# CONSERVATIVE EFFECT ON INCOME MANAGEMENT AND CAPITAL STRUCTURE OF LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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**Abstract.** In this research, the conservative effect on income management and capital structure of listed companies in Tehran Stock Exchange has been studied. The statistical population consists of all companies registered in Tehran Stock Exchange during the period of 1384-1394. The research method is descriptive-survey and correlation type. The sample size is 120 companies based on the Cochran formula. Required data was extracted from the software. The data panel was used to analyze the data. Chow model, Hausman and combined regression were used. The results of the test, including 51 companies listed on the Tehran Stock Exchange during the years 2005 to 1394, showed that the .profits and capital structure of the companies listed on the Tehran Stock Exchange had a positive effect
**Keyword**: Conservatism, Profit, Capital, Tehran Stock Exchange, Cochran formula.

**Introduction.** The qualitative features of accounting information have an irrefutable role in improving the information quality of financial statements. One of the qualitative features of accounting information is conservatism of accounting. Accounting conservatism is claimed to be important in terms of the usefulness of information for decision making, and in particular the assessment of the manager's duty. [1] The primary objective of financial accounting is to provide useful information for investors to predict the performance of the economic unit. The necessity of reporting a profit as a primary source for the decision making of investors, managers and analysts can be well-documented and the profit report in various ways such as providing a basis for tax calculation, a criterion for assessing the success of a firm's performance, a criterion for determining the amount of profits Dividing, a criterion for profit distribution management, helps to manage a single economic unit and other things into the economy of society. Also, the value of a company is linked to its present and future profits, profit determination is of great importance. Managers often manage their profits in order to mislead the shareholders as to the real economic performance of the company. This profit management, which is done by manipulating accounting figures or manipulating real activities, reduces the accuracy of messaging, increases the risk and uncertainty of outsiders, and possibly leads to information asymmetry and reduced efficiency. It is investing. Hedge management not only hides the real performance of the company, but also conceals the real growth of company profits and earnings that are useful in predicting future growth of the company. [2] As it is known, the profit management context of the company's external reports And since they are responsible for outsourcing reports, senior corporate executives are responsible for managing profits in companies as well as senior executives of companies. In addition, in the theory of "corporate financial disclosure management", the output of disclosing a firm is viewed as a function of several variables, including the internal structure of the company and policies [3]. Diabeezegar Today, capital structure is considered as the most important factor in the valuation of companies, and the rating of companies is dependent on their capital structure in terms of credit. The researchers said that under certain assumptions such as the existence of a complete competition market, the absence of income taxes and the absence of bankruptcy costs, the value of the company was independent of its capital structure. After a year, researchers argued that given the fact that debt for companies creates a tax shield, they prefer to use debt between different sources of finance. Because using more debt will increase the value of the company. P & P assumes that accounting conservatism is due to the requirement for high-proofness to recognize income or the ability to prove and validate for recognition of costs associated with rewards between shareholders and managers. From a theoretical point of view, accounting conservatism delayed the manager's biased behavior in identifying profits. Hence, conservatism leads the manager and other groups such as shareholders to receive less sums of money. This will increase the value of the company. Increased value of the company, among all groups of the company, increases the division and welfare of each group. Hence, the main question of this study is to what extent conservatism has an impact on corporate profits and capital structure? And whether accounting conservatism can be an effective contractual mechanism for monitoring the performance of the management or not?
In the following, the research background, models and variables of the research and the results of the test of the research hypotheses are presented

**Research Methodology.** Most research studies show a method or strategy that is easily recognizable and includes common collaborative procedures such as problem solving, information gathering, and conclusions. The details of these specific procedures are largely determined by the research method. The method used in this research is .descriptive-survey and correlation type

Descriptive-qualitative method is a method based on describing the events and what is there and the conditions, existing relationships, common beliefs, current processes and trends. Its focus is primarily on the present, although it often examines past events and past events that are relevant to existing conditions (Khaki, 2003, 104). Descriptive research includes a set of methods whose purpose is to describe the circumstances or phenomena under investigation. Descriptive research can only be used to better understand the existing conditions or to assist in the decision-making process (Sarmed, p. 81, 1376). The descriptive research feature is that the scholar does not interfere in the position, status and role of the variables, and does not apply any manipulation or modification, and only studies what it is and .describes it (Hafeznia, 1377, p. 61)

