EXAMINING THE DETERMINANTS OF CORPORATE GOVERNANCE DISCLOSURE IN THE TEHRAN STOCK EXCHANGE

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Abstract
The main purpose of the present research is the examining Determinants of corporate governance disclosure in the Tehran Stock Exchange. Correlational research methodology used in this study and the types of research is descriptive and also it is an Expose-Facto research. The population of the study was all company that listed in Tehran Stock Exchange. According to Cochran sampling, the sample size of this research was set at 200 that selected simple (They were includes 200 companies in 40 industry groups). In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used. The results K-S Test shows the test distribution is not Normal. So re-running the test and the results in Table (3) is observed that a significant amount of initial data from which the natural logarithm (Ln (V)) has been more than 0.50, therefore, with a 0.95 Confidence level, data distributions are normal. So we can use Multi Regression to test the hypothesis of the research. In order to determine the relationship between the variables of the study, the SPSS tool has been used. Findings show that board composition the size of the board, role duality, percentage ownership of institutional shareholders, number of shareholders and despite internal auditors have impact on disclosure of corporate governance.
Keywords: corporate governance, role duality, size of the board, shareholders, internal auditors

INTRODUCTION

Corporate governance practices in the Iran have received increasing attention. In this study, we use a scorecard developed to assess the corporate governance of Iran listed companies. It provides a comprehensive measure of the extent to which a company has adopted international best practices in corporate governance, as disclosed in their corporate governance disclosures. Many papers have dealt with the determinants of corporate governance. Weisbach (1988) and

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Klein (2002) look into the incentives of insiders and show that there exists a negative correlation between the ownership of managers and the proportion of outside directors on the boards of directors, or on audit committees. Shivdasani and Yermack (1999) claim that CEO exercises major influence on the selection of new directors when the ownership distribution of his firm is dispersed, while it is the controlling shareholder under concentrated ownership structures. Recently, Durnev and Kim (2003) show that firms with good investment opportunity, higher sales growth rates and higher dependency on external financing would maintain a better corporate governance not to lose those good investment opportunities. However, their focus is not on the incentives of controlling shareholders, and they use governance scores, as evaluated by outside institutions, as a proxy for corporate governance.

Corporate governance based on existing theories and empirical results, and identifies variables that will be used to test the hypotheses.

1- Ownership and Corporate Governance

Ownership structure is a part of corporate governance in its broad sense, and it also affects other elements of corporate governance. Controlling shareholders have a strong incentive to monitor the management of firms and can be the most important part of corporate governance. Existing theories and empirical studies that analyze ownership structure generally identify block shareholders such as corporate shareholders, institutional investors and financial institutions as monitors in addition to controlling shareholders (Eunjung and Kyung, 2004).

2- Business Structure and Corporate Governance

Another major factor that can affect the governance structure of a firm is business structure, and conglomerates have been a focus of interest since they offer a very comfortable environment for controlling shareholders to pursue their own benefits through transactions among affiliated firms. Tunneling, as it is known in the literature, has been widely reported in European conglomerates by Johnson, La Porta, Lopez de Silanes and Shleifer (2002), and also in Korean conglomerates by Bae, Kang and Kim (2002). A conglomerate business structure also allows controlling shareholders to maintain their control through affiliated ownerships.

3- Firm Size and Corporate Governance

Since governance mechanisms consume corporate resources. Larger firms would have better corporate governance, and we include asset size as a control variable. Most of the monitoring system such as the board of directors, internal control system, and financial reporting and disclosure system incur financial costs, most of which are of a fixed component and can be borne more efficiently by larger firms. The more complicated business structure of large firms may also require better corporate governance (Eunjung and Kyung, 2004).

