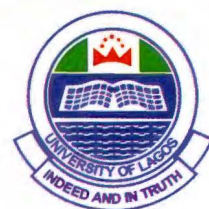




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**The effect of client characteristics on audit fee: Evidence from Nigeria****Ruth Osaretin URHOGHIDE**

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**Abstract**

*The broad objective of the study was to examine the impact of audit client attributes and variables on audit fee in Nigeria. Specifically, the study examined if client size, Profitability, Complexity, Fiscal Year end and Industry exert a significant effect on audit fees in Nigeria. The population of the study covered all quoted companies on the Nigerian Stock Exchange (NSE) from 2007-2011. The study used secondary data obtained from the published annual accounts and reports of one hundred and fifty three (153) companies from eleven (11) sectors quoted on the Nigerian stock exchange from 2007-2011. The simple random sampling technique was used in the selection of companies from the population. The variables were analyzed using descriptive and correlation analysis. Thereafter, fixed effects regression analysis was conducted. The results showed that client size, Profitability, Complexity, Fiscal Year end and Industry exert a significant effect on audit fees in Nigeria. The results seem robust despite controlling for industry of operation of the firms using dummies. The study recommended that there is the need for effective regulation of audit pricing as market framework for determining the audit fees may not readily suffice as an advantage for the fostering of auditor dependence.*

**Key words:** client size, profitability, complexity, audit fee and fixed effects regression.

## Introduction

Audit pricing is concerned with the determination of remuneration for auditor services that relates directly and primarily to the audit function. Following the market framework, early studies (Simunic 1980; Palmrose, 1986; Bitterworth and Houghton 1995; Davidson and Gist 1995) used the market framework to identify the determinants of audit pricing and hence the audit fee.

Over the years, a preponderance of research has been devoted to unraveling the determinants of audit fee for developed economies. They include the US studies, like Rubin (1988); Ettredge and Greenberg (1990); Pratt and Stice (1994); Taylor and Simon (1999); Callaghan, Bell, Landsman and Shackelford (2000); Mellett, Peel and Karbhari (2007); Parkash and Singhal (2008); and Bedard and Johnstone (2010). Similarly, the UK studies include Brinn, Peel and Roberts, (1994); Moizer, (1997); Pong (2004). Besides, studies from France include Gonthier-Besacier and Schatt, (2007), Denmark (Thinggaard & Kiertzner, 2008), Finland (Niemi, 2004), Belgium (Caneghem, 2009), Australia (Carson, Fargher, Simon and Taylor, 2004; Carson and Fargher, 2006).

However, it will be misleading to assume explicitly that findings in the developed countries in respect of audit fee determinants can be taken ipso facto as being exactly the same in the developing economies. This study therefore looked at certain peculiarities which exist in the audit market for emerging markets like Nigeria, such as the existence of a few business entities listed on the stock exchanges. Similarly, the audit environment, general business environment, regulatory framework, culture, technology, legal and business sizes differ very significantly across the globe (Davidson and Gist, 1995). These factors could in fact impinge or reflect in one way or the other in the determination of the audit fee.

Our study contributes to the literature in two principal ways. First, we examine several client variables using fixed effects techniques and thus taking unobserved firm differences into account. Second, we conduct sensitivity test introducing sector dummy variables in our estimation and hence investigating if activity sectors moderate the client characteristics-audit fee relationship.

### Literature Review and Hypothesis Development

This section discusses the meaning of audit fee and provides a review of the literature on audit firm characteristics (audit client size, profitability, complexity, fiscal year-end date and industry). It also presents the theoretical underpinnings of this study.

#### Audit Fee

Audit fee refers directly to payments made to the auditor that relates directly to the audit function, non-audit fees are concerned with payments for other non-audit services rendered by the auditor. Since the early work on the pricing of audit services by Simunic (1980), substantial progress has been made in understanding the factors which are involved in the determination of audit pricing or audit fee. Studies document that auditor pricing is a function of auditor effort and perceived audit risk (e.g., Simunic, 1980). Dinh (2012) explains that the demand for audit services comes from company owners, outside investors, company managers, governments and general public. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items; audit cost and profit or auditors reward.

#### Audit Client Characteristics and Audit Fee

As earlier stated, audit client characteristics includes audit client size, audit client profitability, audit client complexity, audit client fiscal- year-end date, and audit client industry.

