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Research Article

THE EFFECT OF CORPORATE GOVERNANCE FACTORS ON CASH FLOW RESULTING FROM OPERATING ACTIVITIES AND FIRM FINANCING

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ABSTRACT
Corporate governance creates a framework to direct and control economic entities effectively, efficiently, and appropriately in order to maximize shareholders' benefits. Also due to the fact that cash is considered as one of the most important assets of a business unit, the investors, creditors, and other beneficiaries consider the capability of a business entity in creating and increasing cash very important in assessing it. The present research is going to deal with the effect of corporate governance factors on cash flow resulting from operating and financing activities in firms enlisted in Tehran Stock Exchange. In this research we have investigated about 193 firms enlisted during the time period between 2007 and 2012. The statistical method used was panel data method. To test the hypotheses we have used a multiple variable linear regression model. Research findings showed that there has not been a meaningful relationship between corporate governance factors and cash flow resulting from financing activities and in capital market in Iran corporate governance factors did not have an important effect on cash flows resulting from financing. Also there has been a meaningful relationship between corporate governance factors and cash flows resulting from operating activities and in capital market in Iran corporate governance factors have had a very important role in cash flows resulting from operating activities.

***Keywords:** Institutional Investors, Major Shareholders, Board Size, Cash Flow*

INTRODUCTION
The collapse of big companies such as Enron, WorldCom, Adelphi, Parmalat, Xerox, …that caused losses for many investors and beneficiaries and was resulted from weak corporate governance systems ended with over-emphasis on the necessity of promotion and modifications of corporate governance internationally. Following the collapse of Enron and other similar cases resulted in halting reactions on the part of many countries worldwide. In America Sarbanes Oxely law was approved in July 2002and was obligated from the start of 2004 (Rezaee and Piri, 2011). Firms' leadership strategy translated into corporate governance in Iran is considered as one of the most important issues regarding the desirable control of firms in Iran by management. Economic cooperation and development organization has defined leadership system as: "the set of relations between administrative management, board, shareholders and other beneficiaries".

Firms' leadership framework should necessarily prepare the ground for promoting efficient and transparent markets in cooperation with legislation's governance. Also it should support stockholders to access their equity. A very important aspect of corporate governance is to prepare information for inflow of capital resources into the company in the two forms of issuing stocks and gaining credits. Corporate governance framework in a company should recognize benefit supply of firm in order to formalize the benefits of all beneficiaries and absorb their co-operations for long-term success of the firm. Transparency, as one of corporate governance goals, would be attained through studying financial results of the company by using accounting financial statements that show firm's financial performance and position. Cash flow statement, as one of elements in financial statements, is considered as one of the most efficient reports to reflex the performance of business units in cash and it reflects the required information regarding the creation and consumption of cash for financial statements' users. This report supplies measurement fundamentals and financial flexibility as one of the main tools along with other financial statements. Cash flow statements are also used as a criterion to assess future cash flows. Also this report can be used to assess the previous predictions of cash flows in business units that are realized. The analyses of decisions made based on these predictions, studying the probable deviations, and conclusions about the correctness and efficacy of previous decisions are very useful (Mahdi, 2002).

The Theoretical Foundation of this Research

Corporate guidance system is a reaction towards agency problem that is resulted from the isolation of ownership from management. Until 1970s nobody paid attention to firm's leadership issue structure, when Jensen & McLing posed agency theory and benefit controversy. Based on agency theory there is a potential controversy between benefits of shareholders and management and managers seek to gain maximum benefits through shareholders and these benefits may contradict with shareholders' benefits. According to the definition posed by Jensen & McLing, agency relationship is a contract based on which the employer or owner appoints an agent or a representative and leaves decision making to him. In agency relations, the goal of owners is to maximize wealth and thus control the actions of agent to achieve this goal and assess his performance.

