

Impact of Information Asymmetry on Investment Cost with Considering the Company Size and Financial Leverage in Corporations of Accepted in Tehran Stock Exchange

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Abstract

The purpose of this study is investigating the Relationship between Information Asymmetry and Investment Cost with Considering the Company Size and Financial Leverage in Corporations of Accepted in Tehran Stock Exchange in during years of 2009-2014. This study in terms of purpose is applied research. Regarding the method of inference, this research is Descriptive – Correlational research. Regarding the type of study design, current research is (causal-comparative) Ex-Post Facto Research and regarding the affection between variables, it is correlational Research. Statistical population in current study is all Corporations of Accepted in Tehran Stock Exchange during years of 2009-2014; the sample size is 108 companies. The results of this research show that Information Asymmetry has a positive effect on Investment Cost with Considering the Company Size and Financial Leverage in Corporations of Accepted in Tehran Stock Exchange.

Keywords: Investment Cost, Tehran Stock Exchange, Company Size, Information Asymmetry, Financial Leverage.

Introduction:

The Investment structure considered as a controversial issue in the field of corporate finance. Researchers by presenting different theories and theories devise other ways to determine the optimal Investment structure that minimizes Investment costs and maximize its value and one of the most important goals of

financial managers to maximize shareholder wealth must be considered to determine the best combination of financial sources of interference Investment structure. To determine the relationship between Investment expenditures in terms of financial managers, Investment structure and firm's total value is very important, because it can be influenced using the company's Investment structure value (Alli Var, 2009). One factor influencing decisions are relevant information and relevant decision. The information required among the asymmetric method distributed (transfer information between people is unequal) can cause different results than a single theme. Therefore, before your information is important for decision-maker, this quality distribution of information that must be evaluated carefully (Ghaemi and Vattanparast, 2005). As information asymmetry increased in relation to a company's stock, intrinsic value with investor's precious Investment market for shares granted and it is different. As a result, the real value of corporate shares shareholders will differ from the expected value (Verrecchia and Diamond, 1991).

Statement of the problem:

There must be Information asymmetry between among investors and companies and investors. The information asymmetry between the company and investors is very high, all investors are largely unaware, and so the information asymmetry between investors should be low. At the other extreme, if all investors are fully aware about company, information asymmetry between investors should be low again. The research evidence for the support of such a non-linear relationship between information asymmetry between companies - investors and transitional investor received. Information asymmetry would be the distance between investor expectations increased and then the information asymmetry between investors and their Investment costs increased. One of the important things that always arises in the Investment markets, especially the stock exchanges, the market performance according to which all information available in the market, their effects on stock prices reflected (Ahmadpoor and Ajam, 2010). Perhaps from the perspective of the efficient market hypothesis, stating *raison d'être* accounting information asymmetry, one of the parties in the exchange, more information is provided in relation to the opposite side. This occurs due to transactions and internal information (Noorafkan, 2012). Even if the market price of securities fully reflect the information, again, it is likely that those on the inside than people outside the organization about the quality of the company to have more information. Due to this advantage, gain more information (Yunhao et al, 2013). In particular, the purpose of this study is investigating the Relationship between Information Asymmetry and Investment Cost in Corporations of Accepted in Tehran Stock Exchange. We sought to answer the following questions: "Is the information asymmetry affect the cost of Investment Cost with considering control variables (financial leverage and Company Size) in Corporations of Accepted in Tehran Stock Exchange?"

Research Objective:

Identify the Relationship between Information Asymmetry and Investment Cost with considering control variables (financial leverage and Company Size) in Corporations of Accepted in Tehran Stock Exchange

Research Hypothesis:

There is significant Relationship between Information Asymmetry and Investment Cost with considering control variables (financial leverage and Company Size) in Corporations of Accepted in Tehran Stock Exchange.

