

THE EFFECT OF CORPORATE GOVERNANCE STRUCTURE ON THE EXTENT OF VOLUNTARY DISCLOSURE IN IRAN

Vali Khodadadi, Soheila Khazami and Abbas Aflatooni

Abstract

This study examines the relationship between corporate governance and the extent of voluntary disclosure in listed firms of Tehran Stock Exchange. The corporate governance attributes are the percentage of independent directors on the board, the existence of dominant personalities (CEO/Chairman duality) and the percentage of institutional investors. The research sample was selected among listed companies in Tehran Stock Exchange during 2001-2005 and totally is consist of 106 observations. In this research, the size and the type of audit institute (Audit organization or other institutes) are used as control variables.

The research results show that there is no significant relationship between percentage of independent directors on the board, CEO/Chairman duality and the extent of voluntary disclosure. Also the research results provide significant evidence on relationship between the percentage of institutional investors and the extent of voluntary disclosure.

1. Introduction

The occurrence of Industrial Revolution and its merging in 19th Europe required the implementation of great projects needing enormous monetary capitals. Since it was far beyond financial facilities of one or more investors and even governments of the time, the first corporates were established. This modern format (i.e. corporate) was an appropriate solution to enormous capitals supply and trading risks distribution.

When this happened, the topic dealt with separation of ownership from management and, as a consequence, the issue of financial reporting and providing information to take decisions and to assess directors' performance was considered. General objective of financial reporting is to provide information resulting in making useful trading and economic decisions. Today, economic development is based on access to financial resources for a stable investment. Investors' decision on investing their resources in companies, in turn, depends on appropriate financial reporting existing in company. Financial reportings disclose the allocation of capital resources in a trading company and its profitability. This economic information contributes to the recognition of financial status and health of a trading unit. Financial information disclosure is an important factor to decrease information asymmetry. Weak financial disclosure often results in misleading of shareholders and has adverse effect on their wealth.

In view of above description it is revealed that the extent of information disclosure for contributing optimal allocation of restricted economic resources may have a critical role to help investors in their taking useful decisions. Beside, decisions made on the extent of financial information disclosure, firms' reporting, composition of information resources, quantity and quality of disclosed

information, are affected by many factors (Archambault and Archambault, 2003). So, the empirical assessment of variables effective on disclosure may create space and constraints contributing to improved disclosure quality.

Corporate governance is a factor which brings higher quality for corporate performance and, especially, the information submitted by management. Therefore, this survey endeavors to analyze the influence of some structure features of corporate governance, e.g. percentage of independent directors on the board, the existence of dominant personalities (CEO/Chairman duality) and percentage of institutional investors' ownership.

2. Review on Research Background

There has been no research conducted on this area in Iran and no background is available. Forker (1992) analyzed the relationship between corporate governance and disclosure quality. The results of this study showed that the sign of relationship between corporate size and disclosure quality is negative, but it is not significant. Results indicated that there was negative relationship between corporate audit by one of the six large audit committees and disclosure quality. The relationship between percentage of share held by managers and disclosure quality was also direct, but this was not statistically significant as well. There was a direct relationship between existence of an auditor and disclosure quality. But this relationship was also weak. Relationship between non-executive (independent) managers and disclosure quality was unexpected (direct) but was not statistically significant.

Chen and Jaggi (2000) analyzed the relationship between independent non-

executive directors and firms' family control with financial disclosure in Hong Kong. Results showed that proportion of the independent directors is directly related to financial disclosure. This relationship is weaker in firms which are under family control. Thus, researchers stated that the presence of independent non-executive directors in board composition would enhance the probability of compliance with disclosure requirements by firm and may result in information transparency.

Ho and Wong (2001) analyzed the relationship between corporate governance structures and the extent of voluntary disclosure in Hong Kong Stock Exchange. They represented four major corporate governance attributes. These corporate governance attributes are the proportion of independent non-executive directors on the board, the existence of an audit committee, the existence of dominant personalities (CEO/Chairman duality), and the proportion of family members on the board. The results indicate that the existence of an auditor is significantly and positively related to the extent of voluntary disclosure, while the proportion of family members on the board is negatively related to the extent of voluntary disclosure.

But, statistical tests showed that two other independent variables, i.e. the proportion of independent directors on the board, which was expected to be directly associated with voluntary disclosure and the joint position of

Chairman of the Board (Chairman) and Chief Executive Officer (CEO) held by a single individual which was expected to be negatively associated with disclosure, have no significant relationship with disclosure.

