Research Article

The relationship between board characteristics and the level of information disclosure of listed companies in Tehran Stock Exchange

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Abstract

This research aimed to identify the relationship between board characteristics and the level of information disclosure of listed companies in Tehran Stock Exchange in 2008-2012. In the present study, variables of characteristics of the board (board size, composition of board, and CEO duality (the CEO is also the chairman of the board) were considered as the "independent variable" and the disclosure level as a "dependent variable; and, the relationship between the independent and dependent variables were studied and tested in such respects as described under hypotheses of the research. In this research, descriptive analysis, regression and data correlation methods were used. For descriptive analysis, data were analyzed using E-views software. The results suggested that there was a significant relation between board size and board composition on the one hand, and disclosure level on the other hand. The results, however, showed no significant relationship between CEO duality and disclosure level among Tehran Stock Exchange listed companies.

Introduction

Given privatization, and increased investment, as well as security market regulation, there is an increasing trend to focus on investment, and subsequently, financial reports.

Based on agency theory, managers, as agents of shareholders, may take actions or make decisions that don’t necessarily increase the wealth of shareholders. According to this theory, there must sufficient supervision in place to ensure that that shareholders’ are protected against conflict of interests. The transparency of financial reports and disclosure quality has received attention as a practical solution (Setayesh et al., 2010).

Since one of the effective ways in which the management can influence disclosure level is by board characteristics, which can reduce quality of profit report, this research tried to study relationship between the characteristics of board and the disclosure level.

Description

Disclosure by board of directors is very important, because directors’ predictions have been observed to have an effect on credibility of disclosure. Thus, stock prices response to prediction news must increase the prices to a higher level than previously predicted by directors. Generally, the literature on role of directors suggests that investors and analysts must consider the fact that director’s predictions are different from the actual responses of stock prices (Hutton, 2009, and Stocken, 1996).

Importance and Necessity

Managers can use their knowledge about the company’s business activities to improve financial statements, as a means to convey information to potential investors and funders.

The issue of board characteristics has also become important in recent years. For example, the composition of the board and
its size are determinants of disclosure (Ezat & Al-Masry, 2011).

So, one of the main reasons why the issue of board characteristics has become important in recent years is that the board characteristics are expected to have an effective role in improved quality of disclosure. Given the above said, this research studied the relationship between the board characteristics and disclosure level among Tehran Stock Exchange listed companies.

**Research Objectives**

**General Objective:**

The general objective of this research was to study the relationship between board characteristics and the disclosure level in companies listed in Tehran Stock Exchange.

**Ideal Objective:**

The ideal objective of this research was to provide a better understanding of the role of application of the results of the study of the relationship between the board characteristics and disclosure level in present and future policies and effects of economic policies and measures on different activities.

**Special Objective:**

The special objective of this research was to identify the relation between board characteristics and disclosure level in Tehran Stock Exchange listed companies, and providing reports to investors, funders and other beneficiaries for improving their investment efforts.

**Research Questions**

**Primary question:**

Is there a significant relationship between the characteristics of the board and the disclosure level?

**Secondary questions:**

1. Is there a significant relationship between the size of the board and the disclosure level?
2. Is there a significant relationship between the composition of the board and the disclosure level?
3. Is there a significant relationship between the CEO duality and the disclosure level?

**Research Hypotheses:**

Based on the above said, the research hypotheses were proposed as follows:

**Primary hypothesis:**

There is a significant relationship between the characteristics of the board and the disclosure level.

**Secondary hypothesis:**

1. There is a significant relationship between the size of the board and the disclosure level.
2. There is a significant relationship between the composition of the board and the disclosure level.
3. There is a significant relationship between the CEO duality and the disclosure level.

**Definition of Terms and Expressions**

**Board of directors:**

Board of directors can be defined as a body of members, who jointly work to organize different activities, to ensure proper performance of each organization for achievement of ultimate goals, by making proper decisions regarding different issues to overcome problems and difficulties, and to ensure achievement of predicted goals (Naghizadeh, 2013).

**Disclosure and Transparency:**

Disclosure refers to disclosure of important information that can affect the market, and transparency can be defined a simplicity and ease with which a meaningful analysis of a company and its financial foundations can be performed by a person outside that company (Nobakht, 2005).

