Examining the Impact of Institutional Ownership on Monitoring Cost: The Case of Iranian Firms Listed on Tehran Stock Exchange

Mohammad Kiamehr, Asghar Asa'di Moghaddam, Safdar Alipour, Hamid Reza Hajeb

Examining the Impact of Institutional Ownership on Monitoring Cost: The Case of Iranian Firms Listed on Tehran Stock Exchange

Mohammad Kiamehr[1], Asghar Asa'di Moghaddam[2], Safdar Alipour[3], Hamid Reza Hajeb[4]

[1]Islamic Azad University, Dariun branch, Young Researchers Club and Elites, Dariun, Iran, [2]Islamic Azad University, Marvdasht branch, Marvdasht, Iran, [3,4]Department of Accounting, Persian Gulf University, Bushehr, Iran
Email: safdar.alipour@pgu.ac.ir (Corresponding author)

Abstract

Nowadays, in large corporations, owing to the vast number of owners and shareholders, the direct control by owners over firm performance is impossible and this group can only participate in the results of operations. Therefore, it is reasonable that they come to protect their interests and optimally control behavior of employed managers via establishing appropriate monitoring mechanisms. The main objective of this research is to investigate effect of institutional owners on monitoring costs. Based on this objective, a sample of 84 Tehran stock exchange-listed firms over the period 2006-2012 is analyzed statistically. In order to extract a robust model, Pearson correlation coefficient and multivariate regression are used and to test significance of regression model and coefficients, F-test and T- test are utilized respectively. Moreover, the monitoring cost is considered the sum of audit fees and executive compensation in current research. The findings indicated that there is a significantly positive relationship between institutional ownership and monitoring cost. The results also revealed that institutional ownership is significantly and positively associated to audit fees and executive compensation.

Keywords: Institutional Ownership, Monitoring Cost, Audit Fees, Executive Compensation

Introduction

In financial management context, the most important role of managers is owners' wealth maximization. However, the pattern of owners' wealth maximization is challenged by that of managers' wealth maximization. This conflict, explained proficiently by agency theory, implies that managers try to maximize their profits not necessarily in alignment and consistent with owners profits. During the last 4 centuries, many efforts have been devoted to finding an appropriate solution to align interests and incentives of owner (principal) and agent. The outcome of these efforts has been converged on audit (Ahmadpoor and Montazeri, 2011).

Moreover, some other issues including the lack of direct access to information by users, intensify the need to audit services. In fact, the role of audit is to measure the quality of information communicated to users. An external audit plays a role in corporate governance by providing an independent assessment of the accuracy and fairness with which financial statements represent the results of operations, financial position and cash flows in accordance with generally accepted accounting principles. Consequently, it may improve accuracy of financial information and diminish information asymmetry and agency costs arising from conflict of interests among corporate managers, stockholders and creditors (Tabari *et al.,* 2012).

The agency relationship is a contract in which one or more owners appoint another person as an agent or a representative on behalf of themselves and delegate decision making authorities to that party. The formation of agency relationship is accompanied by conflicting interests that originate from separation of ownership from management, different objectives and information asymmetry between managers and stockholders. According to agency theory literature, it is necessary to establish appropriate control procedures in organization in order to reduce agency conflicts. Thus, the structure of corporate governance as a solution to reduce conflicts and costs arising from formation of agency relationship must be taken into account.

Corporate governance entails processes which facilitate the creation of shareholder value through management of the corporate affairs in such a way that ensures the protection of the individual and collective interest of all the stakeholders (Hasan and Butt, 2009).

One of the corporate governance mechanisms are through institutional ownership which may influence monitoring costs, audits fees and executives compensation. This paper especially treats this issue among different industries.

Institutional Ownership and Audit Fees

Mitra *et al* (2007) indicated that Institutional and noninstitutional stockholders may have different abilities to monitor and influence firm management due to differences in the analytical and information processing resources at their disposal. Among other researchers, McConnell and Servaes (1990) reasoned that the effect of their monitoring on a firm's inherent risk or the effect of their demand for high-quality audit coverage may lead to differential relationships between the institutional stock ownership and audit fees. Moreover, the institutional investors, on average, are better informed than individual investors regarding firm financial position due to their large-scale development and analysis of timely and valuable firm-specific information. In addition, institutional investors are controllers more active to meet individual investors' responsibilities, leading to decline in agency costs.

