Investigating the Relationship between Corporate Governance and Financial Decision Making in Companies Listed on Tehran Stock Exchange

Jomadoordi Gorganlidavaji[1*], Ramezan Ghanbari[2], Saeed Mohammadnezhad[3]

[1*]Department of Accounting, Aliabad Katoul Branch, Islamic Azad University, Aliabad Katoul, Iran
[2]Department of Accounting, Gomishan Branch, Islamic Azad University, Gomishan, Iran
[3]Department of Accounting, Naghadeh Branch, Islamic Azad University, Naghadeh, Iran

Abstract: The present research examines the relationship between corporate governance and financial decision making in companies listed on Tehran Stock Exchange. For this purpose, there have been used indicators of audit committee, activities of the board of directors, number of non-executive members of the board of directors, size of the board of directors, institutional ownership and number of major shareholders for corporate governance; there have also been used ratio of debt and payable dividends to assess financial decision making. The research hypotheses were tested using a sample containing of 95 firms listed in Tehran Stock Exchange from 2010 to 2014 as well as using multivariate regression model. The research results showed no significant relationship between corporate governance and debt. In addition, the results show no significant relationship between corporate governance and payable dividend.

Keywords: corporate governance, financial decision making, debt ratio, payable dividends

INTRODUCTION

By separating ownership and management in joint-stock companies, managers manage company as representative of shareholders. Over time, this relationship of representation has created a conflict of interests between managers and shareholders, which is called the problem of representation. This means that there is a potential for managers to make decisions that are consistent with their own interests and opposite of interests of shareholders. One of the factors shaping the problem of representation between managers and shareholders is the lack of transparency of information between them and therefore, shareholders cannot continuously control actions and activities of managers. To ensure performance of responsibility for disclosure and appropriate transparency of information of business firms for the public and beneficiaries, there must be taken adequate monitoring and care. Supervision and care in this area requires appropriate mechanisms. Among these mechanisms is proper design and implementation of corporate governance in commercial companies and firms. Corporate governance includes internal and external control mechanisms of a company that determines how and by whom are companies managed and how should be appropriate the process of accountability and disclosure of corporate information to stakeholders. Therefore, corporate governance is a process that will increase quality of the provided information by its managers (Yeganeh,2006). Information is a key element in economic decisions. In their decision-making process, investors in capital markets rely on information that is expected to be credible, intelligible and analyzable. The most reliable source of information for investors, creditors and other users of corporate information are the provided reports by directors of company. Following some financial scandals for a number of big and famous companies around the world at the beginning of the current, which led to reduce public confidence in corporate information and financial reporting, there was increased need to more and better information that was led to more demand for improving disclosure quality of companies.

With advancement of technology, the process of corporate reporting is progressing and readers of financial reports request better and more complete information. Today, many organizations have realized that if they want to succeed, they should have a sense of responsibility for their business activities and development of community. This approach can be fully considered with the concept of corporate social responsibility, which is corporate governance (in economic fields). By analyzing correlation, the present research will examine the relationship between corporate governance, as part of social responsibility business, and financial decision-making process in area of dividend and debt policy. In this research, corporate debt ratio and payable dividends has been named as financial decision (Hussam et al, 2015). These ratios can be affected by corporate governance indicators. The term of corporate governance brings with lexical meaning of corporate structure and control. Definitions related to corporate governance mainly indicate interests and attitudes of those whose intellectual values have led the meanings of corporate governance. Kraford (2007) considers corporate governance as a set of processes, rules, policies and laws that influence company's leadership, management and control. He has also defined corporate governance as the process of how to use and control company power dealing with corporate or intra-firm issues. In scientific literature, definitions of corporate governance have certain common features that one of them is accountability. These definitions emphasize on accountability to shareholders and other stakeholders. In this view, system of corporate governance includes, in fact, inter and intra organizational obstacles, leverages and balances for companies that ensure they carry out their responsibility to all stakeholders and act responsibly in all areas of business activity. The logical argument in this view is that shareholders' interests can only be fulfilled by taking into account interests of stakeholders because companies that are accountable to all stakeholders are more successful in long-term. Companies can increase their value creation in long-term and do this by carrying out their responsibility to all stakeholders and optimizing their governance system appropriately (Yeganeh,2006).

