The Effect of Environment Risk, Corporate Strategy, and Capital Structure on the Return and Created Value of Shareholders

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Abstract: The present research attempts to investigate the effect of environment risk, corporate strategy, and capital structure on return and created value of shareholders of accepted firms in Tehran Stock Exchange. In terms of aim and psychology, this research is of application and causal studies, respectively. The statistical population of this research covers 50 active participants, and its time period is between 2007 and 2011. For data analyzing multivariate regression method, and for data gathering library method have been used. The research results suggest that among 3 variables of environment risk (economic risk, business risk, and market risk) studied in this research, each one has influence on ROE, and it is only market risk that has influence on CSV of corporate. Also among four variables of corporate strategy (sales growth, asset growth, potential growth, and liquidity) studied in this research, each one has influence on ROE, and the variables of sales growth, asset growth, and potential growth have influence on firms’ CSV. Non effect the variables economic risks, business risk and liquidity of the company is CSV. Also, the impact of debt ratio on ROE and CSV what was no observed in this research.

Key words: Environment risk, Corporate strategy, Created value of shareholders, Potential growth.

INTRODUCTION

Today’s organizations are confronted with environmental pressures more than past. Economic, social, and technological developments in the Third Millennium have further clarified the fact that the survival of every organization is dependent on their proper knowledge and understanding of the realities dominant on environment and suitable and optimum productivity of its capabilities for obtaining the aims of those organizations. Today, organizations’ managers are instantly informed of the success and failure of other organizations. Obviously according to the nature of its work, every organization experiences various risks. Under the current changing circumstances, the success of each enterprise is fundamentally dependent on its control over risks and managing various risks (Raei, 2011). The successful experience of developed industries has created among economic commentators this approach that by selecting a proper strategy, organizations’ productivity will increase. This is an important matter which guarantees the survival of organizations in internal and international competitions. From the viewpoint of most investors, financial position is considered as the only factor or measure to determine the competition status of organization. Value-based management is considered as the modern thought of construction via creating value in business, which has an effective and determining role in organizations’ success and failure. The effect of paying attention to strategic management and choosing proper strategy in the development of organizations is a relatively obvious matter and has been approved by most of experts and scholars. The aim of determining capital structure is to specify and characterize the mix of financial resources in order to maximize the wealth of shareholders. One of the most important aims financial managers must consider in order to maximize shareholders’ wealth is to specify the best mix of corporate resources or the very capital structure. In terms of financial management, determining the relationship among capital expense, capital structure, and total value of corporate is of great importance because it is possible to impact on the total value of corporate using capital structure (Abdullah-Zadeh, 2008). The model of Co-alignment developed by Olsen (2007) has been adopted which addresses the relations among four variables of environment risk, corporate strategy, capital structure, and corporate performance. In this research, the main and fundamental aim is to investigate the determination of the effect of environment risk, corporate strategy, and capital structure on return and created value of shareholders.

Review of Literature:

Regarding the research subject, the following studies have been done:
Polalis (2007) carried out a research titled “investigation of the effect of environment risk, corporate strategy, and capital structure on corporate performance; the statistical population of the research included 50 participants and the time period of it was 1995 to 2000. The research results suggested that environment risk, corporate strategy, and capital structure had positively influenced corporate performance.

In one research, Gomperse et al (2008) “investigated of the relation of corporate leadership and long-term return of stockholders equity with created value of corporate and the criteria of evaluating the performance of accounting, and concluded that the firms with a leadership desirable and based on leadership principles have far higher and greater created value that other firms, and their financial statements are indicative of high measures and indexes of evaluating accounting. In a similar way, Brown and Cailer (2009) found that proper and desirable leadership of corporate leads to more profitability of firms, which results in increase of share price and dividend payable to shareholders.

Belk et al (2009) “investigated the relationship between the mechanism of leadership and the created value of corporate shareholders”, and found results similar to Gompers’s (2008) that there is a positive relationship between the mechanism of corporate leadership and the created value of shareholders and creation of value.

