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Corporate Governance and Its Effect on the Corporate Performance

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ABSTRACT

In this study we have examined the relationship between the components of corporate governance (institutional share level, independency of board, presence of internal auditors, and the number of responsible board members) and the corporate performance. This is an applied study. In this study, a descriptive survey method has been used according to the nature of issue, objectives and questions of research; and the study has been conducted based on the data collected from the financial statements of companies in the Tehran Stock Exchange during the fiscal year 1388. The number of statistical sample has been calculated according to the relevant formulas and the restrictions in the 77 companies; and 101 companies have been considered for generalizing with high confidence to the society. The main objective of this research is to find an answer to this question whether the mechanisms of corporate governance can affect the corporate performance or not? In this regard, the research model, which is a regression equation, has been fitted with the appropriate statistical methods by SPSS software. According to the fitted model and statistical methods of Pearson correlation coefficient, and Durbin Watson and Kolmogorov Smirnov test, the hypotheses of research have been tested, and analyzed; the results indicate that:

- The board independence has no significant relationship with the Return on assets ratio (ROA) and the Tobin's Q Ratio.
- The presence of internal auditor has no significant relationship with the Return on assets ratio (ROA), but it has a direct significant relationship with the Tobin's Q Ratio.
- The number of responsible board members has an inverse significant relationship with the Return on assets ratio (ROA) and the Tobin's Q Ratio.
- The institutional share has an inverse significant relationship with the Return on assets ratio (ROA) and the Tobin's Q Ratio.

KEYWORDS: Corporate governance; Return on Assets (ROA); Performance; Institutional shares; Altman Index

INTRODUCTION

One of the issues which have been arisen in the financial markets in the recent years is the "corporate governance" which most of the scholars and experts from different fields such as accounting, marketing, finance, economics, law and etc have examined it from different aspects, and each one has explained and interpreted it from his own vision. The corporate governance Issue can affect the various aspects of company and its management including the performance management, earnings management and capital structure. The management of capital structure, which reflects the financial leverage of companies and the way by which the capital of company is applied by the managers, is one of the important issues in this section. This study examines the effect of variables in the corporate governance, such as the ownership structure (the concentration rate of corporate ownership) on the responsible members, and the quality of auditing on the corporate performance and corporate performance; and determines the performance and movement of companies. Elements which take part in this stage are: shareholders and their ownership structure, board members and their components, independence of board and other interested parties who may affect the movement of company.

The importance of implementing this research is that, it can explain the factors affecting the corporate performance and their financial policies, so the investors and shareholders will make a more accurate assessment about the capital market and make more accurate investment decisions.

This paper is organized as follows. First, the history and theoretical principles and then the background of subject are studied. In the third section, the questions and hypotheses of research, in the forth section the

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research variables, in the fifth section the methodology, in the sixth section, the findings of research, in the eighth section, Interpretation of Results and finally the suggestions are provided.

What is the corporate governance?

The corporate governance or strategic system is a mechanized system which monitors and controls the behavior of corporate executives in various areas such as financial one which can be applied by the Board of Directors (responsible members, Non-Forced members and their independence), audit committees, and institutional investors [15].

One of the issues, which was raised in the financial markets in the recent years, is the "corporate governance", which many scholars and experts from different fields such as accounting, marketing, financing, economics, law etc. have examined it from different aspects, and each one has explained and interpreted it from his own opinion. The subject of corporate governance can affect various aspects of company and its management including the performance management, benefit management and capital structure. One of the important issues in this part is the performance management or the corporate performance, because the performance management is also included the benefit management and the capital structure management.

Theoretical principles and background of subject

The issue of corporate governance was raised in England, America and Canada in 1990s in response to the problems caused by the lack of effectiveness of board in the performance of big and market leader companies. But after a while, this issue which was formed in the private sector was also expanded to the public sector. Four basic pillars of corporate governance, which are discussed beyond the boundaries of various cultural, legal, economic and ... structures in the countries, are Equity, Transparency, Accountability, and Responsibility which are generally common in both areas - the private and public sector - and all frameworks of corporate governance.