**Board Size:**

This includes records of members such as career, term of office, functional backgrounds, the degree of independence of directors, shareholding of each of them (Qalibaf Asl et al., 2007).

**Composition of the Board:**

Number of CEOs, the number of executive and non-executive directors, number of female/male directors, number of foreign and local directors, the degree of dependence of directors on the company (Qalibaf Asl et al., 2007).

**CEO Duality:** This means that CEO serves as the chairman of board of directors as well (Naghizadeh, 2013).

**Theoretical Framework**

**Corporate governance mechanisms**

Currently, several mechanisms of corporate governance have been proposed at the corporate level, to ensure achievement the goals of accountability, transparency, justice and the rights of beneficiaries.

1. **Independence of Auditor**

The importance of the concept of independence in auditing is so much that little justification is required to demonstrate that
it is one of the cornerstones in the structure of every audit theory. Since the opinion of auditor is provided to certify and accredit the financial statements prepared by the employer, the independence of auditor appears to be a necessity (Watts and Zimmerman, 1986; Cejka, 1989).

2- Shareholding of Directors

In a broad sense, corporate governance can be defined as a system by which the companies are controlled and directed. Then, the role of board of directors, as a body that monitors and supervises performance of executive managers to secure proprietary interests of shareholders, becomes increasingly important. (Hassas Yeganeh, 2006).

Importance of transparency and voluntary disclosure

Voluntary disclosure is disclosure of information beyond the legal obligations imposed by the legislative bodies. Disclosure is the process of providing the financial markets with the information collected from reporting companies (Madhani, 2009).

Role of transparency in financial reporting

Based on the conceptual framework for financial reporting, financial information must have two aspects of relevance and reliability. However, the quality of information regarding transparency is rather appropriate and timely when considered from view of disclosure of information (Madhani, 2009).

Literature

A review of foreign and domestic literature

Foreign literature

Ho and Woang (2001), who studied the relationship between corporate governance and voluntary disclosure, concluded that there was a direct relationship between the audit committee and voluntarily disclosure, but that there was no significant relationship between the percentage of independent directors and the voluntary disclosure, and also, that a director having family ties with other director(s) was inversely related to voluntary disclosure in stock exchange.

Hanoku Bathula (2008) studies the relationship between board characteristics and performance of companies listed in New Zealand Stock Exchange using data from 207 listed companies, which had made their financial data available, in 2004-2007. The results showed that from among different characteristics of the board, only rate of return on assets and proprietary ratio had a significant and positive relationship with corporate performance, and that board size had a negative and significant relationship with corporate performance.

Nurwati et al. (2009) carried out a research in Malaysia on the relationship between board composition, the audit committee and the quality of financial disclosure among companies that were offering their share on stock exchange for the first time. The results of this research suggested that companies with higher number of non-executive directors and with a larger audit committee showed a higher disclosure quality.

Mindzak (2013) studied the relationship between interlocked board of directors, voluntary disclosures and earnings quality. The results showed that the interlocked board has a negative relationship with voluntary disclosures, and a positive association with earnings quality. Consistent with previous researches, this study also found that the size of company and the independence of chairman of the board were positively associated with voluntary disclosures.

Domestic literature

Aghaei and Etemadi (2009) studied the concentrated ownership, institutional ownership, influence of CEO, CEO duality, board size, board independence of board, reliance on debt, and term of office of the CEO as a director. The results showed that the relationship between institutional ownership and independence of the board with information content of dividends was stronger in companies that were more highly motivated to manage dividends, compared with companies in which dividend management motivation was lower. Also, the results showed that other characteristics of corporate governance had no impact on improvement of information content of dividends.

Kashanipour et al. (2009) studied the relationship between two control mechanisms, i.e., the voluntary disclosure (external control mechanism), and non-executives directors (internal control mechanism), which reduce the agency problems. Voluntary disclosure was measured using 71 indicators. The results showed that the model used account for 20% of voluntary disclosure variations. However, the no significant relationship was found between voluntary disclosure and non-executive directors.

Bani Mahd and Mohseni sharif (2010) studied the factors affecting rank of companies listed in Tehran Stock Exchange in terms of disclosure quality and timeliness of disclosure. Their results suggested that disclosure level has a significant positive relationship with corporate size and type of industry in which a company operates.

