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ISSN: 2322-4770
Journal of Educational and Management Studies
J. Educ. Manage. Stud., 6(2): 39-45, June 25, 2016

JEMS

Company Induct Role in Decrease Negative Interest Management Effect on Company Accepted In Tehran Security Exchange

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ORIGINAL ARTICLE
PII: S232247701600008-6
Received 10 Jan. 2016
Accepted 07 Mar. 2016
Revised 07 May. 2016

ABSTRACT: This research study company induct role in interest management negative effect's decrease on company accepted in Tehran exchange in one period during 2009-2013 which done with systematic method between all Tehran exchange companies (126). Data was statistically descripted and analyzed. In spite of the fact that hypothesis test method is required to correlation analysis, a quantity regression method for hypothesis test has been used. In this research, variables were consisting of board of director size, non-executive members, separate chairman of the board of director, interest management, likewise was used as financial leverage and company size variables. The result showed contrary and significant relation between board of directors' size and interest management while showed a direct and significant relation between non-executive members and interest management, thus there was not a significant relation between non- managing director member and interest management. Regarding the statistic test in this research, between board of directors and interest management, there is significant relation (first hypothesis) while in second hypothesis the significant relation was between non-executive members and interest management. In third hypothesis there was no significant between chairman of the board and interest management.

Key words: Corporate Governance, Interest Management, Board of Directors Size, Non- Executive Members

INTRODUCTION

This research is done in order to study corporate governance role and interest management that to be imported agency theory discuss. Agency theory showed that the part of company operation is relevant to agency relation between stock holder and management. In fact separation stock holder and management control on company operation can cause interest contrast and agency cost can resulting this interest contrast between management and stock holder. Without this agency problem, report quality have not special problem because management have not any motivation for finance report alteration or information will be kept hidden.

Corporate governance is one of reasons of the agency problem decrease. Mechanized agency governance can decrease interest management opportunity and increase profit quality (Nikomaram and Saltah 2010). This research purposed relation between corporate governance (board of director size, non-executive members and separation chairman of the board of managing director) and interest management in the accepted company in Tehran exchange. This is an important research in Iran's capital market that is determining relation between corporate governance role and interest management in the accepted company in Tehran exchange.

Statement

Interest management is to point to action management and company managing director in finance report profit manipulation. If this action wasn't according rule, it can cause of management opportunity to cheat of makeup schedule (Zhang, 2008). Corporate governance is set of control and guidance tool that use the role, regulation, structure process, culture, and system that can achieve to aim of accountability, transparency and justice. If Interest management is for opportunistic consist negative effect and isn't favorable with stock holder and management it can make conflict and agency suggestion, but if it is for increasing company value with favorable effect, it is the profit efficacy management. In this research we suggest that the corporate governance mechanism as useful tool is for prevention of management opportunistic behavior that it can be dangerous for company value. Corporate governance as mechanism can does decrease management opportunity. Company that has weak corporate governance, in front of management opportunity is the vulnerable, and interest management is harmful for company value. Although company that have good corporate governance can decrease this problem, and so interest management can be less harmful for company or even is useful.

To cite this paper: Babaie A.A. 2016. Company Induct Role in Decrease Negative Interest Management Effect on Company Accepted In Tehran Security Exchange. *J. Educ. Manage. Stud.*, 6(2): 39-45.

Main problem in this research is study the corporate governance role for decrease interest management negative effect in company accepted in Tehran security exchange during 2007 to 2013. Interest management can be both harmful and useful according management performs. There isn't simple method for determine that which part of interest management is harmful or useful. Although, if mechanism has existed so that decreases management opportunity, this subject can decrease harmful effect, and can be useful according to attention to important subject in the current situation in company accepted in Tehran security exchange is necessary.

Interest management, corporate governance

Interest management is kind of action knowing with natural aim shows company interest to desired level. Jones and Sharma (2001) stated that interest management when happened with management used self-judge in finance report and economy activity structure, astray that it can be depend to company performance or agreement result effect to change the finance report.

Corporate governance is set of control and guidance mechanism. Corporate governance orders salary distributes and responsibility of different company that is consists of management, employee, stock holder and other legal and real personality that more accepted effect of company. This regulation system is determine process decision in company involve aim, determine to achieve tool and control system design and method which provided finance resource used for assurance of capital return with close relationship. Corporate governance is set of direction, structure, process, and culture custom that help company achieve to transparency in work process, accountability in front beneficiary, and right observance. Corporate governance mechanism can cause decrease in agency problem. This mechanism quality is relative and different in one company to another company. Corporate governance quality has been supposed in all of stages which make value in company.

