Investigating the Impact of Corporate Governance Components on Financing and Dividend Policies of Firms

Farshid Ghalebi[1], Dr. Siroos Korahi Moghadam[2], Dr. Ali Hossein Zadeh[3]

[1]Graduate Student Of Islamic Azad University, Science And Research Branch, Khozestan, Iran.
[2]Faculty Member Of Islamic Azad University, Masjed Soleiman, Department Of Accounting, Masjed Soleimam, Iran.
[3]Faculty Member Of Ahahid Chamran University, Ahvaz, Iran.

Abstract: The Purpose of This Study is to Investigate the Impact of Characteristics of Corporate Governance on Financing and Dividends Policies. In Firms Listed in Tehran Stock Exchange. to Measure the Characteristics of Corporate Governance, There Components of the Ratio of Non executive Directors, Shareholder Ownership Concentration, and Board of Directors` Size Have Been used, Also in This Study, the Index of Quantifying the Policies of Financial and Dividends Ratio, Respectively to Test Nine Hypotheses of the Study. Data on 115 Firms Listed in Tehran Stock Exchange Have Been Analyzed as a Sample By pooled Data Analysis for time period 1386_1389. In Order Estimate Appropriate Models of hypothesis Testing in Pooled (Panel) Data, Chaw and Houseman tests Were Used. RESUTS of the Study, on the Whole Indicate That Hypotheses One, two, and Six are Confirmed at%99 Confidence Level, and Also, hypotheses There, Seven, and Nine are Rejected. In Other Words, Non Executive Directors Ratio, Shareholder Ownership Concentration, and Board of Directors Size Had a Significant Relationship With Dividend Policy. The Ratio of Non Executive Directors and Shareholder Ownership Concentration Also Had a Significant Relationship With Financing Policy.

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Introduction

Corporate Governance is Procedures and Practices Through Which Companies are Governed and Responsible For Shareholders, Employees and Society. The Purpose of Exercising Corporate Governance is Ensuring a Framework Which Provides a Good Balance Between Management`s Freedom of Action, Reponsibility, and Benefits of Different Stakeholders. Corporate Governance Describes the Firm`s Internal Organization and Power Structure, How the Board of Directors Perform its Duties, the Firm`s Ownership Structure, and Interactions Between Shareholders and Other Stakeholders, Especially Work Force of the Firm and its Creditors. in Fact, Corporate Governance is the Process of Monitoring and Control to Ensure That the Manager`s Performance is in Accordance With Shareholders Benefits (Hassan REGANEH,1386). Recently, the Issue of Corporate Governance Has Attracted Much Attention at the International Level. There are Different Views Regarding Corporate Governance. Limited Views Limit Corporate Governance to the Relationship of the Company and Shareholders. This Will Appear in the From of Agency Theory. While in Wide Range, Corporate Governance is Considered a Network of Relationships Between the Firm, Shareholders, and Other Stakeholders Such as Employees, Customers, Sellers, ETC. Corporate Governance From Work is Designed to Strengthen the Efficient Use of Resources and Also Necessary Responsibility for Monitoring the Benefits and Increased Alignment of the Benefits of Individuals, Firms, and Society. Corporate Governance Aligns the Objectives of Management With Those of Shareholders and Facilitates Effective Monitoring, Thereby it Encourages Managers to Use Resources Effectively. Monitoring Attributable to Corporate Governance is Able to Improve the Reliability of Accounting Earnings and Improves the Effective Informational Capability of Accounting Earnings. There Fore, Corporate Governance Can Be used as an Effecting Factors on Earnings Reliability (Chang, and Sun,2008). Corporate Governance is a System That Monitors the Performance to Achieve The Objectives of the Firm (GUL, and TSUI Study, We Consider the Impact of Corporate Governance Characteristics on Financing and Dividend Policies So as to Investigate Financial Reporting Process. There fore, We Will Investigate the Role of Board of Directors (Bod) on the Firm`s Operations, the Company`s Dividend Payments. The General Goal of This Study is to Investigate the Impact of Corporate Governance Characteristics on Financing and Dividend Policies. Special Goals of the Study Include Presenting

Practical Results Regarding the effects of Corporate Governance Characteristics on Issues Related to actual and Practical Investors and Creditors as Well as Company Directors to Help These Groups Make Right and Rational Decisions.

