The Role of other Comprehensive Income in Moderating Relationship between Macroeconomic Volatility and Earning Stability (The Study related to Selected Indian Listed Company)

A.Jayashree[1], M.A.Dhandapani[2*]

[1]*M.Com. Student, Department of Commerce, School of Liberal and Creative Arts Hindustan Institute of Technology and Science, Padur, Chennai, Tamil Nadu*

[2]*Associate Professor, Department of Commerce, School of Liberal and Creative Arts Hindustan Institute of Technology and Science, Padur, Chennai, Tamil Nadu*

**Corresponding Author Email: dhandapma@hindustanuniv.ac.in*

Abstract

Other Comprehensive Income (OCI) moderates the relationship between macroeconomic volatility and the earnings stability of large Indian listed companies. Methodology: Using panel data from 35 non-financial firms on the NSE/BSE from 2020 to 2024 (175 firm-year observations), a panel regression model with an interaction term (Macroeconomic Volatility Index × OCI Scaled) was employed, controlling for firm size, leverage, market-to-book ratio, age, and intangible intensity. Findings: The results show that OCI does not significantly moderate the relationship (p = 0.300), rejecting the buffering hypothesis. OCI is economically negligible, averaging only 0.13% of total assets. Instead, earnings stability is driven by fundamental firm characteristics: firm size strongly stabilizes earnings (β = -0.0783, p < 0.001), while leverage (β = 0.0165, p < 0.001) and intangible intensity (β = 0.0036, p = 0.02) increase earnings volatility. Conclusion: OCI is not an effective buffer against macroeconomic shocks. Investors should focus on firm size and leverage, while regulators should be cautious about claims that OCI enhances earnings stability.

Keywords: Other Comprehensive Income, Macroeconomic volatility, RBI, Indian Accounting Standard, Buffering Hypothesis

Introduction

The economic reforms of 1991 and the subsequent adoption of Indian Accounting Standards (Ind AS), which are largely converged with International Financial Reporting Standards (IFRS), have transformed corporate financial reporting in India. One of the most

notable changes introduced under Ind AS is the expanded use and disclosure of Other Comprehensive Income (OCI). Unlike traditional profit measures such as Profit after Tax (PAT), OCI captures unrealised gains and losses arising from fair value adjustments, foreign currency translation differences, actuarial gains and losses on defined benefit plans, and changes in the valuation of certain financial instruments. These items do not immediately affect cash flows but can significantly influence a firm's overall financial position and reported performance.

Simultaneously, the Indian economy has been experiencing increasing macroeconomic volatility. For emerging economies like India, which are navigating the complex path of liberalisation, this volatility is pronounced. The economy is susceptible to external shocks such as fluctuating crude oil prices, currency exchange rate volatility, and shifting interest rate regimes by the Reserve Bank of India (RBI). Factors such as changing monetary policies, inflation variability, exchange rate movements, and external shocks contribute to a dynamic and uncertain economic environment that directly impacts corporate financial performance.

Earnings stability is widely regarded as a key indicator of a company's financial health. Investors generally associate stability with lower risk, consistent cash flows, and sustainable growth. However, this preference for stability often conflicts with the realities of the economic environment. If all market-driven fluctuations were recognised directly in the Profit and Loss (P&L) statement, the result would be a highly volatile net income figure. This creates a fundamental conflict: while investors demand stable and predictable earnings, the underlying economic reality is inherently uncertain and volatile.

To address this volatility, accounting standards introduced OCI as a reservoir for "dirty surplus" items – gains and losses that are recognised in equity but bypass the P&L. Theoretically, OCI acts as a buffer. By isolating volatile market-driven changes from Net Income, a company can present a cleaner, more stable picture of its operational performance. However, critics argue that OCI allows companies to "hide" volatility and manipulate the perception of stability. If a company faces a macroeconomic downturn, it can classify losses in OCI, keeping Net Income artificially high. This leads to a potential disconnect: the Profit and Loss section may indicate stability, while the OCI section reveals significant volatility and risk exposure.

Despite this significant shift, the behavioural and practical implications of OCI in the Indian setting remain under-researched. Most empirical studies on OCI are concentrated in developed economies. The Indian market presents a unique context where companies operate under higher uncertainty and varying degrees of exposure to macroeconomic risks. Therefore, this study seeks to address this gap by analysing the role of OCI in moderating the relationship between macroeconomic volatility and earnings stability in Indian listed companies.

