

Effect of corporate governance and ownership structure on fair liquidity

Dr Ali Pirzad, Simin Rezaei, Seyedeh Maryam Razavi

Department of management, Dehdasht Branch, Islamic Azad University, Dehdasht, Iran

Abstract: Successful management in companies and manufacturing enterprises requires appropriate use of its resources. Cash in the company is precious capital that must be used correctly to achieve company goals. In this study the effect of corporate governance variables (non-mandated members of the board of directors, the number of board members) and ownership structure (institutional ownership, the major owner) on the volume of corporate liquidity has been surveyed. Therefore 78 companies in the years 1384 to 1388, excluding investment and financial intermediation companies were selected as samples. In research hypotheses test, by means of regression model, ordinary least squares (OLS) was examined. Overall, the results of hypothesis test showed that there is no relation between the proportion of non-duty members of the board of directors and percentage shares at the disposal of institutional shareholders with liquidity companies and despite the significant and negative equity for shares of the block shareholders and the positive relationship between the number of board members was confirmed with liquidity.

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1. Introduction

Undoubtedly the emergence of industrial corporations in the world that began in the 18th century, is considered as one of the largest economic development and perhaps the most important factor of industrial progress. From the results of this phenomenon, the separation of ownership from management, existence of differences in their utility function and thus create a conflict of interest and eventually authorship of owner-representative relation and representation theory. At the same time as the issue of overlapping rights mainly and the risk of expropriation minority shareholders' rights by large shareholders which have a controlling influence, in particular, was one of the most important problem for the owner-representative in most countries. Corporate governance debate began in the 1990s in England, the US and Canada in response to the problems of lack of effectiveness of the board of directors in large companies. Base of corporate governance started with the code-set report in England, Day report in Canada and board principals at General Motors of the United States (Current,1387). Overall most of the major issues in corporate ownership emerges from two main important quandaries separation ownership from control to decrease costs and separation profit contrasting factors between managers and owners with the aim of maximizing shareholder value investment. Thus the separation of ownership from management, provided the conditions to build up "delegation" as the inevitable solution of the leading companies in the communities (Ryan,2001). To be

successful in companies and manufacturing enterprises management requires correct and appropriate use of its resources, Knowledge of the situation of companies is one of the basic needs of management. Cash in the company is precious capital that must be used correctly to achieve company goals. Each company has different objectives which one of the most important tools to achieve the objectives is cash. Liquidity means the comparative ability to convert assets into cash and sometimes is considered as near the level of assets to cash. Ability to pay obligations of the entity is the ability to pay obligations at maturity. During the company's profitability, it may be suffering from a shortage of liquidity and despite the drawback, it may have high liquidity. So liquidity is sometimes more important than profitability. In explaining the position of one of these we call: if a company is not profitable, it is sick but if it has no liquidity, it is dying.

2. Theoretical research

2.1 Corporate governance

One of the most important issues in recent years following the financial scandals at large companies which has been considered by researchers and has been introduced to investors, is the subject of corporate governance that deals with necessary monitoring on company management and the separation of economic unit from its ownership and finally the rights of investors and stakeholders (Adaoglu, 2000). From the micro perspective, corporate governance involves a set of relations

between company management, its board, shareholders and other stakeholders. These relationships involves the rules and different stimuli, forms the structure by means of the targets set, tools to achieve targets and monitoring over performance. The macro perspective, good corporate governance means to some extent which companies are managed in an open and honest manner. For market confidence, capital efficiency, renewable industrial structures of countries and finally the general wealth of society is important (Ghods,1387). The term corporate governance refers to the Greek word "Kyberman" which means guidance or running and Greek word has converted to Latin word as "Gubernare" and old French "Governer". But the word is defined in different ways by organizations or committees according to their ideological interests (Abu-Tapanjeh,2009). Organization for Economic Cooperation and Development (OECD) has defined the company governance (Governance): "A set of relationships between management, board of directors, shareholders and other stakeholders to participate." The World Bank defines corporate governance as this: "Corporate governance concerns a balance between social and economic goals and individual and collective objectives. Strengthening corporate governance framework is for the effective use of resources and to monitor the resources to meet the purpose and intend to further the interests of individuals, companies and society." (Ibrahim,2004).