***Background of the Study:**

Dye (2005) used multi de mentions of Corporate governance to Obtain the Relationship With Other Factors Such as Performance, Information Content of Earnings, Earnings Management, Representing, ETC. He Studied a Comprehensive Set of the Characteristics of Corporate Governance to Measure Various Dimensions of Corporate Governance. FODIL, and WALID (2010) have Investigated the Relationship Between Corporate Governance and Dividend Policy in Canadian Firms. They Studied Time Period 2002_2005 For 714 Firms Listed in Toronto Stock Exchange. They Found Out That Companies With Stronger Corporate Governance Index Had Higher Dividend Rates. They Also Found That Index of Bod as Well as That of Equities Had a Positive Relationship With Payment of Dividends Ratio. They Also Found That there Was a Significant relationship Between Firm Size and Operating Free Cash Level of the Firms and Payment of Dividends ratio. They found a negative Relationship Between Company Risk and Payment of Dividends Ratio. Change, and Sun (2008) be Live That Increased Concentration of Major Shareholders Ownership Provides Enough Incentive to monitor Directors and Decrease and Leverage Ratio. HARTZELL, and Starks (2003) Found Evidence Based on Which Monitored Firms Can Limit Behavior of Directors Through Institutional Investors. Institutional Investors Have the Opportunity, Resources, and the Ability of Monitoring, Regularizing and Affecting Directors. Monitoring Firms Via institutional investors Could Make Directors Pay More Attention to the Firm Performance and Information Content of Earnings. If Institutional Ownership Increases Monitoring, It May Become Associated With Less Use of Discretionary Accruals. BUGSHAN (2005) in His PHD Thesis, Conducted a Study About the Relationship Between Components of Corporate Governance and Information Content of Earnings. Results of His Study Indicated a Significant relationship Between Ownership Concentration, Duality of EOC Task, BOD Size, and Also EOC Tern of Office and a Significant Relationship With Information Content of Earnings; However, there Wasn`t a Significant Relationship Between the Ratio of Non Executive Directors and Information Content of Earnings, Chen Et all (2008) Believes That Bod is the Straightest Mechanism For Monitoring management. It Plays an Important Role in Regularizing Directors, if Their Performance proves to be Inappropriate. It Should Include Members Who are Independent to Observations By HERMALIN, and its Major Shareholders. According to Observations By HERMALIN, and VIZECH (1988), the EOC Who Was Previously a BOD Member, Has More Relative Power Compared to the New EOC. They Concluded That EOC Term of Office in Bod is Positively Associated With earnings Management and Information Content of Earnings. MASHAYEKH, and EMAEILI (1385) Investigated the relationship between Number of Non Executive Directors and Percentage of BOD Ownership and Earnings Quality During the Years 1381_1383. They Concluded that Number of Non Executive Directors and Percentage of BOD Ownership are Not Important in Promoting Earnings Quality of Companies Listed in Tehran Stock Exchange. MORADI (1386) Investigated the Relationship Between Institutional Investors and Earnings Quality and Concluded That There is a Positive Relationship Between Institutional Investors and Earnings Qualities. HASSAS YEGANEH, MORADI and ESKANDARI (1387) Performed a Study Entitled ((A Study of the Relationship Between Institutional Investors and the Firm Value. In Their Study Different Attitudes (in Other Words, Efficient Monitoring Hypothesis, and Convergence of Interest Theory) Towards the Institutional investors Were Tested During the Years 1377_1383. Results of Their Research Showed that there Was a Positive Relationship Between Institiotional Investors and Firm Value Which Confirms Efficient monitoring Hypothesis. NOWRAVESH, KARAMI, and VAFI_E_ SANI (1388) Investigated the Relationship Between Institutional Ownership, Percentage of Non Executive Directors, Debt Ratio and Agency Costs of Firms Listed in Tehran Stock Exchange During the Years 1382_1385. They Concluded That there Was not a Meaningful Relationship Between Percentage of Non Executive Directors as Well as Percentage of Institutional Ownership and Agency Costs.

