The Investigation of the Corporate Governance and Debt Cost among the Companies Accepted of the Stock Exchange in Tehran

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INTRODUCTION

Tension and challenge between the personal rights and organizations is one of the most fundamental problems of the contemporary communities. Now, the financial markets and shareholder enterprises are considerably growing in all over the world. In contrast, this kind of growth should have its legislative instruments and target based supervision for the enterprise responsiveness and responsibility. The subject of the enterprise governance has been also designed in this regard [4]. Today controlling the financial expenditures of the enterprises is one of the most important targets of the whole managers. Two main groups of the creditors and investors are the main providers of the enterprise financial resources. The creditors always follow to achieve the main and minor given loans and the shareholders follow the efficacy expected from their own enterprise activities trying to change the share prices per the growing activity of an enterprise. Among this, enterprises having the financial resources regarding to both related groups should meet and provide their own expectations. By increasing the mean equilibrium of the investment expenditure as the main debt expenditure, both financial resources providers' benefits will be exposed to the risky situation endangering the payment of the main and minor of the received loans and the providence of the expected benefit of the shareholders [7]. In the other hand, many various definitions have been emphasized on the responsiveness level of the shareholders regarding to the enterprise governance. The enterprise governance is generally subjected to the structures and decision-making processes, responsiveness and behavior of the governmental, private, profit and non-profit sections. The main purpose of allocating the enterprise governance is to ensure of a framework that can make equilibrium between the freedom of the management, responsiveness and benefits [4]. According to the literature findings, there have been observations in all over the world evaluating the performance of the big enterprises regarding to their enterprise governance. The carried out studies have been subjected to the investigation of the relationship between the investment expenditure and enterprise governance. The main aim of the present study is to assess the impact of the enterprise governance on the debt expenditure. However, it is not suitably clarified why...
enterprises having these benefits can interact with their issues better functionally. This can be rooted from the suitable function of an enterprise in terms of its own enterprise governance. And or they can be rooted from the accessibility to the foreign financial providence with low expenses that it leads to the cash stream of the future [13]. Leuz (2006) found that the best governance of the big enterprises can effectively reduce the expense of the share investment[9]. They investigated the sum expense of the share owners' rights in the country level whether they require to discriminate the security legislations to reduce the expense of the share rights? And again they figured out those enterprises with required cases of the discriminated issues, strong security regulations and legislative affairs can decrease considerably the expense of the shares rights in this pavement. Rortedr (2009) investigated the relationship between the enterprise governance and expense of the usual share among the Spanish enterprises. This study was focused on five important features of the enterprise governance as following: independency of the board members, size of the board members, bilateralism of the manager task, independency of the board member committee and the existence of both accounting and nominees[8]. The results showed that enterprises with high quality of the supervision issues can have low expense of the usual shares. The concept of the debt expense is established based on the hypothesis that the main purpose of an enterprise is to maximize the wealth of shareholders. In the other hand, the enterprise governance concept is subjected to the responsiveness of the whole enterprises in relation to huge group of stakeholders. Hence, the enterprise governance and enterprise debt expense have close relationship together to maximize the wealth of the stakeholders. Thus, it is tried to investigate the relationship between the enterprise governance and its features including the possession concentration, percent of the organizational possession, and percent of the non-responsible managers and bilateralism of the manager task on the enterprise debt expense in this present study.