Financial performance of companies is directly related with their governance right, better managers perform more effective corporate governance, they consider stakeholders and ultimately, they produce more financial returns. Meanwhile, some expectations of managers include ability to growth, repayment obligations in a timely manner, creating value for shareholders, teamwork, management, risk control, relationship with environment and progress objectives. The form of managerial encounter and hectic use of debt can increase productivity and market value of company because the cost of interest on loans and receipts reduce taxes, while dividends are not so. Therefore, the balance between financing through limitation of dividend by taking into account the benefits of preferred shares and debt financing are important in firm value creation.

According to national legislation, shareholders are owners of companies and managers, as their representatives, should allocate and manage resources in such a way that produce the greatest benefits for shareholders finally. However, due to develop and growth of companies and more dispersion of owners of shares, it is more virtually difficult to control shareholders, so major responsibilities are carried out by corporate executives, including the board of directors and managing director. Obviously, as long as companies do not have problems, they can be controlled, but as long as they face with a crisis, firm shareholders immediately take measures including changes in leadership. Therefore, it is inevitable considering design internal and external control mechanisms, which allow owners to control company's programs and actions, and in particular, activities of managers to provide accountability, transparency, justice, respect for rights of stakeholders and more social responsibilities.

A suitable and efficient system of corporate governance in the country and economy can lead to increase confidence and strengthen market economy and thus reduce the cost of capital. Companies are encouraged by efficient use of resources and develop activities. Corporate governance principles include issues such as ownership levels in companies and type of interaction between major and petty shareholders (Salehnejad et al, 2001).

The present research investigates the relationship between corporate governance and financial decision making in companies listed on Tehran Stock Exchange. Given the above-mentioned matters, this research seeks to answer the main question whether corporate governance is related with corporate finance decisions in Iran capital market or not?

Necessity and Importance of the Research

Today, there is no doubt on the importance and position of corporate governance for success of companies as it has become more important, given the occurred events in recent years and corporate financial crises. Examining the causes and pathology of collapsing some major companies, which have had huge losses, especially for shareholders, have been due to the weakness of their corporate governance systems. Research shows that corporate governance can promote corporate standards, encourage, provide and equip investments and investors as well as improve their executive affairs. This is one of main elements for improving corporate efficiency as it monitors the relationships between shareholders, board of directors, managers and other stakeholders. Nowadays, growing changes of needs of customers and people, different demands of stakeholders, complexity of regulations and technology of conducting works have provided attention to corporate governance structure, in order to set objectives of companies and identify ways to achieve those objectives and how to monitor their performance. In fact, corporate governance system refers to a set of rules, regulations, inputs, and procedures that determine how companies are managed. Therefore, the purpose of corporate governance is to ensure that a framework is in place that provides a good balance between freedom of management, accountability and interests of different stakeholders. Given that owners are individuals outside company that rely on accounting information provided by individuals within company (directors and managers) to make decisions, they have to pay particular attention to the payable profits and corporate structure of company. Today, company's profits and liabilities are the most controversial and attractive issues in accounting research because investors, as an important factor in decision making, pay a particular attention to interest. Research has shown that low and stable fluctuation of profits indicates its quality. In this way, investors with more confidence invest in stocks of companies that process of their profitability is more stable and have more appropriate capital structure (Yeganeh,2006). Following previous studies, the present research examines the relationship between corporate governance (percent of non-executive managers, percent of state governance and institutional investors) with financial decision making of companies listed on Tehran Stock Exchange. we hope that the research can be used for investors, managers, Stock Exchange and other stakeholders in decision making, in addition to fill the research gap in this field.