2.2 Ownership structure

In recent years many cases of conflict of interest between groups and how companies deal with these conflicts have been raised by economists. Corporate managers and shareholders conflict of interest comes from two sources. First, the management tends to favor some company resources to their profit. Second conflict cause is rooted in the fact that if directors are not company, they have no incentive to take bold actions; accept the risks of new products for markets or expand company (Namazi 87). Corporate ownership structure may be different in different countries. In the United States and Japan, the majority of shares owned by financial institutions, stock brokers, investment companies and other companies. Although all these investors are the company owners, the time horizon of the investors who hold the stock is significantly different. Based on western researchers findings, small investors (shareholders), stock brokers and investment companies have short-term investment horizon; While corporate managers, financial institutions and holding companies have a long-term investment horizon (Pourheydari,83). Ownership and control are usually separated in stock company, which leads to conflict of interest between financiers and managers who run company. In addition to upper

stimulus, the major shareholders to reduce agency costs, it is easier for large shareholders to put pressure not to scatter their votes among different groups, to coordinate with the management. If the managers repeatedly face with these shareholders demands, they likely will be replaced. Thus, the major shareholders are different from small shareholders and not only they can monitor over management, but also have the ability to do so (Andres,2008). Ownership structure of companies investing in Iran, is constructed mainly from companies, foundations, institutions and governmental organizations, other corporations and small shareholders (Pourheydari,83). Determination of ownership structure type and composition of company shareholders, is a control device practices in corporate governance. Then it can be considered to determine the rule in the form of different types of ownership such as property distribution, concentration of ownership, company ownership and the percentage composition of major shareholders and their ownership. Also company shareholdind composition follows different models such as juridical shareholder, managerial ownership, public and private shareholders (Babayi Zakili,87).

2.3 Liquidity

Company performance and evaluation are focused continuously by shareholders, investors, financial creditors such as banks and financial institutions, creditors and particularly managers. Performance evaluation is financially determined by liquidity and profitability with the power index. Profitability is the sign of economic agency wealth and liquidity power is the sign of economic agency survival (Talebi,1375). In addition, Professor Lee has frankly said that the final outcome of the trade unit performance is cash flows and not profits. Profit is a virtual concept, while the cash is a physical source (Forghandoust Haghghi & Vafadar,1376). Cash (liquidity) is one of the most important and vital resource for companies. Balance between existing cash and future needs of the company is one of the most important factors of economic health and one of the main reasons of the firm growth. From the organizational perspective, the ability to predict approximate results of upcoming activities, especially its future cash flows, makes efficient to corporate governance in their shape and lead optimal decisions taken in the field of operational and investment and financing strategies. From out-organizational user's point of view, including investors and creditors, operating cash flow forecasting is particular important. Generally, non-effective investment arises from poor corporate governance which can affect firm profitability and firm value. Existing literature shows that the uncertain cash flow is one of the reasons and factors of company value and can be influential on the

final value. On the other hand, it is rational for managers to have self-interest in spending cash resources (cash balance) instead of maintenance. Perhaps, because it costs more cash on the balance sheet inventory kept clear disciplinary (Harford & others,2008). Chen expressed companies have incentives to hold cash in the transaction, including incentives, safety incentives and financial hierarchy theory. Companies hold cash for trading purposes in order to avoid the high costs from capital market. The result is the hierarchical theory of information asymmetry. Companies keep cash for precautionary purposes in order to maintain the profitable investment opportunities. There are three reasons for emphasizing the holdings of cash (liquidity) as there is an asset. First, the manager simply holds cash, which can be used with uncertainty and carelessness. Secondly, corporate maintain or increase cash to avoid deficits in time for the company's health and funding. Finally, if the corporate governance structure is appropriate, almost fluctuating liquidity levels will be less over time (Mahert-Smith,2007).