Literature Review

Kumar V. & Agrawal V.K. (2023) – *Journal of Sustainable Finance & Investment*
This comprehensive study of Indian banks (1996-2019) found that regulatory determinants (capital adequacy, NPA, liquidity) have a more significant impact on off-balance sheet activities (which generate other income) than macroeconomic variables like GDP. This suggests that policy levers may be more influential than broad economic conditions, highlighting that income components beyond traditional earnings are shaped more by institutional frameworks.

Sreeda T.P. (2018) – *International Journal of Creative Research Thoughts*
Using BSE 100 index companies, this research analysed OCI components and their effectiveness in reducing the volatility of fair valuation. The study found that OCI plays a significant role in reducing the volatility caused by fair value accounting. By separating unrealised gains and losses from net income, OCI allows firms to present a more stable profit figure. However, it may reduce transparency for less sophisticated investors.

He G., Li X., Yue Y., & Zheng S. (2025) – *Journal of Contemporary Accounting & Economics*
Examining Chinese listed banks (2009-2021), the study found that banks with high OCI volatility take actions that reduce their perceived risk but increase their contribution to systemic risk. The effects are more pronounced under tight monetary policy but less so under macroprudential supervision. This provides direct evidence of OCI's macro-financial linkages and shows that OCI volatility can distort risk perception.

Isidro H. & Dias J.G. (2024) – *Journal of Accounting and Public Policy*
The removal of the regulatory filter for Accumulated OCI (AOCI) during COVID-19 led affected banks to reduce loan growth, suggesting that marking regulatory capital to market can suppress credit supply during economic stress. This demonstrates that OCI is not merely an

accounting adjustment but a critical factor influencing financial system behaviour and credit cycles.

Faria Junior M.S. & Dantas J.A. (2025) – *Sociedade, Contabilidade e Gestão (Brazil)* While comprehensive income is relevant for market value, OCI components related to fair value adjustments of financial instruments proved particularly relevant in explaining market value and return on assets. This indicates that investors incorporate OCI information into bank valuations, suggesting OCI contains economically meaningful information.

Vishnani, Deva, & Misra (2024) – *Journal of Accounting in Emerging Economies* Examining 367 Indian non-financial companies from FY 2016-2017 to FY 2019-2020, the study found that both net profit and total comprehensive income are value relevant. Importantly, OCI is additionally value relevant, meaning it provides information beyond conventional net income. OCI often captures volatility (from exchange rates or fair value changes) that macroeconomic shifts cause, which were previously hidden from the P&L statement.

Du & Whittington (2024) – *Journal of Risk and Financial Management*: Using an experimental design, the study found a significant asymmetry in investor perception: unrealised gains reported in OCI are considered less relevant and receive less attention compared to similar gains reported in net income. Unrealised losses are treated with similar importance regardless of location. This suggests that investors do not evaluate OCI and net income on an equal footing, which can lead to an incomplete assessment of a firm's financial position.

Bamber, Jiang, Petroni & Wang (2010) – *The Accounting review* The study examined firms' choices in presenting OCI either within the income statement or separately in the Statement of Changes in Equity. The findings reveal a clear managerial preference for presenting OCI in the Statement of Changes in Equity to reduce the visibility of income volatility. This suggests that the location of OCI reporting can influence how investors assess risk, performance, and earnings stability.

Karnik A. & Majumdar S. (2025) – *International Journal of Business and Emerging Markets* Analysing Indian banks from 2005 to 2020, the research highlights the importance of inflation on the banking sector, with effects varying across ownership groups. Macroeconomic factors

significantly impact income diversification strategies, reinforcing the importance of studying their interaction with OCI.

Joseph *et al*. (2025) – *Empirical evidence from India* The study identified how interest rates (beta = 0.3069) and exchange rates (beta = –0.7440) create systematic risk. Under Ind AS, these fluctuations often flow through OCI (e.g., cash flow hedges or foreign currency translation), directly linking macro-volatility to the stability of total comprehensive income.

Objective

The objectives of the present study are as follows:

- To measure the earnings stability of Indian listed companies by comparing the volatility of Net Income versus the volatility of Comprehensive Income over a period of economic fluctuation.
- To assess the "income smoothing" behaviour of companies: to determine if companies with high macroeconomic exposure utilise OCI reserves to buffer their reported Net Income from shocks.
- To analyse the role of OCI in stabilising earnings of non-financial Indian listed companies across different sectors such as manufacturing, IT, and services.

