Indian J.Sci.Res. 7 (1): 1405-1409, 2014 ISSN: 0976-2876 (Print)
ISSN: 2250-0138(Online)

INVESTIGATION OF THE RELATIONSHIP BETWEEN THE MANAGERS CAPABILITIES (EDUCATION, EXPERIENCE, RELEVANCE WITH EDUCATION MAJOR) AND CORPORATE FINANCIAL PERFORMANCE (ROA, ROE, ROS) IN GOLESTAN PROVINCE

JAVAD MOHAJER VATAN[a] AND MANSOUR GARKAZ[b1]

[ab]Department of Accounting, Aliabad Katoul Branch ,Islamic Azad University ,Aliabad Katoul, Iran

ABSTRACT

This study aims to examine the relationship between the managers' capabilities (education, experience, relevance of major) and the financial performance of companies in Golestan province. The statistical population of this study is consisted of all the sand and asphalt companies in Golestan province with a sample consisting of 44 companies in 20014 and financial indicators ROA, ROE and ROS were used for assessment of the performance and also evaluation of thepower of managers is done through three variables of education level, experience and relevance of academic disciplines and the results of the study revealed that there is a relation between the rate of return on asset (ROA) and managers' education and there is a relation between managerseducation and the rate of return on equity (ROE). There is no relation between managers' education and company's return on sales (ROS), and there is a relation between manager experience and rate of return of assets (ROA).There is a relation between managers' education and rate of return on equity (ROE) and also there is a relation between managers' experience and company's return on sales (ROS). There is no relation between managers' relevance of academic major and rate of return of assets (ROA). There is a relation between managers' relevance of academic major and rate of return on equity (ROE) and there is also a relation between managers' relevance of academic major and company's returns on sale (ROS).

KEYWORDS: Education; Experience; Relevance of Academic Major; Managers' Capability; ROA; ROE; ROS

Since the majority of the company's success depends on mood, effort, motivation and satisfaction of its human resources and they require the prominent role of chief executor as an essential element in order to operate their objectives. So the manager capability (education, experience, relevance of course) are considered in the company and qualifications and experience are important key elements in the company's development, especially in the financial sector. Education and experiences of managers in companies represents an important kind of investment in human resources that helps the all-round development of the country by providing and elevating of knowledge, skills, and the required attitudes in human resources. Therefore, education and experience have an indispensable role in the development of societies, particularly in organizations and companies (Yazdanian, 2006).Present conditions requires that companies and organizations and public institutions investigate and analyze and evaluate the performance of companies from different sides to make, in addition to understanding corporate performance, power, weaknesses, and defects, a more informed and targeted planning appear to eliminate defects and improve the quality of corporate performances. Consensus among researchers, policy makers, and planners are now in progress about the need to study the performance of companies. These studies often have the key functions such as informing corporate executives, policy makers, community groups and businesses about the efficiency processes of companies. The results of corporate performance studies can also help to the evaluation of policies, development of management strategies and planning and facilitate understanding and prioritizing social issues for planners to enhance the efficiency of company. Therefore, the main purpose of this study is to investigate the relationship between capabilities of managers (education, experience, relevance of academic major) and financial performance of companies (ROA, ROE, ROS) in Golestan province.

LETRATURE

Numerous studies have been done in the country and abroad of which some are mentioned below:

Sanobar et al. (2011) in their study examined the relationship between social responsibility and its dimensions, including the work environment, ecology, behavior, business, society and community and corporate strategy with financial performance of companies in the industry and products drug. The results showed that there is no relationship between the variables of each of the five dimensions of social responsibility and its financial performance variables, there is also a positive and significant relationship between size and risk of the

