521	521	521	521

Null Hypothesis: Unit root (common unit root process)					
					Series: Y1
			Date: 05/18/21 Time: 20:55		
					Sample: 2014 2020
		Exogenous variables: Individual effects			
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 470		
			Cross-sections included: 94		
Prob.**		Statistic			Method
0.0000		-29.2498			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: Y2
			Date: 05/18/21 Time: 20:56		
					Sample: 2014 2020
		Exogenous variables: Individual effects			
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 150		
		Cross-sections included: 30 (64 dropped)			
Prob.**		Statistic			Method
0.0000		-25.4693			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X1
			Date: 05/18/21 Time: 20:56		
					Sample: 2014 2020
		Exogenous variables: Individual effects			
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 40		
		Cross-sections included: 8 (86 dropped)			
Prob.**		Statistic			Method
0.0228		-10.9996			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X2
			Date: 05/18/21 Time: 20:57		
					Sample: 2014 2020
			Exogenous variables: None		
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 140		
		Cross-sections included: 28 (66 dropped)			
Prob.**		Statistic			Method
0.0000		-14.54563			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X3
			Date: 05/18/21 Time: 20:57		
					Sample: 2014 2020
			Exogenous variables: None		
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 470		
			Cross-sections included: 94		
Prob.**		Statistic			Method
0.0064		-21.48864			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X4
			Date: 05/18/21 Time: 20:58		
					Sample: 2014 2020
			Exogenous variables: None		
					User-specified lags: 1
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 470		
			Cross-sections included: 94		
Prob.**		Statistic			Method
0.0000		-23.9630			Levin, Lin & Chu t*
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X5
			Date: 05/18/21 Time: 20:58		
				Sample: 2014 2020	
			Exogenous variables: None		
				User-specified lags: 1	
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total (balanced) observations: 470		
			Cross-sections included: 94		
Prob.**		Statistic			Method
0.0000		-48.4479		Levin, Lin & Chu t*	
** Probabilities are computed assuming asymptotic normality					

Null Hypothesis: Unit root (common unit root process)					
					Series: X6
			Date: 05/18/21 Time: 20:59		
				Sample: 2014 2020	
			Exogenous variables: None		
				User-specified lags: 1	
Newey-West automatic bandwidth selection and Bartlett kernel					
			Total number of observations: 404		
		Cross-sections included: 82 (12 dropped)			
Prob.**		Statistic			Method
0.0000		-47.5062		Levin, Lin & Chu t*	
** Probabilities are computed assuming asymptotic normality					

	Kao Residual Cointegration Test			
		Series: Y1 X1 X2 X3 X4 X5 X6		
		Date: 05/18/21 Time: 21:06		
		Sample: 2014 2020		
		Included observations: 658		
	Null Hypothesis: No cointegration			
	Trend assumption: No deterministic trend			
		User-specified lag length: 1		
Newey-West automatic bandwidth selection and Bartlett kernel				
Prob.	t-Statistic			
0.0000	-16.64587			ADF
	0.082400	Residual variance		
	0.037347		HAC variance	

	Kao Residual Cointegration Test			
		Series: Y2 X1 X2 X3 X4 X5 X6		
		Date: 05/18/21 Time: 21:08		
		Sample: 2014 2020		
		Included observations: 658		
	Null Hypothesis: No cointegration			
	Trend assumption: No deterministic trend			
		User-specified lag length: 1		
Newey-West automatic bandwidth selection and Bartlett kernel				
Prob.	t-Statistic			
0.0000	-9.599818			ADF
	0.335099	Residual variance		
	0.199176		HAC variance	

		Redundant Fixed Effects Tests	
		Equation: Untitled	
	Test cross-section fixed effects		
Prob.	d.f.	Statistic	Effects Test
0.0017	(93,540)	1.549701	Cross-section F
0.0001	93	151.403098	Cross-section Chi-square

	Correlated Random Effects - Hausman Test		
		Equation: Untitled	
	Test cross-section random effects		
Prob.	Chi-Sq. d.f.	Chi-Sq. Statistic	Test Summary
0.0870	6	11.044380	Cross-section random

		Redundant Fixed Effects Tests	
		Equation: Untitled	
	Test cross-section fixed effects		
Prob.	d.f.	Statistic	Effects Test
0.0008	(93,421)	1.618658	Cross-section F
0.0000	93	159.266158	Cross-section Chi-square

	Correlated Random Effects - Hausman Test		
		Equation: Untitled	
	Test cross-section random effects		
Prob.	Chi-Sq. d.f.	Chi-Sq. Statistic	Test Summary
0.0444	6	12.916128	Cross-section random

		Dependent Variable: Y1		
		Method: Panel Least Squares		
		Date: 05/18/21 Time: 21:35		
		Sample: 2014 2020		
		Periods included: 7		
		Cross-sections included: 94		
	Total panel (unbalanced) observations: 640			
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0000	4.193329	0.000103	0.000433	X6
0.0000	-7.928600	2.53E-09	-2.01E-08	X5
0.0002	-3.771557	0.000427	-0.001609	X4
0.3251	0.124096	0.013669	0.983396	X3
0.0021	2.416201	0.061285	0.148077	X2
0.0423	2.695426	0.011827	0.031879	X1
0.5039	0.668780	0.091573	0.061242	C
5.612301	Mean dependent var		0.905357	R-squared
0.693248	S.D. dependent var		0.904460	Adjusted R-squared
-0.232193	Akaike info criterion		0.214280	S.E. of regression
-0.183396	Schwarz criterion		29.06465	Sum squared resid
-0.213253	Hannan-Quinn criter.		81.30191	Log likelihood
1.813797	Durbin-Watson stat		1009.218	F-statistic
			0.000000	Prob(F-statistic)

		Dependent Variable: Y2		
		Method: Panel Least Squares		
		Date: 05/18/21 Time: 21:37		
		Sample: 2014 2020		
		Periods included: 7		
		Cross-sections included: 94		
	Total panel (unbalanced) observations: 521			
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0120	-2.522510	0.000436	-0.001100	X6
0.0002	3.782314	7.24E-09	2.74E-08	X5
0.2538	1.142548	0.000975	0.001114	X4
0.0000	3.187565	0. 330392	1.053148	X3
0.0000	2.254404	0.005538	0.012485	X2
0.0123	1.967884	0.077004	0.151535	X1
0.0007	-3.425658	0.222175	-0.761096	C
5.065592	Mean dependent var		0.670608	R-squared
0.847455	S.D. dependent var		0.666763	Adjusted R-squared
1.421285	Akaike info criterion		0.489208	S.E. of regression
1.478464	Schwarz criterion		123.0126	Sum squared resid
1.443682	Hannan-Quinn criter.		-363.2448	Log likelihood
1.843974	Durbin-Watson stat		174.4088	F-statistic
			0.000000	Prob(F-statistic)