Indian Journal of Fundamental and Applied Life Sciences ISSN: 2231– 6345 (Online)
An Open Access, Online International Journal Available at www.cibtech.org/sp.ed/jls/2016/02/jls.htm
2016 Vol. 6 (S2), pp. 633-645/Mehrazar
Research Article

THE RELATION OF OWNERSHIP STRUCTURE AND THE COMPOSITION OF BOARD OF DIRECTORS ON PERFORMANCE IN TEHRAN STOCK EXCHANGE

***Hamid Mehrazar**
Department of Accounting, Shahr-e-Qods Branch, Islamic Azad University, Tehran, Iran
**Author for Correspondence*

ABSTRACT
This study is to evaluate the relation between ownership, structure and composition of the Board of Directors on the financial performance of companies listed in Tehran Stock Exchange. It was conducted during the period of 2009- March 2014 among the companies listed in Tehran Stock Exchange. A total of 61 companies were examined. In this study, in order to assess the ownership structure of the Companies as the independent variable, we adopted three indicators percentages of natural ownership, legal ownership and largest shareholder possession, and in order to assess the size of the board as one of the independent variables we used the number of members in board of directors of each company, and as to measure the third independent variable, composition of the board members, we used the indicator of non-executive-director percentage, CEO duality duties, pertinence of board members education. Moreover, to evaluate the dependent variable of performance, Tobin's Q ratio was used as a measure of corporate performance assessment. The results of data analysis and hypotheses testing showed that there is a significant relationship between the structure of ownership, board size, and composition of the Board with the performance of companies listed in Tehran Stock Exchange.

Keywords: *Ownership Structure, Board Size and Board Composition, Performance, Tehran Stock Exchange*

INTRODUCTION
In financial literature and texts, the relationship between ownership structure and board of directors and corporate performance has been of interest to many researchers; however consensus about the nature of this relationship has not been reached yet (Chen *et al.,* 2005).
Since the separation of ownership from management, monitoring over management team has been very difficult. Therefore, numerous monitoring mechanisms have been proposed to reduce agency costs. Setting up the appropriate corporate governance mechanisms is a major measure for the efficient use of resources, improving accountability, transparency, fairness and the rights of all stakeholders in the company. To reduce agency costs, corporate governance applies different regulatory systems which areas follows: A- external mechanisms, b-internal mechanisms, c-government regulations.
In agency relations, owner aim to maximize wealth and in order to achieve this goal, they over see their agent work and evaluate their performance. In this case, the question is: Do different corporate ownership structures have an impact on performance and dividend policy? This means that if the corporate owners consist of various groups, such as government, financial institutions, banks and other companies; how are performance and dividend policy? And which of the different combinations of ownership is more effective in improving performance and dividend policy? With answering this question we can take more appropriate measures in order to improve the company's performance and dividend policy, and decision-makers and investors pay more attention to the composition of the owners in order to find the optimum yield and dividend policy of the economic entity.
Shareholders of the company consist of people and institutions with various interests, goals, investment horizons and capabilities. Given the complexity that exists in corporate governance, shareholders are not expected to hold any responsibility in corporate governance. The influence of shareholders in companies is possible only in General Assemblies and it focuses on cases such as: the approval of financial statements, electing the members of the board of directors and statutory examiner, amending the corporate

charter, ratifying extraordinary deals and etc. (Organization for Economic Co-operation and Development, 2006) On the other handsome capital structures allow some shareholders to have a control which is disproportionate to their ownership in the company. All of these may affect a company's performance, because many investors assessing the cost and benefit of exercising their ownership rights may come to the conclusion that with a reasonable amount of analysis and use of their rights they can gain greater financial returns and capital growth. Therefore, in this study were view the impact of the structure of board and ownership on company's performance.

Research Literature

In the wake of massive financial scandals, corporate governance has been one of important issues in recent years which have been of interest to researchers and corporations and it was raised as one of the most important issues as regards investment and it deals with the need to monitor the management of the company, separating economic unit from ownership and ultimately protecting the rights of investors and stakeholders. Corporate Governance is a set of relationships between shareholders, directors and auditors of a company, which contains setting up control system to respect the rights of minority shareholders and the correct implementation of the decisions made by general assembly and prevent its possible misuse. This legislation is based on accountability system and social responsibility, including a set of duties and responsibilities that must be implemented by the corporate pillars. Corporate Governance establishment target a firm's long-term survival above all, and it seeks to protect the interests of shareholders against management organizations (Keasey *et al.*, 2005).