Scrolling is also a method of research whose purpose is primarily exploratory and descriptive and mainly uses a questionnaire, although other tools such as structured interview, observation and content analysis are also used.
The research method is post-event (scientific-comparative) and deductive-deductive. The deductive in terms of the hypothesis of research with the help of existing and inductive theories in order to test the hypotheses in this research, in order to test the hypotheses, the correlation analysis method was used.
Correlation analysis with consistency includes all methods in which it is tried to discover or determine the relationship between different variables using regression model and correlation relationship. The purpose of the correlation analysis method is the companion study (approx.). Changes are one or more variables with variations of one or more variables.
This research method examines only the relationships between variables and is used when the number of actor variables is high in the test position and on the other hand, in this research method, cause and effect relationships are not necessarily identified. But only the purpose is to determine which other variable is consistently in the positive or negative direction.
Typically, this type of study is the answer to the following questions:
First, is there a relation between the two categories of test data?
The second is the question of this correlation, which may be positive or negative. In a positive correlation mode, the changes in both categories of information in one direction are such that if the increase in the first category is in both categories in the opposite direction, so that if the increase is in the first category, in the category Second, information will be reduced.
The third question is, what is the magnitude and amount of correlation? Therefore, the value of the correlation coefficient commonly expressed as (R) is the precise index that can be calculated by calculating how much a change is related to the variable or other variables.

**2-Research hypotheses**

In the correlation research, in which data for each individual or member are collected from two or more variables, then the degree of correlation of the collected data is calculated. The hypothesis should be expressed directly and with a specific direction. So according to the research subject, the research hypotheses are as follows.
Main hypothesis: Conservatism affects earnings management and capital structure of listed companies in Tehran Stock Exchange.

**Sub-hypotheses:**

1- Conservatism affects the structure of capital in private companies admitted to the Tehran Stock Exchange
2- Conservatism affects the management of the profits of private companies admitted to the Tehran Stock Exchange.

**1-2-Independent and dependent variables**

A variable is a concept that is assigned more than two or more values or numbers. In other words, the variable refers to features that can be viewed or measured, or two or more values or numbers replacing that convention. The variable is divided into two categories based on the role played by the research.
A) independent variable
b) dependent variable.

A**. Independent variable (X):**

The input variable is a measure measured, manipulated, or chosen by the researcher to determine its impact or relation with another variable. The default variable is dependent on the variable. In other words, this variable, the introduction, and the dependent variable are the result. The conservative variable as an independent variable consists of: stock returns, earnings per share, and artificial variables (positive or negative) of the results. In this section, considering the appropriate coverage of stock returns, the earnings per share and the artificial variable are ignored, and only stock returns are considered as conservatism.

**B- Variable (Y)**

The variable is the response or criterion, and is the sum of an organism that is stimulated. The dependent variable is observed or measured to determine the effect of the independent variable on it. This variable is predicted through an independent variable.
In the study of correlation, because the existence of the dependent variable depends on the independent variable, we call it the dependent variable or function. Here, according to research hypotheses, efficiency is considered as a function or dependent variable in both hypotheses. In the first hypothesis, the dependent variable is a capital structure that includes the ratio of short-term debt to total capital and long-term debt ratio to total capital. In the second hypothesis, profit management includes the ratio of debt to capital, company size and return on assets.

**Statistical population**:

The problem most researchers face in planning any research is the size or volume required for the sample. The general rule in this case, approves the largest possible size. The purpose of the study is to collect information about a community that has been sampled. Therefore, the larger the sample is chosen, the calculated statistical indicators will give a more accurate estimate of the parameters of the community. There is a close relationship between the sample size and the statistical test for the null hypothesis; with the larger sample, the researcher assumes zero assumption in

the case that it is not really true. In most research projects, the financial, time and manpower constraints, the sample size that is required to be studied

The statistical population of the research includes all companies listed in Tehran Stock Exchange during the period of 1384-1874. Also, one of the foreseeable limitations for this study is the following:

1- The end date of the fiscal year is March 29th

2- Integration of information in the stock exchange and the lack of sufficient information about companies .

3- Failure of the Stock Exchange to respond to newly requested information .

4- The financial statements of many companies do not exist before the year 2008

5- In most companies there is no coherence of information provision between 2008 and 2016.

6- The maximum company has been accepted in 2008

7- The company has been approved and approved in all financial statements

8- The number of companies that are within the limits of the specified limit is 196 companies. According to the Morgan table, the sample size is estimated to be 120.

**2-1-Data Collection Method**

Data collection methods in this research are:

**2-1-1-Library exercise**

In this research, information about theoretical literature has been gathered initially by referring to articles, books, researches related to the subject, theses, etc. The information gathering method in this section is library research.