#### Audit Client Size

Obviously, compared to auditing small-sized clients, auditing large-sized clients makes a need of spending more time and effort. External auditors have to spend more time for client meetings, understanding client complicated internal control systems, designing more audit procedures and conducting more test of detail (Steward and Munro 2007). To this end, as the fees paid to auditors depend on the amount of time to complete the job given, it is expected that larger

companies have to pay higher audit fees. A considerable body of empirical auditing literature has focused on researching the role of auditee size in charging audit fees (e.g., Joshi & Bastaki, 2000; Gonthier-Besacier & Schatt, 2007; Ahmed & Goyal, 2005; Brinn, et al., 1994). These studies support the typical assumption that auditee size has a significantly positive influence on audit fee determination. Consequently, we state the hypothesis as follows;

*H1: There is significant relationship between Audit client Size and Audit fee.*

#### **Audit Client Profitability**

Audit client profitability is an important indicator of management performance and its efficiency in allocating available resources. Joshi & Al Bastaki, (2000) explain that companies reporting high levels of profits will be subject to extensive audit testing of their revenues and expenses and this will result in higher audit fees. Prior research (Firth, 1985; Dugar, et al., 1995 and Waresul & Moizer, 1996) indicate that the amount of audit fees is significantly influenced by the profitability ratio (Sandra & Patrick, 1996).

*H2: There is significant relationship between Audit Client Profitability and Audit fee.*

#### **Audit Client Complexity**

In previous studies, proxies for complexity have included the number of subsidiaries, the number of industries in which the company participates, the number of different company locations and variables relating to asset composition. Basically, audit fees are dependent on how long auditors have to spend for a particular audit engagement. This may therefore imply that companies with complexity will be charged higher audit fees. Auditee complexity has been of interest in researching into determinants of audit fees, such as Joshi and Bastaki (2000); Gonthier-Besacier and Schatt (2007); Ahmed and Goyal (2005) Thinggaard and Kiertzner (2008). Most results are found to be consistent with the view that auditee complexity has a significant relation with audit fees. Consequently, we state the hypothesis as follows;

*H3: There is significant relationship between Audit Client Complexity and Audit fee.*

#### **Audit Client Fiscal Year-end Date**

Peters (2011) finds that majority of companies has the same fiscal year-end date of December 31. And time around December 31 is called the busy season for auditors. In this period, auditors, especially auditors of big auditing firms usually have to work overtime. Prior researches seem to point to the direction that auditor behaviors can be affected by a higher demand for audit services during the busy season (Sweeney and Summers 2002; Lopez and Peters, 2011). Lopez and Peters (2011) find that December year-end companies have lower likelihood to change auditors. Consequently, we state the hypothesis as follows;

*H4: There is significant relationship between Fiscal Year-end date and Audit fee.*

#### **Audit Client Industry**

It can be argued that each industry has its own peculiar characteristics and this might dictate the audit style and audit approach which could invariably impinge on the annual fee charge by the auditor. Auditors take different audit procedures for different industries. In this sense, audit fees charged will be different. For instance, Gonthier-Besacier and Schatt (2007) subdivided French listed firms into firms in information technology (IT) sector and others to test the impact of industrial sector on audit fees. The result indicates that audit fees paid by companies in IT sector were much higher than that paid by the others. Consequently, we state the hypothesis as follows;

*H5: There is a significant relationship between Audit Client Industry and Audit fee.*

#### **Theoretical Framework**

The theory underpinning this study is the agency theory. The agency theory deals with the contractual relationship between the agent (manager) and the principal (shareholders) under which shareholders delegate responsibilities to the manager to run their business. This theory argues that when both parties are expected to maximise their utility, there is good reason to believe that the agent may engage in opportunistic behaviour at the expense of the principal's interest. Jensen and Meckling (1976) modeled this condition as an agency relationship where the inability of the principal to directly observe the agent's action could lead to moral hazard, thus increasing agency cost.

How does the determination of audit pricing fall within the context of the agency theory? This question is answered when we consider clearly the contributions of Jensen and Meckling (1976). According to Jensen & Meckling (1976), a component of the agency costs is represented by the monitoring costs supported by shareholders for the monitoring of the managers actions. The audit fees are an important component of these costs, as long as auditors have to make sure that managers act according to the shareholders' interests, while also auditors have the required task to inspect the accounts of the company.

