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Evaluating the Effect of Board Characteristic and Ownership Structure on Companies' Stock Liquidity

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ABSTRACT: In decision making, investors rely on quality and quantity and disclosed information timeless from corporate governance. The manner of investors with this information and their decisions shape demand and supply volume and buy and sell offering price. The corporate governance is one of the most influential factors on the difference of buying and selling price of corporation stock. The difference of buying and selling offered price is also one of the most important liquidity criteria of corporation stock. Therefore, the purpose of this study is the evaluation of the effect of board characteristic and ownership structure on stock liquidity of Tehran stock exchange listed companies. For achievement to the purpose of this research studied 83 companies during five years from 2007 to 2011. The results of the study represent positive and significance relationship between the board independence, the institutional stockholder, the government ownership and authority with stock liquidity.

Key words: Corporate Governance, Board Characteristic, Ownership Structure, Stock Liquidity

INTRODUCTION

Since investors and creditors are two main groups of outside users of financial information, the provision of related information for these groups is one of the main apostolate of financial reporting. The financial reporting system should provide information that will be beneficial for users in decisions related to investment, serving credit and other similar decisions. Utility requires that disclosed information will be adequate and sufficient.

For making decision, investors rely on quality and quantity and disclosed information timeless from corporate governances. The manner of investors with this information and their decisions shape demand and supply volume or market depth and offered prices for buying and selling. In other words, the structured and coherent corporation governance has an important role in orientation of investors' decision and role players in stock market and realization of stock markets with high liquidity (Kashanipoor, 2009). One of the most important functions of stock market is the liquidity security. In fact, secondary markets not only provide liquidity by price discovering and ability to transition but also, cause to reduction of capital cost. Non timeless and inaccurate disclosure leads to the increase of adverse selection cost and moral hazard as outcome elements of information asymmetry cause to the reduction of liquidity and increase of capital cost (Ahmadpoor, 2006).

The present literature about corporate governance and the difference of buying and selling offered price of stock represent different results, as if some of these results account the corporation governance as increase factor of firm stock liquidity and others account as decrease factor of firm stock liquidity. The only thing that commonly these results show is that if the quality increase of corporate governance cause to the decrease of information asymmetry in firm stock, the difference of buying and selling offered price will reduce too. As a result, stock liquidity will increase or conversely (Etemadi, 2009).

With regard to above, the purpose of this research is the evaluation of corporate governance mechanisms effect on stock liquidity. In this research used the criteria of corporate governance that paid less attention in the last research and can be informative for analysts, investors and other users of financial information.

Corporate governance and its basic mechanisms

Liquidity is explained mainly by adverse selection risk that confronts the investor with information asymmetry. In accordance with investor's viewpoint, the only way for ensuring the accuracy of disclosed information is the strong corporate governance. In fact, some researchers express that the concept potentially cause to information asymmetry reduction. Interest conflict between managers and stockholders, the possibility of expropriation of minority stockholders and defalcation are the examples of this weakness. As a result, they have more chances for aware people that use the advantages of particular

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information that is in available and will be more expensive for unaware people. Corporate governance is as a setting of mechanism that controls the agency cost reduction by managers' act control and information asymmetry reduction (that imposes by stockholders). So, it is leverage for establishment a relationship between firm and stockholders, new investor absorption and improvement of stock liquidity (Etemadi, 2009).

The role of board size in corporate governance

One of the factors that determine the effect of board size on liquidity generally relates to the leadership control and the quality of decision process. The agency theory hypothesizes expresses that the board size supports of leaders' authority by increasing the opposing groups and coalitions. These results are in distributed consultants that have problem in effective tasks and achieved consensus. In this field, Jesen (1992) suggest guidelines for small size. So, the manipulation of managers' evaluation is facilitated that leads to lower quality of published information, increase of information asymmetry and liquidity reduction.

The role of board independence in corporate governance

One of the most important factors of corporate governance system is the independence of board members. The responsibility of board is the independence monitoring on managers' act and managers' commitment to responsibility to stockholders and stakeholders. Board independence is the issue of corporate governance. Although, there is no empirical research that tests this direct relation. Some studies support the signal and agency theory hypothesis by testing of relationship between independence managers and disclosure. Chen and Jaggi (2000) show this positive relation by studying the relationship between external managers and information wide spreading in Hong Kong. This result indicates that independence managers raise company's compliance with regulations, determines the market transparency and has a positive effect on liquidity.