**2-2-1-Field method**

Also, a part of the information about the variables of the research, referring to the stock indexes, the library of the Stock Exchange, and the financial statements and documents of the member companies, the information and data of the accounting software "Tadbirpar" and "New Raider" and the information of the site www .Rdis.ir was extracted and another part of the information was extracted through the bank's financial statements and notes. So, the method of data collection in this section is field.

**2-2-3-Data collection tool**

Depending on the type of study, the tool is used for collecting fish.

**3-Information and data**

Initially, the pre-tests for the regression model are examined and tested and described in the sample. Then, the combined regression model is fitted to test the hypothesis of the research using the panel's regression method and its results are analyzed. The accuracy of the estimated model will be finalized.

**3-1-Pre-tests for estimating the regression model**

**3-2-Static test of research variables**

Before estimating and estimating the model, first, the reliability of the research variables should be checked. So in this section, using the unit root test, we examine the variance of the research variables. If a variable is not mana, it should be done using techniques to manipulate it or remove the variable from the model in order not to have a negative effect on the estimate. The root test of the generalized Dickie Fuller unit has been performed for the ROEA dependent variable at the level. The results are presented in the following table.

Table 1: Results of the unit root reliability test for the dependent variable in the level

Pool unit root test: Summary
Series: X1,X2
Date: 02/27/17 Time: 10:05
Sample: 1387 1394,
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic selection of lags based on SIC: 0
Newey-West bandwidth selection using Bartlett kernel
Balanced observations for each test

| Method | Statistic | Prob.** | Cross-sections | Obs |
|---|---|---|---|---|
| Null: Unit root (assumes common unit root process) | | | | |
| Levin, Lin & Chu t* | 3.78979 | 0.9999 | 120 | 840 |
| Null: Unit root (assumes individual unit root process) | | | | |
| Im, Pesaran and Shin W-stat | 1.42939 | 0.9236 | 120 | 840 |
| ADF - Fisher Chi-square | 13.6480 | 0.3237 | 120 | 840 |
| PP - Fisher Chi-square | 16.5260 | 0.1683 | 120 | 840 |

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

As it is seen, the Prob value of the Extended Dickey Fuller (ADF) and other statistics is less than the significant level of 5% and 10%, so the static test in first order sewage should be checked.

Table 2-3 Results of the unit root reliability test for the dependent variable in the first order difference

Pool unit root test: Summary
Series: X1,X2,X'1,X'2,X'3
Date: 02/27/17 Time: 10:35
Sample: 1387 1394,
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic selection of lags based on SIC: 0
Newey-West bandwidth selection using Bartlett kernel
Balanced observations for each test

| Method | Statistic | Prob.** | Cross-sections | Obs |
|---|---|---|---|---|
| Null: Unit root (assumes common unit root process) | | | | |
| Levin, Lin & Chu t* | -6.60361 | 0.0000 | 120 | 720 |
| Null: Unit root (assumes individual unit root process) | | | | |
| Im, Pesaran and Shin W-stat | -3.09399 | 0.0010 | 120 | 720 |
| ADF - Fisher Chi-square | 25.2425 | 0.0137 | 120 | 720 |
| PP - Fisher Chi-square | 27.0843 | 0.0075 | 120 | 720 |

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

As can be seen, the Prob value of the Extended Dickey Fuller (ADF) and other statistics statistics is less than the significant level of 5% and 10%. Therefore, it can be concluded that the assumption of the variance of the variable is rejected and this variable ( At a significant level of 5% and 10%). The summary of the static test results using the root test of the Dickey Fuller unit, generalized at the level of the time series models for the research variables, is presented in the following tables:

| Degree | Result | Prob* | ADF | Variable |
|---|---|---|---|---|
| I(1) | Stable | 0.0452 | 21.890 | X1 |
| I(1) | Stable | 0.0379 | 25.446 | X2 |
| I(1) | Stable | 0.0443 | 21.758 | X'1 |
| I(1) | Stable | 0.038 | 25.2409 | X'2 |
| I(1) | Stable | 0.0341 | 23.3810 | X'3 |

**3-2-The first hypothesis:**

Chow model test

In order to see the latitude of the originals provided for each year, statistically significant differences are significant, we use this test. In Chow's theory, the hypothesis H0 is the same as the width of the originals (the combined method), in contrast to the hypothesis H1, the origin of the origin, the (panel data method). Therefore, in the case of rejection of the H0 hypothesis, the method of the fixed effect model is accepted. The results of the Chow test are as follows:

Table 4: Chavo test results of research variables

| Effects Test | Statistic | Df | Prob |
|---|---|---|---|
| Period F | 1.09408 | 5,30 | 0.3840 |
| Period Chi-square | 6.030075 | 5 | 0.3033 |