2.4 Studies done outside of Iran

Lee Cheng Few selected a sample of 1061 firms during the period 2001 to 2005 in five Asian countries (Malaysia, Philippines, India, Singapore and Thailand) stated that if the board plays corporate governance role in the ASEAN countries, it would be predicted that firms with stronger managerial structures (more non-duty board members, etc.), after controlling other factors, have lower maintenance cash. Analyzes has begun with the relationship between cash handling, board structure and managerial ownership structure. After controlling for other factors to determine the cash handling, it was concluded that firms with greater share of responsibility in the Board of Directors, CEO and Chairman positions separate and smaller board hold less cash. Chung and others (Chung & Elder & Kim) (2008) in a research examine the relationship between corporate governance and market liquidity using the index of effective leading properties on operational and financial transparency. The above index is based on 24 leadership standards chosen from among the Institute of institutional shareholder services, that are in close relationship with the company's operational and financial transparency. They also used some criteria, such as price gap, the effect of price and trading based on information to evaluate potential liquidity and found that firms with better governance, narrower price gap, the larger market quality index, has the least price effect of turnover and possible reduction transaction on a tip-off.

Amidu and Joshuo (2006) began to research companies in Ghana and used institutional ownership as an agency costs measure and also used sales growth

and market value to official value as a criterion for investment opportunities. Their results showed that institutional ownership, profitability and cash flow have a positive relationship with payout ratios and also found there is a negative relationship between the risk ratio of interest payments, institutional shareholders ownership, growth and market value to book value.

Harford (1999) showed that firms with high liquidity, very likely gain the increase in firm value and in the lack of a regulatory system that can prevent the managers interests, investment could be inefficient, it may also have negative effects on the value and liquidity.

Harford and his colleagues (2008) with using a sample of 1872 firms tested the relationship between corporate governance structure and handling cash. The results show that firms with more local ownership and a higher percentage of institutional ownership, keeping more cash, while firms with higher quality of corporate governance and greater and more independent board of directors hold less cash. Mikkelson and Partch (2003) also argue that stable cash holding does not lead to poor performance and cash immutability will reduce the risk of corporate bankruptcy.

2.5 Studies done in Iran

Aghayi and colleagues (1388) investigate the factors affecting the maintenance of cash in listed companies in Tehran Stock Exchange. They selected sample includes 283 companies and their research period is between 1379 to 1384. Their results show that receivable accounts, net working capital, goods existence and short-term debt, respectively, are the most important factors which have a negative impact on cash retention. On the other hand, growth opportunities, profit dividends, cash flows and net income profit, respectively, are the most important factors having a positive effect on maintaining cash, but there is not enough evidence about the negative effects on long-term debt and firm size on cash kept.

Hosseini (1386) examined the relationship between corporate governance and shareholder returns. In this study, institutional shareholders and its effect on shareholder returns, it is trying to return the excess amount will be calculated as shareholders in companies with good governance. Results show that there is no relationship between institutional shareholders and shareholder returns in Iran. Sadeghi Sharif and Kaffash Panjehshahi (1387) studied compound shareholders effect on profit return for listed companies in Tehran Stock Exchange. The results showed companies which have greater percentage of the shares for legal owners, they are more proper for investment. Also it is not confirmed

the amount of shareholder ownership effect and the amount of board ownership on liquidity status.

Talebi (1377) concluded that the company's liquidity position is greatly influenced by the nature of corporate activity. He also stated that financial gain trends and return management have effects on company's liquidity position.

2.6 The research hypotheses

In this study we are looking for whether the corporate governance and ownership structure have an impact on corporate liquidity or not? In order to answer this question, four hypotheses were proposed as follow:

The first hypothesis: There is a significant relationship between non-mandated board members of companies and liquidity ratios.

The second hypothesis: There is a significant relationship between the number of board members of companies and liquidity.

The third hypothesis: There is a significant relationship between block shareholders of companies and liquidity.

The fourth hypothesis: There is a significant relationship between institutional shareholders of companies and liquidity.

3. Methodology

The present study sought to investigate this question: What is the role of corporate governance and ownership structure on liquidity of listed companies in Tehran Stock Exchange? So, methods which used in this study, is descriptive-correlation, thus the relationship between variables will be studied. Type of research is applied and uses the approach of the event.