The Research Theoretical Literature and Hypotheses

Reviewing the literature shows that there are no agreeable definition about corporate governance. The available definitions of corporate governance are in a broad range. Limited perspectives are in a one side and broad views are on the other side of the spectrum. In limited views, corporate governance is limited to the relationship between company and shareholders. This is an old model that is expressed as theory of representation. At the other end, corporate governance can be seen as a network of relationships that is available not only between company and its owners (shareholders), but also between company and a large number of stakeholders including employees, customers, vendors, bondholders, and so on. Such a viewpoint can be seen as stakeholder theory (Yeganeh,2006).

One of the provided definitions for corporate governance is the definition of Organization for Economic Cooperation and Development (2004). According this definition, corporate governance includes a set of relationships between executive managers, the board members, shareholders and other stakeholder. It also includes a structure for developing company goals and ways to achieve the goals, as well as how to evaluate and monitor performance. In the conducted study at Oxford, Hayb et al (1998) write in

explaining corporate governance: "corporate governance describes internal organization and corporate power structure, how perform the board functions, ownership structure of company and the common relationship between shareholders and other stakeholders, in particular labor force of company its creditors".

Robert Manx and Nell Mino (1995), as two thinkers who have conducted numerous and extensive research on corporate governance, defined corporate governance as the following: corporate governance includes means by which each community determines direction of a company, or in other words, it is the relationship between different groups in determining company's orientation and performance. The main groups include shareholders, managing director and the board of managers. Other groups include employees, customers, vendors, creditors and community (Yeganeh,2006).

Shleifer and Vishny (Shleifer et al, 1997) define corporate governance as a structuring of economic interests of contributors. In other words, corporate governance is a way to ensure providers of corporate finance to achieve their return on investment. Similarly, Zingales (1998) defines corporate governance as follows: a set of conditions that form the previous negotiations about company's quasi-rent contracts. In fact, Zingales definition refers to one of theoretical foundations of corporate governance problems that arise from incomplete contracts and corporate governance is enforced to fill the gap, in order to maximize company value.

According to Parkinson, corporate governance is the process of monitoring and controlling to ensure that company management acts in accordance with interests of shareholders. Organization for Economic Cooperation and Development identifies corporate governance as structure of the relationship between shareholders, members of the board of directors and managers and their related responsibilities. In the organization's view, such a structure provides the basis of competitive performance that requires achieving primary objectives of company. Thus, corporate governance is known as corporate guidance and control system that it's the structure determines rights and scope of responsibility of agents of an organization including the board of directors, managers, shareholders and other stakeholders (Nasrollahi e tal, 2010).

Hussam Mussaet et al. (Hussam et al, 2015) studied the impact of corporate governance on debt ratio and payable dividends of companies listed in Stock Exchange of Slovakia. According to the correlation coefficient, it was identified that there is a relationship between level of corporate governance and debt ratio. It was also concluded that dependency severity is weak (.328). According to the correlation coefficient, there is a relationship between level of corporate governance and payable dividend to shareholders and it was concluded that dependence severity is weak (.386).

Francis et al (2011) examined the relationship between corporate governance and dividend policy. This topic was investigated in a sample of American companies from stock exchange market, namely NASDAQ and AMEX. Their results indicated a strong relationship between level of corporate governance and dividend policy. They stated that a company with low level of shareholder rights tended to pay higher dividends and try to create a good reputation.

Mohammad Suleiman (2010) examined the relationship between ownership structure, composition of the board of directors and dividend policies using the combined data of companies listed to Saudi Arabia Stock Exchange during 2006-2008. He found a strong and positive relationship between institutional ownership, size of the board of directors and firm's performance with decision to divide profits and the ratio of profit sharing. The results showed that companies with higher profits have higher earnings for per share and institutional ownership. However, there is no relationship between other features of the board of directors and decisions with the ratio of profit sharing.

Williamson et al (Williamson et al, 2006) conducted a research titled "is holding company's share cash and dividends depends on corporate affairs?" They indicated an indirect relationship between level of approval and corporate governance with payable dividends to minority shareholders.