In a research titled “investigation of the effect of corporate leadership on corporate performance” carried out with statistical population of 73 firms in a 4-year time period in Malaysia, Chihat et al (2011) found that the factors of corporate leadership have the capability of increasing corporate performance.

Namazi and Shir-Zadeh (2006) carried out a research titled “investigation of the relation of capital structure with profitability of approved firms in Tehran Stock Exchange”; the statistical population of the research includes 108 firms in various industries from 1997 to 2001. The research findings indicated that there is a positive relation between capital structure and corporate profitability.

Muhammad (2006), in a research titled “the factors influencing capital structure of approved firms in Tehran Stock Exchange”, showed that there is a significant relationship between liquidity, profitability, competition, and assets structure with leverage, and the relationship between sales growth and profitability is weak.

Khalili Araqi et al (2010) made an “investigation of the effect of environment risk, corporate strategy, and capital structure on corporate performance in Petrochemical industry; the statistical population includes 50 firms in petrochemical industry from 2002 to 2006. The research findings suggest that use of such variables as environment risk, corporate strategy, and capital structure can positively influence corporate performance.

Shahini (2011), in a research titled “investigation of the effect of environment risk, corporate strategy, and capital structure on corporate performance in various industries (pharmaceutical and food industries) in Tehran Stock Exchange, showed that use of such variables as environment risk, corporate strategy, and capital structure can positively influence corporate performance.

Research Hypothesis:
The first hypothesis: environment risk influences return on corporation.
The second hypothesis: environment risk influences created value of corporate shareholders.
The third hypothesis: corporate strategy influences return on corporation.
The fourth hypothesis: corporate strategy influences created value of corporate shareholders.
The fifth hypothesis: capital structure influences corporate performance.
The sixth hypothesis: capital structure influences created value of corporate shareholders.

Research Methodology:
This research seeks to investigate the effect of environment risk, corporate strategy, and capital structure on return and created value of shareholders. Therefore, it is application in terms of objective, and is causal (after being done) and correlative in terms of Methodology.

Statistic Community and Sample:
The statistical community of this research covers 50 active participants among the accepted participants in Tehran Stock Exchange, for the time period of 2007 to 2011, who have been taken into account in measuring the index of 50 active firms in Tehran Stock Exchange.

Definition of Research Concepts and Variable:
Independent variables:
1. Environment Risk (ENVR)
   Environment risk has been defined as the effect of external environment of firms on cash flow and profitability of corporate. In this research, environment risk is considered as associated with such variables as economic risk, business risk, and market risk:
   a) Economic Risk (ER)
Economic risk refers to the volatility of macroeconomics environment. Economic risk is the risk of changing economic structure of a country or the consistent volatility of exchange rate and the economic rules of that country so that it reduces the rate of return on foreign capitals in that country. This variable is operationalized in terms of the rate of Growth Domestic Production (GDP) as the independent variable, and in terms of sales growth (SG) as the dependent variable. The covariance between GDP growth and corporate sale is measured with the help of slope of function.

\[ SG = \alpha + \beta \cdot GDP \]

b) Business Risk (BR)

Inability of one country in being stable in the arena of competition or in maintaining growth rate or in stabilizing profitability rate in short-term or long-term is called business risk. This variable is operationalized by computing average operating cash flow of the listed companies in 50 active firms as the independent variable, and the cash flow resulted from operations of the considered companies as the dependent variable. The covariance between the average operating cash flow of active companies and considered corporate is computed with the help of function slope.

Operational cash flow of the considered corporate = \( \alpha + \beta \cdot \) average operational cash flow of active companies

c) Market Risk (MR)

It is the change in return, resulting from market general market volatilities. Market risk can resulted from various factors such as recession, warfare, structural change in economy, and change in customers’ preferences. This variable has been operationalized by computing the average market price of per share of 50 active companies as the independent variable, and the average market price of per share of considered companies as the dependent variable. The covariance between average market price of per share of active companies and that of the considered corporate is measured using function slope.

