The relationship between corporate governance and value-added companies listed on the Tehran Stock Exchange

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ABSTRACT

Objective: One of the objectives of financial reporting is to provide information to investors, creditors and other current and potential users in decision-making related to investment and credit, and other decisions, be of benefit. This study examines the relationship between corporate governance and value-added companies listed on the Tehran Stock Exchange. **Methodology**: The research methodology was descriptive, correlational survey sample included a total of 94 listed companies in Tehran Stock Exchange company and the sampling study was a systematic elimination. The data was collected in two ways library and taking notes and tools used Tdbyrprdaz software and a comprehensive database of information for the stock. In order to analyze the data using the software panel approach has been used 8 Eviews. **Results**: The results showed that the duality Director and economic value of companies listed on Tehran Stock Exchange there is a significant relationship. The concentration of ownership and economic value of companies listed on Tehran Stock Exchange there is no significant relationship. **Conclusion**: Between managerial ownership and economic value of companies listed on the Tehran Stock Exchange there is a significant relationship.

1. Introduction

Corporate governance in recent years, seems to have attracted a large number. has constructed. USA, Canada, UK and other European countries and the countries of East Asia are testimony to the claim that economic pressures will cause many problems for the whole community companies, including the inability of many leading companies in various industries to continue to be the former and pushing them into bankruptcy and collapse, that might (Ali and Souad, 2012). Corporate governance is one of the mechanisms of representation. Corporate governance mechanisms can reduce earnings management opportunities and thereby increase earnings quality. Corporate governance mechanisms arise over time. Some companies have strong corporate governance mechanisms, for example, the number of independent members of the board, is the presence of institutional investors. Some companies also are weak corporate governance. Corporate governance is the process of monitoring and control to ensure the performance of the CEO in accordance with the interests of shareholders. Organization for Economic Cooperation and Development has defined corporate governance: a set of relationships between management, board, shareholders and other stakeholders of the company, corporate governance also provides the structure through which company objectives and means for achieving development these goals as well as how to monitor the performance of managers is determined (Bai et al., 2014). For many years in the past, economists assume that all groups operate on a corporation for a common goal, but in the last thirty years, many economists cases of conflict of interest between groups and how to deal with these contradictions it poses companies (Bayrakdaroglu et al., 2012). In general, these items under the heading "Corporate Governance" is expressed in accounting.

1.1 Statement of the problem

Investment objective is profit and maximize their wealth. Investors with investment, current consumption to postpone their capital in the future to allow more consumers to achieve. Hence, for this purpose in assets that have high returns and relatively low risk, invest. Shareholders as owners seek to increase economic firms increase their wealth increased due to the favorable performance of firms as a result of economic wealth, economic valuation firms for homeowners is very important. Given that shareholders and creditors, financial firms allocate their limited financial resources, performance evaluation of enterprises, need to know the criteria and indices performance evaluation (Azizzadeh and Bayrakdaroglu, 2012). Financial scandals in the past decade incentives to financial markets and investors to consider the criteria and mechanisms for corporate governance. Until the 1980 conflict between shareholders and managers representing major themes in the literature on corporate governance. It was generally accepted that the concentration of ownership reduces the agency problems, and this will be your company's performance. The researcher's factors justified an increase in the concentration of ownership will be prompted to enter the ownership structure of companies are big investors. These investors are motivated and empowered to monitor managers, they would allow managers to monitor long-term goals and take steps now. Enron scandals in 2002 led to a lot of research done in the field of corporate governance. Many researchers have found that appropriate corporate governance structure and its market value has a positive effect on firm performance. Corporate governance involves a set of relationships between shareholders, directors, auditors and other stakeholders to ensure that the rights of minority shareholders in order to establish control system and proper implementation of the decisions of the Assembly and to prevent possible misuse. It was concluded that institutional investors of their ability to monitor management function of the amount of capital it is enhanced. Whatever the level of institutional ownership is, the monitoring done better management and this is a direct connection, thus improving the company's performance and value. Companies believe that good corporate governance, effective management and control of business units to facilitate the screw and thus able to provide optimal efficiency for all are acquiring. Research in the field of corporate governance is based on representation theory and focuses on the issue of conflict of interest. Conflicts of interest arise when the interests of managers and owners are not in one direction. Representation theory suggests that firms with better corporate governance structure, better performance and higher value, and it knows due to the lower agency costs. The researchers showed research, firms with better corporate governance mechanisms has better performance and higher market value. The primary objective of most companies is to increase shareholder wealth. It is obvious that this provides shareholders. Also, this helps to ensure the allocation of scarce resources efficiently. Maximize shareholder wealth through the stock market value of the difference between the company and the amount of capital provided by shareholders reaches the maximum. This difference, called market value. Much research has been done on the relationship between corporate governance and financial ratios have been Mkaynzm. The main research question is whether the corporate governance of listed companies in Tehran Stock Exchange value added there is a significant relationship?

