Journal of Business Studies Quarterly
2017, Volume 9, Number 1 ISSN 2152-1034

Journal of Business Studies Quarterly jbsq.org

Related Party Transactions and Expropriation of Minority Shareholders: Evidence from Tunisia

Moêz Cherif,
Assistant Professor in Finance. Higher Institute of Commerce and Accounting of Bizerte, University of Carthage, Tunisia, Email: cherifmoez@hotmail.fr

Abstract
Related party transactions (RPT) are transactions carried directly and/or indirectly between a firm and its main shareholders, directors and managers. These transactions can lead to the expropriation of minority shareholders. The objective of this paper is to examine the effect of RPT on the value of 28 Tunisian firms listed during the period 2009-2013 by undertaking various subdivisions of RPT.
The regression results show that transactions with all related parties, specifically transactions approved in prior years and financial transactions, negatively affect the performance of the firm. Subdivision of RPT according to the identity of related parties shows that transactions with major shareholders are behind this negative effect. Overall, the results obtained confirm the hypothesis of minority shareholders expropriation.

Keywords: *Related Party Transactions, Expropriation, firm value, Tunisia.*

Introduction

Defined by International Accounting Standards (IAS) 24 as "the transfer of resources, services or obligations between an entity and a related party, regardless of whether a price is charged," related party transactions (RPT) include transactions with key shareholders, directors and officers and any party that can influence the company. These transactions can be made at terms not similar to those carried out with unrelated parties.
Several empirical studies in both emerging and developed markets find that these transactions can negatively affect the performance of the company reflecting the expropriation of minority shareholders: This is the hypothesis of Tunneling of resources of the company (kayhew and Mohlbeck (2004); Gordon and al., (2006) for the United States, Cheung et al. (2006) for Hong

kong, Jian and Wong (2003) for China, Munir and Gul (2010) for Malaysia, Chien and Hsu for Taiwan Srinivasan (2013) for India and Nekhili and Cherif (2011) for France.

However, transactions with related parties can be beneficial to the company and its minority shareholders. This is the hypothesis of efficient transactions. In a pyramidal structure, a shareholder who controls the capital can use related party transactions to transfer resources to firms in the bottom of the pyramid: the "Propping". Transactions between firms belonging to a same group may allow the creation of an internal market for capital that are also beneficial, particularly when external funding is scarce or inadequate (Claessens et al., 2000). In these cases, RPT increase the value of the firm (Cheung, Rau and Stouraitis, 2006; Friedman et al., 2003; Riyanto and Toolsema, 2008).

In Tunisia, some transactions between a given company and its related parties are subject to a regulatory process starting from their authorizations by the board until their approval at the shareholders' meetings. The “new” section 200 of the (Article N°. 2009-16 of the Commercial Companies was a step forward in regulating these transactions by calling attention to the need to avoid conflicts of interest that may arise after these transactions. These transactions represent only the visible part of transactions between a company and its related parties. Indeed, some transactions are considered as transactions forming part of the normal business of the firm and are therefore a not subject to control.

However, to our knowledge, no study has examined if RPT are harmful or beneficial to the firm in Tunisia. Such a study should be interesting for at least two reasons: In one hand, Tunisian firms are operating in a framework favorable to expropriation of minority shareholders using transactions with related parties. Indeed, the ownership structure of Tunisian firms is characterized by the presence of blockholders often including families. These shareholders hold key management positions which causes agency problems between majority and minority shareholders (Khanchel 2007; Ghabri and Sioud , 2011). In addition, La Porta and al. (2000) and a recent report from the World Bank (Doing Business 2016) show that Tunisia is a country with low investor protection which may further increase the risk of expropriation minority shareholders.
In the other hands, the Tunisian financial market, like other emerging countries, is narrow and external funding is scarce and uncertain. Thus, RPT could create an internal capital market (Claessens et al., 2002). Consequently, the role played by RPT in minority shareholders expropriating constitute a question that merit an empirical research.

The objective of this paper is, therefore, to examine if RPT are leading to minority shareholders expropriation by studying the relationship between RPT and firm value on a sample of listed Tunisian firs. A positive relationship confirms the hypothesis of efficient transactions and a negative relationship, confirms the hypothesis of tunneling of the firm’s ressources.

In our study, we examine the transactions with related parties as a whole and we proceed a different cutting of these transactions. The purpose of these subdivisions is to identify specific transactions involving the expropriation of minority and the channels used to transfer wealth.

Comparatively to other studies, we offer various subdivisions of RPT. A subdivision in the time, a subdivision according to the nature of the transaction and a subdivision according to the identity of the related party. This study will contribute to the wider debate on the advantages and disadvantages of the RPT and the role that law and corporate governance mechanisms could play in controlling these transactions.

This paper is organized as follows. Section 2 will present the role of RPT in the expropriation of minority shareholders through a literature review of the relationship between RPT and firm value. Section 3 presents the regulatory framework governing transactions with related parties in Tunisia. Section 4 will expose the research methodology. Section 5 will present and discuss the results. Section 6 concludes.

