ASIA PACIFIC JOURNAL OF RESEARCH

School of Commerce Studies
JAIN UNIVERSITY
Declared as Deemed-to-be University u/s 3 of the UGC Act,1956
Accredited by NAAC with Grade 'A'

2nd International Conference on

"Emerging Global Trends In Accounting, Finance & Taxation"

Organized By:
Department of Commerce

ज्ञान-विज्ञान विमुक्तये

UGC Jr.No. 45797

University Grants Commission
Approved Journal

Print - ISSN - 2320 - 5504
Online-E-ISSN - 2347 - 4793

Venue:
JGI Knowledge Campus
#44/4, District Fund Road.
Jayanagar 9th Block.
Bangalore - 560069

Academic Partners

ISDC
International Skill Development Corporation

Think Ahead ACCA

www.jainuniversity.ac.in

Print-ISSN-2320-5504

E-ISSN-2347-4793

APJR Asia Pacific Journal of Research

A peer reviewed international Journal

IMPACT FACTOR : 6.58

Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793

Vol: I. Special Issue VI, February 2018

Monthly Journal with Impact Factor: 6.58

University Grants Commission

ज्ञान-विज्ञान विमुक्तये UGC

Approved Journal

(Sl.No: 45797)

Disclaimer

The contents of papers are the sole responsibility of the authors and publication shall not imply the concurrence of the Editors, Seminar organizers and Publisher

Published By: Asia Pacific Publishing, Bangalore, India

President's Foreword

Over the past few years, we have all witnessed significant change within business and society. Globalization, new technologies, increased complexities in government policies, along with various social and environmental issues have all impacted business and society. It is a world in which the accountancy profession needs to ensure that its members have the knowledge, skills and abilities to help organizations sustain economic growth and compete nationally and internationally.

CIMA and the University of Bath conducted a global survey and the initial findings suggest a movement towards roles that add value beyond traditional financial recording and reporting. The results also showed that showed that the financial professionals around the world are embracing the increased responsibilities that come with a more strategic role.

In this backdrop, it becomes essential to provide a stimulating platform for academicians and practitioners representing the Finance, Accounting, Taxation and other related disciplines to reflect, deliberate, and suggest measures that are needed both at macro and the firm level to embrace these new trends.

The 2nd International conference on "Emerging global trends in Accounting, Finance & Taxation" conducted by School of Commerce Studies, Jain University, gives the necessary impetus to understand the theoretical underpinnings and suggest practical implications of these trends.

I congratulate the organizing team for inviting eminent speakers and scholars who can share their sharp clear-sighted vision about the theme. Such conferences create a platform for growth beyond learning.

I congratulate the Dean, Director, Coordinators, Staff Members, and Students of Department of Commerce for their efforts in organizing and participating in this conference and wish the conference all the success.

Dr. Chenraj Roychand
President, Jain University

Message from the Vice Chancellor's Desk

Greetings to all. At the very onset, I would like to quote Father James keller "A Candle doesn't loses anything by lighting another candle." Jain University with its mandate of providing world class quality education as a Centre of Excellence in academics has been growing from strength to strength over the years. For the past 20 years since the inception; we have been striving to raise the bar of excellence.

I am immensely happy that SCS, Department of Commerce is hosting its 2nd INTERNATIONAL CONFERENCE ON "EMERGING GLOBAL TRENDS IN ACCOUNTING, FINANCE AND TAXATION" On 27Th February 2018.

I congratulate the Organizing team for inviting eminent speakers and scholars who can share their clear sighted vision about the theme. Such conferences create a platform for growth beyond Learning

I congratulate the Dean, Director, Coordinators, staff members, students of Department of commerce for their efforts in organizing and participating in this conference and wish the conference all the success.

Dr. N Sundararajan
Vice Chancellor
Jain University

Registrar's Message

It gives me immense pleasure to know that school of Commerce "2nd INTERNATIONAL CONFERENCE ON "EMERGING GLOBAL TRENDS IN ACCOUNTING, FINANCE AND TAXATION" On 27Th February 2018.

Jain University has kept pace with the changing needs and expectations of the society. We take pride in our dynamic and outstanding faculty, innovative pedagogical practices, state-of-art infrastructure and multi-disciplinary academic programmes at graduate, postgraduate and doctoral level.

As **– Calvin Coolidge** says "Nothing in this world can take the place of persistence. Talent will not: nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not: the world is full of educated derelicts. Persistence and determination alone are omnipotent.
We at Jain University are moving towards building a landmark institution in higher education in India with emphasis on research in academics and collaborative interactions with Industry.

My best wishes to the entire team. All the best

Prof. N V H Krishnan
Registrar
JAIN University

From the Dean’s Desk

The accounting profession will face significant changes in the next three decades and professional organizations, their members, and educational institutions should respond to such changes. The three changes – evolving smart and digital technology, continued globalization of reporting/ disclosure standards and new forms of regulation – are major challenges for the profession. This conference paves a platform for Scholars, Academicians, Industry professionals to come up with the advancements of accounting, taxation and Finance.

The conference will majorly deal with International Accounting and Taxation challenges through the use of futuristic and lucrative practices to empower the Future of accounting, taxation and finance professionals to bring in a great change.

The conference is a confluence of corporate speakers and academia experts to merge the practical and the theoretical spectrum together. This will aid in better understanding of the changing HR arena and how converging Taxation with innovation and technology can create value.

I am proud of the team’s persistent efforts in making the institute’s vision a reality. I am excited to wish them the very best and profoundly congratulate the combined efforts of the entire team.

Dr. Easwaran Iyer
Dean – Commerce and Director – Placements
Jain University

A word from the Director, SCS:

Quality education and research are crucial for ensuring economic growth, cultural development, social cohesion, equity and justice. We at Jain University put in our efforts to identify, support and promote basic and applied research to generate knowledge and technology in the strategic and emerging thrust areas

The National conference aims to provide an interdisciplinary platform for researchers, practitioners and educators to present and discuss the most recent innovations, trends, and concerns as well as practical challenges encountered and solutions adopted in the fields ofAccounting Taxation and Finance.

It brings together leading academicians, researchers and research scholars to exchange and share their experiences and research results on all aspects of HRM.

I am exceptionally happy regarding the shaping of this conference and wholeheartedly congratulate the entire organizing committee and the delegates for their participation in every form and wish them success in all their future endeavors.

Dr. B A Vasu
Director
School of Commerce Studies
Jain University

Asia Pacific Journal of Research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON AWARENESS ABOUT GST AMONG THE YOUTH IN SARAGUR TALUK OF MYSORE DISTRICT

Ms. Shruthi.J

Research Scholar

Department of Studies & Research In Commerce, Tumkur University, Tumakuru

Ms. M.S. Sanmathi

Assistant Professor

Department of Commerce, Government First Grade College, Saragur, Mysore

ABSTRACT

The Government of India replaced the multiple indirect taxes with a single tax GST. The idea of implementing GST was put forth by the Central Government as early as in 2000 and has been in deliberation since then. After a gap of almost 17 years, the Goods and Service Tax Act was finally passed in the parliament on 29th March 2017 and came into effect from 1st July 2017.

Being a biggest tax reform in the country, a lot of complications are faced by the general public in understanding the same. There are also cases where the customers are cheated and end up paying higher prices in the name of GST. The government is however making efforts to help the people overcome the problem by conducting workshops and telecasting advertisements.

Saragur is a new Taluk in the Mysore District and considered to be one of the developed towns in the HD Kote Taluk to which it belonged earlier. Therefore a study is undertaken to check the awareness level GST among the youth in Saragur Taluk of Mysore district and provide suggestions with regard to improvising the awareness of the same.

The study is made during January 2018 with a sample size of 100 respondents from whom the information is gathered through questionnaires and direct interview method. The research questions include:

- *Whether necessary actions have been taken to create awareness about GST.*
- *Awareness of who can claim GST from the consumers.*
- *Whether the respondent has been cheated by the trader in the name of GST.*
- *What actions have the consumers taken if they have been cheated by the traders.*

Keywords: *GST, Youth, Awareness*

INTRODUCTION

GST: The idea of Goods and Service Tax (GST) was put forth in the year 2000, and since then a lot of deliberation has been happening over its impact, pros and cons. After a gap of almost 17 years, the Goods and Service Tax Act was finally passed in the parliament on 29th March 2017 and came into effect from 1st July 2017. The educated section of the society considers this as a path that can contribute to the betterment of the nation.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

In the implementation phase, however, there are a many problems and confusions in the minds of the general public. Government has put in lot of efforts to make this move a successful one. Many seminars, workshops and conferences have been organized both by the government and the private sector in order to familiarize the concept of GST among the people.

CBEC has also promoted this act through its advertisements casting the brand ambassadors Ms. P V Sindhu who was later replaced by Mr. Amitabh Bachan. The new act is being continuously advertised on televisions, radio and newspaper along with the posters and billboards that are displayed across the country. The tagline "One nation, One tax, One market" is used to promote the concept of sub-summed all taxes and replace the same with one tax i.e., GST across the country so as to have uniform price throughout the country for any products.

Even various news channels and newspapers have published articles in relation to the dos and don'ts of GST for clarification of doubts for the general public.

All these efforts are put in by the government so as to enable the general public get maximum information with regard to the subject with a view that they are not cheated by the traders and receive the benefits of GST.

SARAGUR TALUK: One of the prominent towns in Heggadadevanakote (HD Kote) Taluk of Mysore District, Saragur which is about 55 kms from Mysore city was declared as a Taluk by itself on 2nd January 2018. Saragur is considered to be the developed regions in the HD Kote Taluk. Kabini Reservoir Project exists close to Sargur Taluk which is considered to be one of the reasons for its development. Saragur town has a population of 11425 as per the 2011 census. It has an average literacy rate of 68%, higher than the national average of 59.5%.

STATEMENT OF THE PROBLEM:

Being a biggest tax reform in the country, there could be problems for the common man to understand the concept of GST. Though the government is taking many actions in order to create awareness among the people with regard to the subject, there are instances where the public is being cheated by the traders in the name of GST.

This study is undertaken to understand the effectiveness of governments' efforts to create awareness among the people and also provide suggestions to improve the same.

LITERATURE REVIEW

GST simplifies the complex indirect tax system prevalent in the country and also reduce the difference in price between Indian products and imported good. Though there will be many challenges in the implementation phase of GST, in the longer run it will be beneficial and contribute to the development of the country. **(Kaur,2016)**

Implementation of GST would remove the then existing problems of indirect taxation such as the cascading effect and tax evasion. The new tax system would broaden the tax base of the country and the resulting additional revenue can contribute to the economic development. The single rate would also contribute to the simplicity and transparency in the system. (**Poonam, 2017)**

OBJECTIVES OF THE STUDY

- To study the awareness level of GST advertisements among rural youth in Saragur Taluk.
- To study the awareness level of consumers as who can claim GST from them.
- To know whether the respondents have been cheated by the traders in the name of GST.
- To check the opinion of people regarding consequences of implementation of GST.
- To offer suggestions for improving the awareness level of GST among the rural youth.

RESEARCH GAP:

Sufficient study has been made with regard to the benefits and applicability of GST in the country. This study, however, concentrates on the awareness of GST among the customers rather than that of the traders in the locality of Saragur Taluk of Mysore district.

METHODOLOGY:

STUDY PERIOD: December 2017 – January 2018. This period was selected for the study as it was during this time that the town was declared as Taluk and hence it is important to know the awareness status of the people that will help the government plan its initiatives to this region and such similar places.

SAMPLE SIZE: A sample of 100 youths, who are the only college goers in the family, are taken through Convenient Random Sampling Method.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

TOOLS & TECHNIQUES: Primary Data is collected through Questionnaire and unstructured interview method and is analysed using graphs and tables.

FINDINGS

- 30% of the respondents have not seen the advertisement regarding GST in any media.
- Out of the remaining 70% of respondents ,majority ie 50% have seen the advertisement on Television, 17% in newspapers and 33% in banners and billboards in the locality.
- Respondents are not aware of the other taxes which GST has replaced.
- Though 78% of the respondents say that they have not been cheated by the traders, 67% of them say that they have paid price more than MRP. 45% are not aware as to who can collect GST from the consumers. 78% of the respondents have not collected the bills when they have paid GST. Out of the remaining respondents who have collected bills, 20% of them have collected handwritten bills.

  This analysis shows that the respondents are not aware of being cheated by the traders.
- None of the respondents have taken any actions against the traders who have cheated them.
- From the experiences of various types, the respondents (83%) believe that GST has increased the prices of the products and hence has a negative opinion about the same.
- 54% of the respondents are not satisfied with the government initiatives towards creating awareness about GST among the people.

CONCLUSION:

From the findings, it can be concluded that the government initiatives have actually not reached the people at large especially those in the still growing regions like Saragur Taluk. The efforts of the government have not satisfactorily reached across the mass and most people are not even aware of them being cheated by the traders although they have paid prices higher than MRP. In total, it can be said that people are not at all aware of the very basic concept of GST, the result of which is the negative opinion about the GST.

SUGGESTIONS:

- Organize awareness programs like camps at grass-root level in the rural areas.
- Organize awareness sessions to the students of high school and above.
- Organizing awareness programs among women through Self Help Groups in the locality.
- Provide training to ASHA workers in their respective areas.
- Promote the existing customer care services.

REFERENCES

1. https://en.wikipedia.org/wiki/Sargur accessed as on 30th January 2018
2. http://sargurtown.mrc.gov.in/node/46 accessed as on 30th January 2018
3. Milandeep Kour, Kajal Chaudhary, Surjan Singh, Baljinder Kaur, "A Study On Impact Of GST After Its Implementation", IJISSH, Volume: 1 Issue: 2 | November 2016, *ijissh.org/wp-content/uploads/2017/01/IJISSET-010204.pdf*
4. Mrs. Poonam, "Goods And Services Tax In India: An Introductory Study", ICRTESM-17, *data.conferenceworld.in/SGTB/P574-582.pdf*

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

ANALYSIS OF CUSTOMER RELATIONSHIP SERVICES OF LIFE INSURANCE CORPORATION OF INDIA IN THENI.

V.Vadamalaimuthu,

Research Scholar, Gandhigram Rural Institute (Deemed to be University).

ABSTRACT

Life is uncertain and filled with surprises, no one can predict the future of other's life but the financial risk can be shared keeping the future in the mind, because each and every risk may cause loss of one or other kind. The researcher has collected the data on October 2017.The researcher has collected the data from 50 respondent customers for analysis. What are the factors affecting the customers to associate with the relationship services provided by LIC to its customer in Theni region? The researcher has adopted empirical type of study using survey method. The researcher has proceeded with analytical type of study. Out of total respondents 76 percent were males, 24 percent were females. By age, most of the respondents belong to the age group between 35-45 years (58 percent). By caste most of the respondents belongs to backward caste (78 percent) followed by scheduled caste and schedule tribes (12 percent), most backward class and de notified community represent 6 percent and the forward caste by 4 percent of the respondents. In terms of religious belonging 50 percent Christians, 28 percent Hindus, and 22 percent Muslims. From the study, it can be concluded that the customers' needs some awareness regarding the life insurance products due to less education. In most cases the customers and their dependents are in need to approach the agents for their needs regarding life insurance, even though they use online for premium payment and other purposes agent's presence is mostly needed for the respondent customers. Hence it is necessary for LIC to create awareness among the customers of Theni region for their better life insurance business in this untapped market. LIC should also come out with the fact that the staffs with coordinate in all aspects of their life insurance needs. If it is so there is no doubt that LIC will be the giant in the life insurance business.

Keywords: Customer relation services, Life Insurance, policies, customers, respondents.

1. Introduction:

Life is uncertain and filled with surprises, no one can predict the future of other's life but the financial risk can be shared keeping the future in the mind, because each and every risk may cause loss of one or other kind. From past years insurance has been the perfect instinct and security in the life of mankind. Insurance might be otherwise called as risk management. Insurance is the system that accelerates a mutual sharing loss experienced by one or more in their speculation to comprehend a goal or motive worked out of bring assistance to them. **N. Sankara Gomathi, (2013)[01]**

Life insurance was regulated by Insurance Regulatory and Development Authority of India (IRDAI). IRDAI also controls the advertisements about insurances. Life insurance has become a tough competition business after 2000 between public and private undertaking companies. Life Insurance Corporation of India (LIC) is being a giant in life insurance business followed by State Bank of India (SBI) Life Insurance and Postal Life Insurance (PLI) bancassrance companies. Life insurance has undergone radical change since due to liberalization, globalization and privatization. **Dr.Sonal Nena, (2013)[02]**

There are many types of life insurance schemes based on the risk and social security. The customers can choose based on their requirement in otherwise it can be called as tailor made schemes. The accumulated funds will be invested in the growth of the country. It also provides employment to the public. But it is also required to be financial literate in order to understand the schemes provided by the life insurance companies and their benefits. The customer also expects the sales after service after the purchase of the life insurance products and also to maintain good relationship between the public and the life insurance companies. **Rupa Gupta, (2010)[03]**

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2. Review of Literature:

P.Sridevi (2012)[04] made "A Study of Consumer Behaviour towards Endowment Policy of Life Insurance Corporation of India in Perambalur district, Tamilnadu". She observed the demographic profile of the endowment customers in Perambalur district. The particular objectives of the study were (i) analysing the features that impact the customers in the selection of policies; (ii) evaluating the causes essential consumers' opinion towards lapsed policy and revitalization of policy under selected endowment plans; (iii) assessing the customers' in terms of services, characteristics, information and risk coverage; (iv) classifying the reasons for moving of customers from LIC to other private insurance companies. The researcher has under gone survey method for the study and primary data were collected from 980 respondents who were carefully chosen through stratified simple random sampling procedure. The study described that the customers favour LIC for its high consistency. It is noted that there is only adequate level of awareness among the customers. The customers in majority of the cases are contingent on the agents and development officers in choosing the endowment plans. The literacy rate of policy holders in Perambalur district was adequate and the income level was low. Most of the customers have selected Endowment plan, Jeevan Anand, endowment with profits, marriage endowment/education annuity profits, Jeevan Chayya, Limited payment with profits and Jeevan Saathi. The satisfaction level of customers in Perambalur district was found to be satisfactory. Majority of the customers expressed favourable opinion towards the attributes namely prompt information, extent of services and risk coverage aspects. Most of the customers have not switched over to other private insurance companies. The LIC has strongly developed its own platform and its brand identity even though there are more competitors in the market.

Vijaya Kumar (2012)[05] has carried out "A Contemporary Study of Factors Influencing Urban and Rural consumers in Buying of Different Life Insurance Policies in Haryana". The study was conducted with the objectives of (i) studying the impact of demographic, social and psychographic characteristics of the customers in taking decision over the purchase of life insurance products; (ii) identifying the factors and dominance of specific determinants that influence the customers in buying the life insurance policy; (iii) identifying the gap between the policyholder's perceived benefits and actual benefits derived from the life insurance policy; (iv) observing how the customers search for the information in buying the life insurance policies and (v) evaluating the factors influencing the rural and urban customers' perception towards the life insurance policies. The research was analytical in nature. The primary data were collected from 1000 respondents, 500 each from urban and rural area. Insurance agents were found to have played most influencing role in making the customers to buy the policy. The study also reported that there were significant difference in the behaviour of rural and urban customers in respect of income, economic status, agent attributes, product attributes and price. The customers in majority of the cases reported to have taken their own decisions in purchasing the insurance policy based on their own consciousness and on the recommendations of the insurance agents. The main purposes of buying policies for the customers were to safety of the family, death protection and for tax benefit. It was reported that factors such as quality service, reputation of the company, comfort and promptness were found to have influence the purchasing decisions of the customers.

S.Rani Lakshmi (2014)[06] surveyed the "Determinants of Service Satisfaction among Customers of Life Insurance Corporation of India". The objectives of her study includes (i) assessing the customers' awareness towards facilities offered by the LIC; (ii) identifying the service satisfaction of customers according to the marketing mix of LIC; (iii) analysing the factors that influence service satisfaction of the customers; (iv) determining the perception and expectations of customers over service quality dimensions of LIC; (v) analysing the service quality gap prevailing in the LIC's service dimensions from the respondents' perspective. The primary data were collected from 600 respondents (359 urban and 241 rural respondents). The study revealed that both rural and urban customers depended heavily on the agents for their insurance needs. The loyal customers who are committed to a brand act as an alternative source of information in helping others make brand decisions. LIC could achieve its mission of widening the spread of insurance by strengthening the corporate planning and by abiding commitment to improved and quality services to the customers.

3. Research Gap:

The review of literature revealed that the available studies were confined to select areas of the domain. These areas include customer relationship services between the policyholder and LIC. No comprehensive study seems to have been undertaken so far covering the variables regarding the products and services provided by the LIC in Theni district. Hence this study

4. Objective of the study:

The main objective of the study is

- To study the effect of socio, economic, demographic, familial and educational profile on the factors of customer relationship services.
- To study the utilization modes of customers regarding customer relationship services between the customers and Life Insurance Corporation of India.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

5. Research Methodology:

5.1. Research Design:

The researcher has adopted empirical study using survey method.

5.2. Sample size:

The researcher has collected the data from 50 respondent customers for analysis.

5.3. Sampling unit:

The researcher has collected data from respondent customers those who are holding policies in Life Insurance Corporation of India in Theni town, Tamilnadu, India.

5.4. Sampling Period:

The researcher has collected the data on October 2017.

5.5. Sampling Technique:

The researcher has used purposive sampling (nonprobability sampling) for collection of data.

5.6. Primary Data:

The researcher has collected the data from 50 respondent customers using a well-structured interview schedule.

5.7. Tools used for the study:

The researcher has adopted percentage analysis for analysis.

6. Limitations of the Study:

- Study was limited and concentrated to Theni district of Tamilnadu in India only due to time limitation,
- Study was made based on the recording through pure primary data, and the recording over the data is truth as per the representation given by the respondents only. Some of them were in hurry and gave the data as per compulsion.
- The data is collected from only those persons those who have willingness in providing the required data.

7. Background of the respondents:

7.0. Characteristics of the sample:

7.1. Demographic profile:

The samples were collected from 50 respondents. Out of total respondents 76 percent were males, 24 percent were females. By age, most of the respondents belong to the age group between 35-45 years (58 percent).

Table: 01
Demographic Profile

(In number)

Demographic profile	**Number of respondents**
Age	
25-30	06 (12)
35-45	**29 (58)**
45-55	15 (30)
Total	**50 (100)**

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Gender	
Male	**38 (76)**
Female	12 (24)
Total	**50 (100)**

Source: Compiled from the field data

Note: Figures in parenthesis are percentage to the column total.

7.2. Social profile:

By caste most of the respondents belongs to backward caste (78 percent) followed by scheduled caste and schedule tribes (12 percent), most backward class and de notified community represent 6 percent and the forward caste by 4 percent of the respondents. In terms religious belonging 50 percent Christians, 28 percent Hindus, and 22 percent Muslims. As the profile of study area Theni district consists of hilly and rural areas, 66 percent of the respondents belongs to rural where as 32 percent of the respondents belongs to semi-urban area.

Table 02
Social Profile

(In number)

Social profile	Number of respondents
Caste	
FC	02 (04)
BC	**39 (78)**
MBC/DNC	03 (06)
SC/ST	06 (12)
Total	**50 (100)**
Religion	
Hindu	14 (28)
Christians	**25 (50)**
Muslims	11 (22)
Total	**50 (100)**
Residential Status	
Urban	01 (02)
Semi Urban	16 (32)
Rural	**33 (66)**
Total	**50 (100)**

Source: Compiled from the field data

Note: Figures in parenthesis are percentage to the column total.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

7.3. Familial profile:

According to family nuclear type 86 percent of respondents belong to nuclear family and 14 percent of respondents represent join families. Regarding marital status 90 percent were married and the rest are unmarried. Majority of the respondents' family has four members (80 percent) followed by three members with 10 and five members with 8 percent respectively. 88 percent in the respondent's family in more than two members are earning and in the case of (8 percent) families more than four are earning.

Table 03
Familial Profile

(In number)

Familial profile	**Number of respondents**
Type of the family	
Joint	07 (14)
Nuclear	**43 (86)**
Total	**50 (100)**
Marital Status	
Married	**45 (90)**
Unmarried	05 (10)
Total	**50 (100)**
Size of the family	
Three	05 (10)
Four	**40 (80)**
Five	04 (08)
Five and above	01 (02)
Total	**50 (100)**
Number of earning members in the family	
One	01 (02)
Two	**44 (88)**
Three	04 (08)
Four and above	01 (02)
Total	**50 (100)**

Source: Compiled from the field data

Note: Figures in parenthesis are percentage to the column total.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

7.4. Economic profile:

It is found that 28 percent of the respondents are earning between Rs. 1,00,000 to Rs. 1,50, 000 per annum, and only 26 percent of the respondents are earning Rs. 20,00,000 and above per annum. Annual Expenditure of 32 percent respondent's family was about between Rs. 75,000 to 1, 00,000 and 28 percent of the respondents' family's annual expenditure was between Rs. 50,000 to 75,000. Regarding the occupational level of the respondents 28 percent were retired, unemployed & casual and worker private employees and minimum of 4 percent were doing professional business. Regarding the occupation of respondent's spouse a maximum of 22 percent respondents spouse were working as private sector employees and minimum of 12 percent as government employee and doing business.

Table 04
Economic Profile

(In number)

Economic profile	**Number of respondents**
Annual Income in Rupees	
Below 50,000	03 (06)
50,000 to 1,00,000	09 (18)
1,00,000 to 1,50, 000	**14 (28)**
1,50,000 to 2,00,000	11(22)
2,00,000 and above	13 (26)
Total	**50 (100)**
Annual Expenditure in Rupees	
up to 25,000	05 (10)
25,000 to 50,000	05 (10)
50,000 to 75,000	14 (28)
75,000 to 1,00,000	**16 (32)**
1,00,000 and above	10 (20)
Total	**50 (100)**
Occupation Self	
Government employee	09 (18)
Private employee	**14 (28)**
Business	07 (14)
Agriculture	04 (08)
Retired, Unemployed & Casual worker	**14 (28)**
Professional	02 (04)
Total	**50 (100)**

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Occupation Spouse	
None	05 (10)
Government employee	06 (12)
Private employee	**11 (22)**
Business	06 (12)
Agriculture	07 (14)
Retired, Unemployed & Casual worker	08 (16)
Professional	07(14)
Total	**50 (100)**

Source: Compiled from the field data

Note: Figures in parenthesis are percentage to the column total.

7.5. Educational profile:

Regarding literacy a maximum of 24 percent are found to be studied up to diploma and of 2 and 4 percent of respondents were postgraduates and professionally qualified respectively. Regarding the respondent's spouse 20 percent were educated up to higher secondary and 10 percent of respondent's spouses were educated up to diploma and also educated professionally.

Table 05
Educational Profile

(In number)

Educational profile	**Number of respondents**
Education Self	
Illiterate	07 (14)
Higher Secondary	09 (18)
Diploma	**12 (24)**
Graduate	11 (22)
Post Graduate	01 (02)
Professional	02 (04)
Total	**50 (100)**
Education Spouse	
None	05 (10)
Illiterate	05 (10)
up to Higher Secondary	**10 (20)**
Higher Secondary	06 (12)

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Diploma	05 (10)
Graduate	08 (16)
Post Graduate	06 (12)
Professional	05 (10)
Total	**05 (100)**

Source: Compiled from the field data

Note: Figures in parenthesis are percentage to the column total.

