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Remuneration of Non-Executive Independent Directors Review the View of Representation Theory

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ABSTRACT

Management is trying to maximize your rewards and that means in terms of net profit, return on investment (performance) or other accounting measures and also by trying to Making positive changes in the prices of corporate securities to be done. In other words, the maximum managers Their interests are trying to improve corporate performance and the improvement of the capital Investors will be aware of the attention and increased trade and thus share in research Willing to "review the independent non-executive directors' fees from the perspective of agency theory" discussed Is.

The sample is composed of 92 companies selected by systematic elimination Is. The company had a total of 460 years. To analyze the data analysis and hypothesis testing This software has been used 7 EVIEWS according to regression analysis, the following results were obtained: Between independent non-executive director's fees and visible efforts there is a significant positive relationship manager. Between independent non-executive directors' fees and the number of board meetings there is a significant positive relationship.

1 Introduction

When some people such as executives and major shareholders of the situation more than other investors present and future prospects of their companies, can benefit from various methods of the information will be used to your advantage and to the detriment of other investors. For example, they can Information management of distorting or abuse their position.

Moral risk caused by separation property management. There is a danger that managers are trying to make a profit and creating wealth Not enough and any weakness in the performance of companies based on factors beyond their control is, justify or major shareholders who are in control of the company through Unfair transactions with the firms and their affiliated entities operate to the detriment of other investors them [3].

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2 History Research

Rasaiian et al. [1] examined the "effects of internal monitoring mechanisms sovereignty corporate cash holdings in Tehran Stock Exchange". This paper explores the relationship between corporate governance mechanisms including the percentage of the outside Directors and the percentage of institutional investors as independent variables and the level of cash holdings as the dependent variable in Tehran Stock Exchange. For this purpose, 10-year-old information (1999-2008) 129 companies were investigated. To test the hypotheses using multiple regression Panel data is used. The results indicate that the percentage of Board of directors and cash holdings in Tehran Stock Exchange, negative and There is a significant, but the relationship between the percentage of institutional investors and cash holdings is significant [6].

Elders and Mohammadabadi [3] explores "the relationship between corporate governance mechanisms earnings quality" they paid. This study accruals quality, stability and predictability of earnings as a measure Earnings quality and duality responsibilities of non-executive directors and members of Board of Directors That by increasing the number of board meetings and the increasing presence of non-executive directors, the quality (consistency and predictability) is earnings. However, between Separation of CEO and Chairman of the Board of Directors of each other's responsibilities and quality (consistency and power of Nose) there is a significant relationship profit. The findings indicate that a significant relationship between AQ, as a measure of earnings quality is assessed corporate governance mechanisms [3].

Elders and Glory [2] examines the "cultural value and corporate governance" began. The Corporate governance variables per cent of board of directors and shareholders ownership percentage Corporate governance variables per cent of board of directors and shareholders ownership percentage Institutions were selected. Sample firms are for a period of three years, from 2007 to 2009 if you were pooled. Using multivariate regression models to test hypotheses was. The results show that between masculinity index and percentage of organizations there was a significant inverse association board of directors. Also, between individualism Organization and institutional shareholders ownership percentage and direct relationship between uncertainty avoidance Ownership percentage of institutional ownership in the organization and there is a significant inverse relationship [2].

Malin et al. [6] examined the "remuneration of non-executive independent director's theory Representing "began. The data from observations of non-executive independent directors in the period are 2007-2009. The aim of this study is to evaluate how to explain the remuneration of independent directors Non-bound representation theory. The results have shown that fees outside independent directors are positively correlated with the effects of their work and responsibilities and remuneration Independent outside directors with independent fulfilment of the criteria stated in the corporate governance codes negative relationship [4].

Karmel [5] examined the "independent engagement model" began. Impartial management Shareholders are useful. But given the order to please the need for a significant independent director Is. And support the activities of independent director of the Company by the Securities and Exchange Commission Conducted in as an ideal in a variety of conditions. And the Investment Company Act of word "please Independent "Instead, he emphasized that the meaning of the term loosely means a manager with no conflict of interest with the company. Independent "Instead, he emphasized that the meaning of the term loosely means a manager with no conflict of interest with the company.

