Which companies pay more (or less) in legal fees? An empirical study of India[☆]

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ABSTRACT

Although the demand for corporate legal services has grown significantly, so has the pressure on companies to reduce legal costs, thereby necessitating a "data-and-metrics" driven approach to legal fees. Accordingly, we exploit the availability of a unique dataset comprising legal fees that Indian corporations have spent over a 30-year period from 1990 to 2020. We undertake the first cross-sectional analysis of legal fees across various exploratory variables over a long period of time. The results show an increasing trend in the quantum of legal fees incurred by Indian companies during the period. They overwhelmingly suggest that large companies (measured along the lines of total assets, industry segmentation, export and import orientation) spend a higher quantum in legal fees than do small companies. Legal costs are higher for companies that undertake capital raising or mergers and acquisitions transactions in a given financial year than those that do not experience such events. Finally, legal fees tend to be higher in certain industry sectors such as technology and energy where significant contracting, regulatory or other form of legal work is pervasive. It is our expectation that the results and accompanying data analysis will aid purchasers of legal services (being corporations and their in-house legal departments) as well as providers (being law firms and legal professionals) in planning and budgeting for legal fees, and also in devising and implementing appropriate fee arrangements.

1. Introduction

A significant challenge confronts legal departments of companies. On the one hand, the demand for legal services from external counsel continues to skyrocket given the increasing complexity of the legal environment in which companies operate and the onerous nature of compliance requirements (Friedman, 2007). On the other hand, in-house legal teams have come under intense pressure from management to bring about drastic reductions to legal costs (Armitage, et al. 2014; Barton, 2014). Both the global financial crisis in the late 2000s and the pandemic more recently have focused the attention on practices of companies in the procurement of external legal services, compelling them to be more creative about arrangements with external counsel to extract greater value at competitive prices (Silverstein, 2016; Watson and Brzakala, 2021).

These developments necessitate that legal procurement by companies be "increasingly data-and-metrics driven" (Hodges, 2012) and

reliant on "evidence-based rationales for major reductions in legal spending" (Silverstein, 2016). The role of data analytics in modern legal engagement cannot be understated (Rapoport and Tiano, 2019). At what stages during their lifecycles do companies spend extensively, if at all, on legal fees? What types of companies incur greater legal spending? Do larger companies necessarily spend more than smaller ones? Do companies with greater exposure to global markets spend more than those without? Do companies in certain industries spend more than companies in other industries?

Despite the criticality of these questions in the sphere of corporate legal procurement, there are numerous obstacles to obtaining data on specific fee arrangements between corporations and law firms representing them due to the private nature of their relationship. Available studies regarding legal fees in various markets are either anecdotal, survey-based or limited to specific time-spans (Maheshri and Winston, 2014). We seek to fill this gap through our empirical study using a comprehensive dataset of legal fees that corporations in India have

incurred annually over a 30-year period from 1990 to 2020. To our knowledge, there is no prior academic work that analyzes legal fees incurred by corporations across multiple variables over such a long time-horizon.

The study of the legal expenses in India is interesting for at least two reasons. First, India is unique in that data on legal spending are available over a sufficiently extensive period to enable a meaningful empirical analysis regarding the trends and determinants of legal fees that corporations expend. Second, India's economic liberalization in 1991 caused its product and investment markets to open up, thereby enabling its corporate legal sector to grow exponentially (Wilkins et al. 2017). This presents us with an interesting setting to explore the various determinants of legal fees in such a market.

Through our study, we show that several characteristics relating to the legal environment in India have been exhibiting an increasing trend over time. For example, the total legal fees spent in the economy each year have been increasing during the period of our study. However, during this time the size of the Indian economy has also been growing and, hence, we examine the average legal fees spent by a company each year, which has also been increasing over time. In terms of transactional legal work, there has been a considerable growth in investments (both foreign and domestic), capital raising, and other similar corporate transactions, all of which signify a growing demand for legal services. Mergers and acquisitions (M&A) tend to appear in waves, and hence do not demonstrate consistent time trends. In sum, the legal environment has been rapidly expanding in India.

Our study is based on a sample that consists of 174,921 firm-year observations of limited liability companies from the Prowess database,[1] which meet the data requirements. The company specific determinants of legal fees spent by corporations are company size, export and import status, state of incorporation, significant corporate events, and industry membership. Company size is the most important determinant of legal fees, in that larger companies spend more on legal fees than do small company. We proxy for company size with the total assets of the company, and whether a firm is a multi-segment firm or not. Companies that export goods and services to other countries, or import goods and services from other countries, contend with laws in India as well as in the importing (or exporting) country and hence spend more on legal fees than companies which sell to or buy from only the domestic market. Four states, being Delhi, Maharashtra, West Bengal, and Tamil Nadu are the most industrialized states in India and their courts have original jurisdiction over civil and commercial matters beyond a specified monetary value (Hebbar et al. 2021). The companies incorporated in these states spend more on legal fees than do companies incorporated in other states in India.

Companies engage in significant corporate events like issuing securities, either in an initial public offering (IPO) or in a secondary equity offering. Companies also issue debt and commercial paper in the capital markets. External law firms play an important role in drafting and filing documents with regulators, vetting the prospectus related to the securities issuance and in advising the company on related legal issues. We find that companies that engage the capital markets to issue securities spend more on legal fees than companies who do not have any significant corporate events in a given financial year. A second type of significant corporate event is a merger or acquisition (M&A). Companies can be either acquirers or targets in an M&A transaction. Companies that are a party to an M&A have to structure the transaction, conduct due diligence, prepare and enter into contracts involving reams of documents, and file some of these documents with regulators, all of which are usually handled by external law firms who specialize in the legal aspects related to an M&A. Hence, we expect, and find, that both acquirers and targets spend significantly more on legal fees than do companies who do not have any significant corporate event in a financial year. Since

significant corporate events are undertaken by specific types of companies, we use a propensity score matching process to obtain the above-described results.

Extant accounting literature classifies the litigation risk of a company based on the industry of which it is a member (Kim and Skinner, 2012). For example, Francis, et al. (1994) code high litigation risk companies as those which are in the biotech, computer, electronics, and retail industries. We find that technology companies and companies in the energy sector in India spend higher legal fees on average than do companies in other industries.

We contribute to the literature in two significant ways. First, our paper is the first to describe the cross section of legal fees across companies in a single market over a sustained period of time. Such an analysis of legal fees is significant given the intense fee-sensitivity displayed by the legal market, the need for further data analysis for purchasers and providers of legal service, and the unavailability of public information regarding fees at the level of each engagement or even each purchaser-provider relationship for legal services. Second, we show empirically that larger companies spend more on legal fees. Companies who engage the stock market to issue equity or debt securities also spend more on legal fees. Both acquirers and targets in an M&A also spend higher amounts on legal fees. Companies in high tech and the energy industries spend more on legal fees, presumably because they face higher legal, contracting and regulatory risk.

At one level, critics may argue that the findings in this paper are consistent with obvious expectations, but our effort herein is to empirically test the validity of conventional wisdom and available anecdotal evidence. Our findings regarding the determinants of legal fees would not only enable market players to calibrate these factors in structuring their engagements for legal services, but they would also provide the opportunity for researchers to analyze legal fees in other markets (subject to the availability of data) or to undertake further in-depth studies across one or more determinants of legal fees. This paper would also contribute to the broader literature surrounding the legal profession, including any regulation surrounding the quantum and design of legal fees in India, and generate appropriate discourse in other related jurisdictions as well.

As for limitations, we note that the definition of legal fees in the Prowess database can include some noise. As some companies combine legal fees with certain other charges, it is impossible for Prowess to separate legal fees from those other charges, and hence the two are reported as legal fees. Furthermore, we use the legal fees for standalone companies rather than from consolidated financial statements and, if there is some cross subsidization of legal fees of companies within the same group, we are unable to control for such cross subsidization.

The rest of the paper is organized as follows. Section 2 provides a background to the corporate legal sector in India. Section 3 sets out a literature review containing comparative studies in the field of audit fees, and develops the metrics for analyzing legal fees. Section 4 outlines the dataset we use in this study and delineates the sample selection process. Section 5 contains the empirical evidence and analysis thereon. It begins with a study of the economy-wide trends and then focuses on several company-level determinants of legal fees. Section 6 carries out certain robustness checks, and section 7 concludes.

2. Background: the corporate legal sector in India

As in several economies around the world (Garoupa, 2014), it is possible to categorize the Indian legal bar into independently practicing lawyers who represent individuals and small businesses, and law firms who offer their services to corporations (Wilkins, et al. 2017). In the initial years after India's independence in 1947 up until 1991, the legal bar was fragmented and had only a handful of corporate law firms. During this period, litigation was the mainstay of legal services, and corporate transactional work was sparse (Gupta et al. 2017). However, there was a tectonic shift in Indian legal practice that commenced in

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[1] We elaborate on the dataset in section 4.

1991. As Wilkins et al. (2017) note:

> [India] made a decision to move from a "closed" economic model to one that is increasingly "open" to both foreign investment and private enterprise, including the privatization of many state-owned assets. This "global shift" has had a major impact on the legal system in [India], fueling a demand for new laws, regulations, and administrative apparatus to facilitate this new economic activity and to interface with the broader global economic and political environment. This, in turn, has created the need for lawyers capable of practicing law within this new legal and regulatory environment, particularly in corporate law fields such as mergers and acquisitions, project finance, securities, and initial public offerings that are increasingly being demanded by the growing number of foreign and domestic companies operating in [India].

The nature and identity of the bar that serviced corporations underwent a metamorphosis. In order to meet the growing demand for corporate legal services, the preexistent law firms expanded their sizes considerably and legions of newer law firms established their practices (Krishnan and Thomas, 2017). Buoyed by the effects of economic liberalization, "there are now more than 150 Indian firms that specialize in providing services to corporate clients" (Nanda et al. 2017). While it represents a small proportion of the more than 1.3 million lawyers registered in India, the corporate legal sector has witnessed exponential growth in the last quarter century (Gupta, et al. 2017). Moreover, although the prevalent Indian regulatory regime did not, until very recently, permit international law firms to establish a permanent presence in India, these firms have continued to render legal services to Indian companies or on sophisticated India-related cross-border transactions such as M&A, capital markets or project finance deals, all through their overseas offices (Singh, 2017; Varottil, 2017).

Along with the supply-side in the corporate legal services equation, the demand-side has also witnessed drastic changes. The in-house legal departments of companies have demonstrated significant growth, both in terms of size and in the influence they bear on decision-making within the companies on matters having a legal impact (Wilkins and Khanna, 2017). Although one of the justifications for the in-house counsel movement is the fact that retaining legal work within the corporation saves legal cost, Indian companies have generally witnessed ballooning legal budgets, of which nearly half the amount represents spending on external lawyers (Wilkins and Khanna, 2017). In that sense, the Indian account is akin to the global trend where in-house legal departments are in the throes of the conflict between the ever-increasing legal needs and constant management pressure towards legal cost-reduction.