**Methodology**

Panel data design which may be seen as a combination of both cross-sectional and time-series design properties is used for this study. The panel design is a method of studying sample units periodically observed over a defined time frame. The population consists of all companies quoted on the Nigeria Stock Exchange as at December 31, 2011. There were 250 securities listed on the Exchange (NSE, Factbook 2011). The sample size for this study was based on Yamane's formula (1967). Following the formula; the minimum sample size for this study is 132 quoted companies at 5% levels. We therefore choose to use one hundred and fifty three (153) companies. The simple random sampling technique was adopted in the sample size. In this study, secondary data, by way of annual reports and accounts of the sampled companies in Nigeria and some relevant NSE fact books were used to collect data for five years (2007 to 2011).

**Model specification**

Based on the agency cost theory enumerated above, the model in this study is specified as follows:

$$Auditfee_{it} = \alpha_0 + \beta_1 Size_{it} + \beta_2 Profit_{it} + \beta_3 Comp_{it} + \beta_4 Fisyr_{it} + \beta_5 Ind_{it} + \epsilon_{it}$$

Where:

- Audfee = Measured as Natural log of Audit Fee
- Size = Measured using Natural log of Total Asset
- Profit = Profitability measured using Profit after tax
- Comp = Complexity measured using number of subsidiaries
- Fisyr = Fiscal Year end measured as a dummy; '1' for companies ending fiscal year at December 31 and a value 0 if the year-end date is not December 31.
- Ind = Industry which was classified into financial and non-financial. The variable is treated as a dummy and the value of "1" for financial industry and "0" to companies in non-financial industry.
- $\epsilon_{it}$  = Stochastic term
- i = number of sampled cross-sectional firms (1, 2...153)
- t = time period of the sampled companies (2007-2011)

The a priori signs are  $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0, \beta_5 > 0,$

**Empirical Result**

This section contains the panel regression result and interpretation of the result. It entails the application of statistical techniques to provide the basis for the testing of the research hypotheses, which invariably formed the basis for recommendations and conclusions at the end of the research.

**Table 1 Descriptive Statistics**

	AUDFEE	SIZE	PROFIT	IND	FISYR	COMP
Mean	2.281889	8.9526	15495.05	0.34	0.72269	43.617
Maximum	9.035987	16.864	7111318	1	1	659
Minimum	1.427116	-1.2039	-234693	0	0	0
Std. Dev.	1.937508	2.2599	233784.8	0.474	0.448	91.527
Jarque-Bera	250.8118	42.0575	28761930	187.5866	222.217	8304.8
Probability	0	0	0	0	0	0
Observation	1071	1069	1069	1071	1071	1071

Source: Authors computation (2014)

Table 1 presents the result for the descriptive statistics for the variables. As observed, Log of AUDFEE has a mean value of 2.282 with maximum and minimum values at 9.0359 and 1.427 respectively. The standard deviation of 1.9375 is low and suggests that the audit fee across the companies exhibits considerable clustering around the average. SIZE measured as the log of total assets is observed to have a mean value of 8.9526 with maximum and minimum values of 16.864 and -1.2039 respectively. The standard deviation of 2.2599 that the sizes of the companies cluster around the average firm size for the sample. The mean for PROFIT is 15495.05 with maximum and minimum values of 711131 and -234693 respectively.

The standard deviation of 233784.8 suggests considerable dispersion of profit values for the sample from the mean which indicates that there is a big difference in profitability among companies. FISYR has a mean value of 0.723 which suggest that about 72% of the firms have companies end their fiscal year at December 31 and The standard deviation of 0.474 is low which indicates that most companies in the sample have their year-end in December. The mean for COMP (Complexity) measured as the number of subsidiaries operated by the company is approximately 44 with maximum and minimum values of 659 and 0 respectively.

The minimum value of zero suggests that some companies in the sample do not operate any subsidiary. The standard deviation of 91.527 suggests some level of difference in the degree of complexity of firms in the sample. IND (industry) was classified into financial and non-financial. The variable is treated as a dummy and the value of "1" is assigned to companies that belong to the financial industry and "0" to companies in non-financial industry. As observed, the mean is 0.34 indicating that 34% of the companies in the sample are in the financial sector while the remaining 66% are in the non-financial sector. The standard deviation is 0.474.