As can be seen, the Prob value is greater than 0.05 and the assumption of the width difference from the originals is not .rejected. Therefore, at this stage, the same width of the origin (the combination method) is accepted

**Hausman test**

Based on the Hausman test, the difference between the estimators of the fixed effect method and the random effects is .considered as a zero hypothesis

The hypotheses are zero and the Hausman test is presented as follows:

H0: There is no correlation between individual effects and explanatory variables.  Random effects model

H1: There is a correlation between individual effects and explanatory variables.  Fixed effect model

Given that in the Chaw test, the same width of the origin (combined) was accepted, then we do not need to test .Hausman and we estimate the model in a hybrid method (without considering the effects of a constant and random)

**Estimated regression model**

The results of estimating the model in combination with Eviews software are as follows:

Table of results of model estimation

| Prob | t-stattisric | Std.Error | Coefficient | Variable |
|---|---|---|---|---|
| 0.8001 | 0.256056 | 2264.934 | 579.9501 | X1 |
| 0.9007 | 0.1126059 | 841.9876 | 106.1404 | X2 |

**4- The effect of conservatism on earnings management and capital structure of listed companies in Tehran Stock Exchange**

In this section, I will examine my main hypothesis. Conservatism affects the management of earnings and capital .structure of listed companies in Tehran Stock Exchange

:Sub-hypotheses

1- Conservatism affects the structure of capital in private companies admitted to the Tehran Stock Exchang

2- Conservatism affects the management of the profits of private companies admitted to the Tehran Stock Exchange

n this research, the logarithm of the financial leverage (the book value of the total assets / book value of debt) is used as a capital structure, indicating how much the company used to use debt to finance its assets[5].

(total debt of the value of the book) / (total assets of the book value) = financial leverage

Conservatism: Definition of accounting conservatism is from the perspective of the balance sheet. In this research, earnings per share and stock returns are used for conservatism[6].

Earnings management: In this research, the sum of variables of the ratio of debt to shareholders' equity, company size and return on assets is discussed. The return on assets is: This ratio is obtained by dividing net income by the sum of assets. On the other hand, the debt ratio is the division of total debt into assets. The size of the company is based on past research from the logarithm of the stock market value of the company.

data analysis method

In this research, descriptive and inferential statistics will be used to analyze the information. In descriptive statistics, the descriptive information of the research variables (mean, minimum, maximum, standard deviation, skewness, elongation, etc.) has been investigated and inferential statistics are used to explain the relationship between . .independent and dependent variables using the combined regression (panel) method

Capital structure: The usual capital structure is obtained through ratios through the following ratios: short-term debt .)1985( ratio to total assets Long-term debt ratio to total assets John and Eugene

Conservatism: Conservatism requires accounting to have a high degree of certification for recognizing good news, such as profit, in the face of knowing bad news as a loss[5]. This accounting defines the conservatism of accounting Profit is the ratio of net profit to the total assets of each company each year[6]. from the perspective of profit and loss

Earnings management: The process of judging or scheduling transactions and conducting transactions to make changes in financial statements in order to mislead some users in relation to the results of a company's performance or to affect the results of contracts based on reported accounting

Variable operational definition

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:Criticism of Conservatism

So far, conservatism has been criticized by groups such as capital market activists, academics and academic researchers. One of these criticisms relates to disproportionate behavior in identifying revenue and losses. The reason for the criticism of these groups is that if in the current period, the profits due to the application of accounting conservatism result in less recognition of net assets, then profits will be recognized in the future period that there is no .relation to that period. A summary of other criticisms for conservatism is as follows

Default Trust: The conservative range in the financial statements relates to the business unit's policy. This range can be wide or small. For example, non-operational costs can be recorded or not, as it is always possible to re-evaluate expectations. For example, if the business unit prefers optimistic analysis, the nonproliferation costs incurred by legal .claims can be ruled out

