THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE CHARACTERISTICS AND INFORMATION CONTENT OF STOCK PRICES OF LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

Yaser Borvayeh*[1] and, **hosain mahmoodi[2]**
[1.] Department of Accounting, University of shahid Chamran, Ahvaz, Iran.
[2.] Department of Accounting, University of lorestan Iran.

ABSTRACT
Information is a key element in economic decisions. Investors in the capital markets for its decision to rely on information that is generally expected to be credible, understandable and easy to handle and analyze. Most reliable source of information to investors, creditors, and other users of corporate information, reports submitted by the directors of the company. Leading to higher demand for improving the quality of corporate disclosure. The aim of this study was to examine the relationships between some features of corporate governance deals with the information content of stock.in Research data was analyzed using population of 130 listed companies in Tehran Stock Exchange for the period of 2007-2013 by applying combination method of all data (pooled data) and ordinary least squares regression (OLS). The findings suggest a positive association between institutional ownership, management, board size, board independence Duty of directors and CEO duality between concentrated ownership of the content of the information content of stock and stock information   An inverse relationship was also observed. Also, there was no significant relationship between state ownership and the information content of stock. Also, there was no significant relationship between state ownership and the information content of stock.

KEYWORDS: Board size, corporate governance, information content of stock, institutional ownership.

INTRODUCTION
The most important role of accounting in business units is to provide financial and accounting information in the form of financial statements to users and stakeholders in the unit. For the accounting information for decisions on the financial statements, including investors, creditors, government etc. will be useful for users; it should have a series of qualitative features according to the features introduced in accordance with Financial Accounting Standards Board. The main qualitative characteristics of accounting information are the relevance and reliability. They are related information (information content) that users can confirm or change the decisions and attitudes. Of course, accounting information should have other qualitative characteristics to be useful in accordance with Financial Accounting Standards Board for decision-making. These features that are known as sub-quality features include comparability and consistency.
The main objective of this study is to review the characteristics of effective corporate governance on information content of stock trades and specify a theoretical basis for the selection of the portfolio of shareholders based on the current situation of companies on the Stock Exchange and the content of their stock.

Statement of the problem and theoretical foundations
One of the main features of joint stock companies is the separation of ownership from their management. By the separation of ownership and management of companies, potential conflicts of interest between shareholders and managers were created, that this conflict of interest is expressed as "agency theory". One result of the agency theory is that there is information asymmetry between managers and shareholders and shareholders cannot observe behaviors and actions of managers continually (Petra, 2007). One of the mechanisms available to mitigate agency theory and reduce information asymmetry between managers and shareholders in the capital markets is the corporate governance system. There are various corporate governance mechanisms such as independent auditors, internal controls, audit committee, unregulated, non-responsible managers and institutional investors. The role of institutional investors in corporate governance and their presence in the corporate sector has been the subject of many discussions in recent years (Talanh *et al.,* 2013). Corporate governance deals with the need to monitor the management of the company and to separate economic unit of ownership and ultimately protect the rights of investors and stakeholders. Corporate governance system limits the opportunistic self-seeking behavior of managers with emphasis on strengthening the culture of accountability, integrity, and trust and promote transparency in the management of information, thus it improve the quality and reliability of financial reporting. These monitoring on managers' activities is done by of the

various corporate governance mechanisms. In other words, this monitoring can be done by shareholders, especially institutional investors. In accordance with the definition of Boushi, institutional investors are large investors such as banks, insurance companies, investment companies, funds, etc. In a theoretical perspective, the status of institutional investors in corporate governance is very complex. From one perspective, institutional investors still show strong corporate governance mechanisms that can monitor on corporate management. Because they can have a both remarkable influence on corporate management and align the interests of shareholders group (Anderson *et al.,* 2003).

Review of Literature
Using a sample of 5189 observed during the years 1998 to 2003, Firt *et al*. (2007) studied the effects of corporate governance on the information content of benefits in Chinese companies. They concluded that concentration of ownership, foreign shareholders, individual ownership, ownership of major shareholders, the board of management and board composition is the effective interest rate of reaction (Jensen, 1983).