Average market price of per share of corporate = \( \alpha + \beta \cdot \) average market price of per share of active companies

2. Corporate Strategy (CORS)

It is a collection of policies, procedures, and approaches a corporate adopt for the sake of long-term-period success. In this research, corporate strategies are considered as associated with such variables as sales growth, asset growth, potential growth, and liquidity.

a) Sales Growth (SG)

Sales growth is obtained via subtraction of prior year sale from current year sale, divided by prior year sale, multiplied by 100.

\[ SG = \frac{(current\ year\ sale - prior\ year\ sale)}{prior\ year\ sale} \times 100 \]

b) Asset Growth (AG)

Asset growth is obtained via subtraction of market asset value prior year from market asset value current year, divided by market value assets prior year, multiplied by 100.

\[ AG = \frac{(market\ asset\ value\ current\ year - market\ asset\ value\ prior\ year)}{market\ asset\ value\ prior\ year} \times 100 \]

c) Potential Growth (PG)

Potential growth is measured via market value assets divided by book value assets, which has been operationalized using Q Tobin.

\[ PG = \frac{market\ value\ assets}{book\ value\ assets} \]

d) Liquidity (LIQRAT)

Liquidity measures the ability of business in payment of short-term obligations. It is obtained through this formula: Liquidity measures the ability of business in payment of short-term obligations. It is obtained through this formula:

\[ LIQRAT = \frac{cash + short-term\ investment}{total\ assets} \]

3. Capital structure (CS)

Capital structure is a combination of liability and stockholders equity by means of which corporate attempts to long-term financing of its assets. In this research, capital structure is considered as associated with such a variable as leverage ratio.

a) Leverage ratio (LEV)

Leverage ratio is suggests the ratio of using liabilities in the capital structure of corporate. Leverage ratio is obtained via the following relation:

\[ LEV = \frac{total\ liabilities}{total\ assets} \]
Dependent Variables:
1. Return on Corporate (RC)
   Return in the process of investment is a driving force that motivates, and is considered as a bonus for investors. In this research, return on corporate is considered as associated with variable of return on equity (ROE).

   a) Return on Equity (ROE)
   Return on equity is suggestive of a return that stockholders get per unit of their investment, and is considered as an index for stockholder value in business, which is measured via the following relation:

   \[
   \text{ROE} = \frac{\text{net profit}}{\text{average stockholders' equity}}
   \]

2. Created Value of Shareholders (CSV)
   For stockholders, created value of shareholders is a criterion based on the value applied in this research. This method was introduced by Pablo Fernandez in 2001, and suggests generally that a corporate creates value for stockholders when return on equity is more than their expected return. CSV is measured through the following relation:

   \[
   \text{CSV} = \text{stockholders value added} - (\text{market value stockholders equity} \times \text{common stock expense})
   \]

Control Variables:
Firm size is one of the factors influencing profitability and value of firms. Firm size has a determining role in relation to activity environment. Firm size has been said to be as a factor influencing manner of financing of corporate. In this research, firm size is measured via logarithm of average asset market value.

Statistic Description of Research Variables:
In descriptive methods, researcher attempts to describe research data using tables and indexes of descriptive statistics. Research statistic indexes have been presented in the Table 1 (Azar, 2009):

<table>
<thead>
<tr>
<th>Statistical index</th>
<th>ER</th>
<th>BR</th>
<th>MR</th>
<th>SG</th>
<th>AG</th>
<th>PG</th>
<th>LIQRAT</th>
<th>LEV</th>
<th>ROE</th>
<th>CSV</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of observations</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Mean</td>
<td>-.038</td>
<td>.16</td>
<td>.24</td>
<td>20</td>
<td>38</td>
<td>13</td>
<td>6.12</td>
<td>57.5</td>
<td>32</td>
<td>-34842</td>
<td>6.1</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>.495</td>
<td>.519</td>
<td>.42</td>
<td>37.8</td>
<td>78.9</td>
<td>.71</td>
<td>7.66</td>
<td>20.86</td>
<td>38.3</td>
<td>58225</td>
<td>.74</td>
</tr>
<tr>
<td>Minimum</td>
<td>-.940</td>
<td>-.972</td>
<td>-.938</td>
<td>-74</td>
<td>-87</td>
<td>.10</td>
<td>.30</td>
<td>6.19</td>
<td>38.3</td>
<td>-225</td>
<td>-213876</td>
</tr>
<tr>
<td>Maximum</td>
<td>.948</td>
<td>.992</td>
<td>.976</td>
<td>194</td>
<td>968</td>
<td>4.30</td>
<td>51.58</td>
<td>100.9</td>
<td>154</td>
<td>160037</td>
<td>8</td>
</tr>
<tr>
<td>K – S</td>
<td>.144</td>
<td>.065</td>
<td>.175</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.30</td>
<td>.498</td>
<td>.059</td>
<td>.013</td>
<td></td>
</tr>
</tbody>
</table>