*They Study Hypotheses

The Study hypotheses Were Developed According to the Theo Retical Basics and Previous Studies as Follows:*First Hypothesis: there is a Significant Relationship Between the Ratio of Non Executive Directors of the Firms and Financial Leverage Rate.* Second Hypothesis: There is a Significant Relationship Between Non Executive Directors Ratio of the Firms and the Amount of Dividend Payments.

*Third Hypothesis: There is a Significant Relationship Between the Ratio of Non Executive Directors of the Firms and the Free.

Operating Cash.*Forth Hypothesis: there is a Significant Relationship Between the Ratio of the Shareholders Ownership Concentration in Companies and Degree of Financial Leverage. *Fifth Hypothesis:

There is a Significant Relationship in Firms And Payment of Dividends.

*six TH Hypothesis: There is a Significant Relationship Between the Ratio of Shareholder Ownership Concentration in Firms and The Free Operation Cash. * Seventh Hypothesis: There is a Significant Relationship Between BOD Size and Degree of Financial Leverage.

*Eighth Hypothesis: There is a Significant Relationship Between BOD Size and Dividend Payment. * NINETH Hypothesis: There is a Significant Relationship Between BOD size and Free Operating Cash.

4_ Variables and Emperical Models of the Study

Dependent Variables of the Study are Financial Leverage Ratio, Dividendt Ratio, and the Ratio of Free Operating Cash. Independent Variables. Include Non Executive Directors Ratio, Ownership Concentration Ratio, and BOD Size. Control Variables Used in the Study Models are Working Capital Ratio, Type of Ownership, and Profitability. Since These Variables are Effective on dependent Variables, So Their Impact is Applied With Independent Variables. all Data On the Variables Will be Extracted From Financial Statements of Firms Listed in Tehran Stock Exchange and WWW.iacpa –Com Website.

Table (1): the Study Variables

Dependent	symbol	Variable Name
Dependent	Lev	Financial Leverage Ratio
Dependent	Pay Ratio	Dividend Payment Ratio
Dependent	Free Cash	Free Operating Cash Ratio
Independent	Non Exe DIR	Non Executive Directors Ratio
Independent	OWNE Cone	Ownership Concentration Ratio
Dependent	Exe Size	BOD size
Control	Work Cap	Working Capital Ratio
Control	Owner	Type of Ownership
Control	ROA	Return on Assets

Models for Testing Hypotheses and How to Measure Each One of the Study Variables are as Follows:

$$LEV_{it} = \alpha + \beta_1\, NON\ EXE\ DIR + \beta_2\, OWNE\ CONC + \beta_3\, EXE\ SIZE + \beta_4\, WORK\ CAP + \beta_5\, OWNER + \beta_6\, ROA + e \quad (1)$$

$$PAY\ RATIO_{it} = \alpha + \beta_1\, NON\ EXE\ DIR + \beta_2\, OWNE\ CONC + \beta_3\, EXE\ SIZE + \beta_4\, WORK\ CAP + \beta_5\, OWNER + \beta_6\, ROA + e \quad (2)$$

$$FREE\ CASH_{it} = \alpha + \beta_1\, NON\ EXE\ DIR + \beta_2\, OWNE\ CONC + \beta_3\, EXE\ SIZE + \beta_4\, WORK\ CAP + \beta_5\, OWNER + \beta_6\, ROA + e \quad (3)$$