8. Variables used for the study:

8.1. Background variable or Dependent variable:

The researcher has used the background variables with the features namely age, caste, religion, marital status, type of family, number of members in the family, number of earning members in the family, residential status, annual income, annual expenditure, education self, education spouse, occupation self and occupation spouse for the study.

8.2. Research variable or Independent variable:

The researcher has adopted the research variables with the features namely policy locator / policy selection, insurance selector, phone helpline, customer zone, information on, and assistance are analysed and their following results were obtained and presented below.

8.3. Data Analysis and Interpretation:

Customer relationship services pacts with the rapport maintained with the insurance company and the customers. Now a day the customer relationship services are being continued through technology and intellect which helps to recover the service and support to the customers. It also helps in retaining the customers, maintaining the existing customers and also to innovate the customer base. This in turn marks gaining maximum profit.

8.3.1. Customer Relationship Services vs. Policy locator/Policy selector:

The features such as registration form, knowing status of the policy and feedback forms influence the customer to choose the mode of utilization of the features such as through online, agent or any other possibility mode. These features also demand continued during the time of utilization of customers to approach the firm whenever it is needed. In the present context, the policy locator/ policy selector have following features such as

8.3.2. Registration form:

It is the most important step of approach in the initial stage. The relationship between the customer and the insurance company initiates through any employee of the insurance company or through agents. The customer has to fill up the registration form and affix their photo and signature or thumb impressions were ever it is required. The necessary documents are also required to be submitted to subscribe for the insurance policy.

8.3.3. Knowing status of the policy:

The customer must be aware of policies and its status, mode of payment of premium, premium that is needed to be paid, maturity date and benefits attached along with the policy that have been subscribed. The awareness should be created by employee of the insurance company or through agents and also by all other possible means.

8.3.4. Feedback form:

Feedback form is the procedure that is used to collect the grievances faced by the customers. The insurance company often collects this information through the feedback form and tries to improve its quality of approaching the customers fulfilling needs and maintaining relationships.

The researcher has adopted χ^2 test to test the association between back ground variable with the features like age, caste, religion, marital status, type of family, number of members in the family, number of earning members in the family, residential status,

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

annual income, annual expenditure, education self, education spouse, occupation self and occupation spouse with the research variable customer relationship services with the following features such as policy locator / policy selection, insurance selector, phone helpline, customer zone, information on, and assistance are analysed and their following results were obtained and presented below.

The following table presents the utilization mode of the customer relationship services in respect of the above features by scoring technique method.

Table 06

Policy locator/policy selector adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Policy Locator/Policy Selection	**Online**	**Agent**	**Other mode**	**Total**
Registration Form	05 (10)	06 (12)	**39 (78)**	50(100)
Knowing Status of the policy	**33(66)**	15 (30)	02 (04)	50(100)
Feedback form	09 (18)	**38 (76)**	03 (06)	300 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

It can be observed from the table that more than the half of the respondent policyholder utilize agent for policy loction and policy selection. The maximum percentage of respondent highly utilized agent for the purpose of feedback form (76 percent). Rest, the sizable proportion of the respondent customers utilized online is accounted for 18 percent and other possibility mode is accounted for 6 percent. More than half of the respondent customers has utilized online for knowing status of the policy (66 percent). Those who utilized agent in this acspect is accounted for (30 percent) and any other possibility mode is accounted for 4 percent. However majority of the respondent customers who opted any other possibility mode for resgistration form is accounted for (78 percent). Rest those who opted for online and agent for registration is for an accounted for 10 percent and 12 percent respectively.

Thus it could be clearly understood that by the aspects of policy locator/policy selector related features irrespective of the difference in the background variables in majority the respondent customers have expressed their satisfaction and the highly satisfaction. In some cases they also expressed their dissatisfaction and neutrality.

8.4. Customer relationship services vs. Insurance selector:

The insurance selector in this regard has following features namely

8.4.1. Insurance advisor:

Insurance company or registered agent of the insurance company will act as the best insurance advisor.Those peoples are professionally, practically trainned persons from IRDA. In some cases the insurance company will appoint some insurance experts as the advisor for the customers.

8.4.2. Term of insurance:

Term insurance is the period of insurance commencement and maturity i.e. from the period wnen the policyholder starts to enjoy the benefits. In short term insurance is the period between the initial period and maturity period of the policy.

8.4.3. Insurance need based on human life value calculator:

The insurance company or the agents suggests the insurance policy to the customer based on their age, date of maturity and premium price that is needed to be paid. It is calculated using human life value calculator.

Scoring technique method is adopted by the researcher to analyze the above features and presented in the following table.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 07

Insurance selector adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Insurance Selector:	**Online**	**Agent**	**Other mode**	**Total**
Insurance advisor	**31 (62)**	05(10)	14 (28)	50 (100)
Term of insurance	17 (34)	**28 (56)**	05(10)	50 (100)
Insurance need based on Human Life Value Calculator	04 (08)	13 (26)	**33 (66)**	50 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

From the above table it is clear that the most of the respondent customers has utilized online for the insurance selection process. More than the half of the respondent customers has opted online for the getting insurance advice (62 percent). Of the lasting, a sizable proportion of respondent customers who opts agent in this aspect are being 10 percent and other possibility mode in this same aspect is accounted for 28 percent. More than half of the respondent customers opted agent for finding the term of the insurance (56 percent). Those who opted for online for the same instance is being 34 percent and any other possibility mode is being 10 percent. About half of the respondent customers who opts any other possibility mode for insurance need based on human life value calculator are being 66 percent. Those who utilized online and agent for the same aspect is accounted for 8 percent and 26 percent respectively.

Hence it is clear that the policyholder has chosen online for the majority aspects of the insurance selector irrespective of the difference of the background variables. Consequently the customers have also chosen other possible mode then finally they also contacted agent for the insurance selection.

8.5. Customer relationship services vs. Phone helpline:

8.5.1. Toll free number:

Toll free number is the number meant for communication. It is used by the customers to solve their grievances during the business hours. The call will be answered by the representative or it might be through IVR (Interactive Voice Recorder) call.

Phone helpline plays the major role in the utilization mode of customer relationship services. The feature utilized in this regard is toll free number.

Table 08

Phone helpline adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Phone helpline:	**Online**	**Agent**	**Other mode**	**Total**
Toll free number	3 (06)	**37 (74)**	10 (20)	50 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

It can be seen from the table that nearly half of the respondent policy holders utilized agent inspite using toll free number (74 percent). Those who opted for online and any other possibility mode for the same aspect are assertained for 6 percent and 20 percent respectively.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Hence it is clear that customers have utilized agents in spite of phone helpline provided by the LIC, irrespective of the background variables. In some cases they also utilized online and other possible modes.

8.6. Customer relationship services vs. Customer zone:

Customer zone is the most important aspect in the selection of the utilization mode in customer relationship services. In this regard, for the study we have adopted following features namely

8.6.1. Change of address:

The customer can update their status whenever it is required. The change of address can be updated in the policy certificate form. This can be used as identity proof, address proof or even as collateral for obtaining bank loans.

8.6.2. Acceptance of life certificate for pension policy:

Life certificate is similar to that of premium paid certificate. It is given to those people those who opt for pension policy. Those certificates can be used as collateral for obtaining bank loans. This certificate will be issued by the insurance companies.

8.6.3. Resolving any policy related complaints:

It is the duty of the insurance company to resolve the compains that rises oftenly between the insurance company and customers.Those problems will be analyzed by the insurance company. and it will resolved as soon as possible.

8.6.4. Issuing premium paid certificate:

Premium paid certificate is the proof of premium that is paid correctly during the appropriated period. Insurance company is liable of issuing premium paid certificate to every policyholder those who have subscribed the policy and those paying premium correctly. Hence scoring technique is adopted for analysis.

The following table presents the utilization mode of the customer relationship services in respect of the above features.

Table 09

Customer zone adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Customer zone:	**Online**	**Agent**	**Other mode**	**Total**
Change of Address	06 (12)	**32 (64)**	12 (24.0)	50 (100)
Acceptance of life certificate for pension policy	05 (10)	**30 (60)**	15 (30)	50 (100)
Resolving any policy related complaints	8 (16)	**27 (54)**	15 (30)	50 (100)
Issuing premium paid certificate	03 (06)	04 (08)	**43 (86)**	50 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

From the above table it is clear that the most of the respondent customers has utilized any other possibility mode as the utlization for customer zone. More than the half of the respondent policyholder has utilized agent for change of address is being 64 percent followed by acceptance of life certificate for pension policy (60 percent) and resolving any policy related complaints (54 percent). Outstanding, sizable proportion who opted for online on the same aspect is accounted for 12 percent, 10 percent and 16 percent respectively. Those who opted for any other possibility mode on the above same aspect is accounted for 11 percent, 34.7 percent and 30.3 percent respectively. More than the half of the respondent customers who have utilized any other possibility mode for issuing premium paid certificate is being 86 percent. On the same aspect who opted for online and any other possibility mode is being 6 percent and 8 percent individually.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Thus it is obvious that the majority of the customers have chosen other possible mode for utilization in some aspects of customer zone irrespective of their background variable. Next to other possibility way it is also clear that the customers has chosen agents in majority of the aspects and in some aspects they have also used online support.

8.7. Customer relationship services vs. Information on:

The information on the utilization mode of the customer relationship services in regard to the following features namely

8.7.1. Revival of lapsed policies:

Insurance company has to maintain relationship with those policyholder whose policy has been lapsed inorder to retain the policyholder. The policyholder has to pay the value of the policy taken as premium on any of the mode of payment such as monthly, quarterly, half yearly, yearly or single premium payment, as per the policy norms in the due period. By failing towards payment in any of the above the policyholder policy will get lapsed to revive the lapsed policy the policyholder has pay the lapsed premium with the penalty prescribed by the company.

8.7.2. Bonus:

Bonus is the benefit that comes after the maturity period.The bonus may vary from policy to policy as per the term thatthe policyholder has subscribed.The bonus amount will be fixed by the norms of the policy that is fixed by the insurance company.

8.7.3. Loan:

Loan is the amount that can be borrowed against the policy, i.e. the policy can be kept as colletral for getting any type of loan. Such as housing loan or personal loan etc. The loan can be obtained at the interest rate of 9 %.

8.7.4. Premium position:

Premium is the price for the policy that is required to be paid by the customers.The mode of payment might be monthly, quaterly, half yearly or yearly as per the norms of the policy. The company is liable to explain the premium position to the customers appropriately through proper channels.

The above features are accertained and presented in the following table by the means of scoring technique method.

Table 10

Information on adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Information on:	**Online**	**Agent**	**Other mode**	**Total**
Revival of lapsed policies	10 (20)	**24 (48)**	16 (32)	50 (100)
Bonus	09 (18)	**34 (68)**	07 (14)	50 (100)
Loan	19 (38)	**28 (56)**	03 (06)	50 (100)
Premium position	09 (18)	02 (04)	**39 (78)**	50 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

It is apparent from the above table that the most of the respondent customers has utilized agent as the utlization mode for informations.More than the half of the respondent policyholder has utilized agent for revival of lapsed policies is being 48 percent followed by bonus (68 percent) and loan (56 percent). Lasting, a sizable proportion those who opted for online on the same aspect is accounted for 20 percent, 18 percent and 38 percent respectively. Those who opted for any other possibility mode on the above aspect is accounted for 32 percent, 14 percent and 06 percent respectively. Nearly half of the respondent customers who have utilized any other possibility mode for

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

premium position is being 78 percent. On the same aspect those who opted for online and any other possibility mode are accounted for 18 percent and 04 percent respectively.

Thus it is viewed that the customers has chosen agents in the majority aspects of information irrespective of the difference in background variables. They have also chosen other possibility mode in some aspects followed by online utilization.

8.8. Customer relationship services vs. Assistance for:

Assistance plays important role in the selection process of utilization mode in customer relationship services. Hence in this study we have opted following features based on assistance such as

8.8.1. Registration on LIC's customer portal:

The registration form and application form are the paper oriented work that has is maintained by the insurance company as the record. Due to the technological up gradation it is also very important that customer has to visit the insurance company's website and enter into the customer's portal for registering their details online.

8.8.2. Grievance Redress system:

It is the most important system in the insurance company where the problems of the customers are addressed and solution for the problem is obtained. This system may increase the quality of the products and services. It will increase the demand for the product or services.

8.8.3. Filling up of forms:

It is important that customer should fill up the required forms for the subscribtion of the policy, these forms will be taken as application form for the subscription of the policy that is required by the insurance company from the policyholder.

8.8.4. Sales force automation:

It is the automation tool used in the distribution channel for the selling the products and services aggressively. It enables the easiest method for selling through advertisement in e-mail, social networks like twitter, Facebook, what sup etc. It can also be done even through social media. The above feature and it is factors are examined using scoring technique method.

The following table presents the utilization mode of the customer relationship services in respect of the above features.

Table 11

Assistance adopted and the customer relationship services.

(In number)

Particulars	**Utilization Mode**			
Assistance for:	**Online**	**Agent**	**Other mode**	**Total**
Registration on LIC's Customer Portal	**43 (86)**	01 (02)	06 (12)	50 (100)
Grievance Redressal System	**39 (78)**	10 (20)	01 (02)	50 (100)
Filling up of forms	09 (18)	**32 (64)**	09(18)	50 (100)
Sales Force Automation	03 (06)	**39 (78)**	08 (16)	50 (100)

Source: Compiled from the field data

Note: Figures in paranthises are percentage to the row total.

It could be realized from the table that most of the respondent customers have utilized online for assistance, more than half of the respondent customers has used online for registration on LIC's customer portal (86 percent). It is followed by grievance redress system (78 percent). Rest, a sizable proportion of the respondent customers has utilized services of the agent for the settings right the grievance (20 percent). Those who opted for any other possibility mode on the same aspect are accounted for 12 percent, and 2 percent respectively. Majority of the respondent policyholder who opted agent for filling up of forms is being 64 percent followed by sales force automation (78 percent). Those who opted for online on the same aspect are accounted for 18 percent and 6 percent. Those who opted for any other possibility mode on the same aspect are accounted for 18 percent and 16 percent respectively.

9. Conclusion:

From the study, it can be concluded that the customers' needs some awareness regarding the life insurance products that can be done by educating them properly. In most cases the customers and their dependents are in need to approach the agents for their needs regarding life insurance, even though they use online for premium payment and other purposes agent's presence is mostly needed for the respondent customers. Hence it is necessary for LIC to create awareness among the customers of Theni region for their better life insurance business in this untapped market. LIC should also come out with the fact that the staffs with coordinate in all aspects of their life insurance needs. If it is so there is no doubt that LIC will be the giant in the life insurance business.

References:

1. N.Sankara Gomathi, (2013), *"Utilization of Life Insurance product- A Study with Reference to State Bank of India Life Insurance in Tirunelveli district,* **"Department of Commerce, Monomania Sundaranar University, Women's Christian College, Nagercoil, Tirunelveli- 627012.**
2. Dr.Sonal Nena, (2013), *"Performance Evaluation of Life Insurance Corporation (LIC) of India"*, **International Journal of Advance Research in Computer Science and Management Studies**, (ISSN: 2321-7782), Vol.1 (7).
3. Rupa Gupta, (2010), *"Life Insurance Products, Performance Evaluation and Customer Satisfaction in the Regime of IRDA- A Comparative Study of LIC of India and ICICI Prudential Life Insurance Company Limited"*, **C.C.S University, Meerut.**
4. P.Sridevi, July (2012), *"A Study of Consumer Behavior towards Endowment policy of Life Insurance Corporation of India, Perambalur District, Tamilnadu"*, **Department of Commerce, Bharathidhsan University, Trichirapalli.**
5. Vijaya Kumar, (2012), *"A Contemporary Study of Factors Influencing Urban and Rural consumers for Buying Different Life Insurance Policies in Haryana"*, **Department of Commerce, MaharshiDayanand University, Rohtak- 124001.**
6. S.Rani Lakshmi, (2014), *"Determinants of Service Satisfaction among Customers of Life Insurance Corporation of India"*, **Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore-641043.**
7. Alireza Miremadi, July (2008), "*A Study of problems and prospects of life insurance companies adopted by life insurance companies in India and Iran (1999-2004)*", **Faculty of Management, University of Pune, Pune.**
8. B. Sharmila, April (2012), "*A Study on buyer behaviour with regards to insurance products*", **Department of Commerce, Manonmaniam Sundaranar University, Tirunelveli.**
9. P.Kannan, October (2013), "*An Empirical Evaluation on Quality of Insurance Services in Rural areas of Dindigul district*", **Department of Management Sciences, Anna University, Chennai.**
10. Dr.Arnika Srivastava, Dr.Sarika Tripathi, Dr.Amit Kumar, April (2012), "*Indian Life Insurance Industry- The changing Trends, Researchers world*", **Journal of Arts Science and Commerce,** ISSN :(online: 2229-4686) / ISSN :(printed: 2231-4172). Vol. 32(3).

Asia Pacific Journal of Research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON ACCOUNTING INFORMATION SYSTEM AS AN ESSENTIAL TOOL FOR DECISION MAKING

Dr.Amruthavarshini V
Assistant Professor, Department of Commerce
P.E.S. College of Science, Arts and Commerce,
M.C.Road, Mandya-571401, Karnataka, India

Lokesha K
Assistant Professor, Department of Commerce
Government First Grade College
Halaguru, Malavalli-571421, Karnataka, India

ABSTRACT

Accounting information system (AIS) is a computer based method for tracking accounting activity in conjunction with information technology resources. It is a tool designed to help in the management of firm's economic-financial data. At present accounting information system has become an integral component of an organisation's business computing fabric. Today most business organisations have implemented accounting information system to improve efficiency and to help optimum use of company resources. This is because, accounting information helps business organisations to keep accurate records, and manage organisational asset and it can be used by accountants, consultants, business analysts, managers, chief financial officers, auditors and regulatory and tax agencies. In particular, specially trained accountants work with accounting information system to ensure the highest level of accuracy in a company's financial transactions and record keeping and to make financial data easily available to those who legitimately need access to it. Though the accounting data can be done manually, the accounting information system makes accounting job easier by the use of software which can compile financial, tax and payroll data. It can also perform other book keeping functions and the system also collects and processes transaction data. Further it disseminates financial information which management and company stakeholders use to make decisions. As the concept of accounting information system is still in its origin, the present paper throws light on the importance, types, components and the role of accounting information system in the business organisation to add to the existing knowledge. Secondary data has been used for collecting the data.

Keywords: Accounting information system, computing fabric, accurate records, financial transactions

INTRODUCTION

Accounting Information Systems are a tool, when incorporated into the field of Information and Technology Systems (IT), were designed to help in the management and control of topics related to firms economic-financial area. But the stunning advance in technology has opened up the possibility of generating and using accounting information from a strategic point of view. Since this is important for all firms, it is more important even for medium sized and small ones which need this information to deal with a higher degree of uncertainty in the competitive market. Thus, they need to improve their systems and data processing capacity to match their information needs. Investing in staff training, improving the quality of products and internal processes and increasing AIS investment will be the leverage for achieving a stronger, more flexible corporate culture to face continual changes in the environment. Innovation

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

is the incentive with which a virtuous circle will be put in place, leading to better firm performance and a reduction in the financial and organisational obstacles, while making it possible to access capital markets.

OBJECTIVES OF THE STUDY

The important objectives of the study are as follows:

1. To understand the concept of Accounting information system
2. To study the associated characteristic features of Accounting information system
3. To know the objectives of accounting information system
4. To study the importance of Accounting information system towards business
5. To examine the basic functions of Accounting information system
6. To analyse the basic components of Accounting information system

CONCEPT OF ACCOUNTING INFORMATION SYSTEM

AIS is a formal process for collecting data, processing method for tracking accounting activity in conjunction with information technology resources. The resulting financial reports can be used internally by management or externally by other interested parties including investors, creditors and tax authorities. Accounting information Systems are designed to support all accounting functions and activities including auditing, financial accounting and reporting, managerial accounting and tax. The most widely adopted accounting information systems are auditing and financial reporting modules.

Some concepts associated with accounting information system are:

- Accounting information system is a data processing process providing the information that will be needed for the users of information in the business enterprises in planning, controlling and maintaining the activities of business enterprises.
- Accounting information system is an information system collecting, processing and storing the data related to the economic activities of business enterprises for the parts to make a decision about the business enterprises.
- Accounting information system is an information system presenting with the financial tables for the necessary information to the external financial information users.

Accordingly, the common definition appearing as a result of above definitions, accounting information system is an information system collecting the data belonging to financial attributed transactions creating variation on the entities of business enterprise and capital and debts, which are the resources of these entities; turning into information by processing the data collected; and reporting the appearing information.

ACCOUNTING INFORMATION SYSTEM AND ITS CHARACTERISTICS:

The following are the characteristics of accounting information system:

1. Provided on timely basis.
2. Presented in an aesthetically appealing format.
3. Relevant to the decisions at hand.
4. Concise yet sufficient in scope to allow" what-if" analysis.
5. Flexible to interface with information from other functional units.

There are also several characteristics determine the qualities that make information valuable:

1. Costs-versus-benefits:
   Sometimes information costs more to get additional information than the information is worth. Thus, cost-benefit considers provide an overall constraint on the amount of information a decision-maker will get.

2. Understandability/Granularity/Aggregation:
   Many factors can contribute to the understandability of information, including user knowledge, skill, training, and motivation. In addition, information design choices such as its level of aggregation (or granularity) will affect its understandability, hence, its usefulness for controlling information integrity. For some purposes, highly aggregated information may becalled for; whereas for other purposes, very detailed information may be required. Thus appropriately tailored levels of granularity/aggregation can be enablers of information integrity. A proxy for the understandability of information is its conformity with user-specified requirements.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

3. Reliability :

The information must be reliable, you must be able to count on its being what its purpose to be (this is known, more formally, as repressentational faithfulness), and on its being reasonably free from error and bias (this is known, more formally, as neutrality). Additionally, for information to be reliable, it ought to be true if several different people(or systems)set out to derive the information from the data, they would all come to the same conclusion (this know, more formally, as verifiability). Information that is not verifiable, or not neutral, or not representational faithful can't be relied on for decision-making.

4. Currency/ Timeliness:

It must be accepted that absolute completeness and accuracy are impossible or impractical to achieve. Information Currency is affected by real world changes over time (as well as by information processing delays) with a commensurate impact on information accuracy. Since time is continuous, completeness and accuracy must be understood in a context that defines acceptable limits for information currency, hence accuracy. For example, if certain information, such as cash receipts is only updated on a weekly basis to accounts receivable, then accounts receivable could be considered accurate if it was missing a day's worth of transactions. However, if information such as airline reservation transactions updates available seat inventory in real time, then seat inventory would be considered unacceptably inaccurate if a day's worth of transactions were omitted. As presented here, processing timeliness and information currency are really aspects of information completeness, which in turn, determines the degree of accuracy that information possesses; however, because of their unique relationship to the dimension of time and the change that time engenders, it is useful to identify currency/timeliness as separate attributes of information integrity.

5. Validity/Authorization:

Representational faithfulness of information about intangible objects implies that the information is valid in ways other than correspondence with an original physical condition. The concept of validity means that information represents real conditions, rules or relationships rather than characteristics of physical objects. In a general context, conditions, rules or relationships are valid if what they purport is true. In a business context, conditions, business rules or relationships are established or approved by parties with the delegated authority to do so. Thus, transactions are valid if they were initiated and executed by personnel or systems that have been granted the authority to do so and if approvals are authentic and within the scope of the authority granted to the approver(s). For example, if the credit limit assigned to a customer reconciles to the company's rules and procedures used to set credit limits, the credit limit would be "valid." Thus, the concept of validity includes elements of both accuracy and authorization. A validation process may therefore require an investigation of an individual item, a relationship between one item and another item, or a relationship between an item and a business rule, policy or standard.

6. Completeness:

Accuracy by itself is insufficient to convey the full dimensionality of the requirements for representational faithfulness which requires completeness of information in both space and time. Thus, there is a fundamental trade-off between completeness and accuracy because measurement and processing limitations of information processing systems will prevent 100% real-time completeness, especially for subject matter that changes frequently. This, in turn, prevents 100% accuracy. In other words, every discussion of accuracy is also a discussion of completeness, and vice versa. The amount of information is measured by the reduction of ignorance and uncertainty and not by the addition of knowledge.

ACCOUNTING INFORMATION SYSTEM OBJECTIVES:

Naturally, there is no system without goal, we should differ between stated objectives and the real objectives, which the entity declares its objectives are consumes satisfaction while the real objectives is gaining a maximum profits.

Each enterprise has implicit and explicit goals and objectives, May enterprises have a mission statement that describes their goals. These goals can vary widely among enterprises ranging from non profit organizations, where goals are aimed at serving specified constituents, to for – profit organizations, where goals are directed toward maximizing the owner's objectives.

It may seem at first sight to be an easy thing to do, but it can be seen as a complex problem, the absence of stated objectives. It means that the firm has no criterion against which to evaluate its success or failure or to use in the process of choosing between alternative activities.

One of the problems in stating objectives for a firm is that only people involved with the firm can have objectives, not the firm itself. If this is accepted, then it is obviously possible that there is more than one relevant objective.

Accounting is purely human invention, having no independent existence in nature.
Hence, it can not in any true sense have been discovered, but it must have been constructed by human minds to serve human needs.

Accounting information system objectives is as follows:

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

1. Internal control, including the safeguarding of organization money and other property, the regular collection and payment of sums of money owed to and by it, and the prevention and detection of inefficiency, waste, and dishonesty by employees of the organization.

2. Measurement of financial data, by means of the recording of transactions and event affecting the financial state of the organization, and their processing in accordance with consistent rules.

3. Provision of information for planning and decision making to management.
4. Reporting of financial information to properties, investors, and other interested persons.

IMPORTANCE OF ACCOUNTING INFORMATION SYSTEM IN BUSINESS ORGANISATION

In the business enterprise, a good management is based on correct and timely information. Timely, meaningful and correct information undertaking is very important mission in monitoring the activities of business enterprise. Accounting information system is also a system presenting the correct and timely information in making decision of management of business enterprise. Accounting information system has its own importance in the organisation. The following points helps in understanding clearly the role and importance of accounting information system:

1. An AIS is designed to record all transactions of a business. An accounting clerk enters all business transactions into the program and the transactions automatically are posted to the corresponding accounts. This is important because any time information is needed, it can be found on the computer.
2. An AIS allows for easier payments made on accounts payable. Many systems are designed to pay all bills due with a click of a button. A date is selected and checks are automatically made out for all bills due. Most systems allow a clerk to unselect certain bills if a company is not ready to pay a specific bill.
3. An AIS also allows for easier billing. Information is recorded on the system and a clerk chooses when to print bills. This is done daily, weekly or monthly, depending on the business. The system generates all bills efficiently and easily for the clerk.
4. An AIS generates all financial reports without the clerk calculating anything. The dates for the reports are entered into the system and the computer generates reports for that specific period. The system has the capability of producing reports for any period that the information was recorded for.
5. Year end closing is often a tedious process for an accountant. An unadjusted trial balance is created, adjusting entries are made and recorded, an adjusted trial balance is calculated, closing entries are made, and, finally, a post closing trial balance is generated. This process is complicated and time consuming, but with an AIS, the computer does most of the work on its own.