1.2 Literature

Kapopoulos and Lazaretou (2007) in a study entitled The Effect of Corporate Governance on the financial performance of listed companies in the securities market of Tehran. shvahd used experimental data showed that there was no relation between institutional investors and financial performance indicators, including indicators of return on sales, return on assets index, the index of operating income to assets and return on equity.

Shahin and Zairi (2007) showed that the percentage of non-executive board members smoothing gross profit and institutional ownership and management of operating profit and net profit smoothing effect. The results showed that board independence smoothing effect on earnings.

Salehi et al. (2014) in his research entitled "accruals and future stock returns with an emphasis on institutional ownership and firm size" concluded the ability to accruals for anticipated returns independent of the percentage and number of property investors but the size of the firm 'entity. Also, a higher percentage of shares held by institutional investors, companies, and institutional shareholders due to the presence of correct pricing mechanism at the point of distinction between cash and accrual items yet.

Mueller and Spitz-Oener (2006) examines the impact of ownership structure on the performance of companies listed in Tehran stock exchange's Varaq. A sample of 66 companies during the 2008 to 2012. The results of their research showed a significant relationship between ownership structure and function there.

Fooladi and Nikzad Chaleshtori, (2011) examined the relationship between institutional investors and company's value. To test their hypothesis, it-and multiple linear regression were used. Their research results indicate the existence of a positive relationship between institutional investors and the value of the company.

Fazlzadeh et al. (2011) in his research entitled "Investigation of the relationship between shareholders with useful information asymmetry and accounting standards of performance" by examining the 178 companies in the period from 2001 to 2006, stated that the company's stock price has more institutional ownership compared with the price of the stock institutional ownership firms with less, information about future earnings in the covers. The reason for this conclusion professionalism of institutional shareholders, who have the capacity and comparative advantages are in processing information, said.

Panahian et al. (2012) study entitled "Corporate governance and the relationship between dividend policy and shareholder value creation" did. Variables include corporate governance and board characteristics; quality and ownership concentration has been audited. The results of their research showed that corporate governance features such as ownership concentration, expertise and reputation of auditors in explaining dividend policy and the added value created for shareholders has been effective.

Baybordi et al. (2015) Some aspects of the relationship between earnings quality and corporate governance, including property management and non-executive members of the 135 companies listed on Tehran Stock Exchange for the period 2012-2015 were examined. Their research results indicate that the relationship between earnings quality and the percentage of property management and non-executive board members do not exist, but there is a nonlinear relationship between accruals and the percentage of management ownership. They also found that the percentage of management ownership and the number of non-executive board members is that the mechanisms of corporate governance, to improve earnings quality companies listed on Tehran Stock Exchange is effective.

1.3 Hypotheses

First hypothesis: between CEO duality and economic value of companies listed in Tehran Stock Exchange there is a significant relationship.
The second hypothesis: the concentration of ownership and economic value of companies listed in Tehran Stock Exchange there is a significant relationship.
The third hypothesis: between managerial ownership and economic value of companies listed in Tehran Stock Exchange there is a significant relationship.