Concealment: Although everyone knows that accounting methods are conservative, it is difficult for investors to determine the amount of assets that are not explicitly disclosed. Conservatism puts middle-class investors in a .disadvantaged position and delivers privileged opportunities within organizations
Denial of accounting principles: Sterligma says that, when conservatism conflicts with an accounting principle, it prevents it. For example, the historical cost (in exchange for at least the cost or the market), the recognition of revenue based on sales (versus the basis of installment recognition of income), the principle of compliance (as opposed to the cost of covering research and development costs), the principle of procedural stability (As opposed to a change from the cost to the base of the low-cost or market price) the disclosure principle (as opposed to less than the actual value of .assets)
Guidance: Conservatism leads to systematic bias in financial reports rather than a realistic assessment. In conclusion, as the Financial Accounting Standards Board points out, "conservatism is in conflict with important qualitative characteristics, such as honest expression, impartiality and comparability (including procedural stability), regarding the usefulness of accounting policies based on policies Conservatively, new and legitimate questions can be raised. The American Accounting Association (AAA) argued: "It is not conceivable that bias can meet the needs of a set of .users, harm or even harm other interests
Mindfulness: Conservatism is so strong in accounting that it is mostly a kind of accountant's attitude, or something mental, rather than a mechanism for responding to ambiguity. Possibly, if there is serious doubt about the valuation of a pen, conservatism is played, but this is not the whole issue, the conservatism of accountants' attitude towards all .aspects of accounting
Profit management
The process of measuring the profitability of the profit is due to its important role in the management of the company. Usually, users of financial statements are of great importance. Since the calculation of the profit of an enterprise is affected by accounting methods and the preparation of financial statements is the responsibility of the business unit .management, due to reasons Different, management practices will manage profits
A large part of the concepts related to profit management have focused on the nature, and manner of, and management .of earnings, and less has been used to look at ways to control this practice
The most important characteristic of joint stock companies is the separation of ownership from their management. On this basis, it is possible for managers to have exclusive access to some of the information and to provide information such as financial information. This feature and the nature of accrual accounting, due to the absence of (difference between profit Cash and debt commitments, and incentives such as reward incentives, smoothing out pseudo-erosion, create this possibility and motivation for managers to manipulate information in their own interests, in contrast to the .interests of other groups, or, more fully, to make profit management practices
In the aftermath of Enron, the term "profit management" has been considered as one of the most vital issues. The public perception of earnings management has been seriously since 1998, ie, the presentation time of Arthur Levitt (Chairman of the Stock Exchange Commission) Bahadar) started playing the figures at the Center for Law and Trade .of the University of New York
Profit management has defined profits as procedures in which earnings reports represent the ambitions and management requirements, not the actual performance of the company[15].
Di George considers the management of profits as a kind of artificial manipulation of profits by management to ensure that the level expected for some particular decisions is the perception of investors. Therefore, earnings management occurs when managers use financial judgments in organizing transactions and modify financial reports so that some stakeholders mislead companies or affect the outcome of contracts that affect accounting numbers Are dependent[24].
However, profit management, in contrast to fraud, requires the selection of accounting procedures and estimates that .are in accordance with accepted accounting principles
Earnings management is based on two types of earnings management based on accounting variables (optional accruals management) and real profit management (operating activities). In managing earnings based on accounting data, management through accounting methods, and at the end of the year using arbitrary accruals, manipulates profit for its own purposes, but in the real management of manager's profits through operational decisions (scheduling of these decisions) Takes action to manage profits. Contrary to the management of earnings based on accounting figures, the discovery of real profit management by sense It is usually hard to do. Considering the two forms of profit management, this section focuses more on the goals and motives of earnings management, methods of earnings management and types of earnings management. 2-2-2-1. Purposes and motives of profit management: a) Contract incentives - Debt contracts: Managers of companies that do not intend to violate debt contracts can prevent the inability to contract by choosing incremental earnings methods. - Service Compensation Contracts: Compensation contracts usually include rewards that are, to a certain extent, determined by the company's profits. Job security and profitability: Managers may seek to smooth out profits in order to maintain their job security. - Negotiation of Unions: During talks with unions, managers are motivated to modify their profits in order to support a claim that the company can not raise wages. B-Market incentives - Initial supply of stocks: Managers can increase profits in periods close to stock exchanges in order to change the perception of investors by using accounting procedures. - Purchase of shares by management: Some of the directors of the stock before themselves purchase shares to manipulate profit less than they actually represent. - Growth and profit forecast: Companies that are exposed to lower profits than capital market

target profits may manipulate profits in more detail. Legal motivations - Political reviews: Large companies are willing to choose accounting methods to reduce their profits because they reduce tax. Antitrust interrogations: The cost of antitrust penalty laws may be very high, and as a result encourages managers to less than show profit. - Importation discounts: In periods where import concessions are granted, companies are motivated to reduce their profits and seek redress due to foreign imports from the government. Bank regulations: Bank code developers use accounting numbers to determine the ratio of capital adequacy. Thus, banks are motivated to reduce their manipulation and political costs when it is less than legal