2. Transactions with related parties and firm value

The expropriation of minority shareholders is defined as the process by which the major shareholders use their powers to divert the wealth of the firm profits (Claenssens et al. 2000;). Previous studies consider a decrease of firm value resulting to recourse to related party transactions as an evidence of expropriation. These studies examine the relationship between RPT and performance by distinguishing between transactions as a whole and transactions with different related parties.

2.1. Transactions with all related parties and firm performance

Some studies consider that related party transactions as a whole are conducted on terms that are beneficial to the controlling shareholders and key officers and the expense of minority shareholders. These transactions are penalized by the market which results in low value of the firm. Gordon et al. (2006) examine the relationship between the number of transactions of the firm with all of its related parties and its value on a sample of 112 firms listed in the US during the years 2000 and 2001 (period preceding the enactment of the law Sarbanes-Oxley in 2002 and prohibiting some transactions with officiers). The related parties studied include the executive members and non-executive members of the board of directors, major shareholders and subsidiaries. The authors find that adjusted returns in the industry are negatively associated with transactions with related parties.

In the French context, Nekhili and Cherif (2009) used a subdivision in relation to the timing of approbation of RPT. The authors distinguish between RPT authorized during a fiscal year and RPT approved during previous year but renewed in order to examine if the date of approbation of the RPT have any impact on firm value. They find that transactions with all related parts and specially transactions previously approved and renewed negatively affect the performance of 85 listed French companies during 2002-2005. According to the authors, these transactions strengthen the distrust of outside investors.

Some authors emphasize the nature of transactions that could lead to expropriation of minority shareholders. Bertrand et al. (2002) suggest that expropriation is carried out through non-operational components of the income statement. This implies that the transfer price (which affects the operating result) is not a significant source of expropriation. Moreover, it suggests that non-operating profits can be a force that moves in the opposite direction and operating profits are used to reduce the final result. For France, Le Maux (2004) considers that transactions such as patent royalties, extraordinary remuneration, outside services are transactions which may lead to transfer of wealth in favor of the coalition control.

The loans granted to major shareholders, directors as well as their affiliated firms have often been regarded as opportunistic transactions that benefit the related parties at the expense of minority shareholders of the company (La Porta et al. 2003; Shastri and Kahle, 2004; Bianco and Nicodano, 2006); Jian and Wong, 2004). Deng et al. (2007) point out that transactions with related parties have been a channel through which the major shareholders expropriate the resources of the firm at the expense of minority shareholders during the wave of privatization in China. These transactions include sales of assets, the transfer price of goods and services and the provision of credit. In groups, the sale of shares between member firms can be set so as to transfer wealth to the firms being at a high level group at the detriment of minority shareholders of firms falling to a low level of the group (Buysschaert et al, 2004; Bigelli and Mengoli, 2004).

2.2 Transactions with specific related parties and performance

Several studies focus on the relation between transactions with some related parties and firm value in order to identify specific channel of wealth transfer.

The controlling coalition includes significant shareholders, key executives and directors other than the major shareholders. The members of the coalition of control can benefit directly and or indrectly from transactions with related parties.

These members can purchase (or sell) directly from (to) the company goods and services at prices lower (higher) than the market price. Empirically, Kohlbeck and Mayhew (2004) found, by examining a sample of 1,261 companies included in the S&P 1500 during 2001 that transactions with directors and major shareholders result in negative returns for the firm. Transactions with major shareholders, directors and officers negatively affect the performance of French companies as measured by Tobin's Q (Nekhili and Cherif, 2011).

Nevertheless, transactions with major shareholders can benefit listed firms. A shareholder who controls the capital can support it by injecting money, selling assets, goods or services at prices lower than the market price: this is the Propping effect. Jian and Wong (2010) describe propping as a scenario where a shareholder who controls the capital used resources to manage the benefits of the affiliate listed firm. Cheung et al. (2009) measure propping in terms of acquisition of assets, goods or services by a listed company from related parties at prices below the market price. It can be as direct cash payments, loans or loan guarantees provided by the related party.

However, Cheng and Leung (2014) examine the impact of the magnitude of on-going RPT with only major shareholders on the performance of listed Chinese firms. Based on a sample of 6,657 observations between 2007 and 2011, the authors found that there was no significant relationship between these transactions and performance, and therefore, there is no evidence that the majority shareholders use the RPT to expropriate or otherwise, to support their listed firms.

Members of the controlling coalition can indirectly transfer the resources of the listed company. They can, following their control of the company, force it to carry out transactions with firms they control and in which they hold higher cash flows rights than what they hold in the listed firm (Cheung et al., 2014). Theoretically, in a case where a shareholder controls 60% of a company X. He can force firm X to buy to his private company, 100% controlled, goods and services, not at the market price 100, but at a price equal to 120. In this case the shareholder will lose 60% * 20 = 12 but the gain will be higher than what he lost 100% * 20 = 20. Nevertheless, Nekhili and Cherif

(2011) find no negative effect of these transactions on the company's performance on a sample of French firms.