In recent decades, corporate governance has been one of the fundamental aspects of the business and its importance is growing day by day. As we say in the following, the existing definitions of corporate governance in a wide range: restricted approaches that are limited to the relationship between a company and shareholders on the one hand and broad approaches with serious consideration of the rights of all stakeholders that are at the other end of this spectrum. Broader definitions suggest that companies are responsible to the whole society, future generations and natural resources; limited approaches are expressed in the form of agency theory and broad approaches are expressed in the term stakeholder theory. Studying the multiple definitions of corporate governance suggests that accountability and responsibility is the essence of its existence, and the ultimate goal is to achieve four properties of responsibility, accountability, transparency, justice and respecting the rights of stakeholders; in fact, it can be said that accountability and responsibility are core subjects of corporate governance.

Simply put, the Board of Directors refers to a group of people who are legally responsible for the governance of the organization. The Board of Directors as a central component of corporate governance in addition to shareholders and management has major role against stakeholders. One of the important principles of corporate governance is the board of directors applying the power of the law by recruiting, firing and compensating organization management teams provides management control preparations. The composition of the Board of Directors as a control means determines its strength. Therefore, the composition of the Board of Directors is an important factor in determining the ability of members to perform tasks and contribute to the company's performance (Zahra, 2000).

Based on stakeholder theory, the executive power of management is a function of their ownership in the company. Recent studies have shown that great and powerful owners in a company are forces to maximize shareholder wealth; participating stakeholders in the ownership structure leads them to give more importance to their relations and contracts with the company, so company's performance improves. Such crises on the one hand and the problems and challenges of a cooperative world, and on the other hand it reflects the importance of correct ownership structures, efficient financial institutions, transparent banking regulations, accounting standards, Financial Procedures efficient and access to the right and accurate information. All of these items imply negative consequences of activities based on relationship-compared with market based activities.

In a general overview, corporate governance including cultural and institutional legal arrangements determines the direction of the company's performance. Elements that are present in this scene include shareholders and their ownership structure, board members and their composition, the company's

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management which is led by Chief Executive Officer or CEO, other stakeholders that may affect the company's movement (Hasas Yeganeh and Nasab, 2005).

One of the most important aspects of corporate governance is the role of stakeholders, including shareholders; controlling and monitoring of the shareholders especially who are directly members of the Board is considered as a regulatory tool to improve the performance. It is expected that the more the power of company's shareholders in monitoring and financial reporting is, the higher company performance is. Stakeholder ownership is reflected in the form of the degree of their ability to control economic resources, changing inefficient management, monitoring company executives.

Research History

The Output of Shale Hoferand Zerman Research (2003) shows that there is a significant and positive relation between the value of the company and the level of corporate governance. This means that companies that have higher leadership rank are more eager to expand and grow faster; on the contrary, there is an inverse correlation between corporate governance and expected return.

Dittmar (2003) studied a sample of 45 countries in 1998. His results showed that in countries where supporting shareholders is weak, cash balance is significantly higher. The evidence showed that in such countries other factors of cash balance are of less importance. Ozkan & Ozkan (2004) studied the factors affecting the company's cash balance in sample of British companies during the period of 1984 to1999. Using cross-sectional regression model and the final model of dynamic cash, they emphasized the importance of management ownership among other aspects of corporate governance, including the structure of the board of directors. And with variables such as managers ownership showed that in particular, management ownership has an important relation with the company's cash balance. And overall, growth opportunities, cash flows and financial assets, financial leverage and bank debt are considered important factors in determining the company's cash balance. This study shows that the cash flows and growth opportunities of companies have positive effects on their cash balance. There is also some evidence that current assets, financial leverage and bank debt have negative effects on cash level.

