

Corporate Governance, Firm Profitability, and Share Valuation in the Philippines

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. It encompasses the relationships among the company's management, its board of directors, its shareholders, and other stakeholders. Good corporate governance is essential for ensuring that a company is run in a transparent, accountable, and ethical manner.

There is a growing body of research that suggests that good corporate governance is associated with improved firm performance. Studies have shown that companies with strong corporate governance practices tend to be more profitable, have higher share prices, and are less likely to experience financial distress.

The relationship between corporate governance and firm performance is particularly important in emerging markets, such as the Philippines. In these markets, corporate governance practices are often weak, and companies are more likely to be subject to corruption and mismanagement. As a result, improving corporate governance is seen as a key priority for policymakers and regulators in emerging markets.



Corporate Governance, Firm Profitability, and Share Valuation in the Philippines by Asian Development Bank

★★★★★ 5 out of 5

Language : English
File size : 4141 KB
Text-to-Speech : Enabled
Screen Reader : Supported

Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 74 pages
Lending	: Enabled
Hardcover	: 428 pages
Item Weight	: 9.3 ounces
Dimensions	: 8.5 x 0.2 x 10.98 inches
Paperback	: 78 pages



This article explores the relationship between corporate governance, firm profitability, and share valuation in the Philippines. It provides insights into the impact of corporate governance practices on firm performance and shareholder value.

The corporate governance framework in the Philippines is governed by the Code of Corporate Governance (CCG), which was issued by the Securities and Exchange Commission (SEC) in 2011. The CCG sets out a number of principles and best practices that companies are expected to follow. These principles include:

- **Transparency:** Companies should disclose all material information to shareholders and other stakeholders in a timely and accurate manner.
- **Accountability:** The board of directors is responsible for overseeing the management of the company and ensuring that it is run in the best interests of shareholders.
- **Fairness:** All shareholders should be treated fairly and equally.
- **Responsibility:** Companies should take into account the interests of all stakeholders, including employees, customers, suppliers, and the

community.

The CCG is a voluntary code, but companies are encouraged to adopt its principles and best practices. The SEC has the power to enforce the CCG through a number of measures, including fines and suspensions.

There is a growing body of research that suggests that good corporate governance is associated with improved firm profitability. Studies have shown that companies with strong corporate governance practices tend to be more profitable, have higher share prices, and are less likely to experience financial distress.

There are a number of reasons why good corporate governance is associated with improved firm profitability. First, good corporate governance practices can help to reduce agency costs. Agency costs are the costs that arise from the separation of ownership and control in a company. These costs can include the costs of monitoring management, the costs of protecting shareholders from expropriation, and the costs of resolving conflicts between shareholders and management.

Second, good corporate governance practices can help to improve the quality of decision-making. The board of directors is responsible for making a number of important decisions that can have a significant impact on the company's performance. These decisions include decisions about the company's strategy, its capital structure, and its investment policy. Good corporate governance practices can help to ensure that the board of directors is making decisions in the best interests of shareholders.

Third, good corporate governance practices can help to attract and retain talented employees. Employees are more likely to be motivated and

productive when they work for a company with a strong corporate governance framework. This can lead to improved firm performance.

There is also a growing body of research that suggests that good corporate governance is associated with higher share prices. Studies have shown that companies with strong corporate governance practices tend to have higher price-to-book (P/B) ratios and higher price-to-earnings (P/E) ratios.

There are a number of reasons why good corporate governance is associated with higher share prices. First, good corporate governance practices can help to reduce risk. Investors are more likely to invest in companies that they perceive to be well-governed. This can lead to higher demand for the company's shares, which can drive up the share price.

Second, good corporate governance practices can help to improve the company's financial performance. As discussed above, good corporate governance practices can lead to improved profitability, which can lead to higher earnings per share (EPS). This can also lead to higher share prices.

Third, good corporate governance practices can help to increase the company's visibility and reputation. Companies with strong corporate governance practices are more likely to be seen as attractive investment opportunities. This can lead to increased demand for the company's shares, which can drive up the share price.

The evidence suggests that good corporate governance is associated with improved firm profitability and share valuation. This is because good corporate governance practices can help to reduce agency costs, improve the quality of decision-making, and attract and retain talented employees.

These factors can all lead to improved firm performance and shareholder value.

Improving corporate governance is a key priority for policymakers and regulators in emerging markets, such as the Philippines. By strengthening corporate governance practices, these countries can help to attract investment and promote economic growth.

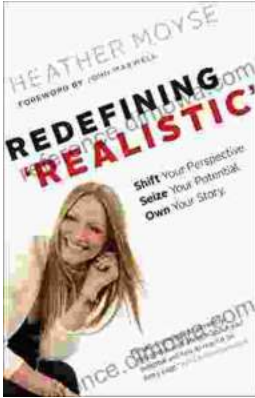


Corporate Governance, Firm Profitability, and Share Valuation in the Philippines by Asian Development Bank

★★★★★ 5 out of 5

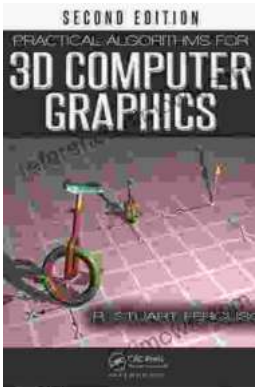
Language	: English
File size	: 4141 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 74 pages
Lending	: Enabled
Hardcover	: 428 pages
Item Weight	: 9.3 ounces
Dimensions	: 8.5 x 0.2 x 10.98 inches
Paperback	: 78 pages





Shift Your Perspective, Seize Your Potential, Own Your Story

A Transformative Guide to Living a Life of Purpose and Meaning Are you ready to unleash your true potential and live a life of purpose and meaning? Shift...



Practical Algorithms For 3d Computer Graphics: Unlocking the Secrets of 3D Visuals

In the realm of digital artistry, 3D computer graphics stands as a towering force, shaping our virtual worlds and captivating our imaginations. Whether you're an aspiring game...