Me likian et al. (2011) examined the relationship between disclosure quality and the cost of capital among the companies listed in Tehran Stock Exchange. The results revealed that there was a significant negative relationship between quality and cost of capital.

Moeinoddin and Dehghan (2012) studied the effect of structure of corporate governance on the quality of disclosure.
They found that there was a significant relationship the percentage of institutional ownership and concentration of power on the one hand, and final score of corporate disclosure and its elements on the other hand. However, the results showed that there was no significant relationship between percentage of non-executive directors, and final score of corporate disclosure and its elements.

Methodology

This research was a deductive – inductive research in terms of argumentation, followed a descriptive method based on real data from financial statements of companies. Also, in terms of objective, this was an applied research. Data required for this research were collected from CD provided by Rahavard Novin Company, as well as reports related to activities of board of directors published by The Securities and Exchange Organization (SEO). Further, data analysis was carried out using Excel and E-views software based on panel data analysis.

Scope

a) Subject: In this research, the relationship between board characteristics and disclosure level among Tehran Stock Exchange companies was studied.
b) Time period: Given data must be collected from a period close to research date, and given the requirement that such data must be available; this research covered a five-year period from the March 20, 2008 to March 21 2013.
c) Population: In this research, the research population comprised the Tehran Stock Exchange.

Statistical Population and Sample

Statistical population:
The Statistical population comprised all companies listed in Tehran Stock Exchange.
Sample:
For this purpose, a sample was selected from among companies listed on the Tehran Stock Exchange during the years 2008 to 2012 considering the following criteria:
1. The required information about the company must be available for the period from 2008 to 2012.
2. The financial year of the companies must end on March 19 and must not have been changed during 2008-2012.
3. Company’s shares must have been traded in Tehran Stock Exchange during all the studied years, and end of period prices must be available.
4. The studied companies must not be among investment and financial brokerage companies.

Data Collection Instrument:
a) Documentary Method: Library sources, papers, and also, worldwide information network were used.
b) Organizational data and the reports published by listed companies were collected through audited financial reports of companies listed on the official website of Tehran Stock Exchange, and also, through Rahavard Novin Software.

Variables

Dependent variable

IPi: This indicates the disclosure level of a company at the end of fiscal year.
In this research, annual corporate disclosure scores, as calculated for Tehran Stock Exchange listed companies, were used.

Independent variable

BSIZEi: Board size that is calculated by counting the number of directors.
BINDi: Board composition (percentage of independent directors)
DUALi: CEO duality: if the CEO is chairman of the board, its value is 1; otherwise, its value is zero.

Moderating or control variables

SIZEi: Corporate size that is given by logarithm of the total assets of the company.
ROEi: Corporate profitability, return on equity.

Research Model

In the present study, a regression model with panel data was used to analyze the data and test the hypotheses.

\[ IP_i = \alpha + \beta_1 BSIZE_i + \beta_2 BIND_i + \beta_3 DUAL_i + \beta_4 SIZE_i + \beta_5 ROE_i + \epsilon \]  

Methods of analysis and test of hypotheses

In order to test the hypotheses, multivariate linear regression model was used. Statistical method used in this research is panel data method. It should be noted that data analysis software was carried out using E-views and Excel.

Panel Data Method

The model below represents a general model with panel data:

\[ Y_{it} = \alpha + \sum_{k=1}^{K} \beta_{k,t} X_{kt} + \epsilon_{it} \]  

Chow or Bounded F Test:

The null hypothesis of Chow test or bounded F test is as follows:

\[ H_0 : \alpha_i = \alpha \]

\[ H_1 : \alpha_i \neq \alpha \]
To test the said hypothesis, F statistic is used as follows:

\[
F(N-1, NT-N-K) = \frac{(RRSS-URSS)/(N-1)}{URSS/(NT-N-K)} \tag{3}
\]

In this test, \(H_0\) hypothesis, that is, the hypothesis that the intercepts are equal, is placed opposite to \(H_1\), that is, the hypothesis that the intercepts are equal. If null hypothesis is confirmed, it would mean that slopes are equal for different points, and it is statistically confirmed that data can be combined, and that panel regression model can be used.