The important point extracted from the results of table (1) is the negative mean of ER and CSV in a way that most of the firms placed in the sample have negative CSV and ER. One of the measuring items for ER in this research is the sales growth; considering that most of firms placed in the sample with the prior year sale have priority over those in the current year sales, therefore we expect a negative sale growth. As a result, this will lead to negative mean ER. Also the data of most firms placed in the sample have negative CSV. The above standard deviation indicates the dispersion of research variables; considering that standard deviation of CSV is greater than that of other variables, it can be said that this variable will have a greater dispersion than other variables.

Testing Research Hypotheses:
The first hypothesis: environment risk influences return on corporate.

<table>
<thead>
<tr>
<th>Variable</th>
<th>ER</th>
<th>BR</th>
<th>MR</th>
</tr>
</thead>
<tbody>
<tr>
<td>(\alpha)</td>
<td>-.234</td>
<td>.815</td>
<td>-.501</td>
</tr>
<tr>
<td>(\beta_1) (ENV)</td>
<td>-.154</td>
<td>.016</td>
<td>.152</td>
</tr>
<tr>
<td>(\beta_2) (SIZE)</td>
<td>.189</td>
<td>.003</td>
<td>.201</td>
</tr>
<tr>
<td>F-value (F)</td>
<td>.001</td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td>Adj - R square</td>
<td>.048</td>
<td>.047</td>
<td>.069</td>
</tr>
<tr>
<td>D - W</td>
<td>2.204</td>
<td>2.201</td>
<td>2.117</td>
</tr>
</tbody>
</table>

Table (2) shows that the variable measure in the model (economic risk) with the considered significance level (Sig) indicates that economic risk negatively influences ROE. Namely, with the increase of economic risk, corporate ROE decreases. Since the riskier the sequences of expected returns on corporate; if all other factors remain constant, from the view point of a risk-averse investor, it will have less value. For an investor who...
invests in various assets, β would be a measure for computing influential risk of asset. Considering that the aim of all investors is to get the maximum return, the concept of risk is therefore presented. The results of the present research are consistent with those of Olson’s et al (2007) studies, and not consistent with those of Anderson’s et al (2009) studies.

Table (2) shows that the variable measured in the model (business risk) with the considered significance level (Sig), indicates that business risk positively influences ROE. Namely, with the increase of business risk, corporate ROE increases. Because the cash resulted from operational activities indicates the used cash, or is the result of major operations and generates operating revenue of business, a corporate that has high operating cash, the changes of return on stock of it will move consistent with the changes of return on market since the factors generating operating cash are not specific to the internal factors of corporate, but also other factors such as macroeconomics variables like inflation and interest rate and also political and economic position and the general situation of market influence the ability to create operating cash of corporate. Thus, a corporate which has high operating cash, the changes of return on stock of it varies much with the changes of total return on market, and has a higher risk, in a sense. In other words, when the operating cash of a corporate is high, considering that usually operating profit (which is one of the most important items of operating cash) of such a corporate is also high, thus it can be said that a corporate which has a higher operating cash will have higher operating profit, higher operating return, and consequently higher risk. The results of this research are consistent with those of Khalili Araqi’s et al (2010), studies, but not with those of Ahmad-Pour’s et al (2008) studies.

