

Corporate governance and earning management play a vital role in explaining the firm value of Pakistani listed companies. The present study empirically tests the impact of corporate governance and earning management practices on firm value for a panel of Pakistani listed textile firms. We investigate the association of corporate governance and earning management with firm value. A sample of 50 textile listed companies from Karachi stock exchange has been examined to check the relationship. The corporate governance practice has been measured by dividing corporate governance variable into six subcategories: (1) Board size (2) CEO Duality (3) Audit committee independence (4) Board Meeting (5) Executive director (6) Number of independent director. We used discretionary accruals as proxy to calculate the earning management practices and discretionary accruals are measured by using modified cross sectional Jones model. Pooled regression model, random effect model, fixed effect model and unit root test has been used to analyze the data.

The result shows that board size, independent director, board meeting, executive director and leverage has positive impact on firm value. Audit committee independence, CEO duality, discretionary accruals and firm size has negative relationship with firm value. The result further shows that board size, audit committee independence, independent director, size and leverage has significant relationship with firm value and board meetings, CEO duality, executive directors and discretionary accruals has insignificant relationship with firm value. Our results are different as reported in US due to large deviation in inter organization corporate governance practices. Furthermore our results will help specially those countries where investor protection is low and where code of corporate governance are not properly applicable.

Policy makers can follow our results to formulating the policies and improve their corporate governance structure. Our finding also provides a quantitative tool for investor to entrance the Pakistani firms