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The impact of contemporary accounting reform on financial reporting quality: evidence from an emerging economy

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Abstract

Purpose – The study examines how the recent adoption of International Financial Reporting Standards (IFRS) – converged "Ind-AS" accounting standards influences financial reporting quality (FRQ) in India, an emerging market. It is motivated by India's momentum in the International Accounting Standard Board (IASB)'s initiative of the global endorsement of IFRS.

Design/methodology/approach – FRQ is captured with accounting- and market-based metrics. Panel data regression models are employed to capture FRQ. Two-stage least squares regression is used to address the endogeneity. The study considers a consistent sample of 2,320 company-year observations from the National Stock Exchange (NSE)-listed companies. The observations are classified into two periods: (1) the pre-Ind-AS adoption period from April 1, 2012 to March 31, 2016 and (2) the post-Ind-AS adoption period from April 1, 2016 to March 31, 2020.

Findings – The study shows a major improvement in FRQ after Ind-AS implementation using univariate and multivariate analyses. Specifically, Ind-AS-compliant companies exhibit less earnings smoothness, less benchmark beating, higher earnings persistence, more timely loss recognition, less accrual-based earnings management (AEM), higher earnings predictability, higher value relevance\ and higher earnings timeliness. Overall, the arguments of agency, stakeholder and institutional theories support the results.

Practical implications – Following the implementation of Ind-AS, the accounting standard-setters, policymakers and regulators need to conduct regular enforcement reviews and impose stricter penalties for noncompliance with Ind-AS in order to improve FRQ and maintain stakeholders' trust in financial reporting. They should also consider strengthening the legal and institutional frameworks to complement the Ind-AS adoption.

Originality/value – To the best of the authors' knowledge, this is the first study that investigates the impact of IFRS-converged Ind-AS on accounting-based and market-based FRQ metrics using longer timeframe in the emerging economy of India. Using agency, stakeholder and institutional theories, this study provides an additional contribution to the consideration concerning FRQ based on IFRS accounting standards in India.

Keywords Ind-AS, IFRS, Financial reporting, Emerging countries, Earnings management, Value relevance, Asian economies, India

Paper type Research article

1. Introduction

Recent high-profile accounting scandals, corruption, and expeditious global harmonization of accounting standards have sparked intense research on financial reporting quality (Al-Enzy *et al.*, 2023; Viana *et al.*, 2023; Amer *et al.*, 2024; Kateb, 2024). Today, financial reporting and its quality are the concepts that have recently gained attention among practitioners, academicians, regulators, and policy-makers in both developed and emerging economies (Khan *et al.*, 2019; Bansal, 2024; Hsu and Yang, 2025; Opare *et al.*, 2025). Financial reporting

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quality (FRQ) plays a crucial role in enhancing market efficiency, attracting foreign investment, and fostering economic growth (Gowry *et al.*, 2025). One important area for consideration is the adoption of International Financial Reporting Standards (IFRS) that aimed at improving FRQ. IFRS have been recognized as a global accounting benchmark worldwide (Chua and Taylor, 2008). Currently, 161 of the 169 jurisdictions have contributed to the International Accounting Standard Board (IASB)'s initiative of global IFRS adoption by permitting IFRS for all or most of the reporting companies (IASB, 2025). A large cohort of emerging economies have also consented to the IFRS implementation. IFRS require extensive disclosures (Saravanan and Choudhary, 2025), restrict accounting policy alternatives (Aasen *et al.*, 2024), facilitate international comparison (Yip and Young, 2012), promote substance over form (Calandra *et al.*, 2024), and provide relevant and timely information to the users of financial reporting by emphasizing on fair value accounting (Bu *et al.*, 2025). Thus, IFRS are expected to enhance FRQ (Melgarejo, 2024; Chen, 2025). Despite their importance, the existing studies demonstrate that FRQ in emerging economies is still low (Abdul-Baki and Haniffa, 2020; Al-Enzy *et al.*, 2023; Viana *et al.*, 2023). These studies contend that the flexibility enshrined in IFRS offers an opportunity for companies to indulge in earnings manipulations. Moreover, fair value accounting (FVA) generates noise in earnings by increasing volatility and thus, it might induce managers to manage (smooth) earnings opportunistically. This opportunistic intention of managers may obscure actual firm performance and thereby erode FRQ. Therefore, it is important to assess the impact of IFRS on FRQ in emerging economies that recently adopted IFRS.

Even though the prior studies substantially investigated the impact of IFRS on FRQ in developed economies (Mnif and Znazen, 2024; Hsu and Yang, 2025; Masoud, 2025; Opare *et al.*, 2025), limited research on this impact is available in emerging economies (Amer *et al.*, 2024; Chehade and Procházka, 2024; Kateb, 2024; Chen, 2025). FRQ in emerging economies diverges from developed economies due to relatively weak governance frameworks, low investor protection, less sophisticated market practices, and weak law enforcement in these economies (Khan *et al.*, 2015, 2024, 2025; Bharandev and Rao, 2020). Thus, generalizing the findings from developed economies to emerging economies is questionable. Specifically, India is an emerging and insider economy with different governance structures and relatively weaker institutional mechanisms than developed counterparts (Leuz *et al.*, 2003; Nayyar and Luiz, 2024). Existing studies that assessed FRQ after IFRS-converged Ind-AS adoption in the context of India (Sharma *et al.*, 2017; Adhikari *et al.*, 2021; Bansal and Garg, 2021; Saravanan and Choudhary, 2025) ignored the learning curve effect (that is, the benefits of IFRS may materialize gradually over time). They also overlooked the different FRQ attributes such as value relevance, timely loss recognition, earnings persistence and predictability, earnings timeliness, earnings smoothness, and accruals quality. These studies provided early evidence based on a shorter time horizon (usually a year) or using a single FRQ metric. The findings of these studies remain incomplete and biased to generalize. Further, to the best of our knowledge, no study investigated the trade-off between accrual-based earnings management (AEM) and real earnings management (REM) after Ind-AS adoption in India. To address the research gap, this study therefore investigates the impact of the adoption of IFRS-converged "Ind-AS" accounting standards on different dimensions of financial reporting quality (FRQ) from the perspectives of agency theory, stakeholder theory, and institutional theory in the context of India.

Our research makes several contributions. First, it adds to the ongoing international debate on the relative advantages and costs of IFRS convergence. The findings are relevant to current policy debates on IFRS's efficacy in jurisdictions characterized by historical-cost-based accounting system. It provides a global perspective on the importance of principle-based standards over rules-based GAAPs. Second, our study complements the IFRS-based literature by responding to the call of IASB (2004) for assessing the effect of IFRS on a jurisdiction-by-jurisdiction basis and the call of previous studies (e.g. Nurunnabi, 2014; IFRS Foundation, 2017; Neel, 2017; Alruwaili *et al.*, 2023; Saravanan and Choudhary, 2025) for assessing the implications of IFRS in emerging economies with weak institutional frameworks. Third, it

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provides novel and compelling evidence on the efficacy of mandatory IFRS convergence in improving FRQ in the 'second generation of adopters.' Specifically, we examine India, a fast-growing and economically significant economy, where Ind-AS adoption is a recent decision. Most of the extant studies consider voluntary adopters. By choosing a research design that concentrates on mandatory adopters, our study eliminates the biases associated with voluntary adopters of standards only when they expect to gain benefits. Lastly, our study presents a broader evaluation of FRQ by assessing both AEM and REM in tandem, highlighting the substitution effect between the two in the context of India.

The remaining of the study has the following structure. Section 2 explains the study's institutional context. Section 3 covers its theoretical background and related literature. Section 4 sets forth the research design, followed by a discussion of the empirical results. The final section offers the conclusions.

2. Theoretical background and related literature

2.1 Theoretical background

Although no theory completely describes financial reporting behavior, three major theories provide a theoretical lens to explain the behavior: agency, stakeholder, and institutional theory. These theories are widely applied in accounting research (Iatridis, 2010; Sharma *et al.*, 2017).

2.1.1 Agency theory. Agency theory proposed by Jensen and Meckling (1976) examines the two types of agency problems associated with a principal-agent relationship. The first type emphasizes the conflicts that stem from information asymmetry and competing objectives between managers, as agents and shareholders, as principals (Tizaoui *et al.*, 2025). The second type focuses on conflicts between controlling and minority shareholders, which can motivate earnings management. Both types can lead to low FRQ (Kumala and Siregar, 2021; Jiang *et al.*, 2024). The theory has developed over the years to address mechanisms like incentives, governance frameworks, and monitoring aimed at reducing agency costs (Khan *et al.*, 2021; Viana *et al.*, 2023; Rahman *et al.*, 2024; Cimini *et al.*, 2025).

Recent studies show that the application of theory has expanded to include managerial incentives in financial reporting. Several incentives influence managers to report financial information, including revealing strong performance, rising compensation, increasing stock valuation, and avoiding taxes and political costs. These incentives result in high agency costs (Jiraporn *et al.*, 2008; Aljughaiman *et al.*, 2023; Delgado *et al.*, 2023). As insiders, managers may engage in sub-optimal decision-making to pursue their self-interests at shareholders' expense, such as not maximizing shareholders' wealth. They may make decisions to manage accounting figures that do not faithfully represent the reporting entity's true economic performance and financial position. They may not provide timely accounting information to market participants (Rusmin, 2010; Boachie and Mensah, 2022). These decisions compromise reliability and relevance and thus, degrade FRQ (Eiler *et al.*, 2022).

Applying IFRS can resolve agency problems and mitigate information asymmetries by delivering relevant and timely information to accounting users. Thus, the extensive disclosures required by IFRS play a pivotal role in coordinating the objectives of both parties (Krismiaji *et al.*, 2016). By contrast, the flexibility permitted in IFRS could dilute FRQ and increase agency costs (Iatridis, 2010; Eiler *et al.*, 2022; Hasan *et al.*, 2022; Bessler *et al.*, 2023; Viana *et al.*, 2023; Hsu and Yang, 2025).

2.1.2 Stakeholder theory. Stakeholder theory, popularized by Freeman (2010), highlights the interdependencies between a reporting entity and its diverse stakeholders, including regulators, investors, customers, creditors, and the public at large. Initially developed as a broader ethical framework, the theory has since expanded to involve strategic dimensions such as accuracy and transparency in accounting disclosures. These dimensions emphasize the importance of FRQ in fulfilling stakeholders' expectations (Fontes *et al.*, 2016; Vitolla *et al.*, 2019; Mahajan *et al.*, 2023; Kolsi and Al-Hiyari, 2025).

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Academic research also shows that to accomplish the entity's strategic objectives, the managers must balance stakeholders' conflicting expectations (Ullmann, 1985; Khan *et al.*, 2021). Managers attempt to meet the demands of different stakeholders by providing decision-useful and relevant accounting information (Ball *et al.*, 2003; Bassemir and Novotny-Farkas, 2018; Tawiah and Boolaky, 2019). Further, an entity's long-term survival depends on receiving stakeholders' support (Khan *et al.*, 2023). Managers receive such support by ensuring transparency in decision-making and accountability for their decisions on stakeholders' behalf. They also obtain stakeholders' support by communicating proper disclosures of accounting information, including private information about their strategies and the entity's operations, to different stakeholders. Thus, managers often select the accounting practices that reflect the entity's true economic performance to stakeholders. Additionally, high FRQ serves as a critical tool in meeting evolving regulatory requirements, thereby promoting long-term sustainability and strengthening stakeholder confidence (Mbir *et al.*, 2020; Bathla *et al.*, 2024; Permatasari and Tjahjadi, 2024; Rahman *et al.*, 2024; Al-Qadasi *et al.*, 2025; Lajnef and Ellouz, 2025).

2.1.3 Institutional theory. Institutional theory was articulated by Meyer and Rowan (1977) and further developed by DiMaggio and Powell (1983). It assesses how reporting entities adhere to institutional norms within their environment to gain legitimacy and ensure survival (Klish *et al.*, 2025). Over time, this theory has integrated the concept of isomorphism, explaining how entities react to external pressures from standard setters, regulators, and other stakeholders (Abebe, 2022; Arafat *et al.*, 2024; Aschauer and Quick, 2024; Yahaya, 2025).