Mitra *et al* (2007) demonstrated that large institutional shareholders actively monitor corporate affairs including the financial reporting process and reduce the probability of material misstatements in reported financial numbers. In such an environment, audit risk becomes lower, leading to a low ex ante risk premium and/or the lower level of audit engagement efforts and thus lower audit fees. When institutional investors hold more voting right, they would have incentives to acquire high quality information through high quality audit. Finally, the results of their study revealed that firms are more likely to attract institutional investors rather than high-quality auditors, leading to an increase in audit fees. In fact, we expect a positive relationship between institutional ownership and audit fees so that an increase in institutional percentage ownership would result in the more audit fees (Ali and Lesage, 2013).

Institutional Ownership and Executive Compensation

Growth and expansion of economic activities and development of corporations lead to the raise of special investors and shareholders not directly participating in managing their institution as before. In order to ensure their interests, this sort of stockholders necessarily delegates the task of managing and controlling firm's resources and assets to professional and competent managers. Managers, in turn, exert all of their abilities only on the premise that they obtain benefits compensating their efforts (Semnani and Jafarizad, 2010). Based on the agency theory assumptions, there are some potential conflicts between shareholders and managers interests so that managers seeking for their interests through shareholders may have some conflicts with shareholders. Generally, management bonus is deemed to be the main solution to agency problem. According to this belief, in the event of establishing proper plans for management compensation, managers are more likely to do the best in alignment with stockholders and creditors interests. The main reason for propounding bonus schemes is the necessity of compensating organizational responsibilities committed by management and stimulating mangers toward better performance. Fama believes that managers as a part of labor market are paid based on individual and organizational performance and the market regulates their performance. Therefore, in the event of bonus inappropriateness to performance, one who receives less than his perceived performance would resign from work. Because of implementing bonus plans, managers are encouraged to ensure stockholders interests. Otherwise, the perceived value of firm and its manager could decrease (Modarres, 1994).

Literature Review

Ali and Lesage (2013) examined the relationship between the audit pricing and the nature of controlling shareholders in France during a 7-year period. The results indicated that there is a significantly positive correlation between institutional shareholding and audit fees and a negative one between governmental shareholding and audit fees, but no significant relationship between audit fees and family shareholding.

Khan *et al* (2011) studied the impact of firm ownership concentration on audit fees in an emerging economy, Bangladesh. They observed a significantly negative relationship between ownership concentration and audit fees implying that companies actually pay lower audit fees when these are dominated by sponsor and institutional shareholders.

Ahmad and Mustapha (2011) using data from 235 Malaysia stock exchange- listed firms investigated relationship between management shareholding and agency theory. The results revealed a negative relationship between management shareholding and monitoring cost and a positive one between institutional ownership and monitoring cost. There is also a significant relationship between institutional ownership with bonus and audit fees as they reported.

Jiang *et al* (2009) deploying data from New Zealand firms during 2001 to 2005 examined the impact of ownership structure on CEO compensation-firm performance relationship. The research findings indicated that there is a negative relationship between managers' compensation and firm performance in high concentrated ownership structure and a positive one in low concentrated ownership structure.

Mitra *et al* (2007) in searching for finding any relationship between ownership characteristics and audit fees among New York stock exchange-listed firms for the period of 2000-2005 concluded that there is a significantly positive relationship between institutional ownership and audit fees. However, audit fee is affected by family ownership in a significantly negative manner.

Haid and Yurtoglu (2006) utilizing data from 160 German firms over the period of 1987 to 2003 analyzed the relationship between ownership structure and executive compensation. The findings suggest that executive compensation is a substantial fraction of corporate earnings and it reflects the existence of agency problems caused by the separation of ownership and control. They also found that lack of control by ownership enables management to extract higher executive compensation. Finally, the link between performance and compensation is dramatically weaker in firms where ultimate owners increase their voting rights in excess of their cash flow rights.