After the financial and accounting scandals of the new millennium, investors, industrial beneficiaries and professional and legislative organizations and groups showed their interest in the process of the enterprise governance. The enterprise governance is one of the most healing factors of the economical efficacy and agency navigation system including a collection of the related relations between the enterprise management, board manager, stakeholders and other groups. The agent navigation system provides a structure that adjusts the target of the agencies determining the accessibility of targets and supervision of the function. This system provides the necessary motivation for the agency targets supplementation in the process of the management effectively. For the reason, the related enterprises can apply the highest resources effectively in this pavement [12]. The enterprise governance has been roughly emphasized on one of the most basic problems of the manger responsibility in using their own power. The governance of the big enterprises is consisted of thousands shares in all over the world. For the reason, the handle of managers' function through the share owners is an impossible case; the investigation of the management function should be carried out by the same chosen representatives of the enterprise itself [6]. One of the most essential purposes of the enterprise financial management is to maximize the wealth of the stakeholders; it is tried to allocate some policies and decisions to reach to the same purpose potentially. The completion of the testing models requires the calculation of the enterprise investment expense. The commercial units can create value when they obtain the highest efficacy than the moderate expense rate in their investment. For the reason, the determination of the mean rate of the investment expense is very important for the whole commercial units [1]. The debt expense is one of the most essential elements of measuring the mean equilibrium of the investment expense. The enterprise investment expense is to increase the value of the whole stakeholders. In the other hand, the enterprise governance is aimed at structures and decision processes, responsiveness and behavior of the organizations. The main purpose of the enterprise governance is to ensure of a framework making a suitable equilibrium between the management freedom, responsiveness and the beneficiaries benefits [6]. In the other hand, many various definitions have been emphasized on the responsiveness level of the shareholders regarding to the enterprise governance. The enterprise governance is generally subjected to the structures and decision-making processes, responsiveness and behavior of the governmental, private, profit and non-profit sections. The main purpose of allocating the enterprise governance is to ensure of a framework that can make equilibrium between the freedom of the management, responsiveness and benefits. Also the logical deduction of the theory is that the benefits of the whole stakeholders can be estimated only by considering the beneficiaries profits. The enterprises can increase their value-making process in long term and this can be achieved by the responsibility in versus of the whole beneficiaries and the optimization of the governance system (the same).

The above-mentioned statements represent that the enterprise governance and the debt expense have close relationship together so that if they are planned and optimized accurately, they will lead to the increase of stakeholders' wealth increasing the enterprise value in long term. Hence, the main aim of the study is to investigate the relationship between the enterprise governance and the debt expense among the stock exchange enterprises. So we can recommend the most suitable governance structure along with considering the enterprise governance variables trying to raise the wealth of the whole stakeholders and providing their financial affairs in this regard. Due to the mentioned issues, the present study has got four main hypotheses and four minor hypotheses as following:
Main hypothesis: the enterprise governance has a significant relationship with the enterprise debt expense in the accepted enterprises of the stock exchange.

Minor hypotheses:
1- The governance concentration has a significant relationship with the debt expense of the accepted enterprises in the stock exchange.
2- The percent of the organizational governance has a significant relationship with the debt expense of the accepted enterprises in the stock exchange.
3- The percent of the non-responsible managers has a significant relationship with the debt expense of the accepted enterprises in the stock exchange.
4- Bilateralism of the manager task has a significant relationship with the debt expense in the accepted enterprises of the stock exchange.

METHODS AND MATERIALS

Due to the related data used in the study has been established based on real and historical information the research methodology is achieved based on the event. The statistical population of the study is consisted of the whole accepted enterprises of Tehran stock exchange. Tadbir-Pardaz Software and the published financial lists of the stock exchange enterprises in the website of the research management have been applied in order to achieve the related study. The analysis is based on a correlation form. The research is an applied type of study due to its results have been applied for different groups of analysts, students, managers and investors. In literature review, the library-based search and internet-based data collection have been also used in this pavement. In the next phase, the related data regarding to the statistical population has been gathered as enterprise financial lists during five years from 2008-2012 being used by managers and members. SPSS Software has been also applied to test the hypotheses. The statistical sample is taken up by the systemic elimination method based on the following criteria:
1- They should be existed in the stock exchange during 2008-2012
2- The financial year should be expired in the end of September
3- The enterprise should not be changed between 2008-2012 its own financial year
4- The enterprise should not have operational interruption during 2008-2012
5- There should never taken place any change during three years in the formation of the board manager

Due to the above mentioned limitations, the statistical population of the present study is 72 enterprises as the sample population of the study.

Measurement of the enterprise governance:

In this research, the enterprise governance is considered as the independent variable. Researchers have applied various dimensions to measure the enterprise governance. In this research, based on Chen et al (2008) work, four dimensions have been considered for the enterprise governance as following:
1- Organizational governance
2- Governance concentration
3- Non-responsible managers
4- Bilateralism of manager tasks

In order to measure these variables, we carry out as following:

The governance concentration: total percent of stakeholders that they have at least 5% of the enterprise shares. Organizational governance: total percent of the enterprise share possessing to real persons of the enterprise. Percent of the non-responsible managers: the number of the non-responsible members in the board manager divides by total number of the manager board multiple in the percent. The bilateralism of the manager: if the manager is the member of the board manager showing Zero, we will consider the lack of the membership in the board manager with number one.

