Effect of change in the volume of cash in banks, foundations and the effect on its board as a measure of corporate governance

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Abstract: Previous research shows that participation stakeholder through stronger and more efficient monitoring of inventory holding cash management can improve a company's value. The population of study are firms accepted in Tehran Stock Exchange have been selected by the systematic elimination method during 2008 till 2012, the 510 companies, 102 companies - the Year. To test the research hypotheses was used multiple regression and Excel and SPSS software. Corporate governance mechanisms used in this study are the number of non-duty members of the board of directors and board as storage. Findings show that there is a positive significant relationship between the number of non-duty members of the board of directors and the board as storage and depositing cash in banks.
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Key words: banking, cash maintenance management, non-duty board members

Introduction:

Hereon logical and most helpful solution that can specify situation of banks in total operation way is doing the process that is concerned with evaluation of operation and benchmarking in market, in this way banks can recognize the weak and strong spot of themselves and try to get better situation. The aim of this study was to investigate the impact of corporate governance on hold and cash deposits in the bank. Since it is not possible to attend all shareholders and stakeholders in the company, so managers took on behalf of their corporate governance and accountable to the stakeholders, the available resources were to them. Conflicts of interest that led to the famous problem called representation problem that is a major obstacle of Publish reliable data is.

If the market mechanism and the ability of shareholders to monitor and care managers' behavior is not insufficient will be require a supervising with official guidance. Agency problem between managers and shareholders are around the world. One way to reach the desired control on management performance is corporate governance practices. In this study, the loss of company potential value are result from such ignorance and negligence and how to help prevent this by proper corporate governance is analyzed.

Jensen and Mac Ling (1976) raised the foundations of agency theory. In their analysis, a shareholder is against the managers. One of the main assumptions of agency theory is that the manager and owner have a conflict of interest. In this situation, managers to achieve short-term and miscellaneous income are stimulated leading to reduced welfare benefits and shareholder value. This representation shows necessary to control the management of the company by stock holders.

Therefore, this study sought to examine this issue that is there relationship between Corporate governance with hold and the cash deposited in banks and consequently the value of the company.

History of research

Huvang Vai Vu et al (2009) their study had used multi-criteria decision making theory for evaluation of banks operation. After determination of indexes by balanced concessive card, comparative importance of these indexes had measured by hierarchy analyze process and finally with usage from TOPSIS, SAW and VIKOR techniques they attempted to classified banks' operation and extirpate difference between them. The results of this examination embossing the basic aspects like a notch between banks' operations and show that FMCDM theory is suitable and effective way for evaluation of banks' operations.

Baba Jany and Abdy (2011) during the investigation are assessed relationship between corporate governance and neither taxable. The results indicated no significant difference between means of expressing and decisive differences between taxable income of The Group companies that have corporate governance standards with the Group companies that don't have standards of corporate governance. However, both groups of companies, the percentage of difference between taxable income and certain assertiveness was not significant.

Frsard and Salva (2010) are studied relation between surplus value of cash holdings and corporate governance in the companies of u.s. that have also been adopted in other shooters. Evidence suggests that

this claim is based on analyzing the results of this study are presented that the value to investors of surplus cash reserves are attributable mainly to foreign companies listed on U.S. exchanges and OTC is greater than its domestic counterparts.

Bagley and Vidal Sanchr (2012) on research as affecting factors on cash deposits in banks in private companies in Italy reached the conclusion that cash deposits in banks significantly smaller sized company is associated with lower risk and higher effective tax rates. The results also suggest that dividend payments are associated with higher cash deposits in banks and Net working capital and bank debt are suitable alternatives for cash deposits in banks.

Morad zade Fard at el process to examine the relationship between the shares institutional ownership and interest management in the listed companies in Tehran Stock Exchange. The results indicate a significant negative relationship between the level of institutional ownership of shares and the focus of the corporate governance standards with earning management.

Malekian et al (2011) in a research examines the relationship between cash holding and its determinants in the Tehran Stock Exchange listed companies reached the conclusion that there is a negative relationship between the firm size, and leverage tangible fixed assets by cash deposits in banks. Also, there is a positive relationship between cash flow, profitability and growth opportunities and cash deposits in banks.