The level of board independence usually measures as one of these methods: tenure or non-tenure two organizational posts by highest executives show that posts of president of the board and highest executives are occupied by a person? Or no, and the other by the members of the board (RahnamayRodposhti et al., 2011).

The financial expertise of board

There are some discussions about corporate governance that consist of board composition. About usefulness of managers' expertise, Guner et al. (2008) found that the managers who are expert in financial control can effect on corporate reliability by more accurate information and financial statement that are in best audits. So, information asymmetry decreases when liquidity increases. For this Wagner (2008) adds during the board composition, conciliation between independency and competency should be because of having an effective group. Therefore, qualified managers are indicators of published information quality. This may simplifies the absorption of others and then improves the liquidity by entrance of potential new stockholders. Since the law does not define the necessary criteria or skills, there is an implicit way of expertise within the board of director. With the report publication of Baton (2002) the dialogue about the merits of the case managers in the financial recordkeeping began:

Financial expertise is a state that every manager that has these criteria, this proficiency has designed in accordance with university (1) or professional experience of office (2).

1. Financial expertise attributes to a manager who has graduated from commercial university or any major of management or accounting of financial.

2. Financial expertise attributes to a manager who has practically experienced or engaged with financial affairs. So, financial managers, inspectors, auditors…are regarded as financial expertise.

The role of CEO Duality

In the most laws of corporate governance recommended that there must be a balance between the board members that no one is able to control the decision making process that is unconditioned. Moreover, responsibility division in best level I firm must be so clear that figures on power balance and board powers (HasasYegane and Baghomiyan, 2006).

The lack of separation of board chairman role from CEO Duality causes that one person assumes administrative and supervisory audits. In these cases, board chairman should have more power that wastes stockholders' right. In agency theory, the highest executive posts and board chairman must be separated from each other in order to increase the independent control and supervisory audits of board in firm. Entrusting the post of board president and highest executive in whole setting and increasing of board ability in implement of administrative audits will be done in best condition. In other words, the board of director will have flexibility in evaluation of the performance of the highest executives post and firm monitoring that cause to redistribution of making decision power from managers to board of directors (RahnamayRodposhti et al., 2011).

The government role and authority in corporate governance

In writing of corporate governance remembered of ownership and authority as important mechanisms and it is one of the effective mechanisms that have growing importance. The government can be placed in institutional stockholders definition and is the dominant investor that often authority causes to the changes of firm behavior that rooted from supervisory activities which these investors do it (Veluri and Jenkins, 2006). For example, Abdolsalam et al. (2008) in their research found out that there is a direct relationship between government ownership and some firm policies.

The role of ownership and the authority of biggest stockholder in corporate governance

The separation of management from ownership is not the only reason of agency problem and its costs between stockholders and managers. But ownership scattering in some of little stockholder can be a reason. Roee (1990) believes that in the composition of wide spreading ownership, none of the small stockholders have any incentive for supervision. So in this case, every stockholder that wants to monitor the firm performance must pay its costs, while the rest stockholders use of its benefits.

In empirical studies for measuring ownership concentration introduced different approaches such as, Demestez and Len (1985) define the ownership concentration as sum of stock in the authority of 5 or 20 large stockholders of corporation. Rock (1989) and Telgoli et al. (2003) define the ownership concentration as sum of the percentages of dominant stockholders with possession of more than 5 % (Hassanzadehbaradaran et al., 2011).

The role of institutional stockholders in corporate governance;

The dominant stockholders with using of franc influence on decision making and the board structure of firm. So, they can be one supervision source on firm management. In spite of reliable theoretical principles, the empirical results of studies in relation to the relationship between stockholders composition and firm performance joint to each other and sometimes take incoherent results. Stiglitz (1985) argued that one of the most important techniques of controlling and persuading the benefits and the growth of it by management is the growth of institutional stockholder. institutional stockholders is an entity that buys and sells the great volume of securities and it's major function is buy and sell of stock exchange such as, governmental and private banks, pension fund, insurance firms and the social security organization, investment funds and firm, foundations and institutions.

Usually, institutional stockholders desire to present accurate and timeless information in firm. And continually deliberate the firm for the precise and accurate presentation about future earnings. They analyze the related information with stock price that are not reflected in current earning and consider it in stock price. Institutional stockholder is one of the mechanisms of corporate governance that can monitor the firm management. So, they would have considerable authority on firm management and assimilate the management interests with stockholders interests (Solomen et al., 2007).

