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Determinants of Corporate Governance Characteristics Influencing Price and Non-Price Informative Voluntary Disclosures: Evidence from Iran

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Abstract
Davani (2005) reported that one of the biggest problems facing the Iranian investors is the poor quality of annual reports which preclude comprehensive and effective analyses. Makhija and Patton (2004) also found that institutional block holders lower the extent of voluntary disclosure in the firms' annual reports when they enjoy direct benefits of being in control (DBC), therefore, the minority group is being expropriated. Since the Iranian Commerce Code's requirement on information disclosure for public firms is limited to releasing only fundamental financial statements, the amount of disclosure in the Iranian firms' annual reports are largely voluntary in nature. It is reported that the extent of information disclosure is driven by the private motivation rather than satisfying the mandated disclosure requirements. Therefore, this study intends to determine the characteristics of corporate governance that influence the voluntary disclosures in Iran in terms of their usefulness and effects on the share prices as Price Informative Disclosures (PID) and their non-usefulness as Non-Price Informative Disclosures (Non-PID). These characteristics may help investors by presenting underlying economic substance of public firms listed on the Tehran Stock Exchange as their true financial picture may be unattainable. This study aims at depicting the Iranian stock market in which low transparency comes with low level of public confidence that results in the reluctant behaviour of investors from the private sector to buy shares. The findings, in general, suggest that the listed firms provide the market with a moderate amount of information which consists mainly of

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Non-PID matters. The lack of confidence among investors from the private sector is due to low level of transparency and failure to present true financial positions.

Keywords: Block Holders, Corporate Governance, Price Informative Disclosures and Non-Price Informative Disclosures, Tehran Stock Exchange, Voluntary Disclosures

JEL Classification: M41

1. Introduction

The confiscation of properties which belonged to the Ex-Royal family of Iran, and the Nationalisation of large corporations and public firms following the Islamic Revolution in 1979 enlarged the State's presence and its role in every sector of the economy, either through regular government agencies or public institutions such as charity foundations. Through the years after the Islamic Revolution in 1979, the ever changing policy and clashes among political parties led to the uncertainty over business dealings. There was a serious lack of information on the financial performance of firms listed on the Tehran Stock Exchange (TSE), and these affected the investors' confidence level in almost all businesses (Hamshahri, 2004).

These factors continued to stifle the TSE until the Iranian Second Economic Reform Programme which was approved by the Parliament in 1994. The Reform Programme targeted towards transforming the stock market to a free capital market with dispersed ownership and to diversify the state's block holdings in public firms to private investors through the TSE. In order to fulfil this objective, the government embarked on many incentive plans such as "Justice Shares" to sell its share holdings in listed firms to ordinary citizens. However, until today the state still holds quite substantial stakes in listed firms because it could not attract enough investors to buy the shares. It appears that the lack of confidence among potential investors is the main obstacle to achieve the objective of the Reform Programme (Samii, 2005).

The problem is further exacerbated by the ownership structure with big block holders dominating the firms which may prefer the direct benefits of control (DBC). According to Amuzegar (1997), there is considerable anecdotal evidence which suggests that some Iranian block holders after the Revolution have exploited firms in their portfolios by seeking the DBC. This also affects investors' confidence. When ownership is concentrated, as the case with public firms in Iran, large shareholders play a more dominant role in monitoring the management. This, therefore, leaves us with the fundamental question under concentrated ownership which is 'how to protect the minority shareholders against the expropriation of controlling shareholders?' Consequently, the lack of separation of ownership and control in public firms with block holders causes potential conflicts between the minority and the large shareholders; i.e. the expropriation of minority shareholders by large owners through their DBC (Jensen & Meckling, 1976).

When the DBC do not exist, the agency problem is reduced to the traditional conflict of interest between manager and shareholders. But when there is substantial amount of direct benefits for large block holders to expropriate, the agency problem exists between the minority and the controlling shareholders (Shleifer & Vishny, 1997; La Porta, Lopez-de-Silanes, & Shleifer, 1999; Claessens, Djankov, Fan, & Lang, 2002; Makhija & Patton, 2004). The problem of moral hazard, then, is the perquisites consumption by large shareholders through autonomy in making top managerial decisions on their own.

The 1979 Nationalisation also affected the development of accounting standards in Iran. The accounting professional societies contributed little to the knowledge and practice of accounting because every International Audit Firms and their Associates were confiscated and the Ministry of Finance for several years had decommissioned the Iranian Association of Certified Public Accountants (IACPA).Therefore, the financial reporting suffered from lack of reporting standards and accepted accounting principles as a study conducted by Pourjalali and Meek (1995) evidenced lower professional power, higher conservatism, and higher secrecy in the Iranian financial reporting after the 1979 Revolution. So, transparency and financial information disclosure greatly declined after the Nationalisation.

Obviously, the availability of substantial amounts of perquisites for large block holders to expropriate generates information asymmetry. For example, Heflin and Shaw (2000) find that ownership concentration results in a greater proportion of informed traders in a market. This engenders information asymmetry that shows one group (block holders) is armed with greater information compared with another group (minority shareholders). Therefore, reducing information asymmetry by releasing more information can make the extraction of corporate resources to be easily detected by minority shareholders. In the same fashion, Jensen and Meckling (1976) also assert that a reduction in the amount of information asymmetry contributes to the lower levels of perquisites consumption for block holders. Thus, the extent of Price Informative Disclosures (PID) and Non-Price Informative Disclosures (Non-PID) as the proxies of presenting the underlying economic substance of firms listed on the TSE may offer some explanations for the low public confidence that result in the reluctant behaviour of investors to buy shares in Iran. The next section discusses the prior literature on voluntary disclosure and corporate governance. This will be followed by a brief description on block holders in Iran and the development of the hypotheses in sections 3 and 4 respectively. The methodology employed to test the hypotheses is found in section 5, and the results are discussed in section 6. Sections 7 and 8 contain the limitation and the conclusion of this study.

2. Prior literature

Voluntary disclosure in annual reports has been the subject of a great deal of empirical research (Botosan, 1997; Sengupta, 1998; Chen & Jaggi, 2000; Leuz & Verrecchia, 2000; Ho & Wong, 2001; Chau & Gray, 2002; Haniffa & Cooke, 2002; Eng & Mak, 2003; Ghazali & Weetman, 2006; Akhtaruddin, Hossain, Hossain, & Yao, 2009; Hussainey, Khaled, Walker, & Martin, 2009; Al-Akra, Eddie, & Jahangir, 2010; Othman, 2010). For example, according to Healy and Palepu (2001), a company's decision to engage in voluntary disclosure might be a response to innovation, globalisation or changes in business and capital market environments. Al-Akra et al. (2010) also show that privatisation and economic reform plans are positively associated with higher extent of voluntary information disclosure. With respect to institutional block holdings ownership on the TSE and their substantial DBC, it is expected that better transparency can play an effective role in alleviating the agency conflict between minority investors and controlling shareholders. Being fully aware of the workings of the stock market, the block holders would like to be seen as though they are giving much information to influence the market perception about them. The block holders appear to play a deceiving game in the stock market, i.e. providing the market with a lot of information without giving much consideration for its relevancy to be interpreted as a good sign. This will be reflected in the higher extent of voluntary disclosure made as only a device by the Iranian block holders to defeat the low public confidence.