Ferreira & Vilela (2004) surveyed Factors affecting cash in a sample of companies in Europe Union countries from 1987 to 2000. In their study, they applied three different regression models including annual time series regression model of Famaand Macbeth; the cumulative cross-sectional regression and cross-sectional regression using variables average. Their results showed that cash balance is positively affected by cash flows and investment opportunities and it is negatively affected by asset liquidity, financial leverage and size. Bank debt and cash balance have a negative relation with each other and it suggests that close ties bank- based relationship enables companies to retain less cash out of precautionary motive. In the countries will less protective measures for investors and concentrated ownership, Companies have less cash, which confirms the role of agency costs resulted by management authority.

Miton (2004) using agency models showed that companies with higher rate of corporate governance get more return. And in companies with strong corporate governance, there is a negative relationship between growth and dividends. One of the studies that examined the relationship between corporate governance and firm performance was conducted by Kilver & Lorense (2006). The sum total of mechanisms effective on governance applied by them consists of 51 ones, and it is divided into eight groups audit, Board of Directors, statutes, training managers, reward given to board members and executives, ownership, common procedures and how to register a company. The results show that there is a significant relation between governance and corporate financial performance.

Ditmar & Smith (2006) by examining two standards of corporate governance and its relation with the market value of the company found that in the companies with poor governance every change in cash which is worth $ 1 results in a change of about 0.42 to 0.88 in the market value, while This amount is doubled for companies with good governance. Tsai & Gu (2007) conducted a study on the relationship between institutional ownership and corporate performance in the casino industry for the period of 1999-2003, they showed that Institutional investors in the casinos may help investors of this industry to decrease agency problems resulted from the separation of management and ownership.

Cheng (2008) evaluated the relationship between the size of the board of directors and change in the performance of 1,252 American companies from 1996 to 2004. Evidence showed that the relation between the size of the board with monthly stock returns, annual returns on assets, Q Tobin, accruals, unusual items, spending on research and development and its level is negative. Pronzith (2008) displayed that there is a positive relationship between the quality of corporate governance and dividend policy. The results after controlling firm characters such as size, profitability, Tax effect and growth opportunities do not change.

Garay & Gonzalez (2008) studied the relationship between corporate governance and firm value. Their findings suggest the existence of a positive relationship between corporate governance mechanisms and the value of the company.

Chae *et al.,* (2009) showed that companies with more effective corporate governance, having more highly limited external financing pay less dividend, while firms with weaker corporate governance, having less limited external financing pay more dividend.

Harford (2008) by using a sample of 1,872 companies tested the relationship between cash holdings and corporate governance structure. The results show that companies have more internal ownership and more institutional ownership percentage have greater cash holdings. Companies with higher quality of corporate governance and bigger and more independent board of directors have less cash holding. Lee (2009) by selecting a sample of 1061 companies during the period of 2001-05 in five Asian countries Malaysia, the Philippines, India, Singapore and Thailand stated that if the board of directors of the ASEAN plays the role of corporate governance in the countries, it is predicted that companies with stronger management structures (more percent non-executive members of the board, etc.) After controlling for other factors, they will have less cash holdings.

Demsetz *et al.,* (2001) examined 223 American companies by using OLS test using Tobin's Q ratio, and they found there is no significant relationship between ownership structure and corporate performance. Furthermore, they mentioned that ownership structure should not only be considered as an endogenous variable but it simultaneously should also be considered as the combination of Share holding by different people with different interests.

Sookwon (2002) in his doctoral dissertation examined the relationship between ownership structure and corporate performance in Korea. In this study, he reviewed more than 600 companies listed on the Korea Stock Exchange from 1998 to 2000. Indicator variables of ownership structure that he had been selected by him were: Largest shareholder level of ownership, the level of ownership of institutional investors, the ownership level of foreign (overseas) shareholders and natural shareholders ownership level and *Tobin's* Q was also the measure of performance. He did so with the assumption of ownership structure being exogenous and endogenous; when it is exogenous, just between the foreign shareholders ownership and firm performance there was a positive relationship with that was consistent with the hypothesis of efficient supervision and no significant relationship was found for other variables. In the endogenous form, only between ownership structure and the impact of ownership of institutional investors on the company's performance, there was a significant relation and no significant relationship was found for other variables. Furthermore, in this mode all variables indicating the ownership structure are affected by the company's performance, this impact is negative for the shareholder with the biggest share and it was positive for other variables.