Corporate governance guidelines in many countries of the compensation of non-executive director identified Not as empirical evidence only briefly and indirectly addressed this issue. But questions There complex on the subject:

A) A real contribution executive with good performance Is not specified.

B) Regulatory codes executives discussed.

C) Contribution The Executive Director may be imperceptible. As a result of efforts and sharing or performance Is difficult. But strongly supported in the literature about non-executive directors of Reward non-executive directors is subject to the performance and effort [5].

3 Methodology of the Research

This classification is based on objective research; applied research is of the type. Way data collection for this study, the population included the entire library Companies listed in the Tehran Stock Exchange, which period of 2010 to 2013. 92 companies were selected as systematic sampling for analysis the data used EVIEWS software.

3.1 Research Hypotheses

Research hypothesis according as it is presented as follows:

First hypothesis: the remuneration of non-executive and independent director's visible effort and there is a significant positive relationship manager.

Second hypothesis: the remuneration of non-executive independent directors and board meetings there is a significant positive relationship.

3.2 Research Variables

Independent variable remuneration of non-executive independent directors:

The natural logarithm of the total remuneration received by non-executive independent directors in a financial year

The dependent variables can be stated as follows:

Chair: visible effort Managers:

A binary variable (nominal) that if the chairman of the independent directors during the financial year Outside is equal to 1 otherwise is zero.

Board attendance: Number of Board meetings:

The number of board meetings attended by non-executive independent directors during the financial year

Also our control variables are stated as follows:

Firm size = size of the company with the natural logarithm of total assets

Financial leverage = leverage ratio of total debt to total asset value at the end of fiscal year

Firm Performance = performance that is equal to the total return stock.

4 Main Results

4.1 Analysis of the First Hypothesis

First hypothesis: the remuneration of non-executive and independent director's visible effort and there is a significant positive relationship manager. The analysis is carried out based on the following regression formula:

$$Chairit = \beta_0 + \beta_1 FEEit + \beta_2 Firmsizeit + \beta_3 Financial\ leverageit + \beta_4\ Firm\ Performanc$$
$$+\varepsilon it$$

Table 1: The results of the first hypothesis

		The estimated coefficient	SE	The test statistic z	Z-test probability	Result
Intercept	$\boldsymbol{\beta_0}$	-2/878204	1/297183	-2/218810	0/0265	Negative
Remuneration of non-executive independent directors	FEE	1/44E-05	3/79E-06	3/813010	0/0001	Positive
Company with total asset size of the natural logarithm	FIRM SIZE	0/321995	0/095775	3/362008	0/0008	Positive
Financial leverage ratio of total debt to total asset value	LEVERAGE	-0/809777	0/502903	-1/610205	0/1074	meaningless
Which is equal to the total return performance of the company stock	FIRMPER FORMANCE	-0/181194	0/084532	-2/143505	0/0321	Negative
The coefficient of determination McFadden		0/366005	LR statistics	38/33960		
			Perhaps LR	0/000000		

The results are shown in Table 1. According to LR image is less than the probability statistics The level of 5%, which shows that this model was significant at 95% confidence level and High validity. Constant coefficients and coefficients of independent directors fees Outside, firm size, with natural log of total assets, size and performance of the company Which is equal to the total return stock to visible efforts z-test probability is estimated managers less than 5% error is calculated, 95% is significant. The estimated coefficient of the variable remuneration of non-executive independent directors on effort View of managers 0/0000144 t is 0 and p-Value This variable according to statistics, results A significant indicator of this factor in the level of 5 percent. These findings indicate that The variable remuneration of non-executive independent director's visible effort is a positive and significant impact manager. Z-test probability for the variable leverage ratio of total debt to total asset value of more than 5% of managers is visible efforts Therefore, the estimated coefficients of the variables is not statistically significant at 95%, so this variable is meaningless. Mac Fazn coefficient of determination shows that the explanatory power of the independent variables able 37% variability to explain. That for such models is an acceptable amount. So H0 Remuneration of non-executive and independent directors rejected the attempts between the visible and there is a significant positive relationship managers. So based on the obtained results of Table 1, the regression equation is as follows:

$$\text{Chairit} = -2.878204 + 1.44\text{E} - 05\text{FEEit} + 0.321995\text{Firmsizeit} - 0.809777\text{Financial leverageit} - 0.181194\text{Firm Performanceit}$$

4.2 Analysis of the Second Hypothesis

The second hypothesis: the remuneration of non-executive independent directors and board meetings there is a significant positive relationship.