From the international perspective, the corporate governance is as a set of mechanisms which results in a personal weakness of company managers in making decisions to maximize the value of company for the owners. On the other hand, because of numerous problems, it is possible that the corporate executives do not use the company resources in order to increase the shareholders' wealth. Nowadays, Scholars have considered that the best solution to this problem is to improve the corporate governance. Corporate governance includes the criteria which can reduce the managers' power in pursuing the personal interests, and improve the corporate performance by increasing the decentralization in corporate controlling [6].

Classifying the system of corporate governance

Efforts, which have been made for classifying the corporate governance systems, were associated with the complications. However, one of the best efforts, which are more acceptable by the experts, is the classifications known as the systems within and outside the organization. The terms "within and outside the organization" indicate efforts to describe two types of corporate governance systems. In fact, most of the corporate governance systems are between these two groups and are common in some of their features. This dichotomy of corporate governance is due to the differences which exist between the cultures and legal systems. However, countries are trying to reduce these differences, and it is possible that the corporate governance systems worldwide will be closer together.

Principles of corporate governance

Principles of corporate governance were developed in response to a call by Organization for Economic Co-operation and Development (OECD) in a meeting which was held at the ministerial level on 27 and 28 April 1998. The aim of this meeting was to formulate a set of corporate governance standards and guidelines in collaboration with governments, other international organizations and the private sector. Since 1999, when these principles were agreed, these principles have been a basis in order to put the corporate governance in non-member and member countries into practice. In addition, these principles were confirmed as one of the twelve key standards for sound financial system in the Financial Stability conference. These principles include [7]:

1 - Providing a basis for an effective framework of corporate governance
2 – Shareholders' rights of and key functions of ownership
3 - Equal treatment of shareholders
4 – Stakeholders' role in corporate governance
5 – Framework of corporate governance should ensure the accurate and timely disclosure of all important issues including the financial conditions, performance, ownership and corporate governance
6 - Framework of corporate governance should ensure providing the strategic guidelines for company, board effective monitoring, management, and the accountability toward the company and shareholders.

Corporate Performance

Senior managers have always been looking for a solution to ensure that their strategies have been implemented; for the purpose, they have used the performance evaluation methods as the tool for monitoring the implementation of strategies. But the features of knowledge and information-based economy era have severely questioned the effectiveness of traditional methods of performance evaluation. Moreover, in today competitive and complex trading environment the success of enterprises depends on the process of continuous improvement. This importance issue is done through setting goals, planning and implementing the programs and consequently the performance evaluation. Performance evaluation is done in order to be aware of the level of achieving to the predetermined goals, performance of each sectors of organization, and improvement of internal processes. The corporate condition is examined compared with the past condition of competitors and the predetermined goals based on the traditional or new methods, and its results are used to identify the strengths and weaknesses, develop the future programs and plans, and also grant the rewards for managers and employees' performances [9].

International Researches

Tesay and Gurr (2007) studied the relationship between the institutional ownership and the corporate performance in Casino industry from 1999 to 2003. In this study, the institutional ownership was equal to the percentage of shares held by the public companies from the whole capital stock, and these companies included insurance companies, financial institutions, banks, public companies, and other units of government. It showed that the institutional investing might help the investors of this industry to reduce the agency issues resulting from the separation of ownership and management [30].

Kapopoulos and Lazarito (1999) studied the effect of ownership structure on the corporate performance using the information from 175 Greek companies and concluded that the concentrated ownership structure was positively related to the higher profitability of company, and for higher profitability, ownership with lower dispersion was essential [21].

Muller and Spitz (2006) analyzed the relationship between the managerial ownership and the performance of small and medium sized private German companies with the motivational hypotheses test. In their study, they used a sample of 356 service sector companies, which were related to the trade, from 1997 and 2000. The research findings indicated that the performance of companies with over 40% administrative ownership was improving [25].

Agrawal and Naveir (1996) evaluated the relationship of corporate performance based on the Tobin Q ratio and seven mechanisms of corporate governance in 383 companies. They found that there was no significant relationship between the performance and institutional ownership both in ordinary least squares method and the two-stage least squares method [14].