STOCK LIQUIDITY

The power of buying or selling asset in at least time and cost has been called the asset liquidity (Karami, 2010).the mean of liquidity is simply the facility in buying and selling the stock and the important factor in liquidity of stock market is the difference of offered price of buying and selling stock (Salavati and Rasaiyan, 2007).one of the major characteristic of high liquidity markets is the low difference between buy and sell offered price. It means that the orders of buying and selling have been performed at least time and with suitable price.

The effective and quoted difference chooses as liquidity proxy. The difference of quoted price is the transport cost of market, while the difference of effective prices used for illustration of transaction costs (Callhen et al 1997). Heflin et al. (2005) show that the effective priced-based measure of the difference would be better for measuring based on price difference for stock liquidity to differences of relative and inexperienced prices. In an ordering market based on efficient price, the best price associated with limited order of sale, whereas the purchasing price is associated with the purchasing of limited order.

The Research History

Namazi and Kermani (2008) in a study with title of the effect of ownership structure on the performance of Tehran stock exchange listed companies demonstrated that there is a significance relationship between the ownership structure and firm performance. They divided the ownership structure in two parts: institutional ownership and private ownership and shows there is a negative and significance relationship between firm performance and institutional ownership. And about the relation of private ownership and firm's performance is not specified. Etemadi (2009) studied the relation of some of the corporate governance and stock liquidity. They began to study the percentage of independence member in board and the percentage of independence member in board and the percentage of institutional investors as main variable and the difference of buying and selling offered price as dependant variable. In this regard, they studied the five years information of 111 firm (2001-2005). The results show that there is no significance relationship between corporate governance mechanisms and stock liquidity in Tehran stock exchange. Karami (2010) studied the relation of economic value added and liquidity of stock market and in this regard, began to study the related data of 154 listed companies in Tehran stock exchange during the years of 2004 to 2009. The research results show that there is a positive and significance relationship between economic value added and liquidity of stock market and the strong correlation between the variables and firm value show the influence of them to each other. Barbedo et al. (2008) studied the relationship between corporate governance mechanisms and liquidity levels by using the related data of 55 listed companies in Sao Paulo stock exchange in Brazil. They figured out that the probability of transaction based on potential information has been less in firms with more difficult corporate governance. Chung (2008) in a research began to study of the relationship between corporate governance and market liquidity by using the index of governance characteristic affecting on financial transparency and operationally. They used the criteria such as spread, price impact and the probability of transaction based on potential information for liquidity evaluation. And figured out that firms with better governance, narrower spread, the quality index of bigger market have the least impact of price from transaction volume and the reduction of transaction probability based on potential information. Chang and et al (2010) studied the empirical relationship between corporate governance and liquidity of stock market. They resulted that firms which have better corporate governance, they have a less difference of buying and selling offered price. They showed probably firms with using of corporate governance standards reduce information asymmetry and therefore increase the stock liquidity. Louckil et al (2010) studied the effect of corporate governance on stock liquidity in Tunisia stock market. They studied the related data to 49 companies from 1998 to 2007. The research results show that using of corporate governance mechanisms have a direct affect on information asymmetry reduction and therefore increases the stock liquidity. Umitrescu (2011) studied the relationship between corporate governance and liquidity of stock market. this research results show that firms with better corporate governance and more effective disclosure provisions have a better stock market liquidity and therefore have lower capital cost. Nasrum (2013) in a research studied the effect of ownership structure, corporate governance, investment decision, financial decision and dividend policy of manufacturing listed companies in Indonesia stock exchange. They understood that ownership structure and corporate governance have a positive effect on investment. But, both of them have a negative effect on financial decisions.

Research hypotheses

As we have said, the present research has been studied for demonstrating the effect of board characteristics and ownership structure on stock liquidity of listed companies in Tehran stock exchange, with regard to last subject, this research contains 2 main hypotheses with 7 secondary hypotheses as this:

H1: The board characteristic effects on stock liquidity of companies.
The secondary hypotheses acquired from first main hypothesis:
H1.1: The board size effects on stock liquidity of companies.
H1.2: The board independence effects on stock liquidity of companies.
H1.3: The financial expertise of board effects on stock liquidity of companies.
H1.4: The separation of CEO Duality effects on stock liquidity of companies.

H2: The ownership structure effects on stock liquidity of companies.
The secondary hypotheses acquired from second main hypothesis:
H2.1: The government ownership and authority effects on stock liquidity of companies.
H2.2: The ownership and authority of the biggest stockholder influences on stock liquidity of companies.
H2.3: The existence of institutional stockholders effects on stock liquidity of companies.

