

The aim of the study is to test most discussed relationship between capital structure and firm value by investigating the intervening impact of various corporate governance measures. Major objective of the study is to examine the moderating and mediating impact of selected governance measures (board size, board independence, CEO role duality, managerial ownership and ownership concentration) on the relationship between capital structure (leverage) and firm value (Tobin' Q). However, the study also investigated the impact of governance measures on firm value, and impact of leverage on these governance measures.

The study used the 775 firm year observations of 155 non-financial companies listed at Karachi Stock Exchange for financial years containing 2008 to 2012. Keeping in view the nature of data (balanced panel), fixed effects regression method is employed to estimate the formulated relationships. To test the mediation and moderation impact of governance measures this research used methods suggested by Baron and Kenny (1986). For first relationship of interest (impact of leverage on firm value) the study found significant positive impact, but in case of corporate governance, only board independence and ownership concentration measures are found affecting firm value significant with positive sign. Intensity of relationship is also very high (more than 0.3 for both of the variables). For third relationship i.e., impact of leverage on governance measures, this study found no significant affects.

While finding, moderation this study found significant positive moderation for board independence and ownership concentration. However for managerial ownership this study found significant negative moderating effect between leverage and firm value. Four steps of Baron and Kenny (1986) are followed to find mediation, but in second step (impact of leverage on governance measures) this study found no teneralizable effects, so as a result this research study concluded no mediation.