On the other hand, the expropriation of corporate resources by controlling shareholders depends on the obscurity of the DBC. When the controlling shareholders want to expropriate the minority, they will have strong motives to conceal information about corporate resources by releasing less-relevant information about them. This is consistent with the finding of an empirical study by Guedhami and Pittman (2006) which shows that controlling shareholders have stronger motives to conceal firm performance when they are diverting more corporate resources. Further, in a study conducted by Utama and Utama (2009), the researchers find that the investors' reaction is expected to be negative if they perceive a corporate transaction to be an expropriation of the minority. As ordinary investors may not be investment savvy, they may perceive any increase in information disclosure as good news even though the disclosure is less-relevant or even not relevant at all. As Moradi (1993) asserts, the majority of the Iranian investors are not experienced in using annual reports for decision making purposes.

The Iranian block holders such as charity foundations which hold substantial shares prefer to release a bulk of information voluntarily which in terms of usefulness, value and effects on share prices is useless, and is considered as Non-PID or less-relevant information. However, they release such (irrelevant) information to send signal to potential investors that they are doing well in the market. In support of this, Mirshekary and Saudagaran (2005) reveal that the lack of reliable information and inadequate disclosure requirements are the main concerns with corporate financial reports in Iran. With respect to releasing only fundamental financial statements to fulfil the disclosure obligations and being aware of the workings of the stock market which will make its assessment based on released information, the listed firms would like to be seen as though they are giving much information to appeal to market perception about them after the 1994 Economic Reform Programme.

As a result, this behaviour influences the demand and supply of the shares for the benefits of block holders. The institutional block holders may therefore disclose higher extent of voluntary disclosure which is of less-relevant quality or is considered as Non-PID. In other words, it is expected that the listed firms, in which block holders expropriate minority shareholders by their DBC, tend to disclose a higher extent of voluntary disclosure; but in terms of usefulness and effects on share prices, this disclosure is less PID or not useful at all. By doing so, they shield their perquisites consumption from scrutiny. This less useful disclosure is at odds with the informative disclosures which "show investors a company's critical success factors, competitive environment and the framework within which decisions are made as well as its strategy to ensure sustainable results" (FASB, 2001).

An increase in voluntary disclosure would have consequences such as leading to higher share prices, or lower information asymmetry which according to Botosan (1997), Sengupta (1998), and Leuz and Verrecchia (2000), may result in greater liquidity, which in turn lowers the cost of capital and raises share prices. Hussainey et al. (2009) also find that share price anticipation of earnings improves with increasing levels of voluntary disclosures.

Moreover, good corporate governance improves the level of transparency and reduces the space for managers to act opportunistically. The governance mechanisms will improve the management monitoring by making managers more responsive to investors that will result in managers disclosing more information (Williamson, 1985; Forker, 1992; Welker, 1995). In line with this, the TSE and the Iranian government have already promoted good corporate governance practices in recent years to increase transparency and provide useful financial information to the public. As the primary objective of the Iranian reform plan is to encourage wider spread and dispersed ownership among the ordinary investors, one would expect listed firms to employ good corporate governance practices. As a result of these initiatives, Iranian listed firms have appointed a high proportion of independent directors on their board of directors in addition to the effective number of directors on their boards. Further, the functions of the CEO and chairman are segregated (Non-CEO duality) to assure investors that there is a high level of control and accountability in the Iranian listed firms (Mashayekhi, 2008).

Akhtaruddin et al. (2009) suggest a positive association between board size and independent directors and voluntary disclosures but negative relationship between family control and voluntary disclosure. Mashayekhi (2008) also finds that increasing the number of non-executive directors and institutional investors on the board of directors besides Non-CEO duality in Iranian companies may improve governance practices. She finds that there is a higher extent of voluntary disclosure in firms listed on the TSE when there are more institutional investors and non-executive directors on boards as well as Non-CEO duality. According to Ghazali and Weetman (2006), director ownership is significantly associated with the extent of voluntary disclosure while government ownership, new governance initiatives and industry competitiveness are not significant in pointing companies towards greater transparency in Malaysia. Therefore, Iranian block holders, unlike their Malaysian counterparts, release less relevant or irrelevant information to portray to the private investors that there is transparency.

Haniffa and Cooke (2002) find that there is a significant negative association between the proportion of family members on board and the extent of voluntary disclosures. Family-controlled companies in Hong Kong and Singapore, according to Chau and Gray (2002), have lower level of voluntary information disclosures. Chen and Jaggi (2000) also find that the level of corporate disclosure tends to be lower in family controlled companies compared to non-family controlled companies. In addition, Ho and Wong (2001), Chau and Gray (2002) and Eng and Mak (2003) find that managerial ownership is negatively related to voluntary information disclosures. However, Ali, Salleh, and Hassan (2008) find that in Malaysia, managerial ownership is less important in large-sized firms compared to small-sized firms. In this paper, attempts are made to articulate the role of institutional block holding as a major corporate governance mechanism in explaining the extent of voluntary disclosure and the new dimensions of voluntary disclosure, PID and Non-PID variability. This issue is pertinent as Hashim and Devi's (2008) study shows that higher block ownership has impact on the quality of financial disclosures.

In Iran, the expropriation of minority shareholders by block holders takes various forms such as misappropriation of investment resources, related parties' transactions, assets striping and other forms of "tunnelling" of assets and revenues from firms. The Iranian institutional block holders not only expropriate minority shareholders by their DBC but also attempt to sell their blocks of shares by releasing higher extent of voluntary information to affect the market. Thus, it is expected that they avoid releasing price values of voluntary disclosure which explicitly show their misuse of listed firms' assets. This affects the private investors' confidence and may explain the reluctant behaviour of investors to buy the listed firms' shares. This study is not undertaken to articulate the voluntary disclosures in a developing country like Iran. Instead, this study will explore the extent of PID and Non-PID voluntary disclosure as proxies of presenting true financial positions by listed companies to offer some explanations for the low public confidence that result in the reluctant behaviour of investors to buy shares.

3. Block holders in Iran

After the Nationalisation in 1979, there are five (5) different types of homogenous institutional block holders in the firms listed in the TSE. They are: (1) State Organisations; (2) Pension Funds; (3) Charity Foundations; (4) Listed Industrial Companies; and (5) Financial Intermediaries (Table 1).

Table 1: The percentage of homogenous institutional block holders on the TSE

Year	State	Pension Fund	Charity Foundations	Listed Industrials	Financial Intermediary	Family	Dispersed
1980	37.3%	7.2%	48%	4.7%	2%	0	0.8%
2004	10.2%	6.8%	15%	23%	28%	8.6%	8.4%

Source: The Tehran Stock Exchange Bulletin (2005)

After almost two (2) decades from the 1979 Nationalisation, the privatisation of the firms listed on the TSE took place. The Iranian economic reform strategy is aimed at developing a competitive economy by moving towards a market-based allocation of resources, and by undertaking legal and institutional changes to pave the way for the development of private sector participation together with public enterprise sector reform (World Bank, 2001). Although the privatisation process was rapid, some economists suggest that the legal and other governing institutions could not keep pace with the speed of shift towards a free economy. As a result, much of the legal and judicial efficiency is still underdeveloped. This has resulted in the lack of protection for the minority shareholders in Iran. As shown in Table 1, the majority of the shareholdings are owned by the State organisations although the trend is declining after the privatisation plan.

However, if one looks more closely, the ownership merely shifts from directly owned to indirectly owned by government through listed industrial and financial intermediary firms. The observation, thus, put the success of the privatisation plan in the balance. Going beyond the issue of ownership alone, implicitly this shows that there are underlying problems, which have caused the failure to mobilise the shares, i.e. to encourage more participation from the public. In this regard, Earle, Kucsera, and Telegdy (2005) point to the fear of expropriation by block holders that can limit the ability of firms with high ownership concentration to sell out their shares.