4- Other Financial Characteristics and Corporate Governance

Some financial characteristics would affect the governance decision and need to be controlled. Control variables include represent profitability, liquidity, financial structure and growth rates of firms. The effects of profitability on corporate governance may be two way. High profitability implies a good capability of management and so monitoring them may not be necessary. On the other hand, high profitability means the company can afford a better governance system. Outside investors may also demand better governance as they have a greater economic stake to lose (Eunjung and Kyung, 2004).

5- Board Composition

Board composition is defined as 'the proportion of outside directors to the total number of directors' (Shamser and Annuar, 1993, p.44), thereby making a distinction between executive and non-executive directors. There are two views on this issue – those who argue for more non-executive directors on boards and those who favor more executive directors on boards.

6- Role Duality

One aspect of corporate governance which has given rise to concern is the 'dominant personality' phenomenon and this was found to be associated with poor disclosure (Forker, 1992). This phenomenon also includes role duality, when the chief executive officer (CEO) or managing director is also the chair of the board. There are two views regarding this issue. Proponents of agency theory argue for separation of the two roles because this would provide the essential checks and balances over managements' performance. Furthermore, when the CEO is also the chair, the board's effectiveness in performing its governing function will be at stake because role duality concentrates power so that the CEO will be able to control board meetings, the selection of agenda items, as well as the selection of board members. Among those who argue for separation of the two roles include Argenti (1976), Donaldson and Davis (1991), Shamsher and Annuar (1993) and Blackburn (1994).

7- Cross-directorships

Another issue often discussed in the corporate governance literature is 'cross-directorships' which refers to the situation where directors (regardless of executive or non-executive) sit on more than one board. It has been suggested in the literature that this will help in making information more transparent as comparisons can be made from knowledge of other organisations (Dahya et al., 1996).

In this paper, we investigate whether controlling shareholders purposefully intervene in the early stage of determining the corporate governance structure of their firms and succeed to manipulate it to their advantage. Our conjecture is that controlling shareholders would affect the governance structure of their firm since they usually control the board of directors, which has the ultimate power to decide the overall structure of corporate governance. In this sense, controlling shareholders of a firm with a concentrated ownership structure are harder to be monitored or checked for their misbehavior than are professional managers.

METHODOLOGY

The main purpose of the present research is the examining Determinants of corporate governance disclosure in the Tehran Stock Exchange. Correlational research methodology used in this study and the types of research is descriptive and also it is an Expose-Facto research.

The population of the study was all company that listed in Tehran Stock Exchange. According to Cochran sampling, the sample size of this research was set at 200 that selected simple (They were includes 200 companies in 40 industry groups).

Table 3-1: Sample selection based on the limitations of the research

Sampling procedures	Number of Company
Accepted companies in Tehran stock exchange till 2012	478
Fiscal year is not 19st March.	87
Financial intermediation and insurance companies	38

Companies that were operating over a four-month hiatus	132
Companies that their information is not available or have been removed from the stock exchange	149
The remaining firms in the sample	40

In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used. The results K-S Test shows the test distribution is not Normal.

Table 2: K-S Test results

	CGDI	BC	BS	INST	NShH	LVG	LSIZE
N	200	200	200	200	200	200	200
Mean	391350.89	-45429.94	6.1302	7.8397	865.9147	330173.50	611.9074
Std. Deviation	1150167.4	561182.02	123.11231	24.89894	939.96047	1060751.8	39086.708
Absolute	.330	.349	.411	.380	.121	.341	.476
Positive	.321	.298	.411	.380	.121	.341	.476
Negative	-.330	-.349	-.386	-.363	-.113	-.322	-.425
Kolmogorov-Smirnov Z	7.049	7.439	9.228	8.529	2.701	7.645	10.604
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000

The results of K-S Test shows that the test distribution is not normal. So re-running the test and the results in Table (3) is observed that a significant amount of initial data from which the natural logarithm (Ln (V)) has been more than 0.50, therefore, with a 0.95 Confidence level, data distributions are normal.