Hartzell and Starks (2003) examined the relationship between executive compensation and institutional investment among New York stock exchange-listed firms over the period from 1995 to 2000. They depicted that institutional ownership concentration is positively related to pay-for-performance sensitivity of executive compensation and negatively related to the level of compensation, even after controlling for firm size, industry, investment opportunities and performance.

Coles *et al* (2001) surveyed the impact of some variables including executive compensation, board composition, firm's leadership and –ownership structure on market performance and risk-adjusted accounting performance over a 7-year period after controlling for the effects of some factors involving firm size, and industry performance. The results uncovered that industry performance is an influential factor on firm performance and it is better to consider this variable in studies in order to improve findings robustness.

Research Method

Since the objective of the current research is to discover potential relationships between some variables, i.e. between institutional ownership on the one hand and audit fees, executive compensation and monitoring cost on the other hand, the research method is of descriptive methods from correlation analysis type. This research is practical with respect to its objectives, because we are searching for finding some solutions to existent problems. In order to test hypotheses, the multivariate regression has been used and a regression model developed to test each hypothesis.

Considering the foregoing objective of this research, the following hypotheses have been developed:

H₁: There is a significant positive association between institutional ownership and monitoring cost.

H₁ₐ: There is a significant positive association between institutional ownership and audit fees.

H₁ᵦ: There is a significant positive association between institutional ownership and executive compensation.

Research Models

In this research, in order to test each hypothesis, one model is used as follows:

Model 1. To test the main hypothesis (H₁):

$$MONITOR_{it} = \alpha_i + \beta_1\, INST_{it} + \beta_2\, RECINV_{it} + \beta_3\, SIZE_i + \beta_4\, DEBT_{it} + \beta_5\, RISK_{it} + \beta_6\, ROA_{it} + \beta_7\, GROWTH_{it} + \varepsilon_{it} \qquad (1)$$

Model 2. To test the first subsidiary hypothesis (H₁ₐ):

$$\text{EXTCOST}_{it} = \alpha_i + \beta_1 \text{INST}_{it} + \beta_2 \text{RECINV}_{it} + \beta_3 \text{SIZE}_i + \beta_4 \text{DEBT}_{it} + \beta_5 \text{RISK}_{it} + \beta_6 \text{ROA}_{it} + \beta_7 \text{GROWTH}_{it} + \varepsilon_{it} \quad (2)$$

And model 3. To test the second subsidiary hypothesis (H_{1b})

$$\text{NEDREMM}_{it} = \alpha_i + \beta_1 \text{INST}_{it} + \beta_2 \text{RECINV}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{DEBT}_{it} + \beta_5 \text{RISK}_{it} + \beta_6 \text{ROA}_{it} + \beta_7 \text{GROWTH}_{it} + \varepsilon_{it} \quad (3)$$

Research Variables
Independent variable
INST: represents institutional ownership as proxy by percentage investment of large investors such as banks, insurance companies, investment companies, funds and so forth.

Dependent Variables
MONITOR: represents monitoring costs as the sum of audit fees and executive compensation
EXTCOST: represents audit fees as proxy by the contractual amount paid each year to audit firm or organization for auditing services.
NEDREMM: represents executive compensation as the amount of bonus paid to managers.

Control Variables
In this research, we control for the effects of some variables as follows:
RECINV: represents the sum of inventories and receivables divided by total assets
SIZE: represents the size of the firm and is equal to natural logarithm of total assets.
DEBT: represents financial leverage as the ratio of liabilities to total assets
RISK: a dummy variable with a value of 1 if the firm has a loss for current year, 0 otherwise.
ROA: represents return on assets calculated as division of net income by total assets.
GROWTH: represents the growth of firm as the difference between sale of current year and prior year divided by the sale of prior year.

