



Private Equity Characteristics, Earnings Management & Firm Value

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ABSTRACT

The relationship among private equity investment, earnings management and enterprise value were studied using the data of small and medium-sized enterprises listed in Chinese Shenzhen Stock Exchanges from 2008 to 2012. This paper examines not only whether private equity affects the enterprise value, but also examines the influence degree of microscopic characteristics of private equity firms on the enterprise value. We find that, the involvement of private equity investment can promote enterprise value effectively and reduce earnings management behavior of enterprise management, accompanying the positive correlation from the private equity firms' stake to the holding time to the performance of the enterprise value on the micro level. High reputation for private and foreign private equity is positively related to the enterprise value, while earnings management is negatively related to the firm value. Earnings management plays a partial mediating role during the process of private equity investment promoting enterprise value.

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