Al Farooqh *et al.,* (2007) by an article examined the ownership structure and corporate performance in Bangladesh's 660 companies. By using the simultaneous equation they studied bilateral relationship between ownership and company's performance, and they concluded that the company's ownership structure has no effect on corporate performance, but there is a negative correlation between corporate performance and ownership structure.

Drifelled *et al.,* (2009) by an article studied the effect of ownership structure on capital structure and the value of companies that have been most affected by the East Asian financial crisis.

Romano and Gurini (2014), in their study, investigated the ownership, composition and the size of the board of directors and their effect on the performance of companies in Italy's stock exchange. The results of this study showed that private ownership has higher profitability than the public ownership. The results showed that the composition of the board has an impact on the economic performance of companies.

Sadeghi and Rahimi (2012) in their study entitled "the relationship between ownership structure and performance of companies listed on the stock exchange" dealt with the relationship between ownership structure and performance. In that paper, by using simultaneous equations system they examined the relationship between ownership structure and performance of firms listed on Tehran Stock Exchange Using panel data for the years 2003-09. In general, test hypotheses suggest that in the Tehran stock exchange, concentration and structure of ownership have no effect on firms listed in the Tehran Stock Exchange, but the company's performance has a significant effect on the ownership structure.

Khodami Pour *et al.,* (2010) in their study entitled "studying the effect of the Board of Directors properties on the company's performance at the different levels of market competition" investigated the relationship between the board properties and the company's performance according to market competition. Accordingly, the data needed for the study were extracted from 120 firms listed in the Tehran Stock Exchange in the period of 2004-09 and the combined data regression model was used to test the hypotheses. Moreover, the ratio of non-executive members, the ownership percentage of the Board of Directors and the number of the Board members were applied as the Board of Directors properties. To serve this purpose, six hypotheses were developed in order to investigate the matter in two samples of companies with strong and weak market competitiveness. The results show that the board of directors has significant influence on company performance at none of the competitive levels. In other words, in Iran's market, the Board lacks the necessary performance and its relationship with the company's performance is not affected by market competition.

Nickbakht *et al.,* (2010) in their study entitled "effect of board properties on firm performance" calculated the ranking of the performance of companies based on 5 factors: revenue growth, growth in operating profit, net profit growth, return on assets and return on equity. According to previous research, company's size as well as financial leverage has been taken into account as control variables. Accordingly, the information required for the study has been collected from 71 firms listed in the Tehran Stock Exchange in the period of 2001 to 2008 and Spearman correlation and regression analysis were used. The study results show that the board of directors in Iran capital market did not do their duties efficiently to reduce agency problems and it has no important impact on the company's performance.

Rahmani *et al.,* (2011) by their study "Effect of ownership structure on corporate performance" examined the impact on the company's ownership structure; considered benchmark for performance included return on assets, return on assets cash flow, return on sales, productivity (sales per capita and per capita assets) and Tobin's Q ratio.

For this purpose, the performance of the companies whose major shareholder in the period of 2004-08 was one of four governmental, non-governmental public, quasi-governmental public and private sector, was examined. For each one the first three groups a representative was chosen and its sub-companies were examined. The results of hypotheses testing, using regression test showed that ownership structure has impact on company's performance. Moreover, the results showed that the companies whose major shareholders are quasi-governmental public groups have better performance than others. Governmental group, on-governmental public group and private sector follow in order.

Khajavi *et al.,* (2014) in their study entitled "The relationship between capital structure, ownership structure and performance" by using data envelopment analysis approach assessed the effects of the relationship between capital structure, ownership structure and performance in companies listed in Tehran Stock Exchange. As regards measuring corporate performance data envelopment analysis (DEA) is used. In this regard, by the use of performance measurement using software DEAP we have dealt with this issue that whether firms with higher performance use more debt in their capital structure? Also, this study sought to find the answer to this question: do the corporate capital structure and the concentration of ownership have any effect on its performance? The study population consists of 128 companies listed in Tehran Stock Exchange in the period of 2007-09. Multivariate linear regression statistical analysis was used to test hypotheses. The results indicate that capital structure (debt ratio) and structure of ownership

(ownership concentration) of the companies have significant positive effects on the performance of them. The results showed that the performance of the companies has a significant and positive impact on determining the structure of its capital.