Intercompany transactions between firms affiliated to a business group may have a role in the creation of internal capital market that favors economic benefits for member firms (Chang and Hong, 2000; Khanna and Palepu, 2000). –Nevertheless, under the hypothesis of propping, the benefits of the listed company can be transferred to the subsidiary (Friedman, 2003). Yan et al (2008) note that the controlling shareholders have the power to expropriate minority shareholders but can also use their private assets to support firms that have difficulties. In this case, the controlling shareholders transfer wealth to firms at the bottom of the pyramid: The propping. Gonenc and Hermes (2008) measure the propping by offering cash to a listed company by affiliated companies within groups pyramid structure controlled by families. However, these profits can be transferred first to the subsidiary, initially, and then returned to the major shareholders in a second time (Friedman, 2003).

3. Regulatory framework for related party transactions

In Tunisia, people who have certain links with a company must meet strict regulations for all agreements with the latter. This regulation is dictated by sections 200 (Article N°. 2009-16 of 16 March 2009, art.1er) and 475 of the Commercial Companies Code.

This law recommends that the leaders of the company are expected to avoid any conflict between their personal interests and those of firm and that the terms of the transactions entered into with the company they lead are fair. They must disclose in writing any direct or indirect interest they have in contracts or transactions with the company or ask mention in the minutes of the board. This article distinguishes between operations subject to authorization, approval and audit, prohibited transactions and free operations.

3.1 Transactions subject to authorization, approval and audit

Any agreement directly or through an intermediary between a firm on the one hand, and the chairman of its board, its managing director, its CEO, one of its deputy directors, one of its directors, one of the individual shareholders are directly or indirectly holding a fraction higher than ten percent of voting rights, or the company controlling it in the meaning of Article 461 of the Commercial code, on the other hand, is subject to prior authorization of the Board. These provisions also apply to agreements in which people referred to above are involved indirectly.

Transactions between the Company and another company when the CEO, the Chairman, the Chief Executive, one of the deputy directors-general or a director is associated severally liable for the debts of the company, manager, CEO, director or, in general, officer of the company are also subject to prior authorization. The person implicated in the transaction cannot participate in the vote on the requested authorization.

He must inform the (or) auditor (s) to any authorized agreement and submit to the approval of the general meeting. The auditor prepares a special report on these operations, the light of which the General Assembly deliberates. A person who participated in the operation or who has an indirect interest cannot take part in the vote. His actions are not taken into account in calculating the quorum and the majority.

The agreements approved by the General Assembly, as well as those it disapproves, have effect in relation to third parties except when they are canceled for fraud. The harmful consequences to firm of these policies are put at the applicant's expense if they are not authorized by the board of directors and disapproved by the general meeting. Moreover, the responsibility is borne by the person concerned and directors for the operations authorized by the Board of Directors and disapproved by the general meeting unless they establish that they are not responsible.

3.2 Prohibited transactions

Some transactions with related parties are prohibited. Thus, with the exception of those legal members of the Board it is prohibited for the CEO, the General Manager, the managing director, the directors and members of the Board as well spouse, parents, children and anyone interposed in favor of one of them, to contract in any form whatsoever, loans with the company, to have it grant them an advance, an overdraft on a current account or otherwise or to receive grants, as well as to guarantee or secure their commitments towards third parties under penalty of nullity of the contract.

The prohibition also extends to permanent representatives of legal persons of the Board of Directors. On pain of nullity of the contract, it is prohibited for any shareholder, his spouse, ascendants or descendants or intermediary on behalf of one of them, to contract in any form whatsoever, loans with firm, to have it grant them an advance, an overdraft on a current account or otherwise, or to receive grants to use for subscription in the shares of the company.

3.3 Free operations

The regime of related party transactions do not apply to agreements relating to current operations concluded under normal conditions. However, these arrangements shall be notified by the applicant to the chairman of the board or the CEO. A detailed list of these agreements shall be communicated to the Board of Directors and or auditors. These operations are audited to the usual audit standards.

4. Research methodology

We present successively sample and data collection method.

4.1 Sample and Data Collection

The starting point of this study is the set of all non-financial companies listed on the Tunis Stock Exchange (TSE). We conduct a manual collection of annual reports and reference documents of each sample firm. We exclude financial firms due to the fact that they have a specific approval process for transactions with related parties, and those with missing information.