Statement of Problem

The core problem addressed in this study is to determine the true role of Other Comprehensive Income (OCI) in the relationship between macroeconomic volatility and the earnings stability of Indian listed companies. Although OCI is reported within the same financial statement as the Profit and Loss account under Ind AS, it is presented separately and excluded from Net Profit, which creates important implications for how financial performance is interpreted.

In the current reporting framework, companies disclose Net Profit (Profit or Loss) as the primary performance indicator, while OCI is reported below it as a separate component. As a result, investors and analysts often focus primarily on net income, potentially overlooking the information contained in OCI.

This leads to the issue of "apparent" or "perceived stability". A company may report stable and increasing net income over time, suggesting consistent performance. However, at the same time, OCI may reflect significant unrealized losses or gains arising from macroeconomic

factors such an exchange rate fluctuations, interest rate changes, or fair value adjustments. These items capture the economic volatility faced by the firm but are not included in net profit.

Thus, the problem is not that OCI is hidden, but rather that it is segregated from core earnings, which may lead to a partial or incomplete understanding of financial performance.
This creates disconnect in financial reporting:

- The Profit and Loss section (Net Income) may indicate stability
- The OCI section may indicate significant volatility and risk exposure

As a result, investors focusing only on net income may perceive the firm as stable, while a more comprehensive view (including OCI) reveals that the firm is actually exposed to substantial macroeconomic risk.

Research Design

The study is an empirical, quantitative study using a causal research design combined with descriptive analytics. Both primary (for conceptual framework) and secondary data are used.
Data Source: Secondary data was collected from annual reports of selected Indian listed companies (for firm-level financial data, OCI components), Reserve Bank of India (RBI) publications (for macroeconomic indicators such as repo rate, inflation, exchange rate), and financial databases (CMIE Prowess, Ace Equity).

Sampling: The population comprised companies listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). A sample of 35 large non-financial companies was purposively selected based on the following criteria:
Listed continuously on NSE/BSE throughout 2019-2024.
Financial statements available for all 5 years under Ind AS.

Non-financial and non-banking companies (financial firms excluded due to different regulatory requirements and OCI treatment).
March 31st year-end to ensure uniformity in macroeconomic variable alignment. Representative of major sectors (manufacturing, IT, services, infrastructure).
Time Horizon: 5 financial years – 2019-20 to 2023-24 (covering pre-COVID, COVID, and post-COVID periods).
Sample Size: 35 companies × 5 years = 175 firm-year observations.

Variables and Measurement

- Dependent Variable (Earnings Stability – EVOL): Measured using the volatility of Return on Assets (ROA). Higher EVOL indicates lower stability (more volatile earnings).

$$EVOL_{it} = \sqrt{\frac{\sum_{t=1}^{T}(ROA_{it} - ROA_I)^2}{T-1}}$$

- Independent Variable (Macroeconomic Volatility – MVI): A composite index based on GDP growth, inflation, interest rate (repo rate), exchange rate (INR/USD), and economic policy uncertainty. Each component was standardised using z-scores, and the MVI is the average of the five standardised components.
- Moderating Variable (OCI Scaled): Other Comprehensive Income as a percentage of total assets.
- Control Variables: Firm size (natural log of total assets), Leverage (Debt/Equity ratio), Market-to-Book ratio (MTB), Firm age (years since incorporation), Intangible intensity (Intangible assets / Total assets × 100).

Model Specification: The following panel regression model with an interaction term was used to test the buffering hypothesis:

$$\textbf{Earnings Stability}_{it} = \beta_0 + \beta_1 (MVI_{it}) + \beta_2 (OCI_{it}) + \beta_3 (MVI_{it} \times OCI_{it}) + \varepsilon_{it}$$

Hypothesis Testing Framework:

- H_0(Null Hypothesis) Other Comprehensive Income (OCI) does NOT significantly moderate the relationship between macroeconomic volatility and earnings stability.
- $H_1(Alternative\ Hypothesis)$: Other Comprehensive Income (OCI) significantly moderates the relationship between macroeconomic volatility and earnings stability.
- Decision Rule: If the interaction term (MVI × OCI Scaled) has $p < 0.05$ → Reject H_0, accept H_1. If $p \geq 0.05$ → Fail to reject H_0.

Analysis data and Interpretation

The collected data is analysed and tabulated below to explore the study's objectives. The analysis includes descriptive statistics, correlation matrix, and panel regression results.

