

CORPORATE GOVERNANCE SYSTEM AND EFFICIENCY OF FIRMS (CASE STUDY: COMPANIES LISTED ON TEHRAN STOCK EXCHANGE)

¹Morteza Bavaghar, ²Mehdi Parvaresh*, ³Mohammad Mahmoudi, ⁴Ali Homayoun

^{1,2,3,4}Department of Accounting, Roudan Branch, Islamic Azad University, Roudan, Iran **ARTICLE INFO**

ABSTRACT

The corporate governance system consists of laws, regulations, structures, processes, cultures and systems which achieve the objectives of accountability, transparency, justice and respecting the stakeholders' rights. This study seeks to examine the relationship between the corporate governance system as the independent variable through the mechanisms (variables): The percentage of institutional investors' ownership, the percentage of independent board members, presence of internal auditor, and corporate information transparency with the stock return (common and non-common stock) and the stock price as the dependent variables. The firm size and systematic risk are also entered into the model as the control variables. In this regard, 118 member companies on stock exchange are selected as samples by targeted sampling method; and Pearson correlation coefficient and ordinary least squares (OLS) econometric method are utilized to test the hypotheses and analyze data. The results suggest that there is a significant correlation between the corporate governance and the stock price and return of listed stock exchange companies and only the information transparency has no significant impact on the stock price and return. The highest correlation is between various governance mechanisms and the dependent variables associated with the correlation between independent directors and return on common stock (with the positive coefficient of 0.73), the correlation between investors' ownership and return on non-common stock (with the positive coefficient of 0.59) and the correlation between investors' ownership and stock price (with the positive coefficient of 0.79).

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