MATERIAL AND METHODS

The purpose of this research is application and research scheme is declining regression. With regard to formatting of research subject that is a kind of X to Y. The method of this research is correlation method. For collecting required data, we used of different kinds of library method and for collecting the required data in relation to stock exchange has used of Rahavard Novin software and Research and development managing and Islamic studies site. In this research, we studied 5 periods of Tehran stock exchange listed companies from 2007 to 2011.

Because of great amount of statistical society and some inconsistencies among members of society, the below conditions are placed for statistical example. So, the statistical example chose with systematic write off method. The considered conditions are:

-The companies that listed in stock exchange before 2007.

-The end of fiscal year will be in the end of March.

-The company doesn't change the fiscal year during the study.

-The company is not a member of investment companies that act special like retirement funds, commercial endowment, insurance firms, and investment banks.

-transaction sample of firms is active and has not stopped in stock exchange more than 6 months.

Given the above condition, we studied 83 active firms during the years of 2007 to 2011.

The research model contains two independent variables i.e. board characteristics and ownership structure and the dependent variable, stock liquidity. For evaluation of corporate governance mechanisms on stock liquidity,we used the model of Chang et.al (2009).it has showed as follow:

$$BA = \beta_{\circ} + \beta 1INSTOWN + \beta 2IND + \beta 3\ DUAL + \beta 4BCOMP + \beta 5BSIZE + \beta 6\ BHold + \beta 7BAGENT + e$$

BA: the difference of buying and selling offered price of stock and is the important criteria of stock liquidity that has used in Vanktash's and Chiang's research (1986).

i: Cases

AP: the bestselling offered price of firm stock in every day.

BP: the best buying offered price of firm stock in every day.

INSTOWN: the percentage of institutional stockholders that is equal to theratio of firm stock that preserves by major investment entities to circulated stock and is disposal to stockholders.

IND: the board independence that is equal to the ratio of independence member in board to whole member of board.

BCOMP: the financial expertise that is equal to financial graduated between board members (at least 1 member) chooses number 1otherwise 0.

BSIZE: the board size is equal to the members of board of directors.

DUAL: the separation CEO Duality that is equal to the task separation chooses number 1 otherwise 0.

B HOLD: the ownership and authority of the biggest stockholder, that is equal to the percentage of under possession stock or preserved by the biggest stockholder of firm.

BAGENT: the government authority in board of directors, that is equal to if the member of board is the agent of governmental entity chooses number 1 otherwise number 0.

SIZE: for calculation the firm size use the logarithm of firm's total asset.

LEV: financial leverage is equal to the ratio of total liability to firm's total asset. As the degree of financial leverage is bigger; the degree of financial risk is greater.

LNvol: the natural logarithm of trade volume measures with LN annual mean of trade volume.

RESULTS

The results presented in tables (1), (2) which take from the analysis of data descriptive statistics.

Table 1. The results from the descriptive analysis of research quantity data.

Variable	BA	Bsize	IND	BHOLD	INSTOWN	SIZE	LEV	LNVOL
Observation	415	415	415	415	415	415	415	415
Average	0.116	0.00	5.036	0.732	0.594	13.461	0.621	18.588
STD	0.123	0.8	0.228	0.148	0.178	1.669	0.181	1.566
Maximum	0.000	0.13	4	0.000	0.000	9.336	0.040	15.046
Minimum	0.516	0.24	7	0.957	0.886	18.397	0.915	23.095

Table 2. The frequency analysis of research nominal data.

Variable	BCOMP	DUAL	BAGENT
Observation	415	415	415
Answer	attendance/ non attendance	separation / non separation	penetration / non penetration
Frequencies	186/229	160/240	149/266
Percentage	55.2/44.8	%40 / %60	35.9 / 64.1

Testing of variable's normal distribution

For testing the above hypothesis, we used Kolmogorov-Smirnov sample.

Table 3. Kolmogorov-Smirnovsample

Variable	Observation	Variable type	Z- Value	Sig	Result
BA	415	Dependent	1.404	0.068	Normal
Size	415	Control	0.632	0.820	Normal
Lev	415	Control	1.407	0.223	Normal
LNvol	415	Control	1.386	0.074	Normal

With regard to a significance level of Kolmogorov-Smirnov for dependent variable and control variables, it's necessary to mention that normality of dependent variable leads to normality of total model, so data distribution is normal in this model.

