

# Assessing the Effective Factors on the Trust Level of Investors about Financial Reports of Accepted Companies in Tehran Stock Exchange

Seyede Amene Mirbagheri<sup>1</sup> and Masoomeh Sadat Maldar Sarpol<sup>2</sup>

<sup>1</sup>Department of Management, Economics and Accounting, Payame Noor University, P.O. BOX 19395-3697 Tebran, Iran

<sup>2</sup>Corresponding Author: Department of Management, Economics and Accounting, Payame Noor University, P.O. BOX 19395-3697 Tebran, Iran.  
Email: Maldar.m@skpnu.ac.ir

## ABSTRACT

Having confidence in the financial statement of profit units is the essential condition for its proper functioning. The goal of this study is to identify quantitative-qualitative factors affecting the level of confidence in investors's level of trust and their prioritization. The study was done in two stages using the survey (interview and questionnaire) and objective view of the evidences and documents. In the first stage through studying the performed researches and surveying accountant and auditors, factors affecting investors' trust were identified, and then through questionnaires, distributed among investors, these factors were assessed. Two groups of hypotheses were developed. The first group was allocated to measure "the relationship extent" of quantitative and qualitative factors in determining the level of investors' trust and the second group was allocated to measure "the agreement extent" of investors in determining the most influential factors on the confidence. The research results demonstrated that management, non-financial characteristics, financial characteristics, rules and regulations of stock exchange organization, supervising mechanism of stock exchange organization, visual quality of reports, accounting standards, dependant auditing, auditing and the committee board of directors are respectively effective on the level of investor's trust and confidence.

**Keywords:** Trust, Investors, Financial Statements

**Subjective classifications:** G11

---

## 1. INTRODUCTION

The main role of the financial statements is to present summarized and classified information on financial and non-financial information of companies for potential investors to make economic decisions. Through

financial statements, administrators can increase their own and the company's reputation and credit, and can be accountable for their objectives, actions and behavior.

However, due to the complex nature, and interference of many active people who have a role, the mentioned activity is susceptible to any type of moral danger, and deviations like mistakes, manipulation of accounts through fraud and interest management, secrecy and non-disclosure of accurate and ontime of information.

On one hand, despite the imposition of internal supervisory mechanisms and the obligation to observe the outside laws and standards, the existence of such deviations leads to doubts of users especially, especially potential investors about the usefulness of provided information and the reception of high level of risk,

On the other hand, wherever risks and uncertainties are concerned, the trust factor is questioned as a critical element and a risk moderator (Arab Salehi, 2009)

The issue of trust in the financial statement system is the essential condition for the proper functioning of companies and can be considered as a public good benefiting all those involved in this system.

Before financial scandal and the collapse of great companies such as Enron, World Com, Adelphi, Cisco, Liu Sent and Global Crossing in the early 2000s that actually displayed a bitter scandal of financial statements, and resulted in the loss and disappointment of many investors and beneficiaries, little attention was paid to the meaning of reliability of financial statements.

Of course, this does not mean that up to that time people believed that financial statements were innocent of any suspicion of misrepresenting the events and activities,

But this was self-evident that reports were certified by official auditors and they accurately and clearly reflected the company's performance (Brenkert, 2004).

After the outbreak of this crisis, market confidence was severely weakened over financial statements, and professional authorities and researchers looked for solving this dilemma.

Approvement of Sarbanes Oxley Act in America in 2002 and diffusion of Hicks and Smith reports in Great Britain in the 2003 are such cases that certify the area of corporate governance as a mechanism to strengthen the confidence in the financial statements.

In this connection, some groups started working to resolve the crisis of trusting financial statements and to rebuild this lost trust. For instance, a group formed by by the International Federation of Accountants 2003 is a good example of this sort of groups.

The aim of this study was to identify quantitative and qualitative factors affecting the level of investors' trust and their prioritization.

The assumptions of the first group measure "the relationship extent" of quantitative and qualitative factors in determining the level of investors' confidence, and the second group assumptions measure "the agreement extent" of investors in determining the most influential quantitative and qualitative factors on the level of their trust.

The necessity and importance of such studies is to provide useful information for companies, investors and legislative bodies on the Stock Exchange for the improvement of financial estatement quality and enhancement of investors' trust level, applying these reports, increasing the employment of valid and reliable information resources for making investment decisions, reducing bad economic decisions in the

Stock Exchange, reducing the cost of providing the information required for stock investment, as well as creating a fluent, effective, apparent market, and as a result increasing the level of domestic investment, booming the stock market and circulating the stagnant capital investment.

## **Background**

In this section the definition of trust, research conducted in the related fields, the conceptual model and research hypotheses are presented:

### **The Definition of Trust**

Trust is believing in one party's the speech or words who will fulfill his obligations in a bilateral relationship, (Router, 1967).

Trust is created in a relationship when one party of the relationship is ensured of reliability and truth worthiness of the other party's (Morgan, 1994).

Trust is a factor that makes one group inclined to be imposed to the damages of the other group activities, of course having the expectation that the group performs all its activities as it should be done and without any any monitoring and control (Meyer et. al., 1995).

Trust is a psychological status which is based on positive expectations and predictability of other people's behavior and put people vulnerable at risk (Rousseau et. al., 1998).

Trust is the passion to be vulnerable to the actions of others, who carry out their duties properly as per the entered trust. (Giffen, 2000).

### **Experimental Background**

Bagherpour, Lashani, and Zafarpour (2014) analysed the trust factor as a fundamental factor in understanding how the formation, development and evolution of the relationships that exist between auditors and the company managers, among 179 auditors working in institutes that are member of Society of Certified Public Accountants in the organizational ranks of partner or manger, senior director, supervisor and senior auditor. In this paper, they analysed the features of the management of the employer as the trustee party as well as one of the most influential dimensions affecting trust. In order to gather the necessary information questionnaire was used.

By this questionnaire, the type of impact (increase, decrease or no effect) and the extent of importance (very low, low, medium, high and very high), 18 features of management of the employer company as trustee party in five 5 levels including the of the employer manager, benevolence and altruism of the employer manager, observing the norms, commitment to moral values of the employer manager, accountability, responsibility and reputation of the management were investigated.

The results indicated that from the perspective of auditors, observing norms and commitment to moral values, abilities, responsibility and accountability of management and his reputation (in order of priority) affect their trusting the employer manager.

Vares et. al., (2013) analysed factors affecting joint investment in descriptive methods and through using questionnaires distributed among the companies affiliated to the Development and Renovation

Organization of Iran Industries and its governmental companies, as well as professionals and experts in the field of investment partnership.

The results indicated that three related factors of strategic methods of joint investments, communication between partners, and management style of joint investments have been the main factors.

According to the importance degree, other factors are identified as commitment, trust, power of management and control of partners and strategic motives.

Zarabi et. al., (2011) examined the structural relationship between six behavioral factors intended by investors including investment interest, investment security, investments liquidity, the mental image of the company productions, type of investment industry and the effect of previous financial information on investment consent, trusting the investment companies and the desire for reinvestment.

The library and field study on 250 members of the statistical community of this research including investors in the Tehran Stock Exchange, as well as the results of the structural model with least partial squares of assumptions demonstrated that the usefulness of investment, security of investment, and the liquidity of the investment, the types of investment have positive effect on investment satisfaction.

But the mental image about the company and the before financial information of the company has no positive effect on the investment satisfaction. Also the investing satisfaction has a positive effect on investor's trust and his reinvesting. Investor confidence also positively affects on the desire to reinvest.

Dehghan (2008 ) in his article focused on recognizing the psychological factors influencing people's intention to invest in the Tehran Stock Exchange.

In his view, there are many internal and external factors that can influence people's purchase (Mental Black Box of Investor) such as external factors including economic, political, cultural factors, as well as internal factors including biorythmic, essential analytical skills, gaining shareholder prestige, matching the mental image about the buyer and the actual image of the company, the degree of risk-taking and the extent of expressed confidence.

Aghaei and Mokhtarian (2004) analysed factors influencing investors' decision in the Tehran Stock Exchange.

The results demonstrates that the majority of investors have little interest in speculative and risky transactions, and regarding making decision on buying the stock, financial metrics, such as interest deviation and interest of each share are very relevant. However, their importance is less than price fluctuations and price trends in the stock market.

Strong et. al., (2001) in an exploratory research studied the role of confidence in shareholders' satisfaction.

For this purpose, a sample was used consisting customers, shareholders and employees for studying the effects of management behavior on shareholders' satisfaction. The result indicated that the manager's punctuality, honesty, completeness of the information, cooperation and justice are all respectively vital factors affecting the trust of shareholder groups.

## **2. CONCEPTUAL MODEL**

In most conducted studies on trust, four features for trust have been considered, including: Competence, Benevolence, Predictability, Integrity (key kenouks, 1970; Gabarv, 1978; Rmpl, Holmes and Zanna, 1985;

Butler, 1991; McKnight, Shvdhary and Kakmar, 2002; Arabsalehi, 2006; Taylor and Stanley, 2007; Smith et. al., 2010)

In the present study different because of the different nature of the trust, trusting the product and not people, three distinct factors were utilized (Chart 1). These factors or features include:

- Transparency
- Predictability
- Timeliness:

Transparency means clear and brightness.

Financial statements enjoy the transparency when they are honest to the basic financial facts, don't hide the underlying parts of these realities, don't deceive people receiving these statement and require them (Pasyny and colleagues. 2002; Bernkert, 2004)

Predictability means believing the stability and uniformity in the presentation of financial statement information.

Providing financial and non-financial information in financial reports shall be in such manner that helps investors and the others in the correct prediction of future financial position and financial performance of the company, based on their current financial position and financial performance, and approve their past predictions. Meanwhile, it should be of value for users who try to anticipate the power of business entity in using the opportunities, and reacting to the favorable situations. (International Accounting Standards Committee, 2008).

Timeliness also indicates that the trustee (financial statements), fulfills its obligations in providing usefull information in answering the needs of truster (investor) ontime and without any delay. In the Table 2 a standardaized conceptual is presented.

### **Research Hypothesis**

1. Personal factors related to the Audit Committee affects the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
2. Personal factors related to members of the board of directors affects the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
3. Factors related to the independent audit affects the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
4. Factors related to the management affect the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
5. The company's financial features affects the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange is impressive.
6. The company's non-financial features affect the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
7. The visual quality financial statements affect the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.

8. The current situation of accepted accounting standards in Iran affect the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
9. Observing the laws and regulations set by the Stock Exchange affect the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.
10. Supervisory mechanism in the stock market affects the level of investor confidence in financial statements of accepted companies in Tehran Stock Exchange.

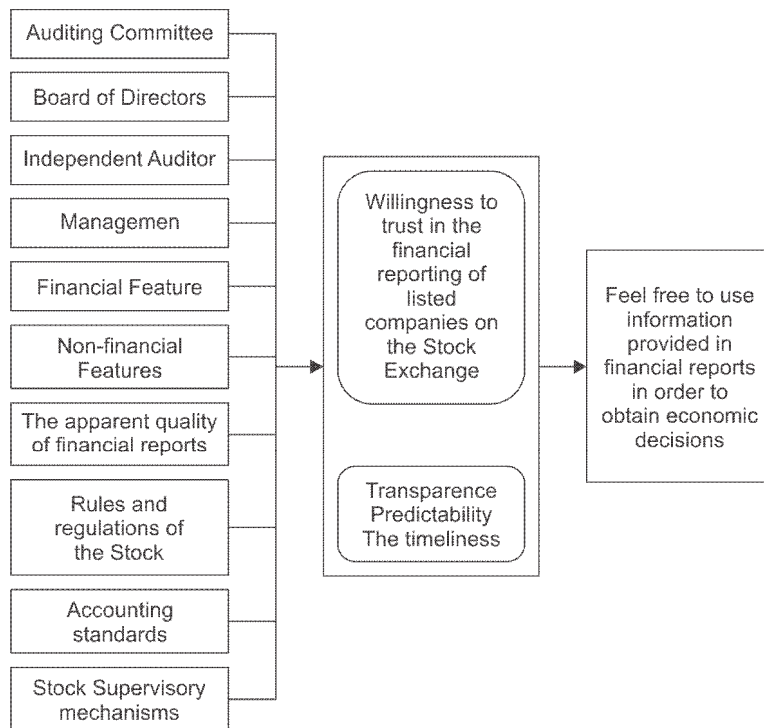
### 3. RESEARCH METHODOLOGY

The aim of this study is to identify quantitative and qualitative factors affecting the level of investor confidence and their prioritization.

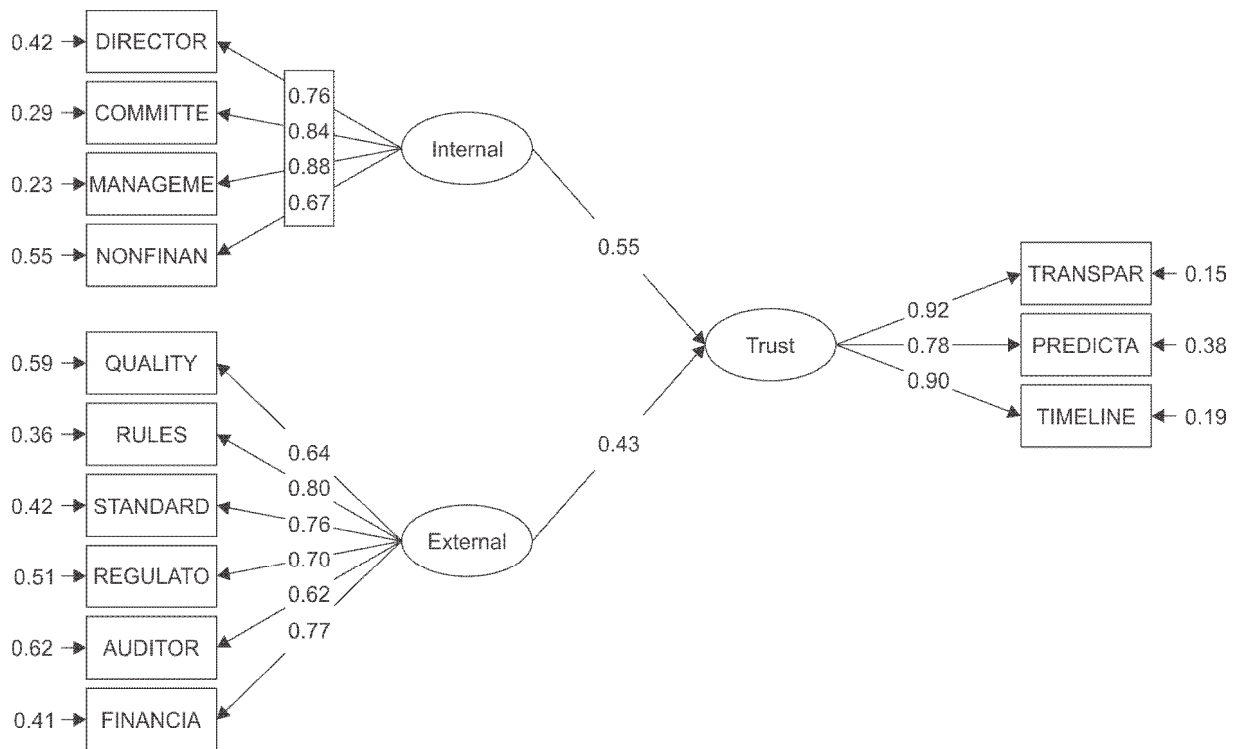
The assumptions of the first group are allocated to measuring “the relationship extent” of quantitative and qualitative factors in determining the level of investor confidence; and assumptions of the the second group are allocated to measuring the extent of investors agreements in determining the influential factors, qualitative and quantative, on the level of their trust.

This research method of this study was through the survey (oral interview and questionnaire) from stock brokers and investors.

First, through the theoretical concepts of accounting standards, studies, and conducted researches, all possible factors affecting the level of investors’ confidence in making decisions were identified. And then by setting up a structured questionnaire on the identified factors, the survey respondents were asked to rate the identified items according to the extent of affectiveness of the factors.



**Figure 28.1: Trust model based on the study of threoretical principles and interviews with experts in the field of accounting and auditing**



**Figure 28.2: Test of conceptual model in standardized coefficients**

#### 4. RESEARCH FINDINGS

In this part of test each research hypothesis is expressed

##### The First Hypothesis Test Result

The first hypothesis suggests that parts and elements of the Auditing Committee affect the level of investors' confidence in financial statement of accepted companies in Tehran Stock Exchange impressive.

Based on the Table 28.1, among the variable indexes of the auditing committee, the quality of the auditing committee, the number of appointed members, business relations between members of the Committee and the Auditing company, level of knowledge and financial expertise of the committee members, efforts of committee members for holding regular meetings, the reputation and credit of the committee members, Tenure of members of the Audit Committee, the internal auditing unit, effectiveness and its quality have significant and positive relation with the level of investors' confidence at the mistake level of  $P < 0/01$ . But the number of management posts for members of the committee out of business unit as well as the amount of stock ownership of committee members have no meaning full correlation with the level of investor confidence.

The observed correlation coefficient between the components of the Auditing Committee and the level of investors' trust, suggest that the internal auditing unit, its effectiveness and quality, has the strongest correlation with the investor's level of trust.

The first hypothesis test integratedly (integration of all items of the auditing committee) revealed that Auditing Committee influences the investors' trust, and despite the auditing committee, the predictability of financial statement increases, thus the investor's level of trust improves.



**Table 28.1**  
**The First Hypothesis Test**

<i>Item</i>	<i>Spearman coefficient</i>	<i>The Significance Level</i>	
Quality of Auditing Committee	0.452	<0.001	
The number of appointed members of the Auditing Committee	0.302	<0.001	
Trade relations between the members of the Audit Committee and the company's	0.282	<0.001	
Knowledge and financial expertise of auditing committee	0.421	<0.001	
Efforts of auditing committee to hold regular meetings in the business unit	0.342	<0.001	
The number of managerial positions held by members of the Auditing Committee out of the business unit	0.121	0.268	
Stock ownership by members of the Auditing Committee	0.197	0.069	
Tenure of members of the Audit Committee	0.317	0.003	
The reputation of the members of the Audit Committee	0.476	<0.001	
The Role of Internal Auditing	0.428	<0.001	
The effectiveness and quality of the internal audit unit	0.542	<0.001	
Integrated Hypothesis testing	Audit Committee and the trust level	0.495	<0.001
(Integration of all aspects of the Auditing Committee)	Audit Committee and Transparency	0.424	<0.001
	Audit Committee and the predictability	0.470	<0.001
	Audit Committee and timeliness	0.404	<0.001

### **The Second Hypothesis Test Results**

The second hypothesis of this study indicates that individual factors related to members of board of directors have an effect on the level of investors' level of trust in financial statements of accepted companies in Tehran Stock Exchange impressive.

According to Table 28.2, all the individual factors related to board members discluding the independence of the Board of Directors, affect investors' level of confidence. In other words, the number of board

**Table 28.2**  
**The second hypothesis test**

<i>Index</i>	<i>Spearman coefficient</i>	<i>The Significance Level</i>	
Member of the Board of Directors	0.273	0.011	
Independence of Members Board of Directors	0.205	0.058	
The number of managerial positions held by board members outside of the Business	0.250	0.20	
Ownership of Company Stock by Outside Directors of Board	0.272	0.011	
Tenure of Outside Members of Board	0.286	0.008	
The Reputation of the Members of the Board of Directors	0.526	<0.001	
Managing Directors's Management of the Board	0.599	<0.001	
Integrated Hypothesis testing	Board of Directors and the level of trust	0.419	<0.001
(Integration of all aspects of the Board of Directors)	Board and transparency	0.377	<0.001
	Board and predictability	0.336	0.002
	Board and timeliness	0.356	0.001



members, the number of management positions held by board members out of business, shares ownership of board members, tenure of unofficial members of board of directors, the reputation of the members of the board of directors, and the managing Director's management of members of the board of directors have meaning full relation with the investor's level of trust.

The second test hypothesis also integratedly confirms the impact of individual factors related to the Board of Directors on the level of investor's trust. Among different aspects of level of confidence, the aspect of transparency, with a correlation coefficient 0.377, has the strongest correlation with the board.

### **The Third Hypothesis Test Results**

The third hypothesis suggests that factors related to the independent auditing affects the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

According to Table 28.3, both indicators of independent auditing – reputation and credit of auditing institute and the type of auditing idea- have significant correlation with the level of investors' confidence level. The severity of correlation between the independent auditing and investors' level of confidence equals to 0.510. Among different aspects of confidence level, aspects of transparency, with a correlation coefficient 0.574 has the strongest correlation with the independent auditing..

**Table 28.3**  
**The third hypothesis test**

<i>Index</i>	<i>Spearman coefficient</i>	<i>The significance level</i>	
Reputation of the auditing firm	0.446	<0.001	
The type of auditor's opinion	0.413	<0.001	
Integrated Hypothesis testing	Independent audit and the level of trust	0.510	<0.001
for (Integration of all indexes of independent auditors)	Independent auditing and transparency	0.574	<0.001
	Independent audit and predictability	0.383	<0.001
	Independent auditing and timeliness	0.449	<0.001

### **The Fourth Hypothesis Test Results**

The fourth research hypothesis states that individual factors associated with management affects the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

Five management indexes - the reputation and credit of the manager, the ownership level of manager in the company, the manager's observing professional ethics, expertise and financial literacy of the manager, as well as the director's tenure at the company have significant and positive relationship with the level of investors' trust level.

The integrated fourth hypothesis test, as per the Table 28.4, demonstrated that the intensity of the relationship between management and investors' level of confidence in the error level of  $P < 0/01$  equals to 0.718.

Among different aspects of confidence level, aspects of transparency, with a correlation coefficient 0.667 have the strongest correlation with the management.

**Table 28.4**  
**The fourth hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
Manager's Reputation and Credit	0.386	<0.001
Ownership Level of the Manager in the Company	0.493	<0.001
Observing Professional Ethics by the Manager	0.650	<0.001
Manager's Financial Expertise and Literacy	0.644	<0.001
Tenure of the Manager in the Company	0.366	<0.001
Integrated Hypothesis testing for Management and the Trust Level	0.718	<0.001
(Integration of all indexes of Management and Transparency)	0.667	<0.001
(Management and predictability)	0.665	<0.001
(Management and Timeliness)	0.593	<0.001

### **The Fifth Hypothesis Test Results**

Fifth hypothesis suggests that the characteristics of the company financial system affect the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

Based on the Table 28.5, indexes introducing the financial features of the company- the ratio of debt to the shareholders salary, the ratio of profit before tax to shareholders salary, the ratio of interest before sales taxes, budget deviation of the real operation, adjustments extent in financial statements including annual adjustments and amendments to budget figures, the ability to the ontime and payment of share interest in cash, the quality of the internal control system of the business unit, the quality of accounting system of the business unit – have significant and positive relationship with the level of investors' confidence, but the size and largeness of the company have no significant relationship with the level of investors' trust.

In the fifth integrated hypothesis test, correlation between the financial characteristics of the company and investors' trust level equals to 0.603. Among different aspects of confidence level, aspect of transparency, with a correlation coefficient 0.551, has the strongest correlation with financial characteristics of the company.

**Table 28.5**  
**The fifth hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
Size of the company	0.208	055/.
Ratio of debt to the shareholders salary	0.398	<0.001
The ratio of profit before tax to shareholders salary	0.365	<0.001
The ratio of interest before sales taxes	0.439	<0.001
Budget deviation of the real operation	0.347	<0.001

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>	
Adjustments extent in financial statements including annual	0.416	<0.001	
The ability to the ontime and payment of share interest in cash	0.436	<0.001	
The quality of the internal control system of the business unit	0.504	<0.001	
The quality of accounting system of the business unit	0.560	<0.001	
Integrated Hypothesis testing for (Integration of all indexes of financial characteristics of the company)	Financial characteristics of the company and the trust level	0.603	<0.001
	Financial characteristics of the company and transparency	0.551	<0.001
	Financial characteristics of the company and predictability	0.530	<0.001
	Financial characteristics of the company and timeliness	0.482	<0.001

### **The Sixth Hypothesis Test Results**

Sixth hypothesis suggests that the non-financial characteristics of the company affect the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

Table 28.6 shows that the all indexes of the mentioned variable - the texture and composition of the shareholders in the company, the structure and the concentration of ownership in the company, history and lifetime of the company, the extend of using information technology by the business unit- have significant and positive relationship with the level of investors' trust.

In the sixth integrated test it was found that the correlation between the non-financial properties of the company investors' trust level equals to 0.691. Among different aspects of confidence level, aspect of predictability, with a correlation coefficient of 0.671, has the strongest correlation with -financial properties of the company.

**Table 28.6**  
**The sixth hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>	
The texture and composition of the shareholders in the company	0.483	<0.001	
The structure and the concentration of ownership in the company	0.597	<0.001	
History and lifetime of the company	0.328	<0.002	
The extend of using information technology by the business unit	0.502	<0.001	
Integrated Hypothesis testing for (Integration of all indexes of non-financial characteristics of the company)	Non-financial characteristics of the company and the trust level	0.691	<0.001
	Non-financial characteristics of the company and transparency	0.566	<0.001
	Non-financial characteristics of the company and predictability	0.671	<0.001
	Non-financial characteristics of the company and timeliness	0.590	<0.001

### **The Seventh Hypothesis Test Results**

The seventh research hypothesis suggests that visual quality of financial statements influences the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

According to the Table 28.7, the correlation coefficient between the quality of financial statements and the level of investors' confidence in the significance level of 0.001 is 0.575 which indicates the meaningful relationship between the two variables. In addition, the visual quality of the financial statements has the greatest effect on predictability among the three indices of confidence. In other words, if the manager provides accurate and sufficient information in the preparation of the financial statements, he can positively affect the attraction of investors' trust.

**Table 28.7**  
**The seventh hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
The visual quality of the financial statements and the trust level	0.575	<0.001
The visual quality of the financial statements and transparency	0.480	<0.001
The visual quality of the financial statements and predictability	0.545	<0.001
The visual quality of the financial statements and timeliness	0.518	<0.001

### **The Eighth Hypothesis Test Results**

Eighth hypothesis claims that the current situation of accepted accounting standards in Iran influences the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

According to the Table 28.8, correlation between accounting standards and the level of investors' confidence in financial statements in the significance level of 0.001 is 0.541 which indicates a strong positive impact. The test results also illustrated that the three indicators of trust: transparency, predictability and timeliness, accounting standards with a correlation coefficient 0.516 have the greatest impact on the timeliness of financial statements. In other words, observing accounting standards in the process of drawing up the financial statement results in the ontime providing the information for the investors for them to take their economical decisions.

**Table 28.8**  
**The eighth hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
Accounting standards and trust level	0.541	<0.001
Accounting standards and transparency	0.482	<0.001
Accounting standards and predictability	0.452	<0.001
Accounting standards and timeliness	0.516	<0.001

### **The Ninth Hypothesis Test Results**

In the ninth hypothesis it is stated that observing the rules and regulations set by the Stock Exchange influences the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

Based on the Table 28.9, observing rules and regulations set by the Stock Exchange with correlation of 0.599 affects the level of investors' confidence. The test result demonstrated that this effect is significant. Through observing rules and regulations of the stock to the transparency, timeliness and predictability of financial statements increases and this in turn effectively increase the level of investors' trust over financial statements.

**Table 28.9**  
**The ninth hypothesis test**

<i>Rank</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
Rules and regulations set by the stock exchange and trust level	0.599	<0.001
Rules and regulations set by the stock exchange and transparency	0.565	<0.001
Rules and regulations set by the stock exchange and predictability	0.493	<0.001
Rules and regulations set by the stock exchange and predictability	0.549	<0.001

### **The Tenth Hypothesis Test Results**

The tenth hypothesis states that the existing supervisory mechanism in the Stock Exchange influences the level of investor confidence about financial statement of accepted companies in Tehran Stock Exchange is impressive.

According to the Table 28.10, the correlation coefficient between the existing supervisory mechanism in the stock market and investors' confidence level with the significance level of 0.001 is 0.593 which indicates a strong positive relation between these two factors. Results indicated that represents trust, transparency index with a correlation coefficient 0.513 has the strongest correlation with the exchange supervisory mechanism.

**Table 28.10**  
**The tenth hypothesis test**

<i>Index</i>	<i>Spearman Coefficient</i>	<i>The Significance Level</i>
The supervisory mechanism of stock market and he trust level	0.593	<0.001
The supervisory mechanism of stock market and transparency	0.513	<0.001
The supervisory mechanism of stock market and predictability	0.409	<0.001
The supervisory mechanism of stock market and timeliness	0.484	<0.001

## **5. CONCLUSION AND SUGGESTIONS**

The review and test of hypotheses confirm the entire research hypothesis. By prioritizing the effectiveness extent of the ten factors based on the Spearman correlation coefficient, respectively including company

management, non-financial features of the company, financial features of the company, Stock Exchange rules, the supervisory mechanism of the exchange, the visual quality of company's reports, accounting standards, independent auditing, auditing committee and the board of directors, have the greatest impact on the level of investor's trust. The analysis results also indicates that among three indexes introducing the trust – transparency, predictability, and timeliness- board of directors, independent auditing, management, financial feature, the rule and regulations of stock market, the supervisory mechanism have been more effective on the transparency; the auditing committee non-financial features as well as the visual quality of company's statement increased the predictability, and the accounting standards were influential as well.

**Table 28.11**  
**Result: the hypothesis acceptance/rejection**

<i>Hypotheses</i>	<i>Variables</i>	<i>Correlation Coefficient</i>	<i>The Significance Level</i>	<i>The hypothesis acceptance/rejection</i>
First Hypothesis	Auditing Committee	0.495	<0.001	Accepted
Second Hypothesis	Board of Directors	0.419	<0.001	Accepted
Third Hypothesis	Independent Auditing	0.510	<0.001	Accepted
Fourth Hypothesis	Management	0.718	<0.001	Accepted
Fifth Hypothesis	Financial Features of Company	0.603	<0.001	Accepted
Sixth Hypothesis	Non-Financial Features of Company	0.691	<0.001	Accepted
Sixth Hypothesis	Visual Quality of Company's Statement	0.575	<0.001	Accepted
Seventh Hypothesis	Accounting Standards	0.541	<0.001	Accepted
Eighth Hypothesis	Rules and Regulations of Stock Market Organization	0.599	<0.001	Accepted
Nineth Hypothesis	Supervisory Mechanism of Stock Market Organization	0.593	<0.001	Accepted

Regarding the importance of the level of trust in the investment process, research in this area for investors, both economic unit and capital market is very essential.

The research result demonstrated that the internal factors of the company like management and the non-financial features like the economic life of the company as well as its presence record in the capital market, as well as financial feature influence the investors' trust more than other factors.

### **Acknowledgement**

This article is extracted from a research project entitled "Assessing the Effective Factors on the Trust Level of Investors about Financial Reports of Accepted Companies in Tehran Stock Exchange" supported by Payam Noor University of South Khorasan province. We would like to appreciate all those who help us in compiling and conducting this plan. It is hoped that this study will be used by the future researchers and be influential in the upgrading the level of general trusting the stock market and the Iran's economic prosperity.

### **References**

Aghaei, M.A.; Mokhtarian, A. (2004), Factors affecting the decisions of investors in the Tehran Stock Exchange. Journal of accounting and auditing, 11(2).

- Arabsalehi, M. (2006), Influential factors in the trust relationships existing between financial analysts and corporate managers in Iran. PhD thesis. School of Accounting and Finance. University of Wollongong, Wollongong.
- Arabsalehi, M. (2009), Uncertainty to disclose required information to users of financial statements, *Journal of faculty of administrative and economics, university of Isfahan*, 21(1), 155-186.
- Bagherpoor Velashani, M.A.; Zafarzade, S. (2014), The psychological impact of the management features on the confidence of the auditors. *Journal of management accounting*, 7(2), 83-102.
- Brenkert, George G. (2004), *Corporate Integrity and Accountability*, SAGE Publications.
- Bulter, J.K. (1991), Toward understanding and measuring conditions of trust: evolution of a conditions of trust inventory. *Journal of Management Information System*, 17(3), 643-663.
- Dehghan, A. Psychological factors affecting investment in stock exchange, *tadbir*, 19(196), 60-63.
- Gabarro, J.J. (1978), *The development of trust, influence and expectation interpersonal behavior: cummunication and understanding in relationships*. Englewood Cliffs: Prentice-Hall.
- Gefen, D. (2000), E-commerce: the role of familiarity and trust. *Omega*, 28(6), 725-737.
- Kee, H.W.; Knox, R.E. (1970), Conceptual and methodological considerations in the study of trust and Suspicion. *The Journal of Conflict Resolution*, 14(3), 357-366.
- Mayer, R.C.; Davis, J.H.; Schoorman, F.D. (1995), An integrative model of organizational trust. *Academy of Management Review*, 20, 709-734.
- McKnight, D.H.; Choudhury, V.; Kacmar, C. (2002a), Developing and validating trust measures for e-commerce: an integrative typology. *Information Systems Research*, 13(3), 334-350.
- McKnight, D.H.; Choudhury, V.; Kacmar, C. (2002b), The impact of initial consumer trust on intentions to transact with a web site: a trust building model. *Journal of Strategic Information Systems*, 11(1), 297-323.
- Morgan, R.M. (1994), The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing* 58(3), 20-38.
- Pacini, C. Rogers, H.; Swingen, J. (2002), The oecd convention on combating bribery of foreign public officials in international business transactions: a new tool to promote transparency in financial reporting. *Advances in International Accounting*, 15, 121-153.
- Rempel, J.K.; Holmes, J.G.; Zanna, M.P. (1985), Trust in close relationships. *Journal of Personality and Social Psychology*, 49(1), 95-112.
- Rotter, J.B. (1967), A new scale for the measurement of interpersonal trust. *Journal of Personality*, 35, 651-665.
- Rousseau, D.M.; Sitkin, S.B.; Burt, R.S.; Crammer, C. (1998), Not so different after all: a cross-discipline view of trust. *Academy of Management Review*, 19(1), 90-118.
- Smyth, H.; Gustafsson, M.; Ganskau, E. (2010), The value of trust in project business. *International Journal of Project Management*, 28, 117-129.
- Strong, K.; Ringer, R.; Taylor, S. (2001), The rules of stakeholder satisfaction (timeliness, honesty, empathy). *Journal of business ethics*, 32, 219 -230.
- Tyler, K.; Stanley, E. (2007), The rule of trust in financial services business relationships. *Journal of Services Marketing*, 21(5), 334-344.
- Vares, S.H.; Hassangholipoor, T.; Habibi, M. (2013), Factors affecting the performance of joint ventures, *Business Management*, 5(4), 141-160.