Table (2) shows that the measured variables in the model (Market Risk), with the level of significance (Sig), suggests that market risk positively influences ROE. Namely, with the increase of market risk, corporate ROE increases. Since investors consider the net profit of current period as the index of profitability power and the future returns, the riskier the future returns, the less the reactions of investors against a certain amount of unexpected net profit. Considering that β of this variable is constant, the results suggest that with the increase of β, the sensitivity of one share increases against the whole market. The results of this research are consistent with those of Olson’s and et al (2007) studies, but not with those of Anderson’s et al (2009) studies.

The second hypothesis: environment risk influences created value of corporate shareholders.

Table 3: Summary of results of regression of the second hypothesis testing.

<table>
<thead>
<tr>
<th>Variable</th>
<th>ER</th>
<th>BR</th>
<th>MR</th>
</tr>
</thead>
<tbody>
<tr>
<td>α</td>
<td>-.393</td>
<td>.695</td>
<td>-.453</td>
</tr>
<tr>
<td>β1 (ENVR)</td>
<td>-.088</td>
<td>.167</td>
<td>-.009</td>
</tr>
<tr>
<td>β2 (SIZE)</td>
<td>-.720</td>
<td>.472</td>
<td>-.042</td>
</tr>
</tbody>
</table>

Table (3) shows that the measured variable in the model (economic risk), with the considered level of significance (Sig) indicates that economic risk does not significantly influence CSV. Considering that macroeconomics factors have a remarkable influence on the results of an enterprise’s performance, managers must identify and predict economic phenomena and their related matters especially in terms of affectability of the enterprise under management. Economic risk refers to risks from macroeconomics variables with which an enterprise is confronted. Obviously, no enterprise can control the factors of such risks due to their nature. For example, factors such as total supply and demand, bank profit rate, exchange rate, inflation rate etc. are under control of no enterprise. However, it is by identifying events and predicting trends that it can be expected that one enterprise reacts properly to surrounding economic environment changes. The results of this research are consistent with those of Brown’s et al (1996) studies, but not with those of Chatus’s et al (2002) studies. Table (3) shows that the measured variable in the model (business risk), with the level of significance (Sig) indicates that business risk does not significantly influence CSV. The cash for the provision of daily interactional needs of the enterprise under management. Economic risk refers to risks from macroeconomics variables with which an enterprise is confronted. Obviously, no enterprise can control the factors of such risks due to their nature. For example, factors such as total supply and demand, bank profit rate, exchange rate, inflation rate etc. are under control of no enterprise. However, it is by identifying events and predicting trends that it can be expected that one enterprise reacts properly to surrounding economic environment changes. The results of this research are consistent with those of John’s studies (2006), but not with those of Ahmad-Pour’s et al (2008) studies.

Table (3) shows that the measured variable in the model (market risk), with the level of significance (sig) indicates that market risk negatively influences CSV. Namely, with the increase of market risk, the corporate CSV decreases. Considering that β of this hypothesis is negative, the results suggest that with the increase of β, the sensitivity of one share toward the whole market decreases. Many firms and institutions especially investment firms spend a part of their assets on stock purchase premium. That’s why they face the risk of price fluctuations. However, the impact of this risk on the overall performance of the firm is determined by their ability to manage and control this risk. The results of this research are consistent with those of Olson’s et al (2007) studies, and not consistent with those of Anderson’s et al (2009) studies.
change. Stockholders, who don’t have sufficient experience and specialty and have invested for receival short-term profit, lead, on the one hand, to their own loss and add, on the other hand, to the market crisis due to their rapidly presenting stocks. In general, recession and boom of market lead to changes in stock prices even if the special stock is on an opposite direction to booming or receding market. It is natural that the price of Stock Exchange market varies with the changes of profit rate, and that volatility of price leads to market risk of these stocks. The results of this research are consistent with those of Olson’s et al (2007) studies, but not with those of Francis et al (2003) studies.

Test of the third hypothesis: corporate strategy influences the return on corporate.

Table 4: Summary of the results of regression of the third hypothesis test.