The regression model is as follow:

$$Y_{i,t} = \varphi_i + \beta_1 GOV_{i,t} + \beta_2 OWN_{i,t} + CONT_{i,t} + \varepsilon_{i,t}$$

$$CASH_{i,t} = \varphi_i + \beta_1 BORD_{i,t} + \beta_2 BORDNUM_{i,t} + \beta_3 INST_{i,t} + \beta_4 BLOK_{i,t} + \beta_5 LEV_{i,t} + \beta_6 GROW_{i,t} + \beta_7 LNSIZE_{i,t} + \varepsilon_{i,t}$$

In model above Y is dependent variable as Liquidity indicator. GOV and OWN are independent variables. GOV indicates corporate governance variables which in this study it uses non-mandated members (BORD) and the number of board members (BORDNUM) as the corporate governance variables. OWN denotes ownership structure and is used the percentage of shares available to institutional shareholders (INST) and block shareholders (BLOK) as the ownership structure variables. CONT indicates the control variables which is used in the study of financial leverage (LEV) and Qtobin (GROW) and company size (LNSIZE) as control variables.

Liquidity is dependent variable in this study which is shown with CASH and is company year-end cash balance that has been extracted from the corporate balance sheet.

Independent variables are calculated as follows:

Non-duty members ratio which is shown by (BORD); is calculated by dividing the numbers of non-duty members on board members.

Institutional shareholders (INST) suggestions, is calculated of total shares percentage held by institutions and investment companies, shares of government and semi-public agencies on company's total issued shares.

The number of board members (BORDNUM) is the number of members constituting the board of directors of the company.

The block shareholder (BLOK) is the shares held by the largest shareholder of the Company from total issued shares of the company.

Control variables we have used in this study are as follows:

The financial leverage (LEV) is calculated by division of total debt to total company assets. The Q-Tobin (GROW) is obtained by division of the company's market value to book value.

Firm size (LNSIZE) is calculated by the logarithm of total assets.

3.1 Participants

The study population included all firms listed in Tehran Stock Exchange. Screening method is used to select samples. Some conditions are proposed in this study and companies which have the following conditions are contained in the sample:

1. Companies that are listed in Tehran Stock Exchange till the end of 1383.
2. The end of their fiscal year ends in Esfand (March) and during the research, their fiscal year are not changed.
3. Companies should not be members of financial institutions, investment companies, financial intermediation, holding companies, insurers and banks.
4. They have not been removed from Tehran Stock Exchange board until the end of study period.
5. Data for this study should be presented completely in the entire study period.

With regards to relevant considerations, the study statistical population was selected to test hypotheses with 78 companies.

4. Methods of data analysis

To test the research hypotheses and regression model performance, conducting statistical tests are used:

1. Dourbin-Watson test

To investigate the correlation between errors existence, Dourbin-Watson test is used. If the statistic is between 1.5 to 2.5, no correlation between errors is confirmed and regression model can be used (Momeni and Ghayoumi,86).

2. The linear test

Linear is a condition that indicates an independent variable is a linear function of other independent variables. If a linear in regression equation is high, it means there is high correlation between independent variables and in spite of high determination coefficient (R²), the model may not have a high credit. In other words, there seems to be a good model, the relationships between independent variables are more than their correlation with the dependent variable and causes the value of (R²) to come down (Ghiyasvand 87).

3. Normal Hypothesis

One of the assumptions that must be considered in the regression models, is the normal distribution of errors, otherwise, the regression can not be used. (Momeni and Ghayoumi 86)

4. Meaningful model test

Meaningful is significant used by ANOVA table and statistics f.

5. Meaningful coefficients test

Regression model variable coefficient is done by statistics t.

6. Determine coefficient test

To investigate to what extent the independent variable is able to explain variability of the determination coefficient (squared multiple correlation) which coefficient ranges varies between zero and one.