Board of director

Board of director is one of key standard for make order management (Fama and Jensen, 1983). Although board of director ability as effect standard for management control, is depending to board of director structure but past research showed that three specification of board of directors can effect on efficacy and do control efficacious by board of direct size, board of direct mix, and board of direct structure (divided managing director role and chairman of the board).

With attention to state upper information in this research wanted study whether corporate governance is effective in decrease negative interest management or not? For this order study opportunistic statement and interest management efficacy in capital market.

Research Record

Peasnell et al. (2006) studied interest management in England about board of directors that are discussed non- executive management and auditing committee. According research result, non-executive management with probability abnormal accrual item, has contrary relation, in order to avoiding of state loss report or decrease profit. More test showed that this relation to limit company is because of separate owner and more control on decision. So this test is show when it done in more level interest management, there isn't evidence in this situation that non- executive can decrease abnormal accrual item. In other part of research, there is not evidence about this subject that auditing committee can affect the profit directly.

Study of Siregar and Utama (2008) about relation board of director structure with interest management in Indian company showed that if board of director has more efficient, can decrease interest management and company management with multi job cause decrease efficiency, but have more interest management. Sayergar and Atama (2008) studied the effect of corporate governance and interest management in company of Indonesia and stated that there haven't significant relation between corporate and interest management. Aghaei (2010) studied the relation between corporate governance specification and interest management in accepted company in security exchange and results showed that there has significant negative relation between institution ownership and interest management and so have between board of directors' independence and interest management (Aghaei and Chalaki, 2009). Except this, there haven't significant relation between other corporate governance specification (owner ship concentration, managing director influence, managing director two binary activity, board of director size, reliance on liability and time tenure managing director in board of director) and interest management. Morad Zadh et al. (2009) with use of two different test correlation test and multi regression section studied the relation between interest management and institutional ownership in accepted company Tehran security exchange. Overall, research result showed a negative significant relation between institution ownership and concentration on interest management.

METHODOLOGY

Research Manner

This research WAS according classification research aim as application and according TO classification method as descriptive. There was a correlation between descriptive researches. So we use multi variable regression for hypothesis test. So for assurance of reliance result, we use before supposition regression.

Population and statistic sample

Statistic in this research consist all of accepted company in security exchange during 2009 to 2013. For sampling used omission method, 126 companies has been chosen as sample. SSPS software was used for model estimation.

Research Hypothesis

First hypothesis: Between board of direct and interest management there have significant relation. Second hypothesis: Between non- executive members and interest management there have significant relation. Third hypothesis: Between separation chairman of the board of managing director and interest management there have significant relation.

Research Variable

In this research corporate governance specifications as independent variable, interest management is as dependent variable and finance lever and company size is as research control variable.

1. In Dependent variable: Corporate governance

In this research corporate governance index consist of board of directors member (board of directors size) non- executive in board directors, common managing director and chairman of the board as main index is chosen as corporate governance. Calculating is below:

Board of directors size: board of director member number

Non- executive member management: ratio non- executive members board director to board director. Separation chairman of the board of managing director: if that chairman of the board is managing director 1 other wise 0.

2. Dependent Variable: Interest management

Interest management when happened, the management with use judge self in finance report and economy activity structure for misled beneficiary about company perform or effect contractual result that dependent to accounting amount, make change in finance report. For measurement interest management used of jonz model. This model represent by Dechow and Skinner (2000).

$$\frac{NDA_{it}}{A_{it-1}} = \alpha_{0i}\left(\frac{1}{A_{it-1}}\right) + \beta_{1i}\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right) + \beta_{2i}\left(\frac{PPE_{it}}{A_{it-1}}\right) + \varepsilon_{it}$$

NDAit: Collected optional accrual item (net profit befor abnormal less optional cash flow) i company in year t

Ait-1: Collected assets company I in year t-1

ΔREV_{it}: Change sale revenue company i in year t-1

ΔREVit: account and account recceive change company i in year t regard year t-1

PPEit: property gross, machinery and equipment company I in year t

For decrease not parallelism variance 2 all of variable divided on collect beginning asset

5.3. Control variable

Business size: To consist of natural logarithm total asset

Financial leverage: To consist of total liability divided asset total

Research Regression Model:

EM=β0+β1(BOARDSIZE)+β2(INDEPENDENT)+ β3(DUAL)+β4 (SIZE)+ β5(DR) $+\varepsilon_{it}$

EM: Earning Management

BOARD SIZE: Board of directors

INDEPENDENT: Non- executive member

DUAL: Separation chairman of the board of managing director

SIZE: Company size

DR: Financial leverage

Σi : Estimate error

RESULTS AND DISCUSSION

Research Descriptive statictic

In order to better recognization community nature in study research and better understanding variable, before data analysis, needed discriptive this data. So data statictic discriptive is step for determine model and process for clear realation between variable that used in research. Research vaeiable is in Table 1. This chart is consist index for descriptive research variable. This index is consist central index, dispersion index and distribut index example mean, maximum, minimum, standard deviation and company number.