**Table 2: Correlation Results**

	<b>AUDFEE</b>	<b>SIZE</b>	<b>PROFIT</b>	<b>IND</b>	<b>FISYR</b>	<b>COMP</b>
AUDFEE	1	0.02971	0.022692	-0.10821	-0.07177	-0.02345
SIZE	0.02971	1	0.266461	0.04967	0.024678	0.056833
PROFIT	0.022692	0.266461	1	-0.01728	0.035744	-0.01511
IND	-0.10821	0.04967	-0.01728	1	0.145268	0.278485
FISYR	-0.07177	0.024678	0.035744	0.145268	1	-0.04123
COMP	-0.02345	0.056833	-0.01511	0.278485	-0.04123	1

**Source: Authors computation (2014)**

From table 2 above, the correlation coefficients of the variables are examined. However of particular interest to the study is the correlation between; (i) Audit client variables and Audit fee As observed, a positive correlation exists between SIZE and log of AUDFEE ( $r=0.109$ ). Though weak, the direction of the association suggest that bigger firms may incur higher Audit fees. A positive correlation is also observed between PROFIT and log of AUDFEE ( $r=0.052$ ).

Though the coefficient is weak, the direction of association suggests that profitability of the firm tends to increase the audit fee. A positive association is observed between IND and log of AUDIT FEE ( $r=0.077$ ) and this implies that a particular industry or sector can be associated with higher Audit fee though the correlation coefficient is weak. FISYR is observe to correlate negatively with log of AUDFEE ( $r=-0.042$ ). COMP is positively correlated with log of AUDFEE ( $r=0.276$ ). An evaluation of the correlation coefficients between the explanatory variables indicates the unlikelihood of multicollinearity.



Table 3: Fixed Effects Regression Result

Variable	(A)	(B)
SIZE	1.381E-05* (0.028)	1.11E-07* (0.028)
PROFIT	-1.08E-06 (0.888)	-3.80E-07* (0.000)
IND	3.117 (0.158)	0.407* (0.000)
FISYR	-12.170* (0.038)	-0.241* (0.000)
COMP	0.158* (0.000)	0.006* (0.00)
intercept	170.826 (0.000)	2.218* (0.000)
Fin.Serv. dummy		-0.180* (0.007)
Health.C dummy		0.572* (0.005)
ICT. dummy		0.559 (0.069)
Ind.gds dummy		-1.929* (0.000)
Nat.Res dummy		-1.353 (0.098)
Oil&Gas. Dummy		1.376* (0.000)
Serv. Dummy		0.224* (0.000)
R <sup>2</sup>	0.720	0.796
ADJ R <sup>2</sup>	0.673	0.759
F-Stat	14.979	21.507
P(f-stat)	0.000	0.00
D.W	1.8	1.6

Source: Authors Compilation (2014) \* significant at 5% \*\*significant at 10%

N.B: ( ) indicates the p-values.

Where: Fin.Serv= Financial services sector, Health C= Health care sector, ICT= Information and communications technology sector, Ind.Gds= Industrial goods sector, Nat.Res= Natural resource sector  
Oil and Gas= Oil and Gas Sector Serv. = Services Sector.

Table 3 above shows the result for the Model which examines the effect of audit Client characteristics on Audit fee. Specifically, the result clearly provides empirical evidence of the effect of Audit Client Characteristics (Company size, Profit, Industry, Fiscal year end and Complexity) on Audit fee. Firstly, we observe that with the fixed effects estimation (Panel A) the R<sup>2</sup> is 0.720 which suggests that the Audit client Characteristics explains about 72% of systematic variations in AUDFEE with an adjusted value of 0.673. The F-stat (14.00) and p-value (0.00) indicates that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected at 5% level while the D.W statistics is 1.8. Commenting on the performance of the Audit-client variables, we observe that SIZE appears to have a positive (1.381E-05) effect on AUDFEE which is also statistically significant (p=0.00) at 5% level. PROFIT appeared to have a negative (-1.08E-06) effect on AUDFEE though not significant at 5% (p=0.888). IND appeared to have a positive (3.117) impact on AUDFEE though not statistically significant at 5% (p=0.158). The effect of FISY appeared negative (-12.170) and also statistically significant at 5% (p=0.031). In addition, COMP appears to exhibit a significant (p=0.000) and positive (0.158) impact on AUDFEE.