Table 1

Variables Definition

Variable name	Symbol	Empirical definition
Audit fees	EXTCOST	Collected from explanatory notes accompanying financial statement
Institutional ownership	INST%	$\frac{number\ of\ shares\ owned\ by\ large\ investors}{total\ number\ of\ common\ stock}$
Executive compensation	NEDREMM	Natural logarithm of bonus paid to managers for each year
Monitoring cost	MONITOR	Natural logarithm of the sum of audit fees and executive compensation
Financial leverage	DEBT	$\frac{total\ liabilities}{total\ assets}$
Firm size	SIZE	Natural logarithm of total assets
Return on assets	ROA	$\frac{net\ income}{total\ assets}$
loss	RISK	a dummy variable with a value of 1 if the firm have a loss for current year, 0 otherwise
Firm growth	GROWTH	$\frac{current\ year\ sale - last\ year\ sale}{last\ year\ sale}$
Inventory ratio	RECINV	$\frac{inventories + recievables}{total\ assets}$

Sample

The statistic sample is initially composed of all Tehran stock exchange-listed firms. However, the systematic sampling method is used to select the qualified firms based on some required circumstances including availability of required data, conformity of fiscal year with calendar year, being audited by audit firms, and so forth. Finally, a sample of 84 qualified firms has been investigated over the period of 2006 to 2012.

Table 2

Descriptive statistics

Research variables	Symbol	N	mean	median	min	max	Standard deviation
Institutional ownership	**INST**	588	/70470	/72000	/120	/990	0/1628
Audit fees	**EXTCOST**	588	2/56	2/519	/371	/723	0/3201
Executive compensation	**NEDREMM**	588	2/021	2/556	/000	4/2	1/234
Monitoring cost	**MONITOR**	588	2/871	2/861	/092	/274	0/3512
Inventory ratio	**RECINV**	588	/45510	/48090	/000	/880	0/2020
Firm size	**SIZE**	588	5/615	5/604	/254	/947	0/6244
Financial leverage	**DEBT**	588	0/635	0/660	/010	/001	0/1892
loss	**RISK**	588	0/098	0/00	/000	/001	0/2983
Return on assets	**ROA**	588	/11700	/10670	/44-0	/860	0/1349
Firm growth	**GROWTH**	588	/72080	/11500	/00-1	/749	1/956

Results

Main hypothesis test

In order to choose one of panel data or cross-sectional data, the F-Limer statistic is used.

Table 3

F-Limer test

F statistic	Degree of freedom	Significance level
0.8565	*(497و83)*	*0.1913*

According to table 3, the significance level of the test is 0.191 suggesting that the null hypothesis is validated. Then, cross-sectional data method is preferred to panel data.

To determine relationship between variables, correlation matrix is prepared. The findings are depicted in table 4.

Table 4

Correlation matrix (model 1)

Variable		Monitoring cost	Institutional ownership	Inventory ratio	Firm size	Financial leverage	Loss	Return on assets	Firm growth
Monitoring cost	Pearson coefficient	1.0000	0.3184	0.3603	0.4938	-0.3615	-0.0317	0.0208	0.4090
	Significance level	----	0/000	0/000	/0000	0/000	/4420	/6130	/0000

As it is illustrated in table 4, the significance level of variables institutional ownership, inventory ratio, firm size, financial leverage and firm growth are less than 0.05. Then the null hypotheses for this sort of variables are contradicted implying that there are significant relationships between these variables and monitoring cost. However, the significance level of variables loss and return on assets exceed 0.05. Then the null hypotheses regarding these variables are validated suggesting that there is no any significant relationship between these variables and monitoring cost and we expect these two variables to be excluded from the model.

The details related to the coefficient of determinant, the adjusted coefficient of determinant and Durbin-Watson test run to examine lack of correlation between the model variables are presented in table 5.

Table 5

R^2, adjusted R^2 and Durbin-Watson test related to model 1

Durbin-Watson statistic	F-statistic significance	F statistic	**adjusted R^2**	**R^2**
1/854	0/0000	209	0/4055	0/4126

As it is demonstrated in table 5, the amount and significance level of F statistic suggest that the null hypothesis regarding insignificance of entire model is contradicted and the estimated regression model is valid.