Table 1: Descriptive Statistics of Key Variable (175 firm year observation)

Variable	Mean	Stand.Erro	Meadian	Stand.dev	Minimum	Max
EVOL	0.299	8.41	0.29	1.113	0.29	0.299
MVI	0.010	0.034	-0.23	0.45	-0.546	0.57
OCI Scaled	0.132	0.109	0.07	1.44	-8.59	5.23
Interation	-0.05	0.056	-0.019	0.744	-4.59	2.798
Size	11.05	0.094	11.08	1.254	8.92	14.378
LEV	-0.103	0.364	0.16	4.816	-40.281	22.57
MTB	14.06	4.106	4.22	54.31	-32.69	632.64
Age	55.6	2.392	43	31.65	16	140
INTANG	11.8	1.050	6.869	13.89	0.018	65.8

Interpretation of Descriptive Statistics

Earnings Volatility (EVOL) varies substantially across firms, from 0.0028 (Reliance Industries) to 0.6589 (Bharti Airtel). This wide range confirms that some firms have very stable earnings while others are highly volatile, making it meaningful to investigate what factors explain these differences. OCI Scaled averages only 0.13% of total assets, with a median of 0.08%. For the typical Indian listed company, OCI is economically insignificant. The wide range (-8.60% to +5.24%) shows that OCI can be large for some firms in certain years – particularly those with foreign operations or large financial instruments – but these are exceptions.

MVI has a mean near zero by construction, but its range (-0.55 to 0.57) and standard deviation (0.458) indicate substantial variation across 2020-2024. The highest MVI (0.574 in 2021) corresponds to the COVID-19 crisis, providing a natural stress test for the buffering hypothesis. Firm size varies from log 8.92 (Britannia, ~₹7,500 crore assets) to log 14.38 (Reliance, ~₹1.75 million crore assets), allowing meaningful testing of size effects. Leverage shows a negative mean due to firms with negative equity (e.g., Bharti Airtel, GMR Infra), but the median (0.1695) is positive and more representative. Intangible intensity ranges from near zero (Asian Paints) to 66% (LTIMindtree), reflecting sectoral differences between manufacturing and IT firms

Correlation Matrix

The **correlation matrix** is a table that shows the strength and direction of the linear relationship between every pair of variables in study. It helps you understand how variables move together **before** you run regression.

See which variable move together through regression. Positive correlation (both increase together) negative (one increase, other decrease)

Value near +1 or -1 are strong near 0 is weak. If two independent variable are highly correlated (e.g., >0.7), they may cause problem in regression. Asterisks indicate if the correlation is statistically different from zero.

Table 2: Correlation Matrix

Aspects	*EVOL*	*MVI*	*OCI Scaled*	*Interaction*	*Size*	*LEV*	*MTB*	*Age*	*INTANG*
EVOL	1								
MVI	-4.85	1							
OCI Scaled	3.52	-0.080	1						
Interaction	2.07	0.043	0.501	1					
Size	1.86	-0.011	0.122	0.0459	1				
LEV	2.32	-0.033	0.046	0.0374	0.0718	1			
MTB	-6.63	-0.111	-0.009	0.0093	-0.138	0.4091	1		
Age	3.25	-0.005	-0.008	0.0491	-0.054	0.091	-0.102	1	
INTANG	5.88	-0.063	0.107	0.0329	0.0333	0.054	-0.062	-0.12	1

Dependent variable (EVOL Earning Volatility)

MVI: Macroeconomic volatility has **no linear relationship** with earnings volatility.

OCI Scaled: Other comprehensive income (scaled by assets) is **unrelated** to earnings volatility.

Interaction: The combined effect of MVI and OCI also shows **no correlation** with EVOL

Size: Larger firms (by total assets) tend to have **slightly lower earnings volatility**.

Leverage: Higher leverage (debt/equity) is associated with **higher earnings volatility** – this is the strongest correlation with EVOL

Market to book ratio: Firms with higher market-to-book ratios tend to have **slightly lower earnings volatility**.

Age: Older firms show **marginally lower earnings volatility** (very weak).

Intang: Higher intangible intensity is **weakly associated** with higher earnings volatility.

Relationship among Independent Variables (Multi collinearity):

Multi collinearity is a problem when two independent variables are correlated above **0.7 or 0.8**.

Matrix shows **no such high correlations**.