After agency theory was posed, agency relations affected different issues in financial literature broadly and gradually and specifically after the emergence of financial scandals and bankruptcy of firms and misuses and financial frauds occurred at the late 20th century, corporate governance became the focus of attention and made it more necessary to control and supervise managers by shareholders. Therefore, new approaches and methods were posed to assess performance and accommodate the benefits of shareholders and managers and management based on value and maximizing shareholders' wealth found a new status in financial literature and finally corporate governance principles and approaches were developed (Eivazloo and Sadeghi, 2008).

Corporate governance creates a framework to direct and control economic entities effectively, efficiently, and properly to maximize the benefits of stockholders. This system is created and reinforced to support and attain rights and benefits of all investors and stockholders in the company and reduce the benefit controversy among managers and shareholders. Corporate governance presents a legal and regulatory framework to identify the relations and responsibilities among stockholders, board members, and other beneficiaries to guarantee the required competitive performance to determine the rightness of activities and make sure about observing the rights of beneficiaries and presenting supervision and control criteria and mechanisms to control managers' activities and require them to respond about their activities practically. Corporate governance controls audit committee, managers' composition, auditors' independence, ownership structure, control and major shareholders and following that to establish equilibrium among economic goals and to make sure the convergence of individual goals and public ones. Research has shown that corporate governance can result in improving financial reporting quality, improving administrative issues, transparency, and responsiveness (Eivazloo and Sadeghi, 2008).

Financial statements form the main part of financial reporting process. Financial statements' users are broad continuum through which the supply of certain information is impossible to be done through financial statements and thus they emphasize on joint needs (Islami, 2010).

Cash flow statement is one of fundamental financial statements such as the most efficient reports for reflecting business units' performance in cash and reflects the required information regarding the creation and consumption of cash. This report supplies measurement fundamentals and financial flexibility as one of the main tools along with other financial statements. Cash flow statements are also used as a criterion to assess future cash flows. Also this report can be used to assess the previous predictions of cash flows in business units that are realized. The analyses of decisions made based on these predictions, studying the probable deviations, and conclusions about the correctness and efficacy of previous decisions are very useful (Mahdi, 2002).

Cash is one of important and critical resources in every profit unit and creating balance between accessible cash and cash needs is considered as the most important factor in economic safety in each benefit unit. Cash enters a profit organization through normal operations and other financing sources and it is used in administering operations, earning payments, debt repayments, and profit unit development, management decision making reflections about short-term and long-term operating programs and financing and investing investment. The ability and accessibility of any profit unit to cash is the base of many decision making and judgments about the future of the unit. In other words, information related to inflow and outflow of cash in a profit unit is fundamental in many decision makings and judgments of investors, creditors, and some other groups using financial information. The investors and creditors consider it important to pay attention to estimates of future cash flows specifically common operations and financing activities and investment on cash flows (Dastgir and Khodabandeh, 2010).

Research Literature

Bradshaw *et al.,* (2006) concluded in their research entitled: "the relationship between financing activities, analysts' prediction, and return on stock" within a 30 years period that there is an inverse relationship between net cash related to each of financing activity categories, stock issuing, borrowing and return on stock and also with firm profitability. The innovation of this research is to use cash flow statement to know about financing and this results in the way to think that it is an absolutely cash approach and other changes in capital structure such as capital increase through claims, capital increase through accumulated earnings and changing the debt to capital were not taken into consideration. In this research we have concurrently investigated about two inappropriate pricing and wealth transfer hypotheses.

Chi *et al.,* (2007) studied the relationship between corporate governance and firm's market value through creating an ownership index in firms in Hong-King. They concluded that firms' market value is related with corporate governance index positively and firms with good corporate governance accompany increased value added.

Chung *et al.,* (2009) studied the experimental relationship between corporate governance and stock market liquidation. They found out that firms with better corporate governance have less difference between proposed and sold stock price; have higher market quality index; and the probability of exchanges based on final information is less among them. Additionally, they showed that changes in liquidation criteria have a meaningful relationship with changes in corporate governance during time pass. Probably firms reduce information asymmetry through using corporate governance standards and increase stock liquidation through it.