This particular problem could stem from the potential agency problem that may arise out of majority and minority conflicts. Whilst the block holders enjoy the perquisites consumption, the minority group is being stripped off of their wealth. The agency problems could be in the form of firms committing to disadvantageous business relationships known as related parties' transactions, i.e. they take on excessively risky projects to enhance the majority shareholders' share of the success while minority shareholders bear the cost of their failure. According to Shleifer and Vishny (1997) and La Porta et al. (2000), the primary agency problem in an environment with large block holders is not the failure of professional managers to satisfy the objectives of diffused shareholders, but rather the expropriation of minority shareholders by large-block shareholders.

4. Development of hypotheses

In this study, variables are chosen to represent particular aspects of ownership concentrations and board characteristics. These variables are chosen based on either the prior literature or evidence which is specific to Iran. The hypotheses are expressed in alternative form.

4.1 Ownership concentration

According to the 1994 Iranian Economic Reform Programme, the stock market has to become a free market with dispersed ownership, and institutional block holders must sell out their block holdings in public firms to private investors through the TSE. Being aware of the workings of the stock market which will make its assessment based on available information, the block holders would like to be seen as though they are giving much information to please market perception about them so that they are able to influence the shares' demand and supply. Managers in firms with external block holdings reduce monitoring costs through releasing higher voluntary disclosure as a substitute for monitoring (Jensen & Meckling, 1976). So, block holders disclose a higher extent of voluntary disclosure. El-Gazzar (1998), Haniffa and Cooke (2002), and Phua (2003) also state that higher institutional ownership concentrations are associated with higher level of voluntary disclosure. Therefore, we expect firms with higher ownership concentration to disclose higher extent of voluntary disclosure.

> *H1: There is a positive association between ownership concentration and the extent of voluntary information disclosure.*

A state organisation as the large owner in a firm is interested in using its controlling rights to enhance the extent of voluntary disclosure by which it can affect the public perception and thus, influence its shares' demand and supply. This may result in the share prices being traded at higher prices. A state organisation, like any other organisation, pursues economic goals such as maximising its share prices in future auctions and social goals such as boosting investors' confidence. Moreover, the state agencies are interested in using their controlling power to enhance the price informative value of voluntary information disclosure to affect public perception about their listed firms. By doing so, they can have an impact on share prices. In Singapore, for example, Eng and Mak (2003) find that the government's block holdings in the public firms resulted in agency problems. To mitigate these problems, the government linked companies (GLCs) disclose more voluntary disclosure. We expect firms with higher state organisation ownership concentration to disclose higher extent of voluntary disclosure.

H1.1: There is a positive association between the proportions of the equity held by State organisations and the extent of voluntary information disclosure.

H1.2: There is a positive association between the proportions of the equity held by State organisations and the price informative of voluntary information disclosure.

H1.3: There is a positive association between the proportions of the equity held by State organisations and the non-price informative value of voluntary information disclosure.

Financial intermediary firms have a good reputation for seeking the confidence of their investors. It is through enhancing transparency and avoiding DBC consumption. These firms according to Cornelli, Portes, and Schaffer (1996) are more in the public eye compared to others and they pursue short-term capital gains rather than participation in the expropriation of minority shareholders. For example, portfolio firms in New Zealand, according to Adams and Hossain (1998), disclose more voluntary information. Makhija and Patton (2004) also find that the extent of voluntary disclosure is positively related to investment funds ownership. The price informative voluntary information disclosure is therefore an easy measurement to affect the public's confidence. We expect firms with higher financial intermediary ownership concentration to disclose higher extent of voluntary disclosure.

H1.4: There is a positive association between the proportions of the equity held by financial intermediary firms and the extent of voluntary information disclosure.

H1.5: There is a positive association between the proportions of the equity held by financial intermediary firms and the price informative value of voluntary information disclosure.

H1.6: There is a negative association between the proportions of the equity held by financial intermediary firms and the non-price informative of voluntary information disclosure.

In case of industrial firms, Raffournier (1995) states that if they are block holders in other firms, those firms tend to release higher extent of voluntary information. Further, Kocenda and Valachy (2002) evidence that for industrial firms to exploit economies of scale, they require a sound corporate governance system that might lead to greater transparency. Similarly, Cooke (1992) finds that Japanese manufacturing firms regardless of their listing status disclosed more information than the non-manufacturing firms. He further suggests that, apart from historical and other country-specific reasons, this fact originates from the international exposure of manufacturing sector. Cooke (1992) also finds a similar phenomenon in Switzerland where industrial firms are more internationally-oriented. Listed firms normally avoid DBC consumption and provide greater informative voluntary disclosure. Therefore, we expect firms with higher listed industrial company ownership concentration to disclose higher extent of voluntary disclosure.

H1.7: There is a positive association between the proportions of the equity held by listed industrial firms and the extent of voluntary information disclosure.

H1.8: There is a positive association between the proportions of the equity held by listed industrial firms and the price informative value of voluntary information disclosure.

H1.9: There is a negative association between the proportions of the equity held by listed industrial firms and the non- price informative of voluntary information disclosure.

In Iran, charity foundations have so far been popular and trustworthy; therefore, it could be easy for them to sell their shares in the firms listed on the TSE to potential private investors. Thus, it is predicted that charity foundations would release higher extent of voluntary information disclosure in order to attract more public confidence which in turn may result in attracting private investors. Based on this, we expect firms with higher charity foundation ownership concentration to disclose higher extent of voluntary disclosure.

H1.10: There is a positive association between the proportions of the equity held by charity foundations and the extent of voluntary information disclosure.

H1.11: There is a negative association between the proportions of the equity held by charity foundations and the price informative value of voluntary information disclosure.

H1.12: There is a positive association between the proportions of the equity held by charity foundations and the non- price informative of voluntary information disclosure.

Pension fund is another tool for privatising the public firms. This mainly happens through selling out the block shares to private investors through the TSE. Although the block holders release a higher extent of voluntary disclosure, they avoid releasing 'relevant' voluntary information in order to hide their DBC consumption. According to Iskander and Chamlou (2000), the pension funds used their controlling shares to extract direct benefits at the expense of minority shareholders. Therefore, we expect that firms with higher pension funds ownership concentration to disclose higher extent of voluntary disclosure.

H1.13: There is a positive association between the proportions of the equity held by pension funds and the extent of voluntary disclosure.

H1.14: There is a negative association between the proportions of the equity held by pension funds and the price informative value of voluntary disclosure.

H1.15: There is a positive association between the proportions of the equity held by pension funds and the non-price informative of voluntary disclosure.

4.2 Board characteristics

According to Forker (1992), corporate boards are responsible for the extent and quality of voluntary disclosure in annual reports. Corporate boards will become substantially responsive to investors by: (1) including high proportion of independent directors on board (Forker, 1992; Chen & Jaggi, 2000; Arrifin, 2001; Cheng & Courtenay, 2006); (2) having an effective board size (Pfeffer, 1973; Chaganti, Mahajan, & Sharma, 1985; Pearce & Zahra, 1991; Jensen, 1993; Akhtaruddin et al., 2009); and (3) splitting the role of the chief executive officer (CEO) from the chairman (Gul & Leung, 2004; Mashayekhi, 2008). Board Directors in the public firms with block holding ownerships have cross-directorships and act as a proxy for top management. So, there are no real issues on monitoring of management as they are well equipped with corporate governance mechanisms. Therefore, we expect that firms with good corporate governance disclose higher extent of voluntary disclosure.

H2: There is a positive association between board characteristics and the extent of voluntary information disclosure.

