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Conservatism in Accounting: An Empirical Study of Indian Companies

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Abstract

Conservatism in accounting dates back to early 15th century. Recently attempts have been made by major standard-setters of the world to reduce conservatism in accounting. However, the results of recent research studies signal universal pervasiveness of conservatism. Keeping this in view, an attempt has been made to measure conservatism in accounting in the Indian corporate sector and capture changes therein over the period ranging from 1997-2010. The results of the study indicate that in spite of the efforts by the standard-setters to reduce conservatism, there has been a considerable increase in degree of conservatism in India over time.

Keywords: Conservatism, Book-to-Market Ratio, Bias

1. Introduction

Accounting is considered to be the language of business. Language helps in communication of information and forming an opinion about the reality. Accounting, as a language, acts as a communication system between two mutually exclusive groups of business, i.e., the users of accounting information (creditors, bankers, present and potential investors, government and employees) and the producers of accounting information (accountants). The users want that the accounting information communicated to them should be useful so that it helps in taking investment, credit and similar decisions (FASB,1980, p. 4). If the information is not useful then it does not have any merit. Ross (1966, p. 58) while stating the importance of usefulness of information writes, "no statement, however ingenious or logically put together, has any merit whatever unless it communicates useful information- that is, to say, unless it helps someone to make a decision. In this sense, it can be seen that proposition 'accounting is language' is simply another corollary deriving from basic principle of usefulness." So it becomes the responsibility of the producers of accounting information to service the needs of the users. Usefulness of information has not been defined as such, but to be useful information must possess qualities like relevance, faithful representation, predictive value, confirmative value, completeness, neutrality, free from bias, comparability, verifiability, timeliness, and understandability (FASB, 2010, p. 16-17).

Even the standard-setters attempt to ensure that accounting standards framed by them help in making accounting information useful. Though there are standards in almost all areas of recognition, measurement, recording, summarizing, and communicating the transactions and events, yet there are certain areas for which either standards do not exist or alternate treatments exist which require accountants to exercise judgments and choices. Whenever judgments are to be made, accountants tend to follow conservatism, i.e., if more than one alternative is available with regard to accounting treatment of a transaction, choosing that alternative which reports the lowest value for assets and revenues and highest of several possible values for liabilities and expenses (Hendriksen & Van Breda, 1992, p. 148). This age-old conservative behaviour of accountants significantly influences the accounting practice (Watts, 2003, p. 208).

The roots of conservatism can be traced back to early 15th century, nearly ninety years before the publication of Pacioli's *Summa*,the first text which gave an exposition of double entry system of bookkeeping (Littleton, 1941). At that time business was mainly in the form of sole

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proprietorship and partnership and was managed by the owners themselves. The only external users were creditors (lenders and bankers). Balance Sheet was considered to be the primary and the only financial statement (Hendriksen & Van Breda, 1992, p. 502). Income statement was not prepared at that time. Revenues were increases in capital and expenses were decreases in capital. Net income, the excess of revenues over the expenses, accrued directly to the owners and represented increase in their capital. So the owners used balance sheet to know about profit (loss) through the increase (decrease) in capital. The creditors, on the other hand, were concerned only about efficient use of their funds and margin of safety. Accordingly, they wanted that the assets in balance sheet be recorded at historical cost and changes in asset value (especially increase) be ignored until the asset was sold or disposed of (Godfrey *et al*., 2006, p. 133). So the principle of conservatism which lent support to historical cost was desired by creditors. They were of the view that owners were naturally optimistic about their own business and they might tend to reflect this optimism in balance sheet while valuing assets. However, the creditors restrained the owners from reflecting this optimism in balance sheet for reasons of uncertain future, i.e., if the future estimates proved wrong it might cause loss to them. Thus, the principle of conservatism was adopted with regard to balance sheet valuations (Hendriksen & Van Breda, 1992, p. 502).

The Industrial Revolution led to growth of large scale business enterprises mainly in the company form of business organisation. The company was regarded as a separate legal entity distinct from its owners. Also the ownership was divested from the management. The ownership no longer remained concentrated in few hands but was scattered over a large number of shareholders. Creditors no longer remained the only external users; employees, government, investors (present and potential) were other users with varied needs as compared to creditors. With these developments, the objective of accounting changed from 'stewardship', i.e., compiling of record for creditors, to 'decision usefulness', i.e., providing relevant information for decision making to all stakeholders including shareholders and investors. This significant change in objective of accounting led to a need of reporting earnings along with balance sheet, disclosure of relevant information, and consistency in reporting, particularly with regard to income statement (Hendriksen & Van Breda, 1992, p. 98).

As the accountants were understating the assets in balance sheet under the influence of conservatism, they started understating incomes also. For understating incomes, all possible losses were included in the process of current income determination. However, the probable gains were deferred until actually realised. But soon it became obvious that this practice led to inconsistency in reporting because understatement of income in one period led to overstatement of income in later period when gains were actually realised. So income statement based on the principle of conservatism became the order of the day. However, not only the income statement but also the balance sheet which was prepared on historical cost basis became a matter of criticism. Critics argued that to enhance decision usefulness, adjustments to historical cost-based assets were required for inflation and market value changes, as the shareholders were not only interested in their original investment but also in making predictions about the increase or decrease in the value of investment. Accordingly, a need was felt to disclose assets at fair value and not at historical cost.

As a result of the above developments in the area of accounting conservatism, the standard-setters especially Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) started moving away from conservatism while setting standards ignoring reasons why it existed and prospered for so long. They started including fair value instead of historical cost for valuing many assets. But in spite of their persistent efforts, the impact of conservatism is still reflected in many accounting standards of FASB and IASB. For example, FASB provides LIFO method for assigning cost of inventories as compared to FIFO (ASC[1]-330) which is conservative under inflationary conditions. It also allows reducing balance method of depreciation (ASC-360) and expensing of research and development expenses (ASC-350) which reflect conservatism (Beaver & Ryan, 2000, p. 138). On the other hand, IASB though does not provide LIFO method but allows lower cost or market rule for carrying inventories. Scott (1926) emphasizes that if one follows the above rule, one is conservative. IASB's standards related to percentage of completion method (IFRS[2]-11), recognition of deferred tax receivable pertaining to loss carry forwards (IFRS-

1 For reporting periods ending after September 15, 2009, FASB's Accounting Standards Codification (ASC) became effective.

2 International Financial Reporting Standards (IFRS) are issued by International Accounting Standards Board, London, England.