The overall statistical framework of the combined data is as follows[9**].**

$$Y_{it} = \alpha + X_{it}^{t}\beta + U_{it}$$

$$U_{it} = \mu_i + V_{it}$$

$$i = 1,...,N$$

$$t = 1,...,T$$

**o Single root test in panel data**

If the time series variables used to estimate the parameters of the model are non-standard, the probability of the false regression is very high, in which case the use of the F and t statistics would be misleading. So, in order to avoid false regression, data is first tested in a stand-alone manner. In the static test, what matters is the strength of the unit root tests(10). Most researchers agree that increasing the size of the samples studied increases the power of the tests and their results can be trusted. Instead of emphasizing on time series, it is preferable to use panel patterns to combine time series data in different groups to examine the power of the tests. Panel data has many advantages over time or time series data. Increasing trust in estimates, explaining more advanced models and reducing the problem of coherence between variables is one of the main advantages of this method. In this study, a stack of variables is used to test the generalized Dickey Fuller test. Consider the following generalized Dickey Fuller regression:

$$y_{it} = \rho_i y_{i,t-1} + \sum_{j=1}^{p_i} \varphi_{ij} \Delta y_{i,t-j} + z_{it}'\gamma + \varepsilon_{it}$$

Considering the $t_{\rho i}$ As general statistics of the Dickey Fuller regression t, the mean of t statistics is as follows:

$$\bar{t} = \frac{1}{N}\sum_{i=1}^{N} t_{\rho i}$$

In the above relation, the standard distribution is normal (Baltaji, 2005, et al., 2003)

**Hausman test**

According to Hausman (1987), the difference between the estimators of the fixed effect method and the random effects is considered as a zero hypothesis. In this way(11), the rejection of the zero hypothesis reflects the fixed effect method. In this test, the hypothesis of zero is based on the assumption that there is no correlation between xit and αi. The main idea of the Hausman test is to compare the two estimators of the effects of the effects and the random effects, so that one of the estimators reflects the compatibility with the hypothesis of zero and with the hypothesis and the other estimator represents compatibility with only the hypothesis of zero. A significant difference between these two estimators indicates that the hypothesis is zero. Assuming to be zero $E\{\varepsilon_{it} x_{is}\}$ For each s and t using $\hat{\beta}_{FE}$ (Fixed effect method estimator), we can obtain compatibility results regardless of the existence or absence of correlation between xit and αi. But in the terms mentioned $\hat{\beta}_{FE}$ The estimator of the random effects method (only in the absence of conditions) is the correlation between xit and αi. The hypotheses are zero and the Hausman test is presented as follows:

H0: There is no correlation between individual effects and explanatory variables.  Random effects of the model

H1: There is a correlation between individual effects and explanatory variables.  Fixed model effects

**Regression model using hybrid data**

Using static effect panel data is a good solution for not recognizing regression, especially when the special effects of each company prevail over its temporal effects. Consider the following regression model:

$$Y_{it} = \beta_{1,t} + \beta_2 X_{i,t} + \varepsilon_{i,t}$$

The F lemmer test is used to select the least squared computing model and the fixed effect model. Specifying this test is as follows:

$$f = \frac{(R_{fe}^2 - R_{pls}^2)/(N-1)}{1 - R_{fe}^2/(NT-K-N)}$$

n this regard, the coefficient of determination in the fixed effect method, the coefficient of determination in the combined least squares method(12), N is the number of sections, k is the number of explanatory variables, and T is the length of the time period. If F is a computational value of the criticality of F, then the fixed effects method will be .selected

The statistical population of the research includes all companies listed in Tehran Stock Exchange during the period 2007-2003**.**

**:Research Model**

**Y (Y1, Y2) = β¬0 + β1 X1 + β2 X2 + β3 X3 + e**

Y: dependent variable = capital structure
Y1: Short-term debt ratio to total capital
Y2: The ratio of long-term debt to total capital
β 0: constant coefficient
β1, β2, β3 and ...: regression coefficients
X1: Stock return
X2: Earnings per share
X3: Artificial Variable
e: Error

Y (Y1, Y2, Y3) = βγ0 + β1 X1 + β2 X2 + β3 X3 + e
Y: dependent variable = profit management
Y1: debt ratio to capital
Y22: size of the company
Y3: Return on assets
β 0: constant coefficient
β1, β2, β3 and ...: regression coefficients
X1: X1: Return on equity
X2: Earnings per share
X3: Artificial Variable
e: Error

On the other hand, Giulli and Haein used non-operational accountability (voluntary) accountability for conservatism, according to them, conservatism is sometimes used to identify and report financial events. First, management faces ambiguity and lack of certainty. Inevitably, there is a choice between two or more choices; the second is to select and execute a method that leads to the lowest possible amount for accumulated profit. Giulli(13)