Amir (2005) showed that there is a meaningful relationship between operational cash flow and investment activities and return on stock. Also there is not a meaningful relationship between financing cash flow and return on stock.

Daryaee *et al.,* (2011) selected a sample comprising 70 firms enlisted in Tehran Stock Exchange and concluded that there is a negative and meaningful relationship between corporate governance rate and liquidation rate in a meaningfulness level of %95.

Khodadadi and Talker (2012) studied about the effect of corporate governance characteristics such as ownership concentration, institutional investors, governmental ownership, managerial ownership, the duality of managing director's duties, and the percentage of other members of board on performance and value of firms in bourse and concluded that ownership concentration and governmental ownership and firms' values have positive and meaningful relationships. The investor has a positive relationship with firm value and a negative relationship with firm performance. CEO duality duty has had a negative and meaningful relationship with firm value but it did not have a meaningful relationship with firm performance. Also corporate governance structure including all structural characteristics had a positive and meaningful relationship with firm value and its performance.

Research Hypotheses

In the present research and based on literature regarding the factors of corporate governance and their effects on cash flows resulting from operating and financing activities of firms and also to respond the main research question and to achieve the research goals, the following hypotheses were devised.

Major and Minor Hypotheses

First main hypothesis: Corporate governance market mechanisms affect cash flows resulting from financing.

1-1-The stock ratio of institutional shareholders affects cash flows resulting from financing.

1-2-The stock ratio of major shareholders affects cash flows resulting from financing.
Second main hypothesis: Corporate governance managerial mechanisms affect cash flows resulting from financing.
2-1- Board size affects cash flows resulting from financing.
2-2- The ratio of members not on duty to board members affects cash flows resulting from financing.
2-3- The isolation of managing director's post and board head affects cash flows resulting from financing.
Third main hypothesis: Corporate governance market mechanisms affect cash flows resulting from operating cash flow.
3-1- The ratio of institutional shareholders' stocks affects operating cash flow.
3-2- The ratio of major shareholders' stocks affects operating cash flow.
Fourth main hypothesis: Corporate governance managerial mechanisms affect cash flows resulting from operating cash flow.
4-1- Board size affects cash flows resulting from operating cash flow.
4-2- The ratio of members not on duty to board members affects operating cash flow.
4-3- The isolation of managing director's post and board head affects operating cash flow.

MATERIALS AND METHODS

Research Method

To analyze data we have used panel data method and multiple variable linear regression models. Also Eviews7, SPSS 20, and Mini Tab 16 software were used.
193 firms were remained after screening the population and all of them were selected as our research sample.

Models related with Testing Hypotheses

In this research and regarding the effect of corporate governance on operating and financing activities, we have used the following models to test the hypotheses.
Model (1):

$$Finance_{i,t} = \alpha + \sum_{n=1}^{5} \beta_n Gov_{i,t} + \beta_6 FSize_{i,t} + \beta_7 Lev_{i,t} + \beta_8 MAT_{i,t} + \varepsilon_{it}$$

Model (2):

$$Operation_{i,t} = \alpha + \sum_{n=1}^{5} \beta_n Gov_{i,t} + \beta_6 FSize_{i,t} + \beta_7 Lev_{i,t} + \beta_8 MAT_{i,t} + \varepsilon_{it}$$

Dependent Research Variables

$Finance_{i,t}$: cash flow resulting from financing activities of firm i during year t
$Operation_{i,t}$: cash flow resulting from operating activities of firm i during year t
$Gov_{i,t}$: managerial variables (board size, board independence, managing director's and board head post isolation) and market variables (the ratio of institutional shareholders, the ratio of major shareholders) of corporate governance in year t
$FSize_{i,t}$: size of firm i during year t
$Lev_{i,t}$: leverage ratio of firm i during year t
$MAT_{i,t}$: debt maturity date of firm i during year t