The results from hypothesis testing
In this part the hypothesis testing and their results will be present.

Hypothesis testing1-1
The board size effects on firm's stock liquidity.
The multivariable model used for this hypothesis testing.

$$BA_{i,t} = C + \beta_1(BSIZE_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

Table 4. The results from first hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.344	3.719		0.000
BSIZE	0.02	1.282		0.200
SIZE	-0.111	-3.015		0.003
LEV	0.068	2.659		0.008
LNVOL	-0.012	3.263		0.001
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
20.407	0.000	1.813	0.287	0.273

In table 4,with regard to high probability level of t statistic from acceptable significant for beta coefficient, the results show that board size has a positive effect and from statistical point of view has an insignificance effect on stock liquidity. So, it’s not acceptable at 95% reliability.

Hypothesis testing 2-1
Board independence effects on firm's stock liquidity.
The multivariable model used for second hypothesis testing.

$$BA_{i,t} = C + \beta_1(IND_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

Table 5. The results from second hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.474	4.484		0.000
IND	0.072	3.511		0.000
SIZE	-0.010	-3.011		0.003
LEV	0.067	2.695		0.007
LNVOL	-0.011	-3.120		0.002
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
22.122	0.000	1.761	0.303	0.289

With regard to second hypothesis testing, we conclude that the board independence has a positive effect on stock liquidity and correlation rate between variables of this hypothesis is acceptable at 95% reliability.

Hypothesis testing 3-1
Financial expertise of board effects on firm's stock liquidity.
The multivariable model used for third hypothesis testing.

$$BA_{i,t} = C + \beta_1(BCOMP_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

Table 6. The results from third hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.436	7.871		0.000
BCOMP	-0.013	-1.57		0.080
SIZE	-0.009	-2.679		0.009
LEV	0.068	2.692		0.007
LNVOL	-0.012	-3.278		0.001
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
21.085	0.000	1.772	0.223	0.219

In table 6, with regard to high probability level of t statistic from acceptable significant for beta coefficient, the results show that financial expertise of board has a negative effect and from statistical point of view has an insignificance effect on stock liquidity. So, the third hypothesis is not acceptable at 95%reliability.

Hypothesis testing 4-1

The separation of managing director tasks from chief and vice chancellor of board effects on firm's stock liquidity.

The multivariable model used for fourth hypothesis testing.

$$BA_{i,t} = C + \beta_1(DUAL_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

In table 7, with regard to high probability of t statistic from acceptable significant for beta coefficient the results show that the separation of CEO Duality has a negative effect and from statistical point of view has an insignificance effect on stock liquidity. So, the fourth hypothesis is not acceptable at 95% reliability.

Table 7, the results from fourth hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.572	8.122		0.000
DUAL	-0.023	-1.426		0.096
SIZE	-0.012	-3.376		0.001
LEV	0.041	1.518		0.129
LNVOL	-0.013	-3.414		0.001
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
17.820	0.000	1.613	0.148	0.139

Hypothesis testing 1-2

The government ownership and authority effects on firm's stock liquidity.

The multivariable model used for fifth hypothesis testing.

$$BA_{i,t} = C + \beta_1(BAGNET_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

With regard to fifth hypothesis testing, we conclude that the government ownership and authority has positive effect on stock liquidity and correlation rate between the variables of this hypothesis is acceptable at 95% reliability.

Table 8, The results from fifth hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.494	8.772		0.000
BAGNET	0.038	4.194		0.000
SIZE	-0.012	-3.354		0.001
LEV	0.063	2.546		0.011
LNVOL	-0.013	-3.319		0.000
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
23.105	0.000	1.782	0.313	0.299

Hypothesis testing 2-2

The ownership and authority of the biggest stockholder effects on firm's stock liquidity.

The multivariable model used for sixth hypothesis testing.

$$BA_{i,t} = C + \beta_1(BHOLD_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

Table 9, The results from sixth hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.416	6.893		0.000
BHOLD	0.032	1.061		0.289
SIZE	-0.011	-2.995		0.003
LEV	0.068	2.665		0.008
LNVOL	-0.012	-3.175		0.002
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
20.365	0.000	1.813	0.286	0.272

In table 7, with regard to high probability level of t statistic from acceptable significant for beta one coefficient, the results show that the ownership and authority of the biggest stockholder has a positive effect and from statistical point of view has an insignificance effect on stock liquidity. So, the sixth hypothesis is not acceptable at 95% reliability.