Etemady at el (2010) paper that it is the accepted companies in Tehran Stock Exchange, will form To examine the relationship between corporate governance tools Consisting of non duty members of the board of directors and institutional investors as independent variables and the dependent variable is the difference between the price of an offer to buy or sell stock.

Study Hypothesis

First hypothesis: non-duty members of the Board of Directors of the Company on cash deposits in banks is positive.

Second hypothesis: the size of the Board of Directors of the Company on cash deposits in banks is positive.

Materials and Methods

Accounting research in general, research group is positivism because accounting researchers often with the assumption that concepts and facts objectively out there in the world and a variety of statistical methods, observations are measurable, they are attempting to do their research. They Consciously or unconsciously believe in the independence and the test subjects are separated from one another. However, the predominant method of accounting, as are increasingly criticized. But regardless of the histopathological studies, research approaches of positivism are in class.

The data used in this study will be analyzed using SPSS software, and also to test the hypothesis, the following model is used

The research model and analysis of data

$$r_{i,t} - R_{i,t}^B = \gamma_0 + \gamma_1 \frac{\Delta C_{i,t}}{M_{i,t-1}} + \gamma_2 \frac{\Delta E_{i,t}}{M_{i,t-1}} + \gamma_3 \frac{\Delta NA_{i,t}}{M_{i,t-1}} + \gamma_4 \frac{\Delta I_{i,t}}{M_{i,t-1}} + \gamma_5 \frac{\Delta D_{i,t}}{M_{i,t-1}} + \gamma_6 \frac{C_{i,t-1}}{M_{i,t-1}} + \gamma_7 L_{i.t} + \gamma_8 \frac{NF_{i.t}}{M_{i,t-1}}$$
$$+ \gamma_9 \frac{C_{i,t}}{M_{i,t-1}} \times \frac{\Delta C_{i,t}}{M_{i,t-1}} + \gamma_{10} L_{i.t} \times \frac{\Delta C_{i,t}}{M_{i,t-1}} + \gamma_{11} GOV_{i,t} \times \frac{\Delta C_{i,t}}{M_{i,t-1}} + \varepsilon_{i.t}$$

$r_{i,t}$: Stock returns during year t-1 to t

$R_{i,t}^B$ Fama and French three-factor returns

$M_{i,t}$; Market value of equity at time t

$C_{i,t}V$: cash deposits in banks at time t

$E_{i,t}$: Profit before Extraordinary Items years t-1 to t

$NA_{i,t}$: Net assets at time t

$I_{i,t}$: Interest expense during the years t-1 to t

$D_{i,t}$: Common stock dividends during the years t-1 to t

$L_{i.t}$: Debt / (debt + equity rights holders) = leverage the company at time t

$NF_{i,t}$: New financing during the years t-1 to t = net debt + equity

$GOV_{i,t}$: Corporate governance measures used in the study

The following table index values and distribution center for the company is calculated for all variables. As can be deduced from Table is shown 450 view (Year - Co) for the 5 year period was to test the values of maximum, minimum, average and standard deviation for each variable.

Multiple linear regression assumptions test result

As previously stated, the hypotheses of this research, modeling is based on regression equations, And therefore it is necessary to pre-test the regression equations and their analysis are considered the assumptions underlying these relationships. In this section, the assumptions of linear regression, will be evaluated as follows:

The mean (expected) error is zero= *E(e_i)= 0*

of the mean and standard deviation of Standard frequency distribution errors models are respectively zero and one.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ri	510	-79.36	497.760	21.101	65.782
$\Delta C/M$	510	-.910	2.501	.0109	.2277
$\Delta E/M$	510	-2.499	66.01	.3302	2.00
$\Delta NA/M$	510	-3.479	7.002	.0904	.51
$\Delta I/M$	510	-12.893	.002	-.1591	.62
$\Delta D/M$	510	.001	.0601	.0029	.00547
C/M	510	.00038	1.01	.0870	.12396
Li	510	.150	1.360	.6486	.18120
NF/M	510	.000	20.610	.9184	2.1135
$C/M*\Delta C/M$	510	-.417	3.340	.01265	.15642
$Li*\Delta C/M$	510	-.829	1.417	.00761	.10612
$GOV1*\Delta C/M$	510	-.752	1.278	.00863	.1053
$GOV2*\Delta C/M$	510	-.373	.506	.0043	.05238