12), and capitalisation and impairment of development costs (IFRS-38) reflect conservatism (Hellman, 2007). As far as Indian accounting standards are concerned, conservatism still influences accounting practices in India. For example, AS[3]-2 (Accounting for Inventories) allows lowering of cost or net realisable value. AS-5 (Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies) allows exercise of judgment in identifying an item as extraordinary item in the context of business and environment in which entity operates and thus, while making judgment accountants are likely to be conservative in their approach. AS-6 (Depreciation Accounting) provides for minimum depreciation and allows for reducing balance method of depreciation and the reducing balance method reflects conservative choice of accountants as it helps in recovering the cost in initial years (Lal, 2005, p. 327). AS-13 (Accounting for Investments) does not allow unrealised gains in long term investments. In AS-22 (Accounting for Taxes on Income) deferred tax liability is recognised whereas deferred tax asset is recognised only if there is reasonable certainty. AS-26 (Accounting for Intangible Assets) reflects conservatism in treatment of research and development, and advertising expenditure. It dictates that an enterprise should not recognise an asset created from research expenditure and the amount thus spent should be charged to income statement.

All the above-mentioned practices reflect existence of conservatism in accounting. Further, this argument gets strong support from Givoly & Hyan (2000) who report existence of conservatism in U.S.; Ball *et al*. (2000) who argue that conservatism exists in France, Germany, Japan, Australia, Canada, UK, and USA; Giner & Rees (2001) who claim that conservatism is universally pervasive; and Hellman (2007) who reveals existence of conservatism even under the IFRS framework.

As evident, universal pervasiveness of conservatism and instances of increase in conservatism overtime (Givoly & Hyan, 2000) motivate this study which attempts to measure conservatism in accounting in India and comments on the change therein over a period of time.

3 Accounting Standards (AS) are issued by Accounting Standards Board, Institute of Chartered Accountants of India, New Delhi, India.

2. Review of Literature

Fethlam and Ohlson (1995) establish a relationship between firm's market value and book value concerning operating and financial activities. They argue that book values and market values of financial assets and liabilities coincide because there are perfect markets for such assets. So, accounting is 'unbiased' as far as financial assets and liabilities are concerned. On the other hand, there are no perfect markets for operating assets. They are valued on the basis of expected cash flows adjusted for accruals and while adjusting for accruals, conservatism is followed. Consequently, there arises a difference between market values and book values of operating assets and that difference is a measure of conservatism.

Basu (1997) derives 'differential timeliness' measure of conservatism. He characterizes conservatism in accounting as more timely recognition, in earnings, of a bad news regarding future cash flows than good news. He proves that earnings are 2-6 times sensitive for negative unexpected returns than positive ones. Secondly, he proves that conservatism acts through accruals and not through cash flows. Lastly, positive earning changes are more persistent, whereas, negative earning changes show a marked tendency to reverse.

Ball et. al. (2000) argue that in code-law countries (France, Germany, and Japan) accounting practices are influenced by demands of all the stakeholders, viz., shareholders, government, employees, managers, debt holders. Therefore, accounting income, in such countries, is directly linked to current period payouts to above stakeholders and is less timely in incorporating economic losses. On the other hand, in common-law countries (Australia, Canada, UK and USA) accounting rules are only determined by shareholders, so, accounting income is less linked to current payouts, but is focused on reducing information asymmetry. Therefore, economic losses are more timely incorporated in accounting, i.e., common-law countries follow more conservative accounting than code-law countries.

Beaver and Ryan (2000) decompose the book-to-market (BTM) ratio into two components: bias and lag. Bias is explained as book value persistently higher (lower) than market value. So, BTM is persistently above (below) one. Lag means unexpected economic gains (losses) are recognized in book value over time rather than immediately. So, BTM is temporarily lower (higher) than

it's mean but tends towards mean over time. They argue that bias is associated with measures of conservatism, i.e., conservative accounting choices of inventory valuation, depreciation method and R&D and advertising expensing. Lags are not associated with above conservative accounting choices rather they are related to historical cost accounting.

Givoly and Hyan (2000) have studied the changes in time- series properties of earnings, cash flows and accruals in the U.S. from the year 1950- 1998. They argue that reported profitability has declined over the period but there is no decline in cash flows. Moreover, earnings distributions have become more dispersed and skewed, over the time, relative to cash flows. All this indicates an increase in degree of conservatism in the U.S.

Hellman (2007) emphasizes that with the change in purpose of modern accounting standards from stewardship to decision making, principle of conservatism finds no apparent place in International Financial Reporting Standards (IFRS) regime. However, absence of conservatism principle doesn't mean that conservatism principle is no longer applied. It is applied in three major standards, IAS 12, judgment related to recognitions of deferred tax receivable pertaining to loss carry forwards, IAS 38, judgment regarding capitalization and impairment of development costs and IAS 11, judgment regarding percentage of completion method.

Watts (2003) explains that conservatism has influenced accounting practice for a long time and this influence has increased over a period of time. He explains four alternative explanations for existence of conservatism, viz., contracting, litigation, taxation and accounting regulations.

3. Research Methodology

a. Period of Study

The study has been conducted over a fourteen-year period (1997-2010) divided in two parts, i.e., 1997-2003 and 2004-2010. The reason for this division of time period is a shift in the focus of standard-setters in India away from conservatism around 2003. This is evident from certain developments which happened in 2003. For example, Indian accounting standards using fair value, viz., AS-26 (Accounting for Intangibles), AS-11 (Accounting for the Effects of Changes in Foreign Exchange Rates) and AS-29(Provisions, Contingent Liabilities and Contingent Assets) were either introduced or revised in 2003. Further, the recommendations of the Kumar Manglam Committee on Corporate Governance (Fernando, 2006) for investor protection were implemented for its last phase in 2003. In the light of this, an attempt has been made to measure and compare the degree of conservatism and to find whether there has been a change in conservatism over time or not.

b. Sample Size and Source of Data

The top 200 Indian non-financial companies ranked on the basis of sales revenue have been selected on the basis of *Compendium* (2009) ranking and relevant information has been sifted from Prowess Database. 58 companies have been deleted for reasons of incomplete information. Consequently, the analysis has been done for 142 companies.

c. Measure of Conservatism

Researchers have attempted to measure conservatism in accounting in a number of ways. Feltham & Ohlson (1995) have used Market-to-Book (MTB) ratio whereas Beaver and & Ryan (2000) have used Book-to-Market (BTM) ratio. Basu (1997) measures conservatism through Differential Timeliness of Earnings (DT) and Givoly & Hyan (2000) have used negative accruals to measure the existence of conservatism.