Velury , Jenkins (Velury et al, 2006) examined supervision role of institutional investors by testing effect of the institutionalized level of corporate structure on the reported earnings quality. The findings confirm direct relationship between level of institutional investors and information content of profits, in other words, information content of profit improves by increasing level of institutional investors. The reason for this relationship is supervisory activities that institutional investors run on companies.

Following the conducted empirical research by Hussam Mussaet et al (Hussam et al, 2015) and other active researchers in this field, the research hypotheses are as follows:

H_1: There is a significant relationship between corporate governance and corporate debt of companies listed on Tehran Stock Exchange.

H_2: There is a relationship between corporate governance and payable dividend to shareholders of companies listed on Tehran Stock Exchange.

Research Methodology

Statistical Population and Research Sample

The research statistical population includes companies listed in Tehran Stock Exchange. The systematic elimination method is used to select the research sample. In this research, companies with the following characteristics are selected as the final sample:

- They should be accepted from 2010 in Tehran Stock Exchange, activated in the stock until end of 2014 and should not be removed from list of companies listed on the stock exchange;
- They should not be included on investment firms and financial intermediaries;
- Their fiscal year should be ended on March each year;
- They should have no stop trading more than 4 months during the studied years;
- The required information for research should be available.

Considering the above-mentioned limitations, there are considered 134 companies as the research statistical population. Finally, the Cochran formula is used to determine the sample size. There were selected 95 companies as the research sample size by considering the specified limits.

Methods and Tools for Collecting Data

The financial data was collected by referring to the information available in Tehran Stock Exchange, reports of the board of directors and corporate financial statements. The gathered data was summarized and classified using Excel software and there have been made the required computations.

Research Variables

Corporate governance is the independent variable that has been measured using the following indicators:

ACOM: audit committee (one, if there is a committee in company; and zero in case of absence the committee);

BACT: board activities (number of board meetings in one year);

BSIZE: board size (number of board members);

NEXED: percent of non-executive members of the board (number of non-executive members of the board of directors to total number of members of the board);

BLK: institutional ownership (percent of shares owned by institutional owners such as banks, insurance companies, investment companies etc);

NSHA: number of major shareholders (which hold more than 5% of company shares)

The research dependent variable includes:

➢ DT_{it}: the ratio of corporate debt; total short-term and long-term debt divided by total assets
➢ Dps: payable dividends: cash dividends paid to ordinary shareholders divided by all ordinary issued shares

Finally, in this study, some of the identified variables on previous research as factors affecting financial decisions were considered as control variable that include firm size. In the present research, follows the previous studies, natural logarithm of sales has been used as an indicator to measure firm size, in such that:

$Size_{i,t} = Log\ S_{i,t}$

Where:

$Size_{i,t}$: size of firm i in year t; and

$S_{i,t}$: net sales of company i in year t

Data Analysis Method

In this research, descriptive statistics were used to describe data. Limmer, Hausman and Fisher tests are used to estimate data panel model. The estimation results are analyzed. The following regression model is used to test the research first hypothesis:

$$DTit=α0+β1ACOMit+β2BACTit+β3BSIZEit+β4NEXEDit+β5BLKit+β6NSHAit+SIZEit+εit$$

The following regression model is used to test the research second hypothesis:

$$DPSit=α0+β1ACOMit+β2BACTit+β3BSIZEit+β4NEXEDit+β5BLKit+β6NSHAit+SIZEit+εit$$

Where:

ACOMit: auditing committee of company i in year t;

BACTit: activities of the board of directors of company i in year t;

BSIZEit: size of the board of company i in year t;

NEXEDit: percentages of non-executive members of the board of directors of company i in year t;

BLKit: corporate institutionalized ownership of company i in year t;

NSHAit: number of major shareholders of company i in year t;

DTit: ratio of corporate debt of company i in year t;

DPSit: dividends payable of company i in year t;

SIZEit: size of company i in year t;

εit: model error

Testing the Research Hypotheses

Variance heterogeneity test: In this study, variance heterogeneity was tested using Pagan-Cook and Weisberg method.