One question that emerges is what impact the growth and heft of in-house legal departments are likely to have on external spending in the form of legal fees. In their study, Wilkins and Khanna (2017) find that while there has been an increase in the size and structure of in-house legal departments, a sizable proportion of overall legal spend continues to be attributable to fees towards external legal counsel. This suggests that work performed in-house and by external legal counsel are not always substitutive and might, in fact, be complementary, with a broad demarcation of the nature of legal work undertaken by each. For instance, the focus of in-house counsel tends to be on matters that are intrinsic to the business and operations of the company, such as contracting, employment and, increasingly, regulatory compliance. In-house counsel also play an important role in integrating legal matters with business strategy and risk management. Jenkins and Lee (2021) show that over the past 30 years, Fortune 50 companies have increasingly incorporated lawyers in top leadership positions. On the other hand, companies tend to seek external legal help on complex and specialized matters, including significant corporate transactions such as capital raising, M&A, and nearly all forms of litigation. This general allocation of work between in-house counsel and external law firms is consistent with the broader findings in this paper.

Existing studies indicate a steady increase in corporate spending on

legal fees in India. Wilkins and Khanna (2017) note a rise in the amount that companies spent on outside legal services by 270 % during the period between 2004 and 2015. Since then, the corporate legal market has grown substantially with the introduction of the Insolvency and Bankruptcy Code in 2016 that has led to big-ticket insolvencies and the Central Goods and Services Tax Act in 2017 that has generated large-scale tax advisory work. These developments saw the total legal spend by listed companies in the financial year 2019 reach $5.6 billion (Vyas and Kadam, 2019). In the financial year 2020, the top 10 corporate spenders on legal fees incurred approximately $1.3 billion, with most of these companies operating in the pharma and IT sectors with export orientation and exposure to the international markets (Somvanshi, 2020). Consistent with the increasing complexity of legal regulation and compliance requirements, the expectation is that corporate legal spending by Indian companies will continue to rise (Vyas and Kadam, 2020).

While these studies are useful in providing an indication as to the size and the direction of the fees in the Indian corporate legal services market, there is a need for a more systematic empirical analysis of fee trends over a longer period involving a larger dataset and multiple variables. Before we undertake that task in this paper, we begin with a brief survey of the methodological resources emanating from fee studies carried out in a close professional cousin of the legal sector, namely the auditing industry.

3. Literature review and research design

Due to the absence of prior literature examining legal fees, in this section we explore the research design originating from existing studies of audit fees, solely with a view to help determine a framework for our analysis. We thereafter discuss the research design to analyze legal fees in Indian market and construct our propositions for this study.

3.1. Trends and determinants of audit fees

A significant body of literature focuses on audit fees as a means to understand the audit market and its regulation. In most studies, audit fees represent the dependent variable, with a considerable diversity among the explanatory variables adopted (Pong and Whittington, 1994). In a most recent literature review, Widmann et al. (2021) summarize "the empirical results of 121 quantitative studies with 137 different regression outputs in international scientific journals".

First, and most prominently, a considerable number of these studies examines audit fees as a function of auditee size, hypothesizing that the fees would be higher for larger auditees. Their results demonstrate a strong correlation between the quantum of fees and the size of the auditees (Simunic, 1980), including in specific markets such as the United Kingdom (Chan et al. 1993), Australia (Carson et al. 2004), New Zealand (Firth, 1985), Hong Kong (Ho and Ng, 1996) and Singapore (Low et al. 1990). One area of engagement, though, relates to the measure of size. Several studies use total assets of the auditee as an explanatory variable to determine size (Simunic, 1980; Low et al. 1990), while some have used turnover of the auditee (Chan et al. 1993). An additional measure of size is the number of business segments in which an auditee company operates (Widmann et al. 2021).

Studies also suggest that the relationship between size and fees is non-linear, i.e., the audit fees do not increase commensurately with the size of the auditee (Carson et al. 2004). Researchers have proffered two reasons for this phenomenon. The first is the effect of the economies of scale and the second is the existence of more robust internal controls in large companies (Firth, 1985; Ho and Ng, 1996).

Second, the studies explore the complexity of the assignment for an auditee as a function of the quantum of the fees. One measure used to determine complexity is by exploring whether the auditee has a greater exposure to the global markets through exports, imports, or other forms of cross-border transactions (Widmann et al. 2021). Additional elements

of complexity include an M&A deal or other transaction during the audit period that is significant to the audit or the reporting of any extraordinary items (Widmann et al. 2021).

Third, audits fees are predicted to be higher if the engagement is likely to pose a higher risk to the auditing firm (Firth, 1985). Risks may emanate from the industry or business in which the auditee is operating to other internal factors that could potentially prejudice the reputation of the auditor (Chan et al. 1993).

The wealth of studies involving trends in audit fees presents us with a useful starting point to analyze long-term trends involving legal fees with a particular focus on the Indian market. However, there are also significant differences between the corporate legal sector and the auditing industry, which we consider while developing the metrics to evaluate legal fees.

3.2. Developing metrics for analyzing legal fees

Both audit and legal fees represent significant professional expenses that companies incur on a regular basis. Hence, the studies relating to audit fees discussed in the previous sub-section provide valuable resources to develop analyses of legal fees. While there are benefits in using audit fee studies, there are significant limitations as well. Here, we identify the determinants that are useful for an empirical analysis of legal fees and set out a series of propositions that provide a framework of analysis for our study.

To set the stage to examine the determinants of a company's legal fees, we document the long-term trends emanating from a study of legal fees in India over a 30-year period.[2] More specifically, we are interested in whether there has been a steady increase of legal fees. After documenting the broader trends, we explore the various determinants of legal fees in India to the extent they are observable. In our analysis of legal fees, we begin by adding two variables that proxy for the size of the company, similar to studies on determinants of audit fees. For this purpose, we use total assets of the client at the beginning of the year and an indicator variable for multi-segment firms, as two measures of size of the company. We hypothesize that a company with more than one segment is likely incur more legal fees than a single segment firm. Although some studies consider export- and import-orientation as part of complexity, we introduce it as a measure to determine size, since large companies are more likely to be export or import oriented than small companies. Companies that are exposed to the global markets must comply with both domestic laws and regulations in their own domicile as well as in jurisdictions in which they conduct business.

Proposition 1. The quantum of legal fees is positively associated with size of the corporate client.

In terms of complexity of legal work emanating from a corporate client, we explore whether the client is subject to significant corporate events in any financial year, which tends to generate a greater involvement of external legal counsel. We define and categorize significant corporate events into two types: capital raising transactions and M&A transactions. Capital raising transactions for this purpose refer to (i) undertaking an initial public offering (IPO); (ii) issuing equity in a non-IPO offering; (iii) engaging in a debt offering; and (iv) issuing commercial paper. M&A transactions for our study refers to (i) mergers; (ii) acquisitions (or takeovers); and (iii) assets sales, whether the company is an acquirer or a target.[3] We use the above definition of "significant corporate event" throughout this paper.

Very significant legal matters also include complex litigation with a huge financial exposure to the company and also high-risk regulatory advisory work (Coates et al. 2011). However, because such legal work is

unpredictable and, in the case of litigation, could be time-consuming spanning a series of financial years, the legal fees for such assignments are more difficult to observe (Friedman, 2007). This is more so in the case of India where pendency of legal cases and the consequent delays are considerably high (Sarna, 2021). Hence, we confine ourselves to the more definitive and observable types of significant corporate events in a company's lifecycle, such as capital raising transactions and M&A, and the legal fees relating thereto. This is not to suggest that litigation and advisory work do not give rise to significant levels of corporate spending in legal fees. It is just that the incidence of such activity is incapable of measurement using the data available through Prowess.

Proposition 2. The quantum of legal fees for a corporate client for the relevant financial year is positively associated with the occurrence of a significant corporate event in that financial year.

The quantum of legal fees could be associated with the extent of legal, regulatory and litigation risk pertaining to the client. We conjecture that higher regulatory and litigation risk of the client is likely to attract a larger amount of legal work, thereby generating an uptick in the legal fees. For example, certain industries are prone to greater risk of regulatory actions or litigation than others (Kim and Skinner, 2012), and it is reasonable to expect companies in those industries to incur a higher level of legal spending.

Proposition 3. Companies operating in certain industries that are legally-intensive or prone to greater legal risk incur higher legal fees.

Our variables pertain exclusively to corporate clients who are consumers of legal services (i.e., demand-side), and we do not analyze variables relating to the counterparties in the form of law firms or individual lawyers who are the providers of such services (i.e., supply-side). This is because the legal sector's provision of services to corporate clients is rather fragmented. There is often a range of law firms and lawyers who offer legal services on different aspects relating to the company's operations. The relationship is multiparty rather than one-on-one. Hence, analyzing the qualities of legal services providers, such as their identity, size and specialization becomes unwieldy. Moreover, the data pertaining to corporate engagements that are specific to law firms or lawyers are hard to gather due the confidential nature of the arrangements. For these reasons, our analysis of legal fees is confined to variables pertaining to the demand-side represented by the companies procuring legal services and disbursing the legal fees rather than the supply-side represented by the providers of legal service.

With this background, we present our empirical findings and analysis in the next section.

4. Dataset and sample selection

We obtained the dataset for this study from the Prowess database, which is maintained by the Centre for Monitoring the Indian Economy (CMIE). Prowess contains information about the financial performance of over 40,000 Indian companies, including listed companies, unlisted public companies, and private companies, constructed from the annual reports as well as stock exchange and regulatory filings by these companies. This database is used extensively by researchers to conduct large sample studies on Indian companies (Manchiraju and Rajgopal, 2017).

The total number of firm-year observations between 1990 and 2020 available in the Prowess database is 500,372. Of these, the total number of firm-year observations with legal fees data is 207,757. In its database, Prowess describes "*sa_legal_charges*" as payment to legal advisers and law firms for providing legal services. This does not include the expenditure that companies incur on their in-house legal departments (Wilkins and Khanna, 2017). To the extent that the Prowess database does not capture internal spending by companies, such as remuneration paid to in-house legal counsel, there could be some under-reporting of the overall legal spend (Wilkins and Khanna, 2017). However, our study is confined only to corporate spending towards external legal service providers.

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[2] Such long-term studies exist in the audit fee arena as well. See, e.g., Menon and Williams (2001).

[3] For the broad types of M&A transaction structures, see Coates (2018).

Moreover, where companies seek advice from auditors on matters on company law, the fees thereon are reported as payments to auditors and not as legal fees.

Of the 207,757 firm-year observations with legal fee data, 204,605 carry data on independent variables with "total assets" as a variable for size (as opposed to "total sales"). Of these, 174,921 firm-year observations have a financial year-end of March 31 and where the financial statements are prepared for 12 months. A financial year ending March 31 is very common among Indian corporates, and almost 95 % of companies in the Prowess database have this year end. Usually, financial statements are prepared for a period other than 12 months when there is a change in fiscal year. Thus, screening for these two criteria would ensure more optimal comparability between different cross sections of the data. Table 1 summarizes the basis for the sample selection.

5. Empirical evidence and analysis

In this section, we analyze the data to first examine broader economy-wide trends and then explore the effects of the specific independent variables on the quantum of legal fees.

5.1. Economy-wide trends

We examine whether there has been an increase in the total fees from the sample on a year-on-year basis, and whether that trend is consistent with an increase in other independent variables in terms of economy trends. Appendix A contains a description of the variables we use in our study.

In Fig. 1, we describe the time trend in several variables relating to the corporate legal sphere in India.