To measure conservatism in Indian companies, BTM ratio has been used in this study because of its wide acceptance in literature. Moreover, this measure is likely to provide better results if measurement periods are long and measurement is not limited to single industry (Givoly et al., 2007).

As discussed earlier, conservatism has been measured by using BTM ratio as the same has been widely used in literature to measure conservatism. The underlying idea of this measure is that conservatism tends to depress net book value of the firm from its true economic value resulting in low BTM ratio. Therefore, lower the BTM ratio, higher is the degree of conservatism and vice versa.

Beaver & Ryan (2000) explain BTM ratio in terms of bias and lag. The bias component is measured as firm-specific effect and captures the tendencies of individual firms to report low (high) BTM ratio persistently. The lag component measures only the transitory portion of BTM ratio which gets filtered out of BTM after a few years. They are of the view that BTM ratio as a whole is not a

measure of accounting conservatism, rather only of the firm-specific effect (bias component) which captures the individual firm's tendencies to report low BTM ratio is a measure of accounting conservatism. They regress BTM ratio onto current and six lagged security returns with fixed firm and time effects. They include the time-specific effect to capture year-by-year variations in BTM ratio across all the firms. These year-by-year variations occur due to changes in business environment and government regulations. Since time-specific effect is strongly associated with past security returns, if not included, they can affect the values of lag coefficients.

Beaver &Ryan (2000) use the following regression equation to measure conservatism

$$BTM_{t,i} = \alpha_t + \alpha_i + \sum_{j=o}^{6} {}^{2}{}_{j} R_{t-j,i} + e_{t,i}$$

$BTM_{t,i}$ book-to-market ratio at the end of year t of firm i

α_t time-specific variation in BTM

α_i firm-specific variation in BTM

$R_{t-j,i}$ return on equity over each of preceding 6 years

β_j regression coefficients on $R_{t-j,i}$

Beaver & Ryan (2000) have used Fixed Effects Model (FEM), a technique of panel data estimation for data analysis. This technique captures the specific features of the individual units (firms or individuals) in constant term of regression and gives more informative results. There are many variants of this technique. But the study follows 'Fixed Effect Time Variant' panel data model (as followed by Beaver &Ryan, 2000) to measure conservatism whereby it is assumed that intercept varies across firms and also over time (Gujarati, 2004, p. 644). This fixed effect intercept is allowed to vary between firms and years by introducing dummies for firms and years in regression equation which is written as:

$$Y_{t,i} = \pm + \sum_{i=1}^{n} \pm_i D_i + \sum_{t=1}^{T} \pm_t D_t + \sum_{j=1}^{k} {}^{2}{}_{j} X_{t,i,j} + u_{t,i}$$

$Y_{t,i}$ dependent variable

α constant term

$\sum_{i=1}^{n} \alpha_i D_i$ dummy variables capturing firm effect

$\sum_{t=1}^{T} \alpha_t D_t$ dummy variables capturing time effect

$\sum_{j=1}^{k} X_{t,i,j}$ independent variable

β_j 's coefficients of independent variables

$u_{t,i}$ error term

4. Accounting Conservatism in Indian Companies

In pooled cross-sections over a seven-year period from 1997-2003 and 2004-2010, BTM ratio has been regressed onto the current and two lagged security returns (assuming that transitory variations in BTM ratio are filtered out in 2 years[4]) with fixed firm- and time- effect. So the equation becomes:

$$BTM_{t,i} = \alpha + \alpha_i + \alpha_t + \sum_{j=o}^{2} {}^{2}{}_{j} R_{t-j,i} + e_{t,i}$$

BTM ratio has been calculated by dividing per share book value of equity with market value at fiscal year-end.

The coefficient α_i represents the firm-specific effect. It is that portion of BTM which is neither explained by time-specific effect nor by current or lagged returns. It has been measured by introducing dummy for each firm, i.e., 1 if entry belongs to that firm, 0 otherwise. The coefficient α_i measures conservatism inversely, i.e., α_i decreases as market value increases relative to book value. So lower theα_i, more is the degree of conservatism.

The coefficient α_t represents the time-specific effect and captures year by year variation in BTM ratio common to sample firms. This variation is mainly caused by changes in regulations, government policies, and business environment over time.

The β_j's are coefficients of lagged returns and represent that portion of market value changes which are not recognised in book value as of now but will be recognised in the coming years when market value changes will be realised. β_j's are expected to be negative because the unrecognised market value change decreases the BTM ratio. The β_j's are expected to move towards zero with lag j, as and when market value changes become fully recognised. In the analysis, two lags have been used, so

4 This is based on a communication of Stephen G. Ryan to the corresponding author.

there will be three β_j's, viz, β_0, coefficient of security returns for current year, β_1, coefficient of security returns for lag 1, and β_2 representing coefficient of security returns for lag 2.

4.1. Firm-specific Effect

As already explained, the firm-specific effect (α_i) captures the degree of conservatism inversely, i.e., lower the value of α_I higher is the conservatism. Table 1 carries the pooled sample percentiles ofα_i in Indian companies for the period 1997-2003.

Table 1: Pooled Sample Percentiles of α_i(1997-2003)

Percentiles	*1%*	*5%*	*25%*	*50%*	*75%*	*95%*	*99%*
value of α_i	-0.742	-0.319	0.26	0.812	1.891	4.43	5.849

The results depict that value of α_i across the sample Indian companies varies from -0.742 to 5.849 for the period 1997-2003. Out of the sample, 25% companies have α_i below 0.260, i.e., they are highly conservative because lower α_i's indicate higher conservatism. The median α_i is 0.812 indicating that 50% of the companies have α_i's above 0.812 (closer to 1), i.e., are less conservative. Many companies have α_I equal to 1 depicting absence of conservatism. The detailed analysis carried by Appendix 1 (Table A1) shows that 23 companies have negative α_i's and 74 have α_i's above 1. In other words there are wide variations in the values of α_i's and thus degree of conservatism. Companies which are highly conservative belong mainly to Technology Hardware & Equipment, Computer Software & Services, Drugs & Biotechnology, Chemical and Food Drinks & Tobacco, whereas Utilities, Diversified Financials, Materials, Capital Goods, Construction, and Household and Personal Products companies fall mostly in a_i above median category showing lower levels of conservatism.

Table 2 shows the five companies with lowest α_i's (highly conservative) and highest α_i's (least conservative) for the period 1997-2003 which reinforces the above conclusion.