However, if \(H_0\) is rejected, panel data method is confirmed, and panel data method can be used.

**Hausman Test**

Hausman test is used to specify which method (fixed effects or random effects) is more suitable for estimation (identifying whether the differences between cross-sectional units is fixed or random).

\[
W = [\beta_{RE} - \beta_{FE}]^T [\text{var}(\beta_{RE} - \beta_{FE})]^{-1} (\beta_{RE} - \beta_{FE}) \tag{4}
\]

In Hausman test, the null hypothesis is as follows (Baltagi, 1995, pp. 68-73).

\[
\begin{align*}
H_0 &: E(u_o | X_o) = 0 \\
H_1 &: E(u_o | X_o) \neq 0
\end{align*}
\]

**Test of significance of the model**

F-statistic was used to study the significance of the regression model. The null hypothesis in F test would be as follows,

\[
\begin{align*}
H_0 &: \beta_1 = \beta_2 = ... = \beta_k = 0 \\
H_1 &: \beta_1 \neq \beta_2 \neq ... \neq \beta_k \neq 0
\end{align*}
\]

**Analysis of Results**

Acronyms related to research variables used in statistical tests are as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking of corporate disclosure level</td>
<td>IP</td>
</tr>
<tr>
<td>Board size</td>
<td>BSIZE</td>
</tr>
<tr>
<td>Board composition (independent directors’ share of board)</td>
<td>BIND</td>
</tr>
<tr>
<td>CEO duality (CEO serves as chairman of board as well)</td>
<td>DUAL</td>
</tr>
<tr>
<td>Corporate size (natural logarithm of total assets)</td>
<td>SIZE</td>
</tr>
<tr>
<td>Corporate profitability</td>
<td>ROE</td>
</tr>
</tbody>
</table>

7-3 Decision as to whether to reject or confirm hypotheses

F statistic was used to investigate the significance. By comparing calculated F with F given by the table, the whole model was studied. Also, t-statistic was used to investigate of coefficients of independent variables. T-statistic obtained was compared with t-statistic obtained from table with degree of freedom of N-K at confidence level of 95%. Also, as an alternative method to decide as to whether to confirm or reject a hypothesis probability value or significance level has been used. If the calculated probability value was equal to or greater than type I error (\(\alpha\)), the null hypothesis is confirmed, and if probability value is smaller than of type I error (\(\alpha\)), then the null hypothesis is rejected.
Results of descriptive statistics

Properties of descriptive statistics related to the variables used in this research are summarized in the tables (2).

Table (2): descriptive statistics of stock returns and independent variables

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>ROE</th>
<th>SIZE</th>
<th>DUAL</th>
<th>BIND</th>
<th>BSIZE</th>
<th>IP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>27.42337</td>
<td>13.68034</td>
<td>0.989286</td>
<td>20.24925</td>
<td>5.171429</td>
<td>61.22831</td>
</tr>
<tr>
<td>Mean</td>
<td>32.39472</td>
<td>13.34829</td>
<td>1.000000</td>
<td>0.000000</td>
<td>5.000000</td>
<td>65.50000</td>
</tr>
<tr>
<td>Maximum</td>
<td>171.1049</td>
<td>19.61803</td>
<td>1.000000</td>
<td>97.80000</td>
<td>8.000000</td>
<td>99.00000</td>
</tr>
<tr>
<td>Minimum</td>
<td>-234.8685</td>
<td>10.99739</td>
<td>0.000000</td>
<td>0.000000</td>
<td>3.000000</td>
<td>-16.26087</td>
</tr>
<tr>
<td>STD</td>
<td>37.22606</td>
<td>1.534596</td>
<td>0.103138</td>
<td>28.28921</td>
<td>0.554459</td>
<td>26.74747</td>
</tr>
<tr>
<td>Jarque–Bera</td>
<td>-2.957744</td>
<td>1.039848</td>
<td>9.504955</td>
<td>1.207388</td>
<td>1.316118</td>
<td>-0.674641</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4563.606</td>
<td>68.16298</td>
<td>95270.79</td>
<td>68.82005</td>
<td>586.4650</td>
<td>22.93669</td>
</tr>
<tr>
<td>Prob.</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000010</td>
</tr>
<tr>
<td>Number of observations</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
</tr>
</tbody>
</table>