Residuals Statistics(a)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-26.5653	200.0419	22.1009216	20.6546	510
Residual	-179.6001	478.7053	.00000000	64.5583	510
Std. Predicted Value	-2.356	8.615	.000	1.000	510
Std. Residual	-2.752	7.335	.000	.989	510

Significance test of regression models

As mentioned, the regression equations are used to examine the hypothesis. The regression relative has main role at results, the existence of a significant relationship will have a great impact on research funding. So here it is necessary to test these significant models is. Therefore, statistical hypothesis testing under this section are recommended:

$H_0 : \alpha_0 = \alpha_1 = \alpha_2 = ... = \alpha_7 = 0$

H1: The model coefficients are not all zero

To test the significance of the models will be used the F-test, If the significance level of F is less than 05/0 = α, the null hypothesis will be rejected at the 95% confidence. Conversely assuming that confirmed a meaningful model would be acceptable. Statistical tables of the F test for the model is given below:

Table 4. Statistical results of the significance test model 1

Result	Significant	The test statistic	Statistical indicators and results
Model is Significant	0.004	3.543	Fisher

Table 5. Statistical Results of the test of significance in model 3

Result	Significant	The test statistic	Statistical indicators and results
Model is Significant	0.020	3.543	Fisher

According to analysis of variance F-statistic was applied regression model (1) of 4.634, the model number, (2) 4.603 significance level close to zero (0.000 = sig) is obtained. Because the models, the significance level is less than 05/0 = α significant in these models the error is confirmed.

The results of testing hypotheses

First hypothesis: the number of non-responsible managers and the value of cash deposit in banks is a significant relationship.

Second hypothesis: the size of the Board of Directors has positive effects on cash deposit in banks.

Pearson correlation coefficient was calculated for the variables included in the models at Tables 6 to 8. Estimated coefficients for these variables at error level less than 5% are significant and the number of observations to investigate acceptable in software is 450 years – co. Among the variables, the variables of interest expense, debt ratio and new funding excess returns have significant inverse relationship (negative) so that other variables have a significant direct relationship (positive) with dependent variable.

Table 6. Pearson correlation coefficients for variables in model (1)

		Ri	AC	AE	ANA	AI	AD	Ct	Li	NF	CiACi	LiACi	GOV1ACi
Pearson	Ri	1/000	-	-	--	-	-	-	-	-	-	-	-
	AC	/024	1/000	-	-	-	-	-	-	-	-	-	-
	AE	/042	/055	1/000	-	-	-	-	-	-	-	-	-
	ANA	/064	/048	/014	1/000	-	-	-	-	-	-	-	-
	AI	-/021	-/169	-/885	/062	1/000	-	-	-	-	-	-	-
	AD	/260	/007	/013	/068	/037	1/000	-	-	-	-	-	-
	Ct	/068	-/298	/059	/068	-/278	/071	1/000	-	-	-	-	-
	Li	-/112	/022	/010	-/226	-/194	-/013	/216	1/000	-	-	-	-
	NF	-/014	-/003	-/004	/215	-/075	/032	/150	/170	1/000	-	-	-
	CiACi	/026	/728	/013	-/003	-/278	-/008	/128	/085	/030	1/000	-	-
	LiACi	/031	/980	/054	/027	-/187	/012	-/256	/038	/011	/785	1/000	-
	GOV1ACi	/016	/986	/050	/048	-/165	/006	-/283	/022	-/010	/743	/967	1/000

As the above table is the number of non- required executives on the excess return to consider the cash deposit in banks is positive. The first hypothesis that there is a positive impact on the number of of non-required directors value of cash deposit by the Pearson correlation coefficient is adopted.