Table 3 presents the pooled sample percentiles of α_i for the period 2004-2010.The dispersion of α_I across the sample Indian companies is from -0.077 to 1.977 for the period 2004-2010. Out of the sample, 25% companies have α_i below 0.183, i.e., are highly conservative. The median α_i is 0.425. A closer look at Appendix 1 (Table A2) highlights that only 4 companies have negative α_i's and 21 have α_i's above 1 meaning thereby that there is considerable decrease in the variation of degree of conservatism.

Table 3: Pooled Sample Percentiles of α_I (2004-2010)

Percentiles	*1%*	*5%*	*25%*	*50%*	*75%*	*95%*	*99%*
value of α_i	-.077	.019	.183	.425	.775	1.443	1.977

Table 4 shows the five companies with lowest α_i's (highly conservative) and highest α_i's (least conservative) in the period 2004-2010.

On comparing the results of 1997-2003 and 2004-2010 encapsulated in Tables 1 and 3, it has been observed that conservatism has increased considerably over time. Table 1 reports that the median $\alpha_i$in 1997-2003 is 0.812 (closer to 1) whereas it is 0.412 in 2004-2010 (Table3) signifying increase in degree of conservatism. Secondly, the variation of α_i's has decreased over time. It is obvious from the fact that α_I varies from-0.742 to 5.849 in 1997-2003 whereas only from -0.077 to 1.977 in 2004-2010. This also gets proved by the fact that the number of companies with negative α_i (highly conservative) has reduced from 23 to 4 and the number of companies with α_I above 1 (less conservative) has gone down from 74 to 21 over this period. Thirdly,α_i's of those companies have decreased more in 2004-2010 which had high α_i's in 1997-2003 (refer to Appendix 1). For example, Aditya Birla Nuvo Ltd., Apar Industries Ltd., Ashok Leyland Ltd., Alok Industries, Apollo Tyres Ltd., Areva T & D India Ltd., Arvind Ltd., B E M L, Bombay Dyeing & Mfg. Co.

Table 2: Five Most and Least Conservative Companies (1997-2003)

Most Conservative Companies	*Value of α_i*	*Least Conservative Companies*	*Value of α_i*
Hindustan Unilever Ltd.	-0.812	Mukand Ltd.	6.942
Satyam Computer Services Ltd.	-0.748	Bhushan Steel Ltd.	5.937
Dabur India Ltd.	-0.734	Gujarat State Fertilizers & Chemicals Ltd.	5.717
Clariant Chemicals (India) Ltd.	-0.527	B E M L Ltd.	5.002
Wipro Ltd.	-0.368	Kirloskar Industries Ltd.	4.877

Table 4: Five Most and Least Conservative Companies (2004-2010)

Most Conservative Companies	*Value of α_i*	*Least Conservative Companies*	*Value of α_i*
Satyam Computer Services Ltd.	-0.113	Alok Industries Ltd.	1.502
Madras Cements Ltd.	-0.087	Gujarat Alkalies& Chemicals Ltd.	1.537
Siemens Ltd.	-0.062	Mahanagar Telephone Nigam Ltd.	1.939
Marico Ltd.	-0.048	Vardhman Textiles Ltd.	2.003
Hindustan Unilever Ltd.	0.002	Arvind Ltd.	2.132

Ltd., Century Textiles & Inds. Ltd., Crompton Greaves Ltd., Greaves Cotton Ltd., Hindustan Construction Co. Ltd., apart from many other companies, which have values of α_i above 1 during 1997-2003 now have α_i's around 0.5showing remarkable increase in degree of conservatism. For companies which have low α_i's in 1997-2003 period there is not much change in2004-2010. It means that degree of conservatism has remained same for such companies. These findings indicate that accounting conservatism has increased over time.

4.2. Time-specific Effect

Time-specific effect α_t captures year by year variation in BTM ratio common to sample firms. The coefficients of time-effect, i.e., α_{2001}, α_{2002}, α_{2003} reflect the variations in BTM ratio in the years 2001, 2002 and 2003 as compared to 2000 whereas α_{2008}, α_{2009}, α_{i2010} explain the variations in the years 2008, 2009 and 2010 as compared to 2007 (refer to Appendix 1). These variations are common to all firms[5]. The results reveal that as compared to 2000, α_t's have increased in all the three years, i.e., 2001, 2002 and 2003. The increase is 0.461, 0.353, and 0.094 respectively and is significant at 0.000, 0.002 and 0.395 level respectively. This shows that time-effect is not a cause of low BTM ratios in Indian companies. Similar results have been obtained for the period 2004-2010.

4.3. Lag Effect

The lag effect is explained by βj components which are the slope coefficients of stock returns. It is obvious from results (refer to Appendix 1) that βj's are negative and decreasing for current and two lags for the period 1997-2003. β_0 is -0.108 significant at 0.000 level, β_1 is -0.085 significant at 0.000 level β_2 is -0.027 significant at 0.064 level. This means that temporary market value changes are adjusted in book values in current and next two lags.

The βj's for the period 2004-2010 are negative and decreasing for current and two lags. β_0 is -0.030 significant at 0.000 level, β_1 is -0.043 significant at 0.000 level β_2 is -0.018 significant at 0.001 level. This reflects that lag effect is significant in 2004-2010 also.

5. Conclusion

The results indicate that accounting conservatism has increased over a period of time, i.e., from 1997-2010, in the Indian corporate sector. The major developments in 2003 in India regarding introduction of standards on fair value that aimed at doing away with conservatism have not helped decrease the level of conservatism, rather conservatism has increased because these values, though relevant, are not verifiable. The accountants while including the unverifiable numbers in financial statements tend to be more conservative. However, the variation in degree of conservatism, it may be noted, has reduced. Conservatism is more in companies belonging to Technology Hardware & Equipment, Computer Software & Services, Drugs & Biotechnology, Chemical, and Food Drinks & Tobacco whereas in sectors like Utilities, Diversified Financials, Materials, Capital Goods, Construction, and Household and Personal Products conservatism is less. Increase in conservatism in Indian corporate sector has serious implications for standard-setters, decision makers in business, and policy makers in the Government especially in the light of the fact that India is one of the fasted growing economies of the world and is under the scanner of global investors.

6. Scope for Future Research

The subject offers a lot of scope for further in the current scenario.

5 Over a seven year period, as regression Equation I has been run for current and two lags, only four year observations are left for both the time slots. Taking 2000 as base, three year-specific dummies are introduced for 2001, 2002 and 2003. And then taking 2007 as base, three year-specific dummies are introduced for 2008, 2009 and 2010.