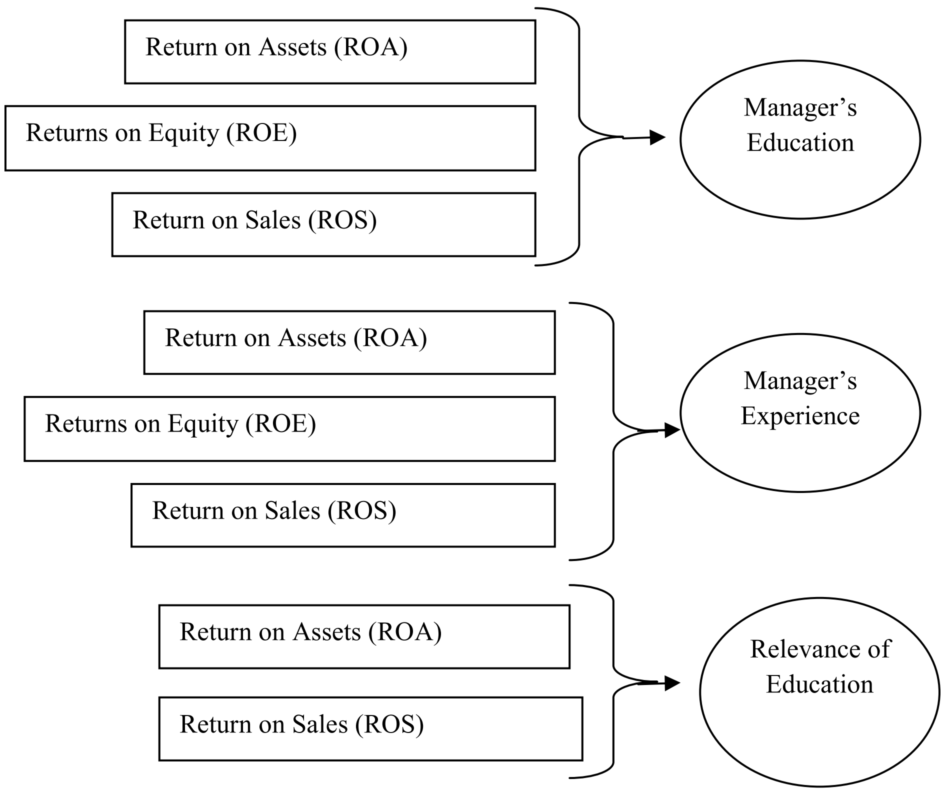
[1]Corresponding author

organization with financial performance. Ghaemi and et al. (2009) dealt in their study to determine the relationship between corporate governance structure including board composition, ownership structure and corporate performance and disclosure of information. The findings show that there is a significant relationship between information disclosure and financial performance of the companies. Zara' Nejad and Sharifi(2008) dealt in their study to examine the attitudes of members and managers of consumer cooperatives of Ilam about the factors effective on improvement of productivity in these cooperatives and showed that the strengthening of financial base and using efficient forces is effective on productivity cooperatives. Mulla Husseini et al. (2010) examined the relationship between manager capability and performance of consuming cooperatives in Kerman city. The results of correlation test showed that variables of experience and relevance of academic major with work have a positive relation with the performance of consuming cooperatives but there is no relation between manager's education level and function. The results of multiple regression analysis indicated that experience is the most important factors affecting the company's performance and this variable together with the education field explain almost %35/5 of performance variance of the cooperative company. Mehdi Zadeh (1387) in his study examined the relationship between attention to social responsibility and the marketing function of the model food exporters in 1385. The results suggest that it is due to the attention to social responsibility that cause improvement in marketing performance from three dimensions of increase of market share, enhancement of brand, and gaining competitive advantage. Husseini (1386) dealt in his study to the investigation of the relation between corporate governance and shareholders' return. Studying institutional equity and investigating it effects on shareholders' returns, he attempted to prove that there is no relation between institutional equity and shareholders' return in Iran. Suri et al. (1387) examined in their study the relationship between productivity and wages, with an emphasis on labor education (case study in Iran industry) and found out that labor wage increase with the improvement of labor productivity; but the steep in rise of wages is lower than labor productivity of which effect has created a gap between productivity and wage labor in the studied period of the phenomenon. The increase in the share of employees with higher education has resulted in improved labor productivity in industry of Iran.Kapoor (2006) dealt to measuring the performance of large and small cooperatives in Malaysia and for this he used performance evaluation criteria such as Roa, Roe, and Epm. He also dealt with the evaluation of the performance of the social aspects. His findings indicate that, based on financial indicators, there are major differences between the performance and the amount of financial cooperatives in small cooperative of cooperatives and the rate of financial indexes are more satisfying in small cooperatives rather than larger ones. This researcher concluded that only few number companies care about social welfare of members and most companies allocate only 10 to 20 percent of corporate profits to social welfare and benefits. Bryan et al. (2007) state in a research done in Australia that there have not been found a significant statistical relationship between company social responsibility (CSR) and its financial performance but CSR is considered as a two-valued variable. If an organization represent a report about its social performance, a value of one is assigned, otherwise zero. Also, to measure financial performance some accounting measure such as rate of return of assets, return on sales, and return of equity have been used. Two variables of organizational size with measures of the total sales and total assets and organization's risk with measure of proportion of long term liabilities to all assets are control variables.