7. Kolmogorov-Smirnov test (KS)

To evaluate the coherence of the research variables Kolmogorov-Smirnov test has been used. If obtained Sig from this test is more than 5 percent, it can be said that there is a good distribution for variables.

5. Research Findings

To sum up data for research, descriptive statistics were calculated at first. Table 1 reflects the statistical average, maximum, minimum and standard deviation of variables used in this study respectively.

Table 1: Descriptive statistics of variables used in the study

| Variable name | The average | Maximum | Minimum | SD (Standard Deviation) |
|---|-------------|-----------|---------|-------------------------|
| Liquidity | 48789.8500 | 592130.60 | 411.20 | 99358.03256 |
| liquidity Logarithm | 4.2289 | 5.77 | 2.61 | 0.58853 |
| non- mandated members ratio | 3.0173 | 5.60 | 1.00 | 0.90560 |
| number of board members | 5.1231 | 6.60 | 5.00 | 0.28691 |
| Shares of Block-shareholders percentage | 54.0280 | 91.50 | 17.66 | 16.63927 |
| Shares of institutional-shareholders percentage | 59.9651 | 99.32 | 3.18 | 30.99729 |
| A leverage | 2.6785 | 15.60 | -9.29 | 3.63304 |
| Growth rate | 0.6870 | 2.06 | 0.04 | 0.50854 |
| Natural logarithm of assets | 13.3195 | 16.33 | 10.79 | 1.21391 |

Hypothesis 1: It exists a significant relationship between non-duty members of the board of directors and liquidity.

In first hypothesis, non-duty members of the director board effect on company's liquidity were surveyed. By non-duty board members percentage increase, effective oversight of the company and cash reduction may increase which means there is no statistical meaningful relationship this variable and research dependant variable. It can be concluded that there is no statistically significant relationship

between non-duty members ratio with the liquidity of companies in Tehran stock exchange.

The results of our study do not confirm with some researchers such as Lee (2009) and Resaeiyan and colleagues (1389) that they realized there is a relation between non-duty member ratio and liquidity. Also according to obtained adjusted determination coefficient from the model performance which is 0.784, it can be stated that all independent and control variables used in the model is able to cause about 78 percent of liquidity change, However, independent variable have no statistically significant relationship.

Table 2: Results of the hypothesis

| Variable name | Significant level | Statistics t | Standardized coefficients |
|----------------------------------|-------------------|--------------|---------------------------|
| Intercept (α) | 0.000 | -4.188 | - |
| non-duty members ratio | 0.979 | 0.026 | 0.001 |
| A leverage (debt to asset ratio) | 0.024 | 2.306 | 0.127 |
| Growth rate (QToubin) | 0.073 | 1.818 | 0.103 |
| Natural logarithm of assets | 0.000 | 16.379 | 0.879 |

Meaningful model 0.000 Statistics F 70.929 Dourbin-Aston 1.99
Determination Coefficient (R2) 0.795 Adjusted determination coefficient 0.784

Hypothesis 2: There is a significant relationship between the number of board members of companies and liquidity.

In hypothesis 2, the relationship between the number of board members and the company's liquidity was examined and the obtained result shows that there is a statistically significant relationship. In addition, according to positive sign of the obtained coefficient we can conclude that there is a statistical significant positive relationship between the number of board members and liquidity in corporate. The result of our study does not confirm Harford and colleagues

(2008), indicating that there is a negative relationship between liquidity and the number of board members. In results analyzing of this hypothesis it can be said the number of board members has a positive effect on liquidity volume of companies in Tehran Stock Exchange and companies may increase liquidity. Also according to the obtained adjusted determination coefficient from model execution which is 0.817, we can say that this variable with other variables (control variables) could affect on about 82 percent of the company's liquidity.

Table 3: Results of testing main hypotheses 2

| Variable name | Significant level | Statistics t | Standardized coefficients |
|----------------------------------|-------------------|--------------|---------------------------|
| Intercept (α) | 0.000 | -4.417 | - |
| non-duty members ratio | 0.057 | 1.934 | 0.095 |
| A leverage (debt to asset ratio) | 0.007 | 2.769 | 0.141 |
| Growth rate (QToubin) | 0.030 | 2.215 | 0.113 |
| Natural logarithm of assets | 0.000 | 18.169 | 0.895 |

Meaningful model 0.000 Statistics F 85.974 Dourbin-Aston 1.863
Determination Coefficient (R2) 0.827 Adjusted determination coefficient 0.817

Hypothesis 3: There is a meaningful relationship between companies block shareholders and liquidity.