The existence of a significant proportion of independent and non-executive directors on the board of directors is a common recommendation to all codes of best practices including the Iranian's. The presence of independent directors on board makes the board much more responsive to shareholders and hence, will improve the extent and quality of information disclosure (Forker, 1992; Chen & Jaggi, 2000; Arrifin, 2001; Cheng & Courtenay, 2006). Therefore, we expect that firms with higher ratio of independent and non-executive directors on their boards disclose higher extent of voluntary disclosure.

H2.1: There is a positive association between the proportions of independent directors on board and the extent of voluntary information disclosure.

H2.2: There is a positive association between the proportions of independent directors on board and the extent of price informative voluntary information disclosure.

H2.3: There is a negative association between the proportions of independent directors on board and the non-price informative of voluntary information disclosure.

Having an effective board of directors is also an important element of promoting good corporate governance practices. Many studies have found that large boards can respond to their shareholders' information needs more effectively than small boards. Large boards create a network with the external environment and secure a broader communication (Pfeffer, 1973; Chaganti, Mahajan, & Sharma, 1985; Pearce & Zahra, 1991; Akhtaruddin et al., 2009). The Cadbury Report (1992) does not specify the number of directors for an effective board and says the board itself must decide on appropriateness of its size. In other words, each board should ensure that it has enough directors to discharge considered responsibilities and to perform functions effectively. Therefore, we expect that firms with more independent directors on their boards provide higher voluntary disclosure.

H2.4: There is a positive association between the size of the board and the extent of voluntary information disclosure.

H2.5: There is a positive association between the size of the board and the price informative value of voluntary information disclosure.

H2.6: There is a positive association between the size of the board and the non-price informative value of voluntary information disclosure.

One aspect of the corporate governance, which has given rise to concern, is the dominant personality function (CEO=Chairman) which is associated with poor disclosure (Forker, 1992; Mashayekhi, 2008). According to the agency theory, the essential checks and balances over management's performance stem from splitting the two (2) functions of CEO and Chairman of the firm. Therefore, we expect that firms with Non-CEO duality disclose higher extent of voluntary disclosure.

H2.7: There is a negative association between CEO duality and the extent of voluntary information disclosure.

H2.8: There is a negative association between CEO duality and the price informative value of voluntary information disclosure.

H2.9: There is a negative association between CEO duality and the extent of non-price informative voluntary information disclosure.

4.3 Monopolised industry

Industry type influences the policy regarding voluntary disclosure by firms in its category. If a firm does not adopt the same voluntary disclosure policy as others from the same industry do, the market will interpret this as a signal for bad news (Inchausti, 1997). Some Iranian industries enjoy monopoly advantages which provide enough reasons for them to adopt a particular voluntary disclosure policy to avoid political costs. According to the positive accounting theory (Watts & Zimmerman, 1978), the higher the political cost a firm is facing, the more likely the firm will disclose information. Monopolised industries are under the constant monitoring of the government, hence, they would not want additional rules or government regulations to be imposed on them. The voluntary disclosure in monopolised industries is, therefore, expected to be higher compared to that of firms from the other types of industry. We expect that firms within higher monopolised industries ownership concentration to disclose higher extent of voluntary disclosure.

H3: There is a positive association between monopolised industries' ownership concentration and the extent of voluntary information disclosure.

Monopolised industries compete with their supra-profit or business status that they are currently enjoying. They will do whatever necessary to fend off the public from forming a negative opinion about them. Therefore, a higher price informative of voluntary disclosure can improve the positive image of their firms. We expect that firms in the monopolised industries disclose better value of voluntary disclosure.

H3.1: There is a positive association between the proportions of the equity held by monopolised industries and the extent of price informative voluntary information disclosure.

H3.2: There is a positive association between the proportions of the equity held by monopolised industries and the extent of non-price informative voluntary information disclosure.

5. Methodology and research design

5.1 Data

This study takes into consideration all public firms listed on the first board of TSE for the fiscal year of 2004. The 2004 data was the only relevant data available to the authors to conduct this research. Moreover, it was just after the Iranian National Accounting Standards were revised to harmonise with the International Accounting Standards (IAS). Therefore, the population of this study reflects the period in which the IAS dominated the local accounting standards for the first time since the 1979 Revolution.

There were one hundred and sixty (160) firms which were categorised into twelve (12) types of industries listed on the first board. The sources of data were the annual reports which were published by these firms. These reports were collected through the firms' web sites as well as the TSE archives.

Based on previous studies regarding the extent of voluntary disclosure (Botosan, 1997; Arrifin, 2001; Phua, 2003; Makhija & Patton, 2004; Ghazali & Weetman, 2006), voluntary disclosure items were determined by matching annual reports against the Iranian disclosure requirements. Since the existing regulations in Iran do not provide many requirements, there is a wide variety of voluntary information disclosure in annual reports. The preliminary list involved one hundred and seventy nine (179) items. After discussions with several CPAs working in the Iranian Audit Organisation (IAO) and one (1) FCA who runs a stock-brokerage office, the list of voluntary items was reduced to one hundred and seventy (170). They suggested that nine (9) items were redundant and repeated among one hundred and seventy nine (179) voluntary disclosure items' list.[1] The remaining one hundred and seventy (170) voluntary items were classified according to a study by Botosan (1997) into ten (10) categories as presented in Appendix I.

The source of data for independent and control variables was also the firms' annual reports for the fiscal year 2004. The data in their annual reports provided information regarding board characteristics and ownership type. Most of the data were hand-collected and the voluntary disclosure index was based on the information that listed firms provided in their annual reports.

However, in order to determine the price informative value of voluntary disclosure (PID), a questionnaire was designed. The questionnaire was intended to extract personal perceptions on the importance of voluntary disclosure items regarding their effects on share prices. This questionnaire is divided into two (2) sections, section 1 includes the demographic information of the respondents and in section 2, the respondents are requested to rank each voluntary disclosure item according to a designated scale of its importance. The scale is based on the level of importance which can be attached to each item of voluntary disclosure regarding its effect on the share price.

[1]The nine (9) items rejected by the experts during face validity are: (1) the description on enterprise resource planning; (2) the description on total cost management; (3) the comparative table of costs for human errors for five (5) past years; (4) the description on future technology; (5) the comparative table of EAT for past five (5) years; (6) the breakdown of workforce by types of social security insurance; (7) biographical profile of suppliers; (8) quality enhancement programs for suppliers; and (9) the table of payment in foreign currency.

A five-point Likert scale is used with 5 being very important, 4 being fairly important, 3 being moderately important, 2 being slightly important and 1 being unimportant (Appendix I). This type of scaling is tested by the previous studies conducted by McNally, Eng, and Hasseldine (1982), Firer and Meth (1986) and Courtis (1992). Each questionnaire was accompanied by a letter explaining the nature and purpose of the research. Overall, sixty four (64) valid responses, forty five (45) from stock brokers and nineteen (19) from professional bodies working at the Market Monitoring Department (MMD) of the TSE, were collected. Both groups of respondent include financially sophisticated users who are also considered as being opinion leaders for the Iranian individual shareholders. In other words, they possess high interests in annual reports and the Iranian ordinary investors would seek their advice on investment decision-makings. Thus, their responses could obviously show the views of the users regarding information released in annual reports. According to the former TSE Secretary General (Abdo Tabrizi, 2004), stockbrokers are classified as financial analysts in Iran.