Apart from the variable of interest that is legal fees, we also map the trends in other explanatory variables such as total assets, total sales, exports, and imports, which are indications of size, and those of significant corporate events, which are indications of complexity. Nearly all variables, including legal fees, demonstrate an increase over time. The only exception relates to M&A activity. This is attributable to the well-known phenomenon by which M&A tends to occur in waves by clustering around specific time periods (Mitchell and Mulherin, 1996; Gilson and Black, 1995). By creating an equal weighted index of the log of three variables, being firm size, number of exporters and number of importers, we see that the increase in the log of legal fees is steeper than that of the index.

5.2. Company-level determinants of legal fees

5.2.1. Company-specific variables

Table 2 contains descriptive statistics for the main variables from our sample totaling 174,921 firm-year observations during the period between 1990 and 2020. Legal fees, total assets and total sales are winsorized at the 1 % and 99 %.

In Table 2, the default denominations in which the Prowess data can

Table 1
Sample selection.

Criteria	N
# of Firm-Year Obs. in PROWESS between 1990 and 2020	500,372
# of Firm-Year Obs. with legal fees data	207,757
# of Firm-Year Obs. with legal fees and data on independent variables with total assets as a size variable (instead of total sales)	204,605
# of Firm-Year Obs. with 31st March year end which have 12 months of financial statement information	**174,921**

Note: This table describes the sample selection criteria employed in the paper. We begin with the sample period from 1990 until 2020, for which data are available in the Prowess database. Data vintage is as of September 2020. We use the standalone financial information rather than the consolidated financial statements for easier association of significant corporate events and legal fees.

be downloaded are billions of Indian rupees (INR), or millions of USD. We chose millions of USD because most papers using US data tend to use the same denomination for their variables and, hence, the comparability of our paper with those other papers becomes more feasible (Gayle et al. (2022) measure total assets in millions of USD). Table 2 shows the mean, median and standard deviation across different variables we use in our study. This includes our dependent variable of legal fees. Since we use the literature on audit fees to build our framework for analysis, we also compare legal fees with the audit fee data available in the Prowess database. We note that legal fees are orders of magnitude higher than audit fees. This suggests that legal fees expended by companies are indeed worthy of further examination, as we undertake in this paper. We include the total assets and total sales in the beginning of the year, being measures of size, and also describe total expenses during the year.

We also specify additional variables such as multi-segment companies, which is a dummy variable that takes on the value of 1 if the company is a multi-segment company, and zero if the company is a single-segment company. We include a variable to denote export-oriented companies, since such companies would have to contend with export-related laws in India, and also with import-related laws in the country they are exporting to. "Exports" is a dummy variable which takes the value of one if the company earned export-related income, and zero otherwise. Similar to exporters, importers also need to contend with laws of the exporting country as well as with regulation specifically related to imports in India. Hence, we include a dummy variable called "Imports" which takes the value of one if the company has any foreign exchange spending in the particular fiscal year, and zero if it does not have any foreign exchange spending. Such spending could be for current assets like raw material purchased, or for fixed assets like plant and machinery. We note that only around 17.83 % of companies are multi-segment companies, and the majority of companies in our sample are focused or single-segment companies. Similarly, most of the companies in our sample sell in the domestic market rather than export their goods or services abroad. Almost half the companies in our sample are importers since a considerable amount of machinery is imported from abroad.

Finally, we also introduce a variable relating to the state of incorporation of the company. We differentiate between companies incorporated within the states of Delhi, Maharashtra, West Bengal, and Tamil Nadu on the one hand,[4] and the remaining states of India on the other. We do so for at least three reasons. *First,* the quadrilateral states are among the more industrialized states in India with a higher GDP (Malini, 2021). *Second,* they also rank as the states in which the highest number of companies have been incorporated, as indicated in Fig. 2.

Third, the High Courts in the quadrilateral states have original jurisdiction over civil and commercial matters beyond a specified monetary value (Hebbar et al. 2021). Accordingly, the quadrilateral states are principal hubs for corporate law activity in India, and hence merit separate treatment in comparison to other states. *State of incorporation* is a dummy variable that takes the value of one if the state of incorporation of the company is either Delhi, Maharashtra, Tamil Nadu, or West Bengal, and zero otherwise. We find that a majority of the companies in our sample are incorporated in the quadrilateral states.

Manchiraju and Rajgopal (2017) have recently researched Indian companies using data from the Prowess database. That study uses a sample of companies with consolidated financial statements, whereas our study uses a sample of standalone companies. This means the average company size in their study will be larger than the average company size of our study. Further, they describe their data in INR billion. We convert the descriptive statistics of the Manchiraju and Rajgopal (2017) paper to USD using an exchange rate of INR 50 per USD,

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[4] For ease of reference, we refer to these four states as the "quadrilateral states", not least because of their location on the map of India (Ghani et al. 2016).

Panel A: Economy Wide Trends in the Log of Legal Fees, Log of Total Assets, and Log of Total Sales of Companies in India
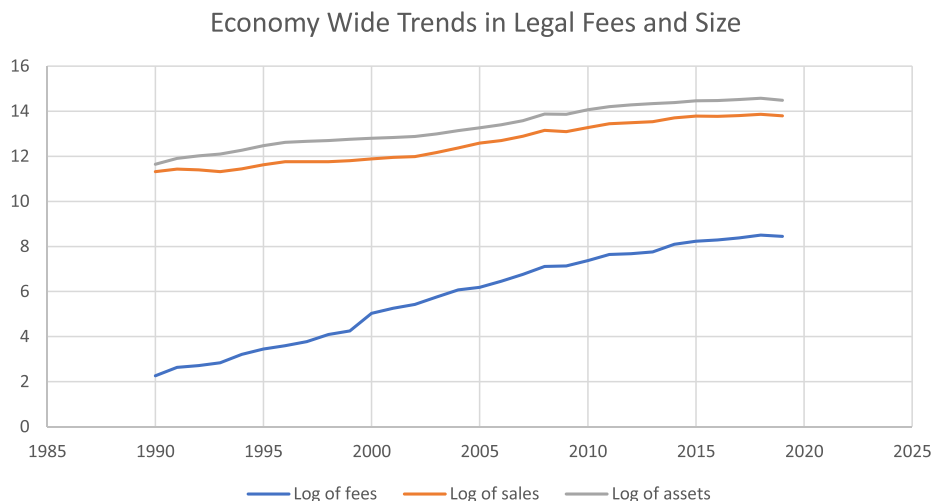
Panel B: Economy Wide Trends in the Log of Legal Fees and Log of The Number of Exporting and Importing Companies in India
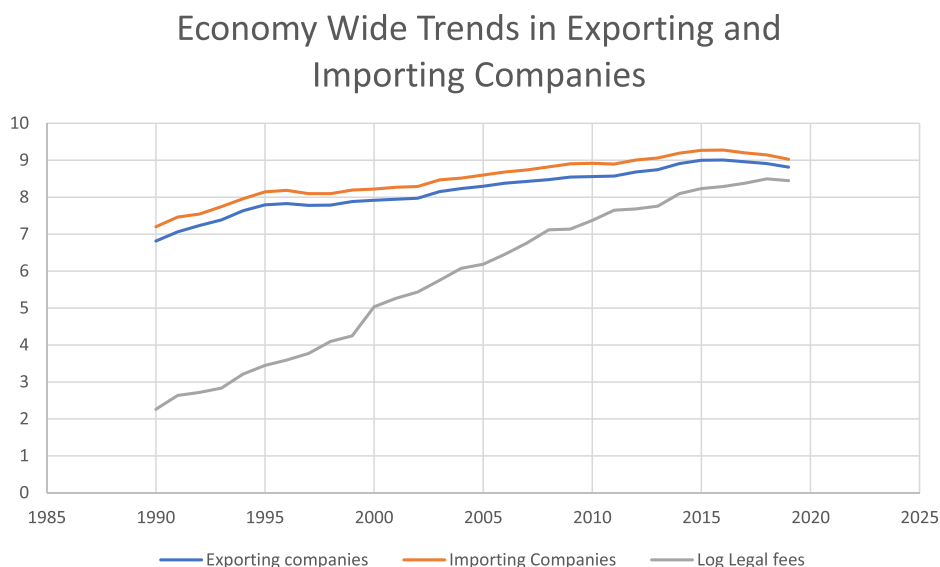
Fig. 1. Economy Wide Trends in the Legal Environment in India. Panel A: Economy Wide Trends in the Log of Legal Fees, Log of Total Assets, and Log of Total Sales of Companies in India. Panel B: Economy Wide Trends in the Log of Legal Fees and log of the number of Exporting and Importing Companies in India. Panel C: Economy Wide Trends in the Log of Legal Fees and log of the number of Capital Raising Events, and log of the number of Mergers and Acquisitions Events of Companies in India. Panel D: Economy Wide Trends in the Log of Legal Fees and an Equal Weighted Index of Log of firm size, Log of Number of Exporters and Log of Number of Importers for Companies in India. *Note:* The figures indicate the time trend in several variables relating to the corporate legal sphere in India. The data relating to financial information and significant corporate events are obtained from the Prowess database. The data time period is 1990–2019, except for M&A events which have been collected by Prowess since 2000. We drop the year 2020 because when we collected the data not all the companies had reported their April 1, 2019 to March 31, 2020 results. All the variables are log (1+ variable). In panel D we create an equal weighted index of the log of each of the following variables. The variables are firm size (total assets), number of exporters and number of importers. This equal weighted variable is called "index" in Panel D.
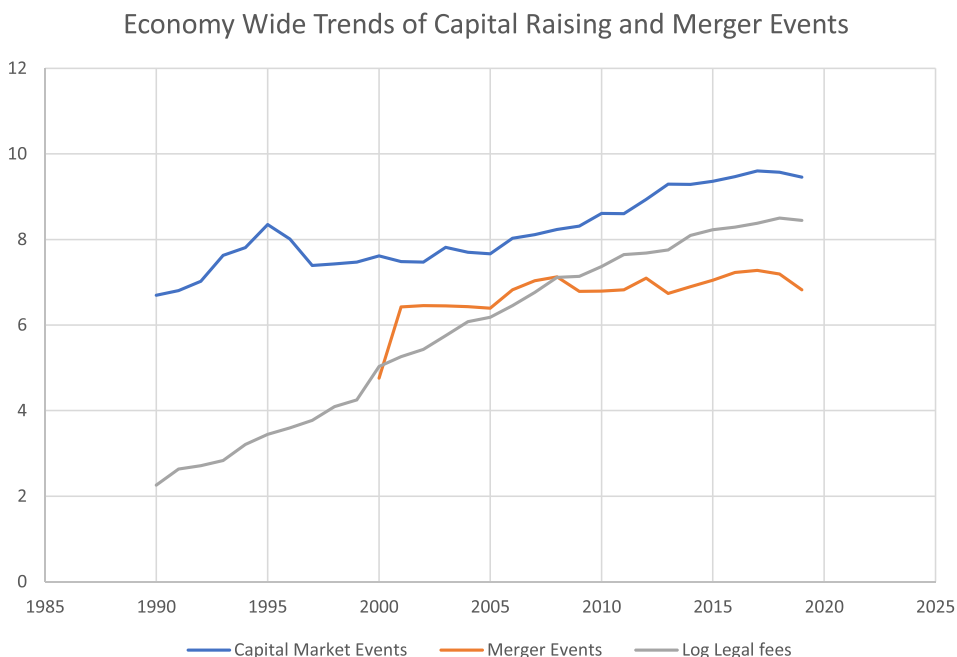
which was the average exchange rate during their sample period of 2009–2013. We compare the mean and median of total assets in our sample with their sample to make a statement about the representativeness of our sample. We note that the mean of total assets is $83.77 million USD in our sample, whereas it is $240 million USD and $60.38 million USD in the Manchiraju and Rajgopal sample for their affected and unaffected companies respectively. But for the above adjustments, our sample seems similar to the sample used by Manchiraju and Rajgopal (2017) in their study.