Table 1. Results of the conducted test using Pagan-Cook and Weisberg method to explore variance heterogeneity

Model	H_0	χ^2 statistic using Pagan-Cook and Weisberg method	p-value	Test result
First	Variances are similar	1.45027	0. 0132	H_0 is rejected (there is a variance heterogeneity)
Second	Variances are similar	7.56353	0. 0000	H_0 is rejected (there is a variance heterogeneity)

According results of this test, which are shown in Table 1, variance heterogeneity problem is seen in all models of the research (because the calculated probability or p-value is smaller than 0.05). Therefore, these models are finally estimated using GLS test to maintain the assumption of variance homogeneity in regression analysis and problem of variance heterogeneity to be solved in this way.

Testing the First Hypothesis

H_0: There is no relationship between corporate governance and corporate debt of companies listed on Tehran Stock Exchange.

H_1: There is a significant relationship between corporate governance and corporate debt of companies listed on Tehran Stock Exchange.

Limer F-Test: according results of Limer F-test in table 2, to estimate the first hypothesis model, given that numerical value of the test is 17.389 and p-value is 0 at confidence level of 95%, i.e. p-value< 0.05, so H_0 on the model pooling is rejected and the alternative hypothesis (panel) will be accepted. Therefore, for all levels of study (companies), the panel method can be used to estimate model and then we should continue Hausman test.

Table 2. Limer test about corporate governance on debt ratio

Statistic value	DF	p-value	Model	Test type
F= 17.3898	94 0.373	0.0000	Panel	Limer F-test

Hausman test: According to results of Hausman test for the research hypothesis, given that Hausman statistic for the model is 12.0264 in α= 0.05 and p-value< 0.05, so H_0 is rejected. Rejecting H_0 shows that random effects' method is incompatible and the fixed effects method should be used.

Table 3. Hausman test about corporate governance on debt ratio

Statistic value	DF	p-value	Model	Test type
χ^2= 12.0264	7	0.0000	Fixed effects	Hausman test

Before testing the research hypotheses based on the obtained results, we must ensure accuracy of the results. For this purpose, F-test was used to determine significance of the model entirely. According to possible of the calculated F-statistic (0.000), it can be argued that the fitted regression model is significant. With regard to determination coefficient of the fitted model, it can be claimed that independent variables explain about 85% of changes in dependent variable (ratio of corporate debt).

The estimated coefficient for independent variable of corporate governance (except non-executive members) in Table 4 shows no significant relationship between corporate governance standards and corporate debt at a significant level of 0.05 because the calculated p-value for coefficient of the research independent variable is more than 0.05. So we can say that there is no significant relationship between standards of corporate governance and debt ratio at a confidence level of 95% because the calculated p-value for coefficient of the research independent variable is less than 0.05. The estimated coefficient of control variable for firm size in Table 4 indicates a significant relationship between firm size and debt ratio at a significant level 0.05 because the calculated p-value for coefficient of the research independent variable is less than 0.05. So we can say that there is a significant relationship between firm size and debt ratio at a confidence level of 95%.

Table 4. Summary of statistical results in testing the first model

Dependent variable (debt ratio)	Coefficients	Standard deviation	t-statistics	Sig	VIF
C (Intercept)	1.202967	0.096529	12.46220	0.0000	--------
ACOM (audit committee)	0.005140	0.001902	2.702271	.0072	1.081524
BACT (activities of the board)	-0.000425	0.000245	-1.736280	.0833	1.009317
BSIZE (size of the board)	-0.005625	0.005084	-1.106403	.2693	1.947541
NEXED (percentages of non-executive members of the board)	0.065219	0.010682	6.105471	0.0000	1.812448
BLK (Institutional ownership)	-1.87 E-05	0.000104	-0.179247	.8578	1.011271
NSHA (institutional shareholders)	0.023743	0.015132	1.569018	.1175	1.013142
SIZE (firm size)	-0.100223	0.010616	-9.440550	0.0000	1.056899
Fisher F-statistic	85.85737 (0.00000)	Durbin Watson		1.906	

Coefficient of determination		0.858	The adjusted coefficient of determination	0.847

Testing the Second Hypothesis

H_0: There is no relationship between corporate governance and payable dividend to shareholders of companies listed on Tehran Stock Exchange.