In a survey titled "Culture, Corporate governance and Disclosure in Malaysian Corporates", Hanifa and Cooke (2002) investigated the relationship between two

factors of culture and corporate governance and extent of disclosure. This study included several hypotheses and variables among which they tested only six variables as corporate governance variables. These variables include proportion of independent directors on the boards, proportion of family members on the board, joint position of Chairman and CEO, non-executive chairperson, proportion of board of directors with cross-directorships and chairperson with cross-directorships. In their research, they used firm-specific characteristics (size, leverage, profitability, industry type, auditor type, listing status) as control variables. Results from this survey only refer to the existence of a significant relationship between two variables of non-executive directors on the board and proportion of family members on the board with firms' extent of voluntary disclosure both of which, of course, have negative relationship with dependent variable.

Lakhal (2003) analyzed the relationship between voluntary disclosure by directors of French firms and the corporate governance characteristics. Results indicated that the ownership structure is rather dispersed and in case where non-executive directors have more share in board, the level of disclosure increases voluntarily. In firms where the CEO holds the position of the chairperson as well, voluntary disclosure would be less likely. There is an insignificant and weak relationship between non-executive board members and decisions about voluntary disclosure and, also board size and disclosure decisions. A hypothesis of this research indicating the negative relationship between board size and voluntary disclosure was not confirmed.

Eng and Mack (2003) analyzed the relationship between corporate governance and voluntary disclosure in Singapore. In this investigation, corporate governance testing

is examined in two aspects of ownership structure and the board composition where ownership structure by means of the proportion of managerial ownership, blockholder ownership and government ownership and board composition are measured with the criteria of the proportion of independent directors. Control variables used in this research include firm size, leverage, industry type, reputation of audit committee. Results of statistical tests showed that as much as managerial ownership becomes lower and government ownership higher, the voluntary disclosure of information is increased. It means that government ownership enhances the moral hazard and agency problems and disclosure is utilized to reduce these problems. Results of this research showed that blockholder ownership has a significant relationship with the extent of disclosure and as much as the proportion of independent directors increases the voluntary disclosure is decreased.

Gul and Leung (2004) examined and tested the relationship between board structure and voluntary disclosure. For the same purpose, two factors of the joint position of CEO and the chairperson and the proportion of independent directors on the board (as determinant of board structure) were studied with using voluntary disclosure. Results showed that the joint position of CEO and the chairperson is negatively and weakly associated with information voluntary disclosure.

Arcay and Vazquez (2005) investigated the relationship of firm characteristics, rules of corporate governance and the extent of voluntary disclosure in Spain. Proportion of independent directors on the board, existence of audit committee, splitting the responsibilities of the Chairman and CEO, board participation in the capital of the company, stock option plans as directors'

pay and board size as have been considered as independent variables of research. Among control variables of this research one can mention firm size, situation in stock market, industry type and shares dispersion. Results showed that proportion of independent directors on the board and existence of audit committee in firm and, also, board participation in the capital of the company as well as the approval of stock option plans as directors' pay are directly related to disclosure.

Chen and Courtenay (2006) tested the relationship between board supervision and the extent of voluntary disclosure. In this study, the relationship among three independent variables, i.e. proportion of independent directors on the board, board size and, also, joint position of Chairman and CEO are analyzed on the dependent variable (voluntary disclosure). Results showed that proportion of independent directors is directly associated with the extent of voluntary disclosure and the board size and the joint position of Chairman and CEO also have no relationship with voluntary disclosure. They found that existence of a corporate governance mechanism and environmental rules would increase the power of the relationship between proportion of non-executive directors on the board and the extent of voluntary disclosure.

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3. Literature and Theoretical Framework of Research

Board of Directors of the firm, as a leading position, is of great importance. It seems that firm's success key depends on its desired guidance. According to information theory and agency theory, those hypotheses of this research improving the control on the board, would result in increased voluntary disclosure.

3.1. Independent (Non-Executive) Directors' Role in Corporate Governance

In view of Agency theory, the presence of non-executive directors in the board of the firms and their supervisory performance as independent individuals, remarkably contribute the declined conflicts of interests existing between shareholders and directors of the firm. Of course, it should be noted that the executive directors of firm play a major role in making an appropriate composition of executive and non-executive directors, among board members. Such a composition is regarded as a main element of efficient and effective board; since though executive directors offer valuable information about firm activities, non-executive directors in the firms' board and their supervisory performance as independent individuals markedly helps to declined conflicts of interest between shareholders and directors of firm (Hassas Yeganeh and Baghoomian, 2006).

