

The Effect of Corporate Governance and Ownership Structure on Voluntary Disclosure in Annual Reports of Listed Companies in Tehran Stock Exchange

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Abstract: The aim of this study was to investigate the relationship between corporate governance, ownership structure and information disclosure. In order to achieve the objectives of this study, six hypotheses were determined. Then, in order to test these hypotheses, a sample of companies listed in the Tehran Stock Exchange was selected during the years 2009 to 2013. To calculate the disclosure, provided index by the exchange organization was used. For the variable of company governance, the following components were used: activities, size and remuneration for the board and the audit type. Also, for the ownership structure variable, the components of governmental ownership and the number of shareholders was used. To test the hypothesis, multivariate regression through combined data was used. The results of the data analysis and hypothesis testing showed that there was a significant and positive relationship between activity, size and remuneration of company Board with voluntary disclosure. Also, there was a significant and negative relationship between the type of audit with voluntary disclosure and number of shareholders with voluntary disclosure. In addition, the results showed a significant and positive relationship between the governmental ownership and voluntary disclosure.

Keywords: Information Disclosure, Corporate Governance, Ownership Structure, Tehran Stock Exchange.

Introduction

Corporate governance in recent years seems to have attracted a large number of comments. The reason for this is due to the economic health of the community, and in particular business units, especially, the excessive increase of fraud in companies scandals uncovered in recent decades due to the use of mechanisms of governance is more than ever necessary. USA, Canada, England and other European and East Asian countries are evidence of the claim that economic pressures to companies will cause many problems for the whole community, including the inability of many leading companies in various industries to continue to be the former, as well as pushing them into bankruptcy and collapse (Dalton & Dalton, 2005). Also, in recent years, the ownership structure shows significant growth in the securities markets of Europe and the United States (Agral, 2008).

In Iran, we see organizations and institutions as institutional investors including insurance institutions, such as social security institutions, pension funds, insurance companies, commercial and investment companies and the public sector and quasi-public institutions (Hassas-yageneh, 2005). On the other hand, correct decision-making for

investment in economic enterprises and allocating resources, require transparent and comparable financial information. This information is essential pillars of accountability and informed economic decisions and the unique requirements of economic development and growth in the private sector and government. Lack of information or misleading information creates the backwardness and poverty and the reduction of public welfare. Users of financial information, particularly investors need financial information to make decisions about buying and selling stocks, evaluate the performance of managers and other economic decisions (Lashgari & Naderi, 2009).

Optional or voluntary information disclosure to the financial reporting of financial and non-financial information refers to users that are carried out beyond legal requirements and recommendations and express free choice of managers to disclose additional information (Parchin-parchini, 2009). Voluntary disclosure theory argues that managers have different motives of voluntary disclosure and different factors affect the level of voluntary disclosure and managers perform such disclosures when benefit from it is more than it costs. Therefore, this study investigated the impact of governmental governance and ownership structure on voluntary disclosure in annual reports in Iran's capital market.

Materials and Methods

The research method was correlation in nature and content that was analyzed the correlation using secondary data extracted from the financial statements of listed companies in Tehran Stock Exchange. The purpose of this research was applied research. According to variables and to test the hypothesis, cross-sectional regression model was used:

In which:

VDIit: The level of company voluntary disclosure
BACTit: The activities of company directors Board
BSIZEit: Board size
LAVDit: Type auditor of company
BREMUNERATION : Board remuneration
GOWit: Governmental ownership of companies
NSHAit: Number of company shareholders

Population, statistical sample and sampling method

The population was companies of Tehran Stock Exchange that are subject to special supervision of the stock exchange. In this study, a systematic exclusion method was used to determine the sample. Therefore, the selected sample was companies listed on Tehran Stock Exchange that meet the following conditions:

1. Financial year ending to 20 March of each year without changing during period of study.
 2. All required data for research is available to the companies during the mentioned time.
 3. The book value of equity is not negative in any year.
 4. It should be adopted these companies before 2009 at Tehran Stock Exchange and the stock is traded on the stock exchange since the beginning of 2009.
 5. These company should not be interrupted transactions during the years 2009 to 2013 in the stock exchange. In other words, the stock of these companies must not be active in the exchange and the stop time should not be more than three months.
 6. Investment, insurance and financial intermediation companies were not investigated in this study.
 7. Their stocks are traded at most one month after the holding of the annual ordinary general meeting.
- According to above conditions, 137 companies were participated in this research.

Results

The results of model estimation

After determining the appropriate method for estimating, we will state the results of the model for companies. Since, Hausman test should be used to estimate the fixed effect model, the results of Eviews program are given in the table below.

Table 1. The estimation result of regression pattern.