5.2 Scoring voluntary disclosure

First, a score sheet was designed for scoring firms on the amount and the level of detail of information disclosed voluntarily. A dichotomous measure was used, the value of one (1) was awarded to the cases where there was a complete data for each item and the value of zero (0) for the absence of such data (nothing). The value one (1) itself was then fractioned according to the volume of the data disclosed for each item. This method was applied for one hundred and seventy (170) items. The total score by dichotomous approach would present an actual score (extent) of voluntary disclosure (VD) for a firm. In other words, this score would present the total uninformative and informative extent of information disclosed voluntarily by a company in its annual report. This method is similar to the previous studies (Chow & Wong-Boren, 1987; Hossain, Tan, & Adams, 1994; Meek, Roberts, & Gray, 1995; Patton & Zelenka, 1997; Chau & Gray, 2002).

$$\mathrm{TVD} = \sum_{i=1}^{n} \mathrm{vd}_i$$

Where:
vd_i = 1 if the item vd_i is disclosed.
vd_i = 0 if the item vd_i is not disclosed.
n = The number of items disclosed voluntarily by a company.
TVD = The total actual score of voluntary disclosure.

5.3 *Scoring price informative voluntary disclosure (PID)*

According to descriptive statistics, voluntary disclosure items perceived by stockbrokers and professional bodies range from very important to fairly important (mean 4 to 5) in terms of their effect on share prices. Based on the dichotomous approach,[2] the total score for very important to fairly important items which are voluntarily disclosed in the annual reports would, however, present an actual price informative score of voluntary disclosure (PID) for each company.

$$TPID = \sum_{i=1}^{m} p_i d_i$$

Where:
$p_i d_i$ = 1 if the item $p_i d_i$ is disclosed.
$p_i d_i$ = 0 if the item $p_i d_i$ is not disclosed.
m = The number of price informative items disclosed voluntarily.
TPID = The total actual price informative score of voluntary disclosure.

An important issue concerning a broad voluntary disclosure list is the problem of distinguishing "not-disclosed" versus "not-applicable" items. So, the applicability of items to each type of industry should be considered. In order to determine the maximum expected voluntary disclosure items (scores) for each type of industry, we referred to the firms' annual reports to identify common not-applicable items and also discussed with several CPAs and academics about the disclosure norms of each industry. This approach is used by Arrifin (2001). Clearly, inapplicable items would be omitted from the maximum expected score of each type of industry to prevent a firm from being penalised for non-disclosure of inapplicable items. This is because the requirements of each type of industry are different regarding its norm of disclosure which is based on its specific type of activity. Thus, the items which overlap through each type of industry reduce the final expected list of voluntary disclosure for that industry. The maximum expected voluntary disclosure items (scores) belong to the Financial Intermediary industry (88). This is followed by the Construction industry (137) and Mining industry (120), and the other industries (151) items (scores).

[2]The value of one (1) is assigned to items for voluntary disclosure and the value of zero (0) for non-disclosure.

The voluntary disclosure (VD) index for a firm is therefore the ratio between the total actual score of voluntary disclosure awarded to that firm, to the maximum voluntary disclosure score that a firm is expected to earn regarding its type of industry (TVD/MVD). The value of the voluntary disclosure index can range from zero (0) to one (1), meaning that higher values of the voluntary disclosure index indicates higher extent of it.

To construct index for the price informative voluntary disclosure (PID), we considered only the informative information which was disclosed voluntarily in sampled firms' annual reports. They were voluntary disclosure items which were perceived by stockbrokers and professional bodies as very important to fairly important (mean 4 to 5) in terms of their effects on share prices. To determine price informative index, the total actual price informative score of each firm was divided by the maximum price informative score that a firm was expected to earn according to its type of industry (The total actual PID score/maximum expected PID score). And in order to determine the maximum expected price informative score for each type of industry, it was referred to their disclosure norms with respect to the voluntary disclosure items which were perceived by stockbrokers and professional bodies as fairly important to very important (mean above 4). The maximum expected price informative items (scores) were for Financial Intermediary industry- forty (40) items, Construction industry- forty one (41) items, Mining industry- thirty nine (39) items and for the other industries- forty seven (47) items.

Similarly, the maximum expected non-price informative voluntary disclosure (Non-PID) scores were determined. The Non-PID index is the ratio between total actual Non-PID score to the maximum Non-PID score of a firm expected according to its industry type. This presents a non-price informative voluntary disclosure index for each firm. Table 2 shows the maximum expected voluntary disclosure (VD), PID and Non-PID items (scores) for four (4) different types of industries which have different disclosure norms in Iran.

Table 2: The maximum expected VD, PID and Non-PID scores

Type of Industry	VD	PID	Non-PID
Financial Intermediary	88	40	48
Construction	137	41	96
Mining	120	39	81
Other industries	151	47	104

5.4 Control variables

A review of the literature on voluntary disclosure shows that non-governance factors, i.e. contextual factors, are very important and influential on the extent of voluntary disclosure (Ho & Wong, 2001; Arrifin, 2001; Eng & Mak, 2003; Phua, 2003; Makhija & Patton, 2004). By integrating twenty nine (29) studies regarding voluntary disclosure, Ahmed and Courtis (1999) identify size of a firm and leverage as the most significant contextual factors. Therefore, to better examine the association between corporate governance mechanisms and voluntary disclosure, two (2) control variables, firm's size and leverage, were selected.

5.6 Regression model

Three (3) linear multiple regression analyses were conducted to test the association between the dependent variables of the extent of voluntary disclosure (VD), price informative (PID) and non-price informative (Non-PID) and the independent variables of board characteristics, ownership concentration and monopolised industries. Size of the firm and leverage were chosen as the control variables in these analyses. The analysis of the extent of voluntary disclosure (VD) was based on the following multiple regression model:

$$\begin{aligned} \text{VOVD} = {} & \beta 0 + \beta 1\ \text{SIZE} + \beta 2\ \text{LEV} + \beta 3\ \text{CEO} + \beta 4\ \text{BSIZ} + \beta 5\ \text{IND} + \\ & \beta 6\ \text{MON} + \beta 7\ \text{INBL} + \beta 8\ \text{FIBL} + \beta 9\ \text{SOBL} + \beta 10\ \text{PFBL} + \\ & \beta 11\ \text{CHBL} + \text{error} \end{aligned}$$

Where:
VOVD represents voluntary disclosure;
$\beta 0$= the intercept;
SIZE= Company size;
LEV= Leverage;
CEO= CEO duality;
BSIZ= Board size;
IND= The proportion of independent directors on board;
MON=Monopolised industries;
INBL= Industrial listed block holding;
FIBL= Financial intermediary block holding;
SOBL= State organisations block holding;
PFBL= Pension fund block holding;
CHBL= Charity block holding;
βi = parameters to be estimated; i= 1,…..,11.

The analysis of the price informative voluntary disclosure (PID) was based on the following multiple regression model:

$$\text{VOPID} = \beta 0 + \beta 1\ \text{SIZE} + \beta 2\ \text{LEV} + \beta 3\ \text{CEO} + \beta 4\ \text{BSIZ} + \beta 5\ \text{IND} + \beta 6\ \text{MON} + \beta 7\ \text{INBL} + \beta 8\ \text{FIBL} + \beta 9\ \text{SOBL} + \beta 10\ \text{PFBL} + \beta 11\ \text{CHBL} + \text{error}$$

Where:
VOPID represents price informative voluntary disclosure,
β0,…, β11 represent regression coefficients.

The analysis of the non-price informative voluntary disclosure (Non-PID) was based on the following multiple regression model:

$$\text{VONON-PID} = \beta 0 + \beta 1\ \text{SIZE} + \beta 2\ \text{LEV} + \beta 3\ \text{CEO} + \beta 4\ \text{BSIZ} + \beta 5\ \text{IND} + \beta 6\ \text{MON} + \beta 7\ \text{INBL} + \beta 8\ \text{FIBL} + \beta 9\ \text{SOBL} + \beta 10\ \text{PFBL} + \beta 11\ \text{CHBL} + \text{error}$$

Where:
VONON-PID represents non-price informative voluntary disclosure,
β0, …, β11 represent regression coefficients.