Correlation Test:

In the following correlation matrix, Pearson’s correlation between the dependent and independent variables was calculated. Correlation level between variables is written as null hypothesis and alternative hypothesis.

\[
\begin{align*}
\rho_{xy} & = 0 \\
\rho_{xy} & \neq 0
\end{align*}
\]

Coefficient related to Pearson statistics ranges between +1 and -1. If the obtained value is positive, it means that the two variables have changed in the same direction, and if obtained value is negative, i.e. it means that two variables have changed in opposite directions.

Table (3) Test of correlation between variables

<table>
<thead>
<tr>
<th></th>
<th>SIZE</th>
<th>ROE</th>
<th>DUAL</th>
<th>BSIZE</th>
<th>BIND</th>
<th>IP</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covariance</td>
<td></td>
<td>IP</td>
<td></td>
<td></td>
<td></td>
<td>712.8723</td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-797.4214</td>
</tr>
<tr>
<td>DUAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>BSIZE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.092689</td>
</tr>
<tr>
<td>BIND</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>IP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000000</td>
<td></td>
</tr>
</tbody>
</table>

|          |      | 0.306327 | 1.225815 | -0.791165 | 0.078431 | -0.053539 |             |
| SIZE     |      |         |         |         |         | 1.000000 |             |
| ROE      |      | 0.010599 | 0.001837 | -0.315258 | 0.104779 | 0.038118  |             |
| DUAL     |      | 0.010599 | 0.001837 | -0.315258 | 0.104779 | 0.038118  |             |
| BSIZE    |      | 1.000000 | 0.032234 | -0.108438 | 0.038118 | 0.010599  |             |
| BIND     |      | 1.000000 | 0.032234 | -0.108438 | 0.038118 | 0.010599  |             |
| IP       |      | 1.000000 | 0.032234 | -0.108438 | 0.038118 | 0.010599  |             |

|          | 1380.831 | -0.052804 | -1.094034 | -15.84630 | 235.3259 | ROE       |             |
| SIZE     | 1.000000 | -0.013802 | -0.053020 | -0.015101 | 0.237188 |           |             |
| ROE      | 2.346573 | -1.297025 | 0.014828  | 0.081407  | -6.847331 | SIZE       |             |
| DUAL     | 1.000000 | -0.022786 | 0.094021  | 0.096018  | -0.147088 | -0.167417 |             |

Sample size amounts to 56 companies.
It is seen from the above table that the correlation values between the independent variables is very low. This indicates that there is no correlation between the variables, and that one of the basic conditions of regression is in place. Therefore, in order to solve the said problems, the generalized least squares (GLS) method must be used in this model.

Test of Hypotheses

Test of Hypothesis One
- There is a significant relationship between the size of the board and the disclosure level.

Test of Hypothesis One

a) F-Statistic Test

Table (4) Results of F-statistic test for test of the first hypothesis

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>18.849393</td>
<td>(54,217)</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

b) Hausman Test

Table (4) Results of Hausman test for test of the first hypothesis

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>51.188371</td>
<td>3</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

The analysis of this test is based on obtained error level of the statistic in question. If the error level obtained in Hausman test is lower than 5%, null hypothesis, that is, random effects method is confirmed, but if error level is higher than 5%, alternative hypothesis, that is, fixed effects method is confirmed.