Independent Research Variables

Corporate Governance Market Mechanisms

Institutional Shareholders (ISH)

According to part 27 of article 1 of Stock Exchange Riles, institutional shareholders are: 1) banks, 2) holding, investing companies, pension fund, capital supply company, and investing funds within Stock Exchange Organization, 3) any real or legal person who purchases more than %5 or more than 5 billion Rials of the nominal value of bonds being published, 4) governmental and public organizations and foundations, 5) governmental companies, 6) board members and publisher managers or persons who have similar functions. In this research, banks, companies, and any real or legal person who have had more than %5 of the stocks published were considered as institutional shareholders.

Major Shareholders (LSH)

Major shareholders are those who can appoint at least one member in board independently. In this research those shareholders who have had the required stocks number to select at least one board member were considered as major shareholders.

Corporate Governance Managerial Mechanisms

Board Size

In this paper the number of board members has been considered as a criterion to measure board size.

The Ratio of not in Charge Members to in Charge Board Members (NED)

Based on the description given in the draft for leadership strategies in Tehran Stock Exchange, a not in charge manager is someone working part-time as board member who does not have any administrative post. In this research the ratio of managers not in charge has been achieved by dividing members not in charge in board to the total number of board members.

CEO Duality Duty (DUALIT)

Based on the description given in the draft for leadership strategies in Tehran Stock Exchange, it is not possible for a person to act as both managing director and as head of board. Duties, authorities, and responsibilities of the managing director and head should be explicitly defined and they should not interfere with each other.

Control Variables

Firm Size (FSIZE)

To measure firm size usually we use criteria such as natural logarithm of firm's market value, natural logarithm of total assets, and natural logarithm of sales. In this study we have used natural logarithm of total assets of the firm.

Leverage (LEV)

In this research we have used debt ratio to measure the effects of leverage which is calculated through the ratio of total liabilities to total assets.

$LEV_{i,t} = DEBT_{i,t} / TA_{i,t}$

In this model we have,

$DEBT_{i,t}$: total debts of firm i at the end of year t

$TA_{i,t}$: total assets of firm i at the end of year t

Maturity of Debts (MAT)

In order to control debts' maturity effects on cash flows resulting from operating and financing activities, the variable debt maturity has been entered into the research model here. In this research the variable of maturity of debts has been measured through the ratio of previous debts to total debts.

RESULTS AND DISCUSSION

Research Findings

Hypotheses test results were as follows:

Table 1: Results of selecting a pattern to estimate model

P-Value	df	Value of the test statitic	Statitic of test	Type of test
0/0000	(192،943)	2/389	F	F
0/0004	8	28/355	χ^2	H

Regarding the results of F Limer test and since the amount of P-Value of this test has been less than 0.05 (0.0000), the divergence of latitude from base has been approved and it would be necessary to use panel data method to estimate the model. Also regarding the results of Hussmann's test, since the amount of P-Value of this model has also been less than 0.05 (0.0004), this model should be estimated by using fixed

effects method. In table 2, the results of model estimation and also the results related to statistics and the presuppositions of classic regression
have been represented.

Table 2: Results of model 1 estimation

	cash flows resulting financing activities :Dependent Variable **company– 1144yers :observations**		
P-Value	**t**	**Coefficient**	**Variable**
0/0000	-4/173	-0/2702	Constant
0/7493	-0/319	-0/0011	The stock ratio of institutional shareholders
0/6113	0/508	0/0069	The stock ratio of major shareholders
0/8961	0/130	0/0005	*Board _ Size*
0/0582	1/896	0/0081	*NED*
0/3659	-0/094	-0/0039	*DUALIT*
0/0000	5/131	0/0222	*FSIZE*
0/0114	2/534	0/0306	(LEV)Gearing ratio
0/0022	-3/073	-0/0441	(MAT)Debt maturities
0/3942R-squared			
22/698 (0/0000)	Jarque-Bera (*P-Value*)	3/068 (0/0000)	F (*P-Value*)
2/19	Durbin-Watson	2/911 (0/0032)	Breusch-Pagan (*P-Value*)