Sample Evolution

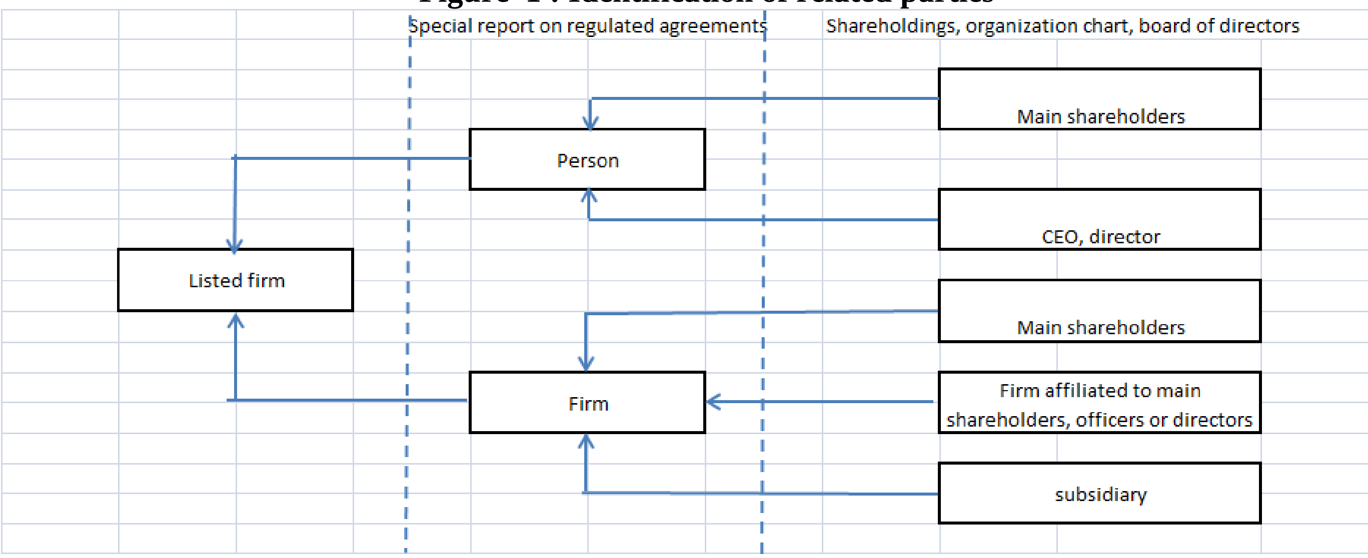
Number of listed firms	60
- Financial firms	25
- Firms non listed during the period	7
= Total number of firms	28

The period of analysis is 2009-2013. The choice of this period is justified by the enactment of the 2009 law that led to a better disclosure of information on such transactions.

Data on the performance of the firm and the control variables are included in the financial information.

Data on transactions with related parties are included in the "Special Report of the Statutory Auditors on regulated agreements." This report generally includes those responsible for the conventions and a description of the condition of the agreement.
In the reference documents of Tunisian companies, the nature of the relationship with the related party is still not clarified. In most cases, the report of the auditor does not mention the name (in the case of a natural person) or the name (if it is another firm) of related party. We do, therefore, a thorough work to identify this relationship (Figure 1).

Figure 1 : Identification of related parties



4.2 Definitions and variable measures

4.2.1 Related party Transactions

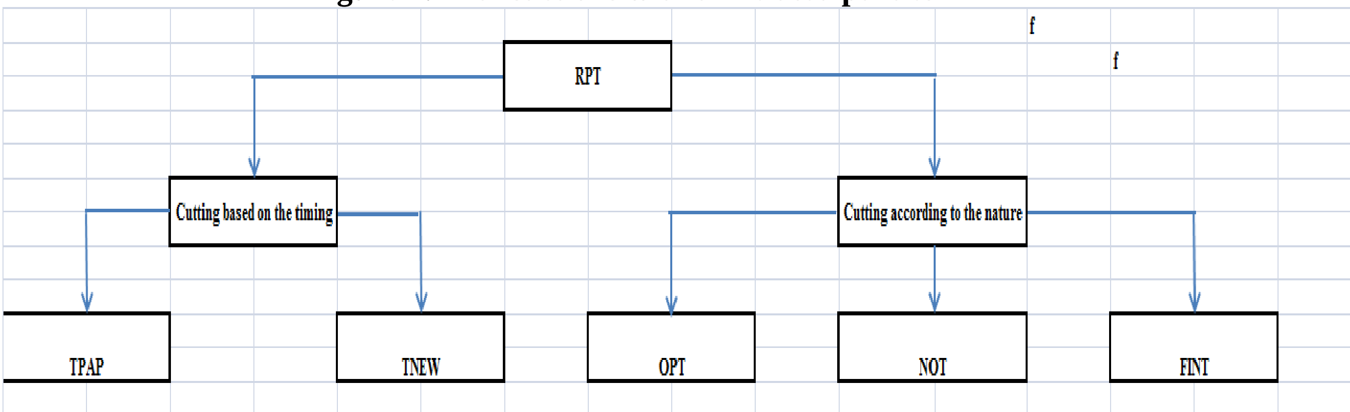
We intend to review transactions with all related parties and transactions with various related parties.

4.2.1.1 Transactions with all related parties

First, we examine transactions with all related parties. Then, in a first cut, we distinguish between transactions approved during the year and transactions previously approved transactions and renewed. This subdivision in the time of the transactions was used by Nekhili and Cherif (2011) in the French context. The objective of this subdivision is to identify whether it is the new transactions or the transactions previously approved and renewed that enhance the feeling of mistrust among minority shareholders.