By studying the sample of 867 American corporations from 1987 to 1988 and continuous usage of simultaneous equations, Ledder and Martin (1997) found that there was no significant relationship between the level of institutional ownership and the corporate performance according to the Q Tobin ratio [24].

Using the integrated data and simultaneous equations system, Tesay and Jiyu (2007) reviewed the relationship between the institutional ownership and corporate performance in American Casino industry companies from 1999 to 2003. Their findings indicated that there was a significant positive relationship between the institutional ownership and the corporate performance based on the Tobin's Q ratio in Casino industry companies [30].

Benjamin Ahikoya (2007) studied the effect of corporate governance structure on the corporate performance in Nigeria. Findings of his research confirmed the positive effect of corporate concentrated ownership on their performance. There have been gained important evidences which indicated that the board independence had no effect on the corporate performance. The results of research indicated that the corporate size and financial leverage had no effect on their performance [15].

National Researches

Findings obtained by Namazi and Kermani (1387) indicate that there is a negative and significant relationship between the institutional ownership and the corporate performance, and positive and significant relationship between the corporate ownership and corporate performance. Administrative ownership has a significant negative effect on the performance. There has not been observed any information about foreign ownership which represents the foreign investors' ownership in sample companies. In the private ownership, it is better if corporate investors own the company. In general, there is a significant relationship between the ownership structure and their performance [12].

Yeganeh and colleagues (1388) concluded in their studies that there was no significant relationship between the quality of corporate governance and the corporate performance [6].

The studies conducted by Qalibaf-Asl and Rezaei (1386) about the effect of board structure on the corporate performance suggest that there is no significant relationship between the non-forced members and any performance criteria. Other findings of study indicate that there is a significant inverse relationship between the financial leverage and the shareholders' Rate of return. In addition, there is a significant positive relationship between the firm size and the net profit margin; and there is a significant positive relationship between the firm size and the gross profit margin [9].

Research questions and hypotheses

Research question

1. What kind of relationship is there between the board independence and the ratio of financial leverage in the company?
2. What kind of relationship is there between the presence of independent auditor and the ratio of financial leverage of company?
3. What kind of relationship is there between the ratio of responsible board members and the financial leverage ratio of company?
4. What kind of relationship is there between the institutional share of company and financial leverage ratio of company?

Research hypotheses

1. Is there a significant and direct relationship between the independence of board and Return on assets ratio of company?
2. Is there a significant and direct relationship between the presence of internal auditor and the Asset Ratio of company?
3. Is there a significant relationship between the responsible members of board and the Asset Ratio of company?
4. Is there a significant and direct relationship between the corporate institutional shares and the Asset Ratio of company?
5. Is there a significant and direct relationship between the board independence and Tobin's Q ratio of company?
6. Is there a significant and direct relationship between the presence of internal auditor and Tobin's Q ratio of company?
7. Is there a significant relationship between the responsible members of board and Tobin's Q ratio of company?
8. Is there a significant and direct relationship between the corporate institutional shares and Tobin's Q ratio of company?

Research hypotheses

1. There is a significant and direct relationship between the independence of board and the Assets Ratio of company.
2. There is a significant and direct relationship between the presence of internal auditor in the company and the Assets Ratio of company.
3. There is a significant and direct relationship between the ratio of responsible members of board and the Assets Ratio of company.
4. There is a significant and direct relationship between the institutional shares of company and the Assets Ratio of company.
5. There is a significant and direct relationship between the independence of board and Tobin's Q ratio of company.
6. There is a significant and direct relationship between the presence of internal auditor in the company and Tobin's Q ratio of company.
7. There is a significant and direct relationship between the ratio of responsible members of board and Tobin's Q ratio of company.
8. There is a significant and direct relationship between the institutional shares of company and Tobin's Q ratio of company.

Research variables

Variables of this study are quantitative and according to their role, three types of dependent, independent, and controlling variables have been used. The corresponding values for these variables have been prepared from the financial statements, board reports, and audit reports of company. The variables of this study are as follows by the separation of their types.