5.7 Measurement of independent, control and dependent variables

The different types of block holdings are measured by the percentage of cumulative holdings of their subsets in a firm. For instance, all shares in a firm which belonged to the different types of charity foundations, are accumulated in the charity foundations' block holding. The proportion of independent directors on board is the ratio between the number of non-executive directors to the total directors (Arrifin, 2001). The board size is the total number of directors on the board (Yermack, 1996). The CEO duality is measured by zero (0) and one (1), meaning that if CEO=Chairman, then it takes the value of one (1), and if CEO≠ Chairman, it takes the value of zero (0) (Gul & Leung, 2004).

The monopolised industry includes the industries of Motor Vehicle, Fabricated Metal and Chemical which had a total of fifty (50) listed firms in 2004. The monopolised industries enjoy monopoly advantages (excessive business protection from the government) and thus, having the supra-profit and exclusive business status. It is also represented by a dummy variable which takes the value of one (1) for the monopolised industries and the value of zero (0) for the non-monopolised ones.

The Dependent Variable includes three (3) types of indices of VD, PID and Non-PID. The control variables of the firm's size is measured by the

Log of total assets in a company (Makhija & Patton, 2004) and the leverage by the ratio between the book value of the total debts to the book value of owner's equities (Arrifin, 2001).

6. Results and analysis

6.1 Descriptive

The results of descriptive statistics for control and independent variables are presented in Table 3. Table 3 shows that the lowest mean of equity block holding belongs to pension fund with the value of 0.02 and the highest average belongs to financial intermediary with the value of 0.28. The mean of leverage as control variable is 2.63. The CEO duality shows that there is either duality or splitting mode. The CEO duality is evident in 16 per cent of the sampled population (26 firms). There are between five (5) to nine (9) directors on the boards of the sampled firms. The ratio of independent directors varies from zero (0) to one (1).

6.2 Correlation

The Correlation Coefficients between Regression Variables (Table 4) shows that board size and independent directors on boards do not exhibit

Table 3: The descriptive statistics on the control and independent variables

Control Variables	Minimum	Maximum	Mean	Std. Deviation
Company Size	4.46	7.70	5.55	0.51
Leverage	0.27	11.68	2.63	1.73
Independent Variables	Minimum	Maximum	Mean	Std. Deviation
Charity Foundation	0.03	1.0	0.06	0.18
State Organisations	0.003	1.0	0.14	0.23
Financial Intermediary	0.008	0.97	0.28	0.28
Pension Fund	0.01	0.78	0.02	0.09
Listed Industrial Cos.	0.01	1.0	0.12	0.24
Independents on Boards	0	1.0	0.62	0.20
Board size	5	9	5.46	0.84
CEO Duality	CEO=Chairman 26 Firms		CEO≠ Chairman 134 Firms	
Monopolised Industries	Monopolised 50 Firms		Non-Monopolised 110 Firms	

Table 4: The correlation coefficients between regression variables

	1	2	3	4	5	6	7	8	9
1 – Board Size	1								
2 – Independent Directors	.13	1							
3 – Listed Industrial	-.09	-.12	1						
4 – Pension Funds	-.03	.04	-.11	1					
5 – Financial Intermediary	-.08	.09	-.26a	-.01	1				
6 – State Organisations	-.003	-.007	-.22a	-.01	-.20a	1			
7 – Charity Foundation	.05	.09	-.14	-.08	-.25a	-.15	1		
8 – VD	.07	.03	.20a	-.07	-.04	.19b	.03	1	
9 – PID	.08	.02	.16b	-.05	.008	.13	.03	.93a	1
10 – Non-PID	.06	.03	.22a	-.08	-.06	.20b	.04	.98a	.85a

a Correlation is significant at the 0.01 level (2-tailed).
b Correlation is significant at the 0.05 level (2-tailed).

significant relationships with other variables. With respect to the voluntary disclosure, only two (2) independent variables of listed industrial firms and state organisations have significant positive relationship with the former. This pattern is similar for Non-PID. The dissimilarity regarding PID is because the state organisations are not found to be statistically correlated with it, as opposed to the case of voluntary disclosure and non-PID as dependent variables.

Three (3) hierarchical multiple regression analyses were performed to examine whether corporate governance mechanisms of board characteristics, ownership concentration and monopolised industries have a significant influence on the extent of voluntary disclosure, Price Informative (PID) and Non-Price Informative (Non-PID) of voluntary disclosures by treating firm size and leverage as control variables. It is interesting to observe that voluntary disclosure and Non-PID are influenced by the same set of significant independent variables. The analysis reveals that the PID is influenced by only firm size, board size and monopolised industries (see Table 5).

Firm size, board size and monopolised industries influence significantly all three (3) types of disclosures, namely, voluntary disclosure, PID and Non-PID. Therefore, large firms reveal higher price informative information in Iran. This seems to be due to the high cost associated with the process of providing voluntary information; therefore, there is no wonder if larger firms can generally afford such expenses.

Large firms normally own enough resources to employ highly skilled individuals and sophisticated management reporting systems. It enables

Table 5: The results of multiple regression analyses for VD, PID and NON-PID

Independent Variables	Dependent Variable					
	Relation-ship	VD	Relation -ship	PID	Relation-ship	Non-PID
Board Size	+	0.14* (1.96)	+	0.14* (1.88)	+	0.13* (1.94)
CEO Duality	+	0.06 (0.85)	+	0.08 (1.13)	+	0.04 (0.67)
Independent Directors	+	0.08 (1.12)	+	0.04 (0.58)	+	0.08 (1.20)
Listed Industrial Co.	+	0.27* (2.29)	+	0.21 (1.66)	+	0.29* (2.50)
Pension Funds	_	-0.02 (-0.33)	_	-0.03 (-0.46)	_	-0.02 (-0.27)
Financial Intermediary	+	0.23 (1.70)	+	0.11 (0.84)	+	0.11 (0.88)
State Organisations	+	0.20* (1.82)	+	0.11 (0.95)	+	0.24* (2.15)
Charity Foundations	+	0.13** (1.27)	+	0.09 (0.88)	+	0.14* (1.43)
Monopolised Industries	+	0.30** (4.22)	+	0.26** (3.54)	+	0.31** (4.48)
Control Variables		VD		PID		Non-PID
Company Size	+	0.23** (2.99)	+	0.25** (3.12)	+	0.18* (2.42)
Leverage	+	0.07 (0.94)	+	0.00 (0.00)	+	0.11 (1.55)
Constant	_	-0.54 (-2.70)	_	-0.46 (-2.19)	_	-0.54 (-2.60)
R-square	+	0.26	+	0.19	+	0.27
F-statistic		5.56**		4.00**		5.91**

Notes: (1) Significant coefficients are shown in bold and t-statistics are shown in parentheses.
(2) **p < .01, *p < .05.

them to provide a wide array of corporate voluntary information. According to Depoers (2000), the number of subsidiaries and areas of activity tend to grow with the size of a firm, thus increasing the amount of information to be processed by managers and the likelihood of it being disclosed voluntarily.

Furthermore, large firms in Iran often become the focus of attention or make the headline in the news even if they conduct minor events. Thus, large firms are highly visible in the society and have high political costs and hence would like to be seen disclosing more of their social responsibility and environmentally-related information voluntarily as compared to the small firms.