Table 6

The results related to coefficient estimation of regression model 1

Variables	Coefficients	Standard deviation	T statistic	Significance
Constant	1/341	0/1389	9/654	0/000
Institutional ownership	0/219	0/0605	3/626	0/000
Inventory ratio	0/376	0/0556	6/769	0/000
Firm size	0/229	0/0202	11/341	0/000
Financial leverage	-0/197	0/0552	-3/570	0/000
Loss	0/0551	0/0451	1/222	0/221
Return on assets	-0/0902	0/1042	-0/865	0/387
Growth	0/0115	0/0056	2/058	0/040

The results obtained from extracting the model coefficients are displayed in table 6. As it can be observed, the T statistic for institutional ownership variable is 3.626 and furthermore its significance level is less than 0.05. Then, institutional ownership is significantly and positively associated to monitoring cost and the regression model is estimated as:

MONITORit = 1/341 + 0/219 INSTit + 0/376 RECINVit + 0/229 SIZEit - 0/197 DEBTit+ 0/0115 GROWTHit + εit

Second Hypothesis Test
In order to choose one of panel data or cross-sectional data, the F-Limer statistic is used.

Table 7
F-Limer test

F statistic	Degree of freedom	Significance level
0.6226	*(497 و 83)*	*0.0900*

According to table 3, the significance level of the test is 0.09 suggesting that the null hypothesis is validated. Then, cross-sectional data method is preferred to panel data.

To determine relationship between variables, correlation matrix is prepared. The findings are depicted in table 8.

Table 8
Correlation matrix (model 2)

Variable		Audit fees	Institutional ownership	Inventory ratio	Firm size	Financial leverage	loss	Return on assets	Firm growth
Audit fees	Pearson coefficient	1.0000	0.2088	0.2653	0.6139	-0.322	-0.064	0.054	0.414
	Significance level	----	*0/000*	*0/000*	*/0000*	*0/000*	*0.115*	*0.184*	*0/000*

As it is illustrated in table 8, the significance level of variables institutional ownership, inventory ratio, firm size, financial leverage and firm growth are less than 0.05. Then the null hypotheses for this sort of variables are contradicted implying that there are significant relationships between these variables and audit fees. However, the significance level of variables loss and return on assets exceed 0.05. Then the null hypotheses regarding these variables are validated suggesting that there is no any significant relationship between these variables and audit fees and we expect these two variables to be excluded from the model. The details related to the coefficient of determinant, the adjusted coefficient of determinant and Durbin-Watson test run to examine lack of correlation between the model variables are presented in table 9.

Table 9

R^2, adjusted R^2 and Durbin-Watson test related to model 2

Durbin-Watson statistic	F-statistic significance	F statistic	adjusted R^2	R^2
1/832	*0/0000*	*70/080*	*0/4516*	*0/4582*

As it is demonstrated in table 9, the amount and significance level of F statistic suggest that the null hypothesis regarding insignificance of entire model is contradicted and the estimated regression model is valid.

Table 10

The results related to coefficient estimation of regression model 2

Variables	Coefficients	Standard deviation	T statistic	Significance
Constant	*0/833*	*0/1215*	*6/853*	*0/000*
Institutional ownership	*16E+1/55*	*0/0529*	*2/428*	*0/003*
Inventory ratio	*0/271*	*0/0486*	*5/573*	*0/000*
Firm size	*0/281*	*0/0177*	*15/899*	*0/000*
Financial leverage	*-0/102*	*0/0483*	*-2/122*	*0/034*
Loss	*0/0367*	*0/0394*	*0/931*	*0/252*
Return on assets	*0/007*	*0/0912*	*0/0805*	*0/935*
Growth	*0/0117*	*0/0049*	*2/385*	*0/017*

The results obtained from extracting the model coefficients are displayed in table 10. As it can be observed, the T statistic for institutional ownership variable is 2.428 and furthermore its significance level is less than 0.05. Then, institutional ownership is significantly and positively associated to audit fees and the regression model is estimated as:

$$EXTCOST_{it} = 0/833 + 1/55E+16\ INST_{it} + 0/271\ RECINV_{it} + 0/281\ SIZE_{it} - 0/102\ DEBT_{it} + 0/0117\ GROWTH_{it} + \varepsilon_{it}$$

Third Hypothesis Test

In order to choose one of panel data or cross-sectional data, the F-Limer statistic is used.