Of course, it should be taken into account that executive directors of firm play major role in making an appropriate composition of executive and non-executive directors among board members. Such a composition makes a board having specialty, independence and required legal power, be considered as powerful potential mechanism of corporate governance (Bryd and Hickman, 1992).

3.2. Splitting the responsibilities of the Chairman and CEO

In Cadbury report it has been recommended that there should be balance of power among board members not to allow anyone having "unconstrained" control over decision process in the firm and it is required to clearly identify responsibilities splitting in

senior levels of firm to be sufficiently assured of the balance of power and the liabilities of board members. The importance of splitting the responsibilities of the Chairman and CEO of England companies has been also emphasized in report by Higz. Higz declared that with considering the recommendations of Cadbury report and until the time of his report, about 90% of firms listed in Stock Exchange had splitted the responsibilities of the Chairman and CEO. This proves the permanent impact of Cadbury report on England companies.

3.3. Institutional Investors' Role in Corporate Governance

Numerous groups have influence on corporate governance. Among these, shareholders, especially institutional investors, play important role. In theoretical view, the position of institutional investors in corporate governance is very complicated. From this point of view, institutional investors reveal another mechanism of powerful corporate governance which could have supervision over firm management. Because they can either considerably affect firm management or coordinate interests of shareholders' groups. Of course, in literatures about corporate governance, the ownership focus is referred to as an important mechanism to control agency's problems and to improve investors' interest supporting (Shleifer and Vishny, 1997). However, such focus may have negative impacts as well, e.g. access to confidential information may result in information asymmetry between them and smaller shareholders.

As a result of their benefiting from economic advantages and variability, institutional investors can resolve agency problems. Therefore, it seems that institutional investors, as firms' shareholders, reveal both cause and resolution/solution of

agency problem and their existence in the position of shareholder result in separation of ownership and control.

There are two thinking schools about institutional investors in firm. The first says that institutional investors have short-term viewpoint. This short-term horizon inhibits institutional investors from taking supervisory expenses because the benefits of such supervision will be unlikely won by them in a short period of time. The other thinking school states that when firm shares' ownership is concentrated among a few number of investors (especially institutional investors); the problems concerning the separation of ownership and control will be decreased. When the proportion of institutions' ownership increases, firm leaving will take more expense because major shares' sales usually require major discounts (Black and Koffee, 1994).

Institutional investors tend to have communication with senior managers of companies existing in their portfolio and to participate in "behind closed doors" supervisory activities (Ramsay et al., 2000; Stapledon, 1996). As a result of their supervisory activities, these investors have a better understanding of conditions influencing on corporates' performance and it is less likely to make the managers of companies existing in their portfolio be subjected to fine for their low profit not caused by their weak management.

3.4. The extent of Disclosure

Financial disclosure is an abstract concept not measurable directly which have no certain feature to be used for easily measurement of its intensity or quality (Wallace and Naser, 1995) But, disclosure is simply defined as transferring and presentation of economic information in terms of financial and non-financial,

quantitative or other forms of information related with firm's financial status and operation. This disclosure, when becomes necessary by a law enacting and regulating source, is called involuntary disclosure and when information disclosure is not affected by certain rules it is considered as optional disclosure (Owusu-Ansah, 1998).

Also, disclosure/extent of disclosure has very important and determining role in theoretical and empirical areas. This concept is so broad and extensive that consists of all issues and topics on financial reporting. A defined and accurate comprehension of disclosure quality requires the assessment of restrictions governing thereon and achieving such comprehension would undoubtedly help accountant in drawing a framework to improve disclosure problems of accounting in the future (Buzby 1974), decrease the heterogeneous disclosure among informed and uninformed investors (Bushman and Smith, 2001) and non-disclosure will result in market inefficiency and wrong pricing of firms' shares (Diamond and Verrecchina, 1991; Kim and Verrecchina, 1994). In general, two aspects have been suggested in measuring voluntary disclosure level in researches:

3.4.1. Using non-weighed index

In this aspect, a list of disclosed cases is prepared and, then, after financial statements and financial reports have been studied, the values of "one", "zero" and "not applied" will be given for disclosure, non-disclosure or not qualified for disclosure, respectively. Researchers like Wallace (1987); Cooke (1989, 1991, and 1992), Ahmed and Nicols (1994) and Owusu-Ansah (1998) utilized this aspect in their researches.

