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The Relationship between the Duality of Responsibility and Property Managers Director Financial Distress of listed Companies in Tehran Stock Exchange

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Abstract: Corporate governance is one of the components of effective in any business. Therefore this study was examined to evaluate the effect of financial distress voluntary corporate governance of listed companies in Tehran Stock Exchange. In this review the financial statements of 189 companies listed in Tehran Stock Exchange were carried out during the years 1388 to 1392, the results of this study indicated that the major investors and managers who are part of shareholders can prevent the creation of financial distress.

Keywords: Corporate Governance, Bankruptcy, Financial Distress, Tehran Stock Exchange.

Introduction

Today, the concept of corporate governance is a term that in recent years in the wake of massive financial scandals in the corporate interest to researchers as one of the most important issues have been raised for investors. There are several definitions of corporate governance on the one hand the limited range of definitions with an emphasis on companies and shareholders and on the other hand with a wide definition of accountability in relation to the people or interest groups. Corporate governance is a set of within the company and outside the company's control mechanisms that appropriate balance between equity on the one hand and on the other hand establishes the required and optional Finally, this mechanism is reasonable certainty to shareholders and providers of funds and other interest groups that investment provides them with a reasonable income return and mechanisms will be in terms of value creation.

Research for this study: Miglani et al (2015), in a study entitled "Voluntary corporate governance structure and financial distress" that the results of this study showed that there are some useful mechanisms for corporate governance and reduce financial distress these companies. Hassanzadeh Brothers et al (2012) in a study entitled "The relationship between corporate governance mechanisms and value-added economic value created for shareholders," the results showed that eight corporate governance mechanism, four mechanisms (penetration and ownership of the state, the institutional ownership, capital structure and the free float) with the value created for shareholders relations. Fakhari and Yusuf Ali Tabar (2010) in a study entitled "The relationship between dividend and corporate governance of listed companies in Tehran Stock Exchange" The results showed a significant inverse relationship between corporate governance and Share there is profit. As well as companies from the stock dividend

to their reputation and the relationship between corporate governance and dividend, there is little impact on corporate governance. Roodposhti and Aslani (2009) study entitled "The relationship between corporate governance and methods of financing and profitability of companies, listed on Tehran Stock Exchange" The results showed that the concentration of ownership by size down more Iranian companies and firms to increase the size of their profitability will increase significantly. It was also found that the majority shareholder does not want to bring in new partners will lose control over the company.

Materials and Methods

This is a Descriptive and correlation study. A description of the conditions described for the deals and solidarity in the sense that it refers to the relationships between variables. The research time is a retrospective study, and the goal is an applied research. In this study, a representative sample of the target population is proper, systematic elimination method is used. For this purpose, four criteria were considered and if the company has met all the criteria, for example the research and the rest are deleted, the number of companies in the sample of 189 companies.

Experimental results: Due to variables and hypotheses, regression model used, derived from the study Miglani et al (2015) used to test the hypothesis.

The first hypothesis testing: First hypothesis considers that there is a positive relationship between the independence of the board and the company's financial distress.

$$DISTRESS_{it} = \alpha_0 + \beta_1 DUALITY_{it} + \beta_2 AUDITOPN_{it} + \beta_3 LEVERAGE_{it} + \beta_4 SIZE_{it} + \beta_5 BIG_{it} + \beta_6 MGTEFF_{it} + \beta_7 TANGASSETS_{it} + \varepsilon_{it}$$

Results

Table 1. Chow test hypothesis.

Test results	Possibility	Statistics	Null hypothesis
The null hypothesis is rejected	0.000	15.3583	Data Integration

Table 2. Hausman test the first hypothesis.

Test results	Possibility	Statistics	Null hypothesis
The null hypothesis is rejected	0.3335	7.98925	Random effects

Chow test results show that the first assumption is that the data are a compilation. Table 2 shows the results obtained probability is greater than 5%, so the null hypothesis is confirmed and used random-effects model. As a result, estimates of the first hypothesis shows a significant positive relationship between duality is the responsibility of the CEO and financial distress. The negative correlation is established between leverage and firm size variable. 0.0720 variable coefficient of determination is the responsibility of the Director to 7.2% dichotomy has been able to cover the company's financial distress. The F statistics show that the regression model is significant. The Durbin-Watson statistic of 1.92 indicates that there is no autocorrelation between residuals.