FUNCTIONS OF ACCOUNTING INFORMATION SYSTEM

Accounting information system has three functions. They are as follows:

1. An AIS ensures efficient and effective collection and storage of data concerning an organisation's financial activities, including getting the transaction data from source documents, recording the transactions in journals, and posting data from journals to ledgers.
2. AIS should supply information useful for making decisions, including producing managerial reports and financial statements.
3. AIS make sure that records are accurately processed.

COMPONENTS OF ACCOUNTING INFORMATION SYSTEM

Accounting Information System is a sub system of the overall business systems has some components that make it what it is. It generally consists of six main components:

1. People

   The people in AIS are simply the system users. Professionals who may need to use an organisation's AIS include accountants, consultants, business analysts' managers, chief financial officers and auditors.
2. Procedure and Instructions

   The procedure and instructions of AIS are the methods it uses for collecting, storing, retrieving and processing data. These methods will be both manual and automated, and the data can come from both internal sources and external sources.
3. Data

   The data contained in AIS is all the financial information pertinent to the organisations business practices. Any business data that impacts the company's finances should go into AIS. The data included in an AIS will depend on the nature of the business, but it may consist of sales orders, customer billing statements, sales analysis reports, purchase requisitions, vendor invoices, check registers and so on.
4. Software

   The software component of an AIS is the computer programs used to store, retrieve, process and analyze company's financial data. Before there were computers, AIS's were manual, paper based systems, but today, most companies

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

are using computer software as the basis of the AIS. Small businesses might use Intuit's Quickbooks, sage peachtree accounting, or Microsoft's small business accounting but there are many others. Small to midsized businesses might use SAP's Business one. Mid-sized and large businesses might use Microsoft's DYNAMICs GP, Sage Group's MAS 90 or MAS 200, Oracle's people soft or Epicor Financial management. Quality, reliability and security are key components of effective AIS software.

5. Information Technology Structure

   Information technology structure is just a fancy name for the hardware used to operate the AIS. Most of these hardware items are things a business would need to have anyway like personal computers, servers, printers, surge protectors, routers, storage media, and possibly a backup power supply. In addition to cost, factors to consider in selecting hardware include speed, storage capability and whether it can be expanded and upgraded. Good AIS should also include a plan for maintaining, servicing, replacing and upgrading components of the hardware system, as well as a plan for the disposal of broken and outdated hardware so that sensitive data is completely destroyed.

6. Internal control

   The internal controls of an AIS are the security measures it contains to protect sensitive data. These can be as simple as passwords or as complex as biometric identification. An AIS must have internal controls to protect against unauthorized computer access and to limit access to authorised users which includes some users inside the company. It must also prevent unauthorized file access by individuals who are allowed to access only selected parts of the system.

CONCLUSION

Accounting information system composes the most important part in management information systems because accounting is stated as the language of a management. Thereby, accounting information obtained from AIS is a kind of basic knowledge for the efficient management system. In particular, data gained from the accounting system with computer base ensures extremely important contributions for the management systems to be successful. Today, it is clear that the decision not based on accounting data is not healthy. As known, the most important decisions about planning the future and AIS which is a primary system providing the necessary information so that they can plan the future. Hence, the developments in the area of accounting information system must be continuously followed and system must be revised for the one who desires to get the information needed.

BIBLIOGRAPHY

1. Allaherdi, M. (2011). A general model of accounting information systems. 5th International Conference on Application of Information and Communication Technologies.
2. Belfo, F., & Trigo, A. (2013). Accounting Information Systems: Tradition and Future Directions. Science Direct, 536-546.
3. Grande, E. U., Estebanez, R, P., Colomnia. (2011). The impact of Accounting information Systems (AIS) on performance measures: Empirical evidence in Spanish SME's. The International Journal of Digital Accounting Research, 11, 25-43.
4. Julie, d.S.et al., (1999). The Research Pyramid: A Framework for Accounting Information System Research. *Journal of Information System*, *13*(1), 7-30.
5. Romney, M.B., Steinbart, P.J., & Cushing, B.E. (1997). Accounting Information Systems, Seventh Edition, Addison –Wesley Publishing Company.
6. Smith, J.S. (2016). Accounting information System: Ethics, Fraudulent behaviour, and Preventative Measures. University Honors Program Theses.
7. www.investopedia.com
8. www.bizfluent.com
9. www.accountingedu.org/accounting-information-system

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

ACCOUNTING STANDARD IN AGRICULTURE SECTOR DEVELOPMENT IN INDIA

Shankara Naik B

Assistant Professor in Commerce

Govt First Grade College Kundapura

ABSTRACT

In India 54% of people engaged in agriculture sector and contribution agriculture sector to GDP is just 21%. Lack of standard accounting procedure is set back to improve agriculture sector through policy implication. In this context, this paper seeks to examine the relevance of common accounting standard in agriculture. This paper also high lates challenges in acounting standards in unorganised sectors particularly in rural area. The finding of this paper reveals that Existence of non-monitize sector, lack of data, Lack of training to government officials existence of non-monitise sector in rural area and lack of computer litracy are really obsticle to maintain accounting standards in Agriculture sector.

Key Words: Accounting Standard, India Economic Policy, Agriculture Sector

1 Introduction:

In india, around 80% of people were occupied in unorganised primary sector and the standard of living is very low as compare to service sector. The gap between rich and poor, and urban and rural area have been widen. Hence, institutions, regulation and economic governance need to adapt to sustain the economic transformation required for India to address its social and economic challenges. The bottlenecks that are bearing down on growth will have to be addressed for India to continue to narrow its major gap in living standards with middle-income to reduce widespread poverty, to reverse rising inequality and to improve the wellbeing of all Indians. This is essential for India but also for the world economy at large.

The Indian authorities have recently renewed their reform impetus. They are working to liberalise foreign investment in some keys areas and to reform the tax system and the delivery of subsidies. These are important steps, but further reforms are also essential for India to make the most of its assets: a young and dynamic population, an entrepreneurial and increasingly innovative business sector, and proximity to one of the most dynamic regions in the world.

Making growth more inclusive and addressing widespread poverty is another key challenge for India, it requires sustained investment in people, starting from health and education, agriculture, transport and energy infrastructure. It also requires a review of the agriculture and industrial policy, poverty reduction programmes, their targeting and efficiency

There is a gap between the importance given to accounting and the low level of bookkeeping and accounting practice in the agricultural sector. Current general accounting rules do not adapt very well to the particularities of farming and are difficult and expensive to implement. However, there is a link between agriculture and other sector and hence ,the Farm Accountancy Data Network (FADN) and IASC's Proposed International Accounting Standard on Agriculture (PIASA) could be key elements to improve the use of accounting in European farms. Thus, Indian government should adopt common acounting procedures like European Union under common agriculture policy. An application of common accounting procedures will improve managerial talent of farmer and research and development in agriculture sector.

In intial years economic planninng roughly around 70% of people in our country were dependend on agriculture and alid sector for subsistence and this trend would continued till 1990. After adoption of new economic reforms there is gradual transformation of man power from treditional agricultre sector to industrial sector. In adition to this, International trade have transpered treditional subsistence sector in to monitize sector. this would provide solution to problem of poverty and unemployment.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Even today, in rural area the wants of agriculturist are limited and they have cultivated land just for subsistence purpose. They never keeping records relating to production, marketing and profit. The insuficient information is set back common acounting standard in agriculture sector and it is adversly affects efficiency of economic policy. Unfortunatly, in our country the economist have pormulated agriculture policy with out bothering accurate data. This reduced contribution of agriculture sector to economic growth.

The scope of acounting standard is limited to service sector and corporate sector. Preparing financial statement by agriculturist is also crucial role in enhancing business activities in global context. In the intial years of planning there is a positive relation between agriculture sector and GDP growth. After 1990s trend become reverse and contribution of service sector to GDP is significant. This lead unbalanced sectoral growth. An introduction of common accounting proceedure in agriculture sector will convert traditional subsistence sector in to commercial farming and there by, reduce poverty and unemployment, economic inequalities, regional imbalance, and unbalanced sectoral growth.

2 Statement of the Problem

Lack of Standard Accounting Procedure is setback to improve Agricultural Sector through policy implimentation.

3 Objectives of the Study

3.1 To study the Role of Accounting Standards in Agricultural Sector.

3.2 To study the challenges for common Accounting Standards in India

3.3 To examine the relevence of Accounting Standards in Agricultural Sectors.

4 Role of Accounting Standard in Agriculture Sector Development

4.1 It improves management information system. A good accountinng system is necessary to generate useful information for decision making and it is also a complement to management information system.

4.2 An accounting data makes significant contribution to explain and predict failure of agriculture. This cause and effect relationship helps policy makers to formulate right agriculture policy at right time.

4.3 It broaden policy base relates to agriculture tax and subsidy by establishing close contact with thousands of farmers.

4.4 It seeks to create relation between theoritical problems and practical solution. Hence, it act as an agent of development and innovation in agriculture sector.

4.5 It provide base to input and output analysis. The production function necessary to understand structural changes in agriculture sector.

4.6 It provides fair value to biological assets, Agriculture Product and agriculture land which are great importance for transformative capabilities of agricultural businesses and generation of income.

4.7 It helps to calculate wind falls gain and loss in agriculture.

4.8 It is useful in preparing record of international transaction of agri produces.

5 Methodology:

The informationn borrowed from various internet sources

The basic idea is collected from book.

6 Review of literature:

The Farm Accountancy Data Network (FADN) and IASC's Proposed International Accounting Standard on Agriculture (PIASA) could be key elements to improve the use of accounting in European farms. The PIASA provides a strong conceptual framework but might need further instruments for its implementation in practice. FADN is an experienced network that has elaborated very detailed farm accounting procedures. The various studies and Empirical data indicate that current FADN reports are already considered useful for farmers on different purposes. Some changes in the FADN procedures are suggested, while some aspects of FADN are worthwhile for the future IAS on agriculture make cash flow projections than those who were not involved in financial accounting.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Streeter (1990) studied five farmers who were using electronic information systems, and observed how these farmers discovered by themselves that accounting functions would improve their management information systems. Thus, accounting is a necessary precondition to generate useful information for decision making, and it is also a good complement for management information systems. The development of management information system is essential for transforming traditional non-monitise sector in to monitise sector in India.

Bronstien, [1995] Crane and Leatham, [1995], Agricultural lenders often claim more and better accounting information which is consistent with empirical evidence that accounting data makes a significant contribution to explaining and predicting farm failure (Argiles, 1998). Given the government interference in many agricultural markets in many countries, also policy makers have a need for accounting information.

Poppe and Beers (1996) point out, in the abse nce of pronouncements on agriculture from other authorities, FADN has already been fulfilling the role of a quasi standard-setting body in practice, although it has no legal or professional status in this sense at all. Furthermore, being in the field for many years FADN agencies have specialized in farm accounting issues and keep close contact with thousands of farmers. These agencies would be in an excellent position to transmit accounting know-how. Further , Poppe and Beers (1996), accept that the FADN methodology and financial accounting statements are ill-defined

Chaveau (1995) refers to the Spanish accounting plan as an "agent of development and innovation," that brought together theoretical problems and practical solutions. He states that the Spanish plan "provides a logical basis for accounting education, strengthening professional adaptability, facilitating the *implementation* of methodologies and *training* of large numbers of people" emphasis added). While admittedly far from perfect, it is fair to say that the Spanish plan has been an important tool for the transition of Spanish accounting from a rather backward position to a level comparable to that of most other Western European countries.

Choi and Mueller (1992) pointed out that developing countries can (and did) import accounting technology developed elsewhere in the world without having to incur development costs, and explicitly refer to the example of the many former French colonies that have adopted variations of the French accounting plan and now strongly adhere to them.

(Richard 1995). argued that the "inventor" of accounting plans, Eugen Schmalenbach, in the first place thought of them as a means of education .

Leeuwen (1996) points out, many political decisions affect the economic situation of farmers, and information needs in the policy-making process increasingly extend to more aspects than currently captured by FADN. Hence, new developments for the FADN methodology are currently under discussion (Robson, 1996).

7 Challenges for Common Accounting Standard in India

7.1 Lack of Data: In developing countries like India, many farmers do not maintain regular and complete account of their income and expenditure. Illiteracy and ignorance may be partially responsible for it.

7.2. Existence of non-monetized Sector: Barter exchange system still prevails in the remote parts of the backward areas of developing countries. There is the problem of incomplete records in the non-monetized sector.

7.3 Lack of Proper Classification: Indeveloping countries, particularly rural areas, majority of people work on farms or plantations and also take up other jobs during the off-seasons. It is not possible to have proper classification of the occupations of such people.

7.4 Attitude of the farmer: Attitude of the farmers of developing countr towards national income is not positive. They do not cooperate fully with the government machinery engaged in data collection.

7.5 Inefficient Government Machinery: Lack of training to government officials cause to reduce accuracy in data colection and prediction of result. Hence, inefficient government official in agriculture is set back maintain accounts relating to production, marketing and profit.

7.6 Lack of standard software: Like EU, India has not developed software to maintain Accounting data base net work.

7.7 Lack of computer literacy: In India, most of the agriculturist are less educated and they are not able to use information managment system.

8 Findings and Suggestions

This paper reveals tha existence of non monitize sectors, lack data, lack of training to goernment officials, lack of computer literacy are really obsticle to maintain Accounting Standards in Agricultural Sector. One should borne in mind ,an accounting practice in agricultural sector will widen policy base which inturn help the nation to achieve macro economic stability.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

9 Conclusion:

Agriculture and industrial sector are major wheels of economic development. The surplus man power should trasfer from traditional primary sector to agro-based industrial sector. Since, there is a close link between agriculture and other sector, the government should take necessary step to improve productivity and profitability in agriculture sector. Recently, members of European have developed farm accounting data base network in order to reduce gap between low level book keeping and acounting practise in agriculture. The various studies in EU reveals that accounting standard is applicable to commercial farming. However, Farm accounting has not received much attention from accounting researchers, practitioners or standard setters, in our country. It requires additional tools for implementation in practice, like some form of an accounting plan. There fore, Like European Union Indian government, research institution, universities and agriculture trade union should put an effort to practice acounting standard at least in commercial farming to make good use of its reports for other purposes, and acquire consciousness of the importance of accounting and learn to understand and use it. the farmers use accounting information as a management tool, for tax requirements and other external information purposes when the problems of obtaining financial statements are solved. It is particularly striking that once accounting information is available to farmers, they very frequently use it for decision making.. On the whole, one should borne in mind, an acounting practice in agriculture sector will widden policy base which in turn help nationn to achieve macro economic stability.

Reference:

1. Chaveau, B. (1995) "The Spanish Plan General de Contabilidad; Agent of development and innovation?," European Accounting Review, 4(1): 125-138.
2. International Accounting Standards Committee (1999), Proposed International Accounting Standard Agriculture. London: IASC.
3. Leeuwen, G. (1996) "Policy-making and Farm Accountancy Data Network", in Beers, G.,
4. Poppe, KJ. and Beers, G. (1996) "On innovation management in Farm Accountancy Data Networks", Agricultural Economics Research Institute LEI, 535: 1-37.
5. Richard, J. (1995) "The evolution of accounting chart models in Europe from 1900 to 1945; Some historical elements" , European Accounting Review, 4(1): 87-124.
6. Robson, N. (1996) "The Farm Accountancy Data Network and policy making",
7. Streeter, D.H. (1990) "Electronic information systems and farmers decision making: Five case studies", European Review of Agricultural Economics, 19: 97-113.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

DEMONETIZATION AND ITS IMPACT ON INDIAN ECONOMY: CASHLESS SOCIETY OPPORTUNITIES AND CHALLENGES

Dr. K.Aswathanarayana

Assistant Professor

Government First Grade College, Hoskote-52114, Bangalore Rural District, India

ABSTRACT

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India. As part of promoting cashless transactions and converting India into less-cash society. Various modes of digital payments are banking cards, USSD, UPI, Mobile wallets, Bank pre-paid cards, POS, Internet banking, Mobile banking Micro ATMs etc. Indian economy lacking cashless transaction, every sale purchase transaction is done in cash only but cash given by a customer to merchant is not accounted. If consumers in the country do cashless transaction then, every tax is accounted. Merchants have to report his correct sales and will pay applicable taxes to Govt. The taxes collected by Govt. is utilised for developing country. A cashless economy where people minimise or almost completely avoid the use of cash for meeting their periodic financial commitments would escort tremendous benefits to the country by way of eliminating black money and corruption, enhance government tax compliance & revenues for development, seriously eradicate counterfeit currency, transparency and enhance value of money held by the common man in the light of de-monetization Indian currency.

Keywords: Cashless Society, Digital economy, Mobile banking, Internet banking, Demonetization, Indian economy.

1. Introduction

On November 8, 2016, India has seen a few historic announcements from the prime minister's office in relation to cancelling the high denomination of 500 and 1000 rupee notes with an objective to tackle the black money, access to cash by terrorists, curb tax evasion & encourage cashless transactions. The high denomination currency notes make about 85% of the total cash circulated in India. In the announcement, Modi declared that 'Use of all 500 and 1,000 banknotes would be invalid after midnight of that day' and announced the issuance of new 500 and 2,000 banknotes of the new series in exchange for the old banknotes. Most of the people hailed the Narendra Modi's strong decision, while poor were shocked by the move. The overnight decision changed the life of many as black money holders were worried about the pile of cash they were sitting on. Many poor daily wage workers were left with no job and income as owners were unable to pay their daily wage. It is no doubt a bold step taken by the government which will definitely help India to become corruption-free.

2. Review of selected literature

Review of literature covers way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. Keeping this view in mind, an attempt has been made to make a brief examination of the work undertaken on the field of Cashless economy. The review of cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. Payment for purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010)

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

3. Statement of the Problems

In India most of the customers are heavily dependent only on the cash economy, now the customers have to switch from cash to cashless electronic transactions. Most of the customers have been using more on cash for purchase of products and service except few. As continuation of demonetization process, the cashless transaction activities are implemented impact the significant changes in the behaviour of customer. Currently the central government announced that all restrictions for the traditional cash transaction and offers for electronic transfer move ahead the customers to adopt and implement cashless transaction for their requirement. In the context of the de-monetization, this study makes an attempt to analyze and find out how the cashless transaction has caused to changes in the behaviour of customers and level of awareness about the cashless transaction, belief in the electronic transmission and actual problems of customers while using electronic payment.

4. Reasons for De-monetization

i) Tracking of Black Money

This move will help the government to track unaccounted black money or cash on which income tax has not been paid. Individuals who are sitting on a quantity of cash usually do not deposit the amount in the bank or invest anywhere as they would be required to show income or submit PAN for any valid financial transactions. They would hide it somewhere and use it as and when they necessary. Banning high-value currency will impact people who will have no option, but, to declare income and pay tax on the same or destroy the unpaid tax cash somehow. Now, it is not possible to hide the money as the notes have been declared invalid.

ii) Reduction in illegal activity

Banning high-value currency will halt illegal activity as the cash provided for such activities has no value now. Black money is usually used to fund the illegal activity, terrorism, and money laundering. Fake currency circulation will come to a halt in a single shot. Corrupt officers, money launderers are under threat as Income tax department is taking all the measures to track such people.

iii) Tax payment

Most of the businessmen who have been hiding some income are ready to pay advance tax as current year's income. Tax payers who have been hiding some income can come forward to declare income and pay tax on the same. Individuals are required to submit PAN for any deposit above Rs 50,000 in cash, which will help tax department to track individuals with high denominations. Also, deposit up to Rs 2.5 lakh will not come under Income tax scrutiny.

5. Cashless Economy in India

Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins. Of course, the digital era is something to embrace, and new methods of payments will continue to be introduced. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favour cash.

In a courageous move to combat black money and counterfeit currency, The government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, though a giant leap towards curbing corruption and forged currency. However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been mixed with demonetization that was aimed to extract liquidity from the system to unearth black money.

A report by Boston Consulting Group (BCG) and Google India revealed that last year around 75 per cent of transactions in India were cash-based, while in developed nations such as the US, Japan, France, Germany etc. it was around 20-25 per cent. The depletion in cash due to demonetization has pushed digital and e-transactions to the forefront; e-banking, e-wallets, and other transaction apps becoming prevalent.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Top Cashless Countries in the world

COUNTRIES	CASHLESS TRANSACTIONS	RANK
Singapore	**61%**	**1**
Netherlands	60%	2
France	59%	3
Sweden	59%	4
Canada	57%	5
Belgium	56%	6
United Kingdom	52%	7
USA	45%	8
Australia	35%	9
Germany	33%	10
South Korea	29%	11
Spain	16%	12
Brazil	15%	13
Japan	14%	14
China	10%	15
India	**5%**	

Source: MasterCard Advisor's Measuring progress toward a cashless society

India's Position: India is a country where 98 per cent of total economic transactions by volume are done through cash. However, this may no longer be the case in future as the government has already steered the country towards cash less society.

6. India's Position of Cashless Economy

A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world- 12.42% in 2014, compared with 9.47% in China or 4% in Brazil. Less than 5% of all payments happen electronically. The number of currency notes in circulation is also far higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US. Some studies show that cash dominates even in malls, which are visited by people who are likely to have credit cards, so it is no surprise that cash dominates in other markets as well**.**

7. Objectives of Cashless Economy

1. To find out benefits in partial cashless.
2. To chalk out the major challenges in making India cashless.
3. To access growth on the cashless in terms of digital transactions

8. Benefits of Cashless Economy

1) Reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left.
2) It will curb generation of black money and reduce risk and cost of carrying cash
3) Improve credit access and financial inclusions
4) Will reduce real estate prices because of curbs on black money as most of black money is invested in Real estate prices which inflates the prices of Real estate markets
5) It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital.
6) There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients.
7) There will be efficiency gains as transaction costs across the economy should also come down.
8) Hygiene - Soiled, tobacco stained notes full of germs are a norm in India. In a cashless economy there will be no problem of soiled notes or counterfeit currency
9) Speed and satisfaction of operations for customers, no delays and queues, no interactions with bank staff required.

9. Effects of Cashless Economy

i. Improvement in credit access and financial inclusion, which will benefit the growth of SMEs in the medium/long run.
ii. Reduce tax avoidance and money laundering thanks to the higher traceability of all the transactions.
iii. The increased use of credit cards will definitely reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.

10. Challenges in making India a cashless economy

1) Availability of internet connection and financial literacy.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2) There is also vested interest in not moving towards cashless economy.
3) India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.
4) The perception of consumers also sometimes acts a barrier. The benefit of cashless transactions is not evident to even those who have credit cards.
5) Most card and cash users fear that they will be charged more if they use cards. Further, non-users of credit cards are not aware of the benefits of credit cards.
6) Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bills, recharge mobiles and book movie tickets online.
7) Promotion of e-commerce by liberalizing the FDI norms for this sector.
8) Government has also launched UPI which will make Electronic transaction much simpler and faster.
9) Government has also withdrawn surcharge, service charge on cards and digital payments

11. Making India Cashless Economy

Reducing Indian economy's dependence on cash is desirable for a variety of reasons. India has one of the highest cash to gross domestic product ratios in the word, and lubricating economic activity with paper has costs. According to a 2014 study by Tufts University, *The Cost of Cash in India*, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs. 21000 crore annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained.

RBI has also issued licenses to open new-age small finance banks and payments banks which are expected to give a push to financial inclusion and bring innovative banking solutions. Things are also falling in place in terms of technology for India. The recently launched Unified Payments Interface by National Payments Corporation of India

A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users. However, as noted above, a material transition to a cashless economy will depend on a number of factors. First, the availability and quality of telecom network will play an important role. Presently, people face difficulties in making electronic payments even in metro cities because of poor network. Second, as one of the biggest beneficiaries of this transition, banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. Third, the government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Implementation of the goods and services tax, for example, should encourage businesses to go cashless.

12. Advantages and Disadvantages of Cashless Economy

Cashless is a word which literally means having no cash but in today's world, it refers to using digital form of payments instead of cash for payment of various expenses or transactions done by the individual. In order to understand this term better let's look at advantages and disadvantages of cashless economy.

Advantages of Cashless Economy

1. The first and foremost advantage of cashless economy is that an individual does not need to carry cash with him or her everywhere which in turn reduces the chances of theft from wallet, reduces inconvenience due to carrying cash, give freedom from problem of change when transaction is of odd amount, no risk of receiving counterfeit currency and so on.
2. Another benefit of cashless economy is that it is easier to track the black money and illegal transactions because if cash is used directly for doing transactions than it is not easy to track the transactions as the money does not come into the banking system however in case of digital transactions it is easy to track the transaction as all records are there with the banks which result in more transparent transactions which in turn leads to fall in corruption in the economy of the country.
3. Another advantage of cashless economy is that since all transactions will be done through organized channel that is through banks and financial institutions it results in increase in tax revenue for the government as all cash transactions which were done illegally come into banking system which in turn helps the government in tracking all transactions and levying tax on them which in turn can be used by the government for betterment of economy of the country.

Disadvantages Cashless Economy

1. The biggest disadvantage of the cashless economy is that not everybody has the knowledge of doing digital transactions and hence its reach is limited to urban and semi-urban centres only and therefore it is very difficult to implement cashless economy in the big country where many sections of the society in rural areas is illiterate and poor. Hence the lack of proper infrastructure and education among citizens is disadvantageous as far as the cashless economy is concerned.
2. Another disadvantage of the cashless economy is that although it easy to do digital transactions but at the same time it is very risky as compared to cash related transactions. Hence people having half knowledge of digital payments are exposed to cyber fraud and losing their hard earned money to online scam and hacking of bank.
3. Another demerit of the cashless economy is that digital mode of payments like the credit card, wallet payments, internet banking involves some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favour online medium of transactions.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

13. Methods of Digital Payment

1. Bank Cards

Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentications for secure payments example secure PIN and OTP, RuPay, Visa, Master Card are some of the example of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. They save both customers and merchants' time and money, and thus enable them for ease of transaction.

How to get it: Provide KYC (Know Your Customer) information to open a new account, apply for Card with option of Debit/Credit Card, Get a PIN,

Service Activation: Visit an ATM to activate PIN and May take about 3-7 days

What is required for Transaction: PoS terminal or online payment gateway, Present Card physically or card details for online transaction, Provide PIN, Provide OTP (One Time Password) received on registered mobile to complete online transaction for merchant website and Self-service and/or Assisted mode

Transaction Cost: NIL to customer for merchant transactions, Annual fee and limits on ATM transaction by banks discretion, 0.50% to 2.25% paid by merchant, Cash-out charged to customer in case of credit cards @ 1% to 3.5% of transaction value.

Services Offered: These cards can be used at PoS (Point of Sale) machines, ATMs, Micro ATMs, Shops, wallets, online transactions, and for e-commerce websites and International cards can be used across globe for multiple currencies

Funds Transfer limit: User can set up transaction limit based on card and based on credit ratings

2. Unstructured Supplementary Service Data (USSD)

The innovative payment service works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services.

How to get it: Provide KYC (Know Your Customer) information to open a new account, Mobile no. should be linked with bank a/c, Register for USSD/Mobile Banking, Get MMID (Mobile Money Identifier), Get MPIN (Mobile PIN)

Service Activation: None and 1-2 minutes

What is required for Transaction: Remember MMID, Remember MPIN, Dial *99#, Registered mobile number with any phone (feature or smart), Self Service mode

Transaction Cost: NIL by system and Rs. 0.50 charged to customer

3. **Aadhar Enabled payment systems:** AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale/Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhar authentication.