3.4.2. Using weighed index

In second aspect, firstly the list of disclosure cases is extracted and the importance of each item is identified with using different individuals' comments and a

range from "very low" to "very high". The next step is performed like that of first aspect and here the only difference is that obtained scores are multiplied by the importance coefficients extracted from different individuals' comments and the weighed criteria is applied. Singhvi and Desai (1971) and Barrett (1977) have employed this aspect in their surveys. First aspect has been used for two reasons as follows:

- a. Ashton (1974) believes that individuals have little knowledge and information about their decision making and judgement. Therefore, the need to make decision about the importance of each item is removed and different individuals' mistake in weighing is less likely.
- b. Using this method allows researcher to do measurements independently from different individuals' viewpoints. When using weighed aspect, it is possible to take different people personal opinions into consideration and, in consequence, the pertinent criteria will not be independent from the viewpoint of certain individuals and/or groups.

In this respect, Owusu-Ansah (1998) says that using non-weighed aspect is preferred over weighed aspect. Also, Cooke expresses that there is no difference in the results of weighed and non-weighed criteria. Therefore, with studying and analysing of the considered voluntary disclosure cases in similar researches, a list of disclosures cases including 31 items are extracted as follows:

3. Brief history of company
4. Names of board's members
5. Names of staff managers
6. Names of block holder
7. Firms' strategies and its possible effects
8. Firms' major markets
9. Forecasted sales

10. Forecasted cost of goods sold
11. Forecasted operating profit
12. Forecasted net income
13. The acted works to access the objects
14. Information about various productions
15. The trend of sales in last years
16. The trend of cost of goods sold in last years
17. The trend of operating profit in last years
18. The trend of financial costs in last years
19. The trend of capital expenditure in last years
20. Profitability ratios
21. The ratios of financial structure
22. The liquidity ratios
23. The number of unit sold of major product
24. The per unit price of major product
25. The number of employee
26. Description about changes in revenue
27. Description about changes in cost of goods sold
28. Description about changes in gross income
29. Description about changes in administrative expenses
30. Description about changes in financial costs
31. Description about changes in interest
32. Information about executive and non-executive managers
33. Information about future projects

4. Research Hypotheses and Questions

Substantial question of this research is that whether there is significant relationship between corporate governance and extent of voluntary disclosure or not? This is asked within the framework of following hypotheses:

1. There is significant relationship between the percentage of non-executive board members and extent of information

voluntary disclosure in financial reporting

2. There is significant relationship between CEO and the chairman position duality and extent of information voluntary disclosure in financial reporting.
3. There is significant relationship between the percentage of institutional investors in firm and extent of information voluntary disclosure in financial reporting.

5. Methodology of Research

5.1. Statistical Sample and Population

The Statistical population of research is composed of firms listed in Tehran Stock Exchange. Statistical sample of the research has been gained through applying following conditions:

1. 1. Due to their having information reporting and a nature of operation different from other corporates, investment and financial corporates have been omitted from sample of research.
2. 2. In order to ignore the impact of information disclosure time and to omit the impact of financial period of each corporate on the extent of voluntary disclosure in financial reporting, the firms with fiscal year not ending to 20th March (year-end in Iran), were excluded from sample of research.
3. Loss firms are excluded from our sample.
4. Required information such as financial statements and notes to financial statements, summary of decisions taken by regular general meeting having been published by Stock Exchange

Organization as well as board's annual report submitted to the shareholders' regular general meeting are available.

With applying above-mentioned conditions, sample of this research consists of 106 corporates.

5.2. Research Model

Strategy processing information bank and internet sites containing information on firms listed in stock exchange were employed for data collection. In first step, after data collection, descriptive statistics concerning research variables are presented. To test our hypotheses the following model is used:

(1)

$$Disc_{it} = \beta_0 + \beta_1 Outdir_{it} + \beta_2 Duality_{it} + \beta_3 Inst_{it} + \beta_4 Size + \beta_5 Audit_{it} + \varepsilon_{it}$$

Where:

Disc: in this survey, for the purpose of measuring the extent of voluntary disclosure; initially, according to list presented in section 3.4.2 and with using non-weighting method, the number of voluntary disclosures for which the firm has presented information is defined. Then, as the variable of the extent of voluntary disclosure is qualitative, the number of the said cases are ranked in five voluntary disclosures as very low (0-5 number of cases), low (6-11 number of cases), medium (12-18 number of cases), high (19-26 number of cases) and very high (26-31 number of cases) and code 1 to 5 is given to the said ranks, respectively. Thus,

we will have an ordered dependent variable in sequential scale. We use the Ordered Logit to approach to model estimation¹.