For this reason, Hayn uses discretionary (non-operational) accruals, which, on the one hand, is an accountability account for conservatism, and, on the other hand, the exercise of authority from organizational managers under uncertainty creates the ground for the emergence of conservatism(14). The sum of accruals and accruals (optional) (non-operational) is calculated as follows:

$$ACC_{it} = (NI_{it} + DEP_{it}) - CFOit$$
$$OACC_{it} = \Delta (AR_{it} + I_{it} + P_{it}) - \Delta (AP_{it} + TP_{it})$$
$$NOACC_{it} = ACC_{it} - OACC_{it}$$

**Modified research model:**

$\beta_2 X_{2+e}$+[ $Y=\beta_0 + \beta_1 X_1$

**Y = Conservatism**

β1, β2, β3 and ...: regression coefficients
X1: The ratio of short-term debt to total capital
X2: The ratio of long-term debt to total capital
e: Error

]14[ Y = β¬0 + β1 X1 + β2 X2 + β3 X3 + e
Y = Conservatism
β1, β2, β3 and ...: regression coefficients
X1: The ratio of debt to capital
X2: Company size
X3: Return on Equity
e: Error

**Pre-tests for estimating combined regression model**

**Static test of research variables**

Before estimating and estimating the model, first, the reliability of the research variables should be checked. So in this section, using the unit root test, we examine the variance of the research variables. If a variable is not mana, it should

be done using techniques to manipulate it or remove the variable from the model in order not to have a negative effect on the estimate. The root test of the generalized Dickie Fuller unit has been performed for the ROEA dependent variable at the level. The results are presented in the following table:
Results of the unit root reliability test for the dependent variable on the level

Pool unit root test: Summary
Series: X1,X2
Date: 02/27/17 Time: 10:05
Sample: 1387 1394,
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic selection of lags based on SIC: 0
Newey-West bandwidth selection using Bartlett kernel
Balanced observations for each test

| Method | Statistic | Prob.** | Cross-sections | Obs |
|---|---|---|---|---|
| Null: Unit root (assumes common unit root process) | | | | |
| Levin, Lin & Chu t* | 3.78979 | 0.9999 | 120 | 840 |
| Null: Unit root (assumes individual unit root process) | | | | |
| Im, Pesaran and Shin W-stat | 1.42939 | 0.9236 | 120 | 840 |
| ADF - Fisher Chi-square | 13.6480 | 0.3237 | 120 | 840 |
| PP - Fisher Chi-square | 16.5260 | 0.1683 | 120 | 840 |

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

As it is seen, the Prob value of the Extended Dickey Fuller (ADF) and other statistics is less than the significant level of 5% and 10%, so static test in first order sewage should be checked:
summary of the static test results using the root test of the Dickey Fuller unit, generalized at the level of the time series models for the research variables, is presented in the following tables:

IPS test results Reliability of research variables

| Degree | Result | Prob* | ADF | Variable |
|---|---|---|---|---|
| I(1) | Stable | 0.0452 | 21.890 | X1 |
| I(1) | Stable | 0.0379 | 25.446 | X2 |
| I(1) | Stable | 0.0443 | 21.758 | X’1 |
| I(1) | Stable | 0.038 | 25.2409 | X’2 |
| I(1) | Stable | 0.0341 | 23.3810 | X’3 |

**Chow model test**
In order to see the latitude of the originals provided for each year, statistically significant differences are significant, we use this test. In Chow's theory, the hypothesis H0 is the same as the width of the originals (the combined method), in contrast to the hypothesis H1, the origin of the origin, the (panel data method). Therefore, in the case of rejection of the H0 hypothesis, the method of the fixed effect model is accepted. The results of the Chow test are as follows:
Chavo test results of research variables

| Effects Test | Statistic | Df | Prob |
|---|---|---|---|
| Period F | 1.09408 | 5,30 | 0.3840 |
| Period Chi-square | 6.030075 | 5 | 0.3033 |

As can be seen, the Prob value is greater than 0.05 and the assumption of the width difference from the originals is not rejected. Therefore, at this stage, the same width of the origin (the combination method) is accepted

The results of the unit root reliability test for the dependent variable in the first order difference