Dependent variable:

The tax has been applied as the debt expense in order to measure the mean equilibrium and investment expense of the debt expense rate and this rate is subjected to the rate of debt expense after mitigating the tax saving that is measured by the following equation (Brigham and Aharhart, 2010):

\[ K_d = K_d (1 - t) \]

Where \( K_d \) is the rate of final debt expense
\( K_d \) is the rate of efficacy
\( T \) is the rate of tax

Variable of control:
The size of the enterprise and the ratio of the profit towards the efficacy expense have been considered as the control variables in this study.

**Size of enterprise:**

The size of the enterprise is obtained from the natural logarithm of the sale price of every enterprise. The ratio of the profit towards the efficacy expense: The division of the profit by the efficacy expense, we obtain the profit towards the efficacy expense. The following regression model has been applied in order to test the hypotheses of the study [4].

\[ \text{Cost of debt} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 \text{contel} + \epsilon_{it} \]

In this section, we would like to measure the impact of the independent variables of the governance concentration (X1), percent of organizational governance (X2), percent of non-responsible managers (X3) and bilateralism of manager (X4) on the dependent variable of debt cost by considering both control variables during the financial cycle. In the regression model, the simultaneous influence is measured on the dependent variable; in other words, the impact of an independent variable should be separately evaluated; in contrast, this should be neutralized or decreased with other variables.

**Analysis and conclusion:**

**Table 1:** Results of correlation test and multiple regressions.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Correlation coefficient</th>
<th>Regression coefficient</th>
<th>Std deviation</th>
<th>Standardized coefficient (beta)</th>
<th>Statistics test (t)</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed degree</td>
<td>0.020</td>
<td>0.054</td>
<td>0.112</td>
<td>4.410</td>
<td>0.001</td>
</tr>
<tr>
<td>Governance concentration</td>
<td><strong>0.401</strong></td>
<td>0.124</td>
<td>0.014</td>
<td>-0.100</td>
<td>3.588</td>
<td>0.007</td>
</tr>
<tr>
<td>Organizational governance</td>
<td><strong>0.372</strong></td>
<td>-0.123</td>
<td>0.014</td>
<td>-0.100</td>
<td>3.588</td>
<td>0.007</td>
</tr>
<tr>
<td>Non-responsible managers</td>
<td><strong>0.425</strong></td>
<td>0.221</td>
<td>0.013</td>
<td>0.204</td>
<td>5.548</td>
<td>0.000</td>
</tr>
<tr>
<td>Bilateralism of managers</td>
<td>-0.141</td>
<td>-0.111</td>
<td>0.004</td>
<td>-0.107</td>
<td>-2.339</td>
<td>0.019</td>
</tr>
<tr>
<td>Ratio of profit to efficacy cost</td>
<td><strong>0.112</strong></td>
<td>0.001</td>
<td>0.013</td>
<td>0.020</td>
<td>0.202</td>
<td>0.837</td>
</tr>
<tr>
<td>Size of enterprise</td>
<td><strong>0.482</strong></td>
<td>0.305</td>
<td>0.002</td>
<td>0.632</td>
<td>5.989</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Table 2:** Summary of the research model results:

<table>
<thead>
<tr>
<th>Correlation coefficient</th>
<th>Determination coefficient R²</th>
<th>Balanced determination coefficient</th>
<th>Statistics of Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.635</td>
<td>0.390</td>
<td>0.356</td>
<td>1.972</td>
</tr>
</tbody>
</table>

**Dependent variable:**

The cost of debt through the borrowing

**Independent variables:**

The governance concentration, organizational governance, percent of non-responsible managers, bilateralism of manager, ratio of profit to the efficacy expense, size of enterprise

**Table analysis:**

The first column of the table shows the degree of correlation between the variables; this also shows that the whole coefficients except the correlation coefficient between bilateralism of manager tasks and cost of debt in 95% confidence level, these will be significant in 99% confidence level being marked with (***) sign. The highest degree of the correlation coefficient between two variables is subjected to the size of enterprise and cost of debt representing that there is a direct significant relationship between these two variables. The lowest degree is also subjected to the ratio of the profit to efficacy cost and cost of debt that it also shows a direct significant relationship between these two variables.