Research model	$VDI_{it} = \beta_0 + \beta_1 BACT_{it} + \beta_2 BSIZ_{Et} + \beta_3 Bre_{m}uneration + \beta_4 LAVD_{it} + \beta_5 FOW_{it} + \beta_6 GOW_{it} + \beta_7 NSHA_{it} + \epsilon_{i,t}$		
Research variables	Coefficients	T statistic	Sig.
Fixed coefficient	6.535	1.611	0.107
board activities	0.996	3.463	0.00
Board size	2.143	4.762	0.00
Remuneration of company Board	0.770	3.781	0.00
The type of company auditor	-4.112	-5.806	0.00
Governmental ownership of company	0.059	5.277	0.00
Number of shareholders	-0.472	4.356	0.00
F statistic		5.085	
Probability of F statistics		0.00	
Durbin-Watson statistic		1.852	
determination coefficient		0.571	
adjusted determination coefficient		0.458	

To evaluate the significance of the linear regression model, the F test was used. The null hypothesis of F test showed a significant linear regression model. According to the F-test results for the second hypothesis can be seen in the table, probability level was equal to zero and was less than α , as a result, the null hypothesis of F-test was rejected at the 95% confidence. Therefore, the model was significant and there was a linear relationship between the dependent and independent variables.

According to the results of table, the determination coefficient was equal to 0.57, which means that independent variables explained 57% of the variation in the dependent variable. The high value of the determination coefficient represents the strength of the model explanatory to explain the dependent variable by the independent variable.

By using multiple regression analysis, some important points should be considered. First, the result of the regression model is reliable when fitted regression was significant. The F-statistic results indicate that the model was significant. The next important issue was the independence of error components in the model. To investigate this, the Durbin Watson statistic was used, since this amount was between 1.5 and 2.5, it can be concluded that there was no significant correlation among error components in the model and have independent behavior. The Durbin-Watson statistic was equal to 1.852 and at the acceptable level (between 1.5 & 2.5).

The first hypothesis test

There was a significant relationship between the Board activity and voluntary disclosure. According to the results of Table 1, the Board activity coefficient was positive (0.996) and t test was significant. The first hypothesis was confirmed at significant level of 95%, which means that there was a positive and significant relationship the Board activity and voluntary disclosure.

The second hypothesis test

There was a significant relationship between the size of the Board and voluntary disclosure. According to the results of Table 1, the size of the Board coefficient was positive (2.143) and t test was significant. The second hypothesis was confirmed at significant level of 95%, which means that there was a positive and significant relationship the size of the Board and voluntary disclosure.

Third hypothesis test

There was a significant relationship between board remuneration and voluntary disclosure. According to the results of Table 1, board remuneration coefficient was positive (0.770) and t test was significant. The third hypothesis was confirmed at significant level of 95%, which means that there was a positive and significant

relationship between board remuneration and voluntary disclosure. The results of this study were consistent with the results of Namazi et al (2009). During the period of 2009 -2013, the value of probability statistic was less than 5% error level ($\alpha=0.05$), so, the H0 hypothesis was rejected and H1 hypothesis was accepted by 95% confidence.

Fourth hypothesis test

There was a significant relationship between auditing and voluntary disclosure. According to the results of Table 1, audit coefficient was negative (-4.112) and t test was significant (0.00). The fourth hypothesis was confirmed at significant level of 95%, which means that there was a negative and significant relationship between auditing and voluntary disclosure.

Fifth hypothesis test

There was a significant relationship between governmental ownership and voluntary disclosure. According to the results of Table 1, governmental ownership coefficient was positive 0.059 and t test was significant. The fifth hypothesis was confirmed at significant level of 95%, which means that there was a positive and significant relationship between governmental ownership and voluntary disclosure. The results of this study were consistent with the results of Hendriksen (1992). During the period of 2009 -2013, the value of probability statistic was less than 5% error level ($\alpha=0.05$), so, the H0 hypothesis was rejected and H1 hypothesis was accepted by 95% confidence.

Sixth hypothesis test

There was a significant relationship between the number of shareholders and voluntary disclosure. According to the results of Table 1, the number of shareholders coefficient was negative (-0.472) and t test was significant. The sixth hypothesis was confirmed at significant level of 95%, which means that there was a negative and significant relationship between the number of shareholders and voluntary disclosure.

Conclusion

The results of hypotheses test showed that there was a significant relationship between company Board activities and voluntary disclosure. Also, the second hypothesis was confirmed that showed a significant relationship between the size activity of directors Board of the company and voluntary disclosure. And then the third hypothesis was confirmed, resulting in a significant relationship between board remuneration and voluntary disclosure. Also the fourth hypothesis was confirmed and thus, there was significant relationship between the type of auditing and voluntary disclosure. The fifth hypothesis was confirmed as there was a significant relationship between governmental ownership and voluntary disclosure. The sixth hypothesis was confirmed as there was a significant relationship between the level of internal reporting and liquidity of the shareholders and voluntary disclosure.

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