Table (6) Study of panel model using GLS method

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>STD</th>
<th>t-statistic</th>
<th>Prob.</th>
<th>Type of relationship</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSIZE</td>
<td>2.538624</td>
<td>1.524349</td>
<td>1.665382</td>
<td>0.0973</td>
<td>Positive</td>
<td>95%</td>
</tr>
<tr>
<td>ROE</td>
<td>-0.102240</td>
<td>0.030379</td>
<td>-3.365503</td>
<td>0.0009</td>
<td>Negative</td>
<td>99%</td>
</tr>
<tr>
<td>SIZE</td>
<td>9.955748</td>
<td>1.620573</td>
<td>6.143350</td>
<td>0.0000</td>
<td>Positive</td>
<td>Significant</td>
</tr>
<tr>
<td>C</td>
<td>-84.81265</td>
<td>23.09435</td>
<td>-3.672441</td>
<td>0.0003</td>
<td>Negative</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coefficient of determination</td>
<td>0.865766</td>
<td>Coefficient of determination</td>
<td>0.677385</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adjusted coefficient of determination</td>
<td>0.830506</td>
<td>Durbin-Watson statistic</td>
<td>2.010434</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Durbin-Watson statistic</td>
<td>2.271957</td>
<td>F-statistic</td>
<td>24.55398</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prob. (F-statistic)</td>
<td>0.000000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As seen from table (6), P-Value of Prob. (F-statistic) that indicates the significance of the whole regression is equal to 0.0000, which indicates that the model is significant at 99% confidence level. Also, it is seen from the above equation that the result of Durbin-Watson test ranges between 1.5 and 2.5, which is good, and shows that there is a significant
relationship between board composition and disclosure level (confidence level = 95%).

**Test of Hypothesis Two**

- There is a significant relationship between the board composition and the disclosure level.

\[ H_0: \beta_i = 0 \]

\[ H_1: \beta_i \neq 0 \]

**Test of significance of the fixed effects method**

To test the significance of the fixed effects method, F-statistic test and Hausman test should be used.

**Table (7) Results of F-statistic test for test of second hypothesis**

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>18.812216</td>
<td>(54,217)</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**a) Hausman Test**

**Table (8) Results of Hausman test for test of second hypothesis**

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>54.114931</td>
<td>3</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**Table (9) Study of panel model using GLS method**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>STD</th>
<th>t-statistic</th>
<th>Prob.</th>
<th>Type of relationship</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIND</td>
<td>-0.155144</td>
<td>0.067603</td>
<td>-2.294920</td>
<td>0.0227</td>
<td>Negative</td>
<td>95%</td>
</tr>
<tr>
<td>ROE</td>
<td>-0.104462</td>
<td>0.031838</td>
<td>-3.281057</td>
<td>0.0012</td>
<td>Negative</td>
<td>95%</td>
</tr>
<tr>
<td>SIZE</td>
<td>10.70303</td>
<td>1.711070</td>
<td>6.255165</td>
<td>0.0000</td>
<td>Positive</td>
<td>Significant</td>
</tr>
<tr>
<td>C</td>
<td>-78.71312</td>
<td>22.95622</td>
<td>-3.428837</td>
<td>0.0007</td>
<td>Negative</td>
<td>99%</td>
</tr>
</tbody>
</table>

Weighted statistics

| Coefficient of determination | 0.862757 |
| Adjusted coefficient of determination | 0.826707 |
| Durbin-Watson statistic | 2.235868 |
| F-statistic | 23.93219 |
| Prob. (F-statistic) | 0.000000 |

As seen from table (9), P-Value of Prob. (F-statistic) that indicates the significance of the whole regression is equal to 0.0000, which indicates that the model is significant at 99% confidence level. Also, it is seen from the above equation that the result of Durbin-Watson test ranges between 1.5 and 2.5, which is good, and shows that there is a significant relationship between board composition and disclosure level (confidence level = 95%).

**Test of Hypothesis Three**

- There is a significant relationship between CEO duality and the disclosure level.

\[ H_0: \beta_i = 0 \]

\[ H_1: \beta_i \neq 0 \]
Test of significance of the fixed effects method

To test the significance of the fixed effects method, F-statistic test and Hausman test should be used.

**Test of Research Hypothesis**

**a) F-Statistic Test**

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>18.407387</td>
<td>(54,217)</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**b) Hausman Test**

<table>
<thead>
<tr>
<th>Description</th>
<th>Statistic value</th>
<th>Degree of freedom</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>55.442711</td>
<td>3</td>
<td>0.0708</td>
</tr>
</tbody>
</table>