Independent variables

1. Board Independence: If the board chairman of company is the CEO, there has not been the board independence; therefore the value zero is given to this variable. Otherwise the value one is given.
2. Percentage of responsible board members: It is obtained from the ratio of responsible board members to the total number of board members [20].

3. Amount of institutional shares: The institutional investors are those shareholders including banks, pension funds, insurance companies, and foundations which have more than 20 percent of company individually or collectively; and the amount of institutional share is equal to the total square of institutional investors' total shares [20].
4. Presence of Internal Auditor: If the company has an internal independent auditor, the value one is given to this is variable; otherwise the value zero is given.

Dependent variable

1. **Qtobin ratio:** The value of company plus the total debt divided by the total assets [27].
2. **ROA ratio:** The ratio of corporate net profits to the total assets of company [11].

Controlling variables

1. Company size: logarithm of total assets of company or the logarithm of total sales of company is considered as its size [20].
2. Type of ownership: according to the law, if the percentage of direct or indirect ownership is provided for the public institutions more than 50 percent, the company is private, otherwise it is public [20].
3. Bankruptcy: In order to determine whether a company is bankrupt or not, the Altman Z score is used; and if the score is less than 1.81, the company is assumed to be bankrupt [8].

RESEARCH METHODOLOGY

The present study seeks to examine this question: Does the ownership structure of listed companies in Tehran stock exchange have an effect on their performance? Therefore, this is an applied study. The research design is quasi-experimental and uses the post-event approach (through the past data).

Data Collection Method

Useful data for conducting the research includes two categories. First category of information is about the generalities, definitions, theoretical principles and researches carried out in the field of research, and it has been prepared by referring to books, journals, authoritative websites, Persian and Latin articles, and so on. The second category is related to the data which are necessary for calculating the variables of research. Method of collecting data related to each of the independent, dependent and controlling variables has been prepared by referring to the financial statements of companies at the end of fiscal year 1388 and they are available in the Stock Exchange Website.

Research Model

Model of this research, which is based on the dependent, independent, and controlling variables, is obtained by the following equation.

Controlling variables + Independent variables = Dependent variables

According to the above equation, the following research model is a kind of Multivariate linear regression which seeks to estimate the dependent variables of research by considering the controlling variables and based on the independent variables. The following equation is used for fitting the regression model.

$$\mathbf{P = A_0 + F\,(X, Y, Z, E, S, N, V) + \varepsilon_0}$$

Return on assets ratio = A0 + bi (Corporate Governance) + ε0

Tobin's Q ratio= A0+bi (Corporate Governance) + ε0

In the model above, **V, N, S, E, Z, Y, X** represents the concentration of ownership, the ratio of responsible members, qualities of auditing, board independence, size of company, type of company, and bankruptcy index, respectively.

Statistical Population and sample

Statistical population of research is the companies listed in Tehran Stock Exchange which can be adjusted according to the following limitations:

1 – They should not include the investing and intermediary companies. 2 – Their end of fiscal year should be at the end of Esfand. 3 – Their share should be within the trading period.

The statistical sample of study was randomly selected, and only 408 companies were eligible among all stock Exchange companies. After replacing the numbers in the formula, the number of samples in 77 companies were obtained, but based on the access to the information of companies we equal the number of sample companies to 101 in order to generalize the result of sample to the society more confidently.

Analysis Method

The process of data analysis, as a stage of scientific method, has been one of the main bases of each research and by which all research activities are controlled and driven to achieve the results. In this research, collected data are analyzed by the techniques including the descriptive statistics, inferential statistics, drawing tables, and fitting the regression model. Descriptive statistics is used for summarizing the collected information and for more identification of community, and the inferential statistics is used for analyzing data in sample and measuring the uncertainty in deductions, in addition, the fitted model has been used for data analysis.

Research Findings

In order to test the hypotheses, the null and against hypotheses are written as follows:

H_0: There is no direct and significant relationship between the corporate governance mechanisms and the corporate performance.

H_1: There is a direct and significant relationship between the corporate governance mechanisms and the corporate performance.