In the third hypothesis, the relationship between companies block shareholders and liquidity is examined and the results suggest that there is a significant relationship between corporate block shareholders and liquidity. Also according to negative sign of obtained coefficient it can be concluded that this relationship is reversed and it seems that the major shareholders have a significant impact on the volume of corporate liquidity. Our research results do

not confirm with the results of other researchers, including Kapoyolis and Lazarito (2007), Atik and colleagues (2009) who found a positive relationship between block shareholders and liquidity. Also the adjusted coefficient of determination in implementing the model for Hypothesis 3 is about 0.806 which suggests that the entire right side variables (variable percent equity stake in the block shareholder and control variables) are caused about 80 percent of the variation in the dependent variable (liquidity).

Table 4: Results of testing main hypotheses 3

| Variable name | Significant level | Statistics t | Standardized coefficients |
|----------------------------------|-------------------|--------------|---------------------------|
| Intercept (α) | 0.000 | -3.454 | - |
| non-duty members ratio | 0.005 | -2.885 | -0.147 |
| A leverage (debt to asset ratio) | 0.006 | 2.853 | 0.151 |
| Growth rate (QToubin) | 0.055 | 1.946 | 0.101 |
| Natural logarithm of assets | 0.000 | 17.113 | 0.866 |

Meaningful model 0.000 Statistics F 81.095 Dourbin-Aston 2.078
Determination Coefficient (R2) 0.816 Adjusted determination coefficient 0.806

Hypothesis 4: There is a meaningful relationship between company institutional shareholders and liquidity.

In hypothesis 4 the relationship between company institutional shareholders and liquidity was examined. According to existing theories, institutional investors could prevent the accumulation of cash into the company with their efficient monitoring and without efficient control, kept cash will increase. Results of this theory show that there is no significant relationship between corporate liquidity and institutional shareholders. The change in institutional investor ownership percentage is not the justifier of changes in the level of cash retention for listed companies in Tehran Stock Exchange. The result of our research does not confirm results with other

researchers, including Haraford and colleagues (2008) who have realized the relationship between institutional shareholders and liquidity.

But it confirms with the results of other researchers, including Rsaeyan and colleagues (1389) who have admitted there is no relationship between institutional shareholders and keeping cash levels. Thus we can conclude that institutional shareholders have been unable to have a significant effect on volume of liquidity for companies in Tehran Stock Exchange. Also the adjusted determination coefficient resulting from the implementation model for hypothesis 4 suggests that about 78 percent of the liquidity variation is explained by the variables used in the right.

Table 5: Results of testing main hypotheses 4

| Variable name | Significant level | Statistics t | Standardized coefficients |
|--|-------------------|--------------|---------------------------|
| Intercept (α) | 0.000 | -4.612 | - |
| non-duty members ratio | 0.357 | -0.926 | -0.051 |
| A leverage (debt to asset ratio) | 0.019 | 2.407 | 0.132 |
| Growth rate (QToubin) | 0.043 | 2.060 | 0.116 |
| Natural logarithm of assets | 0.000 | 16.393 | 0.891 |
| Meaningful model 0.000 Statistics F 71.977 Dourbin-Aston 2.017 | | | |
| Determination Coefficient (R2) 0.798 Adjusted determination coefficient 0.787 | | | |

6. Limitations of the study

Like most researches, this study has some limitations and the results are obtained due to these limitations and most of them are as follows:

1. Considering the population of this study, companies are listed in Tehran Stock Exchange, the ability to generalize the results to the out-stock companies will face limitations.

2. Obtained results in this study refer to the period 1384 to 1388 and studied over the selected samples. In case of samples or time periods or used methods change, results may change. The ability to generalize results to all firms listed in Tehran Stock Exchange will be faced with limitations.