Dependent Variables:

1_ Leverage Ratio: is the First Dependent Variables and measurement Index of Financial Policy. It Equals the Average of Total Acilities to the Average of Total assets in the Studied Period. the Higher this Value is Indicates That Firms Borrow More as on of the Financing Policies. 2_ the Ratio of Dividend Payment: is the Second dependent Variable of the Study and the Index of Dividend Policy Estimation. It Equals the Average Dividend Paid By Firms to the Average of Total net Profit in the Studied Period. 3_Free operating Cash: it Equals the Ratio of the Average Net Operating Cash Minus Investment Costs to the Free Operating Cash Which is Used as the Third Dependent Variable in the Study Model.

***Independent Models**

1_Non Executive Directors Ratio: it Equals the Number of Non Executive Directors Divided By Total Number of BOD. The More Non Executive Directors are in the Composition of BOD, the More BOD Will Be Independent in Decision Making, Monitoring and Managing the Firm. Non Executive Directors are Those Not Having Executive Posts in the Company.

2_Ownership Concentration Ratio: it Equals Total Squares of the Percentages Higher Than %3 of Any Firm Which is Calculated as Follows:

$$HHI = \sum (P_i / p * 100)^2$$

Were (p) Shows Total shares, and (p_i) Represents the Sum of Share Percentages Higher Than %3 Owned By Shareholders. The Higher This Ratio is, the More the Ownership Concentration in Companies Would be (BUGSHAN, 2005). 3_ BOD Size: it Equals natural Log of the Number of BOD. Obviously, the More These Members are, the Larger the BOD Would be.

***Control Variables**

1_Warking Capital Ratio: Equals the Average Difference of Current Assets and Current Debts Ratio to Total Assets of the Firm in the Study Period. 2_Firms` Type of Ownership: is a Dual Variable. if the Owner of the Firm`s Major Stocks Was the government or State Banks and Institutions Then it Would be (1), or Otherwise it Would be (0).

3_Profitability: to Measure the Profitability of the Firms, Return on Assets (ROA) Index Was Used.

It Equals the Average Net Profit Divided By the Average of the Firm`s Total Assets in the Studied Period.

5_the Study Method and Tools For Hypothesis Testing

The Present Study is Descriptive _Applied By Goal, and it is the type of Correlation By nature and Method. This Study is Based on Semi_ Empirical Research Plan using Post_ Event Approach (Via Past Data) Data Analysis and Hypothesis Testing Were Applied With the Help of Eviews Software. to Test the Study Hypotheses, Multivariate regression Test Was Used Relying on Pooled Approach of Data. The Use of Pooled Data is a Popular Method You Do Not Need Much Information. While it Answers A Lot of Questions Right. Another Advantage of This Method is That Using it, We Can Estimate the Dynamism of the Variables Over Time.

6_ Statistical population of This Study Consits of the Firms Listed in Tehran Stock Exchange During the Years 1386_1389 and Maintained Their Membership in This Period. The reason Why Stock Firms are Selected and Investigated is Easier Accessibility to Financial information of the Firms and Having More Homogenous Data Due To the Regulations of Tehran Stock Exchange Organization. Total Number of Firms Listed in Tehran Stock Exchange Amounts to 413 Firms. The Sampling Method in This Study is Systematic Elimination. Among All Listed Firms, Those Not Having Any of the Following Qualifications, Were Eliminated and Finally, All Remaining Firms were Selected For Testing:

1_Firms Should Have Full Information on all Financial Statements Such as balance Sheet, Income Statement, and Cash flow Statement. 2_Thier Fiscal Year Should be Ended in the Persian Month, ESFAND 29.

3_Firms Should be Active in Tehran Stock Exchange During Time Period of the Study. 4_They Should Not Have Changed Their Fiscal Year During Time Period of the Study. In the Present Study, Given the Above Mentioned Limitations, 115 Firms (From 12 Different Industries) Have Been Selected and Studied as the Sample.