Outdir: percentage of non-executive directors on the board. This percentage is obtained through dividing the number of non-executive board members by the total number of board members at the end of period.

Duality: CEO/chairperson duality means that CEO and the chairperson/vice chairperson of a firm is not a single individual (this position not held by one person). In case were CEO and chairperson/vice chairperson position is held by a single individual, 1 and otherwise 0 is given to this variable.

Inst: Percentage of institutional investors' ownership. This amount is a percent of firm shares kept by special investing institutions².

Size: Firm size: various criteria like rate of assets, sales, and number of staff and ... are used to measure firms' size. In this research, firm size equals to logarithm of assets' book value. This variable is used as control variable.

Audit: type of the committee that has audited the firm. In case where the considered committee is the audit organization, this variable is 1 and otherwise it will be zero. This variable is used as control variable.

6. Research Results

6.1. Descriptive Statistics

In Table (1) the number of firms existing in each disclosure rank over the studied period is depicted.

¹ For further study on how to estimate these kinds of models you can refer to Green (2003).

² Institutional investor is a character or institute involved in purchasing and selling of a great volume of securities, i.e. state and private banks, pension funds, insurance companies and social security organization (SSO), institutions and foundations and investment companies.

Table 1. The number of firms in disclosure rank

Extent of voluntary disclosure	Very low	Low	Medium	High	Very high	Total
2001	23	23	17	19	24	106
2002	21	27	17	21	20	106
2003	21	26	19	20	20	106
2004	21	22	27	15	21	106
2005	23	21	18	24	20	106
Total	109	119	98	99	105	530

As seen, over the period of time, 109 firm-years with very low voluntary disclosure, 119 firm-years with low voluntary disclosure, 98 firm-years with medium level of voluntary disclosure, 99 firm-years with high voluntary disclosure, 105 firm-years with very high voluntary disclosure were observed. You can study the number of firms in disclosure ranks from 2001 to 2005 in Table (1). The number of firms with considering CEO/chairperson duality and the type of auditor which audited the firms are as shown in Table 2.

Table 2: The number of firms with considering CEO/chairperson duality and the type of audit committee

Variable	CEO/chairperson duality			Auditor		Total
	Yes	No	Total	Audit organization	Others	
2001	98	8	106	66	40	106
2002	93	13	106	56	50	106
2003	89	17	106	44	62	106
2004	88	18	106	35	71	106
2005	86	20	106	34	72	106
Total	454	76	530	235	295	530

As observed in Table 2, over the studied period of time in 76 firm-years the CEO has held the position of chairperson and in 235

firm-years; also, the audit organization was the auditor. Meanwhile, the number of firms in which the position of chairperson and CEO is separated has been increased over time (from 8 to 20 firms). As time passed, the number of firms whose auditor was the audit organization has been declined (from 66 to 34 firms) and other institutions play further role in auditing of sample firms. In Table 3 descriptive statistics pertaining to other research variables have been illustrated.

Table 3: Descriptive statistics

	% of non-executive directors	% of institutional investors' ownership	Firm Size
Mean	0.65	0.47	5.41
Median	0.60	0.51	5.38
Max.	0.83	0.95	7.16
Min.	0	0	4.04
Std. Dev	0.19	0.33	0.54

The average percentage of non-executive directors, percentage of institutional investors' ownership and firm size equal to 65%, 47% and 5.41, respectively. Maximum percentage of non-executive directors and institutional investors' ownership and maximum firm size equal to 83%, 95% and 7.16, respectively, and the minimum percentage of non-executive directors and institutional investors' ownership and minimum firm size equal to zero, zero and 4.04, respectively.

6.2. The independent χ^2 Test and Spearman Correlation Coefficients

In Table 4 it has been dealt with the significance of relationship between two nominal variables of 1) CEO and chairperson duality and 2) Auditor type and extent of voluntary disclosure. Results of independent χ^2 test ($\chi = 2.48$) show that

there is no significant relationship between CEO and chairperson duality and extent of voluntary disclosure. However, significant relationship between auditor type and extent of voluntary disclosure is not rejected ($\chi^2 = 34.18$). Of course, control variables of auditor type and firm size have not been taken into account in this test, as in case of considering mentioned variables different results will be obtained³.