To address the industry effects on audit fees, the regression model was run with industry dummy variables added (Panel B), the regression result shows that the R<sup>2</sup> is slightly higher than what we observed without the inclusion of the industry dummies. Specifically, we find that Audit clients characteristics is able to explain about 79.6% of systematic variations in AUDFEE with an adjusted value of 75.9. The F-stat for the model indicates that the model is significant at 5% as their p-values are all less than 0.05 while the D. W statistics is 1.6. Commenting on the performance of the Audit-client variables, we observe that SIZE variable is positive and significant (1.11E-07, p=0.028). PROFIT is observed to have a negative effect on AUDFEE which is significant (3.80E-07, p=0.000). The IND variable appears also to be positive and statistically significant at 5% (0.407, p=0.000). COMP is also observed to have a positive effect on AUDFEE which appear significant at 5% (0.006, p=0.000).

Finally, we find that FISYR also remained negative and statistically significant at 5% for fixed effects (-0.241, p=0.000). An evaluation of the industry dummy variables reveals that the coefficient for financial services dummy is negative

and significant ( $-0.180$ ,  $p=0.007$ ). The coefficient for health sector dummy is positive and significant at 5% ( $0.57$ ,  $p=0.005$ ). The coefficient for ICT dummy is positive but not statistically significant at 5% ( $0.559$ ,  $p=0.069$ ). The coefficient for Industrial goods dummy is negative and significant at 5% ( $-1.929$ ,  $p=0.000$ ).

The coefficient for Natural Resource industry dummy is negative ( $-1.353$ ,  $p=0.098$ ). In addition, we find that the coefficient for Oil and Gas industry dummy is positive and significant at 5%. The coefficient for Services industry dummy is but positive ( $0.224$ ,  $p=0.000$ ). The result shows that Health sector dummy, Industry sector dummy, Oil and gas dummy and services dummy are significantly related to AUDFEE. The significant impact of these dummy variables indicates that the economic sector is a determinant of Audit fees.

### Discussion of Results

The positive and statistical significance of Firm Size indicates that larger firms would have to pay higher audit price and hence we accept H1. The most dominant determinant of audit fees found across virtually all published studies is firm size and our finding is consistent with Simunic (1980) that provided one of the earliest empirical evidence on the link between firm size and Audit fee. Also our finding is in tandem with Steward and Munro (2007). Our finding is in also in agreement with Joshi and Bastaki, (2000) Rubin, (1988) Gonthier- Besacier and Schatt, (2007) Ahmed and Goyal, (2005). In addition, our finding replicates what Fukukava (2011) discovered also for the Japanese market. The study revealed client's size influences the cost of the audit. Dinh (2012) found from his study that size is also positively associated with audit fees.

The negative and statistical significance of PROFITABILITY suggest that the audit fee increases with reductions in financial performance and hence we accept H2. Client financial performance is often considered another measure of risk because it reflects the extent to which the auditor may be exposed to loss in the event that a client is not financially viable and eventually fails (Simunic 1980). In general, the worse the performance of the organization, the more risk to the auditor and the higher the audit fee is expected to be. Our finding is in tandem with Hay, Knechel and Wong (2004) and Chan et al. (1993). However, it is in contrast with Joshi & Bastaki (2000) and Gonthier-Besacier and Schatt, (2007). The positive and statistical significance of Complexity indicates that audit pricing increases with the complexity of firm especially with regards to the number of subsidiaries and hence we accept H3. Auditee complexity is of interest in researching determinants of audit fees (e.g Joshi and Bastaki, 2000; Rubin, 1988; Gonthier-Besacier and Schatt, 2007; Ahmed and Goyal, 2005; Thinggaard and Kiertzner, 2008). The result of these studies is consistent with the view that auditee complexity has a positive relation with audit fees. In contrast however, Ahmed and Goyal (2005) however do not find such relation.