5.2.2. Evolution of legal fees across time

Fig. 3 presents the number of observations, mean and median legal fees for all companies in our sample, period between 1990 and 2020.

We note from Fig. 3 that, in general, the average legal fees are increasing over time and this increase is particularly steep for years starting 2007. This trend has been highlighted in the popular press too. For example, Vyas and Kadam (2019) reported that Indian corporations paid 49 % more in legal fees from 2014 to 2019, and they suggest anecdotally that new laws such as the insolvency and debt restructuring

Panel C: Economy Wide Trends in the Log of Legal Fees and Log of The Number of
Capital Raising Events and Log of The Number of Mergers and Acquisitions Events of
Companies in India

Economy Wide Trends of Capital Raising and Merger Events

Panel D: Economy Wide Trends in the Log of Legal Fees and an Equal Weighted Index of
Log of firm size, Log of Number of Exporters and Log of Number of Importers for
Companies in India

**Economy wide trends in legal fees and an Index of firm size,
exporters, importers**
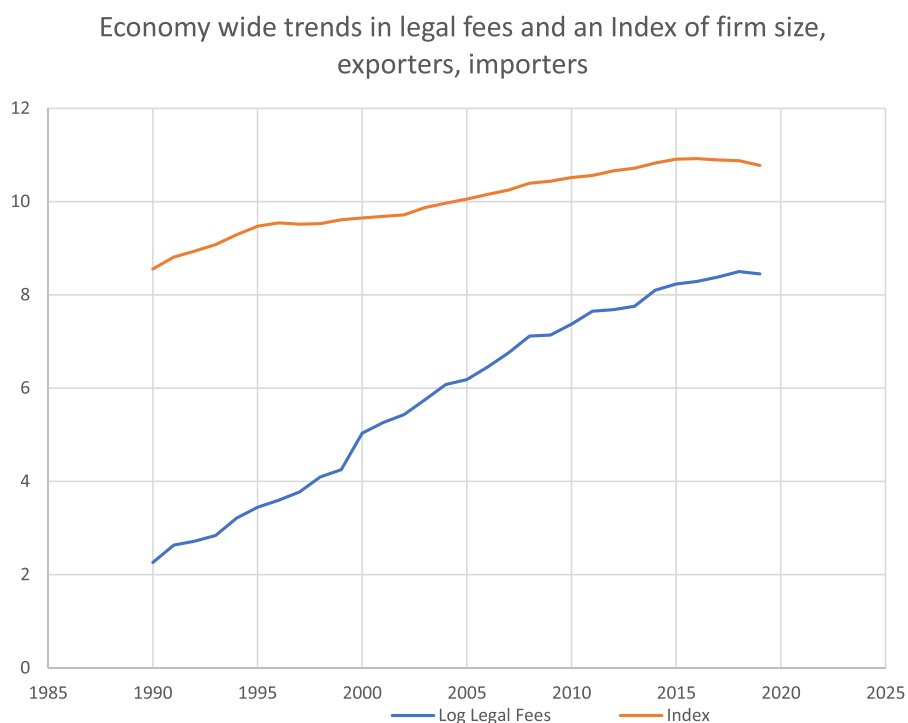
Fig. 1. (*continued*).

related laws have led to the increase in legal spending by Indian companies. Further, in 2020 there is a steep spike in the mean size of companies. We gathered data from the September 2020 version of Prowess data and by this date not all firms had filed their financial statements due to Covid-19 restrictions. To make sure that our results are not driven by year 2020, we perform a robustness test by dropping year 2020 observations from our main estimation and the results remain qualitatively similar.

Table 2
Descriptive statistics – company-specific variables.

Variables	Mean	STD	Q1	Median	Q3
Legal Fees	0.216	0.624	0.005	0.023	0.119
Audit Fees	0.014	0.036	0.000	0.003	0.011
Total Expenses	48.13	131.29	1.132	7.537	30.566
Total Sales	48.53	130.52	1.907	9.127	32.652
Total Assets	83.092	268.42	2.721	9.782	36.967
Multi segment companies	17.83 %				
Exports	36.58 %				
Imports	48.74 %				
State of incorporation	59.19 %				

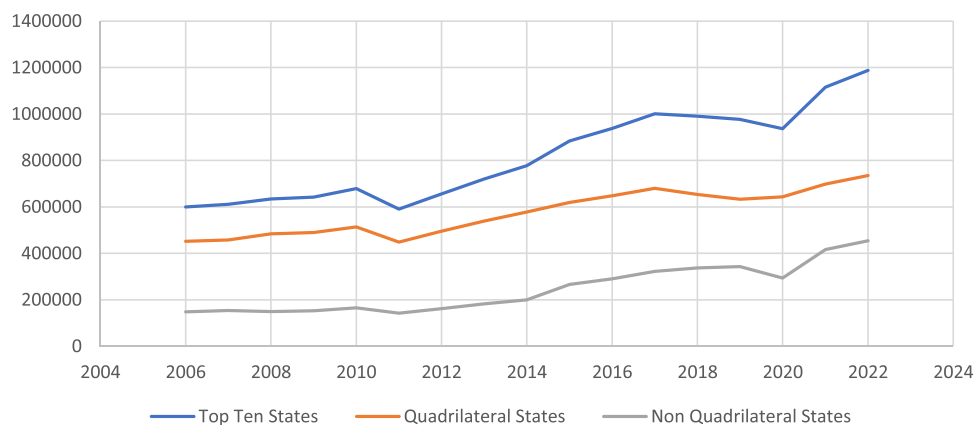*Note:* This table presents the descriptive statistics for the main variables. The figures in the tables (except for the percentages) are expressed in USD millions. The sample period is 1990–2020.

independent variables for large and small companies. The sample is split into four quartiles based on company size. Company size for these purposes is proxied by total assets.[5] We classify companies into quartiles each year based on all companies with total asset data in the Prowess database before we merge the total assets data with the legal fees data. Thus, the number of small firm-years in the below table is 18,317 and large firm-years is 61,149. The numbers are not equal in the first and fourth quartile because legal fee data is missing more often for small companies. We address this issue in the robustness section. The descriptive statistics of the highest and lowest quartile of total assets in the beginning of the year are presented below.

As evident from Table 3, company size is a significant determinant of legal fees. Large companies pay higher legal fees than small companies. This is altogether consistent with the trends in the independent

Fig. 2. State-Wise Trend of Company Registrations in India. *Note:* This figure contains trends relating to the number of incorporations of companies in the top 10 states in India as compared with the four quadrilateral states of Delhi, Maharashtra, West Bengal, and Tamil Nadu, being the states with the highest number of incorporations, and further compared with six other states with large number of companies incorporated.
Corporate Data Management (2021b)
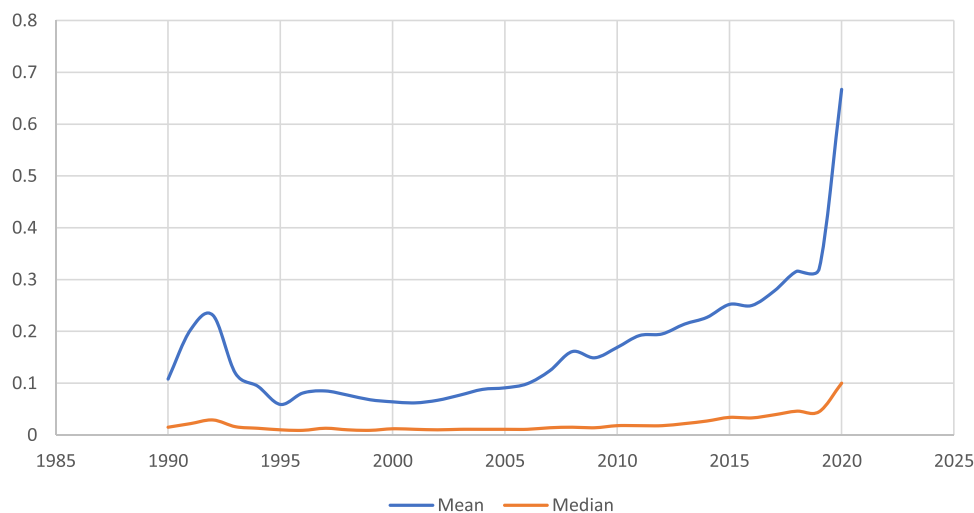
Fig. 3. Descriptive statistics: average log of legal fees by year for all companies in the sample. *Note:* This figure presents the mean and median log of legal fees incurred by all companies by year (in USD Millions).

5.2.3. Company size: large versus small companies

We consider whether company size influences the quantum of the legal fees spent. Table 3 presents descriptive statistics of dependent and

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[5] We substitute total sales as a measure of size instead of total assets in the sensitivity analysis and obtain qualitatively similar results.

Table 3

Descriptive statistics: large and small companies.

Variables	All companies	Small companies	Large companies	Large minus Small
Legal costs (mean)	0.215	0.014	0.525	0.511 * **
Dummy Variables				
Company Characteristics				
Multi segment companies	17.83 %	2.58 %	31.14 %	28.56 %* **
Exports	36.58 %	11.54 %	50.43 %	38.89 % * **
Imports	48.74 %	12.57 %	68.02 %	55.45 % * **
State of incorporation	59.19 %	63.72 %	58.61 %	-5.11 % * **
Capital raising transactions				
All issuers	8.73 %	4.63 %	16.21 %	11.58 % * **
IPO	0.48 %	0.66 %	0.57 %	-0.09 % * **
Non IPO equity offering	6.64 %	0.404	11.13 %	7.09 % * **
Debt offering	1.75 %	0.13 %	4.59 %	4.46 % * **
Commercial paper offering	1.17 %	0.005 %	3.30 %	3.29 % * **
Acquisitions - Acquirer				
All Acquirers	2.41 %	0.79 %	5.11 %	4.32 % * **
Acquirer – Merger	1.09 %	0.31 %	2.25 %	1.94 % * **
Acquirer – Acquisition	1.19 %	0.19 %	2.73 %	2.54 % * **
Acquirer – Asset Sale	0.35 %	0.32 %	0.72 %	0.40 % * **
Acquisitions – Target				
All Targets	3.68 %	2.71 %	6.28 %	3.57 % * **
Target – Merger	0.27 %	0.37 %	0.29 %	-0.076 % *
Target – Acquisitions	2.96 %	2.28 %	5.01 %	2.73 % * **
Target - Asset sales	0.54 %	0.09 %	1.21 %	1.12 % * **

Note: This table presents descriptive statistics of dependent (log of legal fees) and independent variables (size, different events) for large and small companies. Company-specific dummy variables for significant corporate events starting from "Capital raising transactions" onwards are firm-year counts rather than the sum of actual events. For example, a company may have a *non-IPO equity issue* as well as a *debt issue*, but this would count as one event in the variable *all issuers*. The numbers in the cells are the percentage of firm years with events for large and small firms. For the last column "Large minus Small", we conduct a two tailed difference in means t-test of the different variables for large companies versus small companies. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

variables. Large companies have multiple segments, whereas small companies tend to have only one business segment. Large companies are more likely to be export (or import) oriented with greater interface with the global markets than small companies which tend to be focused on the domestic markets. Large companies tend to access the capital markets more often than do small companies, whether relating to IPOs, non-IPO equity offerings, debt offerings or commercial paper offerings. Even when it comes to M&A, large companies are more likely to engage in transactions (whether as target or the acquirer) as compared to small companies. We find support for our Proposition 1 that the quantum of legal fees is positively associated with the size of the corporate client.