   How to get it: Provide KYC (Know Your Customer) information to open a new account and Aadhar Number should be linked with bank a/c

Service Activation: None and 1-2 minutes post Aadhar seeding

What is required for Transaction: Micro ATM, Remember, Aadhar , Give Bank name, Present self (Aadhar holder) with Bio-metrics (Finger and/or IRIS), Assisted mode

Transaction Cost: NIL to customer and Merchant or BC may get charged or paid based on bank's discretion

4. Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

How to get it: Bank a/c, Mobile number should be linked with bank a/c, Smart Phone with internet facility and Debit Card for re-setting MPIN.

Service Activation: Download the App for UPI, Do registration online on the App with a/c details and create a virtual ID, Set MPIN and 5-7 minutes

What is required for Transaction: Smartphone with internet facility, Registered device only, Use registered MPIN and Self Service Mode

Transaction Cost: NIL to customer by most Banks and Customer pays for data charges

5. A mobile wallet

A **mobile wallet** is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smart phone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, , Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, etc.

How to get it: Option to open Zero KYC or Full KYC wallet, Option of Consumer vs. Merchant wallet and Mobile Number and An App to be downloaded in smart phone

Service Activation: Load money (subject to regulatory limits) using internet banking or merchant locations, Bank A/c, All Cards and Cash-In

What is required for Transaction: Smartphone or internet, Use MPIN and Self-service and/or Assisted mode.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Transaction Cost: Customer pays for remittances to bank a/c @ 0.5%-2.5% of fixed fee and May pay for data charges in self-service mode.

6. Banks pre-paid Cards

How to get it: Provide full KYC (Know Your Customer) information to open new account, Apply for Wallet/ Pre-paid Card and Get a MPIN / PIN

Service Activation: Load money (subject to regulatory limits) using branch, or internet banking, Bank A/c, All Cards, 1-2 days for card and 5-7 minutes for wallet

What is required for Transaction: Smartphone or internet, Use MPIN and Self-service and/or Assisted mode.

Transaction Cost: On loading the pre-paid card, Customer may pay service charges for transaction or fixed fee, upfront + each transaction, Loading wallets is mostly free, Merchant is charged fee 0.50% to 2.50 % and Cash out is charged to customer as fixed fee or 1% to 2.5% of value of transaction. Only from Cards

7. Point of Sales (PoS)

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

Necessary conditions for service initiation: Handheld Device with card and /or bio-metric reader, Merchant Bank a/c and Internet connectivity GPRS/Landline

Service Activation: Paper work with Bank for merchant bank a/c, Deposit certain amount, Collect device and Configuration and training to operator

What is required for Transaction: Any Card, Resident for bio-metric authentication (AEPS) and Assisted Mode.

Funds Transfer limit: No limit for regulator and Merchant's Bank and payee Bank may set limit based on its own discretion

8. Inter Net Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

14. Different Types of Online Financial Transactions

1. National Electronic Fund Transfer (NEFT)

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and Corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. Individuals, firms or Corporates maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals who do not have a bank account (walk-in customers) can also deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs. 50,000/- per transaction.

2. Real Time Gross Settlement (RTGS)

RTGS is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually. Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh. There is no upper ceiling for RTGS transactions.

3. Electronic Clearing System (ECS)

ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper.

4. Immediate Payment Service (IMPS)

IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.

9. Mobile Banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).

10. Micro ATMs

Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local Kirana shop owner and will act as 'micro ATM') to conduct instant transactions.

15. Demonetization and its Impact on Indian Economy

Cash is the preferred mode of transaction in India and only less than half the population uses banking system for monetary transactions. An immediate public anger appeared against the mismanaged and unprepared banking system. The demonization

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

initiative has caused a sudden breakdown in India's commerce and the unbanked and informal economy is hard hit. Trade across all aspects of the economy has interrupted, and sectors like agriculture, fishing, and the huge informal market were almost shut down during the initial days of announcement. The informal sector in India employs more than a majority of the workers and most transactions are in cash. Disruption to this system could endanger the employment and livelihood of weaker sections of society. The change disturbed the lives of ordinary people, led to widespread need and major job losses for the poor.

The government will have to create conditions- not necessarily by creating cash shortages- to push cashless transactions to a threshold level after which the network effect will take over.

Even though demonetization move created adverse short-term policy impact the real impact of must be assessed in the medium/long term. The reduction in overall investments, both in the formal and informal sectors, would certainly reduce economic growth potential. However, the move need to be followed up with ensuing actions to remain effective.

16. Findings and Implications

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas. For smooth implementation of cash less system in India, the following measures are recommended Government have to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

17. Conclusion

Though it will take time for moving towards a complete cashless economy, efforts should be made to convert urban areas as cashless areas. As 70% of India's GDP comes from urban areas if government can convert that into cashless it will be a huge gain. Therefore, different transactions need to be planned for migration to cashless for those having bank account and for those not having. Demonetisation is the tool but cashless economy is the goal of India. The need to move towards a cashless economy in India is immense. Most importantly it will help the Government achieve its objective of inclusive growth and make public utilities more efficient. Currently less than 5% of all consumption expenditure is incurred through cashless instruments. However, to move towards a cashless economy, the important role of network effect and creation of a critical mass cannot be ignored. Therefore, at least in the initial stages, steps have to be taken to help build the critical network size.

Reference

1. Das A, Agarwal R (2010) "Cashless Payment System in India- A Roadmap", Technical report, IIT Bombay. http://dspace. library.iitb.ac.in/jspui/handle/10054/1732
2. Demirguc-Kunt A, Klapper L (2012) "Measuring Financial Inclusion: The Global Findex Database." World Bank Policy Research Working Paper No. 6025
3. Galbraith JW, Tkacz G (2015) "Nowcasting GDP with Electronic Payments Data", ECB Statistics Paper Series.
4. Gangopadhyay S (2009) How can Technology Facilitate Financial Inclusion in India? A Discussion Paper". Rev Mark Integr, 1(2):223–256**.**
5. Hasan I, De Renzis T, Schmiedel H (2013) "Retail Payments and the Real Economy" ECB Working Paper Series, 1572.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

RISK AND RETURN ANALYSIS OF SELECTED BANKING STOCKS IN NIFTY

Divya.U
Assistant professor,
Adarsh Institute of Management & Information technology
Research Scholar Mysore university
Bengaluru, Karnataka

Dr.Noor Firdoos Jahan
Professor
Marketing Department
RV Institute of Management
Bengaluru, Karnataka, India

ABSTRACT

The common investment option among investors is banking stocks because banking sector is the backbone of the economy and these shares are actively traded in stock markets. With the potential to become the 5th largest banking industry in the world by 2020 and 3rd largest by 2025 according to KPMG-CII report, India's banking and financial sector is growing speedily. The Indian Banking industry is presently worth Rs.81 trillion (US $1.31 trillion) and banks are now employing the modern technologies like internet and mobile devices to carry out dealings and interconnect with the masses. Presently Indian banking sector comprises of 26 Public sector banks, 20 Private sector banks and 43 Foreign banks along with 61 Regional rural banks (RRB's) and more than 90,000 credit co-operatives. This sector has given very good return to the investors in India in past. But the recent financial crisis, has proved, that the Banking stocks tend to be more volatile than other sector stocks. With this background we have undertaken a study on Risk and Return analysis of selected banking stocks from NIFTY. The study is conducted by taking a sample of five banking stocks listed in Nifty namely SBI, PNB, ICICI, AXIS and HDFC. The Average Return, variance, Standard deviation and Beta were computed for these stocks for a period of 5years i.e.2012-17.

Key words – Return, Risk, Beta, Variance, Standard deviation, Bank, Stock, Investor.

Introduction

Risk and return are the two faces of the investment coin. Return is the primary motivating factor behind any investment. It is the reward for undertaking investment. The return includes current return and capital return. The current return is nothing but the regular cash flow like dividend, interest etc. The capital return is the difference between buying price and selling price of investment. It can be capital appreciation or capital depreciation.

The formula used for calculating daily returns is

Daily Returns $=\frac{p_t - p_{t-1}}{p_{t-1}} * 100$

Holding period return= Dividends + $\frac{p_t - p_{t-1}}{p_{t-1}} * 100$

Average daily returns = sum of daily returns/ number of observations

Annualized returns = average daily return * number of trading days

p_t = current price, selling price

p_{t-1} = previous price, purchase price.

In investment the commitment of funds take place at present but the returns we receive in future. This feature of investment involves risk. Risk is nothing but variability in returns. It is the difference between actual return and expected return. Higher the variability in

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

return higher the risk and vice versa. The risk can be classified into systematic risk (Market risk) and Unsystematic risk (company risk). The systematic risk is that portion of total risk which arises due to economy wide factors such as inflation, interest rate, government policies, GDP, business cycles etc. These factors will affect the whole stock market and all the shares in more or less extent. Thus the market risk is non diversifiable in nature. This risk has to be borne by investor however diversified their portfolios are. The market risk of an equity share can be analyzed by computing its beta. . Beta is a measure of systematic risk of a security or a portfolio. Beta measures the sensitivity of shares return to changes in market index movement. Higher the beta value higher the market risk of security and vice versa. Usually the stocks with beta less than one are considered less risky and defensive securities. The stocks with beta more than one considered as high risky and aggressive securities. If the beta of a security is equal to one that security moves in tandem with market index movement. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

Beta= covariance (R_a,R_m) / Variance(R_m)

The company risk or unsystematic risk is that risk which arises due to company specific factors such as development of new product, profitability, revenues, labor strike etc. These factors affect only that specific company and its stocks but not overall stock market as such. The company risk is diversifiable in nature. Through a proper diversification of portfolio the investors are able to diversify their unsystematic risk. There may be positive happenings in few companies and negative happenings in other companies. The profits from few company stocks can be set off against the losses of other company. The basic idea behind portfolio construction is “Do not put all eggs in one basket”. Instead of investing all funds in one company or one sector it is better to diversify the funds in different sectors like Banking, Pharmacy, FMCG, Steel, IT, Infrastructure, Hospitality, Retail etc

The total risk of a stock which includes both systematic and unsystematic risk is measured through computation of variance and its standard deviation. Variance is a degree of spreading of a set of data points round their mean value. In other words, variance is a mathematical anticipation of the average squared deviations from the mean. Variance measures the variability of return from an average return.

Formula used for calculating variance is

$$\textbf{Variance, } \boldsymbol{\sigma^2} = \frac{\in(\boldsymbol{X}-\boldsymbol{\mu})^2}{\boldsymbol{N}}$$

Standard Deviation is a statistical measurement, when applied to the annual rate of return of an investment; it sheds light on the historical volatility of that investment. The greater the standard deviation of a security, the greater the v olatility of return and risk and vice versa.

Formula for calculation Standard Deviation is

$$\textbf{Standard Deviation, } \boldsymbol{\sigma} = \sqrt{\frac{\in(\boldsymbol{X}-\boldsymbol{\mu})^2}{\boldsymbol{N}}}$$

The common investment option among investors is banking stocks because banking sector is the backbone of the economy and those shares are actively traded in stock markets. With the potential to become the 5th largest banking industry in the world by 2020 and 3rd largest by 2025 according to KPMG-CII report, India’s banking and financial sector is growing speedily. The Indian Banking industry is presently worth Rs.81 trillion (US $1.31 trillion) and banks are now employing the modern technologies like internet and mobile devices to carry out dealings and interconnect with the masses. Presently Indian banking sector comprises of 26 Public sector banks, 20 Private sector banks and 43 Foreign banks along with 61 Regional rural banks (RRB’s) and more than 90,000 credit co-operatives. This sector has given very good return to the investors in India in past. But the recent financial crisis, has proved, that the Banking stocks tend to be more volatile than other sector stocks. With this background we have undertaken a study on Risk and Return analysis of selected banking stocks from NIFTY.

Objectives of the study

1. To analyze the Risk and Return inherent in banking stocks.
2. To compute the Average return of selected Banking stocks.
3. To study the Total risk of selected banking stocks.
4. To analyse the Market risk (Beta) of selected banking stocks.
5. To compare the selected banking stocks risk and return.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Research methodology

The descriptive research was applied for the study. A sample of five banking stocks listed in Nifty were purposefully selected for the study based on their highest revenue generation for the past five years. The sample includes stocks such as State Bank of India (SBI), Punjab National Bank (PNB), Industrial Credit and Investment Corporation of India (ICICI), Housing Development Financial Corporation (HDFC) and AXIS bank. The study was mainly based on secondary sources of information .The analysis was based on daily closing prices of stocks and NIFTY index information collected from NSE web site. The return and risk of the banking stocks were analyzed by computing Average return, Variance, Standard deviation and Beta for five year period between 2012 to 2017(1st April to 31st March).

Review of Literature

Banz(1981) analyses the relationship between the return and the total market value of NYSE equity stocks. It is found that small companies have had higher risk adjusted returns, on average, than larger companies. This 'size effect' has been in existence for at least forty years and is evidence that the CAPM mdel is mis -specified.

Stephen & Penman (1989) conducted a financial statement analysis that combines a large set of financial statement items into one summary measure which indicates the direction of one-year-ahead earnings changes. Positions are taken in stocks on the basis of this measure during the period 1973–1983, which involve canceling short and long positions with zero net investment.

Jagadeesh & Titman (1993) examined strategies for buying stocks that have performed well in the past and selling stocks that have performed poorly in the past. They found that the profitability of these strategies are not due to their market risk or to delayed stock price reactions to common factors

Mukherjee & Naka (1995) analysed the relationship between Tokyo stock prices and six macro-economic variables using a vector error correlation model (VECM). They have studied about the relationship between Tokoyo stock prices, the exchange rate, money supply and industrial production is positive. Whereas the relationship between Tokyo stock prices and inflation and interest rate mixed.

Brad, John & Lyon (1997) studied the empirical power and specification of test statistics in event studies designed to detect long-run (one- to five-year) abnormal stock returns. They documented that test statistics based on abnormal returns calculated using a reference portfolio, such as a market index, are mis specified (empirical rejection rates exceed theoretical rejection rates) and identify three reasons for this misspecification.

Green wood (2005) examined a cross sectional analysis of the excess co movement of stock returns using Nikkei 225 index Japan. He found that a strong positive correlation between overweighting and the co movement of a stock with other stocks in the index, and a negative relationship between index overweighting and co movement with stocks outside the index. He concluded that overweighed stocks have high betas.

Baele,Bekaert &Inghelbrecht(2007) studied the economic sources of stock-bond return co movement and its time working paper Variation using a dynamic factor model. They identified the economic factors employing structural and non-structural vector autoregressive models for economic state variables such as interest rates, (expected) inflation, output growth and dividend payouts.

Dutt & Mihov(2008) anaysed the stock market co- movement and industrial structure , they studied monthly stock market indices for 58 countries to construct pairwise correlations of returns and explain these in the industrial structure across countries. They found that countries with similar industries have stock markets that exhibit high correlation of returns.

Meric ,Patil &Meric(2011) studied the co movement of the Indian stock market with other stock markets and its implications for portfolio diversification with respect to the effects of 2008 global financial crisis.. They found that there is considerable time varying volatility in the correlation of the Indian stock market with the other stock markets. The trend analysis results showed the correlation between Indian stock market and other national markets increased substantially and the benefit of global portfolio diversification decreased considerably post crisis period.

Zheng(2014) examined linkage between aggregate stock market investor sentiment and commodity future returns and found that there is negative relationship between investor sentiment and commodity future returns. The author concluded that commodity futures are excellent investment vehicle during stock market pessimism.

Giradri(2015) analysed about correlation of agricultural prices with stock market dynamics and found that the correlation between agricultural prices and stock market returns tends to increase during periods of financial turmoil. The impact of financial turmoil on correlation gets stronger as the share of financial investors in agricultural derivatives market raises.

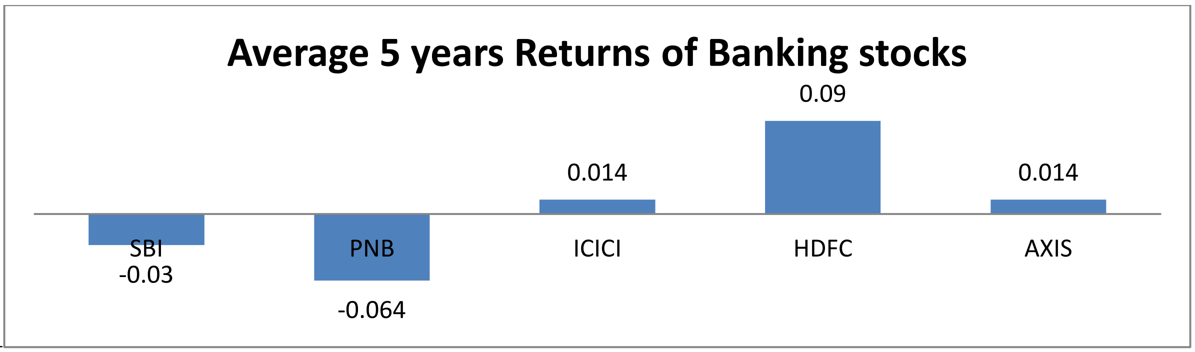
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Analysis of Data

Table: 1 Average returns of Banking stocks for the period 2012 -17.

Stocks	Average 5 years Returns
SBI	-0.03
PNB	-0.064
ICICI	0.014
HDFC	0.09
AXIS	0.014

Source: Author



Graph:1

Interpretation

The average return given by banking stocks were very less for the past five years between 2012 and 2017. The SBI and PNB stocks returns were negative. ICICI and Axis stocks gave just 1.4% average return. These banking stocks failed to enhance shareholders value. The HDFC stocks have given a fair return of 9%.

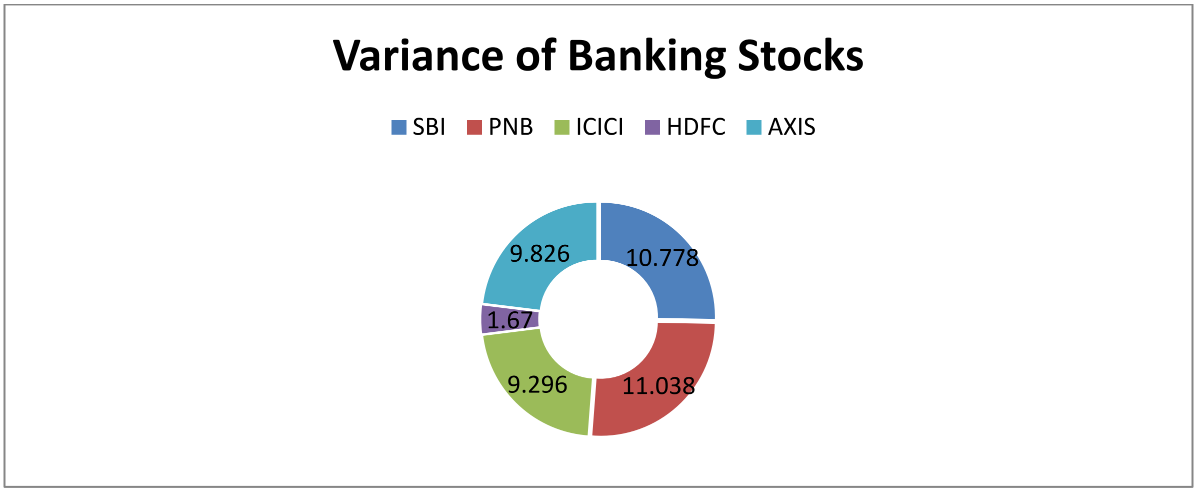
Table: 2 Variance of different Banking stocks for the period 2012-17

Stocks	Average 5 years Variance
SBI	10.778
PNB	11.038
ICICI	9.296
HDFC	1.670
AXIS	9.826

Source: Author

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Graph: 2



Interpretation

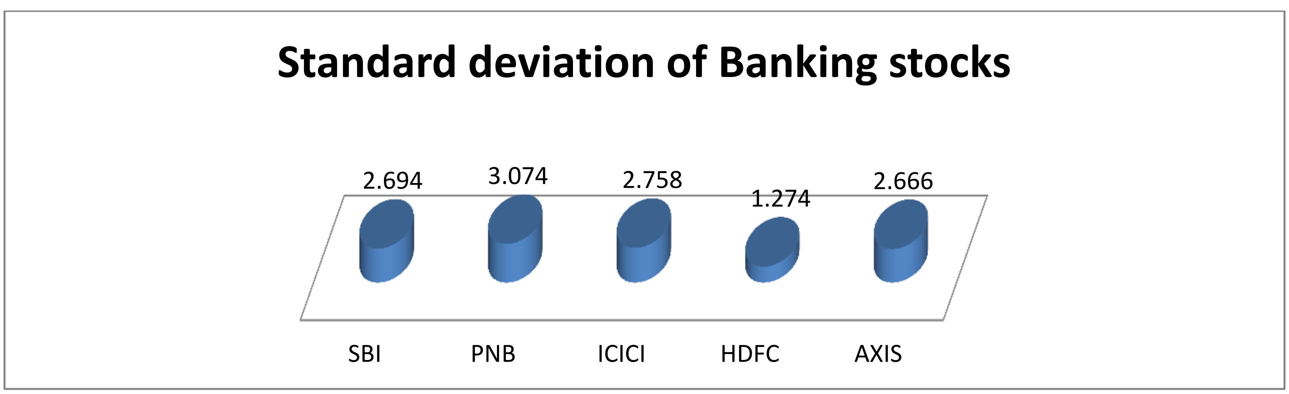
The variance of PNB stock is highest and this stock has more risk compared to other banking stocks. The lowest variance is that of HDFC stocks and they have less risk compared to other banking stocks.

Table: 3 Standard deviation of different banking stocks for the period 2012-17.

Stocks	Average 5 years Standard deviation
SBI	2.694
PNB	3.074
ICICI	2.758
HDFC	1.274
AXIS	2.666

Source: Author

Graph: 3



Interpretation

The standard deviation of above banking stocks are in between 1% and 3%. So all these banking stocks belong to less risk category and they have very less variation in their returns. PNB stocks have the highest SD of around 3% and the HDFC stocks have lowest SD of around 1%.

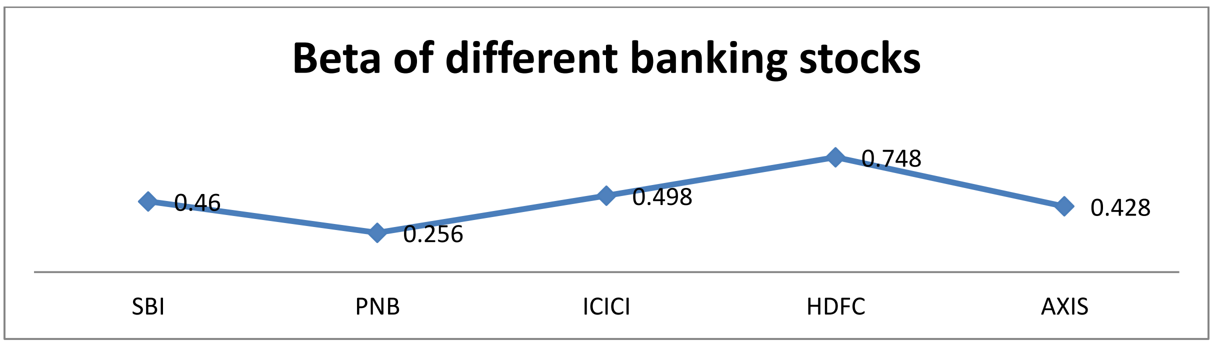
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table: 4 Beta of different banking stocks

Stocks	Average 5 years beta
SBI	0.46
PNB	0.256
ICICI	0.498
HDFC	0.748
AXIS	0.428

Source: Author

Graph: 4



Interpretation

All the banking stocks are having positive beta and they move in the same direction as that of market index. The betas of all these stocks are less than one which reflects that they are subjected to less market risk. The beta of HDFC stock is highest i.e. 0.7 and it has more market risk compared to other banking stocks. HDFC beta is 0.7 which means for every 1% increase or decrease in Market index these stocks changes by 0.7%. The lowest beta is of PNB stock and it is subjected to less market risk.

Conclusion

The study finds that the average return given by the banking stocks for the past five years are very less. The SBI and PNB stock's returns were negative. The HDFC stocks have given just 9% fair return to its investors which was the highest return among other banking stocks but this return is close to the Risk- free return or Bank FD rate. The variance and standard deviation revealed that all these banking shares belongs to low risk category and especially HDFC stock has lowest total risk compared to other banking stocks. The Market risk analysis through beta revealed that the selected banking stocks have less Market risk and they were less sensitive towards NIFTY movements. In comparison among them the HDFC stock's beta was little higher and its return was more sensitive towards Nifty movement. The overall conclusion is that the selected banking stocks for the study belong to low risk and low return category of investment and they failed to enhance shareholders value for the past five years. This study covers only the average return, variance, standard deviation and beta of selected five banking stocks. Still there is a scope for further research in this area by taking a larger sample size and a longer study period. The similar kind of study can be undertaken for other portfolio combinations.

Bibliography

1) Brad M.BarberJohn D.Lyon(1997), "Detecting long-run abnormal stock returns: The empirical power and specification of test statistics", Journal of Financial Economics, Volume 43, Issue 3, March 1997, Pages 341-372.
2) Beyza Mina Ordu, and Ugur Soyta(2016), "The Relationship Between Energy Commodity Prices and Electricity and Market Index Performances: Evidence from an Emerging Market",Emerging Markets Finance & Trade, 52:2149–2164.
3) Cheng F..H.yntond M. Leuthold and Jean E. Cordier, (1985) "The stock market and the commodity future market:Diversification and arbitrage potential"Financial Analyst Journal July-august pp-53-60.
4) Daniele Girardi(2015) "Financialization of food. Modelling the time-varying relation between agricultural prices and stock market dynamics" International Review of Applied economics, Vol. 29, No. 4, 482–505.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

5) Dr. Gulsar Meric ,Dr.Niranjan patil & Dr.Ilhan Meric(2011) “co movement of the Indian stock market with other stock markets – implications for portfolio diversification” Indian Journal of Finance ,volume-5, no.10,October,pp13-20
6) Greet Bekaert & Kuen Inghhelbrecht (2007) “the determinants of stock and bond return co movements” NBB working paper no.119 October 2007 Brussels issn-1375-680x(print) ISSN-1784-2476(Online)
7) Julien Chevalliera, and Florian Ielpob(2013) “ Cross-market linkages between commodities, stocks and bonds “,Applied Economics Letters, Vol. 20, No. 10, 1008–1018
8) Narasihan Jegadeesh & Sheridan Titman(1993), “Returns to buying Winners and selling Losers: Implications for Stock market efficiency”, Journal Of Finance, Volume 48, Issue 1 March 1993, Pages 65–91
9) Pushan Dutt & Ilian Mihov (2008) “stock market co movement and industrial structure”INSEAD Faculty and Research working paper December 2008.
10) P. Hemavathy & S. Gurusamy(2016) Testing the Causality and Co integration of Gold Price and NSE (S&P CNX NIFTY): Evidence from India , Amity Global Business Review February pp 79-85
11) Rolf .W Banz (1981), “The relationship between return and market value of common stocks”, Journal of Financial Economics, volume 9, Issue 1, March , pages 3-18.
12) Robin. M .Green wood (2005)“A cross sectional analysis of the excess co movement of stock returns” Finance research paper no.05-069 of Harvard business school.
13) Rossi.R.P.Gallant, & Tauchen (1992) “stock prices and volume” Review of financial studies vol.5.
14) Robert Johnson and Luc Soenen “Commodity Prices and Stock Market Behavior in South American Countries in the Short Run”, Emerging Markets Finance & Trade / July–August 2009, Vol. 45, No. 4, pp. 69–82.
15) Ranajit chakrabarthy,asima sarkar(2010) “Efficiency of the Indian Commodity and Stock Market with Focus on Some Agricultural Product” Paradigm Vol. No. XIV, No.1, January – June
16) Tarun .K Mukhergee , Atsuyuki & Naka(1995) “Dynamic relations between macro Economic variables and the Japanese stock market an application of vector error correlation model”.the journal of financial research, XVIII(2) 223,237
17) Yao.Zheng(2014) “The linkage between aggregate stock market investor sentiment and commodity futures returns” Applied Financial Economics, Vol. 24, No. 23, 1491–1513.
18) Sanjay Sehgal and Asheesh Pandey(2012) “Strategic Allocation, Asset Pricing and Prior Return Patterns: Evidence from Indian Commodity Market”, Vision 16(4) 273–28, SAGE Publication
19) Y.V. Reddy , A. Sebastin (2009) “Analysis of Linkage Dynamics between Commodity and Stock Markets in India using entropy theory” Decision, Vol. 36, No.2, August.
20) Prasanna Chandra “Investment analysis and portfolio management” Tata Graw Hill.
21) www.moneycontrol.com
22) www.bseindia.com

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

THE WORKING CAPITAL MANAGEMENT PRACTICES OF SMALL AND MEDIUM ENTERPRISES IN ONGOLE CITY, ANDHRA PRADESH

Yadavalli. Srinivasarao[1], Dr. N. Giri Babu[2], Dr. T. Narayana Reddy[3]

Research Scholar, Department of Management Studies, JNTU Anantapur, Andhra Pradesh, India[1]. Associate professor, Dept. Of Management Studies, SVCET, Chittoor, Andhra Pradesh, India[2].