The negative and statistical significance Year-end (YEND) suggests that undertaking audits within peak periods may reduce the audit price other than in non-peak periods and hence we accept H4. The finding is similar to that of Fukukava (2011) for the Japanese market. This however, seem not to be consistent with theoretical expectation. Previous researches point out auditor behaviors can be affected by a higher demand for audit services during the busy season (Lopez and Sweeney and Summers 2002; Lopez and Peters, 2011). Available evidence (Gonthier-Besacier and Schatt, 2007; Pong, 2004) seem to show a positive relationship though Hay (2006) argued that evidence to support this is quite mixed. The positive and statistical significance of IND suggest that the industry where a firm operates particularly for financial and non-financial industries have significant impact on what the audit fees will be and hence we accept H5. The finding is consistent with that Anderson and Zeghal (1994) which found same for Canadian companies. Our finding is also similar with that of Gonthier-Besacier and Schatt (2007).

### Conclusion and Recommendation

The objective of this paper is to provide greater insight into how client characteristics may influence audit fees. An important dimension of this study is the use of fixed effects techniques and thus taking unobserved firm differences into account on one hand and also the introduction of sector dummy variables in our estimation and hence investigating if activity sectors moderate the client characteristics-audit fee relationship. Following the agency perspective, we argue that from the demand side, client characteristics will impact on audit fees. The findings of the study shows that client size, Profitability, Complexity, Fiscal Year end and Industry exerts a significant effect on audit

fees in Nigeria. The results seem robust despite controlling for industry of operation of the firms using dummies. The study recommends that there is the need for effective regulation of audit pricing in the Nigerian environment. The market framework for determining the audit fees may not readily suffice as an advantage for the fostering of auditor dependence.

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**Appendix**

Dependent Variable: LOG(AUDFEE)  
 Method: Panel EGLS (Cross-section weights)  
 Date: 11/12/13 Time: 11:26  
 Sample: 2005 2011  
 Periods included: 7  
 Cross-sections included: 153  
 Total panel (unbalanced) observations: 1069  
 Hausman test after one-step weighting matrix  
 White period standard errors & covariance (d.f. corrected)  
 WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	170.8257	4.341264	39.34931	0.0000
COMP	0.158166	0.017199	9.196409	0.0000
FISYR	-12.17019	5.851619	-2.079799	0.0378
IND	3.117508	2.204531	1.414137	0.1577
PROFIT	-1.08E-06	7.75E-06	-0.139888	0.8888
SIZE	1.38E-05	6.27E-06	2.195532	0.0284

**Effects Specification**

Cross-section fixed (dummy variables)

Weighted Statistics			
R-squared	0.720795	Mean dependent var	507.0566
Adjusted R-squared	0.672677	S.D. dependent var	865.4240
S.E. of regression	493.2776	Sum squared resid	2.22E+08
F-statistic	14.97981	Durbin-Watson stat	1.378459
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.510991	Mean dependent var	171.9875
Sum squared resid	4.03E+08	Durbin-Watson stat	0.972176

Dependent Variable: LOG(AUDFEE)  
 Method: Panel EGLS (Cross-section weights)  
 Date: 11/12/13 Time: 12:13

**Appendix 2**

Sample: 2005 2011  
 Periods included: 7  
 Cross-sections included: 153  
 Total panel (unbalanced) observations: 1069  
 Hausman test after one-step weighting matrix  
 White cross-section standard errors & covariance (d.f. corrected)  
 WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.217966	0.047688	46.50997	0.0000
PROFIT	-3.80E-07	4.54E-08	8.361836	0.0000
SIZE	1.11E-07	5.02E-08	2.202046	0.0279
COMP	0.006354	0.000351	18.11411	0.0000
IND	0.407390	0.105658	3.855735	0.0001
FISYR	-0.241431	0.048275	-5.001158	0.0000
FinSev Dummy	-0.180333	0.066729	-2.702444	0.0070
HealthCare Dummy	0.571796	0.201728	2.834491	0.0047
ICT Dummy	0.558596	0.306365	1.823300	0.0686
Industrial Goods Dummy	-1.929769	0.608210	-3.172867	0.0016
NatRes Dummy	-1.353437	0.816132	-1.658354	0.0976
Oil&Gas Dummy	1.375939	0.361568	3.805476	0.0002
Services Dummy	0.224385	0.043446	5.164658	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics			
R-squared	0.795990	Mean dependent var	3.834251
Adjusted R-squared	0.758979	S.D. dependent var	4.272786
S.E. of regression	1.408838	Sum squared resid	1794.283
F-statistic	21.50699	Durbin-Watson stat	1.315204
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.550377	Mean dependent var	2.282489
Sum squared resid	1802.933	Durbin-Watson stat	1.185214