2. Materials and methods

The method of this research is ex post facto factual information in the field of positive research-based accounting and financial statements of companies listed on the Tehran Stock Exchange. Study the method of research is descriptive. From a variety of research descriptive, correlational study of the relationship between the independent and dependent variables examined. Research describing what is described and interpreted without manipulation.

2.1 Methods and tools for data collection

Data collection methods have been used library and taking notes.

2.2 The method of analyzing information.

Data analysis in this study are the following:
After data collection software is used to manage ATMs. First, data is extracted and imported to Excel software after initial analysis were prepared to enter into statistical software. Eviews statistical software was used to estimate

2.3 The population, sample size and sampling

The target population in this study, all companies listed on the Tehran Stock Exchange will-be.
Also, in this study, a sample of elimination method is used. The companies that have chosen the following conditions are removed and the rest of the companies 94 Andkh company.
1) fiscal year ended March each year.
2) in the fiscal year has not changed during the period of investigation.
3) During the period of investigation is actively involved in the exchange.
4) the information is available to extract data.
5) Investment Co., or not financial intermediation.

2.4 The research model and how to measure variables

To test the hypothesis, the following regression models were used:

$$\text{EVA} = \alpha_0 + \beta_1 (DUALITY)_{i,t} + \beta_2 (\text{CONS})_{i,t} + \beta_3 (\text{MANAGE})_{i,t} + \beta_4 (\text{SIZE})_{i,t} + \beta_5 (\text{LEV})_{i,t} + \varepsilon_{i,t} \tag{1}$$

EVA = EVA
DUALITY = duality of CEO
CONS = concentration of ownership
MANAGE = property management
SIZE = the size of the company
LEV = financial leverage
$\varepsilon_{i,t}$: The estimate is disturbing

3. Discussion and results

3.1 The dependent variable:

EVA = EVA is calculated by the following formula:
Where the rate of return r, c is the rate of economic costs and capital investment.
calculate the cost of capital (c):
The total cost of the company's capital, is equal to the weighted average cost of different sources of funds used by company's coefficient (weight) is calculated for each resource to the company's capital structure. The method of calculating WACC formula is as follows:

$$\frac{S_i}{D_i + S_i} + kd \frac{D_i}{D_i + S_i} \; WACC = ke \tag{2}$$

weighted average cost of capital of the company during the period = WACC
The effective rate debt during the period = kd

The cost of equity during the period = ke

The average total debt (book value) during the period = D

The average ordinary shareholders' equity (book value) firms during the

period = S

3.2 Independent Variables:

CONS = concentration of ownership: the sum of the stock in the hands of major shareholders (above 5%).

MANAGE = property management: the number of shares in the hands of managers (the property managers in the ownership structure).

DUALITY = duality of CEO: CEO and Chairman of the Board of Directors if one is not equal to one and zero otherwise.

3.3 Control variables

size of the company:

The larger the size of the company, the company will be of greater value. In addition, large companies due to further diversify the use of financial resources and regular disclosure of information, less risk. Therefore, investors in the face of these companies charge a lower expected return. Therefore, it is expected that the negative relationship between firm size and cost of equity exist. In this study, natural Azlgarytm net sales is used to measure the size of the company:

$$Size_{i,t} = \text{Log} \, S_{i,t} \tag{3}$$

where in:

Sizei, t: size of company i in year t, and

Si, t: Net sales of company i in year t.

Financial Leverage

Fernando et al (2010) suggest that the increase in financial leverage, leading to increased risk of the corporation. Increasing the risk of the company's shareholders will raise the expected rate of return, which eventually leads to a higher cost of equity is equity. Accordingly, it is expected that with increasing financial leverage, cost of equity will be increased. In this study, leveraged by dividing total liabilities to total assets is calculated as follows:

$$LEV_{i,t} = \frac{TD_{i,t}}{TA_{i,t}} \tag{4}$$

So where:

LEVi, t: Financial leverage the company i in year t;

TDi, t: Total debt of the company i in year t, and

TAi, t: Total assets of the company i in year t.