New institutional sociology (NIS), a form of institutional theory, also explains managerial behavior. Institutional pressures are the key drivers for entities' accounting practices (Cimini *et al.*, 2025). An entity's survival depends on how it responds to these pressures (Viana *et al.*, 2023; Agarwal *et al.*, 2024). Entities are committed to adopting high-quality accounting practices due to three isomorphism types: coercive, normative, and mimetic (Judge *et al.*, 2010; Schiavi *et al.*, 2024). Coercive isomorphism arises due to pressure from the coercive power of different stakeholders. In an FRQ context, the entities can be pressured to comply with international accounting standards for rendering high-quality accounting information (Osinubi, 2020; Klish *et al.*, 2025). Normative isomorphism stems from pressure to adopt professional norms and practices. Entities may rely on professional accounting practices to reflect their economic performance (Posadas *et al.*, 2023). Mimetic isomorphism results from pressure to mimic other organizations because of uncertainties. From an FRQ perspective, the entities can mimic the ethical accounting practices of other similar entities to provide high-quality accounting information to various stakeholders (Schiavi *et al.*, 2024). Hence, all three types of institutional isomorphism assist in maintaining the quality of financial reporting.

2.2 IFRS adoption and FRQ in developed economies

The literature highlighted two primary research streams that examined the impact of IFRS adoption on FRQ. One stream of research offered cross-country evidence. For example, Barth *et al.* (2008), Cameran and Campa (2020), Lopez *et al.* (2022), Li *et al.* (2025), Masoud (2025), and Opare *et al.* (2025) showed that adopting IFRS by firms led to high FRQ in cross-country analysis. However, some studies have yielded contradictory evidence. These studies encompass Ahmed *et al.* (2013), Capkun *et al.* (2016), Capkun and Collins (2018), Lam *et al.* (2023), and De Luca *et al.* (2024) provided cross-country evidence of an erosion of FRQ after mandatory IFRS implementation.

Another research stream focused on single-country studies that hold institutional factors constant. These studies comprise Zéghal *et al.* (2012) based on French firms, Kim (2013) based on Russian firms, Bassemir and Novotny-Farkas (2018) based on a German setting, and Mnif and Znazen (2024) based on a Canadian context. These studies investigated the impact of IFRS on FRQ and found a positive impact. Contrary to these studies, Ferentinou and Anagnostopoulou (2016), Benkraiem *et al.* (2021), and Hsu and Yang (2025) used a sample of

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French, Greek, and UK firms, respectively, and found a negative association between IFRS adoption and FRQ. However, some authors provided mixed results. For instance, Christensen *et al.* (2015) investigated the impact of voluntary and mandatory IFRS adoption on the FRQ of German firms. They found high FRQ subsequent to the voluntary adoption. Whereas, there was no evidence of improvement in FRQ for companies that deferred the IFRS adoption. Similarly, Wakil and Petruska (2022) argued that FRQ improved for small companies but not for large firms after IFRS adoption in Canada.

These mixed findings suggested that IFRS adoption might not solely ensure improvement in FRQ. Prior literature argued that institutional environment and reporting incentives, rather than the provisions of IFRS, contributed predominantly to FRQ (Burgstahler *et al.*, 2006; Christensen *et al.*, 2015). Applying the same IFRS in different institutional environments may have different effects (Hsu and Yang, 2025; Masoud, 2025). Managerial reporting incentives also determine FRQ. As stated earlier, managers may have different incentives based on their self-interests, which may enhance or degrade FRQ. These incentives are often relatively higher in emerging markets with weak institutional environments (Viana *et al.*, 2023; Kateb, 2024).

2.3 IFRS adoption and FRQ in emerging economies

Limited studies examined the effect of IFRS adoption on FRQ in emerging economies. These studies include Key and Kim (2020) in Korea, Bandara and Falta (2021) in Sri Lanka, Mohsin *et al.* (2021) in Pakistan, Hasan *et al.* (2022) in Bangladesh, Amer *et al.* (2024) in South Africa, Chehade and Procházka (2024) in Saudi Arabia, Kateb and Belgacem (2024) in the GCC region, Chen (2025) in and Taylor *et al.* (2025) in Africa. Most studies analyzed this issue by focusing on a few FRQ metrics and a shorter period. Akin to the findings in developed economies, the evidence on the implications of IFRS for FRQ in emerging markets remains inconclusive.

Two contrasting views exist in emerging market studies. One stream of research provides evidence that using IFRS/IAS constrains opportunistic earnings management (EM) and improves the reliability of reported earnings. For instance, using accrual-based earnings management (AEM) and timely loss recognition (TLR), Key and Kim (2020) examined FRQ of 439 firms listed in South Korea following the transition to IFRS. They discovered that IFRS adoption led to increased TLR and reduced AEM. Thus, the findings suggested that IFRS had benefited Korea's financial markets by improving FRQ. Further, Bandara and Falta (2021) reported that IFRS adoption improved FRQ through qualitative attributes of financial information in Sri Lanka. Similarly, Mohsin *et al.* (2021) revealed that mandatory IFRS adoption enhanced the timelines of accounting information in Pakistan. Unlike previous studies that used AEM, Hasan *et al.* (2022) employed real earnings management (REM) for assessing FRQ and found a negative link between IFRS adoption and REM activities in Bangladesh. In the same vein, Eiler *et al.* (2022) analyzed the extent of earnings smoothness in 62 IFRS-adopting firms and discovered an association between IFRS adoption and lower earnings smoothness in Mexico. Further, Sassi and Damak-Ayadi (2023) assessed FRQ of 326 companies in El Salvador and the Dominican Republic for one year after IFRS adoption. IFRS implementation enhanced the transparency and the timeliness of accounting information. Wang *et al.* (2023) explored EM practices between the pre-IFRS period and the post-IFRS period in listed electronics firms on the Taiwan stock exchange. They found that adopting IFRS proved effective in unveiling AEM. Kateb (2024) gathered data from 92 listed companies in Saudi Arabia and found a significant negative link between IFRS adoption and AEM. Amer *et al.* (2024) further supported this evidence. They examined this link in a sample of 206 listed firms in South Africa from 2000 to 2010. More recently, Chen (2025) investigated the effect of IFRS on revenue and FRQ of firms listed on Chinese stock exchange. The study provided evidence of improvement in the quality of earnings accruals and revenue after implementation of IFRS in China.

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Using a value relevance (VR) metric, Srivastava and Muharam (2022) evaluated FRQ in emerging markets over the period of IFRS enforcement. The findings suggested that value relevance had enhanced in emerging markets throughout IFRS enforcement. This finding was consistent with Chehade and Procházka (2024) and Gowry *et al.* (2025), who demonstrated the positive impact of IFRS implementation on value relevance and FRQ in Saudi Arabia and Mauritius, respectively. A recent study by Taylor *et al.* (2025) assessed the VR of financial information after the adoption of IFRS in Africa. They found the evidence that IFRS improved the informativeness of financial information. Overall, the studies showed that applying IFRS had a beneficial effect on FRQ.

By contrast, another strand of research provided the opposite findings. Roca (2021) took a sample of 40 listed companies and assessed the VR metric after IFRS adoption in Argentina. The results reported weak associations between the accounting amounts and the stock price after a switch to IFRS in the sample companies. Additionally, some studies used AEM and earnings persistence metrics to measure FRQ. These studies include Abdul-Baki and Haniffa (2020) in Nigeria and Al-Enzy *et al.* (2023) in the GCC region. Abdul-Baki and Haniffa (2020) intended to analyze the effects of IFRS enforcement on FRQ in Nigeria. The findings showed that Nigeria's enforcement of IFRS reduced FRQ, as evidenced by increased AEM and decreased earnings persistence. Al-Enzy *et al.* (2023) investigated the relationship between IFRS and FRQ in the GCC countries. The results revealed that AEM intensified, and earnings persistence decreased after IFRS adoption in these countries. The authors concluded that FRQ decreased as a result of implementing IFRS in the GCC countries.

Further, Ben Slama *et al.* (2022) investigated the implications of the transition from GAAP to a "converged" version of IFRS in a developing economy, Tunisia. They noted that the transition failed to develop a financial reporting culture and to address the informational needs of public-interest companies. Similarly, Viana *et al.* (2023) investigated the effect of the "full" and "converged" version of IFRS on the magnitude of AEM and REM in 18 emerging markets. Quite surprisingly, they documented a switching effect, that is, firms substituted REM with AEM. This effect was more pronounced for countries that applied a "converged version" rather than a "full" version of IFRS. Overall, these studies provided evidence of FRQ erosion after applying IFRS.

The most relevant studies for our paper are Liu *et al.* (2011) in China, Pelucio-Grecco *et al.* (2014) in Brazil, Krismiaji *et al.* (2016) in Indonesia, and Agana *et al.* (2023) in six African emerging countries. The experience from these countries is more likely to offer guidance on the findings in the Indian context. Akin to these countries, India is also an emerging market, and it has implemented the modified version of IFRS rather than adopting the IASB version of IFRS. Liu *et al.* (2011) took a sample of 870 A-share listed companies. They documented that FRQ improved with less accrual earnings management (AEM) and more value relevance (VR) after IFRS adoption in China. In the same vein, Pelucio-Grecco *et al.* (2014) explored AEM practices in 317 listed Brazilian companies and discovered that switching to IFRS mitigated AEM. Moreover, Krismiaji *et al.* (2016) considered 454 observations in a sample of publicly-traded companies on the Indonesian Stock Exchange and revealed a positive effect of IFRS adoption on VR. On the contrary, Agana *et al.* (2023) compared the effect of IFRS on FRQ in African countries that adopted the "IASB" version of IFRS (adopters) and countries that applied the "converged" version of IFRS (adapters). Using both accounting- and market-based FRQ metrics, the study found that adapters displayed more earnings smoothness, less timely loss recognition (TLR), and lower value relevance (VR), relative to adopters. Thus, IFRS convergence may have different implications for FRQ in India. Given different institutional contexts, generalizing the findings from advanced economies to India is questionable. Our study fills this research gap by examining the implications of IFRS convergence in an emerging economy, India. Additionally, most of the extant studies considered voluntary adopters. By choosing the research design that concentrates on mandatory adopters, we mitigate the bias associated with voluntary adopters, who adopt standards only when they expect benefits.

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Furthermore, studies argued that IFRS underscore the need for mandatory extensive disclosure requirements that may limit managerial discretion (Amer *et al.*, 2024; Kateb, 2024; Mnif and Znazen, 2024; Masoud, 2025; Opare *et al.*, 2025). Thus, IFRS may reduce the likelihood of erosion of FRQ using accounting-based FRQ metrics such as earnings smoothness and earnings management. Similarly, managers are less likely to defer the current year's losses to subsequent years. Similarly, IFRS allow fair value measurements (FVMs). Barth (2018) contended that FVMs would produce more value-relevant accounting information than historical-cost measurements. FVMs are more likely to be associated with investors' valuation decisions, as reflected in stock prices. Thus, IFRS are likely to improve market-based FRQ metrics, such as value relevance (Chehade and Procházka, 2024). Consistent with the above discussion, excluding contradictory arguments, we set forth the following hypotheses.

H1. Adopting Ind-AS improves accounting-based metrics of financial reporting quality in Indian-listed companies.

H2. Adopting Ind-AS improves market-based metrics of financial reporting quality in Indian-listed companies.