Table 3. The result of estimating the hypothesis.

Variable name	Prob	t Statistics	Coefficient Factor
Fixed amount	0.1427	1.466929	0.892902
Independence of Board of Directors	0.1370	1.488221	0.112669
Auditor's report	0.0413	0.073631	0.004735
Financial Leverage	0.0106	-1.339869	-0.300414
Company size	0.0038	-0.783124	-0.032068
Company Enlargement	0.0010	1.009424	0.101357
Management efficiency	0.0033	0.008393	0.001088
Evident assets	0.0028	1.072516	0.297750

The coefficient of determination	0.0720
Adjusted coefficient of determination	0.0685
F Statistics	0.776
Durbin-Watson	1.92

As well as histograms Figure 2 shows the distribution of residuals is normal. While Jarek statistics for more than 5%, so the normal distribution of residuals.

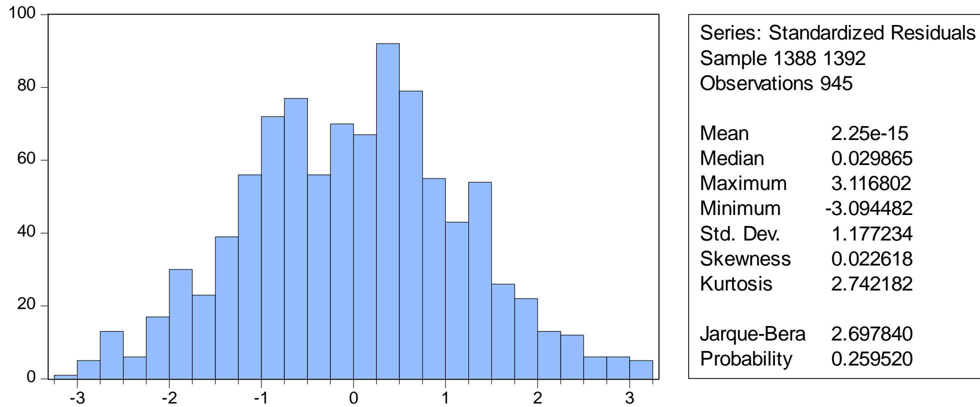

Figure 1. Diagram of the remaining errors in the third hypothesis.

The second hypothesis test: In the second hypothesis was proposed that: There is a negative relationship between property managers and financial distress.

$$DISTRESS_{it} = \alpha_0 + \beta_1 DIROWN_{it} + \beta_2 AUDITOPN_{it} + \beta_3 LEVERAGE_{it} + \beta_4 SIZE_{it} + \beta_5 BIG_{it} + \beta_6 MGTEFF_{it} + \beta_7 TANGASSETS_{it} + \varepsilon_{it}$$

Table 4. Test the hypothesis Chow.

Test results	Possibility	Statistics	Null hypothesis
The null hypothesis is rejected	0.000	15.585	Data Integration

Table 5. Hausman test the second hypothesis.

Test results	Possibility	Statistics	Null hypothesis
The null hypothesis is rejected	0.6336	5.216158	Random effects

As Table 4 shows the results of less than 5% probability zero, so the opportunity is rejected. So the data are the panel type. Hausman test results also show that the probability is greater than 5% have zero opportunities is confirmed and random effects model is used. The results of Table 6 show that the negative relationship between ownership and Management Company is in financial distress. The coefficient of determination is 0.0798. That is changing at a rate of 7.98% management ownership has been able to cover financial distress. F statistics showed that the regression model is significant. The Durbin-Watson statistic of 1.61, so there is no disruption of autocorrelation between components.

Table 6. Results of the second hypothesis estimating.