Hypothesis testing 3-2

The institutional stockholder effects on firm's stock liquidity.

The multivariable model used for seventh hypothesis testing.

$$BA_{i,t} = C + \beta_1(INSTOWN_{i,t}) + \beta_2(SIZE_{i,t}) + \beta_3(LEV_{i,t}) + \beta_4(LNVOL_{i,t}) + \varepsilon_{i,t}$$

With regard to seventh hypothesis, we conclude that the presence of stockholder has a positive effect on stock liquidity and correlation rate between the variables of this hypothesis at is acceptable at 95% reliability.

Table 10, The results from seventh hypothesis regression

Variable	Coefficient	t-statistic		Significant
Constant	0.481	8.593		0.000
INSTOWN	0.097	3.932		0.000
SIZE	-0.008	-2.422		0.016
LEV	0.079	3.182		0.002
LNVOL	-0.013	-3.563		0.000
F-statistic	**Significant**	**Durbin-Watson Test**	**R2**	**Adjusted R2**
22.575	0.000	1.77	0.308	0.294

CONSLUSION

For doing this research, we tested two main hypotheses that contain seven subordinate hypotheses. The purpose of this research is the evaluation of the effect of board characteristic and ownership structure on stock liquidity of listed companies in Tehran stock exchange. in this research, with regard to data collection of dependent and independent variables the presented model takes from Chang's and his colleagues model(2009)that codified and has been used.

While there is a positive and significance relationship between board independence and stock liquidity, the companies which their managers have high independency, have low difference of buy and sell offering price of stock. The increase of manager's independence shows the increase in speedy and facility of buying and selling stock and stock market's ability in investment absorption.

The presence of positive and significance relationship between ownership and government authority and stock liquidity shows that companies that have high government ownership and authority, they have low difference of buy and sell offering price. If the member of board of director is an agent of governmental entity represents the government ownership and authority in stock company.

With regard to positive and significance relationship between institutional stockholders and stock liquidity, shows that if companies want to reduce the cost of performance monitoring, one of the cost reduction method is the presence of institutional stockholders. The results from this research show that companies which have institutional stockholders the difference of buy and sell offering price is reducing in those companies.

The result from this research is in accordance with the result of Kashanipoor research (2009).Kashanipoor studies the relation of some governance mechanisms of company with stock liquidity and the results show that the companies with more independence of board structure and more effective performance of board have more stock liquidity. In fact, the companies which have

High concession for the quality of corporate governance, they have lower difference for buy and sell offering price of stock. The findings of this research is not in accordance with the result of Etemadi and his colleagues' research (2009).Etemadi studies the relation of some corporate governance mechanisms and stock liquidity. He began to study the percentage of independence member in board and the percentage of institutional investors as a major variable and the price difference of buying and selling as a dependent variable. The results indicate that there is no significance relationship between corporate governance mechanisms and stock liquidity in Tehran stock exchange.

The result from this research is in accordance with Leoz et.al research (2003).With using the multiple criteria from corporate governance showed that the strong and effective corporate governance with reduction of information asymmetry leads to the increase of operational and financial transparency and as a result increases the stock liquidity by reducing the difference of buy and sell offering price of stock.

The results from this research are in accordance with the result of Chang et.al research (2009). They studied the empirical relationship of corporate governance and stock market liquidity. They concluded that companies which have better corporate governance, they have a low difference of buy and sell offering price of stock. They showed that the companies with using the standards of corporate governance reduce the information asymmetry and therefore increase the stock liquidity.

The results from this research are completely in accordance with Louckil et.al research (2010). They studied the effect of corporate governance on stock liquidity in Tunisia stock market. The results show that using the corporate governance mechanisms has a direct effect in reducing the information asymmetry and therefore increases the stock liquidity.

The results from this research are in accordance with Domiterscue research (2011). Domiterscue studied the relationship between corporate governance and stock liquidity. His results show that the companies with better corporate governance and effective disclosure rules, have better stock market liquidity and therefore have lesser capital cost.

Research Limitations

The major limitations of research are the lack of information and data of some companies in database that cause companies do not present information. Especially, the information about buying and selling offered price of stock made that most of companies were deleted from research statistical sample.

With regard to applied limitations in choice of statistical sample, the choice of some companies was limited and some of the industries did not have an agent. As a result, this issue affects the research result and the results are not extendable to the total present companies in Tehran stock exchange.

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