H_1: There is a significant relationship between corporate governance and payable dividend to shareholders of companies listed on Tehran Stock Exchange.

Limer F-Test: according results of Limer F-test in table 5, to estimate the second hypothesis model, given that numerical value of the test is 10.5118 and p-value is 0 at confidence level of 95%, i.e. p-value< 0.05, so H_0 on the model pooling is rejected and the alternative hypothesis (panel) will be accepted. Therefore, for all levels of study (companies), the panel method can be used to estimate model and then we should continue Hausman test.

Table 5. Limer test about corporate governance on debt ratio

Statistic value	DF	p-value	Model	Test type
F= 10.5118	94 0.373	0.0004	Panel	Limer F-test

Hausman test: According to results of Hausman test for the research hypothesis (Table 6), given that Hausman statistic for the model is 11.0624 in α= 0.05 and p-value< 0.05, so H_0 is rejected. Rejecting H_0 shows that random effects' method is incompatible and the fixed effects method should be used.

Table 6. Hausman test about corporate governance on debt ratio

Statistic value	DF	p-value	Model	Test type
χ^2= 11.0624	7	0.0000	Fixed effects	Hausman test

Before testing the research hypotheses based on the obtained results, we must ensure accuracy of the results. For this purpose, F-test was used to determine significance of the model entirely. According to possible of the calculated F-statistic (0.000), it can be argued that the fitted regression model is significant. With regard to determination coefficient of the fitted model, it can be claimed that independent variables explain about 71% of changes in dependent variable (payable dividend).

The estimated coefficient for independent variable of corporate governance (except non-executive members) in Table 7 shows no significant relationship between corporate governance standards and payable dividend at a significant level of 0.05 because the calculated p-value for coefficient of the research independent variable is more than 0.05. So we can say that there is no significant relationship between standards of corporate governance and payable dividend at a confidence level of 95% because the calculated p-value for coefficient of the research independent variable is less than 0.05. The estimated coefficient of control variable for firm size in Table 7 indicates a significant relationship between firm size and payable dividend at a significant level 0.05 because the calculated p-value for coefficient of the research independent variable is less than 0.05. So we can say that there is a significant relationship between firm size and payable dividend at a confidence level of 95%.

Table 7. Summary of statistical results in testing the second model

Dependent variable (payable dividend)	Coefficients	Standard deviation	t-statistics	Sig	VIF
C (Intercept)	-583,765.1	326,737.1	-1.786651	.0748	--------
ACOM (audit committee)	4735.196	6848.673	0.691403	.4897	1.081524
BACT (activities of the board)	-340.8731	193.3992	-1.762536	.0788	1.009317
BSIZE (size of the board)	12960.10	8513.776	1.522250	.1288	1.947541
NEXED (percentages of non-executive members of the board)	24580.02	8467.951	2.902712	.0039	1.812448
BLK (Institutional ownership)	-11.18127	30.92395	-0.361573	.7179	1.011271
NSHA (institutional shareholders)	4282.532	12016.10	0.356399	.7217	1.013142
SIZE (firm size)	118,955.4	48895.64	2.432844	.0155	1.056899
Fisher F-statistic	9.06332 (0.00000)	Durbin Watson		1.757	
Coefficient of determination	0.710	The adjusted coefficient of determination		0.632	