Badavar and Zare (2010) in their study entitled "Ownership Structure and Performance of stock companies" determined the ownership structure of the company's performance. In order to serve this purpose, the impact of ownership structure as follows: concentration of ownership, institutional ownership and ownership of free-floating shares on the performance of 97 companies listed in Tehran Stock Exchange during the period 2004-09 was studied. This study in terms of its aim is an applied one and in terms of research type it is a causal one. Due to the fact that studied data are both cross-sectional and among different companies and it is in form of time series, panel data regression analysis has been used.

The overall findings of the study show that ownership concentration does not have a significant effect on the company's performance, but the effect of institutional ownership and free (floating) share ownership are significant.

Biabani and Garkaz (2014) in their study entitled "The relationship between the existences of female managers on board with the performance of companies listed in Tehran Stock Exchange" studied the relationship between the existences of female managers on the board and the performance of companies listed in Tehran Stock Exchange.

Information required for the study obtained from 114 firms listed in the Tehran Stock Exchange Using Cochran sampling method, in the period of 2007-11.

The results indicate that the relation between presence of female managers on board with return on assets and return on equity is positive and significant and it does not have a significant relationship with Tobin's Q ratio and sales.

Research Methodology

This research is ex-facto (using past data) and in terms of its aim it is an applied one. In order to collect the literature research the library method has been used. The method of this study is descriptive and correlational based on panel data and to assess between the independent and dependent variables the multivariate regression method was used. Data analysis is based on panel data regression analysis with fixed effects.

This study is based on actual data available in the stock market that with statistical methods will be used to confirm or refute the hypothesis.

Analysis and data processing using econometric methods and regression models will be applied. So, by using EVIEWS software, Panel data on companies listed on the stock exchange in the period of 2009-13have been analyzed.

The statistical population of the study consists of all firms listed in the Tehran Stock Exchange during the years of 2009-13; having met the following conditions:

1- During the period of the review they should be in the stock exchange continuously;
2- The end of the fiscal year in studied companies should be the 20th of March
3- Companies in the financial year must not change their fiscal year during the study period;
4- In the month ended in fiscal year they should have shares traded;
5- Financial information required for carrying out the study for the period of 2009-13 should fully be provided.
6- It should not be among investment companies, financial intermediaries, leasing and banks.

Due to the limitations imposed, a number of 61 companies were selected, whose information obtained from the Stock Exchange, the information companies of the stock exchange, Stock Exchange Research Center, Exchange website, Kodal website were used.

Measuring Variables:

In this study to measure the company's ownership structure as independent variables these three following indices will be applied:

A) The percentage of natural shareholders ownership: it equals to the sum of the natural shareholders ownership of the company (Romano *et al.*, 2014).
B) The percentage of legal shareholders ownership: the sum of each company's legal shareholders ownership (Romano *et al.*, 2014).
C) The percentage of ownership of largest shareholders: it is equal to the percentage of each company's largest shareholder (Romano *et al.*, 2014).
In order to determine the size of the board as one of the independent variables, the following criteria will be used:
A) The board size (number of members of the Board of Directors of each company)
In order to measure the third independent variable, composition of the board, the following indicators will be used:
A) Percentage of board of non-executive board members: the percentage (ratio) of non-executive board members to the total number of board of directors (Romano *et al.*, 2014).
B) The duality of CEO duties: if the CEO is also the Chairman of the Board (in this study the variable of the duality of CEO duties is considered as a dummy variable. Therefore, if the CEO is chairman of the board, one is assigned to it, otherwise zero is assigned) (Romano *et al.*, 2014).
C) The relevance of education degree in the board: if the major of board members is one of the disciplines of management, economics or accounting. (In this study the variable of the relevance of education in the board is considered as a dummy variable. Therefore, if education degree in half plus one members of the board is relevant it will be assigned 1, otherwise zero (Romano *et al.*, 2014).
Dependent variable: In this study Tobin's Q ratio will be used as a measure of corporate performance. This ratio is the most common measure in studying the relationship between ownership structure and corporate performance.
Among the various methods of calculating Tobin's Q, in this study the simplified Tobin will be used that can be calculated as follows:

$$Q_i = \frac{MVE_i + BVD_i}{BVA_i}$$

Q_i = The ratio of Tobin's Q for company i
MVE_i= stock market value for company i
BVD_i = The book value ofdebt for company i
BVA_i = The book value ofassets for company i
In this study, we have tried to find, through the following model, the relationship between independent and dependent variables in the model to test hypotheses.

$$Q_{it} = \beta_0 + \beta_1 NAT_{it} + \beta_2 LEG_{it} + \beta_3 BIG_{it} + \beta_4 BOARDSIZE_{it} + \beta_5 DR_{it} + \beta_6 TB_{it} + \beta_7 RS_{it} + \varepsilon_{it}$$

The Analysis of Data
In the descriptive statistics section, data analysis was done by using central indices such as mean, median and standard deviation measures the dispersion, skewness and kurtosis.
As to choose which of integrated models or panel are more suitable to test the hypotheses and estimate the model, fixed effects testing (F-statistic Limer) is used (Abbasi Nejad, 2001)
The test statistic obtained for 3 regression models (F = 285.94, F = 288.093, and F = 283.0934) compared to the F statistic in the table, are significant at the 0.05 level and Obtained probability (p-value) for this statistic is zero, thus, null hypothesis of this test suggesting using the integrated model is rejected and the first hypothesis suggesting using a panel data model is accepted.
Then, the Hausman test was used to select the fixed and random effects. Fixed effects and Hausman tests were conducted separately for all models. Effects Test for all models show that the model should be estimated in panel data form and there is no common ***y*-intercept**; Moreover, Hausman test confirms that the models should be estimated using fixed effects for the ***y*-intercept**.

Table 1: Descriptive Statistics of Data for Model Variables and Hypotheses

Variables	Symbol	Number of Companies	Mean	Standard Deviation	Minimum	Kurtosis
The percentage of natural shareholders	NATit	61	0.4253	0.156	0.05	0.86
The percentage of legal shareholders	LEG it	61	0.3829	0.096	0.3717	0.923
The percentage of ownership of largest shareholders	BIG it	61	0.2674	0.065	0.05	0.43
Board's size	BOARDSI ZE it	61	4876	1253	3	13
The percentage of non-executive board members	DRit	61	0.789	0.325	0.	5
The duality of CEO duties	TBit	61	0.423	0.167	0	1
The relevance of education degree in the board	RSit	61	0.4125	0.2314	0	7
Tobin's Q	Qit	61	1.8802	0.492	-2.588	2.324

As mentioned in the previous section, statistical tests relevant to the three hypotheses of the study were conducted. In this section, the presented regression tests are examined in order to be accepted or rejected. The results of different models for test hypotheses are as follows.
The first hypothesis regression test

Table 2: The Results of First Regression Estimation

Variable	Coefficients	Standard Deviation	T Statistic	Probability
Fixed Components	1.698055	0.195408	8.689809	0.0000
The Percentage of Legal Shareholders Ownership	0.544068	0.048793	11.15052	0.0000
The Percentage of Natural Shareholders Ownership	0.441099	0.003197	3.471479	0.0006
The Percentage of Ownership of Largest Shareholders	0.612905	0.149548	0.754976	0.0011

Table 3: Estimates of the Overall Significance of the First Model Regression

Durbin-Watson	F-Statistic	Prob	R-Square	Adj-R-Square
8123131.	112.2716	0.0000	0.733458	0.726925