In studying the overall meaningfulness of the model and regarding that the amount of probability (P-Value) of F statistic has been less than 0.05 (0.0000), we can approve the overall meaningfulness of the model with %95 assurance. Also the identification coefficient of this model showed that %39.42 of changes in cash flows resulting financing activities of the companies could be identified through variables entered into the model. Also in investigating the presuppositions of the classic regression, the results of Jarque-Bera test showed that the residuals of model estimation did not have a normal distribution in an assurance level of %95 in a way that the amount of probability (P-Value) related to this test was less than 0.05 (0.0000). Therefore, regarding the high number of observations and central function premise we can ignore the lack of normality of data distribution. Also due to the fact that the amount of probability (P-Value) related to Breusch-Pagan test has been less than 0.05 (0.0032), the presence of divergence of residuals' variance is approved. In this study and to remove this problem we have used adjusted least squares method instead of common least squares method in estimation. Additionally, since Durbin-Watson's test statistic is close to 2 (2.19), the independence of model residuals is approved.

Interpretation of Results of Testing First Research Hypothesis

Based on results presented in table 2, the amount of probability (P-Value) of t statistic related to the variable 'the ratio of institutional shareholders' is higher than 0.05 (0.7493). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between the ratio of institutional shareholders and cash resulting from financing and the minor hypothesis 1-1 is rejected.

Minor hypothesis 1-2: The ratio of major shareholders affects cash flows resulting from financing.

Based on results posed in table 2, the amount of probability (P-Value) of t statistic related to the variable 'major shareholders' is also higher than 0.05 (0.6113). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between the ratio of major shareholders and cash resulting from financing and the minor hypothesis 1-2 is rejected.

Therefore, regarding the results of minor hypotheses 1-1 and 1-2, we can conclude that in an assurance level of %95, there has not been a meaningful relationship between corporate governance market mechanisms and cash flows resulting from financing and in capital market in Iran corporate governance

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market mechanisms did not have an important effect on cash flows resulting from financing. Thus, the first research hypothesis is rejected in an assurance level of %95.

Interpretation of Results of Testing Second Research Hypothesis

Minor hypothesis 2-1: Board size affects cash flows resulting from financing.

Based on results presented in table 2, the amount of probability (P-Value) of t statistic related to the variable 'board size' is higher than 0.05 (0.8961). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between board size and cash resulting from financing and the minor hypothesis 1-2 is rejected.

Minor hypothesis 2-2: The ratio of not in charge managers to total board managers affects cash flows resulting from financing.

Based on results posed in table 2, the amount of probability (P-Value) of t statistic related to the variable 'the ratio of not in charge managers to total board managers' is also higher than 0.05(0.0582). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between the ratio of not in charge managers to total board managers and cash resulting from financing and the minor hypothesis 2-2 is rejected.

Minor hypothesis 2-3: The isolation of managing director and board head posts affects cash flows resulting from financing.

Based on results posed in table 2, the amount of probability (P-Value) of t statistic related to the variable 'CEO duality duty' is also higher than 0.05 (0.3659).

Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between the isolation of managing director and board head posts and cash resulting from financing and the minor hypothesis 2-3 is rejected.

Therefore, regarding the results of minor hypotheses 2-1, 2-2, and 2-3, we can conclude that in an assurance level of %95, there has not been a meaningful relationship between corporate governance managerial mechanisms and cash flows resulting from financing and in capital market in Iran corporate governance managerial mechanisms did not have an important effect on cash flows resulting from financing. Thus, the second research hypothesis is rejected in an assurance level of %95.