Variable name	Prob	t Statistics	Coefficient Factor
Fixed amount	0.0145	1.458488	0.891911
Independence of Board of Directors	0.0459	-0.598165	-0.047761
Auditor's report	0.0413	0.073631	0.004735
Financial Leverage	0.0106	-1.339869	-0.300414
Company size	0.0038	-0.783124	-0.032068
Company Enlargement	0.0010	1.009424	0.101357

Management efficiency	0.0033	0.008393	0.001088
Evident assets	0.0028	1.072516	0.297750
The coefficient of determination		0.0798	
Adjusted coefficient of determination		0.0745	
F Statistics		0.686	
Durbin-Watson		1.61	

As well as histograms Figure 2 shows the distribution of residuals is normal. While Jarek statistics for more than 5%, so the normal distribution of residuals.

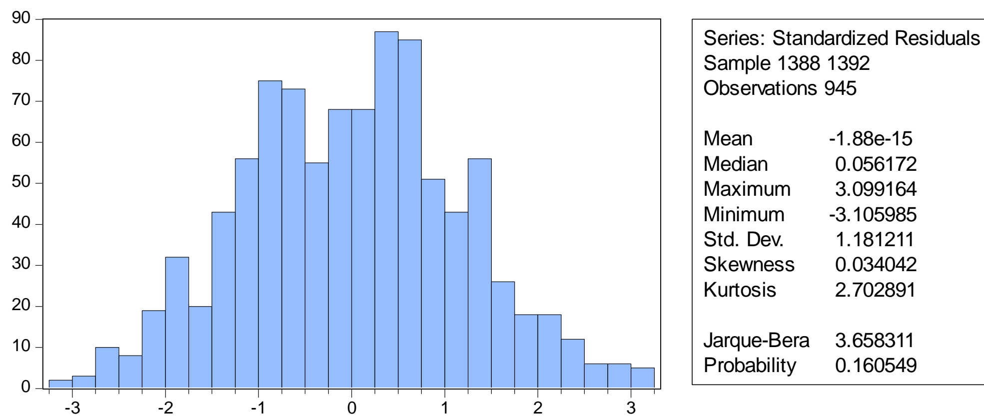

Figure 2. Diagram of the remaining errors in the second hypothesis.

That in the above model:
$DISTRESS_{i,t}$: The financial distress of firm i in year t,
$OUTSIDERS_{i,t}$: Divided by the total number of outside directors board of firm i in year t,
$BLOCKOWN_{i,t}$: The number of shares divided by the total number of shares outstanding institutional investors now i in year t,
$AUDITOPN_{i,t}$: Received an unqualified opinion firm i in year t will be 1 and otherwise zero.
$LEV_{i,t}$: The ratio of debt to total assets of firm i in year t,
$SIZE_{i,t}$: The natural logarithm of the total assets of firm i in year t,
$BIG_{i,t}$: Company auditors audit the members of the organization, the number will be 1, otherwise zero.
$MGTEFF_{i,t}$: Net sales divided by total assets of the company i in year t,
$TANGASSETS_{i,t}$: Tangible assets divided by total assets of the company i in year t,
$\varepsilon_{i,t}$ Error component regression model

Conclusion

The first hypothesis test results showed a positive relationship between the dual responsibilities of the Director of Financial Distress Company there. As defined in the dual responsibility of the Director also discussed the situation in a manner that is leaning Director is also the CEO and the Chairman of the seats. In such circumstances, if the CEO is the wrong decision and an error in the company's board of directors is responsible for the error because they are covered. An error could lead the company to brink of the financial distress. So we can conclude that duality of responsibility CEO can have a major role in financial distress. The results of the study hypothesis are consistent with Miglani et al (2015). Hypothesis test results revealed a negative correlation between property managers and financial distress there. So it can be concluded when their managers are also shareholders of the company to profitability and free from distress and financial crises are concerned, because they are also interested in the company. But when the director is merely the self-employed management and financial distress at the company's shareholders is likely to be more. The results of the hypothesis or research are consistent with Miglani et al (2015).

The results of hypothesis testing approaches the Director as CEO and Chairman of the Board at the same time providing financial distress that could lead to the company. He could have been errors in financial decision-making to hide. But when there is no duality of responsibility CEO, Chairman of the Board of Directors and in particular the

preventive role plays and can control their duties Director. The second hypothesis test results show that the company's shareholders if managers are to prevent and avoid financial distress in the company concerned. Because they are part of the company's stakeholders.

Conflict of interest

The authors declare no conflict of interest

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