Table 4: Results of independent χ^2 test

		Extent of voluntary disclosure					χ^2 Statistics
		Very low	Low	Medium	High	Very high	
CEO/chairperson duality	Yes	96	99	84	82	93	2.48
	No	13	20	14	17	12	
Auditor type	Audit organization	31	48	51	65	40	34.18*
	Others	78	71	47	34	65	

* significance at 1% level

Spearman ranked correlation coefficients among variables of the extent of voluntary disclosure, percentage of independent directors, percentage of institutional investors' ownership and firm size are presented in Table 5⁴.

Results shown in Table 5 indicate that only the Spearman's ranked correlation coefficient between extent of voluntary disclosure and percentage of institutional

investors' ownership (0.15) is significant at 1% level. Therefore, existence of a significant linear relationship between two above-mentioned variables is not rejected. Correlation coefficient between firm size and extent of voluntary disclosure (0.06), and correlation coefficient between percentage of independent directors and extent of voluntary disclosure (-0.02) is very small and not significant. Consequently, existence of a linear relationship between said variables is rejected. In other cases, correlation coefficient is also very small and not significant.

Table 5: Spearman's ranked correlation coefficient

	Extent of voluntary disclosure	% of non-executive directors	% of institutional investors' ownership
% of non-executive directors	-0.02 (0.69)	1	
% of institutional investors' ownership	0.15 (0.00)*	0.01 (0.78)	1
Firm Size	0.06 (0.13)	-0.05 (0.25)	0.02 (0.71)

* significance at 1% level

6.3. Estimation Results

We estimate model (1) by ordered logistic method for testing the research hypotheses and for taking into account the control variables of auditor type and firm size. Estimation results of model (1) are provided in Table 6.

Estimation results of model (1) show that the coefficient of the variable of the percentage of independent directors (-0.07) and the coefficient of the variable of CEO and chairperson duality (-0.17) are not significant, this means that the first and the second hypotheses are rejected. The coefficient of the variable of the percentage

³ Regression analysis is the best method to taking control variables into consideration and this has been discussed in section (6.3).

⁴ Since the variable of voluntary disclosure level is of rank type, Spearman Correlation Coefficients have been applied instead of Pearson Correlation Coefficients.

of institutional investors' ownership equals to 0.78 which is significant at 1% level. Therefore, our third hypothesis of research is not rejected as a result of significant relationship existing between the percentage of institutional investors and the extent of voluntary disclosure. In addition, results show that as the percentage of institutional investors' ownership increases the extent of disclosure increases, too.

Table 6: Estimation results of model (1)

	Coefficient	Z-statistic	Significance
% of non-executive directors	-0.07	-0.16	0.86
CEO/chairperson duality	-0.17	-0.79	0.43
% of institutional investors' ownership	0.78	3.20	0.00***
Firm Size	0.30	2.01	0.04**
Auditor type	0.29	1.84	0.06*
Pseudo R-squared=1.27%			
Likelihood Ratio statistic=21.68 (0.00)***			

*, ** and *** significance at %10, %5 and 1%, respectively.

The coefficient of the control variable of firm size (0.30) is significant at 5% level. The coefficient of the control variable of auditor type (0.29) is also significant at 10% level. Results show that as firm size increases, the extent of voluntary disclosure is also increased. Thus, it seems that larger firms will more tend to voluntary disclosure. The Pseudo R-squared is 1.27% and the likelihood ratio is 21.68 which is significance at 1% level and indicates the significance of the whole model.

7. Conclusion

Results of this survey show that non-executive directors' role in Iran does not comply with the fundamentals of agency

theory and this supervisory tool has little role in improved financial disclosure.

Beside, in most literature published concerning corporate governance, it has been emphasized on splitting the responsibilities of the chairperson and CEO. In most Iranian firms the position of CEO and the chairperson has been separated and usually two (and not one) individuals are in the charge of the said positions. However, though duties and liabilities of CEO and chairperson have not been well separated, it was already anticipated that the said variable makes little effect on voluntary disclosure.

Institutional ownership is also an issue applicable to most securities dealers of our country. In most countries members to Securities & Exchange Corporations, the institutional investors are considered as blockholder owners and, therefore, with their influence on board they considerably affect disclosure level (including disclosure of voluntary and additional information). This is confirmed by result of present study. It is usually expected that larger firms arrange for voluntary disclosure more often than smaller ones. This seems reasonable because of financial facilities and benefiting from stronger information systems. As a result of the quality of auditing performance, auditor type will affect the extent of disclosure. Two recent cases have also been confirmed in this survey.

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