Also, if the board consists of more directors, then their influence makes the voluntary disclosures more transparent and accountable for shareholders. As stated earlier, monopolised industries do publish price informative information in their annual reports and so it turned out to be statistically significant. The monopolised industries could explain the bulk of variation for the price informative voluntary information disclosure (PID) besides voluntary disclosure and Non-PID. In Iran, the monopolised industries are enjoying the monopoly advantage (business protection or favours from the government), so they disclose higher voluntary information.

The reported findings were verified to ensure that their compliance with the assumptions required for least squares procedures. The models under investigation were diagnosed for the following assumptions: 1) linearity of the disclosure models; 2) the constant variance of the error terms (heterocedasticity); 3) the independence of the error terms; and 4) the normality of the error term distribution. The linearity of the phenomenon was investigated through Pearson product moment correlation. For the first run on the bivariate relationships through Pearson correlation, none of the independent variables had a perfect correlation score of one (1). The test of multicollinearity of data can be seen from the value of VIF (Variance Inflation Factor) and the value of Tolerance. Gujarati (1995) and Hair et al., (1998) find that a regression model is free from multicollinearity if it has VIF value of less than ten (10) and Tolerance value of more than 0.1. Since all VIF values and tolerances are below ten (10) and above 0.1 respectively, the variables included in the models are free from multicollinearity problem. According to Gujarati (1995) when determining the fitness of regression model, the coefficient determination (R^2) should have a minimum value of 0.20 if the model uses cross sectional data. Since this study uses cross sectional data, models fit were chosen among R^2 of more than 20 per cent.

In order to detect the existence of heteroscedasticity, residuals from the regression model were plotted against the predicted values of the level of disclosure and against each explanatory variable to determine whether the error terms of the model had constant variances. It was seen that the spread of the data did not form a certain pattern and the data was spread around the null number. This indicated that the data used was free from heteroscedasticity (Hair et al., 1998; Gujarati, 1995).

According to the positive accounting theory (Watts & Zimmerman, 1978) the higher the political cost a firm is facing, the more likely it would be for the firm to disclose information. Since monopolised industries are under the constant monitoring of the government, they would not want additional rules or government regulations to be imposed on them. This is because they are already enjoying the benefits from the supra-profit or their business status. They will do whatever necessary to fend off the public from forming a negative opinion about them. Therefore, a disclosure of some relevant information could project a positive image of these firms, and this is also being practiced by the Iranian monopolised industries.

The independent variables involving block holders of the listed industrial firms, financial intermediary firms, charity foundations and state organisations are statistically significant only for the voluntary disclosure and Non-PID voluntary disclosures. The block holders appear to play a game that is providing the market with a lot of information without giving much consideration for its relevancy. They want to be seen as promoting good corporate governance mechanisms but in essence (reality), they avoid releasing relevant information (PID). These firms hope that the increase in information disclosure (for voluntary disclosure and Non-PID) would be interpreted as a good sign and this would have a positive impact on the supply and demand of their shares, especially as the level of market efficiency is low. However, the observation made by Abdo Tabrizi (2004), the former General Secretary of the TSE, reveals that the Iranian stock market is 'inefficient' and it suffers from low transparency. Thus, none of the independent variables connected with ownership concentration has influence on PID and it signifies that the block holders are not coming forward to disclose useful (PID) information.

The results of this study support the previous study by Eng and Mak (2003) which shows that the government equity ownership in public firms results in agency problems in Singapore. They also find that the Singaporean Government Linked Companies (GLC) disclose higher extent of voluntary disclosure as a means to mitigate the agency problems. El-Gazzar (1998), Haniffa and Cooke (2002), and Phua (2003) also assert that huge institutional ownership concentration release higher level of voluntary disclosure. The results, however, contradict the studies conducted by Mitchell et al., (1995) and Chau and Gray (2002) which claim that there is a negative relationship between institutional ownership concentration and the extent of voluntary information disclosure.

In general, firms satisfy the needs of the market for information by disclosing a lot of information (voluntary disclosure) but with less-relevant content in order to play a safe game. They know how to hold the potential information either at the "secretive stage" [by withholding any types of information (voluntary disclosure and Non-PID)] or at the "competitive advantage stage" [by providing market with relevant and price sensitive information (PID) that will reveal their consumption of perks]. They prefer to stay always in the middle of the line, i.e. at "partial information release stage" to send signals to potential investors that they are doing the fair deal of information disclosure. It is assumed that firms which consume a lot of perquisites would not want to reveal much relevant information (PID) as more disclosure could put them in jeopardy and at the same time upsets the minority shareholders. If these firms do not release any information, they would be seen as holding information from the public, thus the only solution is by offering much but less-relevant information. By doing so, the firms would always remain as middle-road-takers, i.e. they stay in the middle of information disclosure stage.

The behaviour of the institutional block holders can be explained by the fact that there are no substantial private investors in the market and the institutional block holders own almost 80 per cent of the total shares. The block holders, therefore, promote potential investors and try to boost the public's confidence by disclosing higher extent of voluntary information.

7. Limitations and suggestions

The main limitation of this study involves a true measure of transparency. Typically, transparency consists of two (2) dimensions, namely, information availability and a scope (an assessment) of how good or useful the information is.

The quality of financial information according to Phua (2003) is judged in terms of fairness (dimension 1) and usefulness (dimension 2) of the financial statements, i.e. voluntary reporting practices and other related disciplines which are provided to all interested parties. This study only takes into account the first dimension, i.e. information availability without making an assessment about the usefulness of information provided. This was mainly due to the fact that making assessment is very subjective.

However, this study makes use of the importance attached to the information by professionals to gauge the extent or the amount of information made available to the public. Future studies should be conducted to look into the quality of information revealed from both perspectives, i.e. information availability as well as usefulness. More importantly, further studies need to be done to detail out the DBC measures by developing proxies that could prove the perquisites consumption.

Another limitation of this study is that the data is from the fiscal year 2004 which may be considered by some to be outdated. However, it must be stressed that the current study examines only the crucial factors affecting voluntary information disclosures. It does not emphasise on forecasting estimates. Furthermore, the year 2004 is a defining year for two reasons. First, the Iranian Accounting Standards shifted towards the International Accounting Standards (IAS). Secondly, in the 2005, the revised Iranian Code of Corporate Governance which attempted to improve the reliability of the financial reporting, was issued. Thus, this research is a preview of the introduction of the revised Code. It is suggested that a similar study be conducted using data subsequent to 2005.

8. Conclusions

In Iran, the block holders are not ready to change and relinquish the position that they are currently enjoying. They seem to fulfil the forms of disclosures but not the substance. It appears that they are giving out more information to improve the public's confidence but in reality they have not done so. It also seems that the presence of independent directors has not been helpful in obviating this problem as these directors could be appointed on the basis of cronyism. This is consistent with Hashim and Devi (2008), who find that despite the presence of independent directors, block ownership does have an influence over firm's financial reporting quality in Malaysia,. Therefore, the government should consider implementing other measures to improve corporate governance such as electing independent, committed and responsible directors to both audit committees and the boards. This is following the recommendation by the Sarbanes-Oxley Act (2002) that public firms should elect directors who have demonstrated commitment to the interests of investors and the public, and also have an understanding of responsibilities for the nature of the financial disclosures required of issuers under the securities laws. Further, if there are many members in the board, there may have been more discussions and deliberations. Thus, the Iranian government may consider requiring the board to have a minimum number of members. All these will have a positive influence on the level of disclosures.