Table 11

F-Limer test

F statistic	Degree of freedom	Significance level
0.4682	*(497₉83)*	*0.0749*

According to table 11, the significance level of the test is 0.07 suggesting that the null hypothesis is validated. Then, cross-sectional data method is preferred to panel data.

To determine relationship between variables, correlation matrix is prepared. The findings are depicted in table 12.

Table 12

Correlation matrix (model 3)

Variable		Executive compensation	Institutional ownership	Inventory ratio	Firm size	Financial leverage	Loss	Return on assets	Firm growth
Executive compensation	Pearson coefficient	1.0000	0.2658	0.2792	0.0453	-0.1430	-0.0119	-0.667	0.1760
	Significance level	----	*0/000*	*0/000*	*0.271*	*0/000*	*0.771*	*0.105*	*/0000*

As it is illustrated in table 12, the significance level of variables institutional ownership, inventory ratio, financial leverage and firm growth are less than 0.05. Then the null hypotheses for this sort of variables are contradicted implying that there are significant relationships between these variables and executive compensation. However, the significance level of variables firm size, loss and return on assets exceed 0.05. Then the null hypotheses regarding these variables are validated suggesting that there is no any significant relationship between these variables and executive compensation and we expect these two variables to be excluded from the model.

The details related to the coefficient of determinant, the adjusted coefficient of determinant and Durbin-Watson test run to examine lack of correlation between the model variables are presented in table 13.

Table 13

R^2, adjusted R^2 and Durbin-Watson test related to model 3

Durbin-Watson statistic	F-statistic significance	F statistic	adjusted R^2	R^2
1/970	*0/0000*	*11/454*	*0/1108*	*0/1214*

As it is demonstrated in table 13, the amount and significance level of F statistic suggest that the null hypothesis regarding insignificance of entire model is contradicted and the estimated regression model is valid.

Table 14

The results related to coefficient estimation of regression model 3

Variables	Coefficients	Standard deviation	T statistic	Significance
Constant	*1/391*	*0/5972*	*2/330*	*0/0201*
Institutional ownership	*1/026*	*0/2602*	*3/943*	*0/0001*
Inventory ratio	*0/9170*	*0/2391*	*3/835*	*0/0001*
Firm size	*-0/0362*	*0/0870*	*-0/4168*	*0/6770*
Financial leverage	*-0/4007*	*0/2374*	*-2/687*	*0/0020*
Loss	*-0/0669*	*0/1939*	*-0/345*	*0/7300*
Return on assets	*-0/972*	*0/4483*	*-1/168*	*0/1305*
Growth	*0/0320*	*0/0241*	*2/247*	*0/0021*

The results obtained from extracting the model coefficients are displayed in table 14. As it can be observed, the T statistic for institutional ownership variable is 3.493 and furthermore its significance level is less than 0.05. Then, institutional ownership is significantly and positively associated to executive compensation and the regression model is estimated as:

NEDREMMit = 1/391 + 1/026 INSTit + 0/917 RECINVit - 0/4007 DEBTit+ 0/0320 GROWTHit + εit

Conclusions

The results derived from analysis of main hypothesis indicate that there is a significantly positive relationship between institutional ownership and monitoring cost. The higher percentage ownership, the less conflicts between shareholders and less agency costs. Because individuals, who have access to confidential information, also have incentives to pursue shareholders' interests and less need to board monitoring, with respect to the fact that board activities are costly stewardship alternatives. Relying on this argument, we can conclude that the more institutional ownership concentration, the more monitoring cost which is consistent with (Ahmad and Mustapha, 2011).