According to the coefficients obtained in the above table, the two variables of legal shareholders' ownership and financial performance, with a 95 percent confidence level with t statistic (11.15), and coefficient (54.4) have positive and significant relationship with each other. On the other hand concerning the relation between the percentage of natural shareholders ownership and performance, according to the probability obtained (0.0006) which is lower from (0.05), there is a significant relationship. In other words, due to the big difference with (0.05) and obtained probability by at 95% confidence level we can accept the significance of the relation between the percentage of natural shareholders ownership and performance. In addition, according to the probability obtained (0.0006) which is lower from (0.05), there is a significant relationship between the percentage of ownership of largest shareholders and performance. Furthermore, according to the statistics of R2 and adjusted R2 at the levels of (0.73) and (0.72) percent we can see the high explanatory power of the model. F statistic obtained for the model is equal to 112.27 and its probability is 0.00 that shows a significant regression model is generally significant at 95% confidence interval. The obtained Durbin Watson statistic is equal to 1.3812, so in bilaterally symmetrical Durbin-Watson test, it is not confirmed at 5% error level. This shows that there is a correlation between the error components. So, regression results show that there is a significant relationship between ownership structure and performance.

In a study conducted by Sadeghi Sharif and Panje Shahi (2008), the impact of legal ownership on return was confirmed, but the relationship between the natural ownership and return was not confirmed, as well in the study carried out by Sadeghi Sharif and Bahadori (2009) the hypothesis of ownership effect on the ratio of interest payments, being legal was about confirmed. The findings of Namazi and Kermani (2008) represented a significant and negative relationship between institutional ownership and performance of a company. Moreover, Hasas Yeganeh *et al.,* (2008) gathered evidence on the role of legal investor to see if legal ownership has impact on firm value; the results of researchers implied the lack of a significant relationship between legal ownership and the value of the company.

Furthermore, Nabi *et al.*, (2012) in their study concluded that between the ownership of legal shareholders and the Company's performance based on Tobin's Q model and also between the natural shareholders ownership and the company's performance based on Tobin's Q model there is a significant relationship.

Romano and Goorini (2014) in their study, concluded that there is a significant relation between the amount of legal shareholders ownership and Company's performance and also between the amount of natural shareholders ownership and Company's performance.

The second hypothesis regression test

Table 3: The Results of the Regression Model Estimation

Variable	Coefficients	Standard Deviation	T Statistic	Probability
Fixed Components	1.673620	0.229076	7.305963	0.0000
The Size of Board of Directors	0.514250	0.060329	9.055849	0.0000

Table 4: The Estimation of Overall Significance of Second Model Regression

Durbin-Watson	F-Statistic	Prob	R-Square	Adj-R-Square
1.687508	79.59561	0.0000	0.733920	0.724699

According to the coefficients obtained in the above table, the two variables of number of board members and performance, with a 95 percent significance level with t statistic (9.05), and coefficient (51.42) have positive and significant relationship with each other. According to the probability obtained being less than

(0.05), at 95% confidence level we can accept the significance of the relation between number of board members and performance. In addition, according to the statistics of R2 and adjusted R2 at the levels of (0.73) and (0.72) percent we can see the high explanatory power of the model. Moreover, F statistic obtained for the whole model is equal to79.59 and its probability is 0.00 that shows significant regression model is generally significant at 95% confidence interval. The obtained Durbin Watson statistic is equal to 1.6875, so in bilaterally symmetrical Durbin-Watson test, it is not confirmed at 5% error level. This shows that there is a correlation between the error components.

The results of the regression in relation to the second hypothesis of this study is that there is a significant relationship between the number of board members and the performance of companies listed in stock exchange, this hypothesis according to the value of (t) and obtained significant probability (7.48) and (0.00) is confirmed.

The results of research conducted by Nickbakht *et al.*, (2010) showed that there is no correlation between the size of the board and corporate performance. According to the article 107 of the Commercial Code amendments, the number of board members of the most of the public companies is 5 people. (In this study, 91% of the Boards of Directors in the companies have 5 members). So, the above matter may have influenced the results. On the other hand, this indicates that legal requirements determine the size of the Board of Directors and no attention is paid to other factors such as the subject of its activities, size and structure of the company, etc. The results of the present study are consistent with that of Bone *et al.*, (2004)

Also, Romano and Gurini (2014) in their study concluded that there is a significant relationship between the number of members of the board and performance.