In order to test this hypothesis, first the Return on assets and Tobin's Q ratio are measured by fitting the following regression model to data and then the Return on assets and Tobin's Q ratio are estimated.

By fitting the above model to the collected data and using the forward method by the software SPSS, the regression relation of the Return on assets and Tobin's Q ratio are obtained during the seven steps; the results are as follows.

Table 1- Estimating the regression coefficients of Return on Assets

	Estimate	Standard deviation	T-VALUE	P-VALUE
Model 1, constant value	-0.022	0.019	-1.13	2.261
Bankruptcy	0.137	0.023	5.854	0
Model 2, constant value	-0.255	0.098	-2.598	0.011
Bankruptcy	0.122	0.024	5.145	0
Company Size	0.0428	0.018	2.42	0.017
Model 3, constant value	-0.221	0.097	-2.275	0.025
Bankruptcy	0.124	0.023	5.335	0
Company Size	0.0447	0.017	2.570	0.012
Ratio of responsible members	-0.129	0.058	-2.229	0.028
Model four, constant value	-0.216	0.096	-2.262	0.026
Bankruptcy	0.123	0.023	5.383	0
Company Size	0.0406	0.017	2.372	0.02
Ratio of responsible members	-0.128	0.057	-2.259	0.026
Concentration of ownership rate	-0.0435	0.021	2.156	0.034

Based on the estimation of coefficients, the fitted regression model of Return on assets is obtained as follows:

ROA = -0.216 + 0.123 V + 0.0406 S - 0.128 Y - 0.0435 X

The above regression equation is fitted by the forward method and the results indicate that: the order of influence of independent and controlling variables on the dependent variable (the ratio of Return on assets) is in a way that the highest effect is related to the bankruptcy, and the size of company, ratio of responsible members of Board, and the concentration of ownership rate are in the lower rank, respectively, and the independence of board, type of company , and the presence of internal auditor, which do not affect the ROA, do not include in the model.

Table 2- Estimating the regression coefficients of Tobin's Q Ratio

	Estimate	Standard deviation	T-VALUE	P-VALUE
Model 1, constant value	2.072	0.472	4.386	0
Company Size	-0.148	0.084	-2.771	0.02
Model 2, constant value	2.169	0.48	4.518	0
Company Size	-0.149	0.084	-2.777	0.039
Ratio of responsible members	-0.281	0.256	-2.096	0.049
Model 3, constant value	2.269	0.489	4.643	0
Company Size	-0.179	0.088	-2.027	0.046
Ratio of responsible members	-0.302	0.257	-2.174	0.041
Bankruptcy	0.11	0.103	2.074	0.049
Model 4, constant value	2.367	0.499	4.745	0
Company Size	-0.211	0.094	-2.244	0.027
Ratio of responsible members	-0.252	0.262	-3.962	0
Bankruptcy	0.132	0.105	4.256	0
Presence of internal auditors	0.097	0.099	4.985	0
Model 5, constant value	2.398	0.506	4.742	0
Company Size	-0.213	0.095	-0.25	0
Ratio of responsible members	-0.241	0.264	-3.912	0
bankruptcy	0.136	0.106	2.28	0.023
Presence of internal auditors	0.096	0.099	3.972	0
Concentration of ownership rate	-0.089	0.197	-4.452	0

Based on the estimation of coefficients, the fitted regression model of Qtobin Ratio is obtained as follows:

Qtobin = 2.398 - 0.213 S - 0.241Y + 0.136V + 0.096 Z - 0.0000089X

In order to test the relationship between the variables in hypotheses, the Pearson correlation coefficient is used.

First hypothesis

According to the table of correlation coefficient, the correlation coefficient between the board independence and the ROA ratio is equal to 0.028, and its probable vale is equal to 0.786 which is higher than 0.05. Thus, the significant direct relationship between the board independence and the ROA ratio is not confirmed with confidence 99%.

