

### III. Data and Methodology

#### 3.1 Data Sources and Sample

Our sample is a collection of all non-financial firms among thirty-two countries in annual Compustat Global Vantage Database during the 1995-2004 periods. This database contains accounting data and monthly stock price for approximately 8,000 firms from 31 countries since 1982. For each country, it covers between 1/3 and 1/2 of the firms traded, representing more than 75% of the market capitalization in each country<sup>5</sup>.

We focus our analysis on non-financial firms of the thirty-two countries, which include Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom and United States), eleven European countries (Austria, Belgium, Denmark, Finland, Ireland, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland), nine Asia countries (Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand), two Oceania Zone countries (Australia and New Zealand), two American countries (Argentina and Mexico) and South Africa is selected as a representative of African countries. There are no socialist or “transition” economies in the sample. We extend our sample from the most developed countries to emerging countries, and therefore, we can further analyze the differences of capital structure between the countries, and provide a more general view of capital structure around the world.

Financial firms are eliminated from our sample because their leverage is strongly influenced by investor insurance schemes such as deposit insurance. Thus, their debt-like liabilities are not strictly comparable to the debt issued by non-financial firms. Additionally, their regulations are quite differing from non-financial firms. For brief notation, we apply three-letter ISO country code<sup>6</sup> to be the abbreviation of each country. Except for CHE (Switzerland), DEU(Deutschland or Germany), ESP(Spain), GBR(Great Britain or UK),and ZAF(South Africa), others are straightforward.

Because our regression models include lagged variables, we exclude firms with fewer

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<sup>5</sup> For instance, we compare the number of firms listed in Compustat database and Compustat Global Vantage Database. The latter contains about 29.42% of the firms listed in the former one. And the average market value from 1995 to 2004 in the latter database is indeed larger than that in the former one (3395.25 million dollar vs. 2115.12 million dollar). This indicates that Compustat Global Vantage covers a proportion of firms with high market capitalization in each country.

<sup>6</sup> Country codes are short alphabetic or numeric geographical codes developed to represent countries and dependent areas, for use in data processing and communications. Several different systems have been developed to do this. The most famous of these is ISO 3166-1. It was first published in 1974 by the International Organization for Standardization (ISO) and defines three different codes for each area. ISO 3166-1 alpha-3 is a three-letter system, and this is also used by Compustat Global Vantage database. [http://en.wikipedia.org/wiki/ISO\\_3166-1\\_alpha-3](http://en.wikipedia.org/wiki/ISO_3166-1_alpha-3)

than two adjacent years of completed data. In addition, we remove the 0.25% of our data in either tail of the distribution to avoid the influence of extreme values.

According to the criteria the Compustat Global Vantage database used, there are at least two potential sources of bias we should worry about. First, the sample selection biases the sample towards largest listed firms in each country. This suggests that while the sample may do well in capturing capital structure in each country, it probably is not representative of the average firm. Another bias is that Compustat Global Vantage Database only reports listed firms, those in turn, may represent only a small proportion of firms in a country.

### 3.2 Variables Definition

We express leverage and firm-level factors all as ratios and we use two kind of leverage measure. One is widely used, defined as both short-term and long-term debts divide by total assets. Second one is introduced to avoid the effect of credit trade, and is defined as long-term debts divide by net assets, where net assets are total assets minus current liabilities and other liabilities. For each leverage measure, we use their market and book values.

**MDR**: first market debt ratio (book value of short-term and long-term liabilities divide by market value of total assets). Using Compustat Global Vantage database's mnemonic code, the equation is 
$$\frac{LCT + LLT}{MKVAL + LT}$$

**BDR**: first book debt ratio (book value of short-term and long-term liabilities divide by book value of total assets). Using Compustat Global Vantage database's mnemonic code, the equation is 
$$\frac{LCT + LLT}{AT}$$

**MDR2**: second market debt ratio (book value of long-term debts divide by market value of net assets, where net assets are total assets minus current liabilities and other liabilities). Using Compustat Global Vantage database's mnemonic code, the equation is

$$\frac{LLT}{MKVAL + LLT}$$

**BDR2**: second book debt ratio (book value of long-term debts divide by book value of net assets, where net assets are total assets minus current liabilities and other liabilities). Using Compustat Global Vantage database's mnemonic code, the equation is

$$\frac{LLT}{SEQ + LLT}$$

**EBIT\_TA**: earning before interest and taxes as a proportion of total assets, as a proxy of profitability. Using Compustat Global Vantage database's mnemonic code, the equation

is 
$$\frac{EBIT}{AT}$$

**MB**: market to book ratio of assets (book liabilities plus market value of equity divide by book value of total assets). Firms with higher **MB** ratio are viewed a sign of more future growth opportunities. Using Compustat Global Vantage database's mnemonic

code, the equation is 
$$\frac{LT + MKVAL}{AT}$$

**DEP\_TA**: depreciation as a proportion of assets. In the view of tax saving, depreciations are substitution for interest expenses. Using Compustat Global Vantage database's

mnemonic code, the equation is 
$$\frac{DP}{AT}$$

**LnTA**: nature log of asset size deflated the nominal magnitudes by the consumer price index (CPI) to express nominal value in year 2000 of each country. We get CPI information from IMF<sup>7</sup>. Using Compustat Global Vantage database's mnemonic code,

the equation is 
$$\ln\left(\frac{AT \times 1000000}{CPI}\right)$$

**FA\_TA**: fixed assets proportion (property, plant and equipment divide by total assets), as a proxy of tangibility. Using Compustat Global Vantage database's mnemonic code,

the equation is 
$$\frac{PPENT}{AT}$$

**RD\_TA**: research and development expenses as a proportion of total assets. Firms spend more money in R&D are generally taken as a sign of growth opportunities. Using

Compustat Global Vantage database's mnemonic code, the equation is 
$$\frac{XRD}{AT}$$

**RD\_DUM**: a dummy variable used to identify whether firms report R&D expenses or not (equals to one for firms with missing R&D expenses.)

**Ind\_median**: a typical firm's lagged economic median market debt ratio, which is used to control for industry characteristics not captured by other explanatory variables. We use the Compustat Global Vantage economic definitions to be our economic definitions.

**FINDEF**: financing deficit (dividend payments plus investment plus change in working capital and minus internal cash flow, then divide by total assets) or (change in long-term

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7 <http://investintaiwan.nat.gov.tw/en/env/stats/cpi.html>

debts plus stocks issuance minus stock repurchase, then divide by total assets). A negative sign of this variable means that the instead of financing deficit, firm has financing surplus. Using Compustat Global Vantage database's mnemonic code, the equation is  $\frac{\Delta LLT + SSTK - PRSTKC}{AT}$

**EFWA:** Baker and Wurgler (2002)'s external finance weighted average market-to-book ratio, which is used to test market timing theory. It is defined as

$$\left(\frac{M}{B}\right)_{efwa,t-1} = \frac{\sum_{s=0}^{t-1} e_s + d_s}{\sum_{s=0}^{t-1} e_s + d_s} \left(\frac{M}{B}\right)_s$$

where the summations are taken starting from the first year of our sample, and  $e$  and  $d$  denote net equity and net debt issues, respectively. In order to ensure that we are forming a weighted average, we set the minimum weight to zero.

There are thirty-two countries in our sample, and their differences range from market development to legal and institutional environments. Previous empirical researches already highlight the presence of systematic differences in the capital structure and divide policy across countries [Rajan and Zingales (1995), La Porta et al. (1997, 1998, 2000), Demirguc-Kunt and Levine (1999), Morck et al. (2000), Francis et al. (2001) and Alves and Ferreira (2005)]. Our country-level factors are chosen from these researches.

**Market conditions:** follow Morgan Stanley Capital International standards, and set a dummy variable equals to one for developed countries and zero for emerging countries.

**Legal tradition:** As we know, common law has developed following of UK courts, while the foundation of civil law is attributed to Napoleon, which is based on Roman principle. Based on "Foreign Law Encyclopedia and Commercial Laws of the World", we use a dummy variable which is set equal to one if the origin of the company law or commercial code of the country is the English common law, and zero otherwise.

**Financial system:** As Demirguc-Kunt and Levine (1999) note, countries can be segmented by whether their financial system is market-based, or bank-based. We set a dummy variable equaling to one if the country's financial system is market-based according to Demirguc-Kunt and Levine (1999)'s definition.

**Law enforcement:** We use the average of the five law enforcement measures mentioned by La Porta et al (1998) to be our law enforcement factor. These five measures are (1) efficiency of the judicial system, (2) rule of law, (3) corruption, (4) risk of expropriation,

and (5) likelihood of contract repudiation.

**Capital market development:** We use the liquidity ratio as a proxy for capital market development, which is defined as volume traded at a local stock exchange (market capitalization) divide by gross domestic product (GDP). For each country, an average ratio calculated from 1996 to 2004 is used. The data of market capitalization and GDR are from Datastream database and IMF.

**Banking development:** followed Demirguc-Kunt and Levine (1999), we use the ratio claims of deposit money bank on private sector by GDP as a proxy for the level of banking development. For each country, an average ratio calculated from 1996 to 2004 is used.

**Shareholder right:** La Porta et al. (1998) define an index of shareholder rights by six criteria: (1) the country allows shareholders to mail their proxy vote to the firm; (2) shareholders are not required to deposit their shares prior to the general shareholders' meeting; (3) cumulative voting or proportional representation of minorities in the board of directors is allowed; (4) an oppressed minorities mechanism is in place; (5) the minimum percentage of share capital that entitles a shareholder to call for an extraordinary shareholders' meeting is less than or equal to 10%; (6) shareholders have preemptive right that can be waived only by a shareholder's vote. Anti-director right ranges from 0 to 6. The same as creditor right, the larger the number, the greater is the anti-director right.

**Creditor right:** La Porta et al. (1998) form creditor right index by summing four measures: (1) the country imposes restrictions, such as creditors' consent or minimum divides to file for reorganization; (2) secured creditors are able to gain possession of their security once the reorganization petition has been approved; (3) secured creditors are ranked first in the distribution first in the distribution of the proceeds that result from the disposition of the assets of a bankrupt firm; and (4) the debtor does not retain the administration of its property pending the resolution of the reorganization. The creditor right index ranges from 0 to 4. The larger the number, the bigger the creditor right a firm has.

**Ownership concentration:** followed La Porta et al. (1998) the average percentage of common shares owned by the three largest shareholders in the 10 largest non-financial, privately owned domestic firms in a given country.

**Corporate tax rate:** We get each country's distributed and undistributed income tax rate from La Porta et al. (1999).

*Accounting standards*: La Porta et al. (1998) create index by examining and rating firms' 1990 annual reports on their inclusion or omission of 90 items. These items all into sever categories: general information income statement, balance sheet, funds flow statement, accounting standards, stock data and special items.

### 3.3 Methodology

#### 3.3.1 The Partial Adjustment Model

The general form of the standard partial adjustment model used in the previous literature to examine the adjustment process toward a leverage target relies on the change in debt that is partially absorbed by the difference between total debt target and lagged total debt. The cost of being away from the target and the cost of adjustment (recapitalization) are two key factors which determine whether a firm fully adjusts toward its target leverage or not. If we assumed the cost function be:

$$C_{i,t} = \phi(D_{i,t} - D_{i,t}^*)^2 + \varphi(D_{i,t} - D_{i,t-1})^2 \quad (1)$$

where  $D_{i,t}$  is the debt ratio for firm  $i$  at time  $t$ ; as shown in previous subsection, two kinds of leverage ratio are used in this research, and  $D_{i,t}^*$  is the target (desired) debt ratio of firm  $i$  at time  $t$ . The first term measures the cost of being away from the target, and the second term symbols the adjustment costs. After taking the first derivative, we can get

$$D_{i,t} - D_{i,t-1} = \lambda(D_{i,t}^* - D_{i,t-1}) \quad (2)$$

where  $\lambda$  is the adjustment speed which depends on the ratio of the marginal cost of being away from the target to the marginal cost of adjustment. Obviously, the higher the adjustment costs, the slower the adjustment speed. Thus, the estimation model can be written as:

$$D_{i,t} - D_{i,t-1} = \lambda(D_{i,t}^* - D_{i,t-1}) + \varepsilon_{i,t} \quad (3)$$

Auerbach (1985) as well as the subsequent empirical work use regression-based proxy for the target leverage:

$$D_{i,t}^* = \beta X_{i,t-1} \quad (4)$$

where  $X_{i,t-1}$  is a vector of firm characteristics related to the costs and benefits of operating with various leverage ratios, and  $\beta$  is a coefficient vector. Then, after substituting, we can get the estimation model is

$$\Delta D_{i,t} = (-\lambda)D_{i,t-1} + (\lambda\beta)X_{i,t-1} + \varepsilon_{i,t} \quad (5)$$

Each year, a typical firm closes a proportion  $\lambda$  of the gap between its actual and its desired leverage levels. We will get the coefficient of lagged dependent variable,  $-\lambda$ , from regression. Adjustment speed will be obtained by taking negative sign on the coefficient on  $D_{i,t-1}$ .

### 3.3.2 The Modified Partial Adjustment Model

Since many researchers analyze capital structure under pecking order or market timing models and show significant influence, we compare our estimation model to these two alternatives. The pecking order theory predicts that firms issue securities in order of their sensitivity to the information asymmetry problem, and therefore, firms use inner cash first, short-term debts, long-term debts and equity as a last resort. Many researches show that a firm's financing deficit explains contemporaneous changes in its book debt ratio. In order to evaluate the effect of financing deficit, we change our estimation model to:

$$\Delta D_{i,t} = (-\lambda)D_{i,t-1} + (\lambda\beta)X_{i,t-1} + \gamma FINDEF_{i,t} + \varepsilon_{i,t} \quad (6)$$

where  $D_{i,t}$  is the debt ratio for firm  $i$  at time  $t$ , and  $FINDEF$  is a firm's financing deficit. If  $\gamma=1$ , the pecking order theory is hold.

On the other side, we examines whether market timing plays a role in firm's capital structure. If a firm is more likely to issue equity when the stock market appears to be overvalued, then we will say market timing plays a big part in capital structure. In this research, we test the effect of market timing by model:

$$\Delta D_{i,t} = (-\lambda)D_{i,t-1} + (\lambda\beta)X_{i,t-1} + \gamma EFWA_{i,t-1} + \varepsilon_{i,t} \quad (7)$$

where  $EFWA_{i,t-1}$  is the external finance weighted average market to book asset ratios for firm  $i$  at time  $t-1$ , according to Baker and Wurgler (2002).

We didn't include  $FINDEF$  and  $EFWA$  in the same regression, because this is probably inappropriate ( $FINDEF$  is meant to explain the change in debt ratio, and  $EFWA$  affects the level of debt ratio).

### ***3.4 Hypotheses***

#### **3.4.1 Firm-Level Factors and Leverage**

##### **Tangibility**

If a large fraction of a firm's assets are tangible, then assets should serve as collateral, diminishing the risk of the lender suffering the agency costs of debt. Therefore, the greater the tangible assets, the more willing should lenders be to supply loans, and leverage should be higher.

##### **Growth**

Myers (1977) points out that highly levered firm is more likely to pass up profitable investment opportunities. Thus, in order not to miss a positive-NPV investment, firms with high future growth should use a greater amount of equity finance, and leverage should be lower.

##### **Size**

The effect of size on leverage is ambiguous. According to the static trade-off theory, larger firms tend to be more diversified and fail less often, so size may be a proxy for the probability of bankruptcy. And then, size should have positive impact on the supply of debt. On the other hand, based on the pecking order, size is a proxy for information outside investors have, which should increase their preference for equity relative to debt. Therefore, size may be either positive correlated to leverage, as suggested by the static trade-off theory, or negative correlated to it, based on the pecking order theory.

##### **Profitability**

The same as the effect of size on leverage, the impact of profitability is ambiguous. Myers and Majluf (1984) predict a negative relationship, because firms will prefer to finance with internal funds rather than debt. This is also one part of the pecking order theory. However, the static trade-off theory predicts a positive correlation, since banks should be more willing to lend to firms with more current cashflows.

##### **Non-debt tax shield**

Firms with more non-debt tax shield, such as R&D expenses and depreciation have less need for interest deductions provided by debt financing.

### **3.4.2 Expected Relationship between Adjustment Speed and Pecking Order or Market Timing Coefficient**

In order to capture the effect of pecking order and market timing effects, we change our estimation model Eq.(5) into Eq (6) and Eq. (7). As we know, the pecking order is based on information asymmetries. Firms with more serious information asymmetries problems tend to use more internal cash, and issue less equity, because their cost of external financing is much more expensive. As one might expect, firms with higher information asymmetries might have higher costs of adjustment. Thus, the relationship between pecking order factor and adjustment speed should be negative.

If firms do time the market, then aggregate equity issues should be positively correlated with past market returns, and negatively correlated with future market returns. Since market timing theory mainly focuses on market returns, we can't clearly foresee the relationship between market timing coefficient and adjustment speed.

### **3.4.3 Expected Relationship between Adjustment Speed and Country-Level Factors** **Market Condition <Developed or Emerging Countries>**

Rajan and Zingales (1995, 1998) demonstrate the importance of a well developed financial market to fulfill the external financing needs of corporations. Demircuc-Kunt and Maksimovic (2001) analyze firms' capital structures in 10 developing countries, and they find that these firms use less long term debt compared to firms in developed countries. Morck, Yeung and Yu (2000) show that countries with less developed financial systems and poorer investor protection have higher local market volatility. Jin and Myers (2006) introduce a new theory to explain Morck, Yeung and Yu's (2000) results. Their results imply that less developed capital markets tend to have higher cost of raising equity and lower cost of financial distress due to opaqueness, illiquid capital markets and lower protection to the creditors rights; thus, opaqueness forces firms to rely more on internally generated funds or borrowing from the banking system to meet their external financing needs.

### **Legal Tradition <Common Law or Civil Law>**

In general, commercial law comes from two broad traditions: common law and civil law. According to La Porta et al. (1998), the common-law family includes the law of England and those laws modeled on English law. The common law is formed by judges who have to resolve specific disputes. Precedents from judicial decisions, as opposed to contributions by scholars, shape common law. Common law has spread to the British colonies, including the United States, Canada, Austria, India and many other countries. On the other hand, in light of

Merryman (1969), the civil, or Romano-Germanic, legal tradition is the oldest, the most influential, and the most widely distributed around the world. It originates in Roman law, uses statutes and comprehensive codes as a primary means of ordering legal material, and relies heavily on legal scholars to ascertain and formulate its rules. It is well-known that civil laws give investors weaker legal rights than common laws do.

Financial economists have recently placed more emphasis on the role of a legal tradition in the domain of financial decisions [Demirguc-Kunt and Maksimovic (1996), La Porta et al. (1997, 1998, 2000) and Demirguc-Kunt and Maksimovic (1998)]. A country's legal tradition influences its institutional environment, particularly with regard to corporate governance and stock market and banking-system development. Both the legal and the institutional environment affect firm financing decisions. Demirguc-Kunt and Maksimovic (1999) find that legal tradition and development of capital markets are important determinants of capital structure.

### **Financial System <Market-based or Bank-based>**

In civil law countries, where the market tends to be a bank-base system and the capital market is less developed, there is less available information about firms and therefore higher information asymmetry. This could be the result of lack of good corporate government standards, low accounting standards and lower protection for shareholders and creditors. In the context of the pecking order theory, this makes firms to rely more on internal funds and debt (secured and unsecured) to close their financing deficit. Diamond (1984), and Boyd and Prescott (1986) point out that banks can more easily overcome informational asymmetries; thus, the cost of acquiring and processing information about corporations and managers may be reduced in bank-based systems. Demirguc-Kunt and Maksimovic (1999) observe that market-based countries tend to be countries with a common law tradition, strong protection of shareholder rights, good accounting regulations, low levels of corruption and no explicit deposit insurance.

### **Law Enforcement**

In principle, a strong system of legal enforcement could substitute for weak rules since active and well-functioning courts can step in and rescue investors by the management. La Porta et al. (1998) show that quality of law enforcement doesn't substitute or compensate for the quality of laws. And richer countries have higher quality of law enforcement.

### **Capital Market Development**

Financial decisions that firms make depend on the level of capital market development. In some financial markets like the United States and United Kingdom, which are clearly

market-based, the issue of equity is a natural source of finance for firms. According to Demirguc-Kunt and Levine (1999), there is a positive relationship between market-based financial systems, and strong shareholder rights protection, good accounting regulations, and low levels of corruption. The opportunities in a developed capital market induce firms to issue equity; in this case, we expect a lower leverage ratio for developed capital markets.

### **Banking Development**

Diamond (1984), and Boyd and Prescott (1986) show that banks can more easily overcome information asymmetries by reducing the cost of acquiring and processing information about firms and manager. Countries around the world have different financial system. For example, German banks are so involved in firm decisions, as well as French firms are controlled by families and by the states.

### **Shareholder Right**

A country's shareholder right, influenced by its legal environment may help to explain why firms around the world have divergent capital structure. For instance, it's possible for American and English shareholders to vote by e-mail, and this possibility should have some importance in the country's capital market development and therefore influence firm's financing decisions. In La Porta et al. (1998)'s analysis, along a variety of dimensions, common-law countries afford the best legal protections to shareholders.

### **Creditor Right**

La Porta et al. (1998) find that creditor rights are stronger in poorer than in richer countries, and they think the potential reason may because poor countries adapt their laws to facilitate secured lending for lack of other financing opportunities.

### **Ownership Concentration**

Another major institutional difference is the level of ownership concentration. For example, firms in Continental Europe and Japan have highly concentrated ownership compared to firms in the United States and United Kingdom. The presence of large shareholders on the board of directors should reduce the extent of agency costs between managers and shareholders, and facilitate equity issues. On the other hand, if some of these large shareholders are banks, they might have a vested interest in reducing the amount of outside sourcing of their clients, forcing them into borrowing from them. Therefore, it may be not so obvious to detect a clear relationship between the concentrated ownership and leverage.

## **Corporate Tax Rate**

A study by Mackie-Mason (1990) find that firms do consider the tax benefits when they decide between issuing substantial amounts of either new debt or new equity. Rajan and Zingales (1995) investigate the determinants of capital structure choice across the G-7 countries, and find that taxes influence the aggregate corporate leverage in a country. Graham (1996) finds that firms with high marginal tax rates are more likely to increase leverage than firms with low marginal tax rates. Furthermore, a recent survey of 392 CFOs by Graham and Harvey (2001) find that 45% surveyed agreed that tax considerations played either an important or very important role in their capital structure choice.

## **Accounting Standards**

Francis et al.(2001) find that national accounting standards are more transparent in common law countries. Claessens and Klapper (2005) document a higher bankruptcy rate in common law countries, thus, a higher cost of financial distress.

If firms do maintain an optimal capital structure and we also observe variations of adjustment speed among countries, there may be some country-level factors can explain the difference. We suppose to see that firms in countries with more developed market, common-law tradition, market-based financial system, higher shareholder and creditors rights, stronger law enforcement, more concentrated ownership, bigger capital and bank markets, or better accounting standards should have lower information asymmetry or higher bankruptcy costs, so their adjustment speeds should be higher than countries without these characters. We summarize the predictions of firm-level factors and leverage, and the expected relationship between country-level factors and adjustment speeds in Table 2.

**Table 2. Testable Hypotheses**

	Firm-level Factors	Expected Relationship with Leverage	
		Static Trade-off	Pecking Order
<b>Tangibility</b>	FA_TA	+	
<b>Growth</b>	MB and RD_TA	-	?
<b>Size</b>	LnTA	+	-
<b>Profitability</b>	EBIT_TA	+	-
<b>Non-debt tax shield</b>	DEP_TA	-	

<b>Country-level Factors and Factors related to other two main capital structure theories</b>	<b>Expected Relationship with Speed</b>	<b>Representative Variables</b>
<b>Pecking Order Factor</b>	–	Financial deficit
<b>Market Timing Factor</b>	?	External finance weighted average market to book ratio, as defined by Baker and Wurgler (2002)
<b>Market Condition</b>	+	dummy $\begin{cases} =1, & \text{for developed countries} \\ =0, & \text{for emerging countries} \end{cases}$
<b>Legal Tradition</b>	+	dummy $\begin{cases} =1, & \text{for common-law countries} \\ =0, & \text{for civil-law countries} \end{cases}$
<b>Financial System</b>	?	dummy $\begin{cases} =1, & \text{for market-based countries} \\ =0, & \text{for bank-based countries} \end{cases}$
<b>Law Enforcement</b>	+	From La Porta et al. (1998)
<b>Capital Market Development</b>	+	$= \frac{\text{market capitalization of equity market}}{\text{GDP}}$
<b>Banking Development</b>	+	$= \frac{\text{claims of deposit money bank on private sector}}{\text{GDP}}$
<b>Shareholder Right</b>	+	From La Porta et al. (1998)
<b>Creditor Right</b>	+	From La Porta et al. (1998)
<b>Ownership Concentration</b>	+	From La Porta et al. (1998)
<b>Corporate Tax Rate</b>	?	From La Porta et al. (1999)
<b>Accounting Standards</b>	+	From La Porta et al. (1998)