7-Data Collection method

In This study, data Collection Was Performed in Two Stages. Firstly, to Formulate Theotrical Basics of the Study, Library Method Was Used, and Secondly in Order to Collect the Data, Documents of the ample Firms Such as financial Statements Contained in cd_s Presented By Tehran Stock Exchange Organization and research Management Website, Development and Islamic Studies of Tehran Stock Exchange (Http://Rdis.ir) Were Used. Thus, Data Collection Model is a Field survey One.

8_ findings of the Study: (8-1) Descriptive Statistics in This Study, first Using Raw data, the Values of the Study Variables Were Calculated, and Then Descriptive Statistics of the Study Including Overage, Median, Max, Min, and Standard Deviation of the Study Data were Calculated and Presented in Table (2). The Value only Present a Schematic of Data Distribution Status of the Study.

Table (2): descriptive Statistics of the Study Variables

Number of Observations	Standard Deviation	Mix	Max	Median	Average	Symbol	Variables
460	0/2064	0/1174	0/7326	0/4677	0/3894	LEW	Financial Leverage
460	0/1829	0/0000	0/8993	0/5863	0/5487	Pay Ratio	Dividend Pay Ratio
460	0/1834	0/0629	0/6298	0/4132	0/3824	Free Cash	Free Operating Cash Ratio
460	0/3186	0/2376	0/8877	0/6896	0/6243	Non Exe DIR	Non Executive Directors Ratio
460	0/2148	0/2546	0/7893	0/6282	0/5836	Owner Conc	Ownership Concentration
460	1/2718	5/0000	11/0000	5/1446	5/2652	Exe Size	Bod Size
460	0/0941	0/0936	0/5803	0/3548	0/3872	Work Cap	Working Capital Ratio
460	0/0144	0/0000	1/0000	0/0411	0/0363	Owner	Type of Ownership
460	0/0319	0/2107	0/6128	0/4287	0/4604	ROA	Return on Assets

Source: Calculations by the Researcher

(8-2) First Model estimation

Results of the First Model`s Significance Test, That is Model (1) For the Years 1386_1389 in the Dorm of Pooling all Data Are Described in Table (3):

***Table (3): Test results of the First Model at Pooled Data Level ***

$*LEV_{it}$= a+b_1 Non Exe DIR+b_2 Owne Cone+b_3 Exe Size +b_4 Work Cap+b_5 Owner+b_6 Roa +e

D_W	P_ Value	F_ Statistic	Adjusted r_2	r_2	T_ Statistic p_ Value	Coefficient	Variable
1/8692	0/0062	8.2265	0/2936	0/3247	8/1653 0/0168	1/0387	Static
					8/0862 0/0032	-0/0934	Non Exe DIR
					6/3561 0/0263	0/4268	Owne Cone
					2/5486 0/1484	0/0634	Exe Size
					5/9367 0/0423	0/0903	Work Cap
					1/6651 0/5619	0/4290	Owner
					6/2435 0/0000	-2/1137	ROA

*Source: Calculations By the Researcher
*Dependent Variable of the Model: Leverage Ratio (LEV)

As You See in table (3), Statistic (f) at %99 Confidence Level is Significant. Since, the P _Value Resulted From Model Testing Was Less Than %1 There Fore, First Model of the Study is on the Whole Significant and the dependent Variable is Accounted For By All Independent and Control Variables. In Addition, the Adjusted Determination Coefficient Resulted From Model Testing Was 0/2936. The Higher This Value is, the Higher Percentage of Dependent Variables Changes Results From Independent Variables. In First Model this Value Shows That About %29 of its Changes is Due to Other Factors. After Investigating the Significance of the Model, We Will Analyze the Hypotheses and Significance of Coefficients. The Statistic of DORBIN_ Watson Test in First Model is 1/8692. This Test is Used to Check Self_ Correlation of errors. Its Optimal Value for Non Existence of Self_ Correlation is (2). If the Value of This Statistic is Between 1/5 to2/5, then Self_ Correlation in the Values of the Model Errors Will be rejected. Given That The Value of the Obtained DORBIN_ Watson Statistic Was 1/8692, Correlation in the Values of the Model Errors is Rejected.