Pool unit root test: Summary
Series: X1,X2,X'1,X'2,X'3
Date: 02/27/17 Time: 10:35
Sample: 1387 1394,
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic selection of lags based on SIC: 0
Newey-West bandwidth selection using Bartlett kernel
Balanced observations for each test

| Method | Statistic | Prob.** | Cross-sections | Obs |
|---|---|---|---|---|
| Null: Unit root (assumes common unit root process) | | | | |
| Levin, Lin & Chu t* | -6.60361 | 0.0000 | 120 | 720 |
| Null: Unit root (assumes individual unit root process) | | | | |
| Im, Pesaran and Shin W-stat | -3.09399 | 0.0010 | 120 | 720 |
| ADF - Fisher Chi-square | 25.2425 | 0.0137 | 120 | 720 |
| PP - Fisher Chi-square | 27.0843 | 0.0075 | 120 | 720 |

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

As can be seen, the Prob value of the Extended Dickey Fuller (ADF) and other statistics statistics is less than the significant level of 5% and 10%. Therefore, it can be concluded that the assumption of the variance of the variable is rejected and this variable ( At a significant level of 5% and 10%).

**Conclusion.** In the present study, we conclude that with an increase in the level of conservatism, the overall level of profit management increases. In fact, conservatism through managing earnings leads leads to more reliable and better-earned earnings reports. Reporting the right revenues and away from the personal conduct of the managers helps .financial information users make the right decisions

In fact, managers continue motivate companies to adjust the company's profits, but since conservatism makes it possible to manipulate account numbers and numbers, managers manage real business for profit management. In fact, .with increased conservatism, profit management increases

Also, given the direct relationship between the variables of financial structure and conservatism, it can be concluded that the ratio of long-term and short-term debt to total debt is directly related to conservatism. Therefore, managing .debt opportunities offers more accurate reporting. In fact, this conservatism reduces the excessive display of debt

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## PROPOSING A MODEL FOR AN IDEAL RELATIONSHIP BETWEEN WEALTHY CITIZENS AND STATE-OWNED BANKS USING GROUNDED THEORY

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**Abstract.** Early investigations on the banking industry indicate that a considerable part of bank's resources is provided through a limited number of valuable customers. However, many domestic banks in general and state-owned banks in particular, do not provide a clear definition on valuable customers, leading to the lack of an understanding of the subjective expectations of the customers regarding the nature of an effective relationship. This study aims to explain the size and components of the ideal relationship between the customers and banks according to the customers' comments. Codes extracted from interviews with fourteen privileged customers of banks are analyzed using the grounded theory as a qualitative research approach. Accordingly, dimensions of the paradigmatic model and elements of a good relationship with the privileged customers are explained. After the analysis of the proposed model, some suggestions are presented for future bank managers and researchers in this field.
**Key words**: privileged customers, customer relationship management, Grounded Theory, State-owned Bank

**Introduction.** Nowadays, marketing is considered as one of the main instruments for businesses in identifying customers' needs and preferences to achieve the maximum profit (Haghshenas Kashani, 2012). Success in relationship with customers is not achieved only through functional desirability of the products or services because from the perspective of the consumer, the value does not exist within a product or service, but the potential and actual value is in the minds of consumers (Kapferer, 2008). It is clear that among a diverse range of bank customers, distinctive and valuable customers are more profitable than normal and short-term customers. So, it is necessary to try to manage deep and long-term relationships at functional and conceptual levels (Liang & Wang, 2005).
Thus, one of the most important service industries of each country is banking industry. Initial investigations on the banking industry indicate that in most of banks in the world, 5% of customers create more than 85% of the bank's profitability (Shahraki, 2012). Studies resulted from the analysis of customers resources suggest that among the thirty million accounts belonging to natural and legal customers of the bank, only a limited number of customers (approximately 352,000 customers) can be considered as owners of more than eighty percent of the bank's resources. However, 51% of financial resources belong to only 1% of the bank's customers, including thirty thousand customers. Among more than 7 million customers in Tehran, 91% of the bank's resources are owned by only 81,000 customers (equivalent to 1% of customers in Tehran). More than 99% of the bank's resources are owned by13% of customers. Therefore, banks will lose more than 90% of their financial resources by leaving only one percent of their customers in Tehran.
**Research Background.** In many organizations, there is no certain definition and classification on privileged customers. In such circumstances, there are no scientific theories and patterns to maintain and improve relationships with customers (Ruta, 2008; Ernst & Young, 2003). In spite of the mentioned benefits for customer relationship management, in many cases customer groups are not distinguished from each other in call centers (Ghafari Ashtiani, 2011) because it is considered just from the perspective of information technology and with the objective of designing a software system (Ameli, 2011). A system of relationships with key customers can identify the most important customers using data converted to information and knowledge and the relationship-based marketing approach (Ruta, 2008).
The researchers suggest that the promotion of long-term relationships with key stakeholders, especially in today's highly competitive business environment, is considered as an important strategy. Many organizations have accepted