Pitra (2007) studied the effect of corporate governance on the information content of interest using a sample of 203 US companies in 1996 and 1999. He concluded that there is a positive relationship between board composition and information content while task duality of CEO does not reduce the information content of the benefit (Shleifer and Vishny, 1997). Chank and Soun (2010) examined the impact of corporate governance disclosure on market perception and management of information content of and interest management. The sample consisted of 2977 companies during 2001 and 2003. Their research result showed that stronger corporate governance structure cause that the market responds to changes in interest (Ernhart and lizal, 2006)**.** Talaneh *et al*. (2013) studied information content of abnormal stock trading company in Tehran Stock Exchange. The results for the 48 companies in the period 2006-2009 show that on days that turnover has increased abnormally, there were abnormal returns. Also, the regression analysis shows that there is a significant relationship between turnover data and the return it the following days and trading volume data can be used to predict the performance of shares in the following days. These findings are directly related to information content of the turnover and indirectly related to inefficient information of Tehran Stock Exchange. Market obligation for a faster dissemination of information related to abnormal trading volume of a stock can put all traders, including traders without confidential information in a better information position and make the market more efficient (Bodaghi and Bzazzadh, 2008).

Research Hypotheses
According to the theoretical foundations, assumptions have been formulated as follows:
Hypothesis 1: there is a significant relationship between institutional ownership and stock information content
Hypothesis 2: there is a significant relationship between property management and stock information content
Hypothesis 3: there is a significant relationship between state ownership and information content of stock trades
Hypothesis 4: there is a significant relationship between ownership concentration and information content of stock trades
Hypothesis 5: there is a significant relationship between board size and information content of stock trade
Hypothesis 6: there is a significant relationship between board authority and information content of stock trade
Hypothesis 7: there is a significant relationship between CEO duality responsibility of the board and information content of stock trade

Statistical population and study period
This is an applied research in the field of Positive Accounting Research that has been conducted using econometric models and multiple regression method. The population of this study is the companies listed in Tehran Stock Exchange since the beginning of 2007 until the end of 2012 for a period of 6 years which have maintained their membership in the Stock Exchange during this period. Moreover, the population is adjusted using the following conditions:
The company should be listed on the Stock Exchange prior to 2007 and its shares are traded on the exchange since 2007. The end of the financial year is the end of March and during the study period, there is no change in the fiscal year.3) The Company shall not have trading interrupted for more than a month's time during the period of study, i.e., between the years 2007 to 2012 in the Stock Exchange.
After applying these restrictions, 130 companies have all the conditions of the participation in the statistical population. The 130 companies thus selected as the target population and no sampling has been used. The final analysis of the data was also performed using 7 Views econometric software.

Test hypotheses:
Test reliability study
Before the analysis and hypothesis testing, the reliability of the variables should be examined. The reliability of the research variables means that the mean and variance between the different variables is fixed. As a result, using these variables in the model causes false regression is not created. Unit root test using the test method of Levin, Lin and Chu (2002) Fisher's unit root test, Dickey Fuller's generalized unit root test and the Fisher Peru Phillips's unit root test (2001) have been conducted. Test results of the reliability of the variables show that Prob of all variables were less than 5% and research variables are stable; therefore, the null hypothesis indicating of a unit root of the variables is rejected.

Table 1: Unit root tests for the variables

Fisher, Phillips / Peru		Dickey Fuller generalized Fisher		Levin, Lin and Chu		Variable
p.v	Statistics	*p.v*	Statistics	*p.v*	Statistics	
0.03	141.46	0.02	159.4	0.000	-14.8	**IC**
0.01	146.02	0.04	137.9	0.000	-25.17	**Instown**
0.03	159.2	0.00	192.8	0.000	-11.3	**Concown**
0.000	273.7	0.000	226.6	0.000	-19.4	**goverown**
0.000	219.6	0.000	225.2	0.000	-3.3	**manown**
0.000	166.8	0.000	162.7	0.000	-8.3	**nedp**
0.000	197.06	0.000	169.5	0.000	-4.8	**bsize**

To test the hypotheses, combined data method is used. To choose an appropriate method for estimating the models in sections and combines data from different time periods, F test (Chow) is used. If the F statistic is greater than the critical value, the fixed effect model will be accepted; otherwise, in the case of inappropriateness of research data, integrated or fused data method is used to test the hypotheses.

Table 2: Results of the Chow test (F bound) of the hypotheses

Test	*p-value*	critical	*F* statistic	Chaw test
Pooled data	0.22	5.76	1.38	Chow test to verify the research model

As can be seen in the table, results of chow test have verified the null hypothesis of this test. Therefore, integrated data estimation methods for estimating test research hypotheses are a more appropriate option. Under this method, all the data are combined together and estimated by ordinary least squares regression. Test results of research model for the years of 2007 to 2012 as a data combined analysis is illustrated in Figure (3).