1. A similar study can be conducted by making a cross-national comparison of degree of conservatism with different economies.
2. Mainly book-to-market ratio has been used as a measure of conservatism. Other measures can be used to observe whether levels of conservatism stay the same with different measures.
3. A study focusing on industry-specific conservatism level could be carried out.

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Appendix 1

Table A1: Firm-specific Conservatism(1997-2003)

Coefficient	Company Name	Value of Coefficient	Std Error	t-value	Sig Level
	(Constant)	.109	.469	.233	.816
α_1	A C C Ltd.	-.325	.662	-.491	.624
α_2	Adani Enterprises Ltd.	.687	.656	1.048	.295
α_3	Aditya Birla Nuvo Ltd.	2.255	.656	3.438	.001
α_4	Akzo Nobel India Ltd.	.675	.656	1.029	.304
α_5	Alok Industries Ltd.	2.676	.656	4.079	.000
α_6	Ambuja Cements Ltd.	.212	.656	.323	.747
α_7	Apar Industries Ltd.	2.018	.656	3.075	.002
α_8	Apollo Tyres Ltd.	1.076	.656	1.640	.102
α_9	Areva T & D India Ltd.	1.286	.656	1.961	.051
α_{10}	Arvind Ltd.	3.652	.657	5.558	.000
α_{11}	Ashok Leyland Ltd.	1.045	.656	1.592	.112
α_{12}	Asian Paints Ltd.	-.098	.656	-.149	.881
α_{13}	Aurobindo Pharma Ltd.	.237	.656	.362	.718
α_{14}	B E M L Ltd.	5.002	.656	7.626	.000
α_{15}	Bajaj Electricals Ltd.	2.419	.656	3.689	.000
α_{16}	Bajaj Hindusthan Ltd.	1.669	.656	2.545	.011
α_{17}	Ballarpur Industries Ltd.	1.877	.656	2.861	.004
α_{18}	BalmerLawrie& Co. Ltd.	2.943	.656	4.487	.000
α_{19}	BalrampurChini Mills Ltd.	.984	.656	1.501	.134
α_{20}	Berger Paints India Ltd.	.376	.656	.574	.566
α_{21}	Bharat Electronics Ltd.	.707	.656	1.077	.282
α_{22}	Bharat Forge Ltd.	.340	.656	.518	.605
α_{23}	Bharat Heavy Electricals Ltd.	.612	.656	.933	.352
α_{24}	Bharat Petroleum Corpn. Ltd.	.348	.656	.531	.595
α_{25}	Bhushan Steel Ltd.	5.937	.656	9.052	.000
α_{26}	Birla Corporation Ltd.	1.521	.656	2.319	.021
α_{27}	Blue Star Ltd.	.643	.656	.980	.327
α_{28}	Bombay Dyeing & Mfg. Co. Ltd.	2.921	.656	4.455	.000
α_{29}	Bosch Ltd.	.241	.656	.367	.713
α_{30}	Britannia Industries Ltd.	-.187	.656	-.286	.775
α_{31}	C E S C Ltd.	2.315	.656	3.530	.000
α_{32}	Castrol India Ltd.	-.319	.656	-.486	.627
α_{33}	Century Textiles &Inds. Ltd.	1.682	.677	2.483	.013
α_{35}	Chambal Fertilisers& Chemicals Ltd.	1.563	.656	2.383	.018
α_{36}	Chennai Petroleum Corpn. Ltd.	2.239	.656	3.415	.001
α_{37}	Cipla Ltd.	-.200	.656	-.306	.760
α_{38}	Clariant Chemicals (India) Ltd.	-.527	.707	-.745	.457

Coefficient	*Company Name*	*Value of Coefficient*	*Std Error*	*t-value*	*Sig Level*
α_{39}	Colgate-Palmolive (India) Ltd.	-.217	.656	-.330	.741
α_{40}	Container Corpn. Of India Ltd.	.354	.656	.539	.590
α_{41}	Coromandel International Ltd.	1.783	.656	2.718	.007
α42	Crompton Greaves Ltd.	1.419	.656	2.164	.031
α_{43}	Cummins India Ltd.	-.162	.658	-.247	.805
α_{44}	Dabur India Ltd.	-.734	.666	-1.102	.271
α_{45}	Dr. Reddy'S Laboratories Ltd.	-.159	.656	-.242	.809
α_{46}	E I D-Parry (India) Ltd.	2.760	.656	4.208	.000
α_{47}	Eicher Motors Ltd.	.777	.656	1.185	.237
α_{48}	Electrosteel Castings Ltd.	.696	.657	1.060	.290
α_{49}	Escorts Ltd.	1.477	.656	2.252	.025
α_{50}	Exide Industries Ltd.	.700	.656	1.067	.287
α_{51}	Force Motors Ltd.	.370	.656	.565	.573
α_{52}	G A I L (India) Ltd.	.718	.656	1.095	.274
α_{53}	Glaxosmithkline Consumer Healthcare Ltd.	-.088	.656	-.133	.894
α_{54}	Godfrey Phillips India Ltd.	.260	.656	.397	.691
α_{55}	Grasim Industries Ltd.	.812	.656	1.237	.217
α_{56}	Great Eastern Shipping Co. Ltd.	1.653	.656	2.520	.012
α_{57}	Greaves Cotton Ltd.	3.146	.656	4.795	.000
α_{58}	Gujarat Alkalies& Chemicals Ltd.	4.866	.656	7.419	.000
α_{59}	Gujarat Narmada Valley Fertilizers Co. Ltd.	1.739	.656	2.652	.008
α_{60}	Gujarat State Fertilizers & Chemicals Ltd.	5.717	.656	8.717	.000
α_{61}	H C L Infosystems Ltd.	.306	.657	.465	.642
α_{62}	Havells India Ltd.	.115	.656	.176	.861
α_{63}	Hero Honda Motors Ltd.	-.361	.657	-.550	.582
α_{64}	Hindalco Industries Ltd.	.551	.656	.840	.402
α_{65}	Hindustan Construction Co. Ltd.	1.295	.656	1.973	.049
α_{66}	Hindustan Petroleum Corpn. Ltd.	.590	.656	.899	.369
α_{67}	Hindustan Unilever Ltd.	-.812	.663	-1.224	.221
α_{68}	Hindustan Zinc Ltd.	1.364	.656	2.080	.038
α_{69}	Housing Development Finance Corpn. Ltd.	-.230	.657	-.350	.727
α_{70}	I T C Ltd.	-.116	.656	-.176	.860
α_{71}	I V R C L Infrastructures & Projects Ltd.	1.595	.656	2.432	.015
α_{72}	India Cements Ltd.	1.100	.656	1.678	.094
α_{73}	Indian Hotels Co. Ltd.	.662	.656	1.010	.313
α_{74}	Indian Oil Corpn. Ltd.	.688	.656	1.048	.295
α_{75}	Indo Rama Synthetics (India) Ltd.	2.128	.656	3.244	.001
α_{76}	Infosys Technologies Ltd.	-.279	.656	-.425	.671
α_{77}	J S W Steel Ltd.	1.512	.656	2.305	.022
α_{78}	Jindal Poly Films Ltd.	3.550	.656	5.413	.000
α_{79}	Jindal Saw Ltd.	1.071	.656	1.633	.103
α_{80}	Jubilant Life Sciences Ltd.	1.891	.656	2.883	.004

Coefficient	Company Name	Value of Coefficient	Std Error	t-value	Sig Level
α_{81}	Kansai Nerolac Paints Ltd.	.759	.656	1.158	.248
α_{82}	Kesoram Industries Ltd.	2.439	.656	3.718	.000
α_{83}	Kirloskar Industries Ltd.	4.877	.656	7.437	.000
α_{84}	L I C Housing Finance Ltd.	1.736	.656	2.647	.008
α_{85}	Lakshmi Machine Works Ltd.	2.357	.656	3.593	.000
α_{86}	Larsen & Toubro Ltd.	.379	.656	.578	.563
α_{87}	Lupin Ltd.	.693	.656	1.057	.291
α_{88}	M R F Ltd.	1.049	.656	1.600	.110
α_{89}	Madras Cements Ltd.	.421	.656	.642	.521
α_{90}	Mahanagar Telephone Nigam Ltd.	.638	.656	.973	.331
α_{91}	Maharashtra Seamless Ltd.	.895	.656	1.365	.173
α_{92}	Mangalore Refinery & Petrochemicals Ltd.	.607	.656	.925	.355
α_{93}	Marico Ltd.	.048	.656	.073	.942
α_{94}	Micro Inks Ltd.	.160	.656	.244	.808
α_{95}	Moser Baer India Ltd.	.326	.656	.496	.620
α_{96}	Mukand Ltd.	6.942	.656	10.578	.000
α_{97}	Nagarjuna Fertilizers & Chemicals Ltd.	4.092	.656	6.240	.000
α_{98}	National Aluminium Co. Ltd.	.562	.656	.856	.392
α_{99}	Nestle India Ltd.	-.267	.656	-.406	.685
α_{100}	Neyveli Lignite Corpn. Ltd.	2.285	.656	3.484	.001
α_{101}	Nirma Ltd.	.055	.656	.084	.933
α_{102}	Oil & Natural Gas Corpn. Ltd.	.821	.656	1.252	.211
α_{103}	Orchid Chemicals & Pharmaceuticals Ltd.	1.174	.656	1.790	.074
α_{104}	Orient Paper &Inds. Ltd.	.612	.656	.934	.351
α_{105}	P S L Ltd.	1.731	.656	2.638	.009
α_{106}	Pidilite Industries Ltd.	.023	.656	.034	.973
α_{107}	Piramal Healthcare Ltd.	-.006	.656	-.010	.992
α_{108}	Ranbaxy Laboratories Ltd.	-.144	.656	-.220	.826
α_{109}	Rashtriya Chemicals & Fertilizers Ltd.	2.438	.656	3.716	.000
α_{110}	Raymond Ltd.	1.169	.656	1.783	.075
α_{111}	Reliance Industries Ltd.	.134	.656	.204	.838
α_{112}	Reliance Infrastructure Ltd.	.531	.656	.809	.419
α_{113}	Ruchi Soya Inds. Ltd.	3.437	.656	5.240	.000
α_{114}	S K F India Ltd.	.034	.675	.051	.960
α_{115}	S Kumars Nationwide Ltd.	3.632	.656	5.535	.000
α_{116}	S R F Ltd.	2.097	.656	3.197	.001
α_{117}	Satyam Computer Services Ltd.	-.748	.667	-1.122	.262
α_{118}	Sesa Goa Ltd.	1.759	.656	2.682	.008
α_{119}	Shipping Corpn. Of India Ltd.	2.216	.656	3.378	.001
α_{120}	Shriram Transport Finance Co. Ltd.	2.369	.656	3.611	.000
α_{121}	Sical Logistics Ltd.	4.430	.656	6.755	.000
α_{122}	Siemens Ltd.	.005	.656	.007	.994

Coefficient	*Company Name*	*Value of Coefficient*	*Std Error*	*t-value*	*Sig Level*
α_{123}	Steel Authority Of India Ltd.	1.112	.656	1.696	.091
α_{124}	Sterlite Industries (India) Ltd.	1.512	.656	2.303	.022
α_{125}	Sun Pharmaceutical Inds. Ltd.	-.161	.656	-.246	.806
α_{126}	Sundram Fasteners Ltd.	.347	.656	.529	.597
α_{127}	Supreme Industries Ltd.	1.520	.656	2.317	.021
α_{128}	T V S Motor Co. Ltd.	.224	.656	.342	.733
α_{129}	Tata Chemicals Ltd.	1.777	.656	2.710	.007
α_{130}	Tata Communications Ltd.	.585	.661	.886	.376
α_{131}	Tata Global Beverages Ltd.	.344	.656	.525	.600
α_{132}	Tata Power Co. Ltd.	1.557	.656	2.374	.018
α_{133}	Thermax Ltd.	1.503	.656	2.291	.022
α_{134}	Titan Industries Ltd.	.317	.656	.483	.629
α_{135}	Tube Investments Of India Ltd.	2.025	.656	3.087	.002
α_{136}	Uniphos Enterprises Ltd.	2.293	.656	3.497	.001
α_{137}	Usha Martin Ltd.	3.533	.659	5.364	.000
α_{138}	Vardhman Textiles Ltd.	3.394	.656	5.176	.000
α_{139}	Voltas Ltd.	.699	.656	1.065	.287
α_{140}	Wipro Ltd.	-.368	.656	-.560	.576
α_{141}	Wockhardt Ltd.	-.088	.656	-.135	.893
α_{142}	Zuari Industries Ltd.	4.550	.657	6.930	.000
α_{2001}		.461	.114	4.040	.000
α_{2002}		.353	.112	3.141	.002
α_{2003}		.094	.111	.851	.395
β_0		-.108	.026	-4.104	.000
β_1		-.085	.024	-3.599	.000
β_2		-.027	.015	-1.858	.064

Table A1(a): Model Summary of Table A1

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.879(a)	.772	.692	.92739

Table A2: Firm-specific Conservatism (1997-2003)

Coefficient	*Company Name*	*Value of Coefficient*	*Std Error*	*t-value*	*Sig Level*
	(Constant)	.109	.469	.233	.816
α_1	A C C Ltd.	-.325	.662	-.491	.624
α_2	Adani Enterprises Ltd.	.687	.656	1.048	.295
α_3	Aditya Birla Nuvo Ltd.	2.255	.656	3.438	.001
α_4	Akzo Nobel India Ltd.	.675	.656	1.029	.304
α_5	Alok Industries Ltd.	2.676	.656	4.079	.000
α_6	Ambuja Cements Ltd.	.212	.656	.323	.747
α_7	Apar Industries Ltd.	2.018	.656	3.075	.002

Coefficient	Company Name	Value of Coefficient	Std Error	t-value	Sig Level
α_8	Apollo Tyres Ltd.	1.076	.656	1.640	.102
α_9	Areva T & D India Ltd.	1.286	.656	1.961	.051
α_{10}	Arvind Ltd.	3.652	.657	5.558	.000
α_{11}	Ashok Leyland Ltd.	1.045	.656	1.592	.112
α_{12}	Asian Paints Ltd.	-.098	.656	-.149	.881
α_{13}	Aurobindo Pharma Ltd.	.237	.656	.362	.718
α_{14}	B E M L Ltd.	5.002	.656	7.626	.000
α_{15}	Bajaj Electricals Ltd.	2.419	.656	3.689	.000
α_{16}	Bajaj Hindusthan Ltd.	1.669	.656	2.545	.011
α_{17}	Ballarpur Industries Ltd.	1.877	.656	2.861	.004
α_{18}	BalmerLawrie& Co. Ltd.	2.943	.656	4.487	.000
α_{19}	BalrampurChini Mills Ltd.	.984	.656	1.501	.134
α_{20}	Berger Paints India Ltd.	.376	.656	.574	.566
α_{21}	Bharat Electronics Ltd.	.707	.656	1.077	.282
α_{22}	Bharat Forge Ltd.	.340	.656	.518	.605
α_{23}	Bharat Heavy Electricals Ltd.	.612	.656	.933	.352
α_{24}	Bharat Petroleum Corpn. Ltd.	.348	.656	.531	.595
α_{25}	Bhushan Steel Ltd.	5.937	.656	9.052	.000
α_{26}	Birla Corporation Ltd.	1.521	.656	2.319	.021
α_{27}	Blue Star Ltd.	.643	.656	.980	.327
α_{28}	Bombay Dyeing & Mfg. Co. Ltd.	2.921	.656	4.455	.000
α_{29}	Bosch Ltd.	.241	.656	.367	.713
α_{30}	Britannia Industries Ltd.	-.187	.656	-.286	.775
α_{31}	C E S C Ltd.	2.315	.656	3.530	.000
α_{32}	Castrol India Ltd.	-.319	.656	-.486	.627
α_{33}	Century Textiles &Inds. Ltd.	1.682	.677	2.483	.013
α_{35}	Chambal Fertilisers& Chemicals Ltd.	1.563	.656	2.383	.018
α_{36}	Chennai Petroleum Corpn. Ltd.	2.239	.656	3.415	.001
α_{37}	Cipla Ltd.	-.200	.656	-.306	.760
α_{38}	Clariant Chemicals (India) Ltd.	-.527	.707	-.745	.457
α_{39}	Colgate-Palmolive (India) Ltd.	-.217	.656	-.330	.741
α_{40}	Container Corpn. Of India Ltd.	.354	.656	.539	.590
α_{41}	Coromandel International Ltd.	1.783	.656	2.718	.007
α42	Crompton Greaves Ltd.	1.419	.656	2.164	.031
α_{43}	Cummins India Ltd.	-.162	.658	-.247	.805
α_{44}	Dabur India Ltd.	-.734	.666	-1.102	.271
α_{45}	Dr. Reddy'S Laboratories Ltd.	-.159	.656	-.242	.809
α_{46}	E I D-Parry (India) Ltd.	2.760	.656	4.208	.000
α_{47}	Eicher Motors Ltd.	.777	.656	1.185	.237
α_{48}	Electrosteel Castings Ltd.	.696	.657	1.060	.290
α_{49}	Escorts Ltd.	1.477	.656	2.252	.025
α_{50}	Exide Industries Ltd.	.700	.656	1.067	.287

Coefficient	*Company Name*	*Value of Coefficient*	*Std Error*	*t-value*	*Sig Level*
α_{51}	Force Motors Ltd.	.370	.656	.565	.573
α_{52}	G A I L (India) Ltd.	.718	.656	1.095	.274
α_{53}	Glaxosmithkline Consumer Healthcare Ltd.	-.088	.656	-.133	.894
α_{54}	Godfrey Phillips India Ltd.	.260	.656	.397	.691
α_{55}	Grasim Industries Ltd.	.812	.656	1.237	.217
α_{56}	Great Eastern Shipping Co. Ltd.	1.653	.656	2.520	.012
α_{57}	Greaves Cotton Ltd.	3.146	.656	4.795	.000
α_{58}	Gujarat Alkalies& Chemicals Ltd.	4.866	.656	7.419	.000
α_{59}	Gujarat Narmada Valley Fertilizers Co. Ltd.	1.739	.656	2.652	.008
α_{60}	Gujarat State Fertilizers & Chemicals Ltd.	5.717	.656	8.717	.000
α_{61}	H C L Infosystems Ltd.	.306	.657	.465	.642
α_{62}	Havells India Ltd.	.115	.656	.176	.861
α_{63}	Hero Honda Motors Ltd.	-.361	.657	-.550	.582
α_{64}	Hindalco Industries Ltd.	.551	.656	.840	.402
α_{65}	Hindustan Construction Co. Ltd.	1.295	.656	1.973	.049
α_{66}	Hindustan Petroleum Corpn. Ltd.	.590	.656	.899	.369
α_{67}	Hindustan Unilever Ltd.	-.812	.663	-1.224	.221
α_{68}	Hindustan Zinc Ltd.	1.364	.656	2.080	.038
α_{69}	Housing Development Finance Corpn. Ltd.	-.230	.657	-.350	.727
α_{70}	I T C Ltd.	-.116	.656	-.176	.860
α_{71}	I V R C L Infrastructures & Projects Ltd.	1.595	.656	2.432	.015
α_{72}	India Cements Ltd.	1.100	.656	1.678	.094
α_{73}	Indian Hotels Co. Ltd.	.662	.656	1.010	.313
α_{74}	Indian Oil Corpn. Ltd.	.688	.656	1.048	.295
α_{75}	Indo Rama Synthetics (India) Ltd.	2.128	.656	3.244	.001
α_{76}	Infosys Technologies Ltd.	-.279	.656	-.425	.671
α_{77}	J S W Steel Ltd.	1.512	.656	2.305	.022
α_{78}	Jindal Poly Films Ltd.	3.550	.656	5.413	.000
α_{79}	Jindal Saw Ltd.	1.071	.656	1.633	.103
α_{80}	Jubilant Life Sciences Ltd.	1.891	.656	2.883	.004
α_{81}	Kansai Nerolac Paints Ltd.	.759	.656	1.158	.248
α_{82}	Kesoram Industries Ltd.	2.439	.656	3.718	.000
α_{83}	Kirloskar Industries Ltd.	4.877	.656	7.437	.000
α_{84}	L I C Housing Finance Ltd.	1.736	.656	2.647	.008
α_{85}	Lakshmi Machine Works Ltd.	2.357	.656	3.593	.000
α_{86}	Larsen & Toubro Ltd.	.379	.656	.578	.563
α_{87}	Lupin Ltd.	.693	.656	1.057	.291
α_{88}	M R F Ltd.	1.049	.656	1.600	.110
α_{89}	Madras Cements Ltd.	.421	.656	.642	.521
α_{90}	Mahanagar Telephone Nigam Ltd.	.638	.656	.973	.331
α_{91}	Maharashtra Seamless Ltd.	.895	.656	1.365	.173
α_{92}	Mangalore Refinery & Petrochemicals Ltd.	.607	.656	.925	.355

Coefficient	Company Name	Value of Coefficient	Std Error	t-value	Sig Level
α_{93}	Marico Ltd.	.048	.656	.073	.942
α_{94}	Micro Inks Ltd.	.160	.656	.244	.808
α_{95}	Moser Baer India Ltd.	.326	.656	.496	.620
α_{96}	Mukand Ltd.	6.942	.656	10.578	.000
α_{97}	Nagarjuna Fertilizers & Chemicals Ltd.	4.092	.656	6.240	.000
α_{98}	National Aluminium Co. Ltd.	.562	.656	.856	.392
α_{99}	Nestle India Ltd.	-.267	.656	-.406	.685
α_{100}	Neyveli Lignite Corpn. Ltd.	2.285	.656	3.484	.001
α_{101}	Nirma Ltd.	.055	.656	.084	.933
α_{102}	Oil & Natural Gas Corpn. Ltd.	.821	.656	1.252	.211
α_{103}	Orchid Chemicals & Pharmaceuticals Ltd.	1.174	.656	1.790	.074
α_{104}	Orient Paper &Inds. Ltd.	.612	.656	.934	.351
α_{105}	P S L Ltd.	1.731	.656	2.638	.009
α_{106}	Pidilite Industries Ltd.	.023	.656	.034	.973
α_{107}	Piramal Healthcare Ltd.	-.006	.656	-.010	.992
α_{108}	Ranbaxy Laboratories Ltd.	-.144	.656	-.220	.826
α_{109}	Rashtriya Chemicals & Fertilizers Ltd.	2.438	.656	3.716	.000
α_{110}	Raymond Ltd.	1.169	.656	1.783	.075
α_{111}	Reliance Industries Ltd.	.134	.656	.204	.838
α_{112}	Reliance Infrastructure Ltd.	.531	.656	.809	.419
α_{113}	Ruchi Soya Inds. Ltd.	3.437	.656	5.240	.000
α_{114}	S K F India Ltd.	.034	.675	.051	.960
α_{115}	S Kumars Nationwide Ltd.	3.632	.656	5.535	.000
α_{116}	S R F Ltd.	2.097	.656	3.197	.001
α_{117}	Satyam Computer Services Ltd.	-.748	.667	-1.122	.262
α_{118}	Sesa Goa Ltd.	1.759	.656	2.682	.008
α_{119}	Shipping Corpn. Of India Ltd.	2.216	.656	3.378	.001
α_{120}	Shriram Transport Finance Co. Ltd.	2.369	.656	3.611	.000
α_{121}	Sical Logistics Ltd.	4.430	.656	6.755	.000
α_{122}	Siemens Ltd.	.005	.656	.007	.994
α_{123}	Steel Authority Of India Ltd.	1.112	.656	1.696	.091
α_{124}	Sterlite Industries (India) Ltd.	1.512	.656	2.303	.022
α_{125}	Sun Pharmaceutical Inds. Ltd.	-.161	.656	-.246	.806
α_{126}	Sundram Fasteners Ltd.	.347	.656	.529	.597
α_{127}	Supreme Industries Ltd.	1.520	.656	2.317	.021
α_{128}	T V S Motor Co. Ltd.	.224	.656	.342	.733
α_{129}	Tata Chemicals Ltd.	1.777	.656	2.710	.007
α_{130}	Tata Communications Ltd.	.585	.661	.886	.376
α_{131}	Tata Global Beverages Ltd.	.344	.656	.525	.600
α_{132}	Tata Power Co. Ltd.	1.557	.656	2.374	.018
α_{133}	Thermax Ltd.	1.503	.656	2.291	.022
α_{134}	Titan Industries Ltd.	.317	.656	.483	.629

Coefficient	*Company Name*	*Value of Coefficient*	*Std Error*	*t-value*	*Sig Level*
α_{135}	Tube Investments Of India Ltd.	2.025	.656	3.087	.002
α_{136}	Uniphos Enterprises Ltd.	2.293	.656	3.497	.001
α_{137}	Usha Martin Ltd.	3.533	.659	5.364	.000
α_{138}	Vardhman Textiles Ltd.	3.394	.656	5.176	.000
α_{139}	Voltas Ltd.	.699	.656	1.065	.287
α_{140}	Wipro Ltd.	-.368	.656	-.560	.576
α_{141}	Wockhardt Ltd.	-.088	.656	-.135	.893
α_{142}	Zuari Industries Ltd.	4.550	.657	6.930	.000
α_{2008}		-.014	.038	-.368	.713
α_{2009}		.489	.040	12.078	.000
α_{2010}		.005	.038	.119	.905
β_0		-.030	.007	-4.223	.000
β_1		-.043	.007	-6.111	.000
β_2		-.018	.005	-3.473	.001

Table A2 (a): Model Summary of Table A2

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.888(a)	.788	.714	.31305