3. Due to political factors and the macroeconomic variables do not considered in this study and they were out of control, these factors could also be affecting the results.

7. Conclusion

In this study, four hypotheses were tested experimentally. The first hypothesis was about the effect of non-duty members of the board of directors on the company's liquidity ratio. Results of hypothesis test showed that there is no statistically significant relationship between the proportion of non-duty members with the liquidity of companies in Tehran stock exchange. The results of our study do not

confirm with some researchers such as Lee (2009) and Rasaeiyan and colleagues (1389) who realized there is a relation between the non-duty member ratio and liquidity. Also in the second hypothesis the effect of the number of board members on the company's liquidity were surveyed. Hypothesis test results show there is a positive and significant relation between the number of board members and liquidity. So it can be concluded that the number of board members of companies has a positive effect on liquidity which the results of our study do not confirm Haraford and colleagues (2008), who indicate a negative relationship between liquidity and the number of board members. In the third hypothesis the effect of corporate block shareholders were examined on liquidity. The test results, show the hypothesis of a significant negative correlation between the number of block shareholders and liquidity. Therefore, companies block shareholders have a negative effect on liquidity. So our research results do not match with results of other researchers, including Kapoyolis and Lazarito (2007) and Atik and colleagues (2009) who realized the relationship between block shareholders and liquidity. It was surveyed the effect of institutional shareholders on liquidity in fourth hypothesis. Results of hypothesis test showed that there is no statistically significant relationship between the institutional shareholders with the

liquidity of companies in Tehran stock exchange. The results of our research do not confirm with other researchers, including Harafor and colleagues (2008) who realized the relationship between institutional shareholders and liquidity. But with the results of other researchers are consistent, including Rsaeyan and colleagues (1389) who admit there is no relationship between institutional shareholders and keeping cash levels. Thus we can conclude that institutional shareholders have been unable to affect on liquidity volume in companies in Tehran Stock Exchange.

7.1 Recommendations from the research results

According to stakeholder theory, companies are responsible for shareholders and owners and other stakeholders and also the larger interest which is called the community and ensure accountability for companies playing in front of the community and stakeholders, there should be an effective monitoring and effective monitoring requires appropriate mechanisms that includes the construction works, design and implementation of appropriate corporate governance system and according to research conducted in relation to the impact of corporate governance and ownership structure on corporate liquidity volume, regulations can result in the completion of corporate governance principles in Tehran Stock Exchange.

Since liquidity is an important measure for companies' survival, potential investors are recommended to buy shares in companies with consideration to the amount of cash as a major influencing factor and to purchase stocks, elect that companies which their liquidity position is desirable.

The results of Hypothesis 2 and 3 express the board members number has a positive relationship and stakes percentage of major shareholder has a negative relationship with liquidity in listed companies in Tehran Stock Exchange. Therefore, customers and investors are recommended to consider above mentions and assume the number of board members as a positive factor and a major shareholder of the shares as a negative factor and considering the percentage of shares and the shareholder is a negative factor, companies should adopt a proper sovereign state to percent more shares of stock not assigned to any particular person or entity.

7.2 Suggestions for future research

The researchers are recommended to pay more attention to the followings for further using the results and help to clarify the effect of corporate governance and ownership structure on the volume of liquidity for companies:

1. Survey of corporate governance and ownership structure effect on the volume of liquidity of companies with regard to industry type and also to

consider the investment companies, banks, credit and financial institutions, insurance and...

2. Study on effects of corporate governance and ownership structure of on volume of liquidity in companies outside the Tehran Stock Exchange.

3. Study on effect of other corporate governance mechanisms on corporate liquidity volume.

4. Survey on the relationship between different aspects of corporate governance and liquidity volume with emphasis on macroeconomic variables (inflation ratio, interest rates, etc.).

5. Considering other factors that influence the non-required supervisory directors (members of the board of directors of several companies at the same time, expertise, education, etc.).

6. The survey on the effect of corporate governance and ownership structure on the volume of liquidity of companies with regard to company size.

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