Table 3: Correlation with EVOL

Variable	Correlation with EVOL	Strength & Direction	Interpretation
MVI	−0.000 (near zero)	None	Macroeconomic volatility has **no linear relationship** with earnings volatility.
OCI Scaled	0.000 (near zero)	None	Other comprehensive income (scaled by assets) is **unrelated** to earnings volatility.
Interaction	0.000 (near zero)	None	The combined effect of MVI and OCI also shows **no correlation** with EVOL.
Size	−0.139	Weak negative	Larger firms (by total assets) tend to have **slightly lower earnings volatility**.
LEV	0.409	**Moderate positive**	Higher leverage (debt/equity) is associated with **higher earnings volatility** – this is the strongest correlation with EVOL.
MTB	−0.111	Weak negative	Firms with higher market-to-book ratios tend to have **slightly lower earnings volatility**.
Age	−0.102	Weak negative	Older firms show **marginally lower earnings volatility** (very weak).
INTANG	0.108	Weak positive	Higher intangible intensity is **weakly associated** with higher earnings volatility.

- moderate correlation (0.4 to 0.5)
- weak correlation (0.1 to 0.3)
- very weak or near zero

Leverage is the most important firm-level factor correlated with earnings volatility companies with more debt experience bigger profit swings. **No two independent variables are too highly correlated**, so regression coefficients are reliable and not distorted by multi collinearity

Regression Analysis

Purpose of Regression

Regression helps to understand how several independent variable (X's) together predict a Dependent Variable (Y)

Y (dependent variable) = EVOL (Earning Volatility) this is the standard deviation of ROA over time of each firm

X (Independent Variables) =MVI, OCI Scaled, Interaction, Size, LEV, MTB, Age, INTANG

Model fit Statistics:

Table 4: Regression Statistics

Regression Statistics	
Multiple R	0.469284739
R Square	0.220228166
Adjusted R Square	0.1826488
Standard Error	0.271114831
Observations	175

Multiple R: Moderate positive correlation between predicted and actual EVOL.

R Square: The model explains 22.0% of the variation in earnings volatility.

Adjusted R Square: After penalty of number of predictors, model explains ~18.3% (still meaningful in social sciences).

Standard error: Typical prediction error is ±0.27 units of EVOL.

Anova:

Table 5: ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	8	3.446	0.430	5.860	1.342
Residual	166	12.20	0.073		
Total	174	15.64			

F-statistic = 5.86 (much larger than 1)

p-value ≈ 0.00000134 (far below 0.05)

Statistically significant as a whole. The independent variables collectively predict earnings volatility better than chance.

Coefficient Table:

Table 6: Regression Coefficients

Aspects	Coefficients	Standard Error	t Stat	P-value
Intercept	1.24	0.198	6.291	2.69
MVI	-0.029	0.045	-0.637	0.52
OCI Scaled	0.0013	0.016	0.081	0.934
Interaction	0.033	0.032	1.039	0.3
Size	-0.078	0.016	-4.63	7.338
LEV	0.016	0.00481	3.42	0.0007
MTB	-0.001	0.00043	-3.498	0.0006
Age	0.001	0.00067	1.5	0.134
INTANG	0.0035	0.0015	2.35	0.019

To formally test the study's hypotheses specifically, whether Other Comprehensive Income (OCI) moderates the relationship between macroeconomic volatility and earnings stability a multiple linear regression analysis was conducted. The dependent variable was Earnings Volatility (EVOL), calculated as the standard deviation of a firm's Return on Assets (ROA) over the five-year study period. The primary independent variables were the Macroeconomic Volatility Index (MVI), Other Comprehensive Income scaled by total assets (OCI Scaled), and their interaction term (MVI × OCI Scaled). Several control variables were also included: firm size (log of total assets), leverage (debt-to-equity ratio), market-to-book ratio (MTB), firm age, and intangible asset intensity.

Interpretation of Regression Analysis Finding:

The F-statistic tests the null hypothesis that all coefficients (except the intercept) are zero. The extremely low p-value (0.00000134) allows us to reject this null hypothesis with 99.9 percent confidence. This means that the eight independent variables collectively predict earnings volatility much better than random chance.

Earnings volatility is not random. It is systematically related to measurable firm characteristics and macroeconomic conditions. The model has identified a set of variables that, together, explain a meaningful portion of the variation in earnings stability across firms.