5.2.4. Effect of significant corporate event: univariate evidence

Here we explore whether significant corporate events such as capital raising and M&A transactions have a bearing on the legal fees incurred by a company during a financial year. In order to do so, we compare the average legal fees incurred by companies that undertake a significant corporate event during a financial year with those that have no such significant corporate event. An alternative non-event sample can be one which is different for each event instead of being a fixed zero-event

sample. We explore the detailed results related to this definition in the robustness tests (see section 6.14). In short, we find qualitatively similar results for both measures of the control sample.

The results documented in Table 4 indicate that the legal fees for the companies in the event sample are higher than for those in the non-event sample. This suggests that the incidence of a significant corporate event has a bearing on the legal fees spent by a corporate client. For example, the average legal fees for a capital raising event year is 0.698 whereas the average legal fees for a non-event year is 0.158. The difference between the two sets is 0.540 and is significant at the 1 % level. Clearly, the differences documented above are univariate differences and we do not control for company size. The average legal fees in each of the event categories is higher than the average legal fees for the non-event category. This table yields preliminary evidence that legal fees rise in years with significant corporate events.

5.2.5. Effect of significant corporate events – multivariate evidence

Since event firm-years and non-event firm-years can occur in different sets of companies, for example, large companies are more likely to have significant corporate events than do small companies, it is important to control for the determinants of significant corporate events. Towards this end, we conduct a propensity score matching process. Table 5 presents estimation results of the first stage of the propensity score matching process. The dependent variable is a dummy variable that takes the value 1 if there is a significant corporate event, and zero when there is no significant corporate event in that firm-year. The first stage of the propensity score matching process is a logit regression which matches the significant corporate event (all events, or types of events, i.e., capital raising events or M&A events) and non-event firm-years using determinants like log(total assets), a dummy variable for multi-segment firms, a dummy for exporters, a dummy for importers, and a dummy for the quadrilateral states. The first stage also includes

Table 4

Descriptive statistics: full sample – legal fees for each type of significant corporate event.

Variables	Event sample	Non-event sample	Event minus non-event
Dummy Variables			
Capital raising transactions			
All issuers	0.698	0.158	0.540 * **
IPO	0.301	0.158	0.143 * **
Non IPO equity offering	0.595	0.158	0.437 * **
Debt offering	1.222	0.158	1.064 * **
Commercial paper offering	1.740	0.158	1.581 * **
Acquisitions - Acquirer			
All Acquirers	1.043	0.158	0.885 * **
Acquirer – Merger	0.914	0.158	0.756 * **
Acquirer – Acquisition	1.251	0.158	1.093 * **
Acquirer – Asset Sale	1.172	0.158	1.014 * **
Acquisitions - Target			
All Targets	0.618	0.158	0.460 * **
Target – Merger	0.339	0.158	0.181 * **
Target – Acquisitions	0.597	0.158	0.439 * **
Target - Asset sales	0.957	0.158	0.799 * **

Note: This table presents average legal fees for companies with a significant corporate event and for companies without any significant corporate events, in a given financial year. The event sample is a set of firm-years where the company had significant corporate events. Multiple events in a year for a particular company are collapsed into one event in that year for the company rather than being counted separately. For example, a company may have a *non-IPO equity issue* as well as a *debt issue,* but this would count as one event firm-year in the variable *all issuers.* Non-event years are years with no corporate events of any kind. The last column event "sample minus non-event sample", we conduct a two tailed difference in means t-test of the different variables for event sample companies versus non-event sample companies. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

Table 5

The Determinants of the Probability of a Significant Corporate Event.

Panel A: Determinants of an event from the full sample of companies		
Determinants	**Coefficient**	**t-Statistic**
Log(Total assets)$_{t-1}$	0.225 * **	88.07
Dummy variables		
Multi-Segment firms	0.214 * **	20.37
Exports	0.048 * **	4.28
Imports	0.119 * **	10.64
State of incorporation	-0.003	-0.38
Constant	-1.376 * **	-34.32
Year dummies	YES	
Industry dummies	YES	
N	174,921	
Pseudo R-Square	0.118	
Panel B: How good is the propensity score match?		
Determinants	**Coefficient**	**t-Statistic**
Log(Total assets)$_{t-1}$	0.0003	0.25
Dummy variables		
Multi-Segment firms	-0.023 * **	-3.80
Exports	-0.002	-0.37
Imports	0.024 * **	3.52
State of incorporation	0.001	0.28
Constant	0.439 * **	20.58
Year dummies	YES	
Industry dummies	YES	
N	40,984	
Pseudo R-Square	0.002	

Note: This table presents estimation results of the first stage of the propensity score matching process in Panel A. The dependent variable is a dummy variable that takes the value of 1 if there is an event, and zero otherwise. The first stage of the propensity score matching process is a logit regression which matches event and non-event firm-years using determinants like log(total assets), a dummy variable for multi-segment firms, a dummy for exporters, and a dummy for the quadrilateral states. After the matching process, the matched sample is extracted and the same set of determinants are employed to explain the dependent variable event, in Panel B. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

industry dummy variables and year dummy variables. Since legal fees have been rising on average over time, matching event companies and non-event companies from the same year is desirable. Similarly, since different industries have different average legal fees, it is appropriate to match event companies and non-event companies from the same industry. See Section 5.2.6 for analysis related to legal fees by industry. We use a matching process without replacement and a caliper of 3 % to find a matched observation. Reported t-statistics are adjusted for robust standard errors. We tabulate the first stage results for the "*all events*" dummy only, for brevity.

$$Event_t = \alpha_0 + \alpha_1 * Log(Total\ assest)_{t-1} + \alpha_2 * Multi-_t + \alpha_3 * Export_t + \alpha_4$$
$$* Import_t + \alpha_5 * State\ of\ Incorporation_t + \alpha_6 * Industry + \alpha_7 * year$$
$$+ error$$
(1)

The variables for the above estimation have been defined in Appendix A.

In the full sample, the probability of a significant corporate event is positively related to company size, whether a firm is a multi-segment firm or not, and whether the company is an exporter or importer. The probability of a significant corporate event is unrelated to the state of incorporation, i.e., whether or not it is incorporated in one of the quadrilateral states.

Once the matched sample has been compiled, we check whether the matching process has been successful. We estimate Eq. 1 for the matched sample and the results are tabulated in Panel B of Table 5. Looking at the estimation for the matched sample, first, we find that the most important determinant, being company size, is well controlled in the matched sample. Both exports and state of incorporation are insignificant in explaining *events* in the regression. However, the other determinants,

being multi-segment firms, and import status are significantly related to the probability of a significant corporate event, in the matched sample. The pseudo R-square is very low (0.002), compared with the pseudo R-square (0118) in Panel A. Here, we have shown the determinants of "*all events*" to give a flavour for the propensity score matching process. We repeat this analysis for each of the capital raising events, M&A events for the acquirer and M&A events for the target, although we do not report the results of the matching process. For the separate events, the non-event sample from which the match is drawn is the same subsample as the "*all events*" matching sample. For example, when we match a firm-year with a capital raising event with a non-event firm-year, we first ensure that the capital raising event firm-year does not have any contemporaneous other events (such as M&A). Next, we use the control sample as firm-years in which no events of any kind have taken place. In sum, our matching process is reasonably successful as seen from the mostly insignificant relationships between determinant variables and the probability of an event.

In the second stage of the propensity matched procedure, we estimate the following equation for the matched sample with the log of the legal fees as the dependent variable.

$$Log(Legal\ fees)_t = \alpha_0 + \alpha_1 * Log(Total\ assets)_{t-1} + \alpha_2 * Multi-_t + \alpha_3$$
$$* Export_t + \alpha_4 * Import_t + \alpha_5 * State\ of\ Incorporation_t$$
$$+ \alpha_6 * Event_t + \alpha_7 * Industry + \alpha_8 * year + error$$
(2)

Table 6 presents the differences in legal fees - *log(legal fees)*, between event and non-event companies, after controlling for company specific variables. An "event" is defined as any significant corporate event.[6] The

Table 6

Legal Fees Around Each Type of Significant Corporate Transaction: Propensity Score Match Sample Tests.

Variables	*All Events*	*Capital Raising*	*Acquirers*	*Targets*
Log(Total assets)	0.124 * **	0.112 * **	0.130 * **	0.103 * **
	(112.69)	(79.61)	(34.03)	(34.55)
Dummy variables				
Multi-Segment firms	0.034 * **	0.043 * **	0.037 * **	0.024 * **
	(7.92)	(7.13)	(3.08)	(2.67)
Exporters	0.084 * **	0.074 * **	0.086 * **	0.046 * **
	(20.49)	(13.96)	(6.25)	(5.61)
Importers	0.026 * **	0.044 * **	0.029 * *	0.022 * **
	(6.39)	(8.42)	(2.08)	(2.82)
State of Incorporation	0.040 * **	0.045 * **	0.036 * **	0.023 * **
	(12.28)	(10.55)	(3.45)	(3.55)
Any event	0.084 * **			
	(26.48)			
Only Capital raising events		0.059 * **		
		(14.01)		
Only Acquirer event			0.109 * **	
			(10.84)	
Only Target event				0.032 * **
				(5.18)
Constant	-0.0008	0.118 * **	-0.049	0.010
	(−0.05)	(4.78)	(−0.97)	(0.34)
Year Dummies	Yes	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes	Yes
N	40,984	22,472	4408	6660
R-Square	0.448	0.435	0.414	0.389

Note: Table 6 presents the differences in log legal fees , between event and non-event firm-years, after controlling for company specific variables. The regression is estimated after creating a matched sample where the dependent variable in the first stage is the event. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

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[6] "Significant corporate events" are defined and categorized in section 3.2.

regression is estimated after creating a matched sample where the dependent variable in the first stage is the event defined as above. The sample period is 1990–2020.

We find in the matched sample above that, after controlling for determinants of the occurrence of a significant corporate event, the legal costs are higher during an event firm-year than in a non-event firm-year. This applies to both capital raising transactions and M&A transactions (whether the company is the acquirer or the target). Specifically, the increase in legal fees due to any event is 8.76 %. We use the standard exponent of the coefficient less 1 times 100 to give us the percentage change in legal fees from a non-event firm-year to an event firm-year, since the dependent variable is a log transformed variable. Similarly, for a capital raising event, the percent increase in legal fees is 6.08 %.

M&A events take from several months to several years to consummate. One study indicates that the average M&A takes 30 % longer in 2019 to close than in 2010 (Lavelle, 2019). These deals are increasingly attaining greater levels of complexity and are becoming more multi-jurisdictional in nature, and hence involve high legal fees. Our results show that the average increase in legal fees due to an M&A for an acquirer is 11.52 %, which is much higher than the average increase in legal fees due to an M&A for a target (3.25 %). This is to be expected because the acquirers' law firms tend to draft the documents and take control of the transaction process, while the targets' law firms review and respond after consulting their clients (Burnett, 2020).