Table 2: The results of the second hypothesis

	Variables	Coefficients	standard error	T- statistic	Significance level	Result
Intercept	β_0	10/14989	2/542944	3/991392	0/0001	Positive
Remuneration of non-executive independent directors	FEE	1/58E-06	7/97E-07	1/979252	0/0485	Positive
Company with total asset size of the natural logarithm	FIRM SIZE	-0/394060	0/178446	-2/208285	0/0278	Negative
Financial leverage ratio of total debt to total asset value	LEVERAGE	0/239360	0/631351	0/379124	0/7048	meaningless
Which is equal to the total return performance of the company stock	FIRMPER FORMANCE	0/001487	0/049039	0/030316	0/9758	meaningless
The coefficient of determination	0/716272		F- statistic		9/672853	
Adjusted coefficient of determination	0/642223		Significance level		0/000000	
	Durbin Watson		2/158738			

The results in Table 2 show that the probability of t-statistic for constant coefficients and coefficients Remuneration of non-executive independent directors variables, firm size, with natural log of total assets Now the number is less than 5% of the board meetings so; estimated coefficients of the variables Are statistically significant. The coefficient on the variable remuneration of non-executive independent directors The number of meetings of the Board of Directors is 0/00000158 According to the statistic t and p-Value This variable, these coefficients results showed a significant level of 5 percent. These findings Show that variable remuneration of non-executive independent directors on the number of board meetings A significant and positive impact and probability of t-statistic variables financial leverage ratio of total debt to total value Total assets and total return performance of the company that is stock on the number of board meetings more The level of 5% is calculated, so coefficients calculated at 95% Is not significant. Adjusted coefficient of determination shows the explanatory power of the independent variables That could explain variability by 64%. F indicates the probability statistics The entire model is statistically significant and high value statistic Fisher (F) indicates There is a strong relationship between the variables in the models and assumptions with respect to the variable remuneration of non-executive independent directors, company size with the natural logarithm of total assets The number of board meetings is significant in the model. So H_0 is rejected in other words can say Remuneration of non-executive and independent directors between board meetings there is a significant positive relationship.

The regression equation is as follows.

$$\text{Board attendance } i_t = 10.14989 + 1.58\text{E-}06\,\text{FEE}i_t - 0.394060 \text{ Firm size } i_t + 0.239360 \text{ Financial leverage it} + 0.001487 \text{ Firm Performance } i_t$$

5 Conclusion

The results are consistent with theoretical foundations, non-executive directors are independent people As observers and advisers, executives act on behalf of the shareholders. The directors have a corporate governance mechanism and its presence on the board and committees Board usually deals sovereign states. In corporate governance ensures an adequate number of independent directors and non-executive board are to benefit watches and the satisfaction of shareholders and stakeholders. After designing and testing the hypothesis that the For each hypothesis was, it was concluded that the remuneration of independent directors Outside and visible effort is a positive and significant relationship managers. As well as between right Commission an independent non-executive directors and board meetings there is a significant positive relationship.

It is recommended to shareholders and all capital market participants, the logical decisions to the effect that Commission an independent outside directors on managers' performance and thus the value of companies, in addition to And other criteria used in evaluating company performance, pay attention to this indicator In addition to utility findings reaffirm the theory of representation, the role of the remuneration of directors Independent outside to create returns for shareholders can be said that for standard-setting and The stock brokers to remuneration disclosure requirements through financial statements and notes Along be useful.

Finally, to all capital market participants, decision makers, financial analysts and Actual and potential investors in securities recommended in the analysis of investment projects On financial assets and securities for the assessment, the risk, timing and Their investments with respect to different levels of risk-taking and heterogeneous operating Remuneration of non-executive independent directors of vital interest to have a strong and very important, because the Having this important factor leading to optimal investment portfolio with the minimum risk and maximum efficiency.

Considering the controversial proposal which has cost the company repress ending the Stock trying to The remuneration of non-executive independent directors of listed companies on the basis of the company and the benchmark rankings.

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