<table>
<thead>
<tr>
<th>Variable</th>
<th>SG</th>
<th>AG</th>
<th>PG</th>
<th>LIQRAT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coefficient</strong></td>
<td>.386</td>
<td>.700</td>
<td>-.171</td>
<td>86.40</td>
</tr>
<tr>
<td><strong>Sig</strong></td>
<td>.000</td>
<td>.170</td>
<td>.800</td>
<td>.050</td>
</tr>
<tr>
<td><strong>P-value (F)</strong></td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td><strong>Adj- R square</strong></td>
<td>2.165</td>
<td>2.152</td>
<td>1979</td>
<td>2160</td>
</tr>
</tbody>
</table>

The table (4) shows that the measured variable in the model (sales growth), with the considered level of significance (Sig), indicates that sales growth positively influences ROE. Namely, with the increase of sales growth, corporate ROE increases. Considering that if current year sale of corporate has priority over prior year sale, it can be said that the corporate has attained a high sales growth; if a corporate has a high degree of operating leverage (it reports the effect of sales changes on operating profit), minor changes in sales will have a great effect on operating profit. If changes are to increase sales, this leads to increase of profit and consequently to increase of return on corporate in a remarkable manner. But if changes are to decrease sales, the operating profit may be totally deleted and lead to loss. The more operating leverage, the more marginal sale will be. The results of this research are consistent with those of Olson’s et al (2007) studies, but not with those of Damon’s (2009) and Hagen’s et al (2011) studies.

Table (4) shows that the measured variable in the model (asset growth), with the level of significance (Sig) indicates that asset growth positively influences ROE. Namely, with the increase of assets, corporate ROE will increase. Corporate assets growth is of an important position in corporate strategy and in accounting. By evaluating financial statements the manner of using institution’s resources and assets are measured and examined for the purposes such as stock price, stock risk, investments decisions and many other things.

Imagine that net profit of current period is indicative of high profitability of some projects that have been recently invested upon by corporate. Possibly, this situation suggests that this corporate will have a high growth in the future. Obviously, until this profitability (ROE) continues, the future profits of corporate will lead to growth of its assets and vice versa. The results of this research are consistent with those of Gompers’ et al (2008) studies and Chihat’s et al (2011) studies, but not with those of Clain’s et al (2001) studies.

Table (4) shows that the measured variable in the model (potential growth), with the level of significance (Sig) indicates that potential growth positively influences ROE. Namely, with the increase of potential growth, corporate ROE increases. Mir and Majlouf (1984) argues that firms whose value is determined mainly by their potential growth will suffer from more expenses in order to financing their projects. Therefore, it is expected that those firms having greater potential growth maintain the level of their ROE higher so that their profitable projects are not faced with any problem. The results of this research are consistent with those of Mir and Majlouf’s (1984), Damon’s (2009), and Hagen’s et al (2011) studies, but not with those of Betis’ (2009) studies.

The table (4) shows that the measured variable in the model (liquidity), with the level of significance (Sig) indicates that liquidity positively influences ROE. Namely, with the increase of liquidity, corporate ROE increases. Presence of liquidity for administrating activities of business, especially in the unfavorable circumstances such as economic crises where the price of raw materials or components increases dramatically, is necessary. In other words, if liquidity status of corporate goes up, surely ROE which is one of the measures of corporate performance will increase, too and vice versa. In any case, weakness of corporate liquidity which can be compared to fever in humans is indicative of lowness of corporate ROE. Consequently, it can show the fundamental problems in business. The results of this research are consistent with those of Hagen’s et al (2011) studies, but not with those of Kim’s et al (2005) studies.

Test of the fourth hypothesis: corporate strategy influences created value of corporate shareholders.