Overall, we find support for our Proposition 2 that the legal fees for a company are likely to be higher during the financial year when it carries out a significant corporate event as compared to a non-event year.

5.2.6. Industry-type

We explore whether the industry in which a corporate client operates has a bearing on the quantum of legal fees. This is because some industries are susceptible to higher legal risk (Kim and Skinner, 2012), thereby necessitating greater engagement with external legal counsel.

As evident from Fig. 4, the mean and median legal fees vary by industry. Hence, it is necessary to control for industry-type in our analysis. Certain industries such as technology and energy have witnessed higher levels in legal fees. The technology industry is legally intensive in protecting intellectual property of the players and is also prominent in the M&A market, all of which call for involvement of external legal counsel. On the other hand, the energy industry tends to be intensive from a

regulatory and contractual perspective, thereby increasing the demand for external legal services. The data support our Proposition 3 that companies operating in certain industries that are legally intensive or prone to greater legal risk are likely to spend higher legal fees.

Another way to examine the legal fees relating to each industry segment is to interpret the coefficients on industry dummies in Eq. 2 (Table 6). From Fig. 4 we see that the finance sector has the lowest average legal fees. This sector in India is dominated by large public sector banks, several of whom have recently issued stock to the public. Since these banks were state-run banks in the past, they are likely to have large internal legal departments and hence their expenditure on outside legal counsel is likely to be low. We leave this industry dummy in the intercept and the coefficients of the other five industry dummies along with the related t-statistics are shown in the table below.

Table 7 confirms that the technology sector pays the highest average fees, after controlling for size and significant corporate events. The energy sector displays higher mean fees without controlling for other variables as compared with the finance sector but, once we control for size and significant corporate events, this sector has lower average fees compared with the finance sector.

6. Robustness checks

6.1. Private versus public limited companies

The sample data in the study, which consists of 174,921 firm-years, is

Table 7
Coefficients on Industry Dummies from Table 6.

Industry	Coefficient	t-statistic
Commodities	-0.004	-0.540
Energy	-0.144 * **	-10.59
Industrial Manufacturing	0.008	0.190
Services	0.051 * **	10.59
Technology	0.217 * **	21.46

Note: Table 7 presents the differences in average log of legal fees - *log(legal fees)*, between companies in different industries and companies in the finance industry, as estimated in Eq. 2 and described in Table 6. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

Commodities N = 11,671

Energy N = 3,692

Finance N = 34,018

Industrials N = 81,210

Services N = 57,632
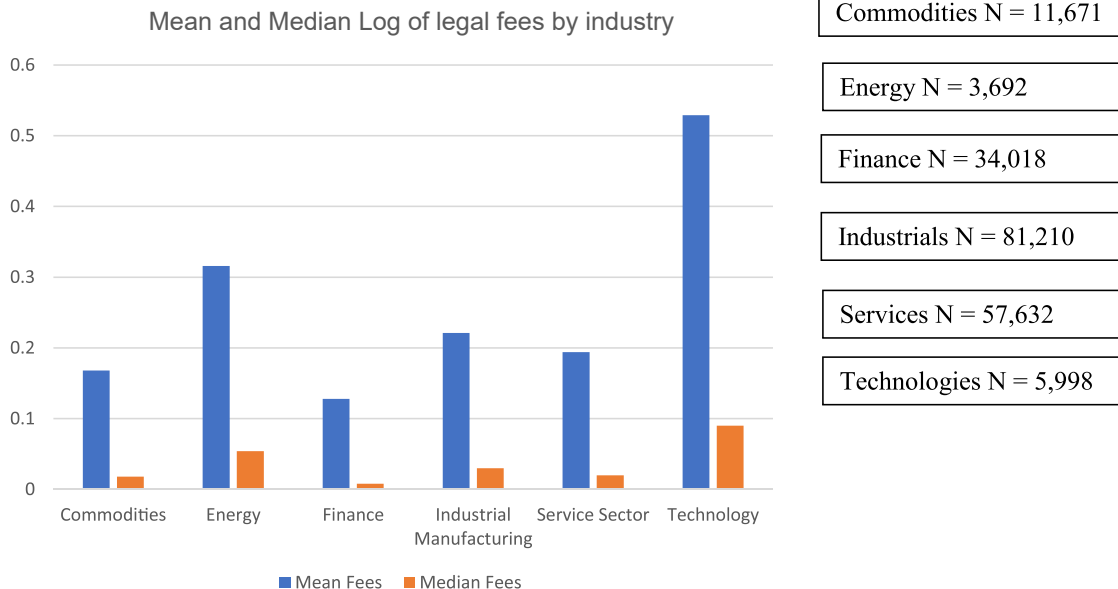
Technologies N = 5,998

Fig. 4. Descriptive Statistics: Log of Legal Fees – For Each Industry Type. *Note:* This figure presents average Log of legal fees for each type of industry. The industry classification is taken from the Prowess database. We also specify the number of firm-year observations (N) for each industry-type.

Table 8
The Impact on the Increase in Legal Fees during the Financial Crisis for Each Industry Type.

Industry	Coefficient	t-statistics
Technology	0.579 * **	2.80
Services	0.653 * **	3.49
Industrial Manufacturing	0.449 * **	3.44
Financial companies	0.755 * **	5.02
Energy companies	0.282	1.46
Commodities	0.532 * **	2.68

Note: Table 8 presents the coefficients on the financial crisis dummy for each industry. Eq. 3 is estimated for each industry separately. * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

further categorized into 119,664 firm-year observations for public limited companies and 55,257 firm-year observations for private limited companies. Although the number of private limited companies far exceeds that for the public limited ones in the economy,[7] only the larger private companies file their annual financial statements with the companies' regulator, i.e., the Ministry of Corporate Affairs. We modify Eq. 1 by including a dummy variable "public", which takes the value 1 for all firm-years when the company is a public limited company, and zero when it is a private limited company. We do not include any other organizational forms, such as partnerships, in the study. We find that public limited companies are more likely to have a significant corporate event than do private companies. After establishing a matched sample and controlling for organizational form, we modify Eq. 2 by introducing the dummy variable "public" to control for the impact of the form of the organization on legal fees. If organizational form impacts legal fees and is a correlated omitted variable in Eq. 2, then we should see that the coefficient on *events* is likely to become insignificant. However, we find that the coefficient on all significant corporate events is 0.0836 with a t-statistic of 26.63 after controlling for organizational form. Therefore, organizational form (i.e., private-versus-public limited companies) does not impact the increase in legal fees when a company has a significant corporate event.

6.2. Using total sales as measure of size instead of total assets

Some studies in the audit fee literature (as discussed in section 3.1) have used total sales in the prior year as a measure of size instead of total assets. We estimate Eq. 1 with log of prior year sales as a measure of size instead of log of prior year total assets. We find that total sales explains the probability of a significant corporate event occurring. The coefficient on total sales is 0.168 with a t-statistic of 53.49. After controlling for size with total sales in the prior year as the measure, we estimate Eq. 2 for the matched sample. Log of total sales explains log of legal fees significantly. The coefficient on total sales is 0.132 with a t-statistic of 89.32. The coefficient on all significant corporate events is 0.125 with a t-statistic of 35.17. This tells us that changing the proxy for size from total assets to total sales does not impact the inference of our results.

6.3. Non-linear relation between size and legal fees

To investigate whether there is a non-linear relation between company size and legal fees, we estimate Eq. 2 for each of the four quartiles of company size. We first create quartiles based on total assets for the full sample of companies in the Prowess dataset, for each year. Eq. 2 is then estimated for each size quartile represented in our final sample of 174,921 firm-years. Since, we are regressing log of legal fees on log of total assets, the coefficient on log of total assets can be interpreted as an

elasticity. The elasticity of size for legal fees for the lowest quartile of firm-year observations is −0.0032 and is statistically insignificant. The elasticities of the next three quartiles are 0.0183, 0.0519, and 0.1623, all of which are statistically significantly different from zero. These results show that the relation between company size and legal fees is non-linear and increasing in size. When we use quintiles instead of quartiles, the pattern of the elasticities remains the same. In both quartiles and quintiles, for each size category, the other variables, Multi-Segment firms, export, import, and event remain positive and statistically significant.

We perform a second test to ascertain the linearity of the relation between company size and legal fees. We graph the median legal fees for each 5th percentile of company size based on total assets. Once again, the 5th percentiles are calculated separately for each year using all firm-years with total assets data in the Prowess dataset. Fig. 5 depicts the graph of median legal fees for each successive 5th percentile of company size. We see that legal costs are rising very slowly as company size increases and a sharp increase starts at the 70th percentile. This analysis also suggests that the relation between company size and legal fees is non-linear and is increasing with company size. We can conclude from our results that large companies are indeed more complex and have many more transactions that require outside legal expertise compared with smaller companies. Our finding is consistent with similar studies relating to audit fees (e.g., Carson, et al. 2004).[8]

As an alternative way to consider how size affects fees, we take a sample of only non-event companies, which do not have exports or imports and are single segment companies. We create the above graph for that sample of companies and find the shape of the curve is very similar. This tells us that large companies are complex beyond our measurement of significant corporate events and, hence, pay higher legal fees than do smaller companies.

6.4. Fewer number of observations in certain years

In the data we notice that some years there are fewer number of observations than other years. For example, in 1990 there are 12 companies in the sample, in 1991 there are 37 companies, 104 in 1993, and 1976 in 2020 (compared with 14,292 in 2019). So, we drop years, 1990 – 1993 and year 2020 and re-estimate the "All Events" column of Table 6. The coefficient on All Events is 0.082 and the t-statistic is 25.73. This shows that the years with few observations do not impact our main results.

6.5. Impact of inflation on the relation between legal fees and its determinants

Since we use time series data, it is important to control for inflation in our model. We indirectly do this by including a year variable in the propensity matching process, as well as using year dummies in the last stage regression. However, inflation fluctuates over the years, so we control for inflation in two ways. Our proxy for inflation is the CPI (Consumer Price Index). First, we deflate continuous variables, for example, legal fees, and total assets by CPI and then take the log of the deflated variable. We estimate the "All Events" column of Table 6. The coefficient on All Events is 0.123 and the t-statistic is 27.61. Second, we add log(CPI) as an independent variable. Using this specification, we estimate the "All Events" column of Table 6. The coefficient on All Events is 0.084 and the t-statistic is 26.48. The coefficient on log(CPI) is 0.377 and the t-statistic is 1.30. This shows that our results do not change even after controlling for inflation as a continuous variable.

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[7] As of March 31, 2021, out of 1344,857 companies registered in India, 1276,605 are private limited companies and 68,252 public limited companies (Corporate Data Management 2021a).

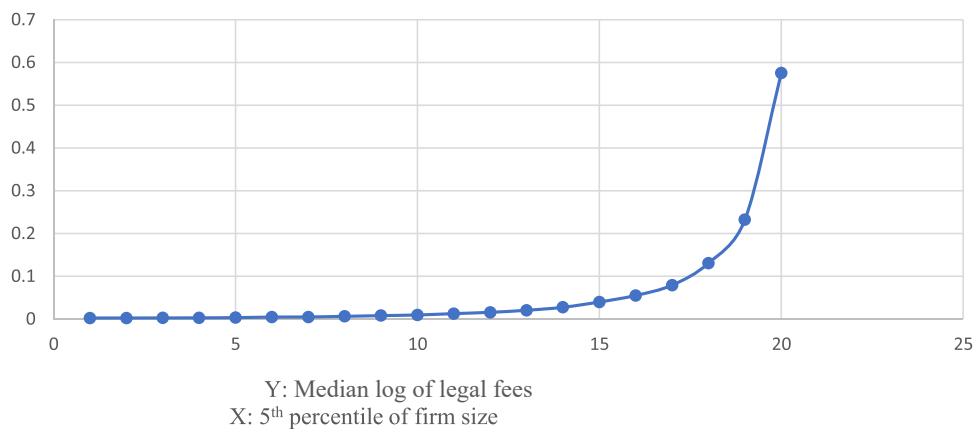[8] The audit fee studies are discussed in section 3.1.