Raja Mai Mon Raja Yusuf (2009) has dealt in his study to the investigation of the characteristics and responsibilities of managers in Malaysian corporate companies and has identified the most significant characteristics of cooperatives' managers in Malaysia. Based on his research, there are managerial differences between successful and less successful managers in different fields of which the followings are the most notable ones: quality improvement, meritocracy, accountability, honesty, and trust and group constitution. Although risk-taking and independence are placed in the lowest classes, they are essential. Amy Dittmar and Mahrt-Smith (2006) examined two measures of corporate governance and its relationship with the market value and found out that in companies with weal governance each 0 become the market value and in 0 to 1/88 dollars change in cash causes a change about 42 while this amount is doubled in companies with good governance. Damijoel, pingado and Toreh (2005) in their researches in America during 1948 to 2003, gathering data about education of managers in a form of tome series, entered regression equation and found out that there exists a positive relation between managers' education level and their performances. Glins Kaya and Lokshin (2005) also dealt with the investigation of differences in education levels in state and non-state sectors in India. Their findings show that education of public section is averagely between 62 to 102 per cent more than the education level in official non-state section. This figure is between 164 to 259 percent more than the number in non-official private section that the difference are resulted from the estimate methods. Chaterji, Mamford, and Smith (2007) examined the difference in education level among managers based on gender in England. The findings show that gender differences of education between male and female in both non-state and state sections can be explained by observable characteristics of work forces.

RESEARCH METHODOLOGY

The population of the study consists of all the sand (crusher) and asphalt companies in Golestan Province in 1392 of which 44 companies are selected as sample using Cochran formula. Conceptual Model of the Research. It can be said that our theoretical framework is a combination of managerial education of the chief executor and financial performance of the companies. Therefore, the causal model is presented as follows.



Data Analysis Technique

In this research variables like experience and relevance of managers' education are designed in a form of distance. Therefore, to identify the relationship between these variables and the dependant variable, Pearson Correlation Coefficient is used.

Research Variables

Dependent Variables: education level of manager is the dependent variable in this research. Independent Variables: in this research independent variables are managers' academic major, returns on assets (ROA), returns on equity (ROE), and returns on sales of the company (ROS).

RESEARCH FINDINGS

Investigation of the Relation between the Variable of Managers' Education and Return on Assets (ROA)

Since the variable of managers' education is designed in form of distance, so to understand the relationship between these variables with dependent variables of the research, the Pearson correlation coefficient is used and regarding to the calculated correlation coefficient value of (0.169) and the calculated significance level of (sig=0.040),the research hypothesis (there exists a relation between managers' education and rates of return of assets (ROA)) in the level of confidence of more than 95 percent is confirmed and the null hypothesis of the research (there exists no relation between managers' education with the rate of return on assets (ROA)) is rejected.

Investigation of the Relation of the Variable Managers' Education with Returns on Equity (ROE)

Regarding the value of calculated correlation coefficient (0.169) and the calculated significance level (sig= 0/024), the research hypothesis (there exists a relation between managers' education and returns on equity ROE) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' education and returns on equity ROE) is rejected.

Investigation of the Relation of the Variable Managers' Education with Returns on Sales of company (ROS)

Regarding the value of calculated correlation coefficient (0.147) and the calculated significance level (sig= 0.308), the research hypothesis (there exists a relation between managers' education and returns on sales ROS) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' education and returns on sales ROS) is rejected.