Table 3: Results of the research model combines data

R^2	DW	F-static (p-v)	*P.v*	t	coefficient (α)	Variables
0.63	2.43	209.3	0.00	2.9	0.88	α_0
			0.00	3.58	0.08	instown
			0.00	3.87	0.07	manown
			0.09	-1.83	-0.01	goverown
			0.03	-2.12	-0.09	consown
			0.00	3.08	0.02	bsize
			0.03	2.12	0.08	nedp
			0.00	3.49	0.03	chair
			0.00	-2.83	-0.03	lev
			0.03	2.10	0.06	size

As shown in Table (3), F statistic is significant at the 99% confidence level. So, the research model was significant and independent and control variable are able to explain dependent variables. In addition, the adjusted coefficient of

determination obtained from the model test was 0.63. This figure shows that approximately 63% of the changes in dependent variable i.e. information content of stock resulted from independent and control variables included in the model and 37% of the changes caused by other factors. Also, observing Dourbin-Watson statistics suggest that there is no correlation between model disruptions, because these values are in the range of 1.5 to 2.5.

ANALYSIS OF RESEARCH HYPOTHESIS

The results suggest that the p-value statistics for the variable of the first hypothesis, i.e. the institutional ownership is 0.00. Given that the error level considered for this study is 0.05, thus institutional ownership variable has a significant influence on the information content of stock trades and the first hypothesis of the study is approved by 95%. The first independent variable coefficient i.e. institutional ownership is positive. As a result, the relationship between institutional ownership and stock information of stock trades is a direct relationship.

The second hypothesis examined the relationship between managerial ownership and the information content of stock trade in Tehran Stock Exchange:
P-value statistics for the second hypothesis variable, i.e. property management is 0.00. Thus the managerial ownership variable has significant influence on the information content of the stock trade and the second hypothesis is confirmed by 95% confidence. The second independent variable coefficient i.e. the property management is positive. As a result, the relationship between managerial ownership and the information content of stock trading is a direct relationship.

The third hypothesis is dealt with the relationship between state ownership and the information content of the company's stock trading in Tehran Stock Exchange:
P-value statistics for the third hypothesis variable, i.e. property management is 0.09. Note that the error level has been considered for this study is 0.05, and this hypothesis error is greater than the desired error, thus state ownership variables have no significant influence on the information content of stock trading and the third hypothesis is not confirmed.

The fourth hypothesis is dealt with the relationship between the concentration of ownership and the information content of the stock trading in Tehran Stock Exchange:
P-value statistics for the fourth hypothesis variable, i.e. property management is 0.03. So variable of ownership concentration has a significant effect on the information content of stock trading and the fourth hypothesis is confirmed with 95% confidence. The coefficient of fourth factor variable i.e. ownership concentration is negative. As a result, the relationship between ownership concentration and the information content of stock trading is a direct negative relationship. In other words, the information content of stock trading declines by increasing the concentration of ownership.

The fifth hypothesis is dealt with the relationship between the board size and the information content of the stock trading in Tehran Stock Exchange:
The results show that p-value statistics for the fifth hypothesis variable, i.e. board size is 0.03. Given that the error level has been considered for this study is 0.05, so the board size variable has a significant impact on the information content of stock trading and the research fifth hypothesis was approved by 95% confidence.

The sixth hypothesis is dealt with the relationship between the board authority and the information content of the stock trading in Tehran Stock Exchange:
P-value statistics for the sixth hypothesis variable, i.e. board authority is 0.03, thus the variable of board authority has a significant relationship on the information content of stocks trading and the 6th hypothesis with 95% was confirmed. Fifth independent variable coefficient i.e. board authority, is positive, as a result, the relationship between board authority and the information content of stock trading is a direct positive relationship. In other words, the information content of stock also increases by increasing the board authority.

The seventh hypothesis is dealt with the relationship between the responsibility duality and the information content of the stock trading in Tehran Stock Exchange:
P-value statistics for the seventh hypothesis variable, i.e. board responsibility duality is 0.00. Given that the error level considered for this study is 0.05, thus the variable of responsibility duality of the board has a significant influence on the information content of stock trades and the seventh research hypothesis is confirmed by 95% confidence.
The seventh independent variable coefficients i.e. duality of responsibility of the board is positive. As a result, the relationship between responsibility duality of the board and the information content of stock trading is a direct positive relationship.