3. Research design

3.1 Sample and data

This study is conducted in a developing country, India. We consider India to be a relevant setting for our investigation for several reasons. First, India is the second-largest emerging economy in the world. The findings from India will enrich the global discourse on the broader implications of international accounting standards in emerging markets. Second, unlike other economies, India has chosen a gradual convergence path to IFRS adoption rather than a "full-fledged" adoption approach. The converged form of IFRS is known as "Ind-AS" to suit its local context (Himanshu and Singh, 2022a). By adopting Ind-AS, India has shifted from rule-based and historical cost-based accounting to principle-based and fair value-based (FVA) accounting (Sharma *et al.*, 2017). Third, Indian economy is characterized by weak governance regimes and low investor protection (Nayyar and Luiz, 2024). These characteristics enable earnings management (EM) practices to flourish in India and erode FRQ. The Association of Certified Fraud Examiners' report highlights that 75% of financial reporting fraud cases in Southern Asia occurred in India. A SEBI DRG Report (2013) also discovered that Indian-listed companies tend to indulge in EM. Thus, investigating the FRQ of Indian listed companies would provide different insights.

The population of our study comprises all the non-financial companies that are part of NIFTY 500 index listed on the National Stock Exchange (NSE) of India for the period of 2012–2020. The main reason for choosing the NSE is due to the leading stock exchange in India. It accounts for almost 90% of turnover in the Indian equity market segment (Bharandev and Rao, 2020). We excluded financial companies because their accounting practices and their regulatory environment differ from non-financial companies (Khan *et al.*, 2024; Opare *et al.*, 2025). We sourced the data from the Compustat Global database and companies' annual reports. The data collection was based on various criteria to conduct the empirical investigation. First, companies must have adopted Ind-AS in accounting year AY 2016–17 (mandatory phase). Second, companies must have a March accounting year (AY) end, in line with Meshram and Arora (2021). Third, companies must have been registered with the NSE from 2012. Additionally, to mitigate the unpredictable and the adverse impacts of COVID-19, we set the eight-year research period from 2012 till 2020, following Khan *et al.* (2023) and Kateb (2024). We classify the observations into two periods: (1) the pre-Ind-AS adoption period between April 1, 2012, and March 31, 2016, and (2) the post-Ind-AS adoption period between April 1, 2016, and March 31, 2020. The sample period is consistent with the recent

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study (Kateb, 2024), who also classified the observations into two periods (pre-IFRS: 2012–2017 and post-IFRS: 2017–2020) in a Saudi Arabian context. Following Amer *et al.* (2024), we also excluded companies whose data on variables of this study were not available for the entire sample period.

Based on these criteria, we excluded 78 financial companies, 59 companies that did not adopt Ind-AS in accounting year (AY) 2016–17 (mandatory phase), seven voluntary adopters, 37 companies that did not have a March (AY) end or change their AY end during the sample period, and 29 companies with missing data. This process led to a final and consistent sample of 2,320 company-year observations for all metrics. The sample size is aligned with prior research (Iatridis, 2010; Pelucio-Grecco *et al.*, 2014; Eiler *et al.*, 2022; Kateb, 2024).

3.2 Measurement of variables

We categorize the variables into three categories: dependent variable (different FRQ metrics), independent variable (Ind-AS accounting standards), and control variables (company size, turnover, leverage, growth, equity issuance, debt issuance, audit quality, and insider ownership).

Dependent variable: Financial reporting quality (FRQ) is used as the dependent variable in this study. FRQ is an elusive concept (Bansal and Bashir, 2023). Although the FRQ concept continues to be widely used in accounting literature, no perfect metric exists to trace FRQ. In our study, consistent with prior research (Francis *et al.*, 2004; Barth *et al.*, 2008; Gowry *et al.*, 2025; Opare *et al.*, 2025), we operationalize FRQ using accounting- and market-based metrics and employ different regression models to investigate these metrics. Accounting-based FRQ metrics are derived using accounting data. Examples include earnings smoothness, timely loss recognition (TLR)/conservatism, benchmark beating, accrual-based and real earnings management (AEM and REM), earnings predictability, accruals quality, and earnings persistence. The second type involves market-based FRQ metrics that rely on the relationship between accounting amounts and market returns. Examples include value relevance (VR) and timeliness of earnings (Himanshu *et al.*, 2020). Together, these metrics capture transparency, relevance, and faithful representation of financial statements, which are the primary properties of high-quality financial reporting (Ahmed *et al.*, 2013). We employ different panel data regression models to quantify these metrics, as discussed in the later section.

Independent Variable: "Ind-AS" is employed as an independent variable. Following Kateb (2024), this variable is coded as one for post Ind-AS adoption period and zero for pre Ind-AS adoption period. These periods are already mentioned in section 3.1.

Control Variables: The study also controls the effect of other firm-specific variables that may influence FRQ. Following Land and Lang (2002), Liu *et al.* (2011), Dimitropoulos *et al.* (2013), and Cabán (2024), we use company size (SIZE), turnover (TURN), leverage (LEV), growth (GROWTH), equity issuance (EI), debt issuance (DI), operating cash-flows (OCF), audit quality (AUD), and insider ownership (INSIDER_OWN) as control variables. Their description is shown in Table 1.

3.3 Empirical model

Based on the structure and the nature of data, the linear models are applied to examine the effect of Ind-AS adoption on different FRQ metrics. These models regress Ind-AS variable on accounting- and market-based metrics of FRQ. We apply Breusch and Pagan Lagrangian multiplier (LM) test for random effects to choose between pooled ordinary least squares (OLS) and random effects (RE) model. The pooled OLS assumes no unobserved heterogeneity across cross-sections (Khan and Khan, 2024), while RE model assumes that individual-specific effects are random and have no correlation with the regressors in the model (Khan *et al.*, 2024). If p-value of LM test is less than 0.05, this test suggests that pooled OLS is not sufficient. Then, we apply Hausman test to select between the fixed effects (FE) model and the random effects model (Baltagi, 2005). The FE model controls for time-invariant unobserved heterogeneity

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Table 1. Description of the variables

Variable	Description	References
NI	Net income scaled by total assets	Lin *et al.* (2012)
ΔNI	Change in net income scaled by total assets	Capkun *et al.* (2016)
SIZE	Natural logarithm of total assets	Eiler *et al.* (2022)
GROWTH	Percentage change in sales	Viana *et al.* (2023)
LEV	Total liabilities divided by book value of equity	Ahmed *et al.* (2013), Barth *et al.* (2008)
EI	Percentage change in common equity	Ahmed *et al.* (2013), Viana *et al.* (2023)
DI	Percentage change in total liabilities	Ahmed *et al.* (2013), Viana *et al.* (2023)
TURN	Sales divided by total assets	Eiler *et al.* (2022)
OCF	Operating cash flows scaled by total assets	Eiler *et al.* (2022)
ΔOCF	Change in operating cash flows scaled by total assets	Eiler *et al.* (2022)
AUD	Audit firm size dummy (one for the Big-4 firms and zero otherwise)	van Tendeloo and Vanstraelen (2005), Viana *et al.* (2023)
INSIDER_OWN	Percentage of shares owned by insiders	
TAC	Total accruals (NI – OCF)	Doukakis (2014)
INDUM	Industry dummy following GICS codes	
IND-AS	Period dummy (one, if an observation relates to the post-Ind-AS adoption period and zero, if an observation relates to the pre-Ind-AS adoption period)	Eiler *et al.* (2022)
SPI	Small positive income. One if NI is between 0 and 0.01, 0 otherwise Barth *et al.* (2008)	Barth *et al.* (2008)
TLR	Timely loss recognition. One if NI < −0.20, zero otherwise Barth *et al.* (2008)	Barth *et al.* (2008), Ball and Shivakumar (2005)
AEM (DAC/PDAC)	Accrual-based earnings management uses discretionary and performance-matched discretionary accruals, computed in Appendix	Dechow *et al.* (1995), Eiler *et al.* (2022)
REM	Real earnings management, computed in Appendix	Roychowdhury (2006), Doukakis (2014)
$NIPS/P_0$	Net income per share scaled by the beginning stock price	Dimitropoulos *et al.* (2013)
RET	Natural logarithm of the ratio of stock price three months after the FY end to stock price nine months before the FY end	Dimitropoulos *et al.* (2013), Chehade and Procházka (2024)
BVEPS	Book value of equity per share obtained from the database	Barth *et al.* (2008)
EARN	Earnings before extraordinary items scaled by the beginning stock price	Barth *et al.* (2008)

Source(s): Based on literature

across cross-sections (Khan and Khan, 2024). If *p*-value of Hausman test is less than 0.05, this test suggests that FE model is preferred over RE model. The result of this test indicates that the fixed effects model is more appropriate for all FRQ metrics, except small positive net income (SPI) metric.

We use robust standard errors [1] [heteroscedasticity and autocorrelation consistent (HAC)] to take care of heteroscedasticity problem (Hoechle, 2007). We check multi-collinearity in all models by using variance inflation factor (VIF) values. These values (not reported for brevity) are below the threshold of 10, indicating no serious multi-collinearity problem (Jermakowicz *et al.*, 2018). We also include the industry dummy (INDUM) following Global Industry Classification (GIC) in our models to control industry effects. We control the

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outliers by winsorizing the variables at a 5% level in all models, aligned with previous FRQ studies (Barth *et al.*, 2008; Liu *et al.*, 2011). Table 1 describes all variables used in the models.

3.3.1 Impact of Ind-AS adoption on accounting-based FRQ metrics. The following regression equations are estimated to examine the impact of Ind-AS adoption on accounting-based FRQ metrics (as discussed in section 3.2).

3.3.1.1 Earnings smoothness. High earnings smoothness often indicates high earnings management (EM) (Capkun *et al.*, 2016). We use the following three sub-metrics to capture earnings smoothness. The first sub-metric depends on the earnings variability metric [$\sigma^2(\Delta NI^*)$] that is the variance of residuals from Equation (1), where the change in earnings (ΔNI) is regressed on control variables identified in prior research (Barth *et al.*, 2008), as shown in:

$$\Delta NI_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 LEV_{it} + \beta_4 EI_{it} + \beta_5 DI_{it} + \beta_6 TURN_{it} + \beta_7 OCF_{it} + \beta_8 AUD_{it} + \beta_9 INSIDER_OWN_{it} + \varepsilon_{it} \quad (1)$$

The second sub-metric [$\sigma^2(\Delta NI^*)/\sigma^2(\Delta OCF^*)$] is based on the mean ratio of the variance of residuals [$\sigma^2(\Delta NI^*)$] from Equation (1) to the variance of residuals from Equation (2), where the change in operating cash flows (ΔOCF) is regressed on control variables.

$$\Delta OCF_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 LEV_{it} + \beta_4 EI_{it} + \beta_5 DI_{it} + \beta_6 TURN_{it} + \beta_7 OCF_{it} + \beta_8 AUD_{it} + \beta_9 INSIDER_OWN_{it} + \varepsilon_{it} \quad (2)$$

The last sub-metric [ρ (TAC^*, OCF^*)] is based on the correlation between total accruals (TAC) residuals from Equation (3) and operating cash flows (OCF) residuals from Equation (4), as follows:

$$TAC_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 LEV_{it} + \beta_4 EI_{it} + \beta_5 DI_{it} + \beta_6 TURN_{it} + \beta_7 AUD_{it} + \beta_8 INSIDER_OWN_{it} + \varepsilon_{it} \quad (3)$$

$$OCF_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 LEV_{it} + \beta_4 EI_{it} + \beta_5 DI_{it} + \beta_6 TURN_{it} + \beta_7 AUD_{it} + \beta_8 INSIDER_OWN_{it} + \varepsilon_{it} \quad (4)$$

We separately compare the residuals from all equations for the pre-Ind-AS and post-Ind-AS adoption periods.

3.3.1.2 Benchmark beating and timely loss recognition (TLR). Small positive net income (SPI) is widely acknowledged as a manifestation of managing earnings toward a non-negative benchmark. These practices erode FRQ (Barth *et al.*, 2008). Further, companies with high FRQ recognize large losses when incurred rather than being postponed (Ball and Shivakumar, 2005). To evaluate the effect of Ind-AS on SPI and TLR, we estimate the following regression Equations (5) and (6):

$$SPI_{it} = \beta_0 + \beta_1 Ind-AS_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 EI_{it} + \beta_6 DI_{it} + \beta_7 TURN_{it} + \beta_8 OCF_{it} + \beta_9 AUD_{it} + \beta_{10} INSIDER_OWN_{it} + \varepsilon_{it} \quad (5)$$

$$TLR_{it} = \beta_0 + \beta_1 Ind-AS_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 EI_{it} + \beta_6 DI_{it} + \beta_7 TURN_{it} + \beta_8 OCF_{it} + \beta_9 AUD_{it} + \beta_{10} INSIDER_OWN_{it} + \varepsilon_{it} \quad (6)$$

3.3.1.3 Earnings management (EM). The extant literature has primarily documented two kinds of earnings management (EM) (Doukakis, 2014; Viana *et al.*, 2023): (1) Accrual-

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based EM (AEM) and (2) Real EM (REM). AEM refers to the manipulation of earnings through opportunistic exploitation of accounting standards. For example, companies might inflate revenue and understate expenses to show higher earnings during a specific period. Managers achieve REM by altering the timing of the decisions that affect real cash flows and reported earnings. Unlike AEM, REM is difficult to detect using conventional auditing procedures (Roychowdhury, 2006; Doukakis, 2014). For instance, companies might cut spending on R&D, advertising, or training programs to improve short-term earnings. Both AEM and REM undermine FRQ by obscuring the true financial position of a company.

The metric for accrual-based EM (AEM) is discretionary accruals (DAC) computed following the modified Jones model (Dechow *et al.*, 1995). Similarly, we estimate real EM (REM) following Roychowdhury's (2006) model. In line with (Doukakis, 2014), we estimate the following equations to evaluate the effect of Ind-AS on AEM and REM. We employ the same control variables as used in the earlier equations.

$$DAC_{it} = \beta_0 + \beta_1 Ind - AS_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 EI_{it} + \beta_6 DI_{it} + \beta_7 TURN_{it} + \beta_8 OCF_{it} + \beta_9 AUD_{it} + \beta_{10} INSIDER_OWN_{it} + \varepsilon_{it} \quad (7)$$

$$REM_{it} = \beta_0 + \beta_1 Ind - AS_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 EI_{it} + \beta_6 DI_{it} + \beta_7 TURN_{it} + \beta_8 OCF_{it} + \beta_9 AUD_{it} + \beta_{10} INSIDER_OWN_{it} + \varepsilon_{it} \quad (8)$$

3.3.1.4 Accruals quality (AcQ). Researchers often use accruals quality as a metric for assessing FRQ. Francis *et al.* (2004) and Zeghal *et al.* (2012) report that earnings are of high quality if they map into operating cash flows more closely. Following Al-Enzy *et al.* (2023), we compute AcQ residuals based on Dechow and Dichev's (2002) model. We regress the computed residuals on indicator variable 'Ind-AS' and control variables, as considered in the above models.

$$AcQ^{*}_{it} = \beta_0 + \beta_1 Ind - AS_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 LEV_{it} + \beta_5 EI_{it} + \beta_6 DI_{it} + \beta_7 TURN_{it} + \beta_8 OCF_{it} + \beta_9 AUD_{it} + \beta_{10} INSIDER_OWN_{it} + \varepsilon_{it} \quad (9)$$

3.3.1.5 Earnings persistence. More persistent earnings signal high FRQ because they capture earnings sustainability. Persistent earnings generate better inputs for equity valuation models (Dechow *et al.*, 2010; Dichev *et al.*, 2013). Following prior studies (Atwood *et al.*, 2011), we estimate the following equation by regressing future period earnings on current earnings. We add an indicator variable, 'Ind-AS', and the interaction of this variable with current earnings to evaluate the effect of Ind-AS on earnings persistence.

$$NI_{it+1} = \beta_0 + \beta_1 (Ind - AS{*}NI)_{it} + \beta_2 NI_{it} + \beta_3 Ind - AS_{it} + \beta_4 SIZE_{it} + \beta_5 GROWTH_{it} + \beta_6 LEV_{it} + \beta_7 EI_{it} + \beta_8 DI_{it} + \beta_9 TURN_{it} + \beta_{10} OCF_{it} + \beta_{11} AUD_{it} + \beta_{12} INSIDER_OWN_{it} + \varepsilon_{it} \quad (10)$$

3.3.1.6 Earnings predictability. This metric defines how well the earnings predict or explain year-ahead cash flows. According to FASB's conceptual framework, earnings predictability is also a constituent of "relevance" and, thus, a desirable metric from the perspective of standard setters (Francis *et al.*, 2004). To test the effect of Ind-AS on earnings predictability, we regress year-ahead cash flows on indicator variable "Ind-AS," "current earnings (NI)," interaction variable, "Ind-AS*NI," and control variables (Mollah *et al.*, 2019).

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$$OCF_{it+1} = \beta_0 + \beta_1(Ind - AS{*}NI)_{it} + \beta_2 NI_{it} + \beta_3 Ind - AS_{it} + \beta_4 SIZE_{it} + \beta_5 GROWTH_{it} + \beta_6 LEV_{it} + \beta_7 EI_{it} + \beta_8 DI_{it} + \beta_9 TURN_{it} + \beta_{10} OCF_{it} + \beta_{11} AUD_{it} + \beta_{12} INSIDER_OWN_{it} + \varepsilon_{it} \quad (11)$$

3.3.2 Impact of Ind-AS adoption on market-based FRQ metrics. The following regression equations are estimated to examine the impact of Ind-AS adoption on market-based FRQ metrics (as discussed in section 3.2).

3.3.2.1 Earnings timeliness. Researchers contend that the timeliness of earnings is a desirable metric of FRQ (Zeghal *et al.*, 2012). Decision-makers perceive that timely information enhances relevance and reliability. Following prior literature (Dimitropoulos *et al.*, 2013), we use Basu's (1997) model. To test the effect of Ind-AS on the timeliness of earnings, we add an indicator variable "Ind-AS" and interaction terms with Ind-AS to the model.

$$NIPS/P_{0it} = \beta_0 + \beta_1 D_{it} + \beta_2 RET_{it} + \beta_3 (D{*}RET)_{it} + \beta_4 Ind - AS_{it} + \beta_5 (Ind - AS{*}D)_{it} + \beta_6 (Ind - AS{*}RET)_{it} + \beta_7 (Ind - AS{*}D{*}RET)_{it} + \beta_8 SIZE_{it} + \beta_9 GROWTH_{it} + \beta_{10} LEV_{it} + \beta_{11} EI_{it} + \beta_{12} DI_{it} + \beta_{13} TURN_{it} + \beta_{14} OCF_{it} + \beta_{15} AUD_{it} + \beta_{16} INSIDER_OWN_{it} + \varepsilon_{it} \quad (12)$$

Here, D_{it} is an indicator variable [1 for negative return (RET); 0 otherwise].

3.3.2.2 Value relevance (VR). VR metric explains the association between accounting data (earnings) and stock price. Following prior studies (Barth *et al.*, 2008), we derive the first VR metric based on its explanatory power (R^2) from the price-earnings model. First, we regress stock price on industry fixed effects to obtain a metric that remains unaffected by mean differences across industries. Next, we use the residuals (P*) from this regression as a dependent variable in the following price-earnings equation:

$$P^*_{it} = \beta_0 + \beta_1 NIPS_{it} + \beta_2 BVEPS_{it} + \varepsilon_{it} \quad (13)$$

We compute the second and third VR metrics using the R^2 of the following reverse regression equation where NIPS scaled by the stock price at the beginning is regressed on the annual stock return (RETURN).

$$NIPS/P^*_{0it} = \beta_0 + \beta_1 RET_{it} + \varepsilon_{it} \quad (14)$$

We estimate the equations for the pre-Ind-AS and post-Ind-AS adoption periods separately. We also separately estimate Equation (14) for companies with positive and negative returns.

4. Empirical results

This section depicts the empirical results of the models employed in this study. It provides evidence on the impact of mandatory Ind-AS adoption on accounting- and market-based FRQ metrics in Indian listed companies.

4.1 Descriptive statistics

Table 2 shows the descriptive statistics of the variables for pre-Ind-AS and post-Ind-AS adoption periods, along with the univariate tests. The mean of the small positive net income metric (SPI) decreased from 0.052 to 0.036 and that of timely loss recognition (TLR) increased

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Table 2. Descriptive statistics

Variables	Pre Ind-AS			Post Ind-AS			Mean difference	Median difference
	Mean	Median	SD	Mean	Median	SD		
ΔNI	0.008	0.007	0.027	0.005	0.006	0.025	−0.003***	−0.001***
ΔOCF	0.015	0.015	0.061	0.007	0.006	0.060	−0.008***	−0.009***
OCF	0.097	0.094	0.069	0.095	0.092	0.063	−0.002	−0.002
TAC	−0.030	−0.032	0.066	−0.027	−0.028	0.062	0.003	0.004
SPI	0.052	0.000	0.221	0.036	0.000	0.187	−0.016*	0.000*
TLR	0.004	0.000	0.066	0.006	0.000	0.077	0.002	0.000
AEM (DAC)	0.002	0.001	0.056	−0.002	−0.002	0.055	−0.004**	−0.004*
AEM (PDAC)	0.003	0.004	0.052	−0.003	−0.003	0.051	−0.006***	−0.007***
REM	−0.096	0.175	0.982	0.142	0.331	0.815	0.238***	0.156***
RET	0.122	0.113	0.355	−0.138	−0.061	0.700	−0.260***	−0.174***
Controls								
SIZE	10.925	10.669	1.340	11.250	11.059	1.267	0.325***	0.390***
GROWTH	0.103	0.104	0.137	0.082	0.078	0.147	−0.021***	−0.026***
LEV	1.558	1.216	1.209	1.351	0.939	1.175	−0.207***	−0.277***
EI	0.026	0.000	0.081	0.025	0.000	0.083	0.001	0.000***
DI	0.098	0.067	0.200	0.095	0.068	0.209	−0.003	0.001
TURN	0.937	0.847	0.494	0.856	0.791	0.449	−0.081***	−0.056***
INSIDER_OWN	0.081	0.004	0.143	0.078	0.005	0.140	−0.003	0.001***

Note(s): ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$. Table 1 defines all variables. Data are obtained from the Compustat Global database

Source(s): Authors' own work

from 0.004 to 0.006, indicating fewer instances of benchmark beating and more instances of TLR after the adoption of Ind-AS. Interestingly, the mean and median values of accrual-based earnings management (EM) (measured by discretionary accruals, DAC and PDAC) are significantly lower, and those of real EM (REM) are higher in the post-Ind-AS adoption period, revealing that companies might have shifted their focus from AEM to REM after the adoption of Ind-AS. These results provide preliminary evidence of high FRQ and substitution effects during the post-Ind-AS adoption period.

4.2 Impact of mandatory Ind-AS adoption on accounting-based FRQ metrics

This section examines the hypothesis (H1) of whether adopting Ind-AS improves accounting-based FRQ metrics in Indian-listed companies. Using Equations (1)–(4), Table 3 provides the estimates of the three sub-metrics of earnings smoothness during pre- and post-Ind-AS adoption periods. Panel A shows the values of the first sub-metric [$\sigma^2(\Delta NI^*)$] with the *t*-test of mean difference and Wilcoxon signed-rank test for the median difference. Panel B depicts the values of the mean ratio [$\sigma^2(\Delta NI^*)/\sigma^2(\Delta OCF^*)$] with the F-test of equality of variances. Panel C provides the correlations between total accruals residuals and operating cash flows residuals [ρ (TAC^*, OCF^*)]. The values of [$\sigma^2(\Delta NI^*)$] and values of [$\sigma^2(\Delta NI^*)/\sigma^2(\Delta OCF^*)$] are 0.0036 and 0.6709, respectively, which are higher and statistically significant, providing evidence of lower earnings smoothness after the implementation of Ind-AS.

Table 4 depicts the results of the benchmark beating (using SPI) and timely loss recognition (TLR) metrics. Panel A and panel B reveal the coefficient of interest (β_1) for 'IND-AS' is consistently negative (under random effects and logistic regression models, significant at $p < 0.10$) and is positive (under fixed effects model, significant at $p < 0.05$), respectively. Together, these results imply that companies are less likely to be involved in benchmark beating and more likely to report large losses promptly as they occur after the adoption of Ind-AS.

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Table 3. Results of the earnings smoothness model

	Pre-Ind-AS	Post-Ind-AS	Mean difference	Median difference
Panel A. Estimate of ΔNI [$\sigma^2(\Delta NI^*)$] during pre-Ind-AS and post-Ind-AS adoption period				
Pooled OLS	0.0029	0.0036	−0.0040	−0.0004
Pooled OLS_INDUM	0.0029	0.0036	−0.0040	−0.0006
Fixed effect	0.0029	0.0036	−0.0041*	−0.0004

	Pre-Ind-AS	Post-Ind-AS
Panel B. Estimate of $\sigma^2(\Delta NI^*)$ /$\sigma^2(\Delta OCF^*)$ during pre-Ind-AS and post-Ind-AS adoption period		
Pooled OLS	0.6233	0.6709***
Pooled OLS_INDUM	0.6247	0.6709***
Fixed effect	0.6228	0.6705***
Panel C. Estimate of ρ (TAC, OCF*) during -pre-Ind-AS and post-Ind-AS adoption period*		
Pooled OLS	−0.0666**	−0.0729**
Pooled OLS_INDUM	−0.0687**	−0.0749**
Fixed effect	−0.0670**	−0.0677**

Note(s): ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$; INDUM denotes the results with an industry dummy. Data are obtained from the Compustat Global database

Source(s): Authors' own work

Table 5 depicts the results of AEM and REM metrics. Panel A and panel B exhibit that the coefficient of interest (β_1) for "IND-AS" is consistently negative (under fixed effects and pooled OLS models, significant at $p < 0.01$) and is positive (under the pooled OLS model, significant at $p < 0.05$), respectively. These results imply that companies are unlikely to engage in AEM but tend to indulge in REM after the implementation of Ind-AS. We used performance-adjusted discretionary accruals (PDAC) following the model propounded by Kothari *et al.* (2005), an alternative proxy of AEM for robustness check. The results remain unchanged, as shown in Table 5. Further, AEM can influence REM or vice-versa, so we include both of them as control variables in Panel C and D, respectively, for robustness (Doukakis, 2014). Both panels show similar results.

In Table 6, the negative and significant coefficient for "IND-AS" signals a low standard deviation of AcQ residuals and high accruals quality (AcQ) after the implementation of Ind-AS. Further, panels A and B of Table 7 depict the results corresponding to the impact of Ind-AS on earnings persistence and predictability, respectively. The significantly positive coefficient for "IND-AS*NI" reveals that earnings reported under the Ind-AS regime have better persistence and predictability than the pre-Ind-AS earnings.

4.3 Impact of mandatory Ind-AS adoption on market-based FRQ metrics

This section examines the hypothesis (H2) of whether adopting Ind-AS improves market-based FRQ metrics in Indian-listed companies. Table 8 shows the results of the earnings timeliness metric. The coefficient of interaction term 'IND-AS*D*RET' (β_7) is significantly positive at $p < 0.05$, reflecting that earnings reflect variance in returns on a timely basis rather than deferring to future periods after the adoption of Ind-AS. Further, Table 9 provides the results of value relevance. Panels A and B show higher explanatory power (R^2 and adjusted R^2) from the price-earnings and reverse regression models, respectively, in the post-Ind-AS

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Table 4. Results of the SPI and TLR models

Panel A. Benchmark beating (SPI) Dependent variable: SPI	Random effect	Pooled OLS	Logistic regression woINDUM	INDUM
IND-AS	−0.0121	−0.0116	−0.374*	−0.375*
	(0.00944)	(0.00843)	(0.220)	(0.220)
SIZE	−0.00238	−0.00357	−0.0649	−0.0656
	(0.00398)	(0.00367)	(0.0946)	(0.0949)
GROWTH	−0.0739**	−0.0846***	−1.902**	−1.907**
	(0.0322)	(0.0313)	(0.747)	(0.749)
LEV	0.0369***	0.0366***	0.632***	0.632***
	(0.00641)	(0.00393)	(0.0810)	(0.0814)
EI	0.0446	0.0487	0.992	0.986
	(0.0454)	(0.0506)	(1.242)	(1.243)
DI	−0.0292	−0.0347	−0.960	−0.961*
	(0.0204)	(0.0215)	(0.584)	(0.584)
TURN	−0.0372***	−0.0328***	−0.795***	−0.790***
	(0.0104)	(0.00990)	(0.275)	(0.279)
OCF	−0.153**	−0.172**	−7.068***	−7.084***
	(0.0701)	(0.0691)	(1.956)	(1.963)
AUD	0.000986	0.00335	0.197	0.195
	(0.0105)	(0.0101)	(0.267)	(0.268)
INSIDER_OWN	−0.0539*	−0.0658**	−1.992**	−1.996**
	(0.0289)	(0.0295)	(0.979)	(0.980)
CONSTANT	0.0833*	0.0909**	−1.994*	−2.010*
	(0.0437)	(0.0438)	(1.134)	(1.146)
R^2#	0.024	0.067	0.167	0.167
Adjusted R^2	–	0.062	–	–

Panel B. Timely loss recognition Dependent variable: TLR	Fixed effect	Pooled OLS	Logistic regression woINDUM	INDUM
IND-AS	0.00912**	0.000509	0.187	0.142
	(0.00386)	(0.00302)	(0.644)	(0.653)
SIZE	−0.0224***	0.000576	0.132	0.146
	(0.00836)	(0.00131)	(0.282)	(0.281)
GROWTH	−0.0349*	−0.0372***	−5.035**	−5.150**
	(0.0192)	(0.0112)	(2.259)	(2.279)
LEV	0.000782	−0.00256*	−0.403	−0.388
	(0.00837)	(0.00141)	(0.321)	(0.318)
EI	0.0636*	0.0828***	6.847***	6.721***
	(0.0336)	(0.0181)	(2.128)	(2.138)
DI	0.00133	−0.00265	−0.283	−0.283
	(0.00871)	(0.00770)	(1.516)	(1.511)
TURN	0.0130	0.00682*	0.678	0.795
	(0.0206)	(0.00354)	(0.652)	(0.665)
OCF	−0.134**	−0.118***	−26.06***	−25.93***
	(0.0633)	(0.0247)	(6.955)	(6.985)
AUD	−0.00506	−0.00360	−0.608	−0.622
	(0.00434)	(0.00362)	(1.081)	(1.083)
INSIDER_OWN	−0.00393	−0.00616	−1.261	−1.670
	(0.0124)	(0.0105)	(3.157)	(3.241)
CONSTANT	0.252**	0.00507	−5.609*	−6.553*
	(0.102)	(0.0157)	(3.232)	(3.353)
R^2#	0.024	0.025	0.296	0.303
Adjusted R^2	0.019	0.020	–	–

Note(s): HAC consistent robust standard errors are in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$; For the logit estimations, Pseudo R^2 is presented; woINDUM denotes the results without an industry dummy; INDUM denotes the results with an industry dummy. Data are obtained from the Compustat Global database

Source(s): Authors' own work

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Table 5. Results of the AEM and REM models

Panel A. AEM (without REM as a control variable)						
Dependent variable: AEM (DAC/PDAC)	Fixed effect (DAC)	Pooled OLS (DAC) woINDUM	Pooled OLS (DAC) INDUM	Fixed effect (PDAC)	Pooled OLS (PDAC) woINDUM	Pooled OLS (PDAC) INDUM
IND-AS	−0.00469**	−0.00862***	−0.00863***	−0.00559***	−0.00849***	−0.00851***
	(0.00229)	(0.00196)	(0.00196)	(0.00172)	(0.00147)	(0.00148)
SIZE	0.00461	0.00577***	0.00577***	0.000560	0.00166***	0.00167***
	(0.00527)	(0.000855)	(0.000855)	(0.00386)	(0.000643)	(0.000643)
GROWTH	0.0357***	0.0520***	0.0521***	0.0502***	0.0605***	0.0610***
	(0.00760)	(0.00724)	(0.00728)	(0.00625)	(0.00544)	(0.00547)
LEV	−0.0130***	−0.0205***	−0.0205***	−0.00756***	−0.0129***	−0.0129***
	(0.00298)	(0.000909)	(0.000916)	(0.00228)	(0.000683)	(0.000688)
EI	−0.0185*	−0.0626***	−0.0625***	−0.0191**	−0.0527***	−0.0526***
	(0.0111)	(0.0118)	(0.0118)	(0.00912)	(0.00885)	(0.00885)
DI	0.0127**	0.0163***	0.0163***	0.00673	0.00816**	0.00828**
	(0.00577)	(0.00501)	(0.00501)	(0.00454)	(0.00376)	(0.00377)
TURN	0.0548***	0.0204***	0.0204***	0.0389***	0.0155***	0.0153***
	(0.0120)	(0.00227)	(0.00231)	(0.00962)	(0.00170)	(0.00173)
OCF	−0.832***	−0.549***	−0.549***	−0.883***	−0.689***	−0.689***
	(0.0299)	(0.0160)	(0.0161)	(0.0235)	(0.0121)	(0.0121)
AUD	−0.00122	−0.00313	−0.00311	−0.00121	−0.00360**	−0.00350**
	(0.00345)	(0.00235)	(0.00235)	(0.00247)	(0.00177)	(0.00177)
INSIDER_OWN	0.00210	0.00591	0.00598	−8.97e−05	−0.00182	−0.00148
	(0.0144)	(0.00684)	(0.00686)	(0.00990)	(0.00514)	(0.00516)
CONSTANT	−0.00326	−0.000142	0.000136	0.0527	0.0526***	0.0538***
	(0.0621)	(0.00997)	(0.0102)	(0.0463)	(0.00750)	(0.00766)
R^2	0.586	0.392	0.392	0.723	0.607	0.607
Adjusted R^2	0.584	0.389	0.389	0.722	0.605	0.605

(*continued*)

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Table 5. Continued

Panel B. REM (without AEM as a control variable)

Dependent variable: REM	Fixed effect	Pooled OLS woINDUM	Pooled OLS INDUM
IND-AS	0.0365	0.195**	0.191**
	(0.0882)	(0.0783)	(0.0782)
SIZE	0.427	0.618***	0.621***
	(0.343)	(0.0341)	(0.0341)
GROWTH	3.281***	2.299***	2.390***
	(0.745)	(0.289)	(0.290)
LEV	−0.335	0.0489	0.0363
	(0.208)	(0.0363)	(0.0365)
EI	−1.279*	−1.384***	−1.363***
	(0.749)	(0.470)	(0.469)
DI	−0.156	−0.161	−0.138
	(0.219)	(0.200)	(0.200)
TURN	−1.956	0.134	0.0855
	(1.289)	(0.0905)	(0.0918)
OCF	−0.967	−3.410***	−3.258***
	(0.998)	(0.640)	(0.641)
AUD	0.0760	0.0264	0.0461
	(0.0682)	(0.0937)	(0.0938)
INSIDER_OWN	0.209	0.343	0.410
	(0.480)	(0.273)	(0.273)
CONSTANT	−2.713	−7.014***	−6.769***
	(4.905)	(0.398)	(0.406)
R^2	0.103	0.201	0.204
Adjusted R^2	0.099	0.197	0.201

(*continued*)

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Table 5. Continued

Panel C. AEM (REM as a control variable)

Dependent variable: AEM (DAC/PDAC)	Fixed effect (DAC)	Pooled OLS (DAC) woINDUM	Pooled OLS (DAC) INDUM	Fixed effect (PDAC)	Pooled OLS (PDAC) woINDUM	Pooled OLS (PDAC) INDUM
IND-AS	−0.00468**	−0.00836***	−0.00837***	−0.00558***	−0.00827***	−0.00829***
	(0.00230)	(0.00196)	(0.00196)	(0.00172)	(0.00147)	(0.00147)
SIZE	0.00456	0.00664***	0.00665***	0.000447	0.00241***	0.00244***
	(0.00528)	(0.000913)	(0.000914)	(0.00390)	(0.000686)	(0.000687)
GROWTH	0.0354***	0.0552***	0.0555***	0.0494***	0.0633***	0.0640***
	(0.00754)	(0.00733)	(0.00738)	(0.00609)	(0.00551)	(0.00554)
LEV	−0.0130***	−0.0204***	−0.0205***	−0.00747***	−0.0128***	−0.0129***
	(0.00289)	(0.000908)	(0.000915)	(0.00217)	(0.000683)	(0.000687)
EI	−0.0184*	−0.0645***	−0.0645***	−0.0188**	−0.0544***	−0.0543***
	(0.0109)	(0.0118)	(0.0118)	(0.00885)	(0.00885)	(0.00885)
DI	0.0127**	0.0161***	0.0162***	0.00674	0.00801**	0.00815**
	(0.00577)	(0.00500)	(0.00501)	(0.00452)	(0.00376)	(0.00376)
TURN	0.0550***	0.0207***	0.0205***	0.0394***	0.0157***	0.0154***
	(0.0110)	(0.00226)	(0.00230)	(0.00876)	(0.00170)	(0.00173)
OCF	−0.832***	−0.553***	−0.553***	−0.883***	−0.693***	−0.692***
	(0.0302)	(0.0161)	(0.0162)	(0.0237)	(0.0121)	(0.0121)
AUD	−0.00123	−0.00311	−0.00306	−0.00122	−0.00359**	−0.00346*
	(0.00345)	(0.00235)	(0.00235)	(0.00248)	(0.00176)	(0.00177)
INSIDER_OWN	0.00208	0.00635	0.00652	−0.000139	−0.00144	−0.00100
	(0.0144)	(0.00683)	(0.00686)	(0.00991)	(0.00513)	(0.00515)
REM	9.12e−05	−0.00141***	−0.00142***	0.000249	−0.00122***	−0.00124***
	(0.00129)	(0.000521)	(0.000522)	(0.00107)	(0.000391)	(0.000392)
CONSTANT	−0.00288	−0.0100	−0.00944	0.0535	0.0441***	0.0455***
	(0.0625)	(0.0106)	(0.0108)	(0.0470)	(0.00797)	(0.00810)
R^2	0.586	0.394	0.394	0.723	0.609	0.609
Adjusted R^2	0.584	0.391	0.391	0.722	0.606	0.606

(*continued*)

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Table 5. Continued

Panel D. REM (AEM as a control variable)

Dependent variable: REM	Fixed effect (REM)	Pooled OLS (REM) woINDUM	Pooled OLS (REM) INDUM	Fixed effect (REM)	Pooled OLS (REM) woINDUM	Pooled OLS (REM) INDUM
IND-AS	0.0375	0.176**	0.172**	0.0417	0.166**	0.161**
	(0.0890)	(0.0785)	(0.0784)	(0.0888)	(0.0787)	(0.0786)
SIZE	0.427	0.631***	0.634***	0.427	0.624***	0.627***
	(0.336)	(0.0344)	(0.0344)	(0.343)	(0.0341)	(0.0341)
GROWTH	3.274***	2.416***	2.507***	3.234***	2.507***	2.602***
	(0.773)	(0.292)	(0.293)	(0.791)	(0.296)	(0.297)
LEV	−0.332	0.00282	−0.00999	−0.328	0.00477	−0.00880
	(0.206)	(0.0400)	(0.0402)	(0.203)	(0.0389)	(0.0391)
EI	−1.275*	−1.524***	−1.504***	−1.261*	−1.564***	−1.546***
	(0.749)	(0.472)	(0.471)	(0.742)	(0.472)	(0.471)
DI	−0.158	−0.124	−0.101	−0.162	−0.133	−0.109
	(0.243)	(0.200)	(0.200)	(0.234)	(0.200)	(0.199)
TURN	−1.967	0.180**	0.132	−1.992	0.188**	0.139
	(1.305)	(0.0919)	(0.0932)	(1.315)	(0.0919)	(0.0932)
OCF	−0.792	−4.643***	−4.495***	−0.140	−5.772***	−5.656***
	(3.208)	(0.785)	(0.785)	(4.122)	(0.993)	(0.992)
AUD	0.0762	0.0193	0.0390	0.0771	0.0140	0.0338
	(0.0697)	(0.0936)	(0.0937)	(0.0704)	(0.0936)	(0.0937)
INSIDER_OWN	0.208	0.357	0.423	0.209	0.337	0.405
	(0.480)	(0.272)	(0.273)	(0.481)	(0.272)	(0.273)
DAC	0.210	−2.248***	−2.255***			
	(2.914)	(0.829)	(0.828)	–	–	–
PDAC	–	–	–	0.936	−3.427***	−3.483***
				(3.791)	(1.103)	(1.101)
CONSTANT	−2.712	−7.015***	−6.768***	−2.762	−6.834***	−6.581***
	(4.905)	(0.397)	(0.405)	(4.992)	(0.401)	(0.410)
R^2	0.103	0.204	0.207	0.103	0.205	0.208
Adjusted R^2	0.098	0.200	0.203	0.098	0.200	0.203

Note(s): HAC consistent robust standard errors are in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$; woINDUM denotes the results without an industry dummy; INDUM denotes the results with an industry dummy. Data are obtained from the Compustat Global database

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Table 6. Results of the accruals quality (AcQ) model

Dependent variable: AcQ residuals	Fixed effect	Pooled OLS woINDUM	Pooled OLS INDUM
IND-AS	−0.00916**	−0.00745***	−0.00744***
	(0.00375)	(0.00280)	(0.00280)
SIZE	0.00587	−0.00451***	−0.00452***
	(0.00705)	(0.00122)	(0.00122)
GROWTH	−0.00430	0.0183*	0.0180*
	(0.0137)	(0.0103)	(0.0104)
LEV	−0.00631*	−0.00461***	−0.00457***
	(0.00326)	(0.00130)	(0.00131)
EI	0.0838***	0.0609***	0.0609***
	(0.0234)	(0.0168)	(0.0168)
DI	−0.0548***	−0.0606***	−0.0607***
	(0.0111)	(0.00715)	(0.00715)
TURN	0.0279**	−0.00316	−0.00301
	(0.0135)	(0.00323)	(0.00329)
OCF	−0.0710*	−0.0730***	−0.0735***
	(0.0369)	(0.0229)	(0.0230)
AUD	0.00479	0.00475	0.00469
	(0.00508)	(0.00335)	(0.00336)
INSIDER_OWN	−0.0183	−0.000177	−0.000380
	(0.0258)	(0.00976)	(0.00979)
CONSTANT	−0.0657	0.0719***	0.0711***
	(0.0799)	(0.0142)	(0.0146)
R^2	0.052	0.058	0.058
Adjusted R^2	0.047	0.053	0.053

Note(s): HAC consistent robust standard errors are in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$; woINDUM denotes the results without an industry dummy; INDUM denotes the results with an industry dummy. Data are obtained from the Compustat Global database

Source(s): Authors' own work

adoption period. Therefore, the market-based metrics provide evidence of enhanced FRQ after Ind-AS adoption and, thus, support the hypothesis (H2).

The models are estimated without the 2016 and 2017 transition years (i.e. the immediate years before and after the Ind-AS adoption). The results of this robustness check (untabulated for brevity) remain unchanged. Overall, the results show that companies exhibit a higher FRQ after the adoption of principle-based Ind-AS. The results remain robust even after employing different metrics to measure FRQ.

4.4 Test of endogeneity [2]

Prior literature (Cameran *et al.*, 2014; Bryce *et al.*, 2015) argued that impact of IFRS on FRQ may subject to endogeneity issues. These issues arise when the independent variables correlate with the error term (Chenhall and Moers, 2007). The endogeneity may lead to biased and inconsistent coefficient estimates (Dyreng *et al.*, 2025). Existing literature suggests the application of two-stage least squares (2SLS) method to tackle potential endogeneity issues in accounting research (Van Tendeloo and Vanstraelen, 2005; Xu *et al.*, 2023; Khan *et al.*, 2025). Although the potential endogeneity problem that often appears in cross-country studies is mitigated by concentrating on a single country, we still apply the Durbin-Wu-Hausman test for checking endogeneity, consistent with Van Tendeloo and Vanstraelen (2005). The test results show insignificant *p*-values in all models, except earnings timeliness model in Equation (12). These results imply that the models do not suffer from endogeneity problems. Thus, pooled

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Table 7. Results of the earnings persistence and predictability models

Panel A. Earnings persistence Dependent variable Future period earnings	Fixed effect	Pooled OLS woINDUM	Pooled OLS INDUM
IND-AS*NI	0.0904**	0.374***	0.373***
	(0.0349)	(0.0249)	(0.0248)
IND-AS	0.00468	−0.0342***	−0.0340***
	(0.00464)	(0.00343)	(0.00343)
NI	1.04e−06	−0.000102	−0.000087
	(6.39e−05)	(0.000234)	(0.000233)
SIZE	−0.0454***	−0.00324***	−0.00334***
	(0.00963)	(0.00123)	(0.00123)
GROWTH	0.0395**	0.0528***	0.0496***
	(0.0155)	(0.0104)	(0.0105)
LEV	−0.00297	−0.0156***	−0.0152***
	(0.00331)	(0.00134)	(0.00135)
EI	−0.00522	−0.0331*	−0.0340**
	(0.0143)	(0.0170)	(0.0170)
DI	−0.00570	−0.00480	−0.00564
	(0.00887)	(0.00728)	(0.00727)
TURN	0.0341**	0.0207***	0.0225***
	(0.0158)	(0.00328)	(0.00333)
OCF	0.169***	0.419***	0.413***
	(0.0338)	(0.0239)	(0.0239)
AUD	0.00139	0.00363	0.00291
	(0.00491)	(0.00338)	(0.00338)
INSIDER_OWN	0.0259	0.0249**	0.0225**
	(0.0266)	(0.00983)	(0.00985)
CONSTANT	0.527***	0.0733***	0.0643***
	(0.111)	(0.0144)	(0.0146)
R^2	0.130	0.437	0.439
Adjusted R^2	0.125	0.434	0.436

Panel B. Earnings predictability Dependent variable Future period cash flows	Fixed effect	Pooled OLS woINDUM	Pooled OLS INDUM
IND−AS*NI	−0.000921	0.173***	0.172***
	(0.0352)	(0.0312)	(0.0312)
IND−AS	0.00148	−0.0170***	−0.0169***
	(0.00464)	(0.00431)	(0.00431)
NI	0.000107	−5.73e−05	−4.67e−05
	(7.59e−05)	(0.000293)	(0.000293)
SIZE	−0.00546	−0.000104	−0.000177
	(0.0112)	(0.00154)	(0.00154)
GROWTH	−0.0249	−0.0116	−0.0140
	(0.0170)	(0.0131)	(0.0132)
LEV	−0.00210	−0.00675***	−0.00641***
	(0.00379)	(0.00168)	(0.00169)
EI	−0.0421*	−0.0435**	−0.0441**
	(0.0245)	(0.0213)	(0.0213)

(*continued*)

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Table 7. Continued

Panel B. Earnings predictability Dependent variable Future period cash flows	Fixed effect	Pooled OLS woINDUM	Pooled OLS INDUM
DI	−0.000447	0.0128	0.0122
	(0.0125)	(0.00913)	(0.00913)
TURN	0.0712***	0.0261***	0.0274***
	(0.0179)	(0.00412)	(0.00419)
OCF	−0.0411	0.549***	0.545***
	(0.0500)	(0.0300)	(0.0300)
AUD	0.000968	0.00497	0.00444
	(0.00509)	(0.00424)	(0.00425)
INSIDER_OWN	0.0259	0.00795	0.00617
	(0.0344)	(0.0123)	(0.0124)
CONSTANT	0.113	0.0448**	0.0382**
	(0.134)	(0.0180)	(0.0184)
R^2	0.028	0.264	0.265
Adjusted R^2	0.023	0.260	0.261

Note(s): HAC consistent robust standard errors are in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$; woINDUM denotes the results without an industry dummy; INDUM denotes the results with an industry dummy. Data are obtained from the Compustat Global database

Source(s): Authors' own work

OLS estimates are suitable for deriving inferences. However, we present the 2SLS regression estimates (in Table 8) to address the endogeneity problem in earnings timeliness model. We use robust standard errors to take care of heteroscedasticity problem, detected by White's test (p-value <0.05) (Hoechle, 2007). We apply the Durbin-Watson (D-W) test and Wooldridge test for detecting autocorrelation. The test statistic of D-W test is 1.838 (closer to 2) and the p-value of Wooldridge test is more than 0.05, suggesting no problem of autocorrelation (Palaniappan, 2017; Ravikumar *et al.*, 2022). The coefficient of interaction term "IND-AS*D*RET" (β_7) is positive in Table 8, consistent with baseline results. Prior studies (Yermack, 1996; Coles *et al.*, 2012) mentioned that fixed effect model could be applied to address endogeneity. The fixed-effect model is reliable if a panel dataset comprises large cross-sections and a short period (Schultz *et al.*, 2010). Thus, we present this model's results to ensure robustness.

5. Discussion

Our empirical study exhibits evidence of increased earnings variability, a decreased tendency of benchmark beating, and an increased tendency to recognize bad news promptly in sample firms following the implementation of Ind-AS in India. These findings support the results of several studies that assessed the implications of IFRS on these FRQ metrics in developed markets (Barth *et al.*, 2008; Wakil and Petruska, 2022) and in emerging markets (Liu *et al.*, 2011; Key and Kim, 2020; Eiler *et al.*, 2022; Himanshu and Singh, 2022b). We also find a positive association between Ind-AS adoption and different accounting-based FRQ metrics such as accruals quality, earnings persistence, and predictability. The results support the findings of international studies (Mollah *et al.*, 2019; Wakil and Petruska, 2022; Melgarejo, 2024; Li *et al.*, 2025), which found similar results in developed and emerging economies. These studies argued that adopting international standards can foster investors' confidence by ensuring more transparent reporting. Our findings reinforce the argument by showing that accounting reforms can elevate reporting benchmarks in emerging economies where institutional frameworks are still evolving.

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Table 8. Results of the earnings timeliness (Basu's model)

Dependent variable: NIPS/P_0	Fixed effect	Pooled OLS	2SLS woINDUM	INDUM
IND−AS	0.395	0.439***	0.249	0.249
	(0.278)	(0.098)	(0.168)	(0.168)
IND−AS*D	−0.385	−0.532***	−0.339*	−0.343*
	(0.297)	(0.138)	(0.182)	(0.182)
IND−AS*RET	−0.984	−1.039***	−0.779*	−0.776*
	(0.622)	(0.188)	(0.445)	(0.442)
IND−AS*D*RET	1.950**	0.964***	0.701	0.702
	(0.768)	(0.303)	(0.453)	(0.452)
D	−0.127	0.0115	−0.0798	−0.0787
	(0.0802)	(0.104)	(0.0762)	(0.0758)
RET	0.145*	0.0631	−0.0989	−0.100
	(0.0878)	(0.161)	(0.170)	(0.170)
D*RET	−1.144**	−0.0108	0.155	0.153
	(0.460)	(0.285)	(0.188)	(0.188)
SIZE	0.191	−0.0668***	−0.0658*	−0.0655*
	(0.143)	(0.0213)	(0.0343)	(0.0344)
GROWTH	0.0397	0.269	0.245	0.273
	(0.314)	(0.182)	(0.269)	(0.297)
LEV	0.108	0.0267	0.0275	0.0239
	(0.171)	(0.0230)	(0.0427)	(0.0448)
EI	0.0492	−0.0467	−0.0525	−0.0450
	(0.382)	(0.301)	(0.220)	(0.217)
DI	0.0141	0.0755	0.0619	0.0697
	(0.139)	(0.126)	(0.125)	(0.125)
TURN	0.170	−0.00316	0.0133	−0.00423
	(0.122)	(0.0578)	(0.0274)	(0.0273)
OCF	1.056**	0.818**	0.757**	0.815**
	(0.502)	(0.403)	(0.363)	(0.349)
AUD	0.0531	0.0676	0.0592*	0.0649**
	(0.0461)	(0.0570)	(0.0304)	(0.0303)
INSIDER_OWN	−0.199	−0.214	−0.234	−0.214
	(0.426)	(0.168)	(0.291)	(0.307)
CONSTANT	−2.520	0.727***	0.726**	0.811**
	(1.684)	(0.266)	(0.352)	(0.340)
R^2	0.057	0.060	0.057	0.058
Adjusted R^2	0.049	0.052	0.050	0.051

Note(s): HAC consistent robust standard errors are in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.10$. Due to the endogeneity problem in this model, the results of 2SLS (two−stage least squares) regression with robust standard errors are also presented. woINDUM denotes results without an industry dummy; INDUM denotes results with an industry dummy. Data are obtained from the Compustat Global database

Source(s): Authors' own work

On average, adopting Ind-AS improves accounting-based FRQ metrics in Indian-listed companies. These findings support our hypothesis (H1) and previous studies (Barth *et al.*, 2008; Zeghal *et al.*, 2012; Dimitropoulos *et al.*, 2013; Key and Kim, 2020; Lopez *et al.*, 2022; Lee and Choi, 2024; Kateb, 2024; Chen, 2025) who signaled reduced managerial incentives to degrade FRQ post-IFRS implementation in different economies. However, some studies (Ahmed *et al.*, 2013; Abdul-Baki and Haniffa, 2020; Agana *et al.*, 2023; Al-Enzy *et al.*, 2023; Lam *et al.*, 2023; De Luca *et al.*, 2024; Hsu and Yang, 2025) concluded the opposite. They showed evidence of FRQ erosion after IFRS adoption. The contrasting finding can be ascribed to reporting incentives, lax enforcement, and weak legal framework.

Our findings also suggest that adopting Ind-AS improves market-based FRQ metrics in Indian-listed companies, evidenced by higher earnings timeliness and value relevance. These

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Table 9. Results of the value relevance models

Models	Pre Ind−AS R^2	Pre Ind−AS Adjusted R^2	Post Ind−AS R^2	Post Ind−AS Adjusted R^2
Panel A. Price−earnings model				
Model (Pooled OLS) $P^*_{it} = \beta_0 + \beta_1 NIPS_{it} + \beta_2 BVEPS_{it} + \varepsilon_{it}$	0.2020	0.2005	0.2201	0.2187
Model (Fixed Effect) $P^*_{it} = \beta_0 + \beta_1 NIPS_{it} + \beta_2 BVEPS_{it} + \varepsilon_{it}$	0.2017	0.2002	0.2207	0.2193
Panel B. Reverse regression model				
VR (Combined good news and bad news companies)				
Model (Pooled OLS) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0091	0.0082	0.0461	0.0453
Model (Fixed Effect) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0077	0.0067	0.0095	0.0085
VR (Good news companies)				
Model (Pooled OLS) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0168	0.0154	0.0256	0.0238
Model (Fixed Effect) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0126	0.0111	0.0132	0.0113
VR (Bad news companies)				
Model (Pooled OLS) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0016	0.001	0.0088	0.0072
Model (Fixed Effect) $NIPS/P^*_{0it} = \beta_0 + \beta_1 RETURN_{it} + \varepsilon_{it}$	0.0071	0.0044	0.0028	0.0012

Note(s): Data are obtained from the Compustat Global database

Source(s): Authors' own work

findings support FRQ literature that used market-based metrics such as Barth *et al.* (2012), García *et al.* (2017), Srivastava and Muharam (2022), Sassi and Damak-Ayadi (2023), Cabán (2024), Chehade and Procházka (2024), Mnif and Znazen (2024), Gowry *et al.* (2025), and Taylor *et al.* (2025). The findings indicate that accounting data is measured reliably, and variations are captured in returns. Thus, it provides relevant information to decision-makers when valuing an entity. Overall, the converged version of IFRS (Ind-AS) has had a beneficial impact on FRQ of Indian-listed companies. Our findings are comparable to past studies conducted in other South Asian regions (Bandara and Falta, 2021; Mohsin *et al.*, 2021; Hasan *et al.*, 2022; Chen, 2025), which also found a positive link between IFRS adoption and FRQ. Studies also highlighted that this impact was more evident in countries where the departures of local GAAP from IFRS were substantial (Zeghal *et al.*, 2012; Pelucio-Grecco *et al.*, 2014; Krismiaji *et al.*, 2016). Our findings confirm that Ind-AS is relevant to India, where the experience gained from developed economies leads to favorable consequences. India's sustained GDP growth over the last decade has enhanced stakeholders' expectations for reliable and relevant accounting information. These expectations, along with competitive pressure, may have amplified the focus of Indian-listed companies on FRQ improvements after Ind-AS adoption.

Although tighter Ind-AS have effectively curbed accrual-based earnings management (AEM), the most striking result of our study concerns the 'substitution effect' between real EM and AEM. This effect suggests that companies switch from AEM to REM under regulatory-constrained environments, as depicted by the negative and significant coefficients of control variables (DAC/PDAC and REM) at $p < 0.01$ in Table 5. AEM is more vulnerable to detection and litigation by auditors, regulators, and other stakeholders. By contrast, REM is less detectable and offers more flexibility (Amer *et al.*, 2024). This finding is also evidenced by the negative and positive coefficients of the 'AUD' variable for AEM and REM, respectively, in

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Table 5. It indicates that the Big-4 auditing firms are more competent in mitigating AEM than REM. Hence, companies are less likely to indulge in AEM and tend to indulge in REM.

While FRQ improvements benefit key stakeholders, the increased REM practices undermine these benefits. High inflation rates, a persistent attribute of the Indian economy (Babu and Nair, 2025), may also drive managers to exacerbate REM tactics. For example, managers might reduce discretionary expenses such as R&D to offset the rising costs of inflation. By manipulating such operational activities, managers introduce noise into the financial reporting. Such activities might weaken a company's future innovation capacity. Similarly, companies with transparent reporting may face a lower cost of capital, as stakeholders perceive them as less risky. However, companies indulging in REM may experience a higher cost of capital due to uncertainty about their fundamentals. Thus, REM potentially misleads stakeholders about a company's true economic fundamentals. The switch to REM signals the resilience of managerial opportunism. It also reveals the regulatory gaps that need to be addressed to sustain the benefits of Ind-AS.

The substitution effect is not unique to the Indian context. Prior literature documents similar evidence in other jurisdictions. Studies by Ipino and Parbonetti (2017), Halabi *et al.* (2019), Wang *et al.* (2023), Amer *et al.* (2024), Kateb (2024), and Chen (2025) offer international evidence that IFRS had the unexpected consequence of the substitution effect. These studies reported that IFRS constrained AEM but inadvertently pressurized managers to mask true operational performance. However, this finding contradicts the existing literature. Viana *et al.* (2023) documented that firms reduced REM practices after applying IFRS. Similarly, Opare *et al.* (2025) found that US cross-listed firms had lower REM after IFRS implementation. These results might hold only for firms in strong investor protection economies.

Our study differs from previous Indian studies in several aspects. For instance, Sharma *et al.* (2017) assessed users' perceptions of different implementation challenges before Ind-AS adoption. Our research extends this study by shedding light on the effects of Ind-AS implementation. Furthermore, Adhikari *et al.* (2021) and Bansal and Garg (2021) documented that FRQ worsened after the Ind-AS introduction. The reasons for our contradictory findings may be: (1) these studies captured FRQ using limited FRQ metrics; (2) they considered only one accounting year before/after Ind-AS adoption; and (3) they did not focus on AEM-REM trade-off and provided preliminary evidence of the erosion of FRQ. These studies contended that the finding might not persist as stakeholders' familiarity with IFRS/Ind-AS improves over time. Moreover, Saravanan and Choudhary (2025) examined the effect of IFRS on forward-looking disclosures, using textual analysis.

The multi-theoretical approach used in our study offers a robust framework to explain our findings of FRQ improvements and the substitution effect. Tighter IFRS-converged Ind-AS limits managerial discretion in exploiting AEM and improves FRQ by focusing on enhanced disclosure requirements. Improved FRQ may reduce agency conflicts and meet the broader expectations of stakeholders for transparency, which is consistent with agency theory and stakeholder theory, respectively. Similarly, the FRQ improvements are aligned with the concept of institutional isomorphism. This concept posits that FRQ improvements are the outcomes of global institutional pressures on Indian companies. By adhering to new accounting reforms, companies signal their commitment to internationally accepted IFRS and gain legitimacy in international markets. The types of institutional isomorphism — whether coercive (accounting regulations), normative (norms of global professional accounting bodies), or mimetic (lessons from globally successful IFRS-adopting companies) drive companies for improvements in financial reporting. However, the substitution effect between AEM and REM reflects persistent agency conflicts. This effect signals the unintended consequences of accounting reforms, where increased scrutiny of one form of earning management leads to the emergence of others. Managers exploit less-regulated operational activities to pursue their self-interests. This behavior is aligned with agency theory. The theory posits that managers (agents) may prioritize their expectations over those of stakeholders (principals) when constrained by tighter accounting reforms. In the same vein, REM-driven

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distortions may dissatisfy stakeholders, who are influenced by real operational decisions, aligned with the stakeholder theory.

Additionally, the persistence of REM highlights the dual pressures experienced by Indian companies — aligning with international standards and navigating local institutional weaknesses, consistent with institutional theory. Our findings corroborate the theoretical assertion that Ind-AS adoption is insufficient to eliminate managerial opportunism. The effectiveness of Ind-AS relies not only on technical convergence with global norms but also on the development of strong institutional mechanisms and regulatory oversight. The findings emphasize the need for holistic reforms that balance multiple stakeholders' competing interests and align them with managerial incentives.

6. Conclusions

Despite the growing literature available on IFRS adoption and financial reporting quality (FRQ) in emerging economies (Kateb, 2024; Chen, 2025; Taylor *et al.*, 2025), the impact of IFRS-based Ind-AS on FRQ in the context of emerging economy, India has yet to be examined. Therefore, this study extensively assessed the impact of mandatory Ind-AS adoption on FRQ of NSE-listed companies using a broad set of accounting- and market-based FRQ metrics. The findings exhibited an improvement in FRQ after Ind-AS implementation. The reasons for these findings could be ascribed to the mandatory requirements of Ind-AS. Unlike Indian GAAPs, Ind-AS require the classification of financial instruments (FI) based on substance rather than legal form. They also mandate detailed FI disclosures and fair value measurements. These provisions would provide value-relevant information and help managers reflect the true economic performance of Indian listed companies (Bu *et al.*, 2025; Chen, 2025). The paper also uncovered a striking finding of the "substitution effect" between accrual-based and real earnings management (AEM and REM), reflecting evolving managerial tactics in response to stricter accounting standards. It may be ascribed to a greater likelihood of detection of AEM by auditors and other stakeholders, unlike REM (Zheng and Han, 2025).

The findings support the propositions of agency, stakeholder, and institutional theories. These theories posit that managers provide high-quality accounting information to minimize agency and transaction costs, obtain stakeholders' support, and meet different institutional pressures. The findings may be attributed to the Ministry of Corporate Affairs' goal of adopting high-quality Ind-AS to reduce inconsistency, ambiguity, and options for alternative accounting that existed under Indian GAAPs. Hence, managers are not left with options to manipulate accounting figures despite having incentives to do so. Further, given that India is an attractive destination for global investors accustomed to IFRS, investors pressure managers to provide high-quality financial reports. Thus, this paper provides a global perspective of IFRS implications for FRQ in an emerging economy.

Unlike other research studies concentrated on developed economies, our study fills the research void in the existing literature by providing compelling evidence on the partial success of the accounting regulators' goal of improving FRQ through IFRS convergence in an emerging country, India. It responds to the call of the SEBI Report (2013), suggesting that transitioning to IFRS could minimize managerial discretion in the financial reporting of Indian-listed companies. The study also provides fresh evidence of the trade-off between REM and AEM in the Indian context. Further, the existing studies are mostly focused on agency theory (Bessler *et al.*, 2023; Viana *et al.*, 2023; Hsu and Yang, 2025), while this study makes a theoretical contribution to the literature by refining IFRS and FRQ relationship from the perspectives of stakeholder theory and institutional theory, in addition to agency theory.

Our study has several policy implications. First, international standard-setters and policy-makers should incorporate new comprehensive disclosures into future iterations of IFRS to address the unintended outcomes of real earnings management (REM), that is our notable finding. For instance, they should require detailed disclosures about the operational activities of the companies, such as discretionary expenses and production levels. By mandating such

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disclosures, they may limit certain operational activities, such as excessive cost-cutting or overproduction, to limit REM. Second, policy-makers should invest in regulatory capacity-building programs and professional training programs on emerging technologies. These programs can improve auditors' or financial analysts' ability to uncover and deter REM. Third, regulators should direct companies to devise executive compensation plans that prioritize long-term value creation over short-term goals. For example, compensation plans can be linked to customer satisfaction or innovation. These incentives may limit the pressure on managers to exploit REM. Companies should also be directed to adopt a stakeholder-centric approach to corporate governance. This approach can ensure the alignment of financial reporting practices with broader ethical and societal considerations. Fourth, regulators should leverage analytical tools (such as data visualization) to detect operational anomalies. Similarly, they should incorporate industry benchmarks or non-financial metrics, such as employee turnover or production efficiency, into their evaluations. For example, they may scrutinize production decisions to ensure that REM does not drive improved profit margins. Fifth, policy-makers and regulators should consider strengthening the legal and institutional frameworks.to complement Ind-AS adoption. Finally, policy-makers and regulators should conduct regular enforcement audits and impose stricter penalties for non-compliance with Ind-AS. For instance, they can increase the frequency of inspections and audits by statutory auditors. They can also incentivize whistle-blowers to raise managerial opportunism-related issues.

Our study has some limitations which offer scope for future research. First, it does not disentangle the impact of Ind-AS from various determinants of FRQ other than accounting standards (such as, firm-specific incentives). These determinants are difficult to measure and analyze, which is an unavoidable shortcoming of this paper. Second, the study relies on quantitative FRQ metrics only, omitting qualitative assessments. Third, regulations also required unlisted companies with a net worth of over ₹250 crore to adopt Ind-AS (Sharma *et al.*, 2017). The exclusion of these unlisted companies due to the unavailability of data may potentially influence the findings. Considering these limitations, we contend that this study is timely and relevant and adds to the accounting literature on emerging economies, specifically India. The current paper calls for further investigation. First, future research may examine the role of reporting incentives, enforcement mechanisms, and legal frameworks in shaping FRQ. Second, future studies could explore more comprehensive models of FRQ in emerging markets, incorporating non-financial metrics (employee turnover) and advanced analytical tools (data visualization). Third, research studies could also compare the effect of Ind-AS on FRQ between family and non-family firms in India. Fourth, future research could examine whether a similar AEM-REM substitution effect is observable in other emerging economies adopting IFRS. Fifth, future studies can build on the current study by integrating qualitative dimension such as, stakeholders' perception regarding the relevance of different FRQ metrics used in this study. Sixth, future research could explore how variations in the strength of institutional mechanisms across developed and emerging markets influence the efficacy of IFRS adoption. Finally, future studies could investigate the joint effect of macroeconomic and corporate governance variables on the Ind-AS and FRQ relationship.

About the authors

Dr Himanshu has been a member of the British Accounting and Finance Association (BAFA), the American Accounting Association (AAA), India Finance Association and Life-time member of Indian Commerce Association and a member of the Academy for Global Business Advancement. He has published research papers in reputed journals indexed in Scopus, Web of Science, ABDC list and SJR-Q1/Q2. Besides, he also serves as the reviewer of top-tier journals (e.g. *Finance Research Letters, International Review of Financial Analysis, Journal of Accounting in Emerging Economies, International Journal of Emerging Markets, International Journal of Social Economics, Kybernetes, Journal of Public Affairs*, among others). He has presented papers at national and international conferences at institutions of national repute.

Professor H. Kent Baker is highly prolific researcher and author. In fact, The Journal of Finance Literature recognized him as among the top 1% of the most prolific authors in finance during the past

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50 years. He has published various articles in such outlets as the *Journal of Finance*, *Journal of Financial and Quantitative Analysis*, *Financial Management*, *Financial Analysts Journal*, and *Journal of Portfolio Management*. His publishers include Oxford University Press, John Wiley & Sons, Inc., and Blackwell. He is the co-editor of the Financial Markets and Investments Series at Oxford University Press. He also has extensive industry experience and has provided consulting and training services to more than 100 organizations.

Appendix

(1) Computation of accrual and real EM

- Modified Jones Model:

$$\frac{TAC_{it}}{AS_{it-1}} = \beta_0 + \beta_1 \frac{1}{AS_{it-1}} + \beta_2 \frac{\Delta SALESs_{it} - \Delta REC_{it}}{AS_{it-1}} + \beta_3 \frac{PPE_{it}}{AS_{it-1}} + \varepsilon_{it}$$

The residuals (ε_{it}) act as the proxy of discretionary accruals (DAC).

- Performance-Adjusted Jones Model:

$$\frac{TAC_{it}}{AS_{it-1}} = \beta_0 + \beta_1 \frac{1}{AS_{it-1}} + \beta_2 \frac{\Delta SALES_{it} - \Delta REC_{it}}{AS_{it-1}} + \beta_3 \frac{PPE_{it}}{AS_{it-1}} + \beta_4 ROA_{it} + \varepsilon_{it}$$

The residuals (ε_{it}) act as the proxy of performance-adjusted discretionary accruals (PDAC).

- Roychowdhury Model:

$$\frac{CF_{it}}{AS_{it-1}} = \beta_0 + \beta_1 \frac{1}{AS_{it-1}} + \beta_2 \frac{SALES_{it}}{AS_{it-1}} + \beta_3 \frac{\Delta SALES_{it}}{AS_{it-1}} + \varepsilon_{it} \quad \text{(A1)}$$

$$\frac{ICGS_{it}}{AS_{it-1}} = \beta_0 + \beta_1 \frac{1}{AS_{it-1}} + \beta_2 \frac{SALES_{it}}{AS_{it-1}} + \beta_3 \frac{\Delta SALES_{it}}{AS_{it-1}} + \beta_4 \frac{\Delta SALES_{it-1}}{AS_{it-1}} + \varepsilon_{it} \quad \text{(A2)}$$

$$\frac{DIS_{it}}{AS_{it-1}} = \beta_0 + \beta_1 \frac{1}{AS_{it-1}} + \beta_2 \frac{SALES_{it-1}}{AS_{it-1}} + \varepsilon_{it} \quad \text{(A3)}$$

The residuals (ε_{it}) from Equations (A1, A2, and A3) are combined to compute real earnings management.

Note(s): AS is total assets; CA is current assets; REC is accounts receivables; PPE is gross property, plant, and equipment; ROA is return on assets; DIS is selling, general, and administrative expenses; ICGS is summation of change in inventories and cost of goods sstold (COGS)

Notes

1. Heteroscedasticity describes a situation when the variance of the residuals in the regression model is not constant across all levels of the explanatory variables. It leads to unreliable estimates. Therefore, we use robust standard errors to adjust for heteroscedasticity.
2. Endogeneity can undermine the reliability of our results. Our explanatory variables might be correlated with an error term, leading to biased estimates. A two-stage least squares method provides reliable estimates by resolving this issue.

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