In a second cutting, we propose to subdivide RPT depending on the nature of the transactions. The first category include operating related transactions (OPT): Transactions that are part of normal functioning of the firm such as purchases and sales of raw materials or finished products.
The second category includes the financial transactions between the different related parties (FINT), for example bonds and guarantees, loans, advances, etc. The third category includes transactions that are not part of the normal functioning of the firm. These are non-operating transactions (NOT), such as rents, legal assistance, and technical assistance (Figure 2).

Figure 2: Transactions with all related parties



4.2.1.2 Transactions with different related parties

We propose to subdivide RPT according to the identity of the related party (Figure 3).

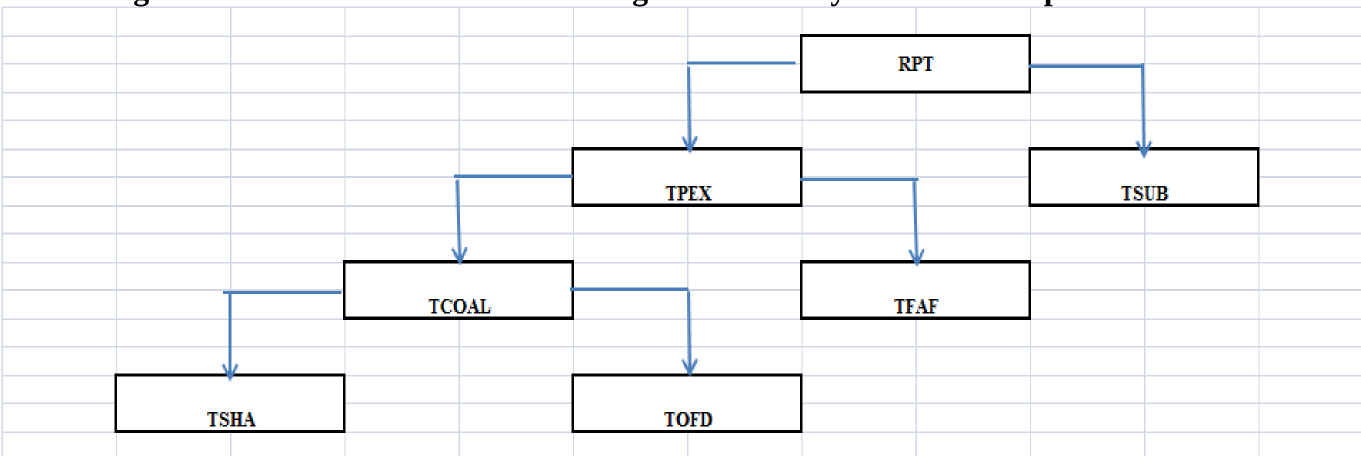
First, we distinguish between transactions with the major shareholders, officers and directors and their affiliated firms frequently considered as transactions potentially leading expropriation (TPEX) and transactions with subsidiaries (TSUB) often considered beneficial transactions (Jian and Wong, 2006).

Secondly, we propose a subdivision of transactions potentially leading to expropriation in direct transactions with the members of controlling coalition TCOAL) and indirect transactions including firms affiliated to major shareholders, directors and officers (TFAF).

Thirdly, we refine further our analysis to identify the parties responsible for a possible expropriation of minority shareholders. As such, we decompose transactions with the coalition of into transactions with major shareholders (TSHA) and transactions with directors and officers other than the main shareholders (TOFD).

The distinction between transactions with major shareholders and transactions with directors and officers leads to different agency problems. In firms with dispersed ownership, the main problems of agency are those who oppose managers to minority shareholders (La Porta et al., 2000). In firms to concentrate capital, the main problems of agency are those who oppose the majority shareholders to minority shareholders (Jensen and Meckling, 1976).

Figure 3: Subdivision of RPT according to the identity of the related parties



Based on our review of the literature, we propose to use the following variables (table 1):

Table 1: Measurement of transactions related party transactions

	Variables	Abbreviations
	Related Party Transactions	RPT
First cut	Transactions previously approved and renewed	TPAP
	Transactions newly approved	TNEW
Second cut	Operating Transactions	OPT
	Non operating Transactions	NOT
	Financial Transactions	FINT
	Transactions with different related parties	
First cut	Transactions resulting in minority shareholders expropriation	TEXP
	Transactions with subsidiaries	TSUB
Second cut	Transactions with controlling coalition	TCOAL
	Transactions with firms affiliated to main shareholders, officers and directors	TFAF
Third cut	Transactions with main shareholders	TSHA
	Transactions with officers and directors other than the main shareholders	TOFD

4.2.2 Firm Value: Tobin's Q

Like previous studies, we use Tobin's Q to measure the decrease in the value of the company resulting from the expropriation of minority shareholders (Nekhili and Cherif, 2011; McConnell and Servaes, 1990; Claessens et al. 2000; Jian and Wong, 2004). Tobin's Q is defined as the sum of the market capitalization of the firm at the end of the year and the book value of debt over total assets.

4.2.3 Control Variables

RPT can influence the company's performance. However the latter can be influenced by other variables. We use this framework, the variable size measured by the logarithm of assets, variable economic profitability (ROA) and the change of sales (VARCA) (Nekhili and Cherif, 2011).

