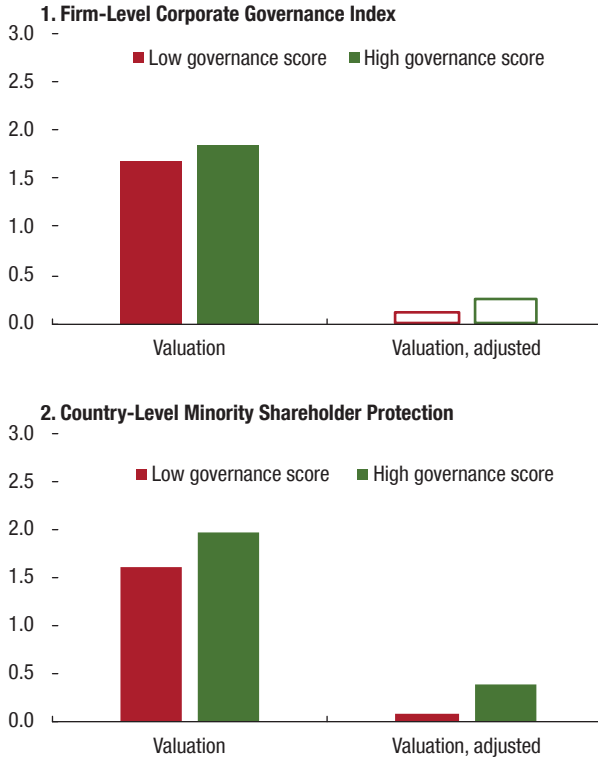


Figure 3.7. Corporate Governance and Firm-Level Valuation
(Ratio; average)

Firms with stronger corporate governance frameworks tend to have higher valuations.



Sources: Thomson Reuters Datastream; World Economic Forum, Global Competitiveness Indicators database; and IMF staff calculations.
Note: Results are robust to other country-level governance measures such as strength of investor protection. High (low) governance score denotes top (bottom) quartile and tertile of the firm- and country-level governance measures, respectively. Firm-level governance and protection of minority shareholders' interests indices are used. Bars with a solid fill denote a statistically significant difference at least at the 10 percent level. Valuation = Tobin's Q (market-to-book assets ratio); valuation, adjusted = Tobin's Q in excess of firm's sector median.