(8_3)- Second Model Estimation

Table (4): Results of the Study`s Second Model Testing at Pooled Data Level

Pay $ratio_{it}$ = a+b_1 Non Exe DIR+b_2 Owne Cone+b_3 Exe Size +b_4 Work Cap+b_5_Owner+b_6 Roa +e

D_W	P_ Value	F_ Statistic	Adjusted r_2	r_2	T_ Statistic p_ Value	Coefficient	Variable
2/4139	0/0000	9/2648	0/4491	0/4526	9/5794 0/0000	-2/1452	Static
					11/7824 0/0000	0/8124	Non Exe DIR
					6/8083 0/0251	0/0025	Owne Cone
					8/8835 0/106	1/2318	Exe Size
					6/9044 0/0000	0/1585	Work Cap
					2/9246 0/1153	-1/0038	Owner
					10/2489 0/0000	4/8057	ROA

*Source: Calculations By the Researcher
*the model`s Dependent Variable: Dividend Pay ratio (Pay Ratio)

Results of the Significance Test of the Study`s Second Model, that is Model (2), For Years 1386_1389 in the Form of Pooling (Integrating) all Data are Described in Table (4). As You See in Table (4), Statistic (f) at %99 Confidence Level is Significant, So, Second Model of the Study is, on the Whole, Significant and in General, Dividend Pay Ratio is Significantly Associated With all Independent and Control Variables. In Addition, the Adjusted Determination Coefficient Resulted From the Model Testing Was 0/4491. This Value Indicates That About %45 of Changes in the Dependent Variable, That is Dividend Pay Ratio Resulted From Independent and Control Variables, Were Present in the Model and the Other %55 of its Changes are Due to Other Factors the Statistic of DORBIN_ Watson Test in the Second Model is 2/4139. If the Value of This Statistic is Between 1/5 to 2/5, Self Correlation in the Values of the Model Errors Will Be Rejected. Considering the Value Obtained For This Statistic, Self_ Correlation in the Values of the Model Errors is rejected.

(8-4)- Third model Estimation

Results of the Significance Test of the Study`s third Model, That is Model (3) for the Years 1386 to 1389 in the From of Pooling all Data are Described in Table (5).

Table (5): Results of the Study`s Third Model Testing at Pooled Data Level

$Free\ Cash_{it}$ = a+b_1 Non Exe DIR+b_2 Owne Cone+b_3 Exe Size +b_4 Work Cap+b_5_Owner+b_6 Roa +e

D_W	P_ Value	F_ Statistic	Adjusted r_2	r_2	T_ Statistic p_ Value	Coefficient	Variable
1/9289	0/0121	5/6638	0/3296	0/3402	8/2176 0/0000	0/1908	Static
					9/9453 0/0879	1/0342	Non Exe DIR
					6/0034 0/0004	0/7861	Owne Cone
					2/1263 0/0926	-0/3256	Exe Size
					1/3228 0/1426	0/0423	Work Cap
					14/6409 0/0000	4/5981	Owner
					8/5638 0/0021	0/8834	ROA

*Source: Calculations By the Researcher
*the Model`s Dependent variable: Free Operating Cash Ratio

As You see in Table (5), (f) Statistic at %95 Confidence Level is Significant, Therefore, Third Model of the Study is on the Whole Significant and in General, Free Cash is Significantly Associated With all Independent and Control Variables. The Adjusted Determination Coefficient Resulted From the Model Testing Was 0/3296. This Value Shows That About %33 of the Dependent and Control Variable changes in Other Words Free Cash Resulted From Independent and Control Variables in the Model and the Other %67 of Changes are Due to Other Factors. The Statistic of DORBIN_ Watson Test in Second Model is 1/9289. Considering the Values Obtained for This Statistic, Self_ Correlation in the Values of the Model`s Errors is Rejected.