3.3 - Econometric Model

Our model relates to the performance of all transactions with related parties and transactions from different divisions.

$$\text{Performance}_{i,t} = f\,(\text{TPL}_{it}, \text{control variables})$$

5. Results

5.1 Statistics

Table 2 shows the descriptive statistics of RPT.

Table 2: Descriptive statistics of related party transactions

	Variable	Average	Median	Max	Min	Standard-Error
Transactions with all the related parties						
	RPT	8.607143	7	24	0	5.71845
First cut	**TNEW**	2.735714	2	10	0	2.54346
	TPAP	5.871429	5	18	0	4.351206
Second cut	**OPT**	0.4142857	2	6	0	1.759193
	FINT	1.885714	2	14	0	2.54016
	NOT	4.1	3	19	0	3.837153
Transactions with different related parties						
First cut	**TFIL**	4.271429	4	14	0	3.636036
	TEXP	4.335714	3	17	0	4.230092
Second cut	**TCOAL**	2.75	2	10	0	3.022993
	TFC	1.628571	0	17	0	3.101039
Third cut	**TPRINC**	1.628571	1	10	0	3.005057
	TADM	2.335714	0	4	0	0.8731463

Table 2 shows that over 98% of our sample of listed Tunisian firms make use of transactions with related parties. Overall, 1,202 transactions with related parties are disclosed by the firms of our sample. The use of transactions with related parties for the Tunisian firms is higher than that observed for firms in the S&P1500 index examined by Kohlbeck and Mayhew (2003) who found that 62.6% of the firms in their sample resort to transactions related parties. It is also higher than that found by Gordon et al. (2006) for whom only 19% of the firms in their sample did not disclose transactions with related parties. It is superior to that found in the French context where 78.53% of sample observations contain at least one transaction with related parties with numbers between 0 and 24. The existence of a high percentage of firms reporting transactions with related parties suggests several possibilities for expropriation of minority through these transactions.

Cutting in time of the transactions with related parties shows that the average number of transactions approved during the year is 8.58 including 4.65 approved each years and 3.94 previously approved. This number is higher than that found for France: 3.45 transactions per year including 1.58 new approved transactions in France). Furthermore, 50% of firms approve 2 transactions per year and continue the execution of three previously approved agreements. In Tunisia, the use of transactions with related parties are undertaken primarily for non operating transactions followed by transactions of a financial nature and finally by operating transactions.

The cutting of transactions with related parties according to the identity of related parties shows that the use of transactions with major shareholders, directors and officers and their affiliated companies is lower than the use of transactions with subsidiaries (68.57% against 74.29% of observations) (50.88% against 53.82% in France). This result is similar to the French context and seems consistent with the idea of creation of internal capital market at the level of firms affiliated to a group. The number of transactions with subsidiaries is more than double the use of transactions with major shareholders, directors and officers and their affiliated companies (769 against 347).

5.2 Regression results

The following table shows the regression results of the firm's value on related party transactions. The models will be estimated by the generalized least squares method to correct for autocorrelation and heteroscedasticity problems.

Table 3: Results of the regressions of firm value on Related party transactions

	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
intercept	1.556***	1.689***	2.004***	1.765***	1.726***	1.727***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
RPT	-0.011*					
	(0.080)					
TNEW		-0.006				
		(0.654)				
TPAP		-0.020**				
		(0.028)				
TSUB			-0.009			
			(0.546)			
TPEX			-0.045***			
			(0.000)			
TCOAL				-0.055***		
				(0.000)		
TFAF				0.006		
				(0.637)		
TMSH					-0.056***	
					(0.000)	
TOFD					-0.021	
					(0.474)	
TXPL						0.005
						(0.857)
TPFIN						-0.042**
						(0.011)
THXP						-0.001
						(0.922)
ROA	1.183**	1.518***	3.863***	1.480***	1.386***	1.417***
	(0.014)	(0.003)	(0.000)	(0.003)	(0.005)	(0.009)
VARCA	0.003	-0.015	-0.071	0.057	0.071	0.008
	(0.970)	(0.860)	(0.604)	(0.461)	(0.361)	(0.921)
LOGACTIF	-0.036	-0.079	-0.156	-0.110	-0.091	-0.102
	(0.641)	(0.287)	(0.143)	(0.157)	(0.237)	(0.219)
WALD CHI2	12.19	18.10	63.37	33.89	34.29	18.20
P-VALUE	0.0160	0.0028	0.0000	0.0000	0.0000	0.0057

*, ** and ***: Denote significance at 10%, 5% and 1% respectively

Table 3 shows that the RPT as a whole have a negative and statistically significant effect, at the 10% threshold, on the value of the firm measured by the Tobin's Q. These transactions are considered opportunistic by the Tunisian market. Firms can reach higher profitability are having recourse to those transactions with unrelated parties. In other words, the market is not welcomed the completion of these transactions, which can ultimately rapport firm lower gain compared to what could be achieved with unrelated parties. This is consistent with the results obtained in the French context (Nekhili and Cherif, 2011), American context (Gordon et al. 200X) or Asian context (Cheng et al., 2006).