Investigation of the Relation of the Variable of Managers Experience with Returns on Assets (ROA)

Regarding the value of calculated correlation coefficient (0.098) and the calculated significance level (sig= 0.049), the research hypothesis (there exists a relation between managers' experience and returns on assets ROA) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' experience and returns on assets ROA) is rejected.

Investigation of the Relation of the Variable of Managers Experience with Returns on Equity (ROE)

Regarding the value of calculated correlation coefficient (0.192) and the calculated significance level (sig= 0.037), the research hypothesis (there exists a relation between managers' experience and returns on equity ROE) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' experience and returns on equity ROE) is rejected.

Investigation of the Relation of the Variable of Managers Experience with Company's Returns on Sales (ROS)

Regarding the value of calculated correlation coefficient (0.121) and the calculated significance level (sig= 0.041), the research hypothesis (there exists a relation between managers' experience and returns on sales ROS) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' experience and returns on sales ROS) is rejected.

Investigation of the Relation of the Variable Relevance of Academic Major of Managers with Returns on Assets (ROA)

Regarding the value of calculated correlation coefficient (-0.188) and the calculated significance level (sig=0.191), the research hypothesis (there exists a relation between managers' relevance of academic major and returns on assets ROA) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' relevance of academic major and returns on assets ROA) is rejected.

Investigation of the Relation of the Variable Relevance of Academic Major of Managers with Returns on Equity (ROE)

Regarding the value of calculated correlation coefficient (0.086) and the calculated significance level (sig=0.053), the research hypothesis (there exists a relation between managers' relevance of academic major and returns on equity ROE) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' relevance of academic major and returns on equity ROE) is rejected.

Investigation of the Relation of the Variable Relevance of Academic Major of Managers with Company's Returns on Sales (ROS)

Regarding the value of calculated correlation coefficient (0.262) and the calculated significance level (sig=0.047), the research hypothesis (there exists a relation between managers' relevance of academic major and company's returns on sale ROS) is confirmed in the confidence level of more than 95 percent and the null hypothesis of the research (there exists no relation between managers' relevance of academic major and company's returns on sale ROS) is rejected.

CONCLUSIONS

According to the results of the research it revealed that there is a relation between the rate of return on asset (ROA) and managers' education and there is a relation between managers' education and the rate of return on equity (ROE). There is no relation between managers' education and company's return on sales (ROS), and there is a relation between manager experience and rate of return of assets (ROA). There is a relation between managers' education and rate of return on equity (ROE) and also there is a relation between managers' experience and company's return on sales (ROS). There is no relation between managers' relevance of academic major and rate of return of assets (ROA). There is a relation between managers' relevance of academic major and rate of return on equity (ROE) and there is also a relation between managers' relevance of academic major and company's returns on sale (ROS).

RESEARCH SUGGESTIONS

Finally, based on the findings of the research, we present some suggestions. According to the findings, among variables of manager's experience, relevance of academic major with the activities of sand companies, it can be said that the more the experience of the manager is more than the relevance of academic major, this is more effective in better performance because most of the studied companies, which have had long cooperation background, have had managers with experience some of which had much experience even though they had no high education.

REFERENCES

Yazdanian, N., (1385). "Corporate governance role in reducing earnings management" thesis for a master's degree, Allameh Tabatabai University, Tehran.

Lyndorof and colleagues (2013). The relationship between CEO education, business and financial performance

Black, B., Jang, H., Kim, W., (2006). Does corporate governance predict firms' market values? Evidence from Korea.

Chi, j. (2005)., understanding the endogeneity between firm value And shareholder rights, Financial Management,

Financial Management Assosiation, Winter 2005 pp.65-76.

De Miguel, A., J. Pindado and C. de la Torre. (2005). How do Entrenchment and Expropriation Phenomena Affect Control

Mechanisms?, Corporate Governance: An International Review, (13) 4 pp.445-516

Ditmar,A.,Mahrt-Smith,j.(2006). corporate governance and the value of Cash holdings .journal of financial economics.