The third hypothesis regression test

Table 5: The Results of the Third Regression Estimation

Variable	Coefficients	Standard Deviation	T Statistic	Probability
Fixed components	1.383034	0.249285	5.548053	0.0000
The percentage of non-executive members	0.584478	0.065338	9.437131	0.0000
The duality of CEO duties	0.411889	0.003195	3.297175	0.0012
The relevance of education degree in the board	0.612905	0.150993	1.124136	0.2623

Table 6: The Estimation of Overall Significance of the Third Model Regression

Durbin-Watson	F-Statistic	Prob	R-Square	Adj-R-Square
1.665200	82.01778	0.000	0.739732	0.730713

According to the coefficients obtained in the above table, the two variables of the percentage of non-executive members and performance, with a 95 percent significance level with t statistic (7.58), and coefficient (18.21) have positive and significant relationship with each other. According to the probability obtained, being so much less than (0.05), at 95% confidence level we can accept the significance of the relation between the duality of CEO duties and performance. In addition, according to the statistics of R2 and adjusted R2 at the levels of (0.739) and (0.73) percent we can see the high explanatory power of the model. In this model, the significance of the relevance of education degree in the board with their performance is not significant at 95% confidence interval. Moreover, F statistic obtained for the whole model is equal to 82.07 and its probability is 0.00 that shows significant regression model is generally significant at 95% confidence interval. The obtained Durbin Watson statistic is equal to 1.6652, so in bilaterally symmetrical Durbin-Watson test, it is not confirmed at 5% error level. This shows that there is a correlation between the error components. So, regression results show that the composition of the Board has a relation with performance.

In other words, the third hypothesis suggesting there is a positive relationship between board composition and performance of firms listed on Tehran Stock Exchange is confirmed at 95 percent confidence interval. The results of studies conducted by Fusberg (1989) and Black (2002) shows no relationship between the proportion of non-executive members on the Board and the company's operations.

The results of a study conducted by Romano and Garin (2014) also showed that there is a significant relationship between composition of the board and firm performance.

Conclusion

Due to the satisfying results of the test, a model with its documentation was presented and research questions had been presented in the form of three hypotheses, all of which were confirmed; According to the obtained results, a number of recommendations based on the findings of each hypothesis are presented as follows:

1- According to the results of the first hypothesis, the findings show that companies which have legal ownership structure have better performance. Legal shareholders are professional shareholders in financial markets, who have inside information about future prospects and business strategies etc., of the Company, through direct contact with company executives. Generally, it is thought that the presence of legal shareholders may change the behavior of investors. In recent years the presence of natural investors among the shareholders in public corporations in the Tehran Stock Exchange has had is markable growth.

Accordingly, if we look in terms of ownership structure, we can suggest that companies that legal ownership prevailed on them and their ownership concentration are higher are more attractive to investment.

Natural owners due to effective supervision and having the resources and necessary expertise for corporate governance, result in better performance of their companies.

Because in this research, legal ownership concentration has a positive effect on firm performance, so shares ownership is better to be in possession of several institutional organizations to improve corporate performance.

It is recommended that users of the financial statements, while using the financial statements, pay attention to the Shareholders composition. According to the results of this study, generally performance of companies that have a high percentage of institutional investors is better.

To the users of financial statements, and those who are interested in the interpretation of companies' performance, it is recommended that in their observations, they take ownership structure into consideration, because the more improved performance of the company is, the more centralized its ownership structure is. Therefore, the control of the company is placed in the hands of few people.

2- According to the results of the second and third hypotheses, in general, the results show that the board of directors in Iran has a symbolic position. And it does not do to its obligations to reduce agency problems and improve the company's performance efficiently. Thus, according to the process of privatization and downsizing of government, which is one of the most important economic issues of today, ratification and implementation of the Code of Corporate Governance as soon as possible with special attention to the system of corporate governance and specially the Board of Directors seems necessary.

Moreover, given the fact that between the years 2009-13 Iran's stock exchange was considered as one of successful stock exchange centers, it is suggested that in this tumultuous market under different economic conditions of performance, measurement models be applied to explain the relationship between ownership structure and the board's performance.

Because according to the research findings, it can be more in tune with the returns which are expected by investors.

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