Table 3: re-running the test results

	CGDI	BC	BS	INST	NShH	LVG	LSIZE
N	200	200	200	200	200	200	200
Asymp. Sig. (2-tailed)	**.085**	**.125**	**.958**	**.088**	**.325**	**.149**	**.069**

So we can use Multi Regression to test the hypothesis of the research. In order to determine the relationship between the variables of the study, the SPSS tool has been used.

RESULTS AND CONCLUSION

A) Deductive Results

Table 4 to shows the deductive results of variables of this research.

Elongation Factor error	Elongation	Error of skewness coefficient	Skewness	Range	Standard deviation	Average	Maximum	Minimum	Observations	**variables**
.27	3.92	.14	1.86	5.26	.84	29.8	47	28	200	CGDI
.16	16	.28	3.63	1.20	1.26	.59	.86	.18	200	BC

.2	17.50	.21	3.66	1.20	1.33	6.4	11	5	200	BS
.33	5.53	.39	1.58	.28	.20	.53	0.98	.29	200	INST
.69	3.54	.88	6.61	73000	5800	89000	190000	70000	200	NShH
.55	4.59	.35	1.29	2.73	1.67	.547	1.889	1.03	200	LVG
.39	1.22	.14	4.12	.50	1.63	.97	3.10	2.01	200	LSIZE
.27	5.27	.14	1.64	2.212	.29	.10	.81	.40	200	PRO

B) Hypotheses Results

In this paper we have six main hypotheses. The statistical way of analysis of hypotheses is two ways, H1 is acceptance of hypothesis and H0 is rejecting of hypothesis. In other words, it means that H1 has positive meaning and H0 has no meaning.

In order to select one of the methods panel data or data compilation, the F-statistic is used.

Table 5: F test for multiple regression model

Effects Test	Statistic	d.f.	Prob.
Cross-section F	29.316404	(38.79)	0.0000
Cross-section Chi-square	24.706811	40	0.0000

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0. 759014	2. 375496	0.240940	0.0004
BC	0.293902	0.117155	2.508668	0.0137
BS	15.28767	10.02566	1.706406	0.0007
Duality	0. 892239	0. 041162	1.000036	0.0082
INST	0. 771564	1. 374455	0.466375	0. 4151
NShH	10. 72867	7.6466	1.0 2506	0. 3607
IntAu	0. 165794	3.749052	0. 104090	0. 2844
LVG	2. 755258	7.079929	0. 537132	0. 7018
LSIZE	18. 71996	23. 42381	0.824047	0. 0049
PRO	0.722509	0.098104	7.364721	0.0000

R-squared	0. 073513	Mean dependent var	76.12941
Adjusted R-squared	0.176778	S.D. dependent var	461569.6
S.E. of regression	18. 24749	Akaike info criterion	1328949.
Sum squared resid	31239.83	Schwarz criterion	30.36585
Log likelihood	405.2859	Hannan-Quinn criter.	30.43800
F-statistic	3. 400050	Durbin-Watson stat	30.39469
Prob(F-statistic)	0.029345		

According to the above results, the statistical probability F (0.0001) is rejected the null hypothesis and is suitable for panel data.

After the F test the null hypothesis is rejected, the question is which one of the ways the relationship can be in the form of fixed or random effects, can be examined. The Hausman test determines.