Assistant professor, Dept. Of Management Studies, JNTU Anantapur, Andhra Pradesh, India[3].

ABSTRACT

Small and Medium Enterprises (SMEs) play a vital part in any economy as they are equipped for creating employment enhance the development of Gross Domestic Product (GDP), leaving advancements and empowering all other economic aspects. This sector is said to be the firmest of all developed and developing countries.

The objective of the study is to explore the Working Capital Management (WCM) practices adopted by Ongole city Small and Medium Enterprises (SMEs) and to contemplate the use of such practices in prevailing information systems and financial reporting hones.

The sample of the study is 50 SMEs which are operating their businesses in the manufacturing sector and limited to the Ongole City. The study mainly concentrated on the major working capital elements such as cash, trade receivable and inventory management of SMEs. Data accumulated from a survey was trailed by elucidating statistics. To analyze the data in order to examine the said purpose of the study SPSS tool was used.

The findings revealed that SMEs practice of recording of cash, inventory and accounts receivable but not conducted in a precise manner. In some of the areas working capitals miss utilized because of lack of knowledge to the owner/managers of SMEs. In the overall study validated that the adoption of working capital management practices among Ongole city SMEs was significantly impacted on the performance of SMEs.

Key words: SMEs, Working Capital Management, Cash Receivables, Inventory Management, Trade Receivables

1. Introduction

Small and Medium Enterprises (SMEs) assume an imperative part in any economy as they are fit for creating employments, advancing the development of Gross Domestic Product (GDP), embarking on advancements and empowering of other economic activities. This sector is said to be the foundation of all developed and developing economies. The growth of of SME sector is paramount important for any nation irrespective of of their level of development, since this sector can possibly produce greatest financial advantages to the nation with the least level of investment.

The SMEs can possibly mobilize and divert financial resources in the economy, which would somehow have been utilized for consumption purposes rather than investment purposes in country economies. Assist the SME area offers some benefit expansion in perspective of more prominent use of indigenous assets of the nation. Thus SME part would turn into an essential angle for creating nations as they are for the most part troubled by destitution and joblessness issues. Despite the fact that SMEs part of the economy is significant, many of them are looking by management conflicts (RBI 2015). These management conflicts in corporate financial management, working capital management, human asset management, marketing management, operations management and strategic management and so on. Given that working capital management is one of the key parts of the prosperity and survival of a business, it

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

is a managerial activity concerned with the planning and controlling of the firm's financial resources. In this manner great working capital management rehearses are vitally essential for the prosperity of SMEs and to reinforce their money and social commitment.

2. Review of literature

Abanis Turyahebwa et al. (2013) studied the relationship between financial management practices and business performance of SMEs. As per their observations, it was clear that there was a strong direct relationship between financial management practices and business performance of SMEs. And also result clearly shows that there was an absolute and vital relationship between working capital management and SMEs performance.

Hande Karadag (2015) studied major financial challenges are faced by SMEs. The researcher noticed that lack of financial planning, limited access to funding, unplanned growth, low financial projection, excessive fixed asset management, lack of capital and capital mismanagement are the main causes for the failure of SMEs. And also researcher noticed that sound cash management practices are significant to the survival of SMEs.

Kilonzo Jennifer M, Ouma Dennis (2015) in their research paper aimed to persuade proportions of financial management practices engaged by the SMEs and their impact on growth. As per their results sound financial practices lead to better performance of SMEs. Availability of the working capital greatly influences the performance of SMEs.

P. S. Vohra & J. S. Dhillon (2014) in their study, they were identified great requirement of financial management practices and strategies for achieving better financial performance. As per their experiments, they concluded that financial forecasting and budgetary planning capability greater impact on the financial performance of SMEs. And also they evident that working capital availability, financial reporting analysis potentialities vitally contributed towards performance of SMEs.

2.1. Financial Management

Financial management alludes to the proficient and powerful management of money (Funds) in such a way as to achieve the objectives of the entity. It is the specialized operation directly connected with the top management. The noteworthiness of this operation isn't found in the 'Line' yet in addition to the limit of 'Staff' in generally speaking of an organization. It has been characterized contrastingly by various specialists in the field

The term regularly applies to a concern or organization's financial strategy, while individual fund or budgetary life administration alludes to a person's administration methodology. It incorporates how to raise the capital and how to apportion capital, i.e. capital planning. For long haul planning, as well as how to apportion the fleeting assets like current liabilities. It also deals with the dividend policies of the shareholders.

According to Solomon Ezra, "financial management is concerned with the efficient use of an important economic resource, namely capital funds".

2.2 Financial management practices

Financial management practices in SME sector have long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices.

1. Accounting information systems – the nature and purpose of financial records, bookkeeping, cost accounting, and use of computers in financial record keeping and financial management.

2. Financial reporting and analysis – the nature, frequency and purpose of financial reporting, auditing, analysis and interpretation of financial performance.

3. Working Capital Management – non-financial and financial considerations in asset acquisition, quantitative techniques for capital project evaluation, investment rate determination and handling risk in an uncertainty in this context.

4. Financial structure management – financial leverage or gearing, accounting to lenders, knowledge of sources and uses of finance, non-financial and financial considerations in financial structure decisions and non- financial and financial considerations in profit distribution decisions.

5. Financial planning and control – financial objectives and targets, cost-volume profit analysis, pricing, financial budgeting and control and management responsibility centers

6. Financial advice – internal and external sources and types of financial advice and use of public accounting services.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

7. Financial management expertise - informal and formal education, training and experience in financial management, relevant qualifications and overall financial management expertise.

However the purpose of the study is not to cover all the context of financial management practices as indicated, the study focused on evaluation of selected working capital management practices adopted by Ongole city SMEs. Researcher used to explore the adoption of cash, receivable and inventory management practices of SMEs.

3. Methodology

3.1. Problem identification

SMEs add to the growth of the economy from multiple points of view, such as employment generation, new venture development and opening up new avenues for the growth in the economy. However confirm has been discovered that there are numerous failures of SMEs in Ongole city. The Reserve Bank of India (2010) stated that inadequate capital, inadequate institutional credit facilities, improper accounting techniques, use of outdated technology, inadequate capital, inadequate sales and promotion competencies and inattentiveness of small businesses are the main problems faced by the SME sector. These impediments are come about from inefficient business administration, lack of experiences in important business functions mainly in accounting and finance. Several studies highlighted that, poor bookkeeping and financial management practices as one of the factors contributing to significant failure of SMEs in the short run. Also, some early studies argued that, finance and accounting as one of the twelve competency areas for small business success.

Management of short term assets and liabilities in SMEs needs a careful investigation since the Working Capital Management plays an important role in the determination of the profitability, liquidity and risk Irena Jindrichovska (2013). The greater the investment in current assets lead to the lower risk due to ability of settling short term obligations, but also lower the profitability obtained, because of the inability to invest in the profitable long term investments. Efficient management of working capital is a fundamental part of the strategy of any SME that leads to a sustainable growth. This working capital management practices could help Ongole city SMEs to plan and control their operations in order to achieve company goals and the long term success and survival of the businesses.

According to above problem justification, researcher derived the research problem to study on the Working capital management practices adopted by SMEs in Ongole city.

3.2. Objectives of the study

- To identify working capital management practices are used by SMEs in their decision making process.
- To know impact of various working capital management practices on SMEs financial performance.

3.3. Sample Design

A sample of 70 entities from SMEs located in Ongole city was chosen in convenience sampling method for the purpose of the study. Each SME represented with one respondent only. Data was accomplished by telephone calling. The population of the study consisted of accountant or managers of the SMEs. A self designed questionnaire was used to gather the data. A total 70 sets of questionnaires were asked among accountant or managers of SMEs,, only 50 population gave reliable response.

3.4. Operationalization of Variables

(a) Cash management

Cooley & Pullen (1979) reported on the cash management practices of 122 small businesses in petroleum marketing. In their survey, cash management consisted of three basic components: cash forecasting, investing temporary cash surplus and controlling cash inflows and outflows. Anvari & Gopal (1983) conducted a study to gain insights into how small Canadian firms manage their cash resources. They used five indicators: cash forecasts, cash balance, and basis for determining cash balance and cash surplus investment to measure cash management practices. Burns & Walker (1991) used the following indicators to measure practices of cash management: the interval of time for cash budgeting (daily, weekly, monthly, quarterly, semi-annually, annually or never), techniques used to determine the target balance and the forms of idle cash investment for profitable purpose.

Based on the above empirical studies, researcher focuses on cash forecasts, determination of target cash balance and tools that used to invest the temporary cash surplus.

(b) Receivable management

Pell & Wilson (1996) examined the working capital management and capital budgeting practices of a sample of small firms based in the North of England. In their survey, respondents were requested to indicate the frequency with which they reviewed their debtors' credit period, debtors' discount policy, bad and doubtful debts. In this research, receivable management was measured by extent of reasonability of debtors' credit period, bad and doubtful debts.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

(c) Inventory management

According to the study of working capital management of SMEs, main focus has gone towards the reviewing of stock turnover, stock levels, and stock re-order levels and the usage of economic order quantity model (Pell & Wilson 1996). Considering these factors to determine the inventory levels, frequency and reasonableness of inventory levels and inventory budgets preparation are the main focus in this study.

4. Data analysis, results and discussion

4.1. Cash management practices

Table 1: Planning for cash needs and its consequences

	N		Median	Mode	Minimum	Maximum
	Valid	Missing				
Preparing cash budget	50	0	3.50	3	3	4
Determine expected cash balances	50	0	3	3	2	3
Occurance of cash shortages	50	0	4	4	2	4
Occurance of cash surpluses	50	0	3.50	3	3	4

Source: Author compiled

Median, mode, minimum and maximum values are presented in table 1 in order to measure how SMEs planning for cash needs and their consequences. For the preparation of cash budget and determination of expected cash balance, both the median and mode were denoted (3). Those values exemplified that there is tendency and concerned about the preparation of cash budget and determining the future cash flows among the SME businesses. On the other hand consequences of cash management practices, i.e occurrence of cash shortages and surpluses are at the value three (3) and (4) for both the median and mode. This indicated that though SMEs consider about the cash budget preparation and deterimining the expected cash balance, cash consequences out of them is at the moderate level in Ongole city SMEs. Further it means there are chances to occur cash surpluses and shortages.

4.2. Receivable management practices

On receivable management practices, respondents were asked questions concerned with credit sales, credit policies, percentage of bad debts compared with sales. Under inventory management practices, respondents were asked questions related to determination of inventory levels, preparation and review of inventory budget. Below are descriptive findings of receivable and inventory management practices of SMEs in the sample.

Table 2: Sales on credit and credit policies

		No. Of Firms	Percentage (%)
Sell Products On Credit Basis	Never	0	0
	Rarely	4	8
	Sometimes	11	22
	Often	21	42
	Always	14	28
Total		50	100%

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Disclose The credit Policy To Customers	Never	3	6
	Rarely	10	20
	Sometimes	17	34
	Often	15	30
	Always	5	10
Total		50	100

Source: Author compiled

It is important to note that trade credit is particularly important in the case of small and medium enterprises, since trade debtors are the main asset on their firm's balance sheets (Abanis et al. 2013). Table 2 demonstrated that all respondents sell their products on credit basis and also more than 90% of respondents disclose the credit policy to customers. Only 6% of SMEs never disclose credit policy to their customers. There is high tendency of SMEs do their sales on credit basis and transparent about the credit policy to customers. Further median and mode values are calculated to measure the receivable mangement practices of SMEs. Both median and mode values denote three (3) and four (4) relating to sales on credit and credit policies. It further emphasis that SMEs are practiced to do credit sales and transparent of their credit policy to customers.

Table 3: Percentage of bad debts compared to sales

	No of Firms	Percentage
Less than 5% of sales	9	18
5 % - 10% of sales	14	28
10% - 20% of sales	27	54
Total	50	100 %

Source: Author compiled

The findings from Table 3, clearly showed the extent of accounts receivable management among SMEs is low. More than 50% of SMEs maintain the credit level around 10-20% of sales. When analysing the percentage of bad debts to sales, 46% of responding SMEs indicated that their bad debts have not exceeded 10% of sales. The results revealed that though SMEs maintain set credit policy in place of control the sales to be made on credit, sales are just made to customers without vetting who should be granted credit and how much credit should be granted. This is further supported by the high levels of bad debts and difficulty that SMEs faced in recovery of the money from credit sales.

4.3. Inventory management practices

Respondents were asked likert scale questions related to preapring and reviewing of inventory budget and determination of inventory level of the business. Below are descriptive findings of inventory management practices of Ongole city SMEs.

Table 4: Preparation of inventory budget and review of inventory levels

	N		Median	Mode	Minimum	Maximum
	Valid	Missing				
Review inventory levels	50	0	3	3	2	5
Prepare inventory budgets	50	0	3	4	2	4

Median, mode, minimum and maximum values are presented in table 4 to understand preparation of inventory budeget and reviewal of inventory levels in Ongole city SMEs. Both median and mode values were (3) and (4) for the inventory budget preparation. These values indicated that Ongole city SMEs are used to practice the inventory budget preparation upto greater extent. When asked how they determined the level of inventory in preparing inventory budget, more than 50% of responding firms answered that they

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

determined inventory level based on owner/ manager's experience, only 5% used theories on inventory management. When researcher asked about the 'Economic order quantity model' in inventory management, majority of parnership businesses revealed that they aware about such models but practical application was at a minimal level. Both median and mode values represented (3) as the reviewal of inventory levels by SMEs. The results demonstrated that inventory management practices among Ongole city SMEs are relatively low indicating that they are less adoption of quantity of inventory to bring in, when to restock etc. This poses a big challenge since it ties up the working capital of the business.

Finding and Conclusion

Working capital management (WCM) is vital and an integral part in the financial management which affects the profitability, liquidity, risk as well as the value creation of a business. The main purpose of working capital management in any organization is to manage short term funds in other to ensure day to day business running of a firm. The study investigates the impact of WCM on SME's performance in Ongole city. In this research, WCM measures by cash manageemnt, receivables manageemnt and inventory management.

This is a clear indication that though SMEs prepare cash flow statement and maintain cash budget, Ongole city SMEs manage their cash in an adhoc basis, without based on any theory. The budgets are not reviewed regularly to match with the current operations. This may probably the major reason why a number of SMEs experience cash shortages as shown in the findings.

Findings of the receivable management practices suggested that selling products on credit basis was a common trend in Ongole city SMEs. As a consequence, receivable management practices become extremely important and reviewing levels of receivables and proper control over write offs of bad debts. Because the expenditure in the form of bad debts, reduces the profitability of SMEs and thus affecting the overall going concern.

Inventory management practices demonstrated that Ongole city SMEs often reviewed inventory levels and prepare inventory budget, but the ability to apply theories of inventory management in inventory budgeting was very limited. Majority of SMEs determine the inventory levels, based on owner/manager's experience. Like cash management, the owner's or manager's experience found to be more important than application of theories of inventory management.

The study demonstrated that the adoption of working capital management practices among Ongole city SMEs is low. Thus it is important to provide platform for training SME owners on how to adopt and implement working capital management practices particularly on cash management practices since cash is the life blood of every business so as to ensure long term survival of SMEs. Also SME owners should be advised to strengthen and put up policies regarding debtors on how to collect receivables, be able to know when to write off bad debts so as to minimize losses that accrue as a result of non- payment.

References:

1. **Abanis Turyahebwa et al. (2013).** "Financial management practices and business performance of SMEs in western Uganda". African journal of business management, 7(38), 75-85.
2. **Adediran A. Samson et al. (2012).** "The impact of working capital management on the profitability of Small and Medium scale enterprises in Nigeria". Research journal of Business Management, 6 (2), 61 – 69.
3. **Godfred Adjapong Africa (2013), "Working** Capital Management Practices of UK SMEs: The Role of Education and Experience". International journal of Academic Research in Accounting, Finance and Manageemnt Sciences, 3 (4), 185-196.
4. **Hande karadag (2015).** "Financial management challenges in SMEs, a strategic management approach". Emerging markets journals, 5(1), 26-40.
5. **Kilonzo Jennifer M, Ouma Dennis (2015).** "Financial management practices on growth of SMEs". IOSR journal of business and management, 17(8), 65-77.
6. **P. Seshagiri Rao (2014),** "Problems Affecting the Growth of Small and Medium Enterprises (SMEs) in Chittoor District of Rayalaseema Region, Andhra Pradesh". Journal of Entrepreneurship and Management, 3.2, 44 - 50.
7. **P. S. Vohra and J. S. Dhillon (2014).** "Best financial practices lead financial performance of SMEs". International journal of accounting and financial management research, 4 (3), 5-16.
8. **Raji Sadiq (2017),** "Impact of Working Capital Management on Small and Medium Enterprises' Performance in Nigeria". Arabian journal of business and management review, 7:1, 1 - 5.
9. **Saman bandara et al. (2016),** "The working capital management practices of SMEs in Sri Lanka". Research Gate. 1-13
10. **Satish Kumar (2015),** "The significance of working capital management and its components on SMEs performance - evidence from India". 16th International Academic Conference, Amsterdam. 271-290.
11. **Venancio Tauringana and Godfred Adjapong Afrifa (2013),** "The relative importance of working capital management and its components to SMEs profitability". Journal of Small Business and Enterprise Development. 20 (3), 453-4

Asia Pacific Journal of Research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF IFRS: A REVIEW OF LITERATURE

SHRUTHI S & ** DR.S.MARIGOWDA

**Assistant Professor, Department of Commerce, PES College of Science, Arts & Commerce Mandya. E-mail:*

***Professor, Vidyavardhaka Research Foundation, Vidyavardhaka First Grade College Campus, Mysuru.*

ABSTRACT

IFRS are standards, interpretations and the framework for the preparation and presentation of financial statements. Convergence with IFRS has gained momentum in recent years all over the World. India being an important emerging global economy, the Government of India has committed to convergence of Indian Accounting Standards with IFRS. Convergence with IFRS is being done in the form of IND-AS, which has been made mandatorily applicable from 1st April 2016 as per the new companies' act of 2013. It is a known fact that new changes will also give way for improvement or effective influence on the reporting system. There is elogizing statement around the world that implementation of IFRS is the only way for the corporates and countries for their survival and growth. But, how far their influence has made the tremendous improvements in the quality of reporting is expected by the stakeholders. The present study focuses on various reviews on adoption of IFRS on the quality of financial information. After thorough analysis of articles from both Indian and Foreign context it is observed that majority of the authors have opined that adoption of IFRS leads to improvement in quality enhancement like relevance, reliability, understandability, faithful representation of the financial information's prepared by the companies. The reviews has been made since 2007 to 2017.

Key words: IFRS, I-GAAP, Financial Statements, Qualitative characteristics.

INTRODUCTION

Accounting is primarily concerned with the recording of economic data of a business enterprise and communicating the same to the interested parties called users. The needs of the users are better fulfilled if accounting data are comparable at least across companies in similar business,such comparable information could be provided only if companies adopt uniform accounting policies and disclose adequate information about accounting methods, principles and procedures used.(Verma et.al.,1997:131). The role of accounting has changed from measurement process to information dissemination process Wheeler (1970).Hence it is characterized thatAccounting as "the process of identifying, measuring and communicating economic information to permit informed judgement and decision of users of the information"**(American Accounting Association 1966).**

Accounting is the language of business while financial reporting is the medium through which the language is communicated. Financial reporting is the process of summarizing material information based on certain principles and disseminating it to the users of financial statement.

ACCOUNTING STANDARDS

An Accounting Standard is a guideline for Financial Accounting, such as how a firm prepares and presents its business income and expense, assets and liabilities. Accounting standards are necessary so that financial statements are meaningful across a wide variety of businesses; otherwise, the accounting rules of different companies would makecomparative analysis almost impossible.

In order to ensure the qualities like transparency, consistency, comparability, adequacy, relevance and reliability of financial reporting, it is essential to standardize the accounting principles and policies. However, principles based accounting standards allow accountants to apply professional judgment in assessing the substance of a transaction Accounting Standards provide framework for financial reporting so that the financial statements of different enterprises become comparable. However, it is viewed that a principle based standard often becomes rule based standards in an effort to increase comparability and consistency. But the framework which provides

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

guidelines for standards has been characterized by accounting standard setting bodies as "incomplete, internally inconsistence and ambiguous".

Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The main Objective of Accounting Standards is to establish standards or norms or guidelines which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted measurements. These standards harmonize the diverse accounting policies and practices. The main objective of promulgation of accounting standards is to achieve uniformity in financial reporting. In India accounting standard board of the ICAI promulgates accounting standards to be followed by business in preparation and presentation of financial statements and also auditors in discharging attest functions so far the ICAI has issued 32 Accounting standards in India

INTERNATIONAL FINANCIAL REPORTING STANDARDS

"Recent years have seen major changes in financial reporting worldwide under which the most obvious is the continuing adoption of IFRS worldwide. An upcoming economy on world economic map, India, too, decided to converge to International Financial Reporting Standards (IFRS). While regulators, standard setters and law makers sit together to rollout the road map for implementation of IFRS in India, a wide section of the industry is already debating about the impact that they are going to have on transitioning to IFRS**.**

IFRS is a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions"

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are standards, interpretations and the framework for the preparation and presentation of financial statements. IFRS are issued by the International Accounting Standards Board (IASB) in the year 2001 are increasingly being recognized as the Global Financial Reporting Standards. Convergence with IFRS has gained momentum in recent years all over the World. India being an important emerging global economy, the Government of India has committed to convergence of Indian Accounting Standards with IFRS from April 1, 2011. But International Accounting Standards (IAS) issued before 2001. Thus, accounting standard is an authoritative pronouncement of code of practice of the regulatory accountancy body to be observed and applied in the preparation and presentation of financial statements."

In India, Convergence with IFRS is being done in the form of IND-AS, which will be mandatorily applicable from 1st April 2016 as per the new companies' act of 2013. The Ministry of Corporate Affairs (MCA) is designated as the nodal Ministry for converging Indian GAAP with IFRS/IND-AS.

IFRS IN INDIA

At present, Accounting Standards Board (ASB) formulates and issues accounting standards in India which are more or less in line with IFRS except for a few instances where departure is necessary to comply with the legal, regulatory and economic environment. Council of the Institute of Chartered Accountants of India (ICAI) opined in May 2006 that adopting IFRS was considered and supported by the ASB. IFRS task force was set up to provide a road map for convergence and it decided to converge with IFRS from the accounting period commencing on or after 1 April 2011. In India, Ministry of Corporate Affairs carried out the process of convergence of Indian Accounting Standards with IFRS after a wide range of consultative process with all the stakeholders in pursuance of G-20 commitment and as result thirty five Indian Accounting Standards converged with International Financial Reporting Standards henceforth called IND AS. Most of the companies in INDIA have adopted IFRS voluntarily because of its importance for example, INFOSY TECHNOLOGIES, WIPRO, SIFY TECHNOLOGOIES, MAHINDRA & MAHINDRA, NIIT etc.

Adoption of IFRS is mandatory in INDIA since APRIL 1st 2016 companies whose having networth of more than 500 crores and most of the listed and unlisted companies have prepared their financial statements as per the converged IFRS i.e. IND-AS and have observed changes in financial statements quality.

THE CHALLENGES AHEAD

IFRS are formulated by International Accounting Standard Board. However, the responsibility of
Convergence with IFRS vests with local government and accounting and regulatory bodies, such as the ICAI in India. Thus ICAI need to invest in infrastructure to ensure compliance with IFRS. India has several constraints and practical challenges to adoption and compliance with IFRS. So there is a need to change some laws and regulations governing financial accounting and reporting India. There are some legal requirements which determine the manner in which financial information are presented in financial statements. Under IFRS, accounting is done for all assets including hidden intangibles at fair value. As the assets are recognized at fair value, amortization of these assets will reduce future year profits under IFRS. Other problem is there is lack of adequate professionals with practical experience of IFRS conversion; therefore Indian Companies have to rely upon external advisors and auditors which are costly. Another issue is Indian GAAP should have been formulated on the basis of the principles of IFRS which may shows

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

differences between Indian GAAP and IFRS. At the end some principles need to be amended, implements or remove in the Indian GAAP.

The move to IFRS it not just a technical accounting exercise. It is an exercise in change management and offers opportunities for improvement. IFRS conversion offers companies an opportunity to improve their business in several ways.

The company can:

- Reshape its management reporting systems to better manage both its financial accounting and its financial statement generation and provide company leadership with essential information
- Improve disclosure — to analysts, investors, regulators and other stakeholders — of your company's financial results and position and other performance indicators
- Improve the metrics used to evaluate both company and executive performance
- Benchmark itself against its global peers
- Ensure all finance team members have the training, knowledge and skills needed IND-AS.

OBJECTIVES OF THE STUDY

The aim of the study is to understand the impact of IFRS adoption on the quality of financial reporting with the help of various reviews. The study is intended for the following objectives:

1. To know the Conceptual Background of IFRS and its impact on Financial Reporting.
2. To understand the impact of IFRS on the quality of its financial reporting through various studies undertaken previously.

REVIEW OF LITERATURE

There are a lot of studies conducted in the field of IFRS. Each study concentrates on various aspects of IFRS and its impact on one or more fields. The following literature review has been done with a view to know more about similar studies conducted on this topic and also ascertain the research gap with a prime objective of deciding on an appropriate technique and methodology to be followed in carrying out the present research.
The following is a summary of research studies done from international and national context. It consists of Indian and foreign studies. The studies have been conducted for the period of 2007 to 2017. All the articles reviewed are from perspective of effects of IFRS adoption. Most of the available literature on IFRS and its implementation cover the data from European Union. Few studies have been carried out analyzing the data from other countries including India.