The first cutting shows that transactions previously approved have significantly negative impact on the value of the firm measured by Tobin's Q while the number of transactions approved during fiscal year is not significant. This result, in line with that found by Nekhili and Cherif (2011) in their study of French firms, suggests that the renewal of earlier transactions strengthens the feeling of distrust and unease among minority shareholders.

From the results obtained in the second cutting, the negative impact of all the RPT on firm value is mainly due to the financial transactions. The coefficient of this variable is equal to -0.042 and is statistically significant at the 5% level. This result is homologous to that of Johnson et al. (2000) who state that controlling shareholders can dilute minority interest in purchasing additional shares of the company at preferential prices prompting small shareholders to sell their share at low prices, for fear that their situation becomes worse. La Porta et al (2003) suggest that there is mismanagement of financial transactions between related entities (such as the high risk of related loans), which generates a consequent decline in the value of the firm measured by Tobin's Q. We also notice contradictory but non-significant results as regards the OPT (positive) and NOT (negative).

The distinction between transactions with related parties according to the identity of the parties concerned, shows that transactions potentially leading to the expropriation (TEXP) have a statistically significant negative impact at the 1% threshold (- 0.045) on the value of the firm, measured by Tobin's Q. This result is similar to that found by Nekhili and Cherif (2009) in the French context, by Jian and Wong (2004) on Chinese data or also by Gordon et al. (2006) on American firms. These transactions are considered as a way to transfer wealth. Moreover, the results also show that transactions with companies affiliated to major shareholders, directors and officers do not seem to affect the company's performance. These transactions do not appear to be a means of expropriation of minority shareholders. Transactions with subsidiaries and / or affiliated companies (TFFA) do not exert any significant effect on Tobin's Q. It is neither the thesis of "propping" nor that of "tunneling" that is confirmed at this level.

The following breakdown shows that transactions with the coalition in control are behind the negative effect of RPT and essentially transactions with major shareholders (third cut). This result is in line with previous studies of Nekhili and Cherif, 2011; Jian and Wong, 2006) who consider that these transactions encourage major shareholders at the expense of minority shareholders and result in the expropriation of the wealth of the company.
Moreover, the value of the firm is positively related to the profitability of the asset.

6. Conclusion

A large number of controlling shareholders, directors and officers managers have been accused of having played a significant role in the various scandals that led to the collapse of certain very large firms Parmalat, Enron ...),. More particularly, they have been reproached with carrying out doubtful transactions with the company at the expense of minority shareholders, with the objective furthering their own interests at the expense of minority shareholders

The objective of this paper is to identify in the Tunisian context, the impact of these transactions on the value of the firm in order to identify if any, transactions involving expropriation and the parties who benefit from these transactions.

We have examined transactions with related parties as a whole and then we proceeded to the various divisions of these transactions to take account of different possibilities of wealth transfer. Our study was conducted on a sample of 28 listed Tunisian firms from 2009 to 2013 and led to the following conclusions:
Overall, transactions with all related parties affect negatively the value of the firm. The first subdivision show that it is the transactions approved during previous years and renewed are the source of the negative effect of TPL on performance. The second cutting shows that financial transactions have a negative impact on performance.

Cutting of RPT according to the identity of related parties shows that the market takes into account the identity of the related party in its review of transactions. Transactions with major shareholders, directors and officers and their affiliated companies, in general, and transactions with major shareholders directors and officers, in particular, are considered as transactions involving expropriation of minority shareholders and negatively affect the value of the firm.

Our results are largely in line with those of Gordon et al. (2006) and Kohlbeck and Mayhew (2004) on US data, Cheung et al. (2006) on Hong Kong data, Jian and Wong (2004) on Chinese data and Nekhili and Cherif (2011) on French data. All these studies found a negative impact of transactions with related parties on the value of the firm.

Overall our results show that transactions with related parties are considered potential agency conflicts between insiders and minority shareholders in Tunisia and invited to some reflections regarding the law of 2009 and the possible efforts to make to control these transactions

Indeed, our results cast doubt on the effectiveness of the law enacted in 2009 by Tunisian regulator concerning related party transactions. This law, had in order to ensure transparency, expanded the scope of these transactions to different related parties. Nevertheless this law say nothing about the damage some RPTs can cause to minority shareholders. Furthermore, the information figuring in annual reports is, in many cases, inaccurate. The annual reports of Tunisian companies don't mention all the details of the transactions. In many cases, the amount of the transactions, the date of approbation and the identity of the related party are lacking, which does not allow to assess the merits of such transactions and constitutes a limit to this law.
Some transactions defined as "Normal" and entered into "normal conditions", aren't despite the relative ease of the procedure of disclosure of RPT, don't figure in the special report of RPT and consequently not controlled. The procedure applied to these transactions seems reinforcing the risk of expropriation of minority shareholders.
In view of our results, this laws do not seem to offer minority shareholders the necessary protection, to face with possible coalitions between managers, main shareholders and directors against the interests of minority shareholders.