6.2. Pearson correlation index

After normal test, a pearson correlation index firstly done and if was significant then we used regression test, in this part independent variable relation (board of direct size, non-executive member, sepreation chairman board of direct of managing director) and earning management was tested. Result of research showed in Tables 1 and 2.

With attention to result, the significant level test was in realation between board of director size and earning managment (P<0.005), in espical relation between non-executive member and earning managment (P<0.001) and less (P<0.05), so confirmation realation between two independent varaible (board of direct size and non executive member) and earning managment and could used regression. Signification level correlation index was in relation between separation chairman board of directors of managing directors and earning management %816 and is larger %5, so the realation between two variables has been rejected and as a result hypothesis has been rejected.

Table 1. Descriptive Statistics

Items	N	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
				Statistic	Std. Error			Statistic	Std. Error	Statistic	Std. Error
BOARD SIZE	126	5.00	7.00	5.1111	.04098	.45995	.212	3.927	.216	13.641	.428
INDEPENDENT	126	.20	1.00	.6528	.02107	.23655	.056	-.466	.216	-.521	.428
DUAL	126	.00	1.00	.0952	.02626	.29472	.087	2.791	.216	5.883	.428
EM	126	-7.99	9.70	1.1269	.28712	3.22287	10.387	-.022	.216	.765	.428
SIZE	126	10.42	18.94	13.9855	.15332	1.72101	2.962	.843	.216	.836	.428
LEV	126	.02	4.14	.5698	.03468	.38929	.152	6.214	.216	56.690	.428

Table 2. Correlations

Items		BOARD SIZE	INDEPENDENT	DUAL	EM
BOARD SIZE	Pearson Correlation	1	.042	.157	-.251**
	Sig. (2-tailed)		.639	.078	.005
	N	126	126	126	126
INDEPENDENT	Pearson Correlation	.042	1	.065	.295**
	Sig. (2-tailed)	.639		.470	.001
	N	126	126	126	126
DUAL	Pearson Correlation	.157	.065	1	-.021
	Sig. (2-tailed)	.078	.470		.816
	N	126	126	126	126
EM	Pearson Correlation	-.251**	.295**	-.021	1
	Sig. (2-tailed)	.005	.001	.816	
	N	126	126	126	126

Regression Variance Analysis

Table 4 shows variance analysis regression between independent variable (board of direct size, non-executive board of director) and earning management, according to this result, total signification regression model showed by ANOVA test. With attention to the significant level less than %5, relation between two independent and dependent variable has been confirmed.

According Table 5, Pearson correlation index between two independent variable board of directors size, non-executive member and earning management was %443. This number showed in significant level error of %5 that there was a significant relation between two variable independent board of directors size, non–executive member and earning management. So H0 in error %5 has been rejected and the correlation between two variables with dependent variable has been confirmed. So adjust determine index calculation was %163. One of regression assumption error independent, error independent hypothesis has been rejected and there wasn't possible use regression. Used Durbin–Watson statistic in distance 1.5 to 2.5, has been rejected the correlation between error and can use regression. Amount of Durbin–Watson statistic in Table 5 was 2.001 and this number showed that error is independent and haven't correlation between error and correlation is rejected and can used regression.

Table 3. ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	254.771	5	50.954	5.859	.000[a]
	Residual	1043.592	120	8.697		
	Total	1298.364	125			

a. Predictors: (Constant), LEV, BOARD SIZE, INDEPENDENT, DUAL, SIZE; **b.** Dependent Variable: EM

Table 4. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.443[a]	.196	.163	2.94900	2.001

a. Predictors: (Constant), LEV, BOARD SIZE, INDEPENDENT, DUAL, SIZE; **b.** Dependent Variable: EM

Regrassion Equation Index

In result and B column represant amount fix and independent variable index in regression equation as below:

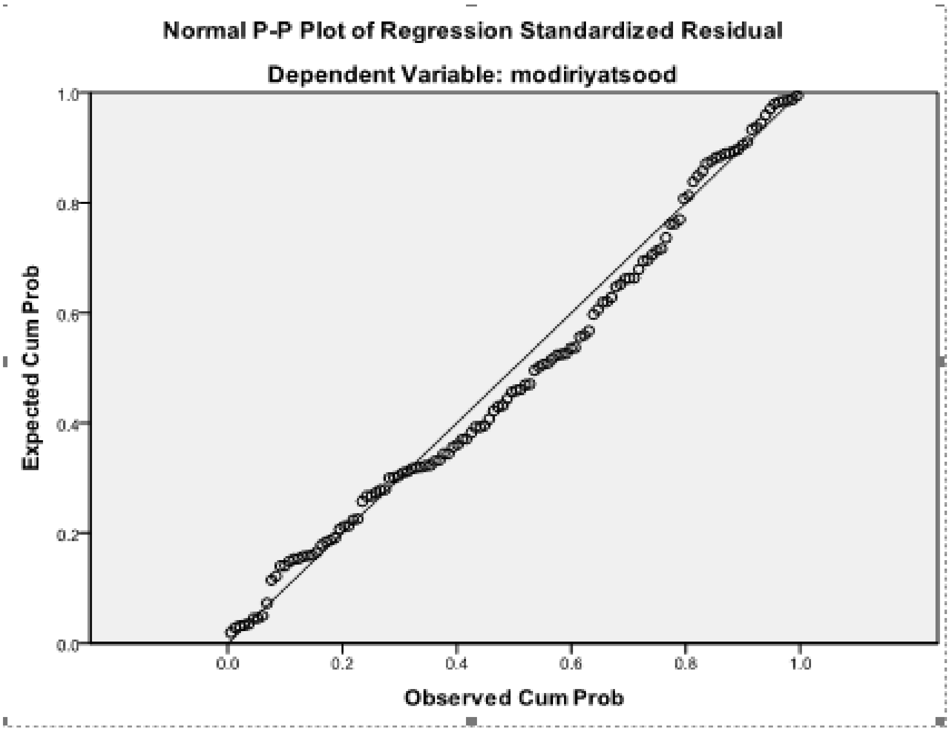
EM = 10991 - 1570 (Board size) + 3192 (Independent) - .316 (Size) – 1561 (DR) + ε

In this result the significant level is related to fix amount and regression grade line less than 5%. So equality in this two index that is rejected and shouldn't omission regression equation. With attention to elder significant level T statistic that was related to separation chairman board of direct of managing director omission variable regression equation. This showed in table related Pearson correlation, so that there haven't relation between two variable and dependent variable. So with attention to smaller than significant level related control variable %5, index this variable showed in regression equation. In end it showed graph related line and regression equation correlation.

Table 5. Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.991	3.527		3.117	.002
	BOARD SIZE	-1.570	.616	-.224	-2.549	.012
	INDEPENDENT	3.192	1.224	.234	2.608	.010
	DUAL	-.120	.910	-.011	-.132	.895
	SIZE	-.316	.153	-.155	-2.065	.041
	LEV	-1.561	.696	-.189	-2.242	.027

a. Dependent Variable: EM



Graph 1. Regression equation and line

DISCUSSION

With attention to test with regression and correlation as observation in Table 3, result showed that correlation coefficient is -%251 between board of director size and earning management, this number showed that one unit change in board of directors size average that caused %251 change unit in earning management. Study showed that with attention to significant level confirmation upper hypothesis, there is negative board of directors coefficient that have significant and reverse relation between board of directors and earning management. Significant and relation company size and financial leverage and earning management and this variable has consist significant relation with earning management. In this hypothesis result showed that with board of directors size increase, an earning management in company accepted in Tehran security exchange has been decreased.

Relation second hypothesis that give this result, correlation coefficient between non- executive member board of directors and earning management is %295, this number showed that one unit change in non- executive member average cause %295 unit change in earning management. Study showed that with attention to significant level that was confirmed this hypothesis, and with attention to positive size coefficient non- executive member board of directors that have significant and direct relation between non-executive member board of directors and earning management. This was attention to point significant and relation company size and financial leverage and earning management and that this variable has consisted significant relation with earning management. Result obtained of this hypothesis showed that with increase non-executive member board of directors, an earning Management Company accepted in Tehran security exchange has been increased. With attention to test that do with way of regression and correlation, the significant level correlation coefficient for third hypothesis was more than %5 between separation chairman of the board of managing director and earning management and there haven't relation between two these variables.

Research suggestion

1. with attention to confirmation of first hypothesis to investment, stockholder, and management do suggest, relation board of directors size and earning management do matter and used, in self-decision about earning management in company accepted on Tehran security exchange.

2. With attention to second hypothesis confirmation, to stockholder and investment and all of active capital market suggested for careful assessment and complete earning management, other factor example company size, and financial leverage study with non-executive member and direct relation with earning management.

3. Effect of corporate governance on earning management in briskness and failure of Iran capital market.

4. Effect of information unsymmetrical and cash on earning management on Tehran security exchange.
5. Study was same during period time 10 to 15 year.
6. To limit same research in one or much special Industry.

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