The overall significance does not mean that all variables are important. The F-test only tells us that at least one variable has a non-zero coefficient. The individual t-tests for each coefficient tell us which specific variables are significant. In this case, size, leverage, MTB, and intangible intensity are significant; MVI, OCI, interaction, and age are not.

Explanatory Power (R Square = 0.220)

R-squared measures the proportion of variance in the dependent variable that is explained by the independent variables. An R-squared of 0.220 means that 22 percent of the differences in earnings stability across firms and years can be explained by the eight variables in the model. The remaining 78 percent is explained by other factors not included.

Non-significant Variables:

Macro-economic volatility (MVI, p=0.524): The lack of significance for MVI indicates that macroeconomic volatility does not have a direct linear impact on earnings volatility for large Indian firms. This finding challenges the conventional wisdom that corporate earnings are highly sensitive to macroeconomic conditions

OCI Scaled (p = 0.935): The lack of significance for OCI indicates that OCI, by itself, does not affect earnings stability. This is expected because OCI is designed as a moderator, not a direct predictor. The lack of significance does not mean OCI is irrelevant; it means OCI's role is indirect (through interaction with macro volatility), and that interaction was also not significant.

Age (p = 0.135): The lack of significance for age indicates that older firms are not more stable simply because of their age. Any stability advantage of older firms appears to be explained by other factors correlated with age, such as larger size or lower intangible intensity.

Conclusion: The analysis examined 175 firm-year observations across 35 large Indian listed companies from 2020 to 2024. Descriptive statistics revealed that earnings volatility (EVOL) varies substantially across firms, while Other Comprehensive Income (OCI) scaled by total assets is, on average, very small (0.13% of assets), though some firms exhibit large OCI fluctuations. The macroeconomic volatility index (MVI) captured significant variation, including the COVID-19 shock in 2021.

The multiple regression model was statistically significant overall ($p < 0.001$), explaining about 22% of the variation in earnings volatility ($R^2 = 0.220$). However, the core variables of interest—MVI, OCI scaled, and the interaction term (MVI × OCI) were all statistically

insignificant ($p > 0.05$). Therefore, the null hypothesis cannot be rejected: there is no evidence that OCI moderates (buffers)

Among control variables, firm size (negative), leverage (positive), market-to-book ratio (negative), and intangible intensity (positive) were significant predictors of earnings volatility, while firm age was not.

The data analysis does not support the hypothesized buffering role of OCI. Instead, firm-specific characteristics particularly leverage and size are more influential in determining earnings stability than macroeconomic volatility or OCI

Finding, and Conclusion

This chapter presents the key findings derived from the data analysis conducted in Chapter 4, followed by practical suggestions for various stakeholders and a comprehensive conclusion to the study. The primary objective of the research was to examine whether Other Comprehensive Income (OCI) moderates the relationship between macroeconomic volatility and earnings stability of Indian listed companies. The analysis was based on 175 firm-year observations of 35 large non-financial Indian companies over the period 2020-2024. The findings are organised under three broad headings: major empirical results, implications for different stakeholder groups, and concluding remarks on the research problem.

The first objective to measure earnings stability across firms was achieved through descriptive analysis, which revealed substantial variation in earnings volatility (EVOL), ranging from near-zero for Reliance Industries to high volatility for Bharti Airtel. The second objective—to assess income smoothing behaviour0 was tested via the interaction term (MVI × OCI Scaled). The regression results showed no significant interaction, implying that companies do not use OCI to smooth earnings. The third objective to analyse OCI's stabilising role across sectors was also not supported; OCI had neither a direct nor a moderating effect on earnings stability. The core hypothesis of the study was that OCI significantly moderates the relationship between macroeconomic volatility and earnings stability. The statistical test of the interaction term produced a coefficient of 0.0334 with a p-value of 0.300, which is far above the 0.05 significance level. Consequently, the null hypothesis (OCI does not moderate the relationship) could not be rejected, and the alternative hypothesis was rejected. This is the central finding of the research.

Regarding the direct impact of macroeconomic volatility on earnings stability, the study found no statistically significant linear relationship (MVI coefficient = –0.0291, p = 0.524). Large Indian companies appear to be insulated from macroeconomic fluctuations through diversification, hedging, market power, and access to capital. Regarding the role of OCI, the study concludes that OCI does not function as an effective buffer against macroeconomic volatility. Neither the "better financial reporting" view nor the "masking tool" view is supported. Instead, OCI is economically insignificant for most firms averaging only 0.13% of total assets and where it is material, it tends to reflect underlying volatility rather than buffer it.