Research background

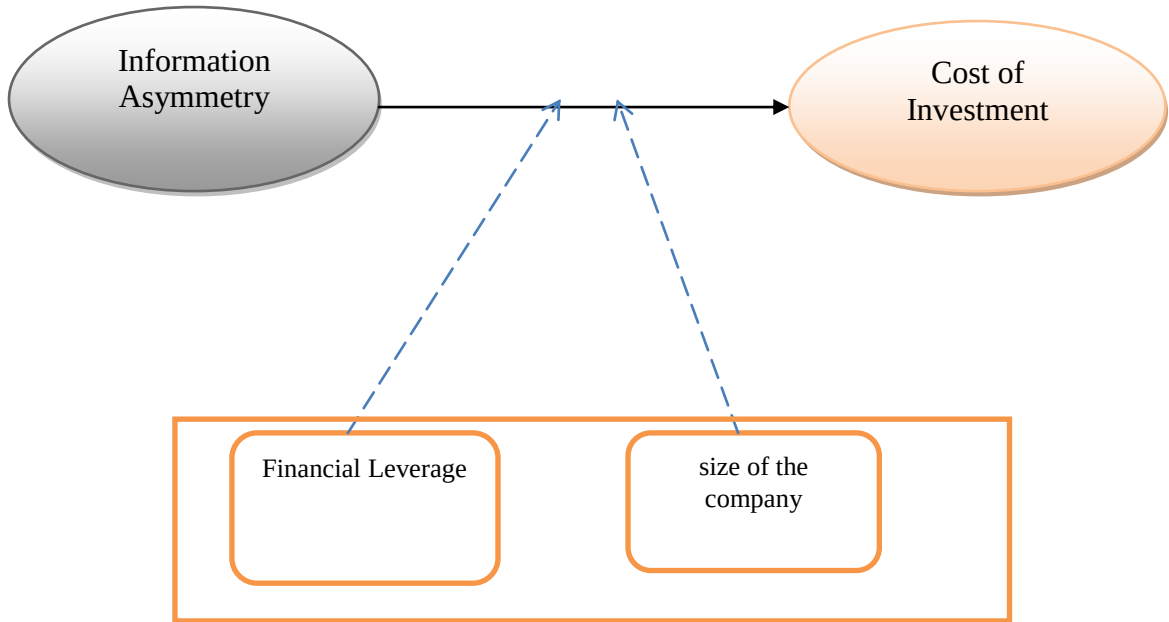
Arabmazar Yazdi et al (2011) in a study determine the impact on the transparency of financial reporting, tax reporting with an emphasis on the transparency of financial reporting, have its relationship with tax reporting. The statistical population of Tehran province into five groups of 30 people, including faculty members, (independent auditors) Certified Accountant (financial expert) Tehran Stock Exchange (auditors Tax) Tax Affairs Organization of Tehran province (and financial managers) producers working on behalf of financial reporting and through a questionnaire survey were conducted in 2010. The results indicate the existence of a positive relationship between financial reporting and tax reporting and transparency as if preparing tax reporting in conjunction with financial reporting, transparency of financial reporting will be provided largely. Kordestani and Alavi (2010) investigate the effect of accounting transparency over their cost of equity Investment. The results showed that accounting transparency by reducing the risk, lead to a reduction in shareholders expected return (cost of equity Investment) companies and there is a significant negative relationship between these two variables.

Ghaemi and Alavi (2012) in a study entitled "Review of relationship between transparency and accounting information in Tehran Stock Exchange (during 2004-2010) began. Their findings showed that the transparency of information and there is a significant negative relationship between cash holdings. In other words, companies have a higher information transparency hold less cash.

Glosten and Harris (1988) found that the adverse selection costs directly associated with the level of information asymmetry in the Investment market. Subsequently, Stoll (1989) was early in providing evidence stating that 43% of the offer price in the market because of unfavorable information. Jacobson and Aaker (1993), a comparative study of Investment market of information asymmetry between Japan and America have paid. Their results showed that Japan's Investment markets about America's future profitability and stock price reflects the stock market earlier. Because due to the ownership structure and strong presence of institutional shareholders, compared with Americans of Japanese shareholders had better understand the future prospects of the company.

Chiang and Kim (2000) examined the effects of information asymmetry between managers and shareholders in relation to profitability in terms of time and the amount pays. According to the findings above, the level of institutional ownership in Japanese companies increased, less information asymmetry between company executives and other related parties in the market. Therefore, the ownership of stakes in companies is more and the company's future profitability is faster than the stock market price-related information of companies that have less between corporate ownership (Samadi, 2011).

Conceptual model



(Jahankhani and Parsaeian, 2005)

Research Methodology:

This study in terms of purpose is applied research. Regarding the method of inference, this research is Descriptive - Correlation. Regarding the type of study design, current research is (causal-comparative) Ex-Post Facto Research.

Statistical Population:

Statistical population in current study is all Corporations of Accepted in Tehran Stock Exchange during years of 2009-2014, Companies who have the following conditions:

- 1) Prior to 2009, the company accepted until the end of 2014, the stock exchange is enabled.
- 2) Except for Investment companies, financial intermediaries holding, bank or leasing it.
- 3) Financial year ended 29 March 2009 and during the 2014, fiscal year does not change or modify activities.
- 4) Companies Trading interval is not more than 6 months in the period of investigation.
- 5) Financial information is available.

Sampling Method and Sample Size:

The sample size of this study by using the sampling method of elimination was selected.

According to the above criteria, 108 companies were identified. It should be noted that the sample size in this study is the population.

Testing Hypothesis

There is significant Relationship between Information Asymmetry and Investment Cost with considering control variables (financial leverage and Company Size) in Corporations of Accepted in Tehran Stock Exchange.

Before testing the second hypothesis, choose a suitable model for regression models were discussed. The first by using the F- Limer Test against panel data model, data model has been mixed. Amount of probability of F-Limer statistics in Table 1 is less than 5 percent of significance level and therefore, for testing above hypothesis, using the method of Pool data is excluded.

Table 1: The choosing the Pool data against Panel data

Test	Amount of Testing statistic	Degree of freedom	Test statistic
F-Limer	17.58	(126,882)	0.0008

Due to lack of choosing the consolidated data model against model of combination data to doing the Hausman test in order to choosing the pattern of fixed effects model against the random effects model were considered. Amount of probability of Hausman statistics is less than significance level of 5%. Therefore, there is no enough reason to reject the fixed affects pattern and for testing the second hypothesis use by fixed affects pattern.

Table 2: The choosing the fixed effects model against the Random effects model

Test	Amount of Testing statistic	Degree of freedom	Test statistic
Hausman	38.17	12.16	0.0057

After doing the F - Limer and Hausman test a preliminary estimate of the model is estimated, as was expressed for the identifying the autocorrelation in the model, Durbin - Watson test are used. According to Durbin - Watson table, based on a sample of 108 companies, independent variable and control variable and the second model, the lower bound 1.746 and an upper bound 2.173 and given that the number 1.934 Durbin- Watson was obtained therefore, the model is lacking correlation.

Table 3: Fixed-affects regression model of combined effect of between Information Asymmetry and Investment Cost with considering control variables (financial leverage and Company Size)

$K_{it} = \beta_0 + \beta_1 RS_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \varepsilon_{it}$			Model
Variables	Regression coefficients	Amount of T-statistics	Probability of T-statistics
Constant	0.143	1.158	0.0728
Information Asymmetry	0.114	2.584	0.037
Company Size	0.096	2.559	0.028

Financial leverage	0.086	2.537	0.029
Determination Coefficient	0.683	Probability of F statistics	0.0006
Adjusted determination coefficient	0.625	Durbin-Watson statistic	1.934

Fixed effects regression model of combination has positive impact of information asymmetry on cost of Investment (0.114) and according to the probability statistic t (0.037) is positive and significant. The impact of firm size and financial leverage has significant positive effect; this means large and small companies and financial leverage will lead to higher cost of Investment. Results of this study show that information asymmetry has a significant and positive impact on the cost of Investment Cost with considering control variables (financial leverage and Company Size) .Results related to F statistics show that generally the model was significant and according to the statistics Durbin – Watson (1.934), there is no any correlation problem. In addition, the results of related to the adjusted coefficient of determination show that around 625 percent of changes the Investment cost were concluded under affecting of information asymmetry with considering control variables (financial leverage and Company Size) of this research. According to significant of affecting the information asymmetry on Investment cost with considering control variables (financial leverage and Company Size), the second hypothesis is not rejected and it is confirmed.

Conclusion:

There is significant Relationship between Information Asymmetry and Investment Cost with considering control variables (financial leverage and Company Size) in Corporations of Accepted in Tehran Stock Exchange.

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