Table (5) shows that the measured variable in the model (sales growth), with the level of significance (Sig) indicates that sales growth negatively influences CSV. Namely, with the increase of corporate sales growth, corporate creates less value for shareholders. In turn, market capacity and the kind of produced goods influence corporate profit. The more market capacity for the goods corporate produces, the more the enterprise’s sales growth and the more enterprise’s profit. The principal reason of attention to earning per share is related to the

main objective of corporate, which is the maximization of stockholders’ wealth. It should be noted that the profit that the corporate pays to stockholders (DPS) is closely related to the profit it gets (EPS). Also, the number related to earning per share (EPS) is employed in calculating the ratio of payable interest. There is usually a correlation between sales trends. Once corporate DPS goes up and if all other factors remain constant, corporate CSV decreases. On the contrary, DPS being higher is resulted from corporate sales growth being high. The results of this research are consistent with those of Damoudaran’s studies (1997), but not with Gompers’ et al (2008) studies.

Table 5: Summary of results of regression of the fourth hypothesis test.  

<table>
<thead>
<tr>
<th>Variable</th>
<th>SG</th>
<th>AG</th>
<th>PG</th>
<th>LIQRT</th>
<th>CSV = α + β1 (CORS) index + β2 (SIZE) + εi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
<td>.719</td>
<td>.473</td>
<td>.377</td>
<td>.706</td>
<td>.877</td>
</tr>
<tr>
<td>Sig</td>
<td>.004</td>
<td>.008</td>
<td>.002</td>
<td>.000</td>
<td>.022</td>
</tr>
<tr>
<td>β1 (CORS)</td>
<td>-.014</td>
<td>-.019</td>
<td>-.041</td>
<td>.018</td>
<td>-.002</td>
</tr>
<tr>
<td>P-value (F)</td>
<td>.001</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Adj- R square</td>
<td>.026</td>
<td>.022</td>
<td>.111</td>
<td>.006</td>
<td>.026</td>
</tr>
<tr>
<td>D - W</td>
<td>2.075</td>
<td>2.107</td>
<td>2.130</td>
<td>2.097</td>
<td>2.075</td>
</tr>
</tbody>
</table>

Table (5) shows that the measured variable in the model (assets growth), with the level of significance (Sig) indicates that assets growth negatively influences CSV. Namely, with the increase of assets growth, corporate creates less value for shareholders. It can be analyzed in this way that a corporate that has higher market value stockholders equity will surely have higher market value asset in that year, which will lead to its assets growth to be higher. That is because market value stockholders equity is directly related to market value asset. But if market value stockholders equity is higher, it leads to corporate CSV being less evaluated. As a result, it can be stated that assets growth negatively influences CSV. The results of this research are consistent with those of Basis’ (1997) studies, but not with those of Belk’s et al (2009).

Table (5) shows that the measured variable in the model (potential growth), with the considered level of significance (Sig) indicates that potential growth negatively influences CSV. Namely, with the increase of potential growth, corporate creates less value for shareholders. With the increase of market value asset, its Q Tobin increases and vice versa, with the decrease of market value asset, Q Tobin will decrease. Furthermore, with the increase of market value stockholders equity and if all other factors remain constant, corporate CSV will decrease. At the same time, the direct relationship between market value asset and market value stockholders equity of corporate supports the result of this test. The results of this research are consistent with those of Kraus’ studies (1976), but not with those of Belk’s et al (2009) studies.

Table (5) shows that the measured variable in the model (liquidity), with the considered level of significance(Sig), indicates that liquidity does not significantly influence CSV. It can be analyzed that balance sheet reflects the financial structure in an enterprise in a certain time period. Cash and short-term investment are among the liquidity. The matter of liquidity is of greater importance for managing corporate. If current assets of corporate are high, it will help both liquidity and working capital of corporate. If current assets of corporate go higher, working capital of corporate increases. But highness of current assets of corporate is not that much related to highness or lowness of corporate CSV. In other words, it can be said that the factors outside Exchange can confirm the ineffectiveness of liquidity on corporate CSV. The results of this research are consistent with those of Hardin’s et al (2009) studies, but not with those of Gompers’ et al (2008) and Damon’s (2009) studies.

The fifth hypothesis: capital structure influences return on corporate.

Table 6: Summary of results of regression of the fifth hypothesis test.