There is required to the information in order to formulate the regression equation; these can include the fixed degree of the equation or A, regression coefficients or β. Also the investigation of the significance of these coefficients should be specified in this pavement. As it shown in the mentioned table, the first column is possessed to the fixed degree of the equation 0.022. The sig level of the same fixed degree is 0.689 (higher than 0.05) representing that this fixed degree in the regression equation is not significant and it does not involve in the equation. The significance level of the independent variables show that the variables of the governance concentration, organizational governance, non-responsible managers and size of enterprise are significant in 99% confidence level (sig<0.01) and they cannot get into the regression equation. Also the variables of the bilateralism of manager tasks in 95% confidence level (sig< 0.05) are significant. The independent variable of the profit ratio to the efficacy cost in 95% confidence level (sig< 0.05) is not significant and it should be eliminated from the regression equation. Hence every four dimension of the independent variables are significant being left in the regression equation. It can use the standardized coefficients in order to compare the recent variables in the regression model on the dependent variables. The column of the standardized coefficients
show that three variables of the governance concentration, non-responsible managers and size of enterprise have positive significant impact on the cost of debt; that is, any increase in these three variables can lead to the increase of the debt cost and vice versa. Also the variable of the organizational governance and bilateralism of the manager can have negative and significant influence on the cost of debt; that is, any increase in the variable of the organizational governance percent and bilateralism of the manager tasks can lead to the reduction of the debt cost and vice versa. According to the standardized coefficients, it can be found out that the independent variable of the enterprise size has the highest impact on the independent variable of the debt cost. Due to the mentioned results, the regression equation will be as following:

Determination coefficient of the balance model is 0.356 representing that about 35.6% of the dependent variable changes can be allocated to the dependent variable changes coming from other factors. As it shown in the table, the multiple regressions coefficients equal 0.356 representing that the intensity of the relationship between the independent and dependent variables is 63.5%.

Conclusion:
In general, based on the above-mentioned statements and the results of the study, it can be concluded that the cost of debt of the member enterprises is under the affection of the enterprise governance features potentially. In this research, every four hypothesis has been confirmed regarding to the influence of the enterprise governance features based on the cost of debt. Hence, it can be concluded that the features of the enterprise governance is very effective on the cost of debt among the whole enterprises. This may come from the special establishment of the enterprise governance along with the stakeholders in decision-making towards the investment of the enterprises. In relation to the positive and significant relationship between the governance concentration and cost of debt, it can be concluded that since the big stakeholders have got higher motivation for supervision over the management affairs, it may also come from the fact that the related costs along with the lowest supervision could be expected in the share of an enterprise. The increase of the stakeholders' governance concentration can increase and provide enough motivation for the supervision of managers. It will have also direct impact on the cost of debt. The organizational investors will have higher resources being able to supervise on the management affairs with the lowest expenditures than the private stakeholders. The organizational investors or creditors can profit from the efficacy scale savings as a group and as a result, they can be very effective in processing the related information potentially. Decision-makers can consider the structure of the enterprise governance regarding to the combination of the structures. They can also make vast governance to reduce the cost of debts in this case; it also raise the value of the enterprise and the wealth of stakeholders. Along with better supervision of the non-responsible managers, the opportunity will be reduced and as a consequence, the cost of debt will be also decreased in this pavement. The effectiveness of the decision-making can be subjected to non-responsible tasks not being cooperated with the executive managers. Since the non-responsible managers have the highest executive roles in compare to other managers, they will have the same highest motivation for achieving the decision-making affairs for making their own reputation higher in this pavement. The existence of the non-responsible managers in the board manager can recover and heal the function of an enterprise [5]. The existence of the organizational stakeholders in the combination of the enterprise stakeholders can have a reverse significant influence on the cost of debt. This may come from the fact that these organizational stakeholders are often penetrative in compare to righteous and real persons. The bilateralism of the manager tasks has got a significant influence on the cost of debt. Due to the impact and role of the bilateralism of the manager tasks on the cost of debt, it can increase the commitment and power of the manager in decision-making affairs. The enterprises can be designed in a way so that they can apply the manager in the combination of the board manager members potentially.

REFERENCES