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Appendix I
The voluntary disclosure items

Rank the level of importance for the following voluntary disclosure items regarding their effects on the share prices						
No	Voluntary disclosure items	The importance of vd items to be disclosed				
		Un-important	Slightly important	Moderately important	Fairly important	Very important
A	The company background information	1	2	3	4	5
1	The plan and photo of the main site and subsidiaries in detail					
2	The corporate goals/mission *					
3	Actions taken to achieve the corporate goals during the year *					
4	Planned actions to be taken in future to achieve corporate goals*					
5	The group structure presented diagrammatically					
6	The weakness and threats points statement					
7	The opportunities and strengths points statement*					
8	Representatives and overseas offices					
9	The organisational chart					
10	Each department's responsibilities					
11	The strategic visions and planning					
12	The administration policy					
B	Governance review					
1	Biographical profile of the board of directors					
2	The board composition					
3	A comparative list of shareholders by type and size with the beginning of year					
4	The board's profit sharing schemes					
5	The individual shareholding of board					
C	Business review					
1	The general outlook of the economy, industry and company *					
2	Future products in the world and local market					
3	The general description on joint ventures					
4	The brand management					
5	The international collaborations					
6	The principles of marketing (locally and globally)					
7	The principal markets (current and potential) *					
8	The promotion of activities *					
9	Pictorial description of principal products*					
10	The sales and after sales services policies					

11	The customer satisfaction appraisal					
12	The general description on logistics					
13	The general description on the materials market					
14	The policy toward the global and local suppliers					
15	The general description on low-market inventory					
16	The expanded product portfolio					
17	The possible facilities to be offered from banks or credit institutions					
D	Portfolio review					
1	A comparison table of the issued shares with the beginning shares					
2	The general description on the investees, goals, achievements and plans					
3	The comparison table of company's share price with the industry index, year-open and end*					
4	The long term dividend policy *					
5	The volume and value of shares traded; lowest, highest and year-end prices *					
6	The portfolio composition, cost and market value *					
7	The planning and strategies on holding *					
8	The portfolio risk and return *					
9	The portfolio's major return indices *					
E	Operating review					
1	The operating environment					
2	The operational strategies					
3	Achievements on the operational strategies during year					
4	Actions to be taken to achieve in future operational strategies *					
5	Pictorial description of major plants and machinery					
6	Info on IT strategies, information systems and technology					
7	The output capacity by investment *					
8	The quality control and improvement management					
9	The internal controls and management information systems					
10	The general description of planning and quantity control system					
11	The renovations and improvements in the manufacturing machinery					
12	The engineering processes					
13	The general description of product innovations and new achievements					
14	The policy on achieving operational, technical and systematic standards					
15	The output processes diagrammatically with detailed information					
16	The general description on the product cost management					
17	The general description on the project management					
18	The comparison table of productivity indices with the year-open					
19	The technology acquisition, internship, development and future technology					
20	The self-dependence policy or foreign currency reliance recovery					
21	The product audit system					

22	The general description on the ISOs acquired					
23	The pictorial description of awards and prizes acquired					
24	The policy on research and development					
25	The R and D projects in progress					
F	Employee and environmental review					
1	The corporate strategies on human resource					
2	The breakdown of workforce by segments					
3	The breakdown of workforce by age					
4	The breakdown of workforce by education or expertise					
5	The breakdown of workforce by sex					
6	The employment generation outlook					
7	The human resource and their welfare (health and safety) management					
8	The welfare facilities					
9	The policy on training					
10	The training programs					
11	The resource of training programs					
12	The general description on motivation or incentive scheme					
13	The employee's pension and accident coverage plan					
14	Future and human resource					
15	The corporate policy on social responsibilities					
16	The attitude toward environmental protection					
17	The energy management and optimal consumption of energy					
G	Financial review					
1	The financial strategies *					
2	Achievements on the financial strategies during the year *					
3	The corporate policy on finance					
4	Actions to be taken to achieve financial strategies in future					
5	The value-added statement *					
6	The definitions of ratios					
7	The leverage ratios *					
8	The profitability ratios *					
9	The liquidity ratios *					
10	The activity ratios *					
11	The BEP analysis *					
12	DuPont system					
13	The contribution of effective factors to sales or net income recovery *					
14	The contribution to the government's public budget					
15	The comparison of the fiscal income statement with budget *					
16	The comparative table of inputs to outputs *					
17	The capital budgeting and potential capital plans *					

H	Management discussion					
1	Changes in output					
2	Changes in abnormal wastages					
3	Changes in sale or revenue *					
4	Changes in technical insolvency *					
5	Changes in portfolio composition *					
6	Changes in portfolio market value *					
7	Changes in portfolio's return *					
8	Changes in DPS and EPS *					
9	Changes in net income *					
10	Changes in major expenses *					
11	Changes in the cost of sale and manufactured *					
12	Changes in subsidiaries or investees' results *					
13	Highlights *					
14	The capital market adventures *					
15	The claims against and favor of company					
16	Achievements on previous general annual meeting's mandates					
17	On-hand capital projects *					
18	The cost of capital *					
19	Board's annual proposals to the shareholder					
I	Historical results: Past 5 years					
1	The comparative table of company's market value for past 5 years					
2	The comparative table of income statement for past 5 years *					
3	The BEP analysis for past 5 years in a table of comparative statistics *					
4	The EBT for past 5 years					
5	The comparative table of annual total output cost for past 5 years					
6	The comparison table of output with sold units by products for past 5 years					
7	The comparison table of bonus paid for extra output or sold units for past 5 years					
8	The comparative table of expenses for past 5 years *					
9	The comparative table of cost of sale and manufactured for past 5 years					
10	The comparative table of cost of goods manufactured per units for past five years *					
11	The comparative table of revenue or net income for past 5 years					
12	The comparative table of labor's efficiency for past 5 years					
13	The comparative table of quality improvement for past 5 years					
14	The comparative table of company's output for 5 years					
15	The comparative table of output per major plants or machinery for past 5 years					
16	The comparative table of insolvency for past 5 years					

17	The comparative table of technical illustrations per major plants or machinery for past 5 years					
18	The comparative table of wastages for past 5 years					
19	The comparison table of output with budget for past 5 years					
20	The comparison table of nominal with actual and idle capacity for past 5 years *					
21	The comparative table of portfolio's return according to the major indices for past 5 years					
22	The comparative table of market value for portfolio for past 5 years					
23	The comparison table of portfolio cost with market value for past 5 years					
24	The comparison table of company's return with market for past 5 years					
25	The comparison table of company's portfolio transactions with market for past 5 years *					
26	The comparative table of DPS and EPS for past 5 years *					
27	The comparative table of NAV for past 5 years					
28	Sold products in local markets for past 5 years *					
29	Exported products according to price ($ US) for past 5 years *					
30	The comparison table of products sold with budget for past 5 years					
31	The comparative table of portfolio composition for past 5 years					
32	The table of payments to state organizations for past 5 years					
33	The comparative table of foreign currency reliance or imports for past 5 years					
34	The comparative table of major materials purchased for past 5years					
35	The order backlog or backlog recovery for past 5 years					
36	The comparative table of revenue or net income by investees for past 5 years *					
37	The comparative table of financial ratios for past 5 years					
38	The comparative table of accidents for past 5 years					
J	Projected information					
1	The projected output table for next year *					
2	The projected human resource table for next year					
3	The projected purchase table for next year					
4	The projected cash flow statement for next year					
5	The projected portfolio composition for next year *					
6	The projected next public offering of company or investees for the next year *					
7	The projected income statement or net income for next year *					
8	The projected products to be sold or exported for next year *					
9	Projected EPS and DPS for next year *					
10	The projected portfolio's return or income for next year *					
11	The projected balance sheet for next year					

* Voluntary Disclosure Items which ranked by experts as PID.