A study on the importance of the uniformity in reporting in an environment of technology up gradation and political reorganization of nations across globe was conducted by **Joseph (2000)** and it was seen that consistency in reporting enables to attract global entrepreneurs and investors by increasing the rate of investment and also lead to the integration of the individual economy to the International economy.

Burgstahler et al. (2006) opined that strong legal systems are associated with less earnings management. Likewise, Cai et al. (2008) indicate that countries with stronger enforcement mechanisms generally have less earnings management after IAS/IFRS adoption. Additionally, IAS/IFRS adoption in countries with weak enforcement mechanisms damages their perceived quality of IAS/IFRS, whereas strong IAS/IFRS enforcement regimes put great pressure on management and auditors to act faithfully and truthfully to comply with the standards.

Daske and Gebhardt (2006) reports, an increase in accounting quality for a sample of Austrian, German, and Swiss firms switching to IAS/IFRS in the period prior to their mandatory adoption in Europe. Similar results are provided by value-relevance studies such as the ones by Bartov et al. (2005) and Jermacowicz et al. (2007), which document an increase in the value-relevance of earnings for German firms adopting IAS/IFRS.

Chand & White (2007) studied the convergence of Domestic Accounting Standards and IFRS and also demonstrated that the influence of Multinational Enterprises and large international accounting firms can lead to transfer of economic resources in their favor, wherein the public interests are usually ignored. This study focuses on the implications of IFRS on the Indian corporate for which a significant positive aspiration can be accounted for.

Barth et al (2008) undertook a study of financial data consisting of 21 countries examined whether application of IAS/IFRS is associated with higher accounting quality and the findings of the study confirmed that firms applying IAS/IFRS evidence less earnings management, more timely loss recognition and more relevance of accounting numbers. The study also found out that the Firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post adoption period.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Christensen et al. (2008), investigated that voluntary and mandatory shifts to IAS/IFRS in Germany, where firms were allowed to switch to IAS/IFRS prior to 2005 and find that voluntary adoption is associated with an increase in accounting quality, measured by earnings management and timely loss recognition, whereas such an improvement is not observed in the case of mandatory shifts. Their findings therefore suggest that high quality accounting standards such as IAS/IFRS do not necessarily lead to higher quality accounting, at least when firms do not perceive net benefits from IAS/IFRS adoption. This evidence is in line with Daske et al. (2013) who also find that changes in firms' reporting incentives play a significant role in the commitment to increased disclosure for firms voluntarily adopting IAS/IFRS. As firms have considerable discretion in how they implement the new standards, some of them can make very few changes and adopt IAS/IFRS more in name than as a strategy to increase their commitment to transparency.

Epstein (2009) undertook to study Economic Effects of IFRS adoption by emphasizing on the fact that universal financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows.

Devalle et al. (2010)focused on companies listed on five European stock exchanges – Frankfurt, Madrid, Paris, London, and Milan – and find mixed evidence: the value-relevance of earnings on share price increased following the introduction of IFRS in Germany, France, and the United Kingdom, while the value-relevance of book value decreased, except for the United Kingdom.

Armstrong et al. (2010) investigated the European stock market reactions to 16 events associated with the adoption of IAS/IFRS in Europe, such as the European Parliament Resolution requiring all EU listed companies to use IAS/IFRS, or the endorsement of all IAS/IFRS except for IAS 32 and 39, or the IAS 39 endorsement with carved out provisions. They find that the stock market reaction was significantly positive (negative) in reaction to events that increased (decreased) the likelihood of the adoption and that the reaction was stronger for firms that did not cross-list in the United States.

Chen et al (2010) did a **s**tudy of financial data of publicly listed companies in 15 member states of European Union (EU) before and after the full adoption of IFRS in 2005 thereafter found that the majority of Accounting Quality indicators improved after IFRS adoption in the EU and there is less of managing earnings towards a target, a lower magnitude of absolute discretionary accruals and higher accruals quality. The study also showed that the improved accounting quality is attributable to IFRS, rather than changes in managerial incentives, institutional features of capital markets and general business environment.

Aubert and Grudnitski (2011) examined 13 countries in the European Union and 20 industries at the same time, but fail to document a statistically significant increase in the value-relevance of accounting information after IFRS adoption.

Ray, S. (2012) examined the impact and consequences on financial statement due to IFRS adoption with the help of a case study of WIPRO Ltd. This study has been conducted based on secondary data available in the form of published annual reports. The findings of the study are based on a comparative analysis of reported balance sheet and income statement data and also a few important financial ratios for the year 2009 as per IGAAP and IFRS. The author concludes that there is not much deviations and fluctuations in the net income position as disclosed by financial statements in IFRS reporting and IGAAP. However deviation is rather prominent when observing the equity and total liability position which is mainly because of reclassification.

Srivastava &Bhutani (2012) attempted to explain the extentwhich IFRS has been adopted by the organizations, challenges and opportunities companies are facing regarding IFRS, and the measures that can be taken to make the process smooth and flawless. The study focuses on the awareness and adoption of IFRS in India. The results of the study conducted state that the current status of the companies is not up to the mark as far as the transition process is concerned.

Shobana and Sindhu (2012) in their research paper examined the financial statement effects on convergence to IFRS from the Indian GAAP and they concluded that the IFRS is a fair valuation approach and have more transparent disclosures

Arum (2013) examines mandatory implementation of International Financial Reporting Standards impacts on the quality of financial statement information in Indonesia which are measured by the proxy of earnings management, timely loss recognition, and value relevance of accounting information. Research was conducted on 117 companies that are listed in Indonesia Stock Exchange determined by judgment sampling techniques and analyzed using multiple linear regression and logistic regression. The empirical results indicate that the implementation of IFRS has an effect to decreased the scope of earnings management and increased the value relevance of accounting information, but has no effect to increase the timely loss recognition. These findings contribute to the question of whether high-quality accounting standards effective in non-common law countries such as Indonesia.

Ames (2013) conducted a study on the effect of IFRS adoption on accounting quality in South Africa in 2013. The sample considered the entire universe of COMPUSTAT Global firms whose country code indicates that they are listed in South Africa. The main investigation was regarding whether IFRS affected on earnings quality and value relevance and whether both will have an impact on

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

post IFRS adoption. The result revealed that, the earnings quality is not significantly improved in post adoption period and he further found that the value relevance of major balance sheet components changes in post adoption period.
It is clear that from the study The South African greater willingness to adopt IFRS in its entirety for exchange listed firms beginning in 2005 allows a clean setting to test both earnings management and the value relevance of accounting numbers post IFRS adoption.

Paramashivaiah&Puttaswamy (2014) highlighted various factors that delayed IFRS adoption in India. They suggested that Legal and regulatory frame work to be amended soon and aggressive academic input and training shall be provided rapidly to overcome the talent crunch in this new accounting and reporting regime.

Ashok Kumar (2014) scrutinizes the impact of voluntary adoption of IFRS on the financial decision makers through a case analysis of Wipro Ltd. The Analysis compared the major financial parameters under IFRS and Indian GAAP as reported by Wipro Ltd. For a period of four years from 2009-10 and 2012-13. The results postulate an increase in liquidity ratio, equity ratio and no significant increase in profitability ratios. net profit ratio which rose marginally in the year2013. the study result indicates that the adoption of fair value accounting and strict requirement in adhering to accounting standards have strengthened the financial indicates and provided the decision makers a transparent, true and fair accounting highlights.

Rahul and Ruchir (2014) investigate the impact of IFRS adoption on financial activities of Indian companies by using a sample of eight companies for three years, 2010-11 to 2012-13. The study considers four areas of financial activity, i.e., financial risks, investment activities, operating activities and debt covenants. The results revealed that the financial indicators, investment activities and operating activities have been significantly affected by the adoption of IFRS, while financial risks and debt covenants fail to show a statistically significant impact.

Grabinski, K. et.al.,(2014)opined that the process of implementing IFRS and examines a series of empirical research in this regard to understand the effects of transition. Based on the data the authors conclude that transition did not result in major changes on company's financial standing measured by financial ratio.

Ghedrovici, O. et.al.,(2014) discuss the obstacles and peculiarities in the transition based on analysis of regulatory framework, personal experience and a case study of an entity which applies IFRS since 2011. Based on comparative analysis of the secondary data collected the authors conclude that process of transition is not easy and the transition denotes changes in both qualitative and quantities terms.
Ana maria et. al.,(2015) highlighted that , the quality of accounting cannot be evaluated only in terms of IFRS adoption , either on a voluntary or mandatory basis , however, the accounting quality will also be determined by the various factors such as financial information incentives, the political and legal systems of the country.

Apergis (2015) undertook an empirical examination of the adoption of IFRS accounting regime on financial reporting quality on a number of MENA Listed firms. The Financial reporting quality is examined for the period from 2002 to 2012 using the panel methodological approach of the multifactor model. The empirical results indicates the adoption of the new IFRS regime results in a better financial reporting quality which can be determined by different Institutional economic and regulatory environments. Overall the result implied that MENA Listed firms exhibit improved financial reporting quality over the post IFRS era.

Shamimul Hasan et.al., (2017) evaluated the views and perceptions of external users about selected qualitative characteristics of corporate financial reports in Bangladesh. The selected qualitative characteristics were predictive value, feedback value, timeliness, verifiability, representational faithfulness, neutrality and comparability. An opinion survey was conducted on 190 external users specifically shareholders, stockbrokers, bankers, academicians and tax officers. The users' perception about the qualitative characteristics of corporate financial reporting is far below the acceptable level and as such users have a negative attitude towards disclosures of financial reporting. The study suggests that Board of Directors (representatives of the majority shareholders) should try to resuscitate the confidence level of external users through ensuring good corporate governance with utmost sincerity and integrity. The BOD should also ensure that financial statements reflect the true and fair view of financial position, performance and the state of affairs of the reporting entity. This research may help policy makers, regulators, reporting entities, academicians, stakeholders, and other interested groups to endorse good corporate financial reporting environment in Bangladesh.

FINDINGS OF THE STUDY
From the above literature it is found that,

- Adoption of IFRS as universal financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows.
- The accounting quality not only determined by the adoption of IFRS but will also be determined by the various factors such as financial information incentives, the political and legal systems of the country.
- Comparability of financial statements are enhanced due to adoption of IFRS.
- Adoption of IFRS does not lead to full pledged accounting quality.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- IFRS leads to comparability in financial statements, transparency, understandability of financial statements when compare to old Indian accounting standards.
- IFRS ensures more disclosures in Financial statements.
- Cross border investments is enhanced due to adoption or convergence of IFRS.
- Consistency in financial information is more as a result of adoption of IFRS.

CONCLUSION

The above study deals with only reviews based on previous years. It is observed from the study implementation of IFRS itself does not improve overall quality in financial statements but it depends on the country willingness by considering national legal, social, accounting practices etc.

Although introduction of IFRS in various countries ensures quality in accounting at the same time the result or outcome due to this implementation is not same and homogeneous in nature.

REFERENCES

1. AAA. (1936). A Tentative Statement of Accounting Principles Underlying Corporate Financial Statements, The Accounting Review , June, pp.187-191.
2. AAA.(1966). A Statement of Basic Accounting Theory Committee to Prepare a Statement of Basic Accounting Theory; Florida: American Accounting Association.
3. AAA. (1966). *A statement of basic accounting theory.* Michigan: American Accounting Association.
4. Antony, R. N., & Reece, J. S. (2003). *Accounting Principles.* Delhi: AITBS.
5. Armstrong, S, Christopher, Barth, E, Mary, Jagolinzer, D, Alan, Riedl, J, Edward, 2010 'Market Reaction to the adoption of IFRS in Europe', *The Accounting Review,* 85(1) pp 31-61.
6. Barth, E, Mary, Landsman, R, Wayne, Lang, H, Mark, 2008, 'International Accounting Standards and Accounting Quality', *Journal of Accounting Research,* 46 (3) pg 467.
7. Batra, K. (2014). *Difference between IFRS conversion and IFRS adoption.* Retrieved from www.charteredclub.com.
8. BROCHET, F., JAGOLINZER, A., & RIEDL, E. J. (2013). Mandatory IFRS Adoption and Financial Statement Comparability. *Contemporary Accounting Research, Vol.30*(No.4), pp.1373-1400.
9. CA, Francis, Wong Hannah, 2010, 'The Effect of IFRS Adoption On Global Market Integration', *International Business & Economics Research Journal,* 9(10) pp 25-34.
10. Callao, Susana, Jarne, I, José, Laínez, A, José, 2007, 'Adoption of IFRS in Spain: Effect on the comparability and relevance of financial reporting', *Journal of International Accounting Auditing & Taxation,* 16 (2) Pg 148.
11. CentreforAuditQuality. (2009). *Guide to international financial reporting standards.* Washington.
12. Chand, Pramod, White, Michael, 2007, 'A critique of the influence of globalization and convergence of accounting standards in Fiji', *Critical Perspective on Accounting*, 18 (5) pg 605.
13. Christian, L., & Jens, W. (2003). The Role of Accounting in the German Financial System. *Center for Financial Studies*.
14. Devalle, A., Magarini, R., &Onali, E. (2010). Assessing the Value Relevance of Accounting Data After the Introduction of IFRS in Europe. *Journal of International Financial Management & Accounting, Vol. 21*(2), pp.85-119.
15. FASB,(1973).statement of financial accounting Concepts.
16. *Financial Reporting* (Vol. 1). (n.d.). Institute of Chartered Accountants of India.
17. Francis.M, W. (1971). *Estabishment of Accounting Principles.* London.
18. Gowda,K.Nanje.,(1993).A Critical evaluation of accounting standards In Contemporary Issues in Accounting Standards and policies, Theory and Practice(eds) KhandelWal M.C., and Sugan C. Jain, Jaipur:Pointer Publisher.pp.59-73.
19. Gupta, Das., (1977).Financial Reporting in India , New Delhi: Sultan Chand and Sons.
20. Higson, Andrew.,(2003)Corporate Financial Reporting: Theory and Practice. New Delhi: SAGE Publication.
21. http://icai.org/resoucre
22. http://www.pwc.com/enGX/gx/ifrsreportingservices/pdf/viewpoint_convergence.pdf
23. https://www.researchgate.net/publication/228435057
24. ICAI,(2006)Financial Reporting Review Board Non-compliance with Reporting Obligations observed by the FRRB, The chartered Accountant,Febraury,p.1240.
25. *IFRS.* (2009). WILEY.
26. *International Financial Management & Accounting*, 21, (2) pg 85.
27. INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH & DEVELOPMENT Page 366
28. Jain,P.,(1988). The Stock Market Valuation of Book Value and earnings: Some International Evidence. Working Paper, INSEAD.
29. Joshi,L.P.,andJ.Abdullah(1995). Accounting standards and Corporate Financial Reporting in India, Asian Accounting Review, 3:2,pp.105-125.
30. Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2011). *Intermediate Accounting.* USA: John Wiley and Sons.
31. Maheshwari, S., &Maheshwari, S. (2000). *Fundamentals of Accounting.* Delhi: Vikas Publishing House.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

32. Nair, R.D. and W.G. Frank (1980). The Impact of Disclosure and Measurement Practices on International Accounting Classification , The Accounting Review, Vol.LV No.3,July ,pp.426-450.
33. Parker, L.D.,(1982). Corporate Annual Reporting : A Mass Communication perspective. Accounting and Business Research, Spring,pp.205-224.
34. Patro, A., & Gupta, V. (2014). Impact of International Financial Reporting Standards on Cost of equity Capital for Asian countries. *International Journal of Accounting and Financial Reporting, Vol. 4*(No.2), pp140-170.
35. Perramon, J., &Amat, O. (2006). *IFRS introduction and its effect on listed companies in Spain.* Working Paper, UniversitatPompeuFabra, Department of Economics and Business.
36. Porwal, H(2003), Financial Accounting Standards: A Comparative study, Jaipur: Indus Valley Publications.
37. Porwal, L. (2000). *Accounting Theory: An Introduction.* New Delhi: TATA McGraw-Hill.
38. Ray, S. (2012). Indian GAAP and its Convergence to IFRS: Emphirical Evidence from India. *AAEF, Vol. 2*, pp.257-276.
39. Retrieved from www.icai.org.
40. S.P. Srivastava* & Sanjay Kumar Patel.CONVERGENCE OF INDIAN ACCOUNTING STANDARDS WITH IFRS : PROSPECTS AND CHALLENGES. Vol. V, No. 2; December, 2009.
41. Sharma, B. (2010). *IFRS - Challenges and Need for India Inc.* pune: www.indiamba.com.
42. Shekhar, B., & Prasad, R. (2013). Relevance Of International Financial Reporting Standards In The Globalized Economy-an Empirical Study. *International Journal of Advanced Research in Management and Social Sciences, Vol. 2*(No.8), pp.187-196.
43. Solomons, d., (1986). The FASB Conceptual Framework ; An Evaluation, Journal of Accountancy, Vol.161,No.6,pp.114-124.
44. Srivastava, A., &Bhutani, P. (2012). IFRS in India: Challenges and Opportunities. *The IUP Journal of Accounting Research and Audit Practices, vol. XI*(No.2), pp. 6-32.
45. Srivastava, A., & Gupta, P. (2014). Adoption and Implementation of IFRS. *The IUP Journal of Accounting Research & Audit Practices, Vol XIII*(No.4), pp.8-24.
46. Stenka, R., Ormrod, P., & Chan, A. (2008). Accounting For Business Combination – The Consequence Of IFRS Adoption For UK Listed Companies. *32nd European Accounting Association Annual Conference.* Finland.
47. Trueblood, R. M. (1973). *trueblood Report.* London.
48. www.ijird.com November, 2014 (Special Issue) Vol 3 Issue 12.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON GST CONCEPT IN INDIA AND ITS IMPACT ON RETAIL SECTOR WITH SPECIAL REFRENCE TO BANGALORE RURAL

[1]Mr. PARVEEZ ULLA,

Asst. Professor & HOD, Dept. of BBA

Swamy Vivekananda Rural First Grade College, Chandapura, Anekal Taluk, Bengaluru – 560099.

[2]Mrs. PRADEEP KUMAR.C.R,

Asst. Professor, Dept. of Commerce

Swamy Vivekananda Rural First Grade College, Chandapura, Anekal Taluk, Bengaluru – 560099.

ABSTRACT

GST is one of the biggest tax reforms since independence. GST is very comprehensive tax structure when implemented at the national level. GST will subsume almost all the indirect taxes levied by state and central government and will make s significant impact across industries. The government has proposed five tax slabs at 0%, 5%, 12%, 18% & 28% for different type of items and services. Retail business in India is a key pillar of the economy and accounts about 10% of the GDP. The Indian retail market is estimated to be more than US $ 600 billon and one of the top five retail markets in the world by economic values. The impact of GST on retail sector is going to be positive as it will bring down total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit. The current study has been conducted to determine the impact of GST in retail sector. The study also helps the researchers to analyse the awareness level of GST in retail sector. The study helps in determining attitude of the retailers regarding implementation of GST. Primary and secondary research were used in this research study and the study was carried out by taking survey of 108 respondents by non-probabilistic convenience sampling method from Bangaluru rural by using structured questionnaires and interview technique. Finally the paper examines and draws out a conclusion.

Keywords: GST, GST Concept, Impact, Retail Sector.

1. INTRODUCTION

GST is one of the biggest tax reforms since independence that will replace all indirect taxes (like Central Excise Duty, Additional Exercise duty, Service Tax, Customs duty, State VAT etc.) levied on goods and services by the government both center and state once it is implemented. The recommended GST bill gives concurrent powers to both states and the center to make laws on the taxation of goods as well as services. The government has proposed five tax slabs at 0%, 5%, 12%, 18% & 28 % for a different type of items and services. Implementation of GST bill will mark an important milestone in the field of Indirect Tax Reforms in India. It's likely to benefit all stake holders like The Governments, The Trade and Industry and the consumers at large. It will harmonize the taxing of consumption of goods and services uniformly throughout the country and will pave way for creation of common market across India. The impact of GST on retail sector is going to be positive as it will bring down total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit. After implementation of GST, state boundaries will be irrelevant from taxation and documentation point of view. Vanishing state boundaries will reduce the complexity for retailers and increase the distribution reach as well as efficiency.

2. LITERATURE REVIEW

2.1 (Poonam, 2017) in her study, she had cleared that GST would be a very important step in the field of indirect taxation. The cascading and double taxation effects can be reduced by combing central and state taxes. After introduction of GST concept, Indian manufactured products would become more and more competitive in the domestic and international markets. This taxation system

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

would instantly encourage economic growth.GST with its transparent features will prove easier to administer .In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

2.2 Kumar (2014) studied, "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India many indirect tax system will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

2.3 Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

2.4 Rao (2001) analysed the issues involved in extending consumption taxes to the service sector. His empirical analysis revealed that the revenue productivity of the prevailing taxes on services was low. He also found that service tax has not been responsive to increase in incomes in the service sector. He argued in favour of a general tax on services rather than continuing with the then prevailing selective taxation system. However, he also favoured a small but well-defined negative list consisting of basic public services and services of a meritorious nature, and a threshold to exclude small service providers.

2.5 Bhawna Manyal and Aanchal Nagpal (2014) in their paper titled " GST on e-commerce in retail sector: BOON or BANE& quot; explained about the impact of GST on e-commerce in retail sector. The researcher has highlighted the advantages and disadvantages of GST in retail sector with special reference to E-commerce retailing. The researchers have showed the positive and negative impact of GST on E-commerce retailing.

3. OBJECTIVES OF THE STUDY

- To examine the GST Concept in India.
- To study the impact of GST in retail sector with special reference to Bangalore rural after its implementation in India.
- To study the awareness level of retailers on implementation of GST.
- To study the attitude of retailers on implementation of GST.
- To analyse and interpret the opinion of retailers on GST implementation.

3.1 RESEARCH METHODOLOGY

The study was based on both primary and secondary research. The secondary research is applied to study GST concept and literature review. The secondary data was being collected by way of published articles, journals, newspapers, magazines, books, websites, Govt. reports etc. The primary research is used to study impact of GST on rural retailers. The primary data is collected through structured questionnaire from 108 retailers of Bangalore rural on the basis of convenience sampling. Quantitative methodology was used to analyze and interpret the data. The data is analysed and interpreted through tables and charts.

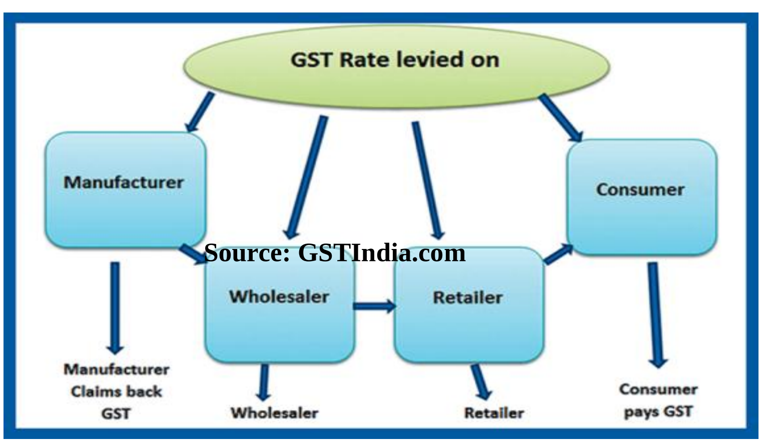
4. GST CONCEPT IN INDIA

4.1 Meaning of GST

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer.

"GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's / service provider's point up to the retailers' level where only the final consumer should bear the tax."

Figure 4.1.1: Showing levels of GST levied



Source: GSTIndia.com

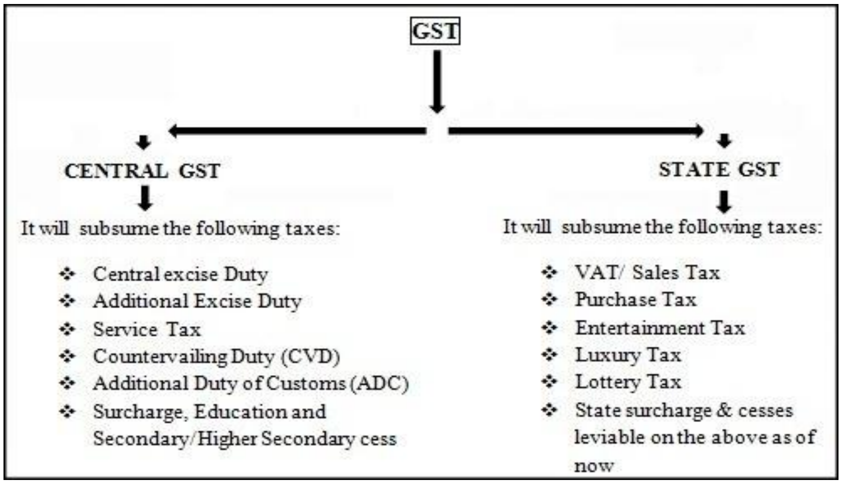
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

4.2 Objectives of GST

a) To provide one Country to one Tax
b) To provide consumption based tax instead of manufacturing.
c) To provide uniform GST Registration, payment and Input tax Credit.
d) To eliminate the cascading effect of Indirect taxes on single transaction
e) To subsume all indirect taxes at Centre and State Level
f) To reduce tax evasion and corruption
g) To increase productivity
h) To increase Tax to GDP Ratio and revenue surplus

4.3 Subsuming of Taxes

Figure 4.3.1: Showing the subsuming of Central and State Taxes



4.4 Taxes not subsumed in GST

Figure 4.4.1: Showing the taxes not subsumed in GST

Not subsumed in GST
Basic Customs duty
Alcohol for human consumption
Petrol / Diesel / Aviation fuel / Natural Gas*
Stamp duty and Property tax
Toll tax
Electricity Duty

Source: GSTIndian.com

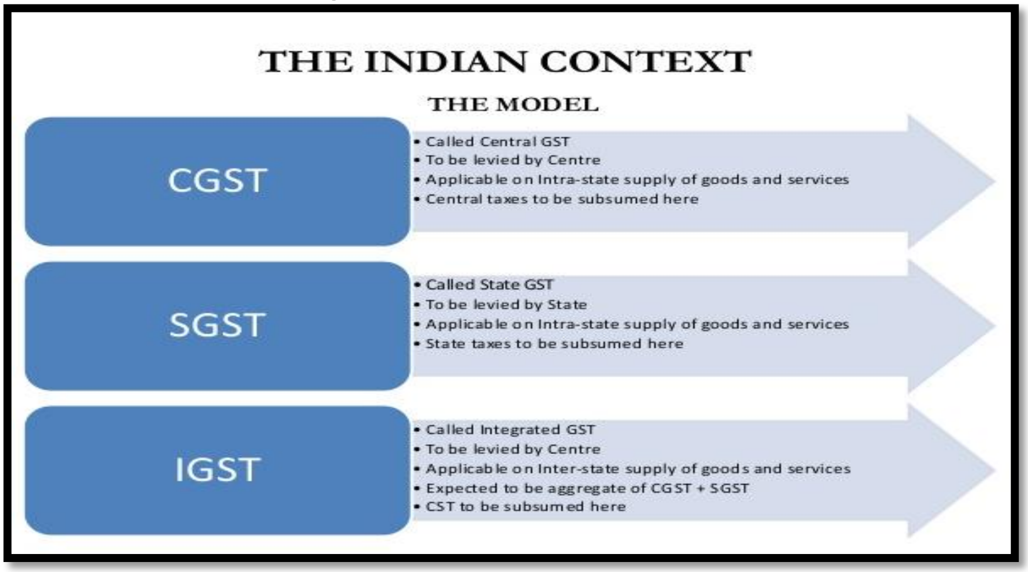
4.5 Structure of GST (Dual Model):

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes. Both the levels of Government have distinct responsibilities to perform, as per the Constitution, for which they need to raise resources. A dual GST will, therefore, be keeping with the Constitutional requirement of fiscal federalism.