Table 3- Correlation coefficient

	Board Independence	ROA Ratio
Board independence:		
Correlation coefficient	0.028	1
probability value	0.786	0
Total	99	99
ROA ratio:		
Correlation coefficient	A	0.028
probability value	0	0.786
Total	99	99

Second hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to 0.049 between the presence of internal audit and the ROA ratio, and its probability value is equal to 0.633 which is higher than 0.05. Thus, the significant direct relationship between the presence of internal audit and the ROA ratio is not approved with confidence 99%

Table 4- Correlation coefficient

	Presence of internal audit	ROA Ratio
Presence of internal audit:		
Correlation coefficient	0.049	1
Probability value	0.633	0
Total	99	99
ROA Ratio:		
Correlation coefficient	1	0.049
Probability value	0	0.633
Total	99	99

Third hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to -0.648 between the ratio of responsible board members and the ROA ratio, and its probability value is equal to 0 which is smaller than 0.01. Thus, the significant inverse relationship between the ratio of responsible board members and the ROA ratio is approved with confidence 99%.

Table 5- Correlation coefficient

	ratio of board members	ROA Ratio
Ratio of responsible board members:		
Correlation coefficient	-0.648	1
Probability value	0	0
Total	99	99
ROA Ratio:		
Correlation coefficient	1	-0.648
Probability value	0	0
Total	99	99

Fourth hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to -0.477 between the ratio of institutional shares of company and the ROA ratio, and its probability value is equal to 0 which is smaller than 0.01. Thus, the significant inverse relationship between the ratio of institutional shares of company and the ROA ratio is approved with confidence 99%.

Table 6- Correlation coefficient

	Institutional Shares of company Amount	ROA Ratio
Institutional Shares of company:		
Correlation coefficient	-0.477	1
Probability value	0	0
Total	99	99
ROA Ratio:		
Correlation coefficient	1	-0.477
Probability value	0	0
Total	99	99

Fifth hypothesis

According to the table of correlation coefficient, the correlation coefficient between the board independence and the Q Tobin ratio is equal to 0.043, and its probable vale is equal to 0.682 which is higher than 0.05. Thus, the significant direct relationship between the board independence and the Q Tobin ratio is not approved with confidence 99%.

Table 7- Correlation coefficient

	Board Independence	Tobin's Q ratio
Board independence:		
correlation coefficient	0.043	1
Probability value	0.682	0
Total	94	94
Tobin's Q ratio:		
Correlation coefficient	1	0.043
Probability value	0	0.682
Total	94	94

Sixth hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to 0.565 between the presence of internal audit and the Q Tobin ratio, and its probability value is equal to 0 which is smaller than 0.01. Thus, the significant direct relationship between the presence of internal audit and the Q Tobin ratio is approved with confidence 99%.

Table 8- Correlation coefficient

	Presence of internal audit	Tobin's Q ratio
Presence of internal audit:		
correlation coefficient	0.565	1
Probability value	0	0
Total	94	94
Tobin's Q ratio:		
Correlation coefficient	1	0.565
Probability value	0	0
Total	94	94

Seventh hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to -0.665 between the ratio of responsible board members and the Q Tobin ratio, and its probability value is equal to 0 which is smaller than 0.01. Thus, the significant inverse relationship between the ratio of responsible board members and the Q Tobin ratio is approved with confidence 99%.

Table 9- Correlation coefficient

	Responsible board members ratio	Tobin's Q ratio
Responsible board members ratio: Correlation coefficient	-0.665	1
Probability value	0	0
Total	94	94
Tobin's Q ratio:		
Correlation coefficient	1	-0.665
Probability value	0	0
Total	94	94

Eighth Hypothesis

According to the correlation coefficient table, the correlation coefficient is equal to -0.533 between the ratio of institutional shares of company and the Q Tobin ratio, and its probability value is equal to 0 which is smaller than 0.01. Thus, the significant inverse relationship between the ratio of institutional shares of company and the Q Tobin ratio is approved with confidence 99%.