3.4 Findings

3.4.1 The results of the research model

The results of the model in the table below:

$$EVA = \alpha_0 + \beta_1 (DUALITY)_{i,t} + \beta_2 (CONS)_{i,t} + \beta_3 (MANAGE)_{i,t} + \beta_4 (SIZE)_{i,t} + \beta_5 (LEV)_{i,t} + \varepsilon_{i,t} \tag{5}$$

Table 1. Summarizes the statistical results of the research model

(sig) Significance level	T-statistic	Standard deviation	Coefficients	Variable
0.0000	-10.8523	0.8963	-9.7266	B_1
0.0111	-2.5511	0.0023	-0.0059	DUALITY
0.1246	1.5390	0.0026	0.0041	CONS
0.0026	3.0339	0.0028	0.0086	MANAGE
0.0000	11.9177	0.1628	1.9406	SIZE
0.0000	-4.9782	0.1481	-0.7372	LEV
0.0847	-1.7280	0.0891	-0.1539	$\varepsilon_{i,t}$
0.0000	F statistic significant level.		11.360	F Fisher statistics

2.2093	Durbin Watson statistic	0.7492	The coefficient of determination

Before testing the hypotheses based on the results obtained, we must ensure the accuracy of the results.

In order to determine the significance of the F-test was used. F-statistic was calculated considering the significant level (0.0000), it can be argued that the fitted regression model is significant.

According to determine the coefficient of the fitted model can be claimed, about 75 percent of the variation in the dependent variable (Economic Value Added), placed explained by the independent variables.

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4. Conclusion

4.1 The first hypothesis:

1: H0 between CEO duality and economic value of companies listed in Tehran Stock Exchange there is no significant relationship.

2: H1 between CEO duality and economic value of companies listed on the Tehran Stock Exchange there is a significant relationship.

DUALITY independent variable in the above table reflects the estimated coefficient is negative and significant relationship between the CEO and EVA duality is at the level of 0.05. Because the p-value calculated for the independent variable coefficient of less than 0.05 is obtained. So, we can say that the duality of CEO and EVA at 95% and there is a significant negative relationship. The first hypothesis of this study is confirmed.

4.2 The second hypothesis:

1: H0 between concentration of ownership and economic value of companies listed on Tehran Stock Exchange is a significant relationship exists.

2: H1 between concentration of ownership and economic value of companies listed on Tehran Stock Exchange there is a significant relationship.

CONS estimated coefficient independent variable in the table above reflects the relationship between concentrated ownership and economic value is at the level of 0.05. Because the p-value calculated for the coefficient of the independent variable so it can be said more than 0.05 is obtained between concentration of ownership and economic value added there is no significant relationship at 95%. It is not approved, so the second hypothesis of the study.

4.3 The third hypothesis:

1: H0 between managerial ownership and economic value of companies listed in Tehran Stock Exchange is a significant relationship exists.

2: H1 between managerial ownership and economic value of companies listed in Tehran Stock Exchange there is a significant relationship.

On the other hand, MANAGE estimated coefficient independent variable in the table above indicates the presence of a significant positive relationship between managerial ownership and economic value in the level of error is 0.05. The third hypothesis of this study is confirmed.

4.5 The control variables:

SIZE estimated coefficient independent variable in the table above indicate a significant positive relationship between firm size and economic value is at the level of 0.05. Because the p-value calculated for the independent variable coefficient of less than 0.05 is obtained. So, we can say that between firm size and economic value at 95% and there is a significant positive relationship.

LEV independent variable in the above table reflects the estimated coefficient is negative and significant relationship between financial leverage and economic value is at the level of 0.05. Because the p-value calculated for the independent variable coefficient of less than 0.05 is obtained. So, it can be said between financial leverage and economic value at 95% and there is a significant negative relationship.

The estimated coefficient for independent $\varepsilon_{i,\,t}$ in the above table indicates there is a significant negative relationship between the estimates and the economic value added at the level of 0.05 is disturbing. Because the p-value calculated for the independent variable coefficient of less than 0.05 is obtained. So, it can be said that among the economic disruption and value-added estimates at 95% and there is a significant negative relationship.

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