Among the control variables, four firm characteristics significantly affect earnings stability. Firm size (log assets) has a strong negative coefficient, meaning larger firms enjoy much more stable earnings due to diversification, market power, and risk management. Leverage (debt-to-equity) has a significant positive coefficient, confirming that high debt amplifies earnings volatility through fixed interest payments. The market-to-book ratio (MTB) also has a negative coefficient, indicating that high-growth firms tend to have more stable earnings, possibly because they operate in expanding sectors with recurring revenue models. Intangible intensity (intangible assets as a percentage of total assets) has a positive coefficient, showing that firms with more intangibles experience higher earnings volatility due to impairment risk, technological obsolescence, and fair value fluctuations. Firm age was not a significant predictor.

The regression model as a whole is statistically significant ($F = 5.86$, $p < 0.001$) and explains about 22% of the variation in earnings volatility ($R^2 = 0.220$). The correlation analysis confirmed no problematic multi collinearity, with the highest correlation being between OCI scaled and the interaction term (0.501), which is expected.

Based on these findings, the chapter offers practical suggestions for different stakeholders. For investors, the advice is to focus on firm characteristics such as size, leverage, growth, and intangibles rather than on accounting classifications. Larger firms and high-growth firms are preferable for stable earnings, while highly leveraged and intangible-intensive firms require caution. Investors should not ignore OCI entirely, because it provides additional information, but they should not rely on it as a stabilising mechanism. For corporate managers, the study suggests that OCI classification will not stabilise reported earnings; instead, managers should

pursue real economic stability through diversification, consolidation to increase scale, prudent leverage, development of recurring revenue models, and active risk management of intangible assets. Managers are also encouraged to disclose OCI components transparently. For regulators and standard-setters, the chapter recommends reconsidering the buffering rationale for OCI, introducing materiality thresholds to reduce unnecessary complexity, focusing disclosure requirements on firm characteristics that truly drive stability, providing investor education on OCI, and considering sector-specific guidance. For academic researchers, future work should disaggregate OCI components, extend the time horizon to capture OCI recycling, include smaller and financial firms, test non-linear and conditional relationship and conduct cross country comparison.

These include the short five-year time period (which may miss long-term OCI recycling patterns), the large-firm bias (results may not generalise to smaller firms), the exclusion of financial firms (where OCI has regulatory capital implications), potential distortion from the COVID-19 pandemic, the choice of scaling OCI by total assets, the assumption of linear relationships, the possibility of human error in manual data extraction, and the restriction to the Indian context, which limits generalisability to other countries.

OCI does not moderate the relationship between macroeconomic volatility and earnings stability. OCI is economically insignificant for most Indian listed companies. Instead, earnings stability is driven by firm-specific characteristics size, leverage, MTB, and intangible intensity while macroeconomic volatility has no direct linear impact. The study confirms that earnings volatility is systematically related to measurable firm attributes, and it urges investors, managers, and regulators to focus on these fundamentals rather than on accounting classifications like OCI when assessing or managing earnings stability.

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Author Biographies

A.Jayashree is an entry-level commerce professional with enthusiasm and a growth mindset. She has completed her Bachelor's degree in Commerce (B.Com) in Bank Management and is currently pursuing a Master's degree in Commerce (M.Com). With a strong passion for the commerce and banking field, she aspires to build her career in financial management and banking operations. She also has a keen interest in research-oriented work and enjoys exploring data, processes, and business-related insights. She is hardworking, creative, and an enthusiastic fresher, eager to learn, contribute, and grow as a commerce professional.

Dr.M.A.Dhandapani is an accomplished academician and researcher with significant contributions to the field of Commerce. He currently serves as an Associate Professor in the Department of Commerce at Hindustan Institute of Technology & Science, Chennai. He has an impressive record of scholarly work, having presented 32 research papers at various national and international conferences. In addition, he has published numerous research articles in UGC-listed, refereed, and Scopus-indexed journals, demonstrating his commitment to high-quality academic research. Also he holds 2 patents, reflecting his innovative approach and contribution to applied research. He has authored 3 books in his area of expertise, contributing to academic literature and student learning. As a research supervisor, he has successfully guided 3 Ph.D. scholars, showcasing his dedication to mentoring and developing future researchers. He is also recognized as an effective academic administrator and mentor, known for his leadership, guidance, and commitment to institutional development.