Y: Median log of legal fees
X: 5th percentile of firm size

Fig. 5. Relationship between Median Legal Fees and 5th Percentile of Company Size (total assets). *Note:* This figure presents the median legal fees incurred by all companies for each 5th percentile of firm size (in USD Millions).

6.6. Did the global financial crisis increase legal fees in the economy

During our sample period, the global financial crisis (2008–2009) occurred. This was a significant event and is likely to have increased legal spending by companies, both financial and non-financial. We test whether the financial crisis impacted the legal spending by companies by estimating the following equation.

$$\text{Legal Fees}_t = \alpha_0 + \alpha_1 * \text{TimeTrend}_t + \alpha_2 * \text{Fin\_Crisis}_t + \text{error} \quad (3)$$

The variable Fin_Crisis is a dummy variable which takes a value of one for the two years 2008 and 2009, and zero otherwise. The coefficient α_2 indicates whether legal fees in the Indian economy increased, after controlling for time trends. We see that the coefficient α_2 is 0.538 with a t-statistic of 3.57. This shows that legal fees did indeed increase for the economy as a whole after controlling for time trends in legal fees.

We next examine whether large companies or small companies contribute to the increase in legal fees during the financial crisis. Here, we estimate Eq. 3 for small and large companies separately. The coefficient on α_2 is 0.039 with a t-statistic of 0.32 for small companies. However, for large companies the coefficient α_2 is 0.550 with a t-statistic of 3.64. The above analysis tells us that the increase in legal fees during the financial crisis occurred in relation to large companies.

Lastly, we examine which industries contributed the most to the increase in legal fees during the financial crisis. We estimate Eq. 3 for the different industries identified in Section 5.2.6 (Fig. 4). The coefficient on α_2 for each industry is given below.

We can see from the above table that the impact of the financial crisis on legal fees spent is, predictably, highest for financial companies. The impact of the financial crisis is lowest for energy companies, since oil prices were still high during the financial crisis and started falling in 2011.

6.7. Did other macro economic shocks increase legal fees in the economy

We consider two other significant macro economic shocks that occurred during our sample period, being (i) the enactment of the Insolvency and Bankruptcy Code (IBC) in 2016; and (ii) the passage of the Goods and Services Tax Act (GST) in 2017. These are significant events and are likely to have increased legal spending by companies, both financial and non-financial. We test whether the implementation of IBC and GST impacted the legal spending by companies by estimating the following equation.

$$\text{Legal Fees}_t = \alpha_0 + \alpha_1 * \text{TimeTrend}_t + \alpha_2 * \text{Fin\_Crisis}_t + \alpha_3 * \text{IBC}_t + \alpha_4 * \text{GST}_t + \text{error} \quad (4)$$

The variable Fin_Crisis is a dummy variable which takes a value of

one for the two years 2008 and 2009, and zero otherwise. IBC is a dummy variable that takes on the value of one for the year 2017, and zero otherwise. GST is a dummy variable of one for the year 2018, and zero otherwise. The coefficient α_2, α_3, and α_4 indicate whether legal fees in the Indian economy increased, after controlling for time trends, due to the financial crisis, change in the insolvency and bankruptcy laws and the introduction of GST.[9]

From Table 9, we can see that the coefficient on the global financial crisis is positive and significant, suggesting that Indian firms spent more on legal fees at the time of the crisis. Further, we find that the co-efficients on both IBC and GST are negative and insignificant, suggesting that these two macro economic shocks did not increase the legal fees spent by Indian firms significantly.

6.8. Economies of scale for legal fees in the M&A market

During our sample period, some companies undertake more than one M&A transaction during the year. If this is the case, such a company may be expected to have a more dedicated and specialized in-house legal department than another company that undertakes M&A occasionally. The first company will then likely spend less than the second company will on its outside legal counsel per M&A event. We test whether this is the case. First, we keep only events that are mergers, acquisitions or asset sales for each company which has legal fee data. We find that the database sometimes records one transaction in two observations on the

Table 9
Effect of Macro Economic Shocks on Legal Fee Spending.

	Fin_Crisis	IBC	GST
Coefficient (t-statistic)	0.523*** (2,78)	-0.094 (−0.30)	-0.194 (−0.58)

Note: Table 9 presents the coefficients and t-statistics from estimating Eq. 3. For brevity we do not include the coefficients on the intercept as well as of the time trend. The coefficients indicate whether legal fees increased or decreased on average during the global financial crisis (Fin_Crisis), the introduction of the Insolvency and Bankruptcy Code (IBC), and the introduction of the Goods and Services Act (GST). * , * *, * ** denote statistical significance at the 10 %, 5 %, and 1 % respectively.

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[9] Since, the IBC and GST are contiguous events, we change the specification slightly and define IBC\GST as a dummy variable that takes on the value one for the years 2017 and 2018, and zero otherwise. The coefficient on this dummy variable is − 0.144, and the t-statistic is − 0.45. This suggests that IBC and GST did not significantly increase the legal fees for Indian corporates.

same date. The following is an example of such a recording.

Acquired from	Deal	Date	Target	Acquirer	% Shares
Jord Engineers India	Acquisition	20100927	Jord Engineers India	3 A Capital Services	55.15 %
3A Capital Services	Acquisition	20100927	Jord Engineers India	3 A Capital Services	55.15 %

As we can see from the above example, on September, 29 2010, two transactions appear in the database that are in effect an acquisition of 55.15 % of Jord Engineers by 3A Capital Services. If we do not count this as one acquisition but as two, there can be noise in the measurement of the number of acquisitions. If there are multiple observations for the same event, either acquisitions, or mergers, or asset sales on the same day, we treat it as one event. Note that this does not impact any of our prior analysis because we use only a dummy variable event or no event, rather than number of events. The following is the number of events per year and average and total legal fees paid per year.

Table 10 shows that 3784 firm-years have one M&A event and only 79 firm-years have four or more M&A events per year. The table also shows that the average legal fee per event is falling from 0.902 million USD to 0.523 million USD. Clearly, firm-years where there are multiple transactions, show economies of scale compared with firm-years with only one M&A event.

6.9. Audit fees as a proxy for client complexity

Prior literature has argued that audit fees increase with client complexity (Widmann et al. 2021). It is possible that our measures of size and significant corporate events do not fully capture client complexity. Hence, we include audit fees as a measure of client complexity in Eq. 2. We find that audit fees significantly explain legal fees and, after controlling for audit fees, the coefficient on all events is significant and positive (coefficient = 0.037, t-statistic = 12.96). Our results suggest that controlling for company size, client complexity captured by audit fees, for example, restructuring carried out by the company, complex accounting arrangements like joint ventures, is positively correlated with legal fees. Some other measures of complexity, for example, exports and imports are already explicitly modelled in our regressions.

6.10. Estimating a fixed effects model instead of using propensity score matching

Instead of conducting a propensity score matching analysis, we use

Table 10
Average Legal Fees of Firms with One, Two, Three, and More than Three Events Per Year.

Variable		Average legal fees per event		Total legal fees per year	
	N (firm-years)	Mean	Std. Dev	Mean	Std. Dev
One event per year	3784	0.902	1.354	0.902	1.354
Two events per year	528	0.711	0.794	1.421	1.588
Three events per year	139	0.604	0.556	1.811	1.668
Four or more events per year	79	0.523	0.403	2.297	1.736

Note: This table shows the average legal fees per event. We sort firms in whether they had one or more events per year. Events can be capital raising events, or merger and acquisition events. We drop all observations with zero events in a firm year. For example, for firms with two events per year, we calculate the total average legal fees paid by such firms, then divide by two to get the average legal fees per event.

company- and time-fixed effects to control for heterogeneity in firm-year observations among event and non-event firm-years. Using the full sample, we estimate a fixed effects model using fixed effects for time and for companies. The coefficient on all events is significant and positive (coefficient = 0.038, t-statistic = 9.59). This suggests that alternative specifications for estimating the relationship between legal fees and determinants of legal fees, does not impact the inference of our results.

6.11. Differences in firm-years with missing legal fees from those firm-years with disclosed legal fees

Out of 500,372 firm-years in the Prowess database, only 207,757 firm-years have legal fee data. We examine whether these firm-year observations without legal fees data are different from the data with legal fee. We perform a simple t-test of the difference in the total assets between the firm-years with and without legal fees data. The mean total assets at the beginning of the firm-years with legal fees data is USD million 89.048 and the mean of the total assets at the beginning of the firm-years without the legal fees data is USD million 37.004. The difference in total assets is statistically significant (difference = 52.044, t-statistic = 70.51). This shows that smaller companies are not disclosing legal fees whereas larger companies are disclosing legal fees. To mitigate the impact of missing legal fees, we estimate Eqs. 1 and 2 for companies which are above median in size. In this sample, the percentage of missing legal fees is much lower than for the full sample. Estimating Eq. 2, we find that the coefficient on all events is significantly positive (coefficient = 0.044, t-statistic = 9.51).

6.12. Impact of ownership on legal charges

The ownership structure of Indian companies may have an impact on the quantum of legal fees. For instance, it is reasonable to suppose that Indian companies with greater foreign ownership pay higher legal fees because foreign investors, being less accustomed to the Indian markets and legal ecosphere, may require more extensive monitoring of legal matters pertaining to Indian companies, including of significant corporate events. Hence, Indian companies with higher foreign ownership may likely expend higher legal fees. However, Kang and Stulz (1997) show that foreign investors are not informed investors. Thus, such investors may not require better information related to higher legal fees. Firms with foreign investors are less likely to expend higher legal fees. Conversely, state-owned companies are likely to have larger internal legal departments, thereby minimizing their spending on outside legal counsel.

Publicly listed Indian companies have to disclose ownership details on a quarterly basis to the stock exchanges on which they are listed. The Prowess database captures ownership data on 81,954 firm-years. We create four ownership percentage variables and include them in Eq. 2. First, we calculate the ownership by controlling shareholders (known in India as "promoters") of the company. Second, we calculate the percentage of ownership by foreign investors, including institutional investors. Third, we consider the percentage ownership by Indian institutions. Lastly, we look at ownership by the Indian Government. Ownership by retail owners is not a separate variable in the regression to avoid collinearity with the intercept. Foreign owners own on average 2 % of the shares outstanding in an Indian company. The standard deviation is 5.8 %. The median ownership is 0 %. We find that higher foreign ownership leads to higher legal fees, coefficient = 0.712 with a t-statistic of 9.16, suggesting that foreign investors are more likely to be informed investors and require greater monitoring of the firms they invest in. Ownership by the government is unrelated to legal fees.