Table 10- Correlation coefficient

	Institutional Shares of company rate	Tobin's Q ratio
Institutional Shares of company rate:		
Correlation coefficient	-0.533	1
Probability value	0	0
Total	94	94
Tobin's Q ratio:		
Correlation coefficient	1	-0.533
Probability value	0	0
Total	94	94

Interpretation of findings

1. In this study, we studied the effect of four main factors of corporate governance including the board independence, presence of internal auditor, responsible board members ratio and the amount of institutional shares on the Return on assets and Tobin's Q ratio and the following results were obtained:

2. There is no relationship between the board independence and the Return on assets ratio. However, this issue is confirmed in Iranian companies because despite the fact that the CEO is apparently independent in Iran and is not one of the board members, it is generally under the influence of the board because of specific reasons. In general, in most Iranian companies, the issue of CEO's independence is not much effective due to the lack of meritocracy and relational employments, and it usually has been much considered in the previous studies.
3. Lack of relationship between the presence of internal audit and the Return on Assets ratio is confirmed. It should be noted that the topic of presence of internal auditor has not been considered a lot in the studies, but demand results, which are obvious at the different levels, can be due to dividing the companies into three levels; and this inverse effect on the bankrupt companies and also direct effect on the bankrupt companies indicate that there is no relationship in all companies. In general, the presence of internal auditor is as a factor under which the companies provide more realistic internal reports; the results also confirm this subject.
4. Inverse and significant relationship between the ratio of responsible members and Return on Assets Ratio is confirmed, and the results are as expected and same as the results of previous researches. This topic suggests that the corporate Return on Assets Ratio is reduced by increasing the ratio of responsible board members.
5. The relationship between the ratio institutional shares (Concentrated Ownership) and the corporate performance is inverse and significant. This result suggests that by increasing the number of major real and legal shareholders, who are mostly related to the financial institutions, private companies, and public companies, the profitability issue is not considered more and they usually seek to achieve other objectives including the strategies for their institutions. Results were similar to the results of most of conducted researches such as the research conducted by Babaei and Ahmadvand, but it is contrary with the results of international studies.
6. There is no relationship between the board independence and the Q Tobin Ratio. This result indicates that the Iranian companies have not taken attention to the board independence issue. (Reasons discussed about the returns on asset ratio also are true in this case).
7. Direct and significant relationship between the presence of internal auditor and the Tobin's Q ratio indicates that the internal auditor has the positive effect on the Tobin's Q ratio of companies. Despite the fact that researches in this case is also too less, the results are consistent with the previous results of researches. Therefore, the internal auditor can increase the controlling and monitoring system and also the performance of system by affecting the transparency of reports.
8. An inverse and significant relationship between the ratio of responsible members and the Tobin Q ratio is approved. Therefore, increased number of responsible board members could affect the corporate performance. Therefore, non-forced members can lead to shareholders' return on equity.
9. An inverse significant relationship between the amount of concentration (Institutional Shares) and the Tobin Q ratio is confirmed. It should be noted that this hypothesis is accepted in most previous studies, and the results of this study is consistent with them such as studies conducted by Rezaeian and Namazi (Reasons discussed about the returns on asset ratio also are true in this case).

Policy proposals

As noted, the corporate governance and its effect on various aspects of companies is one of the most important modern issues. Unfortunately, the background of internal research is too low compared to the external background. However, nowadays the focus on these researches has been increased. According to research findings the below research and policy recommendations are presented:

1. The additional variables including the number of ownership years for institutional owners should be used in order to evaluate the relationship between the institutional ownership and the corporate performance.
2. The additional related to the board member such as age, gender and management experience should be used in order to evaluate the relationship between the board members and the corporate performance.
3. Researchers should conduct this study by replacing the controlling variables with independent variables; In this case, the ruling criteria can be applied as controlling variables, the type and size of company are considered as independent variables, and their effect on the corporate performance can be investigated.
4. Topics related to the independence of board and the presence of internal auditors should be further investigated.
5. The probability to have a relationship between the risk of bankruptcy and corporate governance can be an interesting subject for conducting new researches.
6. It is recommended that the managers consider the issues related to the independence of board and the presence of internal auditor more than before.
7. It is recommended that the individuals and legal entities consider the corporate governance indexes in their decisions for purchasing the stock of companies.
8. It is recommended that the shareholders increase the number of non-responsible members of board in order to reduce the conflict between their interests and the members of board's interests.

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