The results obtained from analysis of second hypothesis indicate that there is a significantly positive relationship between institutional ownership and audit fees. The more increase in the number of shareholders, the more complexity in agency relationships. This is possible that a decrease in the amount of control imposed over firm by individuals as large shareholders may result in a decrease in complexity of firm performance. Then, it is expected that decrease in complexity of firm's operations via decrease in the percent of major shareholders will result is a decrease in audit fees. These results are consistent with (Mitra *et al.*, 2007; Ahmad and Mustapha, 2011; Khan *et al.*, 2011; Ali and Lesage, 2013). They similarly concluded that the more the institutional owners, the more the audit fees because firms are more likely to attract institutional investors rather than high-quality auditors, leading to an increase in audit fees.

The findings attained through analysis of the third hypothesis reveal that there is a significant positive relationship between institutional ownership and executive compensation. The main reason for propounding bonus schemes is the necessity of

compensating organizational responsibilities committed by management and stimulating mangers toward better performance. Fama believes that managers as a part of labor market are paid based on individual and organizational performance and the market regulates their performance. Therefore, in the event of bonus inappropriateness to performance, one who receives less than his perceived performance would resign from work. Because of implementing bonus plans, managers are encouraged to ensure stockholders interests. Otherwise, the perceived value of firm and its manager could decrease. Because both of institutional owners and executive compensation cause improvement in firm performance, it can be inferred that institutional ownership is positively related to executive compensation. These results are consistent with (Ahmad and Mustapha, 2011; Jiang *et al.*, 2009; Haid and Yurtoglu, 2006; Hartzell and Starks, 2003).

References

Tabari, A. H., Mili, R. M., and Asl, Y. F. (2012). "Agency problem and pricing independent auditing services, a test based on free cash flows premise", *The Iranian Accounting and Auditing Review*, Vol. 19, No. 2, pp. 97-122.

Ahmad, A. C., Mustapha, M. (2011), Agency theory and managerial ownership: evidence from Malaysia, *Managerial Auditing Journal,* Vol. 26, No. 5, pp. 419-436.

Poor, A., and Montazeri, H. (2011). " The type of earnings management and the impact of company size, ownership structure and corporate governance", *Journal of Accounting Advances of Shiraz University*, Vol. 3, No. 35, pp. 1-35.

Ali, B. C. A., Lesage, C. E. (2013). Audit pricing and nature of controlling shareholders: Evidence from France. *China Journal of Accounting Research*, No. 6, pp. 21-33.

Coles, J. W., McWilliams, V. B., and Sen, N. (2001). "An Examination of the Relationship of Governance Mechanisms to Performance", *Journal of Management,* No. 27, pp. 23-50.

Haid, A., and Yurtoglu, B. B. (2006). "Ownership Structure and Executive Compensation in Germany", available at www.ssrn.com.

Hartzell, J. C., and Starks, L. T. (2003). "Institutional Investors and Executive Compensation", *Journal of Finance*, Vol. 58, No.6, pp. 2351-2374.

Hasan, A., Butt, S. (2009). Impact of ownership and corporate on capital structure of Pakistani listed companies, *International Jornal of Business and Management,* No. 4, pp. 110-136.

Jiang, H., Habib, A., and Smallman, C. (2009). "The effect of ownership concentration on CEO compensation-firm performance relationship in New Zealand", *Pacific Accounting Review*, Vol. 21, No.2, pp. 104-131.

Semnani, L. B., and Ja'fari zad, S. (2010). "The relationship between market value and bonuses paid to executives of companies listed in Tehran Stock Exchange", *Journal of Financial Engineering and portfolio management*, No. 4, pp. 165-193.

Mitra, S., Hossain, M., Deis, D. (2007). "The empirical relationship between ownership characteristics and audit fees." *Review of Quantitative Finance & Accounting*, Vol. 28, No. 3, pp. 257–285.

Mcconnel, J. J., and Servaes, H. (1990). "Additional evidence on equity ownership and corporate value", *Journal of Financiak Economic*, No. 27, pp. 595-612.

Modarres, A. (1994) "Agency Theory: Implications for Financial Management", *Financial Researches*, Vol. 1, No. 3, pp. 44-58.

Khan, R. A., Hossain, M. D., and Siddiqui, J. (2011). Corporate Ownership Concentration and Audit Fees: The Case of an Emerging Economy. *Advances in Accounting*, Vol. 27, No. 1, pp. 125- 131.