Discussion and Conclusion

Today, many organizations have realized that if they want to be succeed, they must be responsible to operate their business as well as for community development. This approach can be fully considered with the concept of business social responsibility, namely corporate governance (in economic terms). Using correlation analysis, this research examined the relationship between corporate governance, as part of business social responsibility, with process of financial decision making in fields of dividend policy and debt, which debt ratio of company and payable dividend has been named as financial decision (Hussam e tal, 2015). These ratios can be influenced by corporate governance indicators. The term of corporate governance refers literal meaning of control and structuring companies. Definitions of corporate governance mainly represent interests and attitudes of those whose intellectual values guide meanings of corporate governance. According to Kraford (2007), a suitable and efficient system of corporate governance in the country and economy can lead to increase confidence and strengthen market economy; thus reduce cost of capital. Companies are encouraged by efficient use of resources and development of activities. Corporate governance principles include issues such as ownership levels in companies and type of interaction between major and petty shareholders (Salehnejad et al, 2011). The present research examines the relationship between corporate governance and financial decision making in companies listed on Tehran Stock Exchange. For this purpose, there have been used indicators of audit committee, activities of the board of directors, number of non-executive members of the board of directors, size of the board of directors, institutional ownership and number of major shareholders for corporate governance; there have also been used ratio of debt and payable dividends to assess financial decision making. In the research, firm size was considered as control variable. The research hypotheses were tested using a sample containing of 95 firms listed in Tehran Stock Exchange from 2010 to 2014 as well as using multivariate regression model. After measuring the research variables, its hypotheses were tested using multivariate regression analysis.

The research first hypothesis examined the relationship between corporate governance and debt ratio of companies. Its results indicate no significant relationship between corporate governance and debt ratio of companies. Results of the conducted study by Hussam Mussaet et al (Hussam et al, 2015) showed a relationship between corporate governance and corporate debt, but there has been reported a weak correlation coefficient between corporate governance and debt ratio.

The research second hypothesis examined the relationship between corporate governance and payable dividend of companies. Its results indicate no significant relationship between corporate governance and payable dividend of companies. Results of the conducted study by Hussam Mussaet et al (Hussam et al, 2015) showed a relationship between corporate governance and payable dividend, but there has been reported a weak correlation coefficient between corporate governance and payable dividend.

Restrictions and Suggestions

Scientific and research studies are often faced with limitations that damage stability and justifiability of research findings and make problems to generalize their results. Considering the limitations can prepare reader to realize results and their generalization to similar results. The present research was not expected from the limitations that some of them are as follows:

1. The research first limitation is related to the specific characteristics of quasi-experimental studies that are common in social sciences. In other words, there are other variables that are outside control of authors and their possible impact on results is not far-fetched. Some of the most important of the limitations that can play a role in the influence include inflation, fluctuating main economic indicators, political conditions, situation of capital market, firms' age and industry type. Therefore, the research findings should be used with regard to these conditions.
2. Like previous studies, the present research considered several control variables affecting financial decision making of companies. They were included in the model estimation. However, like other accounting empirical studies, there still may be deleted the related variables that can affect generalization of results.

Finally, according to the obtained results in the research, it is suggested that the results are used to develop and adopt codes of corporate governance system in Tehran Stock Exchange, institutional and main investors play more active role in monitoring fields and Tehran Stock Exchange implement a coherent system for evaluating corporate governance in listed companies.

References

1. Hassas Yeganeh Y, 2006. Corporate governance in Iran. Journal of Auditor. 32: 32-39.
2. Hussam M, Zdenka M, Lenka D, 2015. Responsibility in the corporate governance framework and financial decision making process. Procedia Economics and Finance. 23:1023-1029.
3. Salehnejad SH, Shah Beigi H, 2011. Examining the relationship between corporate governance index with debt ratio to equity in companies listed in Tehran Stock Exchange. MSc Thesis.
4. Shleifer A, Vishny RW, 1997. A survey of corporate governance. Journal of Finance. 32 (2): 737-783.
5. Nasrollahi Z, Arefmanesh Z, 2010. Examining the relationship between ownership and quality of benefits in companies listed on Tehran Stock Exchange. Journal of Accounting Knowledge. 1 (3): 117-138.
6. Williamson R, Pinkowitz L, Stulz R, 2006. Does the contribution of corporate cash holdings and dividends to firm value depend on governance? A cross-country analysis. Journal of Finance. 61: 2725-52.

7. Velury U, Jenkins D, 2006. Institutional ownership and the quality of earnings. Journal of Business Research. 59: 1043-1051.