DISCUSSION AND CONCLUSION

The results of current study in which the effect of corporate governance on the information content of stock trading has been reviewed in the form of seven hypothesis indicates that there is a positive significant relationship between the institutional ownership, management, board size, board authority and responsibility of CEO duality with the information content of stock trading and an inverse relationship has been observed between concentrated ownership with the information content of stock. Also, so significant relationship was observed between state ownership and information content of the stock. The evidence regarding the first hypothesis indicates that there is a direct relationship the percentage of shares owned by institutional investors and information content of Iranian firms. According to the hypothesis of active surveillance, institutional investors generally have a lot of beneficial ownership in the company and have enough motivation to control and manage the activities of the board. Hence, it is expected that the information content of stock increases with increasing institutional ownership. This analysis is consistent with the results of the study done by Petra (2002) and Firt *et al.* (2007).

The second hypothesis of the study also shows that there is a significant positive relationship between the percentage of managers' ownership and the information content of stock. In fact, based on assumptions of benefits consistency with increasing the percentage of management ownership, stakeholders' benefits are more consistent with managers' benefits. Thus the management ownership as an important mechanism to limit opportunistic behavior of management are considered. In the third hypothesis, an inverse relationship was observed between ownership concentration and information content of the stock. In fact, it can be concluded that major shareholders benefit from their control rights to obtain private interests and exploitation of the rights of other shareholders that this approach reduces the information content of the stock in terms of minority shareholders. Also, in the case of the positive relationship between board characteristics and stock information content, it can also be pointed out that to provide management control by the boards and also separation of control and responsibility from management decisions, it is required that the board is comprised of responsible and non-responsible managers and one of the non-responsible managers takes the presidency of the Board of Directors (Fama and Jensen, 1983, Petra, 2007). It is hence expected that a positive relationship exists between the composition of the Board and the information content.

PRACTICAL SUGGESTIONS

Based on the current results, corporate governance mechanisms are effective on the information content of stock prices, it is thus recommended to investors and analysts for investment decisions, along with other information, to consider the information related to the mechanisms of corporate governance. It is recommended that board members, shareholders, audit companies, researchers, etc. be more familiar with the issues of corporate governance with the development of theoretical studies of corporate Governance and stock market participants to be able to properly play a role in corporate governance system and consequently impact on increasing the value of their companies. It is recommended that users of financial statements consider the shareholders combination factor when using the financial statements of companies. According to this study, the overall content of the company's stock price that has a high percentage of institutional and management investors and size of board of directors is more.

REFRENCE

Anderson M. C., Banker R. and Janakiraman S. (2003). Are selling, general and administrative costs "Sticky"? *J. Accounting Res.* 41(1): 47- 63.

Bodaghi H. and Bzazzadh HR. (2008). The relationship between earnings management and the quality of disclosure, *J. Accounting Studies.* 17: 173-196.

Chung Ch. M. and sun C. (2009). "Detecting Falsified Financial Statements: a comparative study using multi criteria analysis and multivariate statistical techniques", The European Accounting Review, 11(3):509-535.

Comar J.Ch. and Sun H.L. (2003). The relation between Earning In formativeness, Earnings Management and working paper. Corporate Governance in the Pre- and Post-SOX periods, Working paper, SSRN

Ernhart A. and lizal J. (2006). Efficient versus Opportunistic Choices of Accounting Procedures: Corporate Control Contests. *Accounting Rev.* 69: 539- 566.

Fuirt N. (2007). "Does International Cross-listing improve the Information Environment?" *J. Financial Economics.* 88:216-244.

Jensen M. (1983). "The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems," *J. Finance,* 48:831-880.

Petra J.D. (2007). "The influence of Analysts, Institutional Investors, and Insiders on the Incorporation of Market, Industry, and Firm-specific Information into Stock price,". *The Accounting Rev*. 79:1119-1151.

Sensitive one, John; Moradi, M., Alexander, H., (2008). The relationship between institutional investors and corporate value. *Review Accounting Auditing »summer.* 1387 - 52:107-123.

Shleifer A. and Vishny R. (1997). A survey of corporate governance, *J. Finance* 52: 737–775.

Talanh A., Mahmoud M. and Sharafi K. 0.2013. Information content of abnormal stock trading company in Tehran Stock Exchange. *Financial Res.* 15(1): 1.

Warfield T.D., J.G. Wild and K.K. Wild (1995). "Managerial Ownership, Accounting Choices, and in formativeness of Earnings," *J. Accounting Economics.* 20: 61-91.