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FINANCIAL ECONOMICS | RESEARCH ARTICLE Impact of accounting conservatism on IPO under-pricing: evidence from India

Nenavath Sreenu¹*, Ashis Kumar Pradhan², Vinh Vo Xuan³ and B. Koteswara Rao Naik⁴

Abstract: In this paper, we investigate whether the use of accounting conservatism in India decreases IPO underpricing, which is of attention to stakeholders and supervisors. Furthermore, the study examines how asymmetry information affects the implication of accounting conservatism for IPOs. Based on a regression analysis of 527 firms that went public through IPOs of "A" shares listed on the national stock exchanges between 2000 and 2020, the paper also examines whether the relationship between conservatism and under-pricing is robust to alternative measures of accounting conservatism, mean regressions, sample exclusions, and endogenous treatment models. The research study finds that accounting conservatism is negatively associated with the degree of IPO under-pricing, and the association between accounting conservatism and IPO under-pricing is more perceptible when information asymmetry is high. The paper's originality should shed light on what drives IPO underpricing and how it could be affected by accounting conservatism in an Indian economy, and provide find evidence that legal origin, a factor linked to the practice of conservatism, influences the relationship between under-pricing and conservatism.

Subjects: Economics; Finance; Business, Management and Accounting

Keywords: IPO; accounting conservatism; under-pricing; asymmetry information

JEL Classification: M40; M41; M42; M48 and M49

1. Introduction

Public relations and trust are the significant turning points in the new company's life that make available admittance to capital and adequate funding for the new company's operations and investment. Though many research papers have observed and given output when the new companies approach the public, their companies' share prices increase significantly at the beginning of trading, known as "IPO under-pricing." For illustration, Aharony et al. (2010) explored the methodical increase from the IPO to the coming of the closing price in the U.S.market. Ball and Shivakumar (2005) stated that the inventions stem from indications of IPO under-pricing in various nations, including Asia-Pacific and the U.S. Although the organizations are not as good as they were before due to IPO under-pricing, they maximize their profit in the process of IPO, Ball and Shivakumar (2008). Banerjee et al. (2011) also describe how the IPO under-pricing is destructively affected by the performance of the companies in the long run. The different kinds of theories of IPO under-pricing the evidence models have collected the information of parties or agencies participating in the IPO and know more about agencies. So, IPO under-pricing is compulsory to influence the balance of benefits for all stakeholders. As asymmetry theory plays a tremendously





significant role in the under-pricing of IPO firms, the evaluation standards for the acknowledgement of the firm's presentation and financial statement reports had better matter. Accounting concept to accounting convention (conservatism) gathered more authenticated information for evaluation or confirmation of monetary gains than losses, Francis and Martin (2010). Hence, the accounting convention of conservatism will provide reliable and significant information when evaluating and verifying the firm's earnings and net asset values. In the same order, conservatism will coerce the management's resourceful behaviours to maximize income and minimize potential losses, Khan and Watts (2009). As an outcome, evidence from the asymmetry model determines that the relationship between issuers and investors of IPO firms' values is lower under accounting conservative; in this sequence, the output is lower IPO underpricing.

Accounting convention (conservatism) plays a significant role in reducing asymmetry theory information and leading to the study hypothesis. The hypothesis is that there is a negative connection between accounting convention and IPO under-pricing. Besides, based on the hypothesis, the study can illustrate that accounting convention (conservatism) is a higher degree of convention needed in a situation with required evidence of asymmetry to control the manipulation of accounting transactions by managers and improve information guality. Accordingly, the following hypothesis assumes a strong connection between accounting convention (conservatism) and IPO under-pricing for organizations with high-quality asymmetry data. This hypothesis applies to a large sample of equity capital companies that went through IPO on the Indian stock market during the study period from 2010 to 2019. The study has obtained empirical information to support the design hypothesis. The present research pays attention to the current secondary details differently. By exploring the effects of accounting convention information on IPO underpricing from the Indian perspective, this paper provides the enhancements of proposed empirical research on the accounting convention of conservatism, indicating that the provisional accounting convention (conservatism) is related to positive outcomes, Kennedy et al. (2006). According to the study findings, accounting conventions (conservatism) can positively affect the IPO by reducing the under-pricing of the new companies. The use of conservatism helps the effective functioning of capital markets. This paper provides accounting standard making with a supplementary understanding of accounting convention (conservatism) in enlightening standard accounting information. India introduced the revised accounting standard in 2016, which became essential for all listed companies in India. The revised Indian accounting standards changed the old Indian accounting system and regulated all standards and topics under the current IFRS By discovering the critical role of accounting conventions in the process of IPO, the outcome of this paper proposes that the implementation of these conventions in accounting is essential and significant in India. Additionally, this paper helps address the issues. Previous studies have ignored the financial information on the IPO and the quality of the accounting information on how it will affect the IPO underpricing.

2. Literature review and Hypothesis development

2.1. The IPO market in India

In the economic reforms that began in India in the 1990s, the capital structure, or stock market firms, were re-established to rearrange the incompetent public-owned enterprises. However, IPOs in India have the following features of new issues that are dissimilar from those in most advanced nations. In the beginning, before mid-1997, a scrap quotas system for IPOs was implemented by the Indian authorities. Under the scrap quota scheme system, the Government of India, combined with the RBI and the Securities and Exchange Board of India, was then owed to local governments to select IPO firms under their authority. The value of an IPO's preliminary returns is determined by the volume of its under-pricing, which is measured distinctly in this present situation. Insufficient earnings are measured by the variance between the IPO issue price and the opening trading day's final price on the stock market. If the opening-day trading final price is higher than the issue price, then the offering is measured to be under-priced. Similarly, if the final price is less than the offer price, the IPO is also measured to be under-priced. Preliminary IPO underpricing is a common singularity in worldwide stock exchanges concerning the literature. However, there is a massive inconsistency in IPO under-pricing across the stock markets, Matusi (2006).

The IPO price was set a calendar month before the beginning of the market's trading. In an excessive majority of contributions, there was no response instrument through market demand that permitted modification to the offer price. Meanwhile, in 2006, the BBM was implemented to substitute the unique fixed-price mechanism. The implementation of BBM indicates India's variation in the global standard. However, whether the BBM is effective depends on the institutional structures of India. The weak market instruction in India, BBM offers issuers better decisions, elasticities recognize investors more likely to follow their benefits and may result in a sophisticated level of IPO under-pricing. In the Indian stock market, a leading percentage of stockholders are specific investors who do not have adequate evidence or do not have enough information. This condition exaggerates the information asymmetry between issuing firms and investors, leading to a large stock under-pricing. The supremacy of government possession in Indian firms has significantly impacted India's evolution from a developing nation to a modern market economy, Teoh & Wong, 2002). Heo et al. (2017) recommend a positive association between investor sentiment and under-pricing. This suggests that short-selling limitations might expand the association between investor sentiment and IPO under-pricing. The paper uses the CCI (consumer confidence index) as the proxy variable for investor sentiment and finds that openingday returns are greater during periods of high investor sentiment in nations where short selling is unnatural. This paper pays for multiple existing pieces of information. In particular, the paper contributes to the discussion on the impact of short-sale restraints on share prices. The outcomes deliver pragmatic support for the argument, Ball and Shivakumar (2008), those short-sale constraints encourage IPO underpricing. It is dependable on the argument of Tan (2013) that shortsale restrictions lead to share prices that benefit optimistic investors at the expense of opposing opinions. The paper indicates that short-sale limitations aggravate under-pricing and the probability of non-positive opening-day returns. Furthermore, the study solicited literature on the causes of cross-national distinction in IPO results. Previous research indicates that IPOs are underpriced in all nations. However, there is considerable variation in average under-pricing across the country, Ellul and Pagano (2006). Accounting disclosures, financial market combinations, and investors are anticipated to explain this cross-nation variation in under-pricing.

2.2. Accounting conservatism Vs asymmetry information theory

In the meantime, asymmetry information theory plays a significant role in the IPO price determining the process; it is customary to inquire whether the quality of evidence substances. List (2011) examines the association between earnings per share and IPO under-pricing. They discover that IPOs are under-priced less in nations where public firms' higher EPS information is available. Though Statman et al. (2006) specified in the restraint of their article, for certain nations, it may be more challenging to employ the EPS of prevailing public firms to produce EPS at the same level, as using the earnings of firms before their IPOs. Further, the earnings price of IPO firms is significantly dissimilar from that of current public firms due to explicit impetuses for new issuers such as under-pricing motivations and standing costs. Besides, many research papers examine the association between IPO under-pricing and EPS from earnings management, Autore et al. (2014) and accounting disclosures, Banerjee et al. (2011). Limited studies have measured the result of accounting convention (conservatism), which is an identical significant characteristic of EPS, Beatty and Welch (1996).

Previous secondary data on accounting conventions (conservatism) places the benefits of conservatism in constricting, Boulton et al. (2017). Provisional conservatism performs as an instrument that benefits the debt and equity stockholders and upsurges firm value. According to Edwards and Hanley (2010), the provisional accounting convention has informational paybacks to stockholders, and the paper finds that advanced present conditional conservatism is connected with a lower probability of future bad debts. In the calculation of these constricting benefits, Marcato et al. (2018) contend that accounting convention (conservatism) is predictable due to "lesser asymmetry of information among managers and investors." Conventional accounting could decrease asymmetry evidence between administrators and stockholders through possible instruments. Primary accounting convention (conservatism) can facilitate the most non-stock price and information on current firm performance available to the investors, Gao et al. (2013). The information at this time mentions supportable data. As accounting convention (conservatism) needs a higher grade of verifiability for profit than losses, the net outcome of conservatism could be the delivery of more verifiable data, Goyal et al. (2020). In another way, the information about a firm delivers a standard that makes it conceivable for different firms to produce reliable information. Investors can compare dissimilar-basis forecasts to the numbers that are ultimately understood, which could empower them to assess the dependability of opposing information causes. In this mode, external investors will know the accurate value of supplying companies and information asymmetry among knowledgeable and unacquainted investors, issuers, and underwriters. Jun Lin and Tian (2012) the paper explored how accounting conservatism impacts IPOs underpricing in the Chinese stock market. In addition, information asymmetry affects the relationship of accounting conservatism with IPO underpricing. The paper illustrates the output that accounting conservatism is negatively associated with IPO underpricing, and the relationship between accounting conservatism and IPO underpricing is information asymmetry is high. Ling Tsai and Huang (2021) In this paper, the authors examine the use of convergent-IFRS in China market can reduce IPO underpricing, which is of interest to investors and regulators of the market. The paper finds the results after the use of convergent-IFRS mitigates the phenomenon of IPO underpricing and this change benefit is not qualified by the proportion of SOEs (seasoned equity offerings). This paper can fill the research gap in the literature on the adoption of IFRS standards.

The present research paper is motivated based on the Indian accounting institutional backaround. The companies can issue A share or B share or both shares and select to go public on the national stock exchange. The shares of such firms are organized into the shares of such companies are organized state-owned enterprise (SOE) shares, legal-entity-owned (LEO) shares (sole proprietorship, partnership, and corporation), and tradable shares. The SOE and LEO share are no-tradable shares. A state-owned enterprise (SOE) is a legal entity that is created by a government to partake in commercial activities on the government's behalf and is recognized to be a motorist affecting IPO underpricing, Jun Lin and Tian (2012). LEO shares are those held by domestic entities. Both the SOE shares and LEO shares are exclusively non-tradable before March 2007, when the so-called non-tradable shares improvement happened. IPO underpricing indicates that the submission price does not sufficiently replicate the market value of the firms. Investigators have been exploring the factors which cause primary returns on the first day of listing. Subsequently, IPO underpricing has been recognized in India's capital market before the acceptance of accounting conservatism, Ling Tsai and Huang (2021), it is significant to assess if the use of accounting conservatism reduces information asymmetry with IPO backgrounds in India. Previous studies show that IPO underpricing declines following the accounting conservatism implementation for an international sample, Yu and Tse (2006). Furthermore, financial evidence accumulated in agreement with the Indian accounting conventions should be of improved quality than that of the old accounting standards, thus reducing IPO underpricing. Find that India's capital market replies favourably to accounting conservatism, where this outcome is more distinct among firms with a higher requirement for external capital.

Numerous theories illuminate the association between accounting conservatism effect to IPO underpricing; prior researchers recognise that the most often used theories are the agency theory and stewardship theory. The agency theory conditions that the departure of ownership and management will outcome in unalike interests for external shareholders and administrators, Harris (1991). The lack of an effective agency instrument drives this paper to analyse the characteristics of the board of directors and audit committee that can determine agency conflicts by implementing accounting conservative practices. Accounting conservatism is a dynamic tool in agency conflict and, if resourcefully executed, can increase firm value and thus protect minority shareholder interests, Jun Lin and Tian (2012). The stewardship theory says that if executive

inducements are removed, managers will start functioning in the interest of the company and the clashes between shareholders and managers will be resolved; hence, there will be no agency costs. Furthermore, the principle-based India's accounting conservatism allowing for more supervisory judgment would also cause agency problems as the state-owned shares do. The agency problems caused by managerial judgment might even possibly interact with the ones caused by state-owned shares. Those would all lead IPO underpricing to rise. The paper examines whether the use of India's accounting conservatism results in a decrease in IPO underpricing in India

 ${\rm H}_1.$ The acceptance of accounting conservatism is negatively and significantly linked with IPO underpricing in India.

In the same order, the paper designed the following hypothesis to suggest the extent of the asymmetry theory with the influence of accounting convention on IPO under-pricing. The asymmetry theory explains why intervention difficulties between two predetermined agencies are exaggerated, Badru and Zaluki (2018). Knowledgeable agencies have more motivations and prospects to transmit wealth to themselves. For the pre-IPO value of firms possessed by an insignificant number of great controlling shareholders, this inclination is more remarkable, Heerden and Alagidede (2012). Consequently, supervisors in these firms have more autonomy to pamper their partialities, even at the expense of shareholders' benefits. Karami et al. (2014) contend that asymmetry theory relationships among insiders and outside investors weaken the firm's stock price by cumulative the essential return on the stock, as well as producing activity costs that decrease the firm's expected cash flow statement. As an outcome, the asymmetry of information theory between internal and external investors creates incentives and anxieties for accounting conventions (conservatism). There are, though, changes in governance and management's control of finished data and reporting processes between firms at the mixed development level. Thus, the stage of asymmetry information differs across businesses (Lin & Chuang, 2011). In companies with high asymmetry theory data, accounting conventions can play a more significant role in restricting accounting efficiency management operations and improving financial statements' integrity (Marisetty & Subrahmanyam, 2010). This should give more consideration to decreasing the asymmetry of information between issuing firms and investors. Consequently, accounting convention (conservatism) is expected to play an even more important role in firms with prominent information asymmetry, falling issuing firms' motivations to under-price their stocks purposefully. Even though, the government of India effect SOE shares, the government implemented the reform of non-tradable shares in march 2007, targeting to reduce the percentage of SOE shares within each company. To instruct out substitute clarifications of tests of hypothesis 1 associated with the restructuring of non-tradable shares, in accumulation to supervisory the factor of SOE shares in the testing regression method, the paper additional observes whether the impact of the ratio of SOE shares on IPO underpricing would be influenced by the use of accounting conservatism. Hypothesis two is thus as follows:

H₂. The negative relationship between accounting conservatism and IPO under-pricing is stronger for firms with high information asymmetry than the low information asymmetry.

The overall literature suggests that prior studies ignored the linkage between accounting conservatism and IPO under-pricing. Until recently, several researchers tried to investigate the association between earnings quality and IPO under-pricing (Teoh & Wong, 2002; Ball & Shivakumar, 2008; Aharony et al., 2010; Boulton et al., 2010); accounting information disclosures and IPO under-pricing (Leone, Rock, & Willenborg, 2007); leverage and IPO under-pricing (Kim & Pevzner, 2010); and management and under-pricing (Farichah, 2018). Where most of the earlier research focussed upon developed markets there are seldom any studies exploring the linkage between accounting conservatism and IPO underpricing on developing/emerging market economics. To reduce the void in the literature, we conduct an empirical exercise using a unique dataset and test the association between accounting conservatism and IPO under-pricing in the Indian context.

3. Methodology

3.1. Calculation of accounting convention -Conservatism

The paper used the total accrual income-based measures of the accounting convention (conservatism) (TAI_TA), which is calculated based on the total accrual values by the average value of total assets at the beginning of the company and the average value of the selected period of the three years. According to Givoly and Hayn (2000), the total accrual values are defined as follows.

(Net income + depreciation) - - cashflow from operation activity = total accruals value (1)

3.2. Calculation of IPO under-pricing

The research paper measured or calculated IPO underpricing based on the methodology employed by Aggarwal et al. (1993) to calculate the market-adjusted normal returns for the beginning of trading of the new companies as a proxy for the IPO underpricing. The calculation is illustrated as follows.

The stock return value "B" at the end of the beginning of the trading day is calculated as:

$$R_{b1} = \left(\frac{P_{b1}}{P_{b0}}\right) - 1 \tag{2}$$

Where P_{b1} is the final price of the stock "B" at the beginning of the trading day, P_{b0} is the opening price of the stock, and R_{b1} is the total value of stock returns at the beginning of the total trading of new companies.

The market index on stock market returns for a consistent period is:

$$R_{c1} = \left(\frac{P_{c1}}{P_{c0}}\right) - 1 \tag{3}$$

Where P_{C1} is the closing stock value of the consistent share market return index at the beginning of the trading day, and P_{C0} is the opening value of the consistent Indian share market Index during the closing period of the stock.

Based on the equations 2 &3 stock returns, the stock market adjusted normal returns (SMANR) for the IPO at the beginning of the trading day, which the paper used to calculate IPO underpricing is calculated as follows:

$$SMANR_{bi} = 100 * \left\{ \left| \frac{1 + R_{b1}}{1 + R_{c1}} \right| - 1 \right\}$$
(4)

Based on equation no. 4, the study uses the book value ratio difference between the closing price and the pre-offering price of trading to alternatively calculate the IPO under-pricing, Chi and Padgett (2005). The pre-offering market-to-book value ratio is calculated by applying the closing price and net asset value per share before the beginning of the IPO (before the year). The paper assumes that the market-to-book ratio is higher on the beginning day of the pre-offering if IPO underpricing exists, which will indicate the positive market-book ratio difference as it will indicate the level of under-pricing.

4. Empirical model

The research paper develops the regression model to examine the hypotheses. This paper's dependent variable is IPO underpricing, and accounting convention (conservatism) is the key descriptive variable. Besides, the paper integrates firms' factors into the different structures in the market as control variables:

$$\begin{split} & \mathsf{U}p_i = \beta_0 + \ \beta_1\mathsf{CONS}_\mathsf{T}\mathsf{A}_i + \beta_2\mathsf{BOOK}_\mathsf{V}_i + \beta_3\mathsf{BOOK}_i_\mathsf{CONS}_i + \beta_4\mathsf{L}_\mathsf{DAY}_i + \beta_5\mathsf{SIZE}_\mathsf{OFF}_i + \\ & \beta_6\mathsf{P}_\mathsf{OWN}_i + \beta_7\mathsf{L}_\mathsf{OWN}_i + \beta_8\mathsf{T}_\mathsf{SHARES}_i + \beta_9\mathsf{VOL}_i + \beta_{10}\mathsf{INTEGER}_i + \beta_{11}\mathsf{EXCHAGE}_i + \\ & \beta_{12}\mathsf{LEVERAGE}_i + \beta_{13}\mathsf{ROA}_i + \mu_i \end{split}$$
(5)

Based on equation no. 5 and hypothesis 1, the paper explains the effects of accounting convention (conservatism) on the IPO under-pricing, and the β 1 value is assumed to be negative for hypothesis one. The paper also examined whether the accounting convention (conservatism) should be able to decrease IPO underpricing. Similarly, the study discussed hypothesis 2, which states that the share issuers' agencies are classified into two categories by the extent of asymmetry information theories in pre-IPO and post-IPO periods.During the pre-IPO period, the study examined whether the relationship between IPO under-pricing and accounting convention (conservatism) is more marked when asymmetry information is high. The study examined the extent of asymmetry in information between share issuers and investors using four substitutions that have been used in previous research, including the company's sales growth, firm size, firm age, and governance, Purnanandam and Swaminathan (2004). The asymmetry of information between managers' and investors' values increases with progress opportunities because of firms' cash flows from growth. At the next level, new firms are inclined to have more growth opportunities and less accounting standardization and accounting reporting systems relative to old companies (Rahim & Yong, 2010). The third level, large capital firms, is more established, paying off less ambiguity. At the final level, strong governance companies will better line up the interests of all investors, Ritter, 1991).

The sales value is calculated as the increase in sales revenue divided by year-to-year sales revenue. The company's age is calculated as the number of years completed from its establishment dates before its IPO. The paper uses the sample average of each segmentation to divide the total sample size into high asymmetry information and low asymmetry information. Companies with high sales value, age of the companies, and weak governance are categorized as high asymmetry companies. In this connection, the study runs a regression model for the high and low asymmetry information to test whether accounting convention (conservatism) impacts IPO under-pricing under the different segments of the asymmetry information circumstance.

4.1. Data

The current research paper includes all A-share group companies that went through an IPO (initial public offerings) on the Indian stock exchanges (NSE and BSE) from 2010-to 2020. The IPOs of B-share group companies have not been considered because their IPO behaviours and performance are significantly different from those of A-share group companies due to different regulatory rules and guidelines requirements, Chan et al. (2004). The study also excluded corporations in the financial trade, the main reason is that the financial reports' environment for financial organizations significantly differs from other industrial organizations. The basic information about IPOs, stock returns, ownership information, and financial performance is attained from the database of CMIE database, the Indian accounting standard, Bloomberg L.P. and accounting research, Chan et al. (2004), we also eliminate companies that have a terminated time between submission date and listing date that exceeds 360 days. The preliminary sample of the study has been removed from the CMIE and Bloomberg L.P. database including 886 IPOs. Finally, the study selected 844 samples for this study after removing 42 companies from the financial trade and four companies that began their preliminary IPO but have not yet been considered or listed on stock

Table 1. Variables	
Variables	Description
UP (SMABR)	Calculation of under-pricing with stock adjusted beginning returns on the opening of the stock first day of the IPO stock
UP (MBRD)	Calculation of the Under-pricing with the book ratio differences between the entry day and pre-offering price
C.A.C. (TAA)	Accounting convention (conservatism) (total accruals approach).
Book Value	The book value is a dummy variable. The variable equals 1 if the company value goes public through the book structure mechanism
Constant and book value	the relationship between the CONS and BOOK
L_Day	Indicates the difference between offering and listing of an IPO stock
Size_off	The natural logarithm of the offering price and size of Individual IPO stock value.
P_ownership	Number of shares percentage of shares by Public and state-run-owned after IPO
L_ ownership	% of shares by the private sector owned by legal units after IPO
T_shares	% Of openly tradable shares of individually IPO
VOL	Each year number of IPOs
Integer	When a dummy variable equals 1
Leverage	A Company debt divided by assets
Return on Assets	EBIT divided by total assets

Table 2. Sample selection		
Sample selection Procedure	Sample dropped	After pilot study
sample selection from 2000 to 2020 available from the Indian stock market, ICAI Accounting Research Foundation, and CMIE Database		886
removing firms in financial industries after the pilot test	39	847
After the pilot test	3	844

Source: Author calculation

exchanges. Based on table 2 presents the companies-level sample selection process, which establishes significant time-series volatility in the Indian market.

4.2. Descriptive statistics

Descriptive Statistics of Initial Public Offer (IPO) for A- share in table 3 contains the descriptive statistics for all variables by year. All variables are sensitized at the extreme 1 per cent level and 99 per cent level both to alleviate the probable outcome of deviation. The average weight of Initial Public Offer (IPO) under-pricing is 112.6% for the study sample period, which is apparently at a significantly high-level approach. An interruption of the Initial Public Offer (IPO) by year illustrates that Initial Public Offer (IPO) under-pricing in the Indian stock market undertakes different stages. There is a declining tendency in terms of Initial Public Offer (IPO) under-pricing from 102.3% in 2010 to 74.4% in 2015 and from 146.7% in 2016 to 98.6% in 2020, correspondingly. In the research sample, 47.5% of IPOs (399 of 840), the firm went for issues to the public through

						Ye	ar					
Variables	Statistics	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Market-	Mean	1.023	1.009	0.628	0.567	0.603	0.744	1.467	0.761	0.519	0.639	0.986
Adjusted Initial	a	0.473	0.346	0.218	0.329	0.263	0.650	0.864	0.861	0.567	0.357	0.753
Returns	Median	0.948	1.105	0.519	0.491	0.452	0.584	1.681	0.968	0.653	0.627	0.951
	z	48	48	48	48	48	48	48	48	48	48	48
Total	Mean	-0.107	-0.008	0.001	-0.006	0.013	-0.002	600-	-0.014	-0.045	-0.012	-0.008
Accruals Annroach	a	0.047	0.062	0.00	0.019	0.053	0.035	0.031	0.038	0.073	0.056	0.050
	Median	-0.021	-0.011	0.049	-0.07	0.028	-0.003	-0.004	-0.014	0.081	-0.018	-0.006
	z	56	56	56	56	56	56	56	56	56	56	56
Book	Mean	0.816	0.158	0.006	0.246	0.147	0.042	0.241	0.824	0.685	0.005	0.436
Building Merhanism	a	0.0241	0.231	0.102	600.0	0.069	0.021	0.00	0.081	0.052	0.004	0.357
	Median	0.000	0.002	0.013	0.085	0.369	0.156	0.053	0.052	0.146	0.051	0.008
	z	52	52	52	52	52	52	52	52	52	52	52
No Of Days	Mean	15.009	7.420	8.038	9.258	9.058	8.159	6.976	8.982	10.007	12.703	9.561
of Offering and Listing	Q	4.047	5.201	1.041	1.008	1.048	2.950	2.369	1.307	2.913	3.054	2.001
	Median	12.250	7.049	6.039	8.305	8.672	7.486	6.741	6.819	8.351	9.824	9.007
	z	65	65	65	65	65	65	65	65	65	65	65
Offering	Mean	472.739	361.324	314.029	913.063	410.028	741.391	987.019	862.000	694.439	904.000	853.361
Size of Individual	Q	705.071	891.005	813.041	723.018	420.036	6.310	800.371	883.362	610.583	847.519	734.391
IPO Stocks	Median	281.619	194.301	214.710	612.007	382.491	702.441	837.172	812.411	541.001	821.308	683.326
	z	34	34	34	34	34	34	34	34	34	34	34
% Shares	Mean	0.374	0.332	0.274	0.145	0.140	0.134	0.162	0.147	0.104	0.154	0.219
Held by Non-State-	Q	0.132	0.143	0.172	0.162	0.211	0.177	0.162	0.153	0.121	0.178	0.307
Owned	Median	0.476	0.440	0.412	0.105	0.037	0.004	0.000	0.00	0.00	0.099	0.037
	Z	50	50	50	50	50	50	50	50	50	50	50
												(Continued)

Table 3. Descriptive statistics of Initial Public Offer (IPO) for A- share in India by year

Table 3. (C	ontinued)											
						Ye	ar					
Variables	Statistics	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% Publicly	Mean	0.210	0.126	0.194	0.152	0.325	0.271	0.312	0.201	0.429	0.372	0.291
Tradable Shares	D	0.126	0.120	0.157	0.173	0.471	0.159	0.143	0.327	0.271	0.274	0.281
	Median	0.22	0.029	0.068	0.106	0.294	0.184	0.361	0.081	0.384	0.372	0.371
	z	94	94	94	94	94	94	94	94	94	94	94
No of IPOs	Mean	48	56	52	65	34	50	94	75	86	102	110
in each year	Ø	00	00	00	00	00	00	00	00	00	00	00
	Median	48	56	52	65	34	50	94	75	86	102	110
	z	75	75	75	75	75	75	75	75	75	75	75
Dummy	Mean	0.085	0.129	0.087	0.147	0.201	0.173	0.081	0.127	0.230	0.164	0.148
Variable is an Intener	D	0.241	0.295	2.483	2.481	3.201	2.583	2.193	2.583	3.100	2.916	3.184
	Median	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	z	86	86	86	86	86	86	86	86	86	86	86
Dummy	Mean	0.001	0.012	0.025	0.274	0.738	0.815	0.753	0.629	0.847	0.816	0.435
Variable is an	Q	0.006	0.089	0.017	0.371	0.313	0.273	0.237	0.184	0.163	0.151	0.251
Exchange	Median	0.000	0.000	0.000	0.038	0.000	0.937	0.893	1.000	1.000	1.000	1.000
	z	102	102	102	102	102	102	102	102	102	102	102
Dummy	Mean	0.327	0.137	0.105	0.203	0.193	0.357	0.272	0.251	0.210	0.291	0.170
Variable is an	Q	0.431	315	0.263	0.210	0.083	0.280	0.312	0.160	0.318	0.119	0.340
Underwriter	Median	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	z	110	110	110	110	110	110	110	110	110	110	110
Firm's Total	Mean	0.353	0.448	0.353	0.315	0.438	0.581	0.361	0.465	0.385	0.357	0.427
Debt Dividend	Q	0.221	0.223	0.212	0.084	0.131	0.201	0.216	0.261	0.174	0.148	0.274
Total Assets	Median	0.370	0.465	0.364	0.381	0.328	0.276	0.382	0.473	0.486	0.359	0.485
	Z	32	32	32	32	32	32	32	32	32	32	32
												(Continued)

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						Ye	ar					
Variables	Statistics	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on	Mean	0.056	0.075	0.082	0.089	0.089	0.063	0.086	0.102	0.094	0.136	0.274
Assets	D	0.043	0.075	0.037	0.028	0.047	0.084	0.036	0.067	0.042	0.085	0.074
	Median	0.084	0.042	0.084	0.083	0.075	0.074	0.076	0.082	0.075	0.135	0.265
	z	36	36	36	36	36	36	36	36	36	36	36

Source: Author calculation

Table 3. (Continued)

a book-building mechanism. The IPOs determining the number of days between the offering and listing is 81.06 in 2010 and deteriorations to 43.6 in 2020, this representative that the time lag between offering and listing has become smaller and the Indian IPO market has become more resourceful in current years. The normal logarithm of the number of offering shares multiplied by offering price indicates the offering size of individual IPO stocks is 472.739 in 2010 and increase to 853.361 in 2020, which specifies an adverse association with the side by side of under-pricing. The proportion of shares held by government and state-owned legal entities after IPO, on behalf of the percentage of government ownership in the equity shares form of an issuing firm indicates a stable reduction from shows a stable reduction from 37.4% in 2010 to 21.9% in 2020. From table 3 It would be distinguished that the market shares retained by the state and legal entities account for more than 48% of the total shares for the NSE registered companies in the 2010-2020 sample period. This condition may enrich functioning inadequacies and evidence asymmetry that intensify Initial Public Offer (IPO) under-pricing. Examination of integer, national stock exchange of India and underwriter values indicates that 17.18% of Initial Public Offers (IPO) (145 of 844) have an integer offer stock market price, 50.59% of IPOs (427 of 844) are listed companies on the National Stock Exchange (India) from 2010 to 2020, and 31.39% of Initial Public Offer (IPO) (265 of 844) are underwritten equals to 1 if the underwriter belongs to Top 5 underwriters nationwide 7 and 0 otherwise.

5. Data analysis and interpretation

Relationship between IPO Under-pricing and Accounting conservatism

Table 4 explains the output of cross-table examinations for the effect of accounting convention (conservatism) on IPO under-pricing in the Indian stock markets; it has been evaluated based on equation no. 3. The paper employs the total accounting accrual value (A C) to proxy for accounting convention, i.e., conservatism, and uses both SMABR (stock market adjusted beginning returns) and MBRD (market to book ratio difference) to evaluate the IPO under-pricing. The dependent variables are the SMABR at the beginning of trading (first day). The significance of the independent variable is the accounting concept factors, i.e., conservatism calculated by total accounting accruals values. The model is rationally well stated, with an R² of 21.7% at the significance level of 10% (F = 9.534). As the study predicts, the coefficient value on constant variable total accounting accruals (A C) is -0.547 at the 1% significance level. The paper indicates that the accounting convention negatively and significantly contributed to IPO underpricing in the Indian market. The findings in Tables 3 and 4 support hypothesis one. The output in model no. 1 illustrates that the offering instrument does affect the under-pricing. The book value determines the building mechanism (book value) is indicated a positive relationship to under-pricing (SMABR) at the 5 per cent significance level (0.619, t = -0.481), which is consistent with the book value. SMABR discovered a positive relationship between book value building and the measurement level of under-pricing from the start, indicating that book value building provides issues with better options and benefits to institutional investors. Model no. 1 determines the positive association between the book value and the level of under-pricing of SMABR at a significance level of 1% (0.619, t = 1.305), indicating the association with accounting (conservatism) convention and IPO under-pricing is less distinct after the execution of bookkeeping. This outcome checks the supernumerary association between book value and constant value, as highlighted in the correlation matrix.

Further, the paper also discusses the variable L_DAY having a positive connection to the level of under-pricing, even though its coefficient value does not show a substantial impact at the predicted value (0.004, t = -2,582). The detailed sample can elucidate this outcome. The regression test practice IPOs that have been taken during the study sample period took place from 2000-to 2019. The normal failure time between contribution IPOs and listed companies during the period is 12.73 days. The period gap is not as irrationally long as in earlier time durations. It can be concluded that the level of under-pricing is shown to be negatively affected by the time failed between the offering price and the listed companies' price value if issuers can list the offerings at

Table 4. C	orrelation m	natrix amon	g selected v	variables									
	N_P_A	A_C	ΒV	L_Day	Size	۹_W	M_L	T_S	Vol	Int	EX	L_R	R_A
U-P-A	1												
A_C	-0.463***	1											
BV	0.735**	-0.672***	1										
L_Day	-0.371	-0.385	-0.113^{***}	1									
Size	-0.437***	0.352	-0.615***	-0.485**	1								
₹_P	0.049	0.913***	-0.234	0.158***	0.361***	1							
M_L	-0.061	-0.681	0.953**	-0.851**	-0.428***	-0.681	1						
T_S	-0.692	0.047***	-0.527***	0.329**	-0.571**	0.402**	-0.637	1					
Vol	0.232	-0.486	0.263**	-0.481**	0.057**	-0.638***	0.073**	-0.861***	1				
Int	-0.683***	0.174**	0.073**	0.025***	0.046**	-0.042	-0.052***	-0.047***	0.681***	1			
Ex	0.041**	-0.532	0.624***	-0.381**	-0.557***	-0.671**	0.411***	-0.746***	0.104**	0.068**	1		
L_R	-0.523	0.058**	0.034	0.482**	-0.231^{**}	0.395**	-0.592	-0.073	-0.053	-0.951**	0.420	1	
R_A	-0.983**	-0.482**	-0.451**	-0.491***	0.095***	0.781	0.072**	0.057***	-0.411^{**}	-0.537	-0.560	0.371***	1
Note: The tal	ble explains the	e correlation o	f variables use	d.									

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** Statistical significance at the 5% level.
*** Statistical significance at the 10% level.

a reasonable time frame. Concerning the firm's size of IPOs (F_Size), the paper finds a suggestively negative association with the level of under-pricing at the 10% significance level (-0.572, t = 0.682), which is in line with previous literature asserting that the less critical offer size is considered, and it is informal for established investors to regulate the issuing procedure. With reverence to the influence of investors' structure, the outcomes illustrate a positive affiliation between the percentage of owner shares (O_S) and IPO under-pricing at the 1% significance level (0.642, t = 0.793) and a negative association between the percentage of total tradable shares (T.S.) and IPO under-pricing at the 10% significance level (2.413, t = 1.527). This signifies that a high number of whole shares are owned and gives managers more prospects to cover up inadequacies, which exaggerates information and IPO under-pricing.

The paper finds a suggestively positive association between the IPO capacity level and beginning IPO returns (SMABR) at the 5% level (-2.280, t = 1.462). The values indicate that the market condition is extremely good with the IPO volume level. Further, the study also highlights that the reasonable offer price is negatively associated with IPO under-pricing (MBRD) at a significance level of 10% (0.003, t = -0.075). (1) Discuss how the use of substantial offer price anticipates reducing ambiguity in stock market pricing, as well as the frequency of substantial offer price levels in offerings. In this regard, the integer offer price undesirably affects the extent of under-pricing. Table 5 determines the coefficient on the exchange rate and discloses that the IPO under-pricing is significantly less than that on the Indian stock exchange at the 10 per cent significance level (-3.581, t = 0.174), which has a consistently positive impact on the exchange value. There is more exposure and less indecision in joint venture companies with external partners, so the IPO companies listed on the Indian Stock Exchange are relatively less under-priced.

The listed companies' leverage coefficient (L_V) is -1.482, controlling leverage in the falling administration's resourceful behaviours and asymmetry between IPO issuers and probable investors. Though the t-test of this adjustable variable does not show significance at the conservative level, the representative that the character of leverage in decreasing asymmetry theory and IPO under-pricing in India is relatively weak. Dependable to (1), who contends that the mark of asymmetry data is a reducing purpose of organization profitability, ROA is shown to be negatively connected to the level of under-pricing at the 10% significance level (-2. 415, t = -3.638). This result signifies that profitability benefits decrease IPO underpricing in the Indian market. Like outcomes are attained when IPO underpricing is determined as the difference in book-to-market ratios between pre-IPO and the listing company's date (MBRD) in table 6. The coefficient of constant total accrual accounting (T_A_C) is -4.759 at the 5 per cent significance level, according to alternative model 2. Consequently, the paper's experiential outcomes are robust in reverence to the suggestion of accounting convention (conservatism) with IPO under-pricing in the Indian market.

The impact of asymmetry information on accounting conservatism and IPO under-pricing

The paper studies the first hypothesis concerning the influence of IPO asymmetry on the association between accounting convention and IPO under-pricing. The paper divides the sample into high and low asymmetry data based on five-panel factors, i.e., firm age, growth size, corporate governance, and firm leverage. At the 10% significance level, all factors determine a significant transformation between the high and low asymmetry. Table 6 illustrates that the following hypotheses created on the segregated sub-samples are high and low asymmetry information. The regression model determines that the total accounting accrual value constant is -0.582 for higher growth in subcategory groups (t = 0.569).

Table 7 indicates that the MBRD intercept has a significantly positive coefficient (4.002; t = 5.023), and the coefficient on constant accounting accrual value is still considerably negative (-2.473; t = -1.013), consistent with the explanation that companies with accounting tend to have lower under-pricing. Hence, Table 8 suggests that the paper outputs are robust to correcting

Table 5. Results ac	counting conservation and I	PO under-pricing (2000)–2020)
Variables	Predictions Signs	UP (SMABR)	UP (MBRD)
Intercept		2.385*** (4.681)	-0.47 ** (-0.638)
Cons_AC	-	-0.547 (-1.573)	-4.759*** (-0.585)
B_V	?	0.619** (1.305)	-0.481 (2.485)
L_Day	+	0.481 (0.004)	-2.582** (-0.371)
Size	+	0.520*** (0.572)	0.563 (0.682)
W_P	-	-0.683 (0.462)	0.793 (-0.930)
W_L	-	-0.863** (-0.1.738)	0.429** (1.637)
T_S	-	2.413*** (0.382)	1.527*** (0.471)
Vol	+	-2.280 (-0.218)	1.462 (0.627)
Int	?	0.003 (0.021)	0.075 (-0.481)
Ex	+	-3.581** (0.491)	0.948*** (0.174)
L_R	-	-1.482 (2.418)	0.581 (1.374)
R_A	-	-2.415 (1.429)	-3.638 (1.382)
N Observation		527	527
R ²		0.692	0.742
Adj.R ²		0.217	0.136
F-stat		9.534	9.847

Note: Table information the cross-sectional studies for the impact of accounting convention (conservatism) on IPO under-ricing from equation no 3. The meaning of variables is described in Table 1.

* Statistical significance at the 1% level.

** Statistical significance at the 5% level.

*** Statistical significance at the 10% level.

potential sample selection bias since higher under-pricing companies are more likely to use less conservative accounting.

Results of robustness tests

The study runs numerous robustness tests to check the validity of the present research results. Initial, the study employees' C-SCORE test was established by Khan and Watts in 2009 as an alternate accounting convention conservatism evaluates because the cash-based uncertain calculates the accounting convention (conservatism) may have a healthier governance role in decreasing the information asymmetry. The study also divided the full sample into two subcategories of samples according to whether the company goes through the public book building mechanism instrument. The accounting accrual model is specified as:

$$AAC_{i} = \beta_{0} + \beta_{1}D_{-}CFO_{i} + \beta_{2}C_{-}FO_{i} + \beta_{3}D_{-}CFO_{i} \times C_{-}FO_{i} + \mu_{i}$$
(6)

Table 6. Result f	or asy	mmetry grou	ps diffe	rence	between lo	w and high	informatio	n data
	As	ymmetry dat a high level	a at	Asyı	nmetry dat level	a at a low	Mean-v val	ariance ue
Proxy Variables	Ν	Mean	σ²	N	Mean	σ²	Variance	T-test
Firm Growth	273	0.517	0.427	273	0.690	0.604	0.0407	11.065***
Firm Size	273	1.282	0.972	273	0.528	1.417	0.7802	2.904***
Firm Age	273	0.936e+02	3.075	273	0.697e+14	1.580e+42	-2.7030	-8.792***
Firm C_G	273	-0.319	0.619	273	1.038	0.849	-1.0486	-4.037***
Firm_L_R	273	-0.172	0.247	273	0.306	1.064	-0.7893	-3.692***

Source: Author calculation

From where the company is indexed, AAC is the income received from the extraordinary components, deducted cash flow statement from the operation source. Additionally, with depreciation expenditure shrunk by average assets at the commencement of the year before the IPO, cash flows from operations shrunk by average total assets at the start of the year before the IPO; D_CFO is a dummy variable and equals 1 if the CFO < 0 and 0 or else; and μ is the residual variable value. In this model, β_1 is predictable to be suggestively negative, presenting the negative correlation between accounting accrual value and cash flow re-importation. B₂ is predicted to be

Table 7. Output of reverse causality test using Heckman correction model:—estimating regression models which suffer from sample selection bias

first-stage probit regr	ession panel -A	second-stag	second-stage regression panel -B				
			MBRD				
Intercept	-1.032** (-1.042)	Intercept	4.002*** (5.023)				
L_R	-0.271* (-0.017)	Cons_AC	-2.473 (-1.013)				
R_A	-3.324*** (-2.306)	Book value	-0.084*** (-0.019)				
Firm Growth	0.052 (0.031)	L_Day	-0.002 (-1.910)				
Firm Size	0.921*** (1.273)	Size	-0.992 (-5.036)				
I_D_All_D	-0.319 (-0.061)	W_P	0.185** (0.962)				
Size_B_D	0.012* (1.352)	W_L	-0.892 (-1.047)				
N	527	T_S	-1.047 (-2.347)				
Pseudo -R ²	0.036	Vol	0.056* (2.018)				
		Int	-0.006*** (-1.902)				
		EX	-0.341*** (-1.028)				
		L_R	-0.428(-0.045)				
		R_A	0.537*** (0.614)				
		Ν	527				

Source: Author calculation * Statistical significance at the 1% level. ** Statistical significance at the 5% level. *** Statistical significance at the 10% level.

significantly positive in the existence of accounting convention (conservatism), indicating a positive relationship between simultaneous cash flows from operations and accounting accruals in the bad debt amount heads. The paper signifies that accounting accrued losses are more prospective to be stated in the bad debt's time duration as a negative cash flow (1). The study mentions the timeframe of better updates β_3 as G_SCORE. The total duration of bad updates indicates the β_0 as C_SCORE, which the paper employees use to determine the accounting convention alternatively. Watts (2003) notes that G_SCORE and C_SCORE are linear program functions of firm-precise features:

G Score
$$=\beta_{1=}\gamma_{0+}\gamma_{1}$$
 firm growth; $+\gamma_{2}$ firm size; $+\gamma_{3}$ MB Value; $+\gamma_{4}$ LV; (7)

C Score
$$=\beta_2=\mu_0+\mu_1$$
 firm growth_i+ μ_2 firm size_i+ μ_3 MB Value_i+ μ_4 LV_i (8)

The paper determines them into regression equation no 6 to attain the equation no next level (9) and to get the score of C value as a firm-annual evaluation of accounting convention (conservatism) by employing $\mu_{0, \mu_{1, \mu_{2}}}$ and $_{\mu_{3}}$:

$$ACC_{i} = \beta_{0+}\beta_{1}D_{-}C.F. Oi + C.F.O_{i}(\gamma_{0} + \gamma_{1} \text{firm size}_{i} + \gamma_{2} \text{firm growth}_{i} + \gamma_{3}MB \text{ Value}_{i}) + D_{-}C.F.O_{i} + C.F.O_{i}(\pounds_{0} + \pounds_{1} \text{firm size}_{i} + \pounds_{2} \text{firm growth}_{i} + \pounds_{3}MB \text{ Value}_{i}) + \varepsilon_{i}$$
(9)

Table 8 illustrates that the regression analysis output employs C_Score as the independent variable to determine the accounting convention and hypothesis one. The coefficient value on C_Score is -0.313 (t = -0.425) at the ten significant levels of the companies decided through instruments other than BBM. In contrast, the coefficient value on the C_Score is insignificant for companies that go through BBM. This outcome is consistent with hypothesis one and the authorized value. It has shown the negative association between accounting convention and IPO underpricing and the substitutive association between accounting convention (conservatism) and BBM (book building mechanism).

As discussed, previously, creative non-marketable shares have been allowed to be traded on the stock exchanges in India since 2010. Improvements in the capacity of tradable shares allow potential investors to adopt more shares and reduce investor demand for share issues. This circumstance may alleviate the demand for accounting conventions (conservatism) and lower the level of IPO under-pricing. The paper divides the sample into two time periods (2010–2015 vs. 2016–2020) to examine the effect of the movement of initially non-tradable shares from 2002 on the association between accounting convention (conservatism) and IPO under-pricing in the Indian market. Table 8 explores that the coefficient on Cons_TAC in the 2010–2015 time period is -0.385 (t = -1.582) at the 5% significance level, but the value impact is insignificant. The 2006–2010 time period is -1.105 (-0.304). In the same order, 2011–2015, 2016–2020, it is -2.602 (t = -0.381) and 0587 (t = 1.528). As for the negative association with accounting conventions and IPO under-pricing, it was alleviated after the rotation of non-tradable shares in the year 2011.

Lastly, besides the ranking of return on assets and leveraged values according to the number of their IPO transactions, which is the critical model, the paper also organizes return on assets. Its leverage values are in terms of total ROA and leverage amounts and their firm size for robustness tests. In addition, the paper uses a firm's total debt value multiplied by its ROA one year before the IPO and its short-term debt value multiplied by its book value of ROA one year before the IPO to proxy leverage value risk level. The paper also uses operating stock and income divided by ROA in the year before the IPO to proxy for steady profitability. The paper examines the model from 3–6 in Table 8. The regression outcomes of the robustness tests and the study's hypothesis are commonly supported after implementing alternative measures of those control variables.

Table 8. Regression analysis for robustness tests											
	Mod	lel 1	Model2								
	2000-	2006–	2011-	2016-		Model					
Variables	2005	2010	2015	2020	Model 3	4	Model 5	Model6			
Intercept	2.657*** (2.50)	1.093** (3.04)	2.351** (1.41)	0.849*** (4.07)	3.219*** (4.28)	4.205*** (2.49)	1.048*** (1.72)	2.495*** (5.31)			
Cons_TAC	-1.582** (-0.385)	-0.304 (-1.105)	-0.381 (-2.602)	1.528 (0.587)		-2.019 (-0.401)	-2.339 (-1.496)	-0.969 (-2.629)			
C_score	-0.425 (-0.313)	-0.528** (-0.417)			-2.965** (-0.081)						
B_V			0.603** (1.041)	-0.728*** (-4.194)	0.581 (1.810)	0.994* (1.738)	0.218** (1.162)	0.318* (1.937)			
L_Day	0.005*** (0.012)	-0.021 (-0.510)	0.071*** (1.590)	-0.001 (-0.361)	0.028* (0.053)	0.004** (0.034)	0.001 (0.041)	0.007** (0.072)			
Size	-0.231 (-2.642)	-0.645** (-5.274)	-0.835 (-6.748)	-0.747* (-2.573)	-0.703 (-7.746)	-0.691 (-8.058)	-0.883** (-5.462)	-0.784 (-6.573)			
W_P	0.445 (0.602)	0.293 (1.405)	0.546*** (0.739)	0.825 (2.448)	0.226** (1.132)	0.547* (1.436)	0.648* (3.537)	0.738 (1.627)			
W_L	-0.320*** (-0.215)	0.619 (0.508)	0.394 (0.283)	0.148* (0.037)	-0.329 (-0.216)	-0.521 (-0.410)	-0.634 (-0.523)	1.325*** (2.215)			
T_S	-1.637 (-0.526)	0.364*** (0.253)	0.081*** (0.172)	0.862 (0.751)	-2.471*** (-1.360)	-3.597** (-2.472)	-0.462** (-0.327)	-0.057 (-0.146)			
Vol	-0.041*** (-0.130)	0.025* (0.114)	-0.002 (-0.091)	0.031*** (0.012)	0.002 (2.036)	0.009 (2.402)	0.004 (3.047)	0.008** (3.017)			
Int	-0.021 (-0.081)	-0.413 (-2.302)	0.024** (0.821)	-1.803 (-3.261)	-0.127** (-4.638)	-0.893** (-2.746)	-0.826** (-3.648)	-0.639 (-2.517)			
Ex	-0.034** (-0.038)	-0.519 (-1.062)	-1.008 (-0.314)	-1.490 (-0.548)	-0.325 (-2.036)	-2.037 (-0.481)	-0.502 (-1.089)	-0.562 (-1.845)			
R_A	-1.683* (-0.572)	2.384** (1.273)	-2.091* (-3.190)	-3.012*** (-2.003)	-1.675** (-2.563)	-3.759* (-2.472)	-4.384*** (-2.583)	-1.399 (-0.428)			
L_R						-0.043* (-1.094)					
SD							0.032* (0.003)				
OIA								-2.056** (-1840)			
Ν	527	527	527	527	527	527	527	527			
R ²	0.402	0.623	0.733	0.415	0.304	0.362	0.372	0.704			
Adj.R ²	0.325	0.534	0.283	0.275	0.159	0.327	0.127	0.491			
F-stat	5.708	6.302	4.006	7.581	5.671	8.596	8.472	9.339			

Source: Author calculation.

* Statistical significance at the 1% level.

** Statistical significance at the 5% level.

*** Statistical significance at the 10% level.

6. Conclusion

The paper's significance is to examine whether and how accounting conservatism affects IPO underpricing in the stock market. The outcomes of the regression analyses disclose that IPO under-pricing is inversely related to accounting convention (conservatism), after regulatory for deal-explicit and firmprecise features. This outcome is reliable with the asymmetric data model. Therefore, the accounting convention (conservatism) will assist in diminishing the asymmetry facing IPO firms and alleviating IPO underpricing. In addition, the paper finds that the negative impression of accounting convention (conservatism) on IPO under-pricing is more distinct for firms with high asymmetry data than for organizations with low asymmetry data. The representative found that higher asymmetry data generates more motivation for conservative accounting by IPO firms. Additionally, the paper finds positive implications for the development of accounting and reporting performance and the practical process of the capital market. The study also shows that after-market sentiment causes a further price run-up in the secondary market. Overall, our findings suggest that institutional investors play an important role in re-distributing shares in the secondary market and underwriters take into consideration of investor sentiment in pricing IPOs during pre-market and aftermarket periods.

The general conclusion of this paper, a probable restriction, is focused mainly on the viewpoint of asymmetry information to examine the influence of accounting convention (conservatism) on IPO under-pricing. Even though there are many other financial and accounting theories concerning the causes of IPO under-pricing. In future research, factors other than asymmetry information could be discovered to examine the relationship between IPO under-pricing and accounting convention (conservatism). In accumulation, the rationality of the corporate governance variables is used in the present paper and tested as the Indian stock market functions in a setting with dominant corporate governance and weak law instruction. Furthermore, given the lack of empirical literature, the current study is expected to guide future research by including more relevant explanatory variables such as accounting disclosures, and other firm-specific variables namely firm age, firm size, asset tangibility, and other financial ratios.

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