<table>
<thead>
<tr>
<th>Variable</th>
<th>LEV</th>
<th>ROE = α + β1 (CS) index + β2 (SIZE) + εi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
<td>LEV</td>
<td>Sig</td>
</tr>
<tr>
<td>α</td>
<td>.900</td>
<td>928</td>
</tr>
<tr>
<td>β1 (CS)</td>
<td>-.030</td>
<td>.639</td>
</tr>
<tr>
<td>β2 (SIZE)</td>
<td>.179</td>
<td>.006</td>
</tr>
<tr>
<td>P-value (F)</td>
<td>.019</td>
<td>.025</td>
</tr>
<tr>
<td>Adj- R square</td>
<td>.025</td>
<td>2.148</td>
</tr>
<tr>
<td>D - W</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table (6) shows that the measured variable in the model (leverage ratio), with the level of significance (Sig) indicates that leverage ratio does not significantly influence ROE. In other words, return on stockholders’ equity is not influenced by corporate being leverage or not, and therefore this being or not being leverage cannot play a role in return on stockholders’ equity. It seems of course that the propensity of firms to high leverage in time of inflation has been of some effect. The results of this research are consistent with those of Golnour’s et al (2011) studies, but not with those of Olson’s et al (2007) and Alexi’s (2010) studies.
The sixth hypothesis: capital structure influences created value of corporate shareholders.

Table 7: Summary of results of regression of the sixth hypothesis test.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>α</td>
<td>-.644</td>
<td>.520</td>
</tr>
<tr>
<td>β₁ (CS)</td>
<td>.039</td>
<td>.543</td>
</tr>
<tr>
<td>β₂ (SIZE)</td>
<td>-.041</td>
<td>.516</td>
</tr>
<tr>
<td>P-value (F)</td>
<td>.678</td>
<td></td>
</tr>
<tr>
<td>Adj- R square</td>
<td>-.005</td>
<td></td>
</tr>
<tr>
<td>D - W</td>
<td>2.091</td>
<td></td>
</tr>
</tbody>
</table>

Table (7) shows that the measured variable in the model (leverage ratio), with the considered level of significance (Sig) indicates that leverage ratio does not significantly influence corporate CSV. Many financial analysts believe that each of these firms has its own specific capital structure (and in its own opinion, it can maximize the wealth of stockholders). Moreover, they use leverage ratio often as indexes for determining financial risk; namely, borrowing causes that corporate supplies its own resources from loans, and the possibility that this corporate is unable to repay some of its loans (inability of corporate to repay created obligations) and goes bankrupt increases. Credit institutions and loan-providers determine the conditions of their loan according to leverage ratio. If the loan-provider institution feels that the requesting firm has relatively heavy liabilities, it probably wants the firm to pay greater interest or put more assets as the mortgage of the loan; because in loan-provider’s view, such projects have more risk. The modern theory of capital structure was introduced with the publication of an article by Miller and Moudiliani (1958). These two researchers demonstrated that in spite of a complex of constraining assumptions and by ignoring taxes and contract expenses, corporate approach of financing does not influence current market value of corporate. The result of these two scholars’ research indicates that financing manner of firms has no importance and cannot change corporate value unless it influences probable distribution of total cash flows. The results of this research are consistent with those of Roumelt’s et al (2007) studies, but not with those of Beeglar’s studies (2007).

Conclusion:
The results of testing the first and second hypotheses relating to environment risk in studied firms show that among the three measured variables of environment risk (economic risk, business risk, and market risk) in the model, economic risk negatively influences ROE, while business risk and market risk positively influence ROE. To investigate the effect of these variables on CSV, results suggest that the variable of market risk negatively influences CSV, and the variables of economic risk and business risk does not influence CSV. Results of the second and third hypotheses regarding corporate strategy in examined firms show that among the four measured variables of corporate strategy (sales growth, assets growth, potential growth, and liquidity) in the model, each of the variables positively influence ROE. However, for investigating the effect of these variables on SCV, results indicate that the variables of sales growth, assets growth, and potential growth negatively influence CSV, and the variable of liquidity does not influence CSV. The results of the fifth and sixth hypotheses regarding capital structure in examined firms show that the measured variable of leverage ratio in the model does not influence ROE and CSV.

REFERENCES