**Table (12) Study of panel model using GLS method**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>STD</th>
<th>t-statistic</th>
<th>Prob.</th>
<th>Type of relationship</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUAL</td>
<td>-4.896943</td>
<td>13.50708</td>
<td>-0.362546</td>
<td>0.7173</td>
<td>Negative</td>
<td>-------</td>
</tr>
<tr>
<td>ROE</td>
<td>-0.100180</td>
<td>0.030870</td>
<td>-3.245199</td>
<td>0.0014</td>
<td>Negative</td>
<td>95%</td>
</tr>
<tr>
<td>SIZE</td>
<td>9.962392</td>
<td>1.617710</td>
<td>6.158331</td>
<td>0.0000</td>
<td>Positive</td>
<td>Significant</td>
</tr>
<tr>
<td>C</td>
<td>-67.00673</td>
<td>26.09301</td>
<td>-2.567995</td>
<td>0.0109</td>
<td>Negative</td>
<td>90%</td>
</tr>
</tbody>
</table>

Weighted statistics                      Non-weighted statistics

- Coefficient of determination: 0.862459
- Adjusted coefficient of determination: 0.826330
- Durbin-Watson statistic: 2.248631
- F-statistic: 2.238703
- Prob. (F-statistic): 0.000000

As seen from table (12), P-Value of Prob. (F-statistic) that indicates the significance of the whole regression is equal to 0.0000, which indicates that the model is significant at 99% confidence level. Also, it is seen from the above equation that the result of Durbin-Watson test ranges between 1.5 and 2.5, which is good, and shows that there is no significant relationship between CEO duality and disclosure level.

**Conclusions and Suggestions**

The results from test of this hypothesis and secondary hypotheses on the studies companies are as follows:

1. There is a significant relationship between the size of the board and the disclosure level.
2. There is a significant relationship between the composition of the board and the disclosure level.
3. There is no significant relationship between the CEO duality and the disclosure level.

**Summary Results**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Statistical method</th>
<th>confirmation or rejection</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a significant relationship between the size of the board and the disclosure level.</td>
<td>Multivariate regression (panel data)</td>
<td>Confirmed</td>
</tr>
<tr>
<td>There is a significant relationship between the composition of the board and the disclosure level.</td>
<td>Multivariate regression (panel data)</td>
<td>Confirmed</td>
</tr>
<tr>
<td>There is no significant relationship between the CEO duality</td>
<td>Multivariate regression (panel data)</td>
<td>Rejected</td>
</tr>
</tbody>
</table>
Comparison of the results from test of hypotheses with the results of other research:

1. According to the results from the test of the first hypothesis, this research is inconsistent with Moeinoddin and Dehghan (2012), which showed that there was no significant relation between ratio of number of non-executive directors to number of executive directors on the one hand, and the final scores of corporate disclosure and its elements.

Also, the results of this study were consistent with Mindzak (2013), who showed corporate size and independence of chairman of board had a positive relationship with voluntary disclosure.

2. According to the results from the test of the second hypothesis, this research is inconsistent with Kashanipour et al. (2009), who showed there was no relation between voluntary disclosure and ratio of number of non-executive directors to number of executive directors.

Also, this research is inconsistent with Ho and Wong (2001), who showed that there was no significant relation between percentage of independent directors and voluntary disclosure.

3. According to the results from the test of the third hypothesis, this research is consistent with Aghaei and Etemadi (2009), who showed that CEO duality had no effect on disclosure or improvement of information content.

Suggestions

1. It is suggested that listed company increase their level of information disclosure by increasing the board size.
2. It is suggested that listed companies increase the percentage of independent directors to increase the level of disclosure.
3. It is suggested that listed companies avoid electing CEO as the chairman of board, because CEO duality results in reduced credibility of disclosure.

5-4-2- Suggestions for Future Research

1- Study of external factors (governing laws, investment regulations, geographic region, industry index), and internal factors (the number of internal auditors, the number of board meetings, the number of audit committee meetings, shareholding of internal auditors, shareholding of independent directors) affecting the level of disclosure in over-the-counter (OTC) companies.

2 – Study of the relationship between transactions of the owners of the company and disclosure level among listed companies.

3 – Study of the disclosure quality with emphasis on corporate governance mechanisms in one of the industries being traded on Tehran Stock Exchange.

References

Persian
4. Hasas Yeganeh, Y. (2006); Corporate governance in Iran, Auditor Quarterly, No. 32, p. 32

Latin
5. Journal of International Accounting, Auditing and Taxation, 10(2), pp139-156.