This research also calls for reflection on the procedure for authorizing RPT and on their governance procedures. These transactions must be authorized by a board of directors, dominated by the main shareholders and where the role of the "supposedly independent" directors is limited and the auditor must simply report these transactions to the annual report without having to analyze them and appreciate their assets based. A strengthening of control and governance seems necessary in order to better protect minority shareholders.

7. Bibliography

Cheung, Y.L., P.R. Rau, and A. Stouraitis (2006): “Tunnelling, propping and expropriation: evidence from connected party transactions in Hong Kong”, Journal of Financial Economics, 82, 343-86.

Cheng, M.A. and N.W. Leung (2014): “Ownership structure, ongoing related party transactions and corporate performance: evidenced from Chinese listed firms”, Corporate Ownership & Control 11, 446-464.

Chu-Yang, C., and C.S.Hsu Joseph (2010): "The Role of Corporate Governance in Related Party Transactions", Working Paper in Developing Practical Prescriptions. British Journal of Management, 16, 91-97.

Claessens, S., S. Djankov, and L.H.P. Lang (2006): “The benefits and costs of group affiliation: evidence from East Asia”, Emerging Markets Review, 7, 1-26.

Friedman, E., S. Johnson, and T. Milton (2003): “Propping and tunneling”, Journal of Comparative Economics, 31, 732-50.

Ghabri, Y. and O. Sioud, (2011): “Ultimate Ownership and Stock Liquidity : empirical evidence from Tunisia”, Studies in Economics and Finance, 28, 282-300.

Gordon, E.A., E. Henry, and D. Palia (2006): “Related party transactions: associations with corporate governance and firm value”, working paper, Rutgers University, New Brunswick, NJ.

Jian, M. and T.J. Wong (2004): “Earnings management and tunneling through related party transactions: evidence from Chinese corporate groups”, working paper, Hong Kong University of Science and Technology, Hong Kong, mimeo, June.

Johnson, S., R. La Porta, F. Lopez-De-Silanes and A. Shleifer (2000): “Tunneling”, Economic Review Papers and Proceedings, 90, 22-27.

Khanchel, I. (2007): “Empirical Evidence on Corporate Governance and Corporate Performance in Tunisia”, Corporate Governance : An international Review, Wiley Blackwell, 15, 1429-1441.

Kohlbeck, M. and B. Mayhew (2010): “Market assessment of related party transactions”, Journal of Accounting & Public Policy, 29, 115-37.

Kuo, H.C. and L.H Wang (2013): "Intra-Business Group Transactions for Inducing Relationships between Network and Performance: Can the Network Be Optimized?", Journal of Mathematical Finance, 3, 9-20.

La Porta, R., F. Lopez-de-Sinales and G. Zamarripa (2003): "Related lending", Quarterly Journal of Economics, 118, 231-267.

La Porta, R., F. Lopez-de-Silanes, Shleifer, A. and R.W. Vishny (2000): "Investor protection and corporate governance", Journal of Financial Economics, 58, 3-27.

Lin, W.Y., Y.A. Liu, and I. Keng (2010): "Related party transactions, firm performance and control mechanisms: evidence from Taiwan", International Research Journal of Finance and Economics, 35, 82-98.

Liu, Q. and Z.J. Lu (2007): "Corporate governance and earnings management in the Chinese listed companies: a tunneling perspective", Journal of Corporate Finance, 13, 881-906.

McConnell, J.J. and H. Servaes (1995): "Equity ownership and the two faces of debt", Journal of Financial Economics, 39, 131-57.

Munir, S. and R.J. Gul (2010): "Related-Party transactions, family firms and firm performance: Some Malaysian evidence". [Online]. Available at: http://www.dx.doi.org/10.2139/ssrn.1705846

Nekhili, M. and M. Cherif (2011): « Related party transactions and firm's market value: the French case, Review of Accounting and Finance, 10, 291–315.

OECD, (2014): "Guide on Related Party Transactions in the MENA Region", Paris, France.

Pozzoli, M. and M. Venuti (2014): Related Party Transactions and Financial Performance: Is There a Correlation? Empirical Evidence from Italian Listed Companies. Open Journal of Accounting, 3, 28-37.

Riyanto, Y.E., and L.A. Toolsema (2008): "Tunneling and propping: A justification for pyramidal ownership", Journal of Banking and Finance, 32, 2178-2187.

Scharfstein, D. and J. Stein (2000), "The dark side of internal capital markets: divisional rent-seeking and inefficient investment", Journal of Finance, 55, 2537-2564.

Shastri, K. and K.M. Kahle, (2004), "Executive loans", Journal of Financial and Quantitative Analysis, 39, 791-812.

Srinivasan, P. (2013), "An Analysis of Related-Party Transactions in India", Working Paper No. 402, Indian Institute of Management Bangalore (2013). Available at: http://www.iimb.ernet.in/research/sites/ default/files/WP%20No.%20402_0.pdf