The Centre and States will be simultaneously levying GST. 3 taxes are implemented to help tax-payers to take credit against each other thus ensuring "One nation one tax".

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Chart 4.5.1: Showing structure of GST (Dual Model)

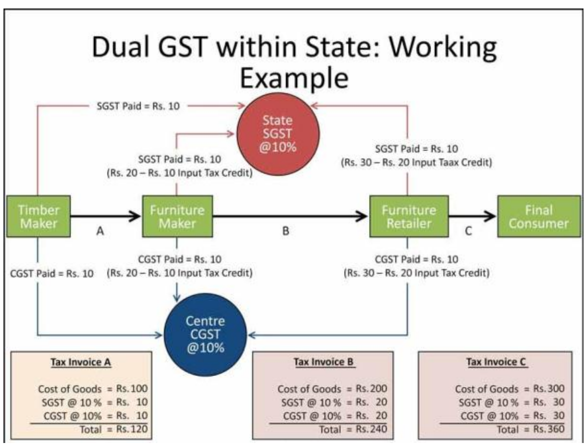


Source: GSTIndia.com

4.6 Work of GST

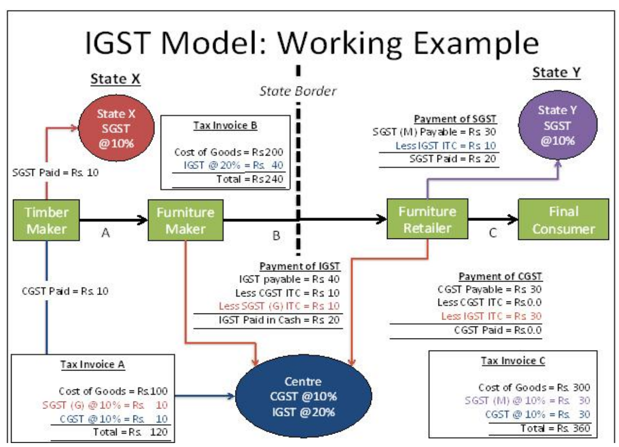
Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Figure 4.6.1: Showing GST intra state transaction example



Source: GSTIndia.com

Figure 4.6.2: Showing GST inter-state transaction example



Source: GSTIndia.com

GST is a consumption based tax i.e. the tax should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured. IGST is designed to ensure seamless flow of input tax credit from one state to another. One state has to deal only with the Centre government to settle the tax amounts and not with every other state, thus making the process easier.

For Example: A dealer in Karnataka sold goods to the consumer in Karnataka worth □ 10,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9%, in such case the dealer collects □ 1800 and □ 900 will go to the central government and □ 900 will go to the Karnataka government.

Now, if the dealer in Karnataka had sold goods to a dealer in Kerala worth □ 1,00,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9%. In such case the dealer has to charge □ 18,000 as IGST. This IGST will go to the Centre.

5. IMPACT OF GST ON RETAIL SECTOR.

The impact of GST on retail sector is going to be positive as it will bring down total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit. After implementation of GST, state boundaries will be irrelevant from taxation and documentation point of view. Vanishing state boundaries will reduce the complexity for retailers and increase the distribution reach as well as efficiency.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

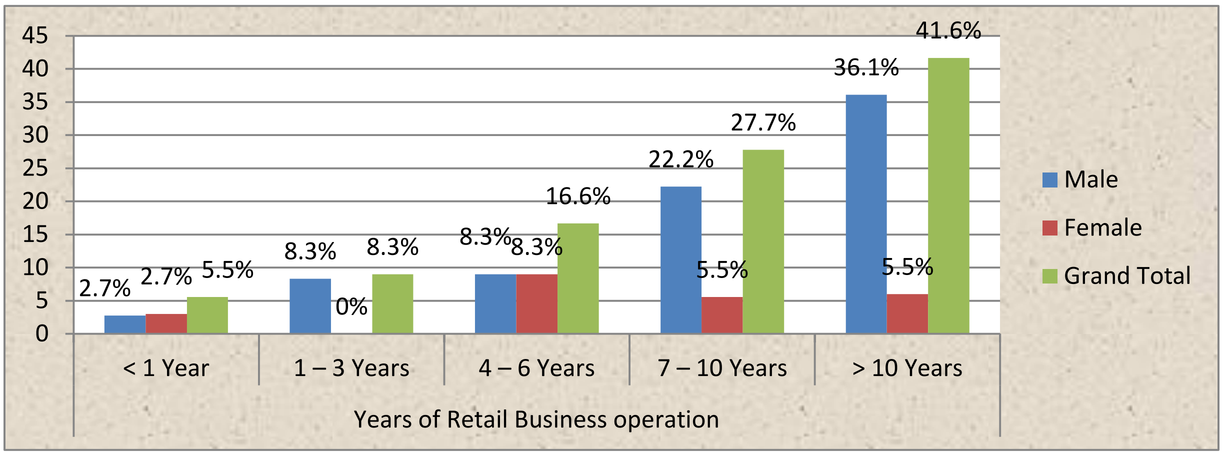
6. ANALYSIS AND INTERPRETATION.

Table 6.1: Showing gender and years of retail business operation.

Gender	Years of Retail Business operation					
	< 1 Year	1 – 3 Years	4 – 6 Years	7 – 10 Years	> 10 Years	Total
Male	3	9	9	24	39	84
Female	3	-	9	6	6	24
Grand Total	**6**	**9**	**18**	**30**	**45**	**108**

Source: field research

Chart 6.1: Showing gender and years of retail business operation.



Source: field research

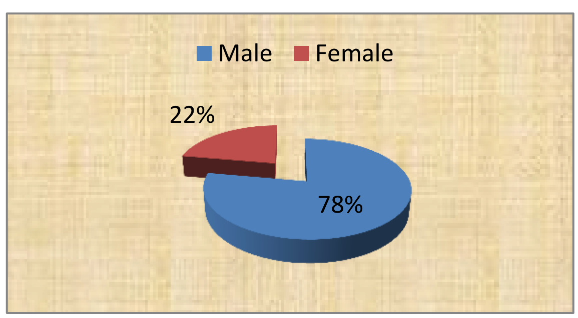
Chart 6.1 shows that 78% of male and 22% female respondents were taken in this survey, where both male and female together 41.6% having more than 10 years of experience in running the retail business, 27.7% were having between 7 – 10 years, 16.6% were between 4 – 7 years, 8.3% between 1 – 3 years and 5.5% were running the business from less than 1 year. In this survey majorly experienced respondents were considered to collect efficient information.

Table 6.2: Showing GST Awareness.

Awareness of GST	Male	Female	Total
Yes	84	24	108
No	00	00	00
Grand Total	**84**	**24**	**108**

Source: field research

Chart 6.2: Showing GST awareness



Source: field research

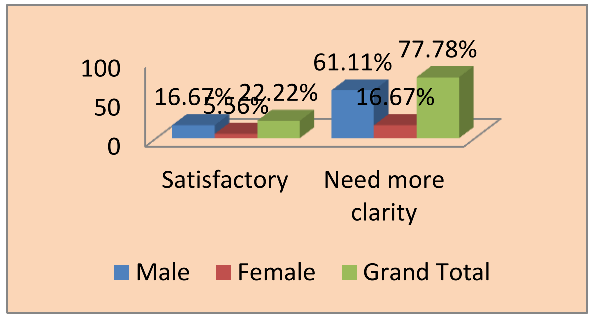
The opinion on awareness of GST is taken. In the survey it extracted that 100% of retailers are aware of GST, which is clearly shown in the chart 6.2.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 6.3: Showing satisfactory of GST law. **Chart 6.3: Showing Satisfactory of GST law.**

Gender	**Satisfactory**	**Need more clarity**	**Total**
Male	18	66	84
Female	6	18	24
Grand Total	24	84	108

Source: field research



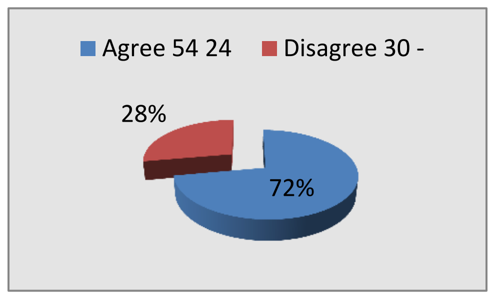
Source: field research

The opinion of the retailers on satisfactory of GST law is also gathered. Chart 6.3 shows that Male (61.11%), Female (16.67%) & totally (77.78%) asked for more clarity in the law, where as Male (16.67%), Female (5.56%) & totally (22.22%) were satisfied with proposed GST law. This shows GST law is not satisfactory to the retailers and they need more clarity.

Table 6.4: Showing implementation of GST is useful to retailers. **Chart 6.4: Showing implementation of GST is useful to retailers**

Gender	**Agree**	**Disagree**	**Total**
Male	54	30	84
Female	24	-	24
Grand Total	78	30	108

Source: Field research



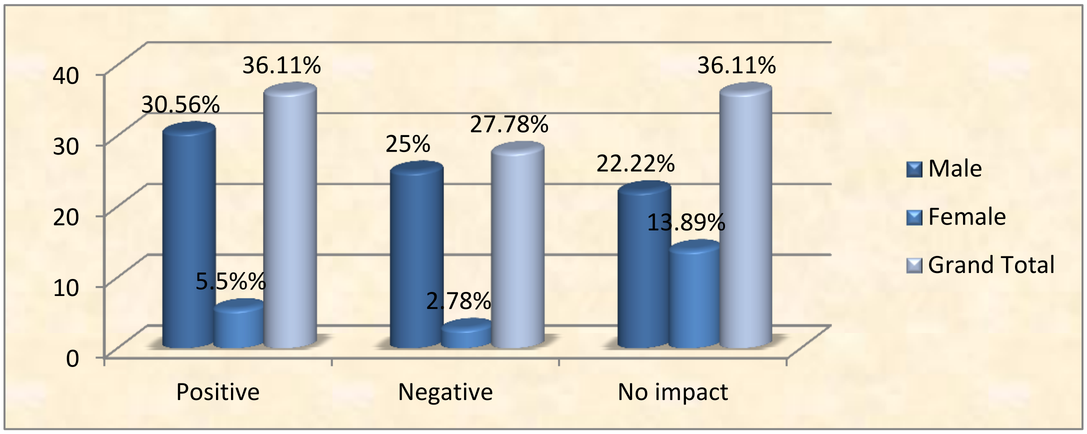
The opinion of retailers on implementation of GST is useful to retailers were collected. Chart 6.4 shows that 72% of retailers agreed and 28% were disagreed about usefulness of GST to retailers. This reveals implementation of GST in India is useful to retailers.

Table 6.5: Showing impact of GST implementation on retail business.

Gender	**Positive**	**Negative**	**No impact**	**Total**
Male	33	27	24	84
Female	6	3	15	24
Grand Total	39	30	39	108

Source: Field research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



Source: field research

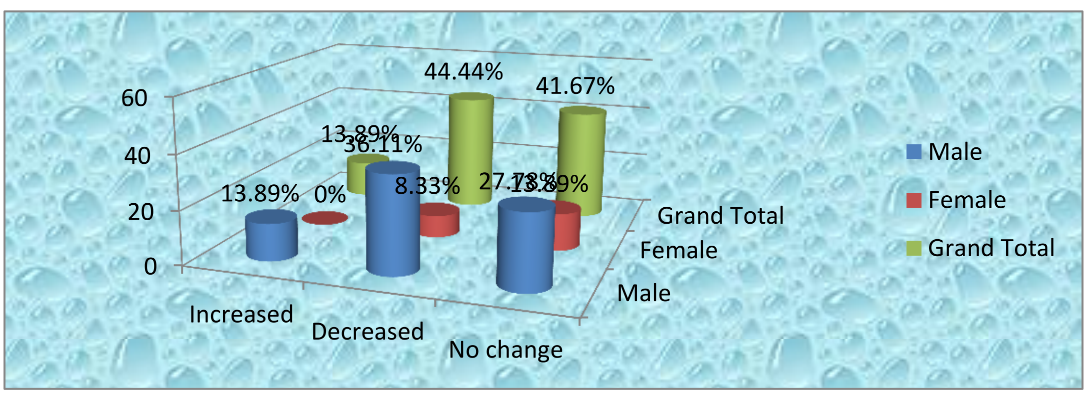
The opinion on impact of GST implementation on retail business was taken from retailers. Chart 6.5 reveals that male (30.56%), Female (5.5%) & totally (36.11%) are having positive impact but male (25%), female (2.78%) & over all (27.78%) said negative impact and male (22.22%), female (13.89%) & totally male (22%), female (13.89%) & totally (36.11%) had no impact. Equal responses were given for both positive impact and no impact. So impact of GST on implementation of GST on retail business is having both positive impact and no impact.

Table 6.6: Showing profitability position of retail business after GST implementation.

Gender	Increased	Decreased	No change	Total
Male	15	39	30	84
Female	-	9	15	24
Grand Total	15	48	45	108

Source: field research

Chart 6.6: Showing profitability position of retail business after GST implementation.



Source: field research

Chart 6.6 reveals that 13.89% respondents said profitability is increased, 41.67% said there is no change in profitability and 44.44% said there is decrease in profitability position after the implementation of GST. So the mixture of response received from the respondents on profitability position after the implementation of GST.

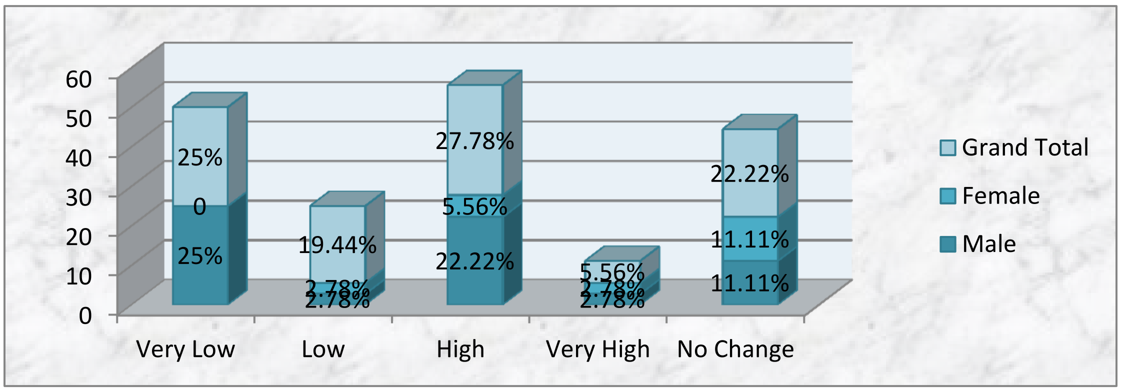
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 6.7: Impact of GSTon sales.

Gender	Very Low	Low	High	Very High	No Change	Total
Male	27	3	24	3	12	84
Female	-	3	6	3	12	24
Grand Total	27	21	30	6	24	108

Source: field research

Chart 6.7: Impact of GST on sales.



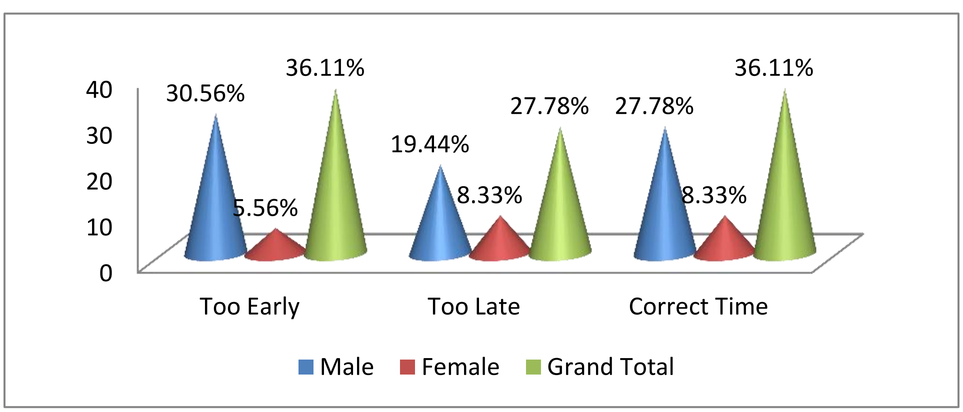
The opinion of retailers on sales impact GST is gathered. In this case most of the respondents said impact of GST on sales in very high (25%), High (27.78%) and No change (22.22%). This indicates there is a mixture of response on impact of GST on sales.

Table 6.8: Showing satisfactory on timings of GST implementation.

Gender	Too Early	Too Late	Correct Time	Total
Male	33	21	30	84
Female	6	9	9	24
Grand Total	39	30	39	108

Source: field research

Chart 6.8: Showing satisfactory on timings of GST implementation.



Source: field research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

The opinions of retailers were gathered on GST implementation timings. In this case as per chart 6.8 male (30.56%), female (5.56%) opted for the option Too Early, male (19.44%) & female (8.33%) opted Too Late option and 27.78% (male), 8.33% (female) selected Correct Time option. Overall the respondents have given equal response on timings of GST implementation. i.e 36.11% each on Too early and Correct Time. While 27.78% were agreed that it was Too late.

Table 6.9: Showing happiness of retailers on GST implementation.

Gender	Happy	Not Happy	Total
Male	57	27	84
Female	24	-	24
Grand Total	81	27	108

Source: field research

Chart 6.9: Showing happiness of retailers on GST implementation

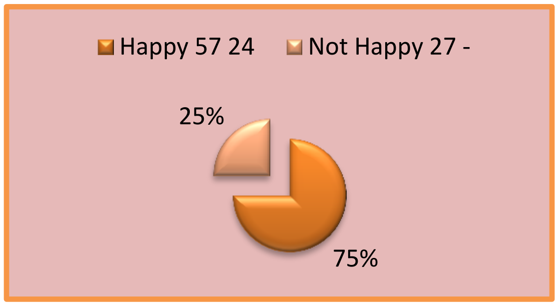


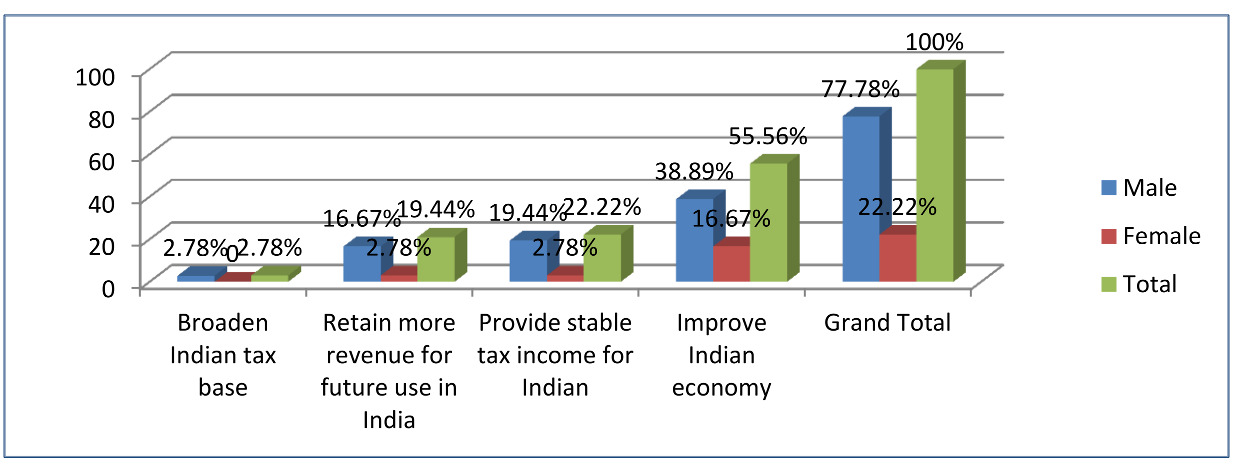
Chart 6.9 describes 75% of retailers were happy and remaining 25% of retailers were not happy with the implementation of GST.

Table 6.10: Showing reasons for supporting GST.

Reasons for supporting GST	Male	Female	Total
Broaden Indian tax base	3	-	3
Retain more revenue for future use in India	18	3	21
Provide stable tax income for Indian	21	3	24
Improve Indian economy	42	18	60
Grand Total	84	24	108

Source: field research

Chart 6.10: Showing reasons for supporting GST



Source: field research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

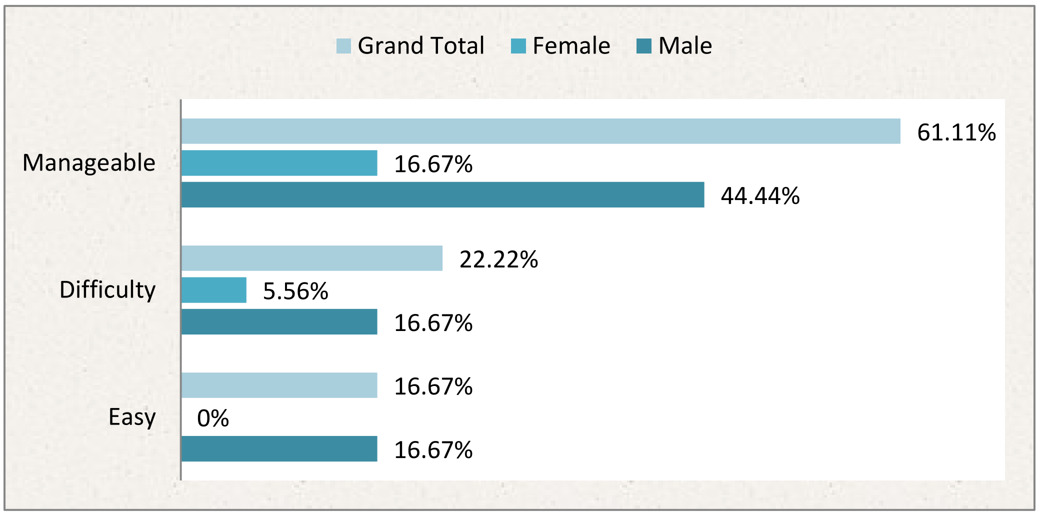
The respondents have expressed their view on reasons for supporting GST. Chart 6.10 reveals that, 38.89%, 16.67% & 55.55% of male, female & total felt improve Indian economy is the reason. Provide stable tax income for Indian & retain more revenue for future use in India is another two reasons where respondents have given the second choice for supporting GST. This indicates the retailers are supporting GST due to improve Indian economy, retain more revenue for future use in India and to provide stable tax income for Indian.

Table 6.11: Showing opinion on GST filing system compare to previous tax filing system

Gender	Easy	Difficulty	Manageable	Total
Male	18	18	48	84
Female	-	6	18	24
Grand Total	18	24	66	108

Source: field research

Chart 6.11: Showing opinion on GST filing system compare to previous tax filing system



Source: field research

Chart 6.11 describes the opinion of retailers on GST filing system compare to previous tax filing system. This chart clears that 44.44% of male & 16.67% of female said it manageable, 16.67% of male and 5.56% of female said it is difficult and 16.67% of male and 16.67% of female felt easy. Over all 61.11% said manageable, 22.22% said difficult and 16.67% felt easy in filing GST compare to previous tax filing system. This indicates, GST filing system is not difficult and easy but it can be manageable.

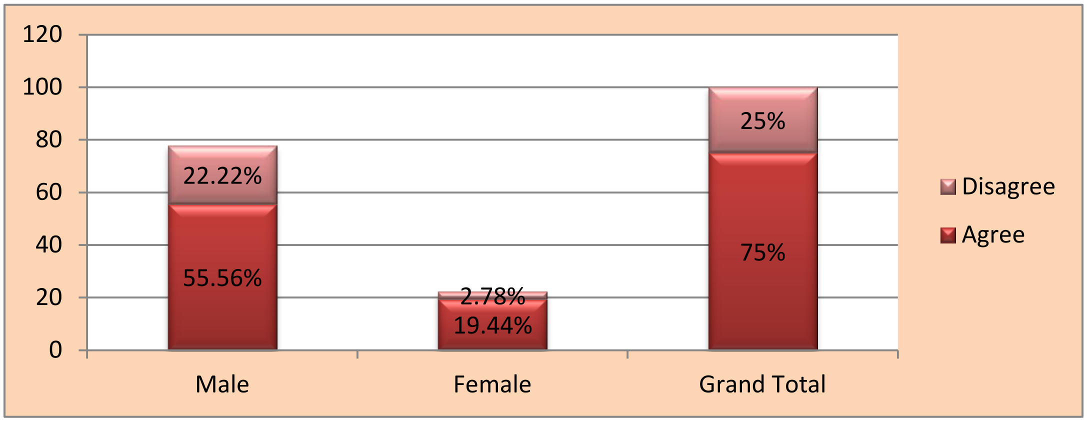
Table 6.12: Showing reduction of corruption in tax clearance after GST implementation

Gender	Agree	Disagree	Total
Male	60	24	84
Female	21	3	24
Grand Total	81	27	108

Source: field research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Chart 6.12: Showing reduction of corruption in tax clearance after GST implementation



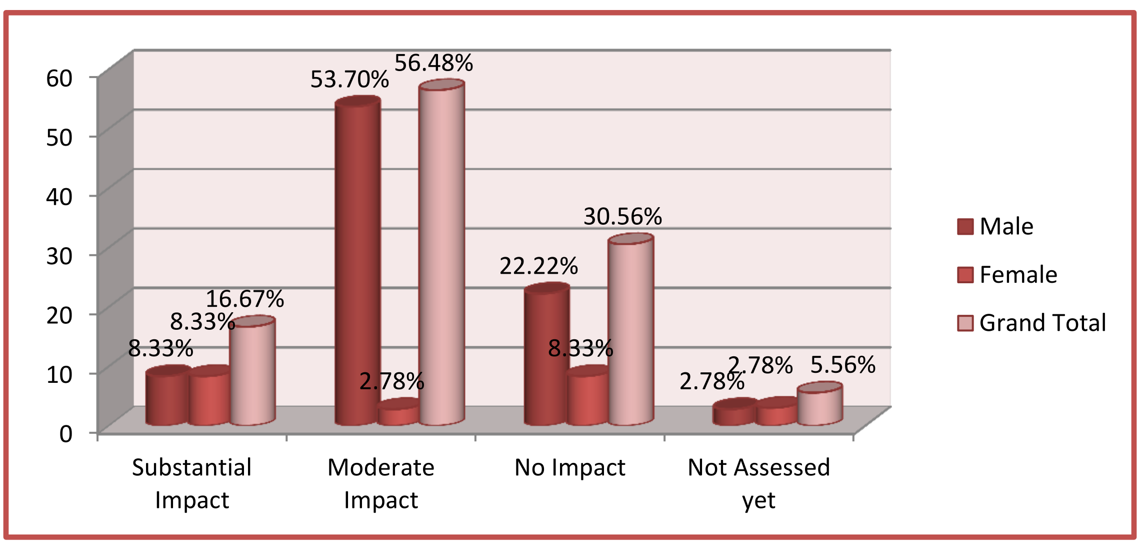
The opinion was gathered from retailers on corruption on tax clearance after GST implementation. chart 6.12 elucidate that 55.56% of male & 19.44% female agreed and 22.22% of male & 2.78% of female disagreed the implementation of GST reduced corruption in tax clearance. Overall 75% agree and only 25% disagreed that there is a reduction in corruption in tax clearance after the implementation of GST.