Results of Testing Third and Fourth Research Hypotheses

Table 3: Results of selecting a pattern to estimate model 2

P-Value	**Df**	**Value of the test statitic**	**Statitic of test**	**Type of test**
0/0000	(192،944)	4/622	F	F
0/0000	8	60/855	χ^2	H

Regarding the results of F Limer test and since the amount of P-Value of this test has been less than 0.05 (0.0000), the divergence of latitude from base has been approved and it would be necessary to use panel data method to estimate the model. Also regarding the results of Hussmann's test, since the amount of P-Value of this model has also been less than 0.05(0.0004), this model should be estimated by using fixed effects method. In table 4, the results of model estimation and also the results related to statistics and the presuppositions of classic regression have been represented

Table 4: Results of model 2 estimation

	cash flows resulting operating activities :Dependent Variable		
	company– yers1145 **:observations**		
P-Value	**t**	**Coefficient**	**Variable**
0/0000	8/067	0/8320	Constant
0/0029	-2/987	-0/0436	The stock ratio of institutional shareholders
0/6879	-0/401	-0/0061	The stock ratio of major shareholders
0/0918	1/687	0/0120	*Board _ Size*
0/0347	-2/114	-0/0264	*NED*
0/0440	2/016	0/0141	*DUALIT*
0/0000	-7/170	-0/0489	*FSIZE*
0/0000	-5/360	-0/1135	(**LEV**)Gearing ratio
0/4960	0/681	0/0146	**(MAT)**Debt maturities
0/6826R-squared			
30/396 (0/0000)	Jarque-Bera (*P-Value*)	10/151 (0/0000)	F (*P-Value*)
2/12	Durbin-Watson	1/960 (0/0482)	Breusch-Pagan (*P-Value*)

In studying the overall meaningfulness of the model and regarding that the amount of probability (P-Value) of F statistic has been less than 0.05 (0.0000), we can approve the overall meaningfulness of the model with %95 assurance. Also the identification coefficient of this model showed that %68.26 of changes in cash flows resulting operating activities of the companies could be identified through variables entered into the model. Also in investigating the presuppositions of the classic regression, the results of Jarque-Bera test showed that the residuals of model estimation did not have a normal distribution in an assurance level of %95 in a way that the amount of probability (P-Value) related to this test was less than 0.05 (0.0000). Therefore, regarding the high number of observations and central function premise we can ignore the lack of normality of data distribution. The distribution of residuals is close to normal distribution.

Interpretation of Results of Testing Third Research Hypothesis

Minor hypothesis 3-1: The ratio of institutional shareholders' stocks affects operating cash flows.

Based on results presented in table 4, the amount of probability (P-Value) of t statistic related to the variable 'the ratio of institutional shareholders' stocks' is less than 0.05 (0.0029). Thus, in an assurance level of %95, we can say that there has been a meaningful relationship between the ratio of institutional shareholders' stocks and operating cash flows. Since regarding the negative amount of variable coefficient of institutional shareholders (-0.0436), the results gained showed that there has been a reverse relationship between the ratio of institutional shareholders' stocks and operating cash flows in a way that by increasing one unit of the ratio of institutional shareholders' stocks, 0.0436 unit will be decreased in operating cash flows. Thus, the hypothesis3-1 has been approved in an assurance level of %95 and this showed that in capital market in Iran the increase in the ratio of institutional shareholders' stocks would have reductive effects on operating cash flows.

Minor hypothesis 3-2: The ratio of major shareholders affects operating cash flows.

Based on results posed in table 4, the amount of probability (P-Value) of t statistic related to the variable 'the ratio of major shareholders' is also higher than 0.05 (0.6879). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between the ratio of major shareholders and operating cash flows and the minor hypothesis 3-2 is rejected.

Therefore, regarding the results of minor hypotheses 3-1, and 3-2, we can conclude that there has been a meaningful relationship between corporate governance market mechanisms and operating cash flows only between the ratio of institutional shareholders and operating cash flows and there has not been a meaningful relationship between the ratio of major shareholders and operating cash flows. Thus, the third research hypothesis is approved regarding the ratio of institutional shareholders and it was rejected regarding the ratio of major shareholders.

Interpretation of Results of Testing Fourth Research Hypothesis

Minor hypothesis 3-1: Board size affects operating cash flows.

Based on results presented in table 4, the amount of probability (P-Value) of t statistic related to the variable 'board size' is higher than 0.05 (0.0918). Thus, in an assurance level of %95, we can say that there has not been a meaningful relationship between board size and operating cash flows. However, since the amount of probability (P-Value) of t statistic related to this variable is less than 0.1, we can say that in an assurance level of %90, there has been a meaningful relationship between board size and operating cash flows.

Minor hypothesis 4-2: The ratio of not in charge managers to total board managers' affects operating cash flows.

Based on results posed in table 4, the amount of probability (P-Value) of t statistic related to the variable 'the ratio of not in charge managers to total board managers' is less than 0.05 (0.0347). Thus, in an assurance level of %95, we can say that there has been a meaningful relationship between the ratio of not in charge managers to total board managers' and operating cash flows. Since regarding the negative amount of variable coefficient of the ratio of not in charge managers to total board managers' (-0.0264), the results gained showed that there has been a reverse relationship between the ratio of not in charge managers to total board managers' and operating cash flows in a way that by increasing one unit of the ratio of not in charge managers to total board managers', 0.0264 unit will be decreased in operating cash flows. Thus, the hypothesis 4-2 has been approved in an assurance level of %95 and this showed that in capital market in Iran the increase in the ratio of not in charge managers to total board managers' would have reductive effects on operating cash flows.

Minor hypothesis 4-3: The isolation of managing director and board head posts affects operating cash flows.

Based on results posed in table 4, the amount of probability (P-Value) of t statistic related to the variable 'the isolation of managing director and board head posts' is less than 0.05 (0.0440). Thus, in an assurance level of %95, we can say that there has been a meaningful relationship between the isolation of managing director and board head posts and operating cash flows. Since regarding the positive amount of variable coefficient of the isolation of managing director and board head posts (0.0141), the results gained showed that there has been a direct relationship between the isolation of managing director and board head posts and operating cash flows in a way that by increasing one unit of the isolation of managing director and board head posts, 0.0141 unit will be increased onto operating cash flows. Thus, the hypothesis 4-3 has been approved in an assurance level of %95 and this showed that in capital market in Iran the increase in the isolation of managing director and board head posts would have increasing effects on operating cash flows.

Therefore, regarding the results of minor hypotheses 4-1, 4-2, and 4-3, we can conclude that there has been a meaningful relationship between corporate governance managerial mechanisms and operating cash flows and in capital market in Iran, corporate governance managerial mechanisms have had an important effect on operating cash flows.

Conclusion

The goal of this research was to study about the effects of corporate governance factors on cash flows resulting from operating and financing activities in firms enlisted in Tehran Stock exchange. The experimental evidences gained from hypotheses' tests showed that corporate governance market mechanisms and corporate governance managerial mechanisms did not have an important effect on cash flow resulting from financing. Also the results gained showed that from among corporate governance market mechanisms, there has been a meaningful relationship between the ratio of institutional shareholders and operating cash flows but in an assurance level of %95, there has not been a meaningful relationship observed between major shareholders and operating cash flows. Additionally, the findings showed that in capital market in Iran, corporate governance managerial mechanisms have had important effects on operating cash flows. Research findings showed that there has not been a meaningful relationship between corporate governance factors and cash flows resulting from financing and in capital market in Iran corporate governance factors did not have an important effect on cash flow resulting from financing. Also there has been a meaningful relationship between corporate governance factors and cash flows resulting from operating activities and in capital market in Iran corporate governance factors have had an important effect on cash flows resulting from operating activities. Regarding the novelty of this issue, there has not been any similar research to compare the results with.

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