(8_5) Results of the First Hypothesis Testing

Results of the Study`s First Regression Model Estimation Shows That the Independent Variable Coefficient Related to the First hypothesis, that is Non Executive Directors Ratio, at %1 Error Level is Significant and Has a negative and Inverse Relationship With Leverage Ratio as the Financing Policy Index. in Other Words, Findings of the Study Confirm This Hypothesis. Non Executive Directors Don`t Have Executive Posts in the Firm. Thus, We Can Conclude That as Non Executive Directors Ratio in BOD Composition Increases, Monitoring the Management Performance Increases as Will, Prevent From an Uncontrolled Increase in Debt and Borrowing in Firms and Finally, Leverage Ratio Decreases. Results of This Hypothesis are Consistent With Those Obtained By GUL and TSUI (2010).

(8_6) Results of Second Hypothesis Testing

Results of the Study`s Second Regression Model Regression Shows That The Independent Variable Coefficient Related to Second Hypothesis, That is Non Executive Directors Ratio at %1 Error Level is Significant and Has a Positive and Direct Relationship With Dividend Pay Ratio as Dividend Policy index. In Other Words, Findings of the Study Confirms This Hypothesis Thus, We Can Claim That as Non Executive Directors Ratio Increases, Monitoring the Management Performance Increases as Will, And Therefore as Net Earnings and Earnings Per Share Increases and in Order to Increase Benefits of Shareholders, The Dividends Increase as Will. Because, Non Executive Directors Do Not Have a Direct Role in Executive Affairs of the Firm. So, They are More Likely to ask For reporting Clarity and Optimal Performance. Results of This Hypothesis are Not Consistent With Those Obtained By change and Sun (2008), However they are Similar to Those Gained By GUL and TSUI (2001).

(8_6)_ Results of Third hypothesis Testing

Considering What We Presented in Chapter (4), Results of Third Regression Model During a Four_ Year Time Period of Study Show That Although (f) Statistic of the Model is on the Whole Significant, the Variables Coefficient Related to the Third Hypothesis, that is Non Executive Directors Ratio is In Significant. In Other Words, There Isn`t a Significant Relationship Between Non Executive Directors in the Composition of BOD and the Free Operating Cash Flow. Findings of the Study Indicates That Third Hypothesis is Not Confirmed.

(8_7)_ Results of Forth Hypothesis Testing

Results of First Regression Model of the Study Showed That the Independent Variable Coefficient Related to Forth Hypothesis, That is Ownership Concentration at %5 Error Level is Significant and it is Directly Associated With leverage Ratio (DEBT Ratio to Assets). In Other Words, Findings of the Study Confirmed This hypothesis. Thus, it Can Be Claimed That as the Percentage of Shareholder Higher Than %3 Increases, Major Decisions of the Firm are Made By Less Individuals, and This Will Affect on Others` Involvement in the Management of the Firm`s Performance. Results of the Hypothesis Testing are Inconsistent With those Obtained By GHANBARI (1386), and REZAEI (1386), However They are Similar to Those By FODIL, and Walid (2010).

(8_8)_ Results of Fifth Hypothesis Testing

Results of the Study`s Second regression Model Showed that the Independent Variable Coefficient Related to Fifth Hypothesis, that is the Ownership Concentration at %5 Error Level Was Significant and it is Directly Associated With Dividend Pay Ratio. In Other Words, Findings of the Study Confirmed This Hypothesis. Thus, We can Claim That as the Percentage of Ownership Higher Than 3% Increases, the Dividend Ratio Increases as Well.

Results of Testing This Hypothesis are Consistent With Those Obtained By FODIL, and WALID (2010).