Table 6.13: Showing blocked of working capital on GST implementation.

Gender	Substantial Impact	Moderate Impact	No Impact	Not Assessed yet	Total
Male	9	58	24	3	84
Female	9	3	9	3	24
Grand Total	18	61	33	6	108

Source: field research

Chart 6.13: Showing blocked of working capital on GST implementation.



Source: field research

The opinions on block of working capital on GST implementation were also collected from the retailers. Chart 6.13 clears that 56.48% opted moderate impact, 30.56% said No impact, 16.67% selected substantial impact and 5.56% were not assessed yet. It indicates that bit of working capital blocked on implementation of GST.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

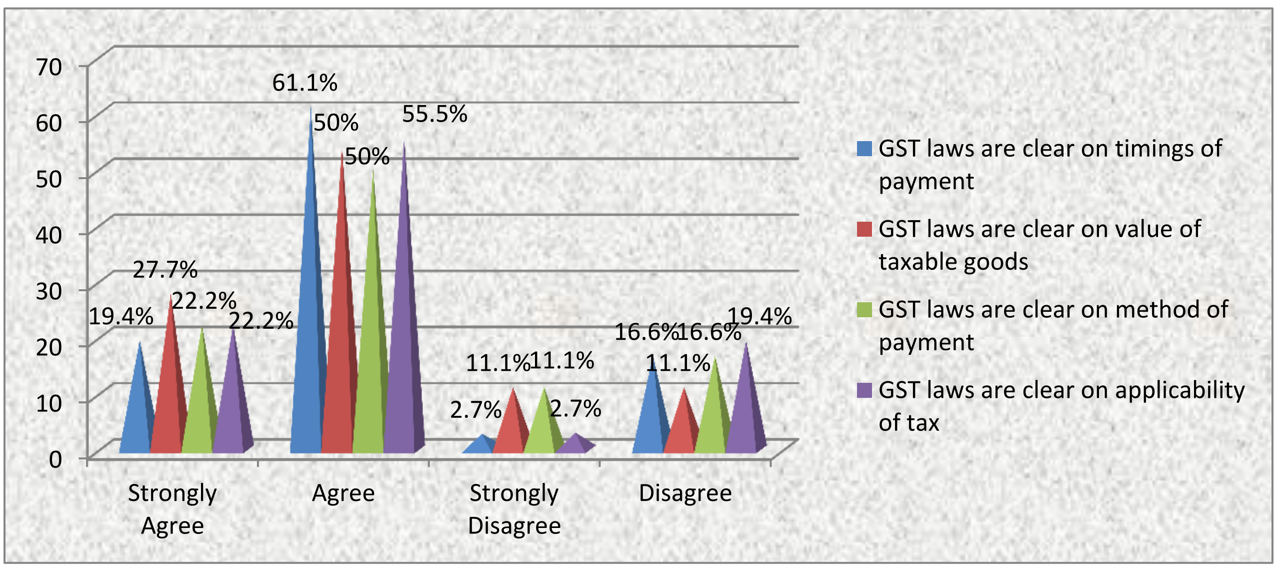
Table 6.14: Showing opinion of GST law on timings of payment, Value of taxable goods, methods of payment and applicability of tax.

Statement	Strongly Agree	Agree	Strongly Disagree	Disagree	Total
GST laws are clear on timings of payment	21	66	3	18	108
GST laws are clear on value of taxable goods	30	54	12	12	108
GST laws are clear on method of payment	24	54	12	18	108
GST laws are clear on applicability of tax	24	60	3	21	108

Source: field research

Chart 6.14: Showing opinion of GST law on timings of payment, Value of taxable goods, methods of payment and applicability of tax.

Source: field research



The opinion on GST law on payment timings, value of taxable goods, methods of payment and applicability of tax was gathered. In this case about 61.1%, 50%, 50% & 55.5% on timings of payment, value of taxable goods, methods of payment and applicability of tax respectively clearly mentioned that tax laws are clear and plain. Very few respondents were disagreeing about laws on payment timings, value of taxable goods, payment methods and tax applicability.

Major Findings

1. There is impact of GST in retail sector in India.
2. Retailers are highly aware of GST.
3. Retailers are happy with the implementation of GST in India and they felt GST filling system is manageable compare to previous tax filing system.
4. Majority of the retailers felt no impact in sales but there is some decline in profitability position after implementation of GST in India.
5. Most of the retailers agreed that there is decrease of corruption in tax clearance system.
6. As per the retailers the available law on proposed GST is required more clarity.
7. Most of retailers agreed that laws on tax payment timings, value of taxable goods, methods of payment and applicability of tax are clear and plain.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

8. On timings of GST implementation few retailers felt it is too early and few felt it is correct time.

Conclusion

The study states that retailers are more aware of GST. The researchers have also concluded that there is impact of GST in retail sector. The timing of implementing GST is also in favor of the retailers. The study also found that corruption in tax clearance is reduced to some extent but there is moderate impact on block of working capital on implementation of GST. The respondents were happy with the implementation of GST but they need more clarity in law. Most of the retailer said the primary duty of Govt. is to create awareness among the public about GST law before implementation. The researchers also concluded that there is no change in profitability position after GST implementation. The study also reveals that there is both negative and positive impact on sales of retailers and on tax filing system retailers felt that GST filing is not difficult and it is manageable compare to previous tax filing system. Majority of retailers are supporting GST, the main reason is it increase the Indian economy. Over all the impact of GST on retail sector is positive.

REFERENCES

- Das, Abhijit, Rashmi Banga, and Dinesh Kumar (2011). Global Economic Crisis: Impact and Restructuring of the Services Sector in India. ADBI Working Paper 311, Asian Development Bank Institute, Tokyo.
- Government of India (2011). Faster, Sustainable and More Inclusive Growth: An Approach to the Twelfth Five Year Plan. New Delhi: Planning Commission.
- Bagchi, Amaresh (2004). Taxing Services: The Way Forward. Economic and Political Weekly, 39 (19): 1876-79.
- 1Dr. Shakir Shaik, 2. S. (DEC 2015). Does Goods and Services Tax (GST) Leads to Indian Economic Development? IOSR Journal of Business and Management (IOSR-JBM) , 5. Agarwal, D. S. (2016). Basic concepts of GST. gstindia.com.
- Kumar Nitin, “GOODS AND SERVICES TAX IN INDIA: A WAY FORWARD”, Global Journal of Multidisciplinary Studies, Volume 3, Issue 6, May 2014, Available online at www.gjms.co.in.
- Gupta Nishita, “GOODS AND SERVICE TAX: IT’S IMPACT ON INDIAN ECONOMY”, International Research Journal of Commerce, Arts & Science, Volume 5, Issue 3, 2014.
- Sharma Manpreet & Neha, “ A STUDY ON GOODS AND SERVICES TAX IN INDIA”, The International Journal’s Research Journal of Social Science and XVII Annual International Seminar Proceedings; January, 2016 .
- GST India (2015) Economy and Policy.
- www.iosrjournals.org/iosr-jbm/papers/Vol17-issue12/Version-3/A0171230105.
- www.financialexpress.com
- https://www.legalraasta.com/gst/impact-gst-infrastructure-sector
- www.indiainfoline.com/.../gst-impact-on-construction-real-estate-gst-impact-little-

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON INVESTORS' ATTITUDE TOWARDS CURRENCY DERIVATIVES AS AN INVESTMENT AVENUE WITH REFERENCE TO BANGALORE CITY.

Mohammed Umair,

Asst. Professor – Department of Commerce,

St. Joseph's College (Autonomous), Bangalore.

1.0: BACKGROUND OF THE STUDY:

Currencies are often traded in by banks and financial trading institutions. Individual investors can also trade in currency derivatives to take advantage of variations in currency exchange rates. The market for currency trading is one of the biggest and fastest growing in the world. Trading in these derivatives gives investor an option to trade in four foreign currencies which are pegged against the Indian rupee. Investor can trade through futures trading contracts for different foreign currencies through leading stock exchanges in India.
However in India Investors are less knowledge about the currency derivative market. Investor always makes investment in expectation of return. However, return is always subject to the risk attached. Experts say from the time stock markets have been volatile, many retail investors have been taking exposure in the currency market through derivatives, as one cannot directly buy or sell currencies in India. But investors need to remember the currency derivative market is new in India. The currency derivatives-futures and options-which offer a great opportunity for investment besides hedging forex risk. Understanding your risk appetite and tolerance is important before entering the high-leverage currency trading. "First-time traders should start with very small ticket sizes. Only when investor has gained confidence about the nature and working of these instruments should investors look to increase their ticket size. The study is an attempt to know the perception level of investors towards currency market. The study will help the organization to understand the needs of the investors and in tracking them in future as per their need. This study is quite helpful in understanding the investment pattern of investors in currency derivatives, understanding investors' perception towards currency derivatives and to understanding investor's attitude towards currency derivatives.

1.1: REVIEW OF LITERATURE:

Peter Carr and Dilip Madan (2001) disclosed that generally does not formally consider derivatives securities as a potential investment vehicles. Currency derivatives are considered at all, they are only viewed as tactical vehicles for efficiently re-allocating funds across broad asset classes, such as cash, fixed income, equity and alternative investments. They studied that under reasonable market conditions, Currency derivatives comprise an important, interesting and separate asset class, imperfectly correlated with other broad asset classes. If Currency derivatives are not held in our economy then the investor confines his holdings to the bond and the stock and the optimal derivatives position is zero.
Narender L. Ahuja (2006) expressed Futures and options trading helps in hedging the price risk and also provides investment opportunity to speculators who are willing to assume risk for a possible return. They can also help in building a competitive edge and enable businesses to smoothen their earnings because non-hedging of the risk would increase the volatility of their quarterly earnings. At the same time, it is true that too much speculative activity in essential commodities would destabilize the markets and therefore, these markets are normally regulated as per the laws of the country.
K. Ravichandran (2007) argued the younger generation investors are willing to invest in capital market instruments and that too very highly in currency derivatives segment. Even though the knowledge to the investors in the currency derivative segment is not adequate, they tend to take decisions with the help of the brokers or through their friends and were trying to invest in this market. He also argued majority the investors want to invest in short-term funds instead of long-term funds that prefer wealth maximization instruments followed by steady growth instruments. Empirical study also shows that market risk and credit risk are the two major risks perceived by the investors, and for minimizing that risk they take the help of newspaper and financial experts. Currency derivatives acts as a major tool for reducing the risk involved in investing in stock markets for getting the best results out of it. The investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk. Awareness about the

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

various uses of derivatives can help investors to reduce risk and increase profits. Though the stock market is subjected to high risk, by using currency derivatives the loss can be minimized to an extent.

David Nicolaus (2010) studied that retail derivatives allow retail investors to pursue sophisticated trading, investment strategies and hedging financial instruments. Retail investors" motivation for improving the after tax return of their household portfolio represents a major driver of the derivatives choice of the products and that provide only little equity exposure for the investor. The derivatives reveal the divergent belief of retail investors about the future price level of the underlying as these can be tailored to specific demand of the investor. He argued the potential role of search costs and financial advice on the portfolio decisions of retail investors, the flexibility of retail derivatives and low issuance costs are likely to emphasize the existing frictions in financial retail markets such as an increase of strategies and heuristics used by retail investors to cope with the complex decision situation or an inadequate disclosure of conflicts of interest in financial retail markets.

Abdulla Yameen (2011) studies that overconfidence is one of the most robust findings in the field of Behavioral Finance, and is associated with excessive trading and risk taking among market participants. Assessment of the level of confidence in their abilities and skills is well-documented for individuals. However, the literature lacks a measure of aggregate investor confidence, in order to test its implications on a macro-level. The measure of aggregate investor confidence by adapting a formal model of overconfidence. Applications of the measure suggest that, in aggregate, trading activity is high when investor confidence is high. The effect partially reverses thereafter, suggesting partial correction of initial overreaction through overconfidence. The newly introduced investor confidence index possesses better ability to predict trading activity than past returns, as used in prior studies. Additionally, investors tend to increase risk appetite when confident, represented by increased investment in currencies associated with higher risk.

1.2: STATEMENT OF THE PROBLEM

In India, generally all capital market investment avenues are perceived to be risky by the investors. But the younger generation investors are willing to invest in capital market instruments and that too very highly in derivatives segment. Even though the knowledge to the investors in the currency derivative segment is not adequate, they tend to take decisions with the help of the brokers or through their friends and were trying to invest in this market. This study was undertaken to find out the investors' attitude towards Currency derivatives as an investment avenue and also to find out their risk preference in various currency derivative segments.

1.3: OBJECTIVES OF THE STUDY

1. To study the investment pattern of investors in currency derivatives
2. To understand investors perception & attitude towards currency derivatives

1.4: RESEARCH METHODOLOGY

The study is applied, analytical and descriptive in nature. The study area is in Bangalore. Selected of the sample size is 520. About 520 samples were collected from Bangalore city and most of the respondents were customers of various brokerage firms and clients of reputed brokers. Primary data is collected through Structured Questionnaire from clients. Percentage analysis, Charts and Diagrams are used to analyze data.

1.5: ANALYSIS AND DISCUSSION:

In this section, the data obtained from the fieldwork are presented and analyzed in the form of frequencies, percentages, and charts. The researcher analyzed how investment pattern of investors in currency derivatives and investors' perception & attitude towards currency derivatives discusses the findings especially in relation to the theories espoused in the literature review.

Table 1.0: RESPONDENTS PROFILE

1	**Gender profile of the respondents**		**2**	**Age profile of the respondents**	
Male - 70.83%	Female - 29.17%		18-35 years - 69.16%	36-55 years - 29.17	56-75 years - 25.83%
3	**Educational background of the respondents**				
PG - 20.83%	Graduate - 66.66%	HSC - 4.17%	SSC - 1.67	Others - 6.67%	
4	**Occupation of the respondents**				
Business 45.83%	Salaried - 37.5%	Professional - 15	Others - 1.67		
5	**Annual income of the respondents**				
Below 1,50,000 - 0.83%	1,50,000-3,00,000 - 2.5	3,00,000-5,00,000 - 28.33	Above 5,00,000 - 68.34		
6	**Marital status of the respondents**				
Married - 29.17%	Unmarried - 70.83%				

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Gender profile of the respondents, out of total 120 of respondents 85 are men and the rest are women. Generally men bear the financial responsibility in our culture and therefore they take most of the investment decisions at home to fulfill the financial obligations. Thus from the table we find large proportions i.e. 70.83% are men and it is evident from this investment in currency derivative is more preferred by men than women. The conventional wisdom holds that people in their 20s and 30s can load up on risk because they've got plenty of time to ride out inevitable rough patches. . Therefore from the table we find large proportions i.e. 69.16% of investors investing in currency derivatives are in the age group of 18-35 years, thus it is evident that investment in currency derivative is more preferred by young investors. Majority of the investors are graduates having the maximum number of representation (66.66%) followed by Post graduates and other constituting 20.83% and 6.67% respectively. we find the majority of the investors are into Business having the maximum number of representation 45.83% followed by Salaried employees representing 37.5% and Professional and other category representing 15% and 1.67% respectively. Thus it is evident that investment in currency derivative is more preferred by Business people. We find the majority of the investors who invest in currency derivatives are unmarried having the maximum number of representation 70.83% and remaining 29.17% respondents are married. Thus it is evident that investment in currency derivative is more preferred by investors who are unmarried.

Table 1.1: INVESTMENT PATTERN OF THE RESPONDENTS				
1 Proportion of income respondents invest in Currency derivatives				
< 5% - 0.83%	5%-10% - 2.5%	11%-15% - 65	16%-20% -24.17%	> 20% - 7.5
2 Anticipated rate of return of respondents from currency derivative				
< 5% - 4.16%	5%-10% - 20.84%	14%-17% - 54.17	18%-23% - 10.83	> 23% - 10
3 Factors respondents consider while investing Currency derivatives (Ranking)				
Price 3rd	Risk 2nd	Return 1st	Inflation rate 4th	Interest rate 5th
4 Frequency of trading in currency derivatives				
Daily - 33.33%	Weekly – 50%	Monthly – 10%	Occasionally - 6.67%	

It is observed that majority of the investors representing 65% invest in currency derivative to an extent of 11%-15% of their earnings. Further most of the investor of currency derivative do not anticipate exuberant returns, but prefer a rate of return which is more than risk free rate but on par with market return, it is observed that majority of the investors representing 54.17% expect a return of 14%-17% by investing in currency derivatives. Out of total respondents' majority consider return (1st rank) and risk (2nd rank) as major factor at the time of investing in currency derivatives, other major factors considered is price at (3rd rank) and inflation rate at (4th rank). The least considered factor is interest rate at (5th rank). Therefore from above data is evident that unlike risk and return are the most crucial factors influencing an investor in deciding to invest in currency derivatives. It is observed that majority of the investors representing 50% trade in currency derivatives weekly followed 33.33% respondents who trade daily. Thus it is evident that weekly trading in currency derivative is more preferred by investors.

Table 1.2				
RESPONDENTS PERCEPTION TOWARDS CURRENCY DERIVATIVES				
Investors perception on complexity of currency derivatives Statement: Currency derivatives are new, complex and high-tech financial products				
Strongly Disagree 8.34%	Disagree 16.66%	Neutral 41.67%	Agree 25%	Strongly Agree 8.33%
Investors perception on speculative nature of currency derivatives Statement: Currency derivatives are purely speculative and highly leveraged instruments				
Strongly Disagree 8.33%	Disagree 8.33%	Neutral 29.17%	Agree 33.33%	Strongly Agree 20.84%

Investors perception on currency derivatives as a tool for risk management Statement: Currency derivatives are simply the latest Risk management fashion				
Strongly Disagree 4.16%	Disagree 4.16%	Neutral 29.16%	Agree 33.34%	Strongly Agree 29.16%
Risk perception of investors towards currency derivatives Statement: The risks associated with currency derivatives are new and unknown				
Strongly Disagree 28.83%	Disagree 41.67%	Neutral 27.5%	Agree 1.67%	Strongly Agree 0.83%
Investors perception on speculative nature of currency derivative in comparison with equity market Statement: Currency derivative market is less speculative than equity market				
Strongly Disagree 0.83%	Disagree 40.83%	Neutral 1.67%	Agree 27.5%	Strongly Agree 29.17%
Investors perception on volatility of currency derivative in comparison with equity market Statement: Volatility in currency derivative market is less than equity market				
Strongly Disagree 1.67%	Disagree 41.67%	Neutral 3.33%	Agree 25.83%	Strongly Agree 27.5%
I**nvestors perception on suitability of currency derivatives** Statement: Currency derivatives are mostly suitable for sophisticated investors				
Strongly Disagree 1.67%	Disagree 41.67%	Neutral 27.5%	Agree 0.83%	Strongly Agree 28.33%
Investors' perceptions towards transferability of risk using currency derivatives Statement: Currency derivatives helps in transferring risks from risk adverse people to risk oriented people				
Strongly Disagree 3.34%	Disagree 2.5%	Neutral 27.5%	Agree 40.83%	Strongly Agree 28.33%

The above table exhibits response of investors. It is observed that large proportion (41.67%) investors who are neutral on perception of considering currency derivatives as complex and high-tech financial product. 33.33% investors perceive that are speculative in nature and provide high amount of leverage, a lot of respondents are neutral on speculative nature currency derivative as they neither agree nor disagree. Large proportion (33.34% and 29.16%) investors perceive currency derivatives as a tool for managing currency related risk. Large proportion perceive currency derivatives as well-known financial instruments and consider having knowledge of currency derivatives. Further investors perceive currency derivatives a little less speculative compared to equity market. They also perceive currency derivatives a little less volatile compared to equity market and currency derivatives are suitable for both and non-sophisticated investors. It is also observed that large proportion (41.66% and 28.34%) investors perceiving that currency derivatives helps in transferring risks from risk adverse people to risk oriented people.

Table 1.3				
RESPONDENTS ATTITUDE TOWARDS CURRENCY DERIVATIVES				
Risk tolerance attitude of respondents Statement: have risk tolerance towards my Investment decisions				
Strongly Disagree 4.16%	Disagree 6.66%	Neutral 18.33%	Agree 45%	Strongly Agree 25.83%

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Investors attitude on use of information in currency trading

Statement: I am acting promptly on receipt of new information about Currency Derivatives

Strongly Disagree 4.16%	Disagree	Neutral	Agree	Strongly Agree
	8.34%	41.67%	12.5%	33.33%

Investors attitude on use of past experience in currency trading

Statement: My trading is usually determined by past experience in the Currency Derivatives

Strongly Disagree 5%	Disagree	Neutral	Agree	Strongly Agree
	8.34%	4.16%	57.5%	25%

Investors attitude in considering future expectations & past performance

Statement: I usually buy currency based on future expectations rather than past performance

Strongly Disagree 4.16%	Disagree	Neutral	Agree	Strongly Agree
	2.5%	26.67%	40%	26.67%

Investors attitude on consideration of favorable government policies in trading currency

Statement: I prefer to invest, favorable government policies on exchange rate

Strongly Disagree 4.16%	Disagree	Neutral	Agree	Strongly Agree
	33.33%	41.66%	12.5%	8.33%

Investors attitude on daily exchange rates fluctuations

Statement: Daily changes in exchange rates are expressed as strengthening or weakening of one currency, which induce me to invest.

Strongly Disagree 5%	Disagree	Neutral	Agree	Strongly Agree
	8.33%	20.83%	16.67%	49.17%

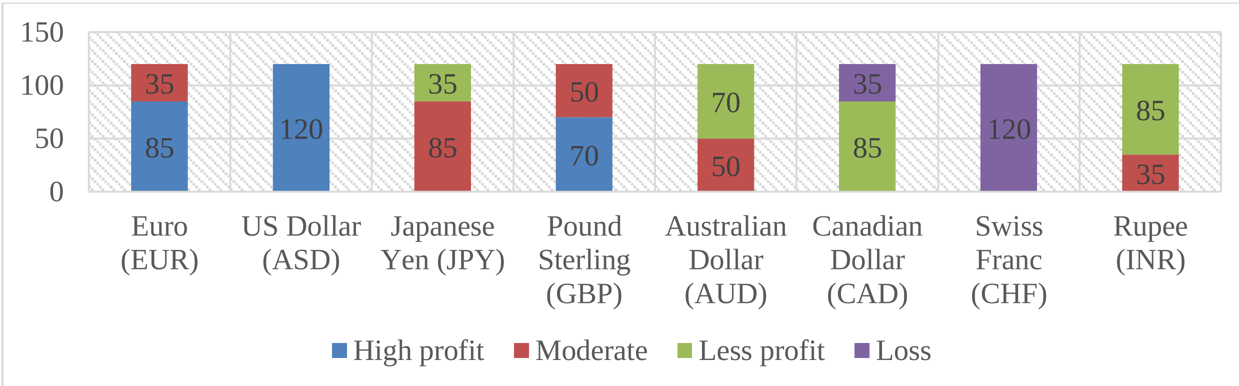
As derivatives are risky in nature an investor has to be risk tolerant therefore it is evident that most respondents who invest in currency derivatives are aware of risky involved and agreed that they are risk tolerant towards their investment decisions in currency derivatives. As derivatives are subject to volatility based on the news and information majority respondents agree to this on other hand a similar amount of respondents have a neutral and opposite opinion. It is observed that large proportion 57.5% who agreed that their currency trading is usually determined by past experience and 25% who strongly agree to the same point. Therefore it is evident that most respondents who invest in currency derivatives use and apply their past experience in trading of currency derivatives. Most respondents who invest in foreign currency derivatives take into account future expectations rather than past performance. It is found majority of respondents who are either neutral or do not agree they prefer to invest based on favorable government policies on exchange rate. A large number of respondents consenting daily changes in exchange rates are expressed as strengthening or weakening of one currency and it induces them to invest.

Table 4.12

#	Currency	High profit	Moderate	Less profit	Loss
1	Euro (EUR)	85	35		
2	US Dollar (ASD)	120			
3	Japanese Yen (JPY)		85	35	
4	Pound Sterling (GBP)	70	50		
5	Australian Dollar (AUD)		50	70	
6	Canadian Dollar (CAD)			85	35
7	Swiss Franc (CHF)			120	
8	Rupee (INR)		85	35	

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Chart – 1.0: Earnings from Currency Investments



2	1	3	4	6	7	8	5

*Ranks

The above chart exhibits earnings of respondents from various currency investments, the respondents were given 8 currencies and asked to rank them based on profits they have earned from these currencies. Majority investors have rated USD as most profitable currency followed by euros.

1.6: SUMMARY OF FINDING AND SUGGESTION AND CONCLUSION

[A] MAJOR FINDINGS

Generally men bear the financial responsibility in Indian culture and therefore they take most of the investment decisions at home to fulfill the financial obligations. Thus from the research it is found a large proportions i.e. 70.83% are men and it is evident from this investment in currency derivative is more preferred by men than women. Age may dictate the asset selection. The conventional wisdom holds that people in their 20s and 30s can load up on risk because they've got plenty of time to ride out inevitable rough patches. Therefore from the research it is observed that large proportions i.e. 69.16% of investors investing in currency derivatives are in the age group of 18-35 years, thus it is evident that investment in currency derivative is more preferred by young investors. From the research it is observed that large proportion (28.33% and 41.67%) investors who do not perceive that currency derivatives are new and unknown. To sum up it can said that investors perceive currency derivatives as well-known financial instruments and consider having knowledge of currency derivatives. Further investors perceive currency derivatives are suitable for both and non-sophisticated investors. It is observed that large proportion of investors agree that they invest in currency derivatives to reduce transaction risk, economic exposure and translation Risk. News and information provide expectations of the market, which are derived from economic indicators; a trader must carefully interpret data and analyze impact on market. From the research it is found that a majority 41.67% respondents were neutral on use of information in currency trading and followed by this 33.33% respondent agreed that they use information in currency trading. Investors buy and sell currency derivatives and earn money based on fluctuations. However, fluctuations are highly speculative and investors may lose a lot of money. Thus from the research it is found a large number of respondents consenting daily changes in exchange rates are expressed as strengthening or weakening of one currency and it induces them to invest.

[B] SUGGESTIONS

Investment analysis can help determine how investment in a particular currency derivative is likely to perform and how suitable it is for a given investor. Therefore it is advisable for an investor who prefers to trade in currency derivatives to perform analysis of risk and return. Investors who are not comfortable doing their own investment analysis can seek professional advice from a financial advisor or other financial professional. Beginner investors in currency derivatives have a tendency to look at a currency's historical returns when deciding whether to buy. After evaluation of the past performance, the analysis derived can indicate how a particular currency might perform in the future. However, when choosing to invest in currency derivatives, past performance should be only a minor consideration. Investing in currency derivatives simply because it's performing well, without knowing why it's performing well, an investor may lose when market conