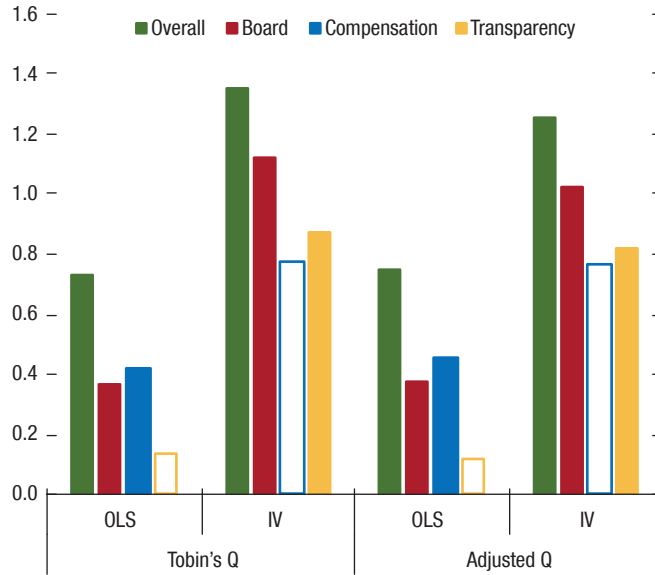


Figure 3.8. Firm-Level Governance and Valuation

(Percentage points)

Better firm-level governance is associated with higher corporate valuations.



Sources: Thomson Reuters Datastream; and IMF staff calculations.

Note: The figure depicts the sensitivity of Tobin's Q to firm-level governance. The empirical analysis also controls for macroeconomic factors (IV) and country-time fixed effects. Solid bars denote statistical significance at least at 10 percent level. See Annex 3.1 for further details. Tobin's Q = firm's market-to-book assets ratio; adjusted Q = Q in excess of the firm's sector median; OLS = pooled ordinary least squares regression; IV = instrumental variables regression (where the instrument is the average governance of other firms in the same sector and country).