Table 6: Hausman test multiple regression model

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		8.583865	7	0.2839
Variable	Fixed	Random	Var(Diff.)	Prob.
BC	0.040865	0.065170	0.000228	0.0006
BS	2.823274	2.809779	0. 049916	0.0001
Duality	0.007813	0.07398	0.003100	0.0002
INST	0.51029	6.0144446	1.266124	0.0087
NShH	1.454082	1.241798	1.626628	0.0078
IntAu	6.514414	6.040296	1.287624	0.0061
LVG	17.539641	82.6116	4560.32083	0.00567
LSIZE	4961.0774	438.380082	519101.393	0.0002
PRO	1. 085365	1. 435594	0.003270	0.0055
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	177.5396	593.1188	0.299332	0.7650
CGDI	496531.1	166024.7	2.990705	0.0031
BC	-117693.5	32647.88	-3.604937	0.0004
BS	728236.4	49169.75	14.81066	0.0000
Duality	0.186102	0.089311	2.083742	0.0383
INST	1.536085	0.956214	1.606424	0.1122
NShH	-6022591.	471968.9	-12.76057	0.0000
IntAu	107.1962	688.3811	0.155722	0.8764
LVG	438825.1	175714.9	2.497369	0.0130
LSIZE	-109287.7	25749.83	-4.244209	0.0000
PRO	505788.7	36552.94	13.83716	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.570692	Mean dependent var		456619.6
Adjusted R-squared	0.488998	S.D. dependent var		1894329.
S.E. of	79451.90	Akaike info criterion		30. 83655

regression			
Sum squared resid	2.70E+14	Schwarz criterion	40. 38300
Log likelihood	1475.890	Hannan-Quinn criter.	30. 46399
F-statistic	72.75129	Durbin-Watson stat	1.497007
Prob(F-statistic)	0.000000		

Thus, according to the results of the above table, the null hypothesis at 95% confidence level (using random effects) regression does not reject the random effects will be estimation procedure.

Table 6 shows that Multi Regression analysis has been done in order to determine independent variable and dependent variable.

Table 7: Multi Regression of the independent and dependent variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3208653.	688648.2	14.09600	0.0000
BC	166431.1	909024.7	6. 592507	0.0031
BS	647193.5	32176.88	-3.604937	0.0004
Duality	728236.4	49169.75	14.81066	0.0000
INST	0.186102	0.089311	2.083742	0.0083
NShH	1882540.	119185.1	15.79510	0.0000
IntAu	1.234514	0.334076	3.695311	0.0003
LVG	2808.7002	2500.4415	7554935.6	0.0000
LSIZE	0.121583	0.233585	0.006957	0.0000
PRO	117693.5	32647.88	3.604937	0.0004

Effects Specification

	S.D.	Rho
Cross-section random	8217.200	0.8611
Idiosyncratic random	6.706135	0. 1328

Weighted Statistics

R-squared	0.159163	Mean dependent var	11.93120
Adjusted R-squared	0. 71 0513	S.D. dependent var	47. 0156
S.E. of regression	6. 875841	Sum squared resid	1344. 658
F-statistic	1. 307605	Durbin-Watson stat	1. 760818
Prob(F-statistic)	0.089120		

First hypothesis: There is a relationship between board composition and disclosure of corporate governance. According to the table 6, the p-value (0.0031) is little than 0.05. It means that board composition has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Second hypothesis: There is a relationship between the size of the board and disclosure of corporate governance. According to the table 6, the p-value (0.0004) is little than 0.05. It means that the size of the board has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Third hypothesis: There is a relationship between role duality and disclosure of corporate governance. According to the table 6, the p-value (0.0000) is little than 0.05. It means that role duality has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Forth hypothesis: There is a relationship between percentage ownership of institutional shareholders and disclosure of corporate governance. According to the table 6, the p-value (0.0083) is little than 0.05. It means that percentage ownership of institutional shareholders has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Fifth hypothesis: There is a relationship between number of shareholders and disclosure of corporate governance. According to the table 6, the p-value (0.0000) is little than 0.05. It means that number of shareholders has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Sixth hypothesis: There is a relationship between despite internal auditors and disclosure of corporate governance. According to the table 6, the p-value (0.0000) is little than 0.05. It means that despite internal auditors has impact on disclosure of corporate governance the companies that accepted at Tehran stock exchange.

Findings show that board composition the size of the board, role duality, percentage ownership of institutional shareholders, number of shareholders and despite internal auditors have impact on disclosure of corporate governance.

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