(8_9) Results of Sixth Hypothesis Testing

Results of the Study`s Second Regression Model Estimation Showed That the Variable Coefficient of the Ownership Concentration at %1 Error Level is Significant, and it Has a Positive and Direct Relationship With Free Operating Cash Flow. In Other Words, Findings of the Study Indicated That the hypothesis is Confirmed. Thus, We Can Claim That as the Percentage of Shareholders With Ownership Higher Than %3, Free Operating Cash Flow Increases as Will. Results of Testing This Hypothesis are Consistent With Those Obtained By FODIL and WALID (2010).

(8_10) Results of Seventh Hypothesis Testing

Considering What We Presented in Chapter (4), Results of First Regression Model Estimation During a Four_ Year Time Period Show That Even Though (f) Statistic of the Model, on the Whole, is Significant, Seventh Independent Variable Coefficient, That is BOD Size is Not Significant. In Other Words, There Isn`t a Significant Relationship Between the Number of BOD and Financial Leverage Ratio, and Findings Indicates that Seventh Hypothesis is Not Confirmed.

(8_11) Results of Eighth Hypothesis Testing

Results of the Study`s Regression Model Estimation Showed That the Coefficient of BOD Size Variable at %5 Error Level Was Significant, and it Was Directly Associated With Dividend Pay ratio. In Other Words, Findings to the Study Indicates That the hypothesis is Confirmed. Thus, We Can Say That as the Number of BOD Increases, the Dividends of the Firm Increases Too. (8_12) Results of NINETH Hypothesis Testing.

Results of the Third Regression Model Estimation During a Four_ Year Time Period of Study Show That Although (f) Statistic of the Model is on the Whole, Significant, BUT NINETH Independent Variable Coefficient, That is BOD Size is Not Significant. In Other Words, There is Not a Significant Relationship Between the Number of BOD and Free Operating Cash Flow, and Findings Shows that NINETH Hypothesis is Confirmed. One Possible Reason For Rejecting Third, Seventh, and NINETH Hypothesis of this Study May Be Various Factors Effective on the Dependent Variables in the Models of the Study. In Other Words, Maybe Other Independent Variables are Involved in This Relationship That are Not Considered and Investigated.

***Conclusions and Suggestions**

To Test the hypotheses of the Study, Pooled Data Estimation and Multivariate Regression Were Used By Applying a Sample Consisted of 115 Firms Listed in Tehran Stock Exchange During the Years 1386_1389. As Mentioned Above, the Study is Consisted of Nine Hypothesis in Which the Relationship of 3 Characteristics of Corporate Governance With Financing Policy and Free Cash Flow Was Investigated. Results of the Study_ on the Whole _ Indicates That First, Second, and Sixth hypothesis are Confirmed at %99 Confidence, Fourth, Fifth, and Eighth hypothesis of the Study are Confirmed at %95 Confidence, and Also third, Seventh, and nineth Hypothesis are Rejected. In Other Words, Non Executive Directors Ratio, Shareholder Ownership Concentration, and BOD Size are Significantly Associated With Dividend Policy. Non Executive Directors Ratio and Shareholder Ownership Concentration Also Have a Significant Relationship With Financing Policy. Considering the Results Obtained in This Study, We Offer Suggestions For Future Research as Described Below:

1. Studying the Effect of the Type of Industry on the Relationships Between Corporate Governance Characteristics. And Financing and Dividend Policies.
2. repeating This Study after adoption and Implementation of the Governance Regulations of Firms Listed in Tehran Stock Exchange and Comparing the Results With the Results of this Study.
3. Repeating This Study Considering a Particular Event as Initial Public Offering of Stocks, or Other political, Economical Issues Effective on Opportunistic Performance of Directors in Order to Manage Earnings.
4. Investigating the Impact of Other Corporate Governance Components Such as EOC Task and Institutional Ownership on Financing and Dividend Policies.

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