Investigating the Role of Low Investment Moderation on the Relationship between Financial Reporting Quality and Investment in Firms

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Abstract
The purpose of this study is to investigate the role of low investment moderation on the relationship between financial reporting quality and investment in listed companies in Tehran Stock Exchange; therefore, 125 companies were selected during the years 2011-2015 (5-year period) as a statistical sample. In order to investigate the effect of each of the independent variables on the investment of companies, separate hypotheses were tested using multiple regression models using hybrid data. The results of the hypothesis test indicate that there is a positive and significant relationship between financial reporting and investment quality, and the results of the research showed that low investment significantly modifies the impact of financial regulatory quality on firms' investments.

Keywords: Investment, Financial Reporting Quality, Low Investment
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Introduction

The rapid growth of economic relations has led to intense competition in the fields of trade, industry and investment. Therefore, companies need to make proper and timely investments in order to survive and expand their activities. Corporate financial reports should provide information that is useful for potential and actual investors, creditors and other users in logical investments, credit granting and similar decisions. Financial reports should provide the information necessary to assess the financial status of the firm, the assessment of the performance and profitability, the assessment of how the financing and consumption of cash, the assessment of how to manage the management and conduct of legal duties, and provide complementary information for a better understanding. Provide financial information and forecast future status. As a result of these reports, it is important to achieve these goals and increase their quality, which can lead to the efficiency of corporate investments and the maintenance and development of their resources.

The quality of financial reporting can be relevant for at least two reasons with investment efficiency:

1- Financial reporting reduces the cost of inconsistent selection by reducing the information asymmetry between the firm and shareholders and among stakeholders. Leos and Verchia (2000) found that the requirement for further disclosure would reduce such information asymmetry and increase liquidity of the company.

2- Financial reporting plays an important role in reducing brokerage problems (Busman & Smith, 2001). Therefore, financial accounting information in the stock market plays a role as an important source of company specific information. Therefore, if the quality of financial reporting mitigates the problems of the brokerage, it can improve the efficiency of the investment by increasing the ability of the shareholders to monitor the executives, and then improve the selection of the project and reduce the cost of financing the funds.

Based on the topics discussed, there is a moderate negative correlation between the quality of financial reporting and lower investment and more investment. In 2006, Verdi published an article titled The Relationship between Financial Reporting Quality and Investment Performance. In this paper, increasing the quality of financial reporting can have important economic implications, such as investment efficiency. The results of his studies show that the Financial Reports Quality Index, which is called the quality of accruals, is negatively correlated with less investment and investment.
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between the quality of financial reporting and investment is lower for firms that face financing constraints, arguing that financial accounting information can reduce the information asymmetry between companies and investors, and as a result of company costs to increase funds. Also, the relationship between the quality of financial reporting and investment is greater than that for companies with high cash balances. The quality of financial reporting can reduce the information asymmetry between the parent company and the departments, and it will reduce the cost of shareholders to monitor executives and improve project selection. Also, in the case of companies with a weaker information environment, the relationship between financial reporting quality and investment efficiency is wider (Verdi, 2006). Recent research suggests that increased financial reporting can have important economic implications, such as increased investment efficiency (Busman, 2001, Lambert et al., 2006). Considering that if financial reporting quality reduces the cost of inappropriate selection, it can improve investment efficiency by reducing financing costs, so in this research we seek to answer the question whether low investment modifies the relationship between quality of financial reporting and investment in companies admitted to the Tehran Stock Exchange?

Literature review

Verdi (2006) published an article titled The Relationship between Financial Reporting Quality and Investment Efficiency. The paper argues that increasing the quality of financial reporting can have important economic outcomes such as investment efficiency. The relationship between the quality of financial reporting and investment efficiency in 49543 sample companies between 1980 and 2003 was tested. The results of his studies show that the quality of financial reporting quality, which is called accruals quality, is negatively correlated with less investment and investment. The link between the quality of financial reporting and investment is lower than for firms with financial constraints.

Boti et al. (2010) reviewed the relationship between financial reporting quality and investment efficiency in terms of access to private information between 1995 and 2006 in 3033 manufacturing companies. They expected the acquisition of proprietary information and the imposition of direct restrictions on investment by reducing information asymmetry could increase the efficiency of investment in the event of an increase in the quality of accounting information. They say that companies with low quality accounting information have a potential tendency to lease assets to buy them. The results of the research indicate that while outsourced
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lenders, by concluding constrained contracts and accessing proprietary information, reduce the importance of the quality of accounting information, but basically the limitation of the investment process has led to an increase in investment efficiency and reduces the impact of information quality of accounting on the efficiency of the investment.

Chen et al. (2011) investigated the relationship between the quality of financial reporting and the investment efficiency of private companies in developing markets. They surveyed the data of 79 countries for the financial period from 2002 to 2005. Their results indicate that the quality of financial reporting positively affects investment efficiency. In addition, corporate finance through the bank improves the role of accounting information in investment decisions and reduces the incentive to minimize profits for tax purposes.

Gomariz and Ballasta (2014) examined the role of financial reporting quality and debt maturity in investment efficiency. The results of this study indicate that the quality of financial reporting makes the investment issue more likely to be overcome. Also, the shorter-term debt maturity will increase the efficiency of investment by solving both over-investment and over-investment issues.

Baudavar and Taghizadeh (2013) reviewed the relationship between audit quality and investment efficiency. To determine the audit quality, four of the industry's auditor's specialty indices, auditor's reputation, auditor's tenure period, and auditor's independence have been used to calculate the investment efficiency of the Richardson model (2006). The purpose of the research is applied and its method is correlation and post-event. Using the sampling method and selecting the sample selection conditions, 100 sample companies were selected for the period 2006-2011. To test the research hypotheses, the combined data method has been used. The results of the research show that there is a positive and significant relationship between audit quality and investment efficiency. In this way, improving the quality of the audit by reducing the information asymmetry between management and investors and eliminating agency problems, leads to increased investment efficiency.

Hassanzadeh et al. (2014) reviewed the impact of financial constraints and agency costs on investment performance. In this research, OLS regression is used to measure the investment efficiency and representation costs. This study was conducted in 95 companies admitted to Tehran Stock Exchange based on the information contained in the financial statements of the companies between 2002 and 2011. In this study, the financial constraints were measured using the White, Wo, and Kaplan models. The results of the study showed that the financial constraints with the White and Wo model have no significant effect on investment efficiency.
and financial constraints with Kaplan model. The investment efficiency and representation costs have a negative and significant effect on the investment efficiency.

Karami et al. (2015) reviewed the quality of financial reporting, debt maturity and investment efficiency: Evidence from Tehran Stock Exchange. In this research, the data of 94 companies accepted in Tehran Stock Exchange during the years 2009 to 2013 have been used and hypothesis testing has been done using the method of regression analysis based on combinational methods. The results show that companies with higher financial reporting quality have higher investment efficiency. There is also a direct and significant relationship between the use of short-term debt and investment efficiency. The study of the mutual effect of financial reporting and debt maturity on investment efficiency shows that the relationship between the quality of financial reporting and investment efficiency is stronger for firms that use less short-term debt.

Research hypotheses
The hypotheses are extracted from theoretical foundations and previous research, and are the guides to doing research. In fact, the hypotheses are speculation about the characteristics of the statistical society that are examined after approval or rejection. According to theoretical foundations and previous research hypotheses, three hypotheses are developed as follows:

First hypothesis: There is a significant relationship between financial reporting and investment quality.

Second hypothesis: Low-investment modifies the impact of financial reporting on corporate investment.

Research method
The methodology of this research is based on the nature and content of the correlation, which uses the secondary data extracted from the financial statements of the companies accepted in the Tehran Stock Exchange to analyze the correlation relationship. This research will be done in the context of deductive-inductive reasoning. The reason for using the correlation method is to discover the correlation relations between variables. Correlation research is one of a kind of descriptive research. In the present research, first, the correlation between the variables of the research has been tested and, if there is a correlation between the variables of the research, we will estimate the multiple regression models. On the other hand, the present study is post-event (semi-experimental), which is based on the analysis of past and historical information (corporate financial statements). This research is also a causal-analytic and library-based study based on analyzing panel data (data panel).

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Society and statistical sample

The statistical population of this study is all companies admitted to the Tehran Stock Exchange from the beginning of 2011 to the end of 2015. The following restrictions have been applied to select the sample:

- Due to increased comparability, their financial period will be March 29th.
- During the reviewed period (2011-2013) there is no change in the fiscal year.
- Financial information available.
- They are not part of financial companies (such as banks, financial institutions) and investment companies or financial intermediation companies.

According to the constraints expressed, the sample consists of 125 companies admitted to the Tehran Stock Exchange, whose information was collected from the Tehran Stock Exchange, Rahavard Novin Software, and audited financial statements of the companies. Eviews software has been used to estimate the regression model.

Model and research variables

Model of the first and second hypotheses:

\[ \text{Investment}_{i,t} = \beta_0 + \delta_1 \text{FRQ}_{i,t} + \delta_2 \text{FRQ}_{i,t} \times \text{UnderInvest}_{i,t} + \gamma \text{Controls}_{i,t} + \varepsilon_{t} \]

Investments: The dependent variable of this investment research is the company's cash distribution to acquire or acquire fixed assets, intangible assets, or other non-current assets over the total assets of the beginning of the period. Financial reporting quality: Quality of accountability has been used to assess the quality of financial reporting. This size is based on the proposed approach by Dichof and Dichow (2002). Based on this approach, the quality of profit is primarily determined by the quality of accruals, since the accounting profit can be represented as a sum of operational cash flows and accruals. There is such a presumption that accounting for accruals accounts for future cash flows and reflects current cash flows or returns of past cash flows. Measurement errors in determining accruals can distort the ability of accruals to predict future cash flows or to reflect past and present cash flows as potential. The main idea that Ditchoff and Dichow (2002) have been, is to determine the extent of this measurement error in the planning and estimation of accruals and cash flows. The variance of this measurement error can be considered as the inverse of the quality of profit. According to Francis et al. (2005), the calculated amount for the quality of profit can be improved by controlling two important factors that determine the accruals, namely, the growth of sales revenue and the amount of fixed assets (property, machinery and equipment); therefore, the relationship 1) To measure the quality of financial reporting:
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\[ TCA_{i,t} = \alpha_0 + \alpha_1 CFO_{i,t-1} + \alpha_2 CFO_{i,t} + \alpha_3 CFO_{i,t+1} + \alpha_4 \Delta REV_{i,t} + \alpha_5 PPE_{i,t} + \epsilon_{i,t} \]

To eliminate the effect of the size of companies, all variables are divided into total assets of the company during year \( t \).

Where \( TCA_{i,t} \) is the sum of the current accruals of company \( i \) in year \( t \) obtained from the following equation:

\[ TCA = \Delta CA - \Delta Cash - \Delta CL + \Delta STD \]

\( \Delta CA \): changes in current assets; \( \Delta Cash \): changes in cash and cash equivalents; \( \Delta CL \): changes in current liabilities; \( \Delta STD \): changes in short-term financial facilities.

\( CFO \): operating cash flow, \( \Delta REV \): change in sales revenue, \( PPE \): property, machinery and equipment.

\( CFO \): cash flows from the company are as follows:

\[ CF = NIBE - TCA + DEP \]

\( NIBE \): Pre-expense items, \( TCA \): Current Accruals, \( DEP \): Amortization Expense.

Based on equation (1), if the quality of accruals is high, then accruals can reflect the major changes in current, past and future cash flows, and as a result, the specifics of the company (\( \epsilon_{i,t} \)) in (1) the basis of the profit quality used in this Shapes research. Specifically, the quality of profit index is defined as the standard deviation of the company's remainders. The higher the standard deviations of the remainder, the lower the accruals and the lower profit quality.

Low investment: To calculate low investment, Bidel and colleagues (2009) proposed a model:

\[ Investment_{i,t} = \beta_0 + \beta_1 SalesGrowth_{i,t-1} + \epsilon_{i,t} \]

In which investment is the criterion of investment in capital goods and non-capital goods that are derived from the company's cash distribution to acquire or construct fixed assets, intangible assets, or other non-current assets over all of the asset's origination period. Sales Growth: An indicator of sales growth that results from the distribution of sales variations to first-sale sales. If the next year's investment is higher than sales growth, the remainder of the model is positive and it means that over-investment is being done and if the investment next year is lower than sales growth, the remainder of the model is negative, which means that the investment is less than done. In the following, companies whose remainder are negative in the model above is the number 1, otherwise zero is given.

Company size: Equals the logarithm of company assets.

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Visibility of assets: The ability to see assets that reflects the ability to collateralize a company is measured using the ratio of fixed assets that is evident from the distribution of fixed assets attributable to total assets.

Z-Score: The financial ability we use to calculate this modified Altman (1968) calculation method:

\[
Z - Score = 1.2 \left( \frac{WC}{TA} \right) + 1.4 \left( \frac{RE}{TA} \right) + 3.3 \left( \frac{EBIT}{TA} \right) + 0.6 \left( \frac{MVE}{BVL} \right) + 1.0 \left( \frac{Sales}{TA} \right)
\]

where in:

\( \frac{WC}{TA} \): The ratio of working capital to total assets.

\( \frac{RE}{TA} \): The ratio of accumulated profits to total assets.

\( \frac{EBIT}{TA} \): The ratio of profit before interest and taxes on total assets.

\( \frac{MVE}{BVL} \): The ratio of the book value of the company's stock to the total debt.

\( \frac{Sales}{TA} \): The ratio of the proportion of sales to total assets.

In this regard, the larger Z value indicates the greater financial ability (less financial distress) of the company.

**Research findings**

In a compilation, descriptive statistics methods can be used to describe precisely the characteristics of a bunch of information. Descriptive statistics are always used to determine the characteristics of research information. In order to investigate and analyze the data, the descriptive statistics of the studied variables were computed including mean, median, maximum, minimum and standard deviation and are presented in Table (1). As we can see, the variables of company size and financial reporting quality have the highest and the lowest mean, and the variables of financial power and investment, respectively, have the highest and lowest standard deviations.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Middle</th>
<th>Standard deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>0.0466</td>
<td>0.0267</td>
<td>0.0702</td>
<td>0.000</td>
<td>0.870</td>
</tr>
<tr>
<td>Financial reporting quality</td>
<td>0.0002</td>
<td>-0.006</td>
<td>0.120</td>
<td>-0.531</td>
<td>0.822</td>
</tr>
</tbody>
</table>
Test of research hypotheses

Financial models are divided into three groups for the use of statistical information. Some models are estimated using time series information, i.e., over a relatively long period of years, for example, to estimate the stock market index over time. Some other models are estimated on the basis of cross-sectional data, i.e., variables are evaluated over a given period of time, such as a week, a month or a year, in different units, which can be used to estimate the relationship between earnings and stock returns. That is, for each year or time, a regression equation is estimated. The third method estimation model, which has been used extensively in recent years, is estimated based on panel data. In this way, a series of cross-sectional units are considered over the course of several years, and their application is most often used to estimate the production functions of a firm's industry or demand-driven demand functions, which must be estimated in a concurrent form. With the help of this method, the number of observations increases to the optimal level, thus reducing the problem of data deficits in this study. Of course, to estimate the model based on panel data, different methods are presented which we use are appropriate for the purpose and purpose of the study. In this study, the appropriate method for estimating the role of low investment modalities on the relationship between financial reporting quality and investment in companies admitted to the Tehran Stock Exchange Take

Fixed Limer Test (F Limer)

Before estimating the model in order to ensure the choice between panel data and combined data methods, we first examine the heterogeneity problem of firms by the F Limer statistics. In case of heterogeneous verification, the model is estimated using panel data; otherwise, the OLS method is estimated, because only the data are accumulated and the difference between them is ignored. The assumptions of this test are based on the $\mu_i$ that represent the effects of partition or heterogeneity as follows:

$H_0: \mu_1 = \mu_2 = \ldots = \mu_N = 0$

$H_1$: Opposite zero is $\mu_i$ at least one
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The statistics listed are as follows:

\[ F = \frac{(RRSS - URSS)/N - 1}{URSS NT - K - N} \]

In which \( N \) is the number of companies, \( K \) is the number of explanatory variables, \( T \) is the number of observations over time, \( RRSS \) represents the sum of squeezed residue squares (the estimation of the model through the static effects method), and \( URSS \) the sum of squat unclaimed wastes (estimation of the model through the minimum method) Ordinary squares). The zero hypothesis of this test indicates that each of the width sections has the same origin (poling is the data of the statistical data), and the opposite hypothesis refers to the inequality of the width of the origin of each of the sections (the data panel of the statistical data).

Table (2): F Limer test results (F Limer)

<table>
<thead>
<tr>
<th>Model</th>
<th>Test</th>
<th>( \chi^2 ) / F statistics</th>
<th>Degrees of freedom</th>
<th>Significance level</th>
<th>Test result</th>
<th>Selected model</th>
</tr>
</thead>
<tbody>
<tr>
<td>First hypothesis</td>
<td>F Limer</td>
<td>4.443</td>
<td>(124,496)</td>
<td>0.000</td>
<td>Reject ( H_0 )</td>
<td>Panel model</td>
</tr>
<tr>
<td>Second hypothesis</td>
<td>F Limer</td>
<td>4.407</td>
<td>(124,496)</td>
<td>0.000</td>
<td>Reject ( H_0 )</td>
<td>Panel model</td>
</tr>
</tbody>
</table>

The results of the F Limer test in Table (2) show that the hypothesis is zero (the same non-acceptance of the width of the origin of the sections) at a level of 5%; therefore, according to the results obtained, we can state that for regression models testing The research of the panel data method is appropriate (reject \( H_0 \) assumption).

**Hausman test**

There is a general method for estimating the model with the overall panel data, which is the method of fixed effects and random effects. Hausman's test is used to determine the appropriate method. In the estimation of constant effects, it is assumed that the width of the origin is for each of the companies, which is different from the other companies, and this width from the source can be correlated or not correlated with the explanatory variables of the model is known as the Virtual Least Squares (LSDV) method. In addition, in this model, the effect of time is limited and only partial effects are considered, while in the model of random effects, individual effects are constant over time, but change among companies. While the possibility of Hausman's statistic for choosing these two works as a superior model is sufficient, Hausman's
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statistics alone can be sufficient for choosing the best model. The hypothesis is expressed in the Hausman test as follows:

\[ H_0 : \beta_{FE} = \beta_{RE} \]
\[ H_1 : \beta_{FE} \neq \beta_{RE} \]

In the case of the rejection of the \( H_0 \) hypothesis, the method of fixed effects is compatible and the method of random effects is incompatible, and the constant effects method must be used. If the \( H_0 \) hypothesis cannot be excluded, the random effects method is preferred by the fixed effects method and it is chosen as a more appropriate and efficient method. The results of Hausman’s test in Table 3 show that the significance level of \( \chi^2 \) of all regression models is less than 5% and significant (reject \( H_0 \) assumption). Therefore, the fixed effect model for the estimation of regression models, the first and second hypotheses are appropriate.

<table>
<thead>
<tr>
<th>Model</th>
<th>Test</th>
<th>( \chi^2 / F ) statistics</th>
<th>Degrees of freedom</th>
<th>Significance level</th>
<th>Test result</th>
<th>Selected model</th>
</tr>
</thead>
<tbody>
<tr>
<td>First hypothesis</td>
<td>Hausman</td>
<td>10.156</td>
<td>4</td>
<td>0.038</td>
<td>Reject ( H_0 )</td>
<td>Fixed</td>
</tr>
<tr>
<td>Second hypothesis</td>
<td>Hausman</td>
<td>11.112</td>
<td>4</td>
<td>0.025</td>
<td>Reject ( H_0 )</td>
<td>Fixed</td>
</tr>
</tbody>
</table>

Test results of the first hypothesis

There is a significant relationship between financial reporting and investment quality. The results of the statistical tests of the first hypothesis are presented in Table (4). As the table shows, there is a significant relationship between financial reporting and investment quality, which is directly related to this relationship with respect to the positive beta value and estimated value for financial reporting quality. Regarding F statistics and the significant level (0.000), the fitted regression model is meaningful and according to the coefficient of determination, these variables account for 75.5% of the investment changes. In addition, according to Durbin-Watson statistic 2.10, between 1.5 and 2.5 the existence of self-correlation is rejected in the components of regression disturbance. The significance level of control variables also shows that the variables of visibility and financial ability have a positive and significant effect and the size of the company has a negative and significant effect on the investment of companies.

Table (4): The results of estimating the regression model of the first hypothesis

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Low investment modifies the impact of financial reporting on corporate investment. The results of the statistical tests of the second hypothesis are presented in Table (5). As the table shows, low investment does not modify the impact of financial reporting quality on corporate investment, which is inversely proportional to the negative relationship between the beta value and the estimated value for low investment. Regarding the F statistic and the significant level (0.000), the fitted regression model is significant and, according to the coefficient of determination, these variables account for 75.6% of the investment changes. In addition, considering the amount of Durbin-Watson statistic 2.10, between 1.5 and 2.5, rejects the existence of serial correlations in the components of regression disturbance. The significance level of the control variables also shows that the variables of observability and financial ability have a positive and significant effect and the size of the company has a negative and significant effect on the investment of companies.

Table (5): Results of estimating the regression model of the second hypothesis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient of regression</th>
<th>Standard error</th>
<th>t statistics</th>
<th>Significance level</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Width from source</td>
<td>0.166</td>
<td>0.026</td>
<td>6.305</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>Financial reporting quality</td>
<td>0.021</td>
<td>0.007</td>
<td>2.863</td>
<td>0.004</td>
<td>Reject H0</td>
</tr>
<tr>
<td>Size of the company</td>
<td>-0.010</td>
<td>0.002</td>
<td>-5.424</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>Asset visibility</td>
<td>0.037</td>
<td>0.007</td>
<td>5.203</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>Affordability</td>
<td>0.003</td>
<td>0.000</td>
<td>3.510</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td>0.755</td>
<td>F statistics</td>
<td>11.963</td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>Adjusted coefficient of determination</td>
<td>0.692</td>
<td>Durbin-Watson</td>
<td>2.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Test results of the second hypothesis

The coefficient of determination

Variable | Coefficient of regression | Standard error | t statistics | Significance level | Result |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<td>0.166</td>
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| Low investment * financial reporting quality | -0.017 | 0.006 | -5.399 | 0.000 | Reject H₀ |
| size of the company | -0.010 | 0.002 | -5.424 | 0.000 | - |
| Asset visibility | 0.036 | 0.0072 | 5.041 | 0.000 | - |
| Affordability | 0.005 | 0.000 | 6.724 | 0.000 | - |
| The coefficient of determination | 0.756 | F statistics | 12.017 (0.000) |
| Adjusted coefficient of determination | 0.693 | Durbin-Watson | 2.10 |

Conclusions and Suggestions

In this research, we investigate the role of low investment moderation on the relationship between the quality of financial reporting and investment in companies admitted to the Tehran Stock Exchange. In the first hypothesis of the research, it was predicted that there was a significant relationship between financial reporting and investment quality. The results of the estimated model showed that at the level of 5% error, the significance level of the t-statistic of the financial reporting quality was less than 5% and therefore, it can be stated that the H₀ hypothesis is more accurately than 95%, and the assumption H₁ There is a significant relationship between financial reporting and investment quality, which is directly related to the positive value of the beta value and the estimated value for this relationship. In other words, the higher the quality of financial reporting in companies increases (decreases), companies' investments also increase (decrease). Also, the results of control variables showed that the variables of visibility and financial ability have a positive and significant effect and the size of the company has a negative and significant effect on the investment of companies. The results of the research are consistent with the results of Chen et al. (2011) and Gamariz and Blasta (2013) on "a positive and significant relationship between the quality of financial reporting and investment efficiency". In relation to the results of testing this hypothesis, the theoretical foundations of the research indicate that financial reporting quality plays an important role in reducing the problems of the brokerage and, consequently, increasing investment in companies; therefore, financial accounting information in the stock market as an important source of Company specific information plays a supervisory role. Therefore, if the quality of financial reporting mitigates the problems of the brokerage, it can improve the efficiency of the investment by increasing the ability of the shareholders to monitor the managers and then
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improve the selection of the project and reduce the cost of financing the funds; therefore, based on the topics discussed, a positive relationship between the financial reporting quality and There is also a negative relationship between the quality of financial reporting and the investment of less than (low investment) and more investment than (more investment). In the second hypothesis of the research, it was predicted that low investment would modify the impact of financial reporting quality on corporate investment. The results of the estimated model showed that at a level of error of 5%, the significance level of the low investment statistic * the financial reporting quality was less than 5% and therefore, it can be stated that the H0 hypothesis is more than 95% The rejection and assumption of H1 is admitted; that is, information asymmetry modifies the effect of accounting conservatism on firm investment, which is inversely proportional to the negative beta value and estimated value for this inverse relationship. In other words, as the investment in companies' increases (decreases), the impact of financial reporting on corporate investment also decreases. Also, the results of control variables showed that the variables of visibility and financial ability have a positive and significant effect and the size of the company has a negative and significant effect on the investment of companies. The results of the research are consistent with the results of the study carried out by Modarres and Hesarzadeh (2008). Modarres and Hesarzadeh concluded that the quality of financial reporting by reducing the excessive investment could lead to an increase in investment efficiency. Regarding the negative relationship confirmed in past research and the theoretical foundations between the quality of financial reporting and investment below the low (low investment level), as well as the positive relationship between the quality of financial reporting and investment, it can be stated that the quality of financial reporting is effective It plays an important role in reducing brokerage problems and, consequently, increasing investment in companies.

According to the results of the research hypothesis, the following suggestions are presented:

According to the results of the second hypothesis of the research that there is a significant relationship between the quality of financial reporting and corporate investment and the role of low capitalization on the relationship between the quality of financial reporting and investment in the approved companies, the following suggestions are presented:

It is suggested to all investors and capital market players to consider the quality of financial reporting as a factor in increasing investment when making a decision. Companies with high financial reporting quality may have their accounting information considered to monitor investment issues.
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It is suggested to decision makers and policy makers of the capital market that by adopting procedures and orders that increase the quality of corporate financial reporting, they will increase the investment of companies, thereby making investment decisions and allocating capital more efficient. Subsequently, this, in turn, leads to an optimal allocation of resources. The topics that can be proposed in the research for future research include:

Investigating the moderating role of auditor and institutional investors on the relationship between financial reporting quality and investment in listed companies in Tehran Stock Exchange.


References:


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