Table 8. Pearson correlation coefficients for variables in model (3)

		Ri	AC	AE	ANA	AI	AD	Ct	Li	NF	CiACi	LiACi	GOV3ACi
pearson	Ri	1/000	-	-	-	-	-	-	-	-	-	-	-
	AC	/024	1/000	-	-	-	-	-	-	-	-	-	-
	AE	/042	/055	1/000	-	-	-	-	-	-	-	-	-
	ANA	/064	/048	/014	1/000	-	-	-	-	-	-	-	-
	AI	-/021	-/169	-/885	/062	1/000	-	-	-	-	-	-	-
	AD	/260	/007	/013	/068	/037	1/000	-	-	-	-	-	-
	Ct	/068	-/298	/059	/068	-/278	/071	1/000	-	-	-	-	-
	Li	-/112	/022	/010	-/226	-/194	-/013	/216	1/000	-	-	-	-
	NF	-/014	-/003	-/004	/215	-/075	/032	/150	/170	1/000	-	-	-
	CiACi	/026	/728	/013	-/003	-/278	-/008	/128	/085	/030	1/000	-	-
	LiACi	/031	/980	/054	/027	-/187	/012	-/256	/038	/011	/785	1/000	-
	GOV3ACi	/023	/985	/058	/062	-/164	/032	-/279	/023	-/016	/734	/962	1/000

As the above table shows board members the excess return to consider on the cash deposited by bank firms is positive. The third hypothesis, that there is a positive impact on the number of board members on Cash deposited value in banks by the company based on the Pearson correlation will be accepted. Then, after the implementation of the multiple linear regression model assumptions are presented in tables. Assumptions are presented in the following tables, respectively.

As Table 9 is to output the number of non-required executives regression coefficient estimate for the number is276/176 So that the calculated t-statistic for this variable is less than 5% error level (acceptable error level) is significant. This coefficient is a positive sign means that the impact of non-duty manager on excess returns defined to be positive. In other words, users of directors non_ required to be greater the excess return will be more. Since the value of cash deposited in banks' by the company valuation is on the basis of excess returns earned, Hence, it can be stated that such a on the value of a variable number of non- duty executives on cash deposited in banks is positive. The first hypothesis is accepted. In addition, managers of non-bound variables, with the exception of other variables (variables of net assets) and (interest expense of) are significant relationship.

Table 9. Results of model numbers (1) (first hypothesis)

Model 1			variable
Significant	t	Coefficient	
001/0	20/3	701/32	n.f
054/0	801/1	472/91	AC
054/0	803/1	501/2	AE
906/0	342/0	704/2	ANA
665/0	266/0	332/5	AI
003/0	403/6	2/3244	AD
0/605	1/849	62/777	Ct
0/013	-2/494	-45/664	Li
0/081	-1/749	-/660	NF
0/904	1/684-	-16/151	CiACi
0/031	2/141	121/01	LiACi
0/046	2/040	175.276	GOV1ACi
R^2 **Adjusted**: 0/151 **dorbin-Watson**: 1/892 F : 4/634 Significant: 000/0			

Table 10. Results of model numbers (2) (second hypothesis)

Model 2			variable
Coefficient	t	Coefficient	
001/0	20/3	701/32	n.f
054/0	801/1	472/91	AC
054/0	803/1	501/2	AE
906/0	342/0	704/2	ANA
665/0	266/0	332/5	AI
003/0	403/6	2/3244	AD
056/0	1/918	65/203	Ct
0/016	-2/408	-44/327	Li
616/0	/5020-	-/739	NF
088/0	1/502	14/801	CiACi
072/0	1/626	103/749	LiACi
0/027	2/809	157/303	GOV3ACi
R^2 **Adjusted**: 151/0 **dorbin-Watson**: 1/895 F : 4/644 Significant: 000/0			

Table 10 shows results of the regression model (2) in the second hypotheses. In this model the kind of positive impact in a number of board members on excess returns is investigated. As the results show, the estimated regression coefficients (305/157) is a plus sign indicates a positive effect of this variable with the variable is the excess return. In addition, the t-statistic (089/2), the obtained coefficient in less than 5% error level shows significant. The hypothesis of a positive effect of the number of board members on the value of cash will be accepted by the company deposited in banks. In other words, increasing the number of board members is to increase the excess returns. With regard to the above, the third hypothesis of the study in two phases (Pearson correlation coefficients of the regression model) will be accepted. As shown in the tables and the above statistics shows Durbin - Watson for all models, lack of multicollinearity among the independent variables. And also by a significant F-statistic is shown that the model is accepted.

Research proposals

Since the number of non- required board members on the value of cash deposited in banks by firms is positive, Is recommended that investors embark buy shares of companies that have strong corporate governance systems, and non- required

members are to have shown the value per share of the company in terms of their and provides increase shareholder wealth.

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