6.13. Clustering standard errors by industry

We classified the data into six industry sectors and find that the average fees are different across the sectors. There could be correlation

of error terms across companies in the same industry sector, and hence we cluster by industry instead of just using robust standard errors when estimating Eq. 2. The coefficient on event (all events) is 0.084 with a t-statistic of 9.92 when we cluster standard errors by industry. This suggests that our results are robust to clustering by industry.

6.14. Different non-event samples for each event

In this test we allow the non-event sample to differ for each event, when testing for the difference between event and non-event legal fees. Table 11 below is similar to Table 4 discussed earlier in the paper.

The results documented in Table 11 indicate that the legal fees for companies in the event sample are higher than for those in the non-event sample, similar to results documented in Table 4. However, the non-event average legal fees is different for each event category, unlike in Table 4. For example, for all issuers the mean non-event legal fees is 0.169 as opposed to 0.158 in Table 4.

6.15. Ownership structure of finance and energy sectors

We compare the ownership structure of companies in the finance and energy sector to examine whether this is responsible for the difference in the legal fees between the two sectors. We classify ownership into promoters and non-promoters share of the firm. Promotors are those who owned shares during the pre-IPO period. Promoters are less likely to sell their stake in the company and are akin to private investors. Non-promoters are the general public including, institutions and individuals.

We note from Table 12 that the finance industry has a higher percentage of shares held by non-promoter shareholders, as compared with the energy sector where promoters hold a higher percentage of shares. Thus, in the finance industry public shareholders own a higher percentage of shares than private shareholders. It does not seem likely that ownership structure is differentially impacting the level of legal fees in

Table 11
Descriptive Statistics: Full Sample – Legal Fees for Each Type of Significant Corporate Event.

Variables	Event sample	Non-event sample	Event minus non-event
Dummy Variables			
Capital raising transactions			
All issuers	0.698	0.169	0.528 * **
IPO	0.301	0.215	0.086 * **
Non IPO equity offering	0.595	0.188	0.406 * **
Debt offering	1.222	0.198	1.025 * **
Commercial paper offering	1.740	0.197	1.542 * **
Acquisitions – Acquirer			
All Acquirers	1.043	0.195	0.848 * **
Acquirer – Merger	0.914	0.208	0.706 * **
Acquirer – Acquisition	1.251	0.203	1.048 * **
Acquirer – Asset Sale	1.172	0.212	0.960 * **
Acquisitions - Target			
All Targets	0.618	0.200	0.418 * **
Target – Merger	0.339	0.215	0.124 * **
Target – Acquisitions	0.597	0.204	0.393 * **
Target - Asset sales	0.957	0.211	0.746 * **

Note: This table presents average legal fees for companies with a significant corporate event and for companies without any significant corporate events, in a given financial year. The event sample is a set of firm-years where the company had significant corporate events. Multiple events in a year for a particular company are collapsed into one event in that year for the company rather than being counted separately. For example, a company may have a *non-IPO equity issue* as well as a *debt issue*, but this would count as one event firm-year in the variable *all issuers*. Non-event years are years with no corporate events of any kind. In the last column event "sample minus non-event sample", we conduct a two tailed difference in means t-test of the different variables for event sample companies versus non-event sample companies. * , * * , * * * denote statistical significance at the 10 %, 5 %, and 1 % respectively.

Table 12
Ownership structure of finance and energy sectors.

Owners	Energy Industry		Finance Industry	
	N	Mean	N	Mean
Promoters' share	188	56.4 %	7083	48.3 %
Non-Promoters' share	188	43.6 %	7083	51.7 %

the energy and finance sector.

We examine the percentage of events for the energy and finance sector in the whole sample. We find that the energy sector has 12.42 % firm year observations as event firm-years and the finance sector has 12.51 % firm-year observations as event firm years. As for firm size, we find that the average firm size for the energy sector is higher (mean = 4.496, median = 4.394) than the average firm size of the finance sector (mean = 2.249, median = 1.824). It seems unlikely that the difference in events are the cause of the difference in legal fees.

Currently, Eq. 2 has two sets of dummy variables, year dummies and industry dummies. To make the inference simpler we drop the year dummies and, instead, we use a time trend variable in Eq. 2. We find the results on the dummy variable SICE (energy sector) is still negative and significant. The finance sector is part of the intercept. So, the regression specification is not the reason for the energy sector having a negative average legal fees compared with the finance sector.

7. Conclusion

The study of legal fees spent by corporations is of interest to service providers as well as consumers in the legal market, especially given a significant level fee-sensitivity in the sector. The absence of readily available data has made the task somewhat difficult. Taking advantage of long-term data on legal spending available in India through the Prowess database, we undertake the first cross-sectional analysis of legal fees across various exploratory variables over a long period of time, comprising 174,921 firm-year observations between 1990 and 2020. Our study shows an increasing trend in the quantum of legal fees incurred by Indian companies over the last three decades, beginning at the cusp of India's economic liberalization in 1991 that saw an explosion in the demand for corporate legal services.

Our results overwhelmingly suggest that large companies (measured along the lines of total assets, industry segmentation and export- and import-orientation) spend a higher quantum in legal fees than small companies, which is consistent with our intuition. Since the observable implications of litigation and regulatory advisory work are hard to come by, we explore the impact of capital raising and M&A transactional work on legal fees. Our results show that the legal costs are higher for companies that undertake such a transaction in a given financial year than those that do not experience such events. Finally, legal fees tend to be higher in certain industries such as technology where significant contracting, regulatory or other form of legal work is involved.

It is our expectation that the results and the accompanying data analysis will aid market players such as purchasers of legal services (being corporations and their in-house legal departments) as well as providers (being law firms and legal professionals) in not only planning and budgeting for legal fees, but also in devising and implementing fee arrangements that cater to their needs. The paper's utility would also extent to further regulatory analysis, especially in relation to the regulation of the legal profession and any fee arrangements. Our study also raises several questions for further research. First, being an early study of this nature in the field, our focus has been on interpreting the available data and making the necessary deductions. We deemed it premature to project a theory to be proven or disproven in this paper. Subsequent work may carry out the task of building up theories emerging from the data and results in this paper. Second, further in-depth research is possible in respect of individual exploratory

variables such as company identity, company size, significant corporate event, and industry classification. Third, while our paper is premised on demand-side data, i.e., the quantum of fees spent as well as other variables pertaining to the corporate clientele, further work may also incorporate into the analysis the various supply-side characteristics relating to service providers such as law firms and individual lawyers to better understand their interaction. Fourth, subject to the availability of data, similar studies could be carried out in other jurisdictions. This would be especially relevant given the increasingly cross-border nature of the delivery and consumption of corporate legal services.

CRediT authorship contribution statement

Srinivasan Sankaraguruswamy: Conceptualization, Methodology,

Software, Validation, Data Curation, Funding Acquisition. **Umakanth Varottil**: Conceptualization, Writing – Original Draft, Writing – Review & Editing.

Declaration of Competing Interest

None.

Data Availability

The authors do not have permission to share data.

Appendix A. Variable description

Variable	Description
Dependent variable	
Log(1 +*Legal Fees*)	Legal fees are fees paid to legal advisors, law firms, etc. for providing legal advice. This is measured in millions of USD. Where companies combined legal charges with some other charges, these are reported as legal charges going by the principle of the first word disclosure in case of composite reporting by companies. Fees paid to auditors or audit firms on law related matters are shown under audit fees and not legal charges. Variable name in the Prowess dataset is **sa_legal_charges**. Log(1 +legal fees) is the value that is used in the analysis
Independent variables	
Company characteristics	
Log(1 +*Total Assets*)	Total assets of the standalone company at the end of year *t*. This is measured in millions of USD. Variable name **sa_total_assets** in the Prowess dataset. Log (1 +total assets) is the value that is used in the analysis
Multi-Segment firms	An indicator that takes the value of one if the company has more than one unique segments reported by the company at the end of year *t* as documented in the Prowess Business Segments dataset.
Exports	An indicator that takes the value of one if the company has any foreign exchange earnings as disclosed in the annual report. Variable name **sa_forex_earnings** in the Prowess dataset
Imports	An indicator that takes the value of one if the company has any foreign outgoings disclosed in the annual report, zero otherwise. These outgoings can be due to purchase of current or long term assets. Variable name **forex_spending** in the Prowess database.
State of Incorporation	An indicator that takes the value of one if the state of incorporation is either, Delhi, Maharastra, Tamil Nadu, or West Bengal, zero otherwise. Variable name **state_code** = 11, 18, 21, or 55.
Log(1 +*Sales*)	Total sales of the standalone company at the end of year t. This is measured in Millions of USD. Variable name is **sa_sales** in the Prowess dataset. Log(1 +Sales) is the value that is used in the analysis.
Transaction specific variables	
All Issuers	An indicator that takes the value of one if the company had a capital raising transaction. Equity issue, debt issue and commercial Paper Issue are the three types of capital raising transactions.
IPO	An indicator that takes the value of one if a company goes public in that year and zero otherwise. Variable name is **ipo_flag** = "Y".
Non-IPO Equity Issue	An indicator that takes the value of one if the company had an equity issue which is not part of an IPO, zero otherwise. Variable name is **sectype_name** = "Equity shares" and **ipo_flag** not equal to "Y".
Debt Issue	An indicator that takes the value of one if the company had a debt or convertible debt issue in year t, and zero otherwise. Variable name is **sectype_name** not = "Equity shares" or "Commercial paper".
Commercial Paper	An indicator that takes the value of one if the company had a commercial paper in year t, and zero otherwise. Variable name is **sectype_name** = "Commercial paper".
All Acquirers	An indicator that takes the value of one if the company is involved in a merger, acquisition or asset purchase as the acquirer. Prowess dataset Mergers & Acqusitions is the source of this variable.
Acquirer - Merger	An indicator that takes the value of one if the company is involved in a merger as the acquiring company. Variable name is **mr_info_full_name** = "Merger "
Acquirer - Acquisition	An indicator that takes the value of one if the company is involved in an acquisition of shares in another company, as the acquiring company. Variable name is **mr_info_full_name** = "Acquisition of shares"
Acquirer – Asset sale	An indicator that takes the value of one if the company is involved in a purchase of assets as the acquiring company. Variable name is **mr_info_full_name** = "Sale of asset"
All Targets	An indicator that takes the value of one if the company is involved in a merger, acquisition or asset purchase as the target. Prowess dataset Mergers & Acqusitions is the source of this variable.
Target - Merger	An indicator that takes the value of one if the company is involved in a merger as the target company. Variable name is **mr_info_full_name** = "Merger "
Target - Acquisition	An indicator that takes the value of one if the company is involved in a sale of shares to another company, as the target company. Variable name is **mr_info_full_name** = "Acquisition of shares"
Target – Asset sale	An indicator that takes the value of one if the company is involved in a sale of assets as the target company. Variable name is **mr_info_full_name** = "Sale of asset"
Private	Companies with Prowess variable "entity_type_code" = 10203010000 are termed private
Public	Companies with Prowess variable "entity_type_code" = 10203020000 are termed public
Other variables	
Fin_Crisis	An indicator variable that takes on the value one for the years 2008 and 2009 and zero otherwise. These years are when the global financial crisis was at its peak
IBC	An indicator variable that takes on the value one for the year 2017 and zero otherwise. The Insolvency and Bankruptcy Code was introduced in 2016
GST	An indicator variable that takes on the value one for the year 2018 and zero otherwise. The Goods and Services Tax Act was introduced in 2017.

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