

The relationship between corporate governance and cost of debt financing in companies listed in Tehran Stock Exchange

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In this research, we examined the relationship between corporate governance and financing costs in Tehran Stock Exchange companies. In this study, We use a corporate governance index published by The Globeand Mail, a famous Canadian national newspaper, as a proxy for the governance quality. The index is composed of four blocks: board composition, compensation, shareholder rights, and disclosure. To measure the dependent variable, the cost of financing (DebtCost) has also been used to calculate the financial cost ratio (interest paid on financial facilities) on total debt. Also, the variables of financial leverage, firm size, MB, Quick ratio, Ebit ratio, asset returns, and company age as effective control variables are included in the model. To test the hypotheses, 123 companies that were members of Tehran Stock Exchange during 2011-2017 were ed. In this study, the combination regression and EGLS method are used. The results showed that there is no evidence of a significant relationship between the board composition and the company's financing cost. The results also showed that the remuneration of the board of compensation and shareholders' rights has a negative and significant relationship with the disclosure rank and has a positive and significant relationship with the financing cost.

Keywords : **Keywords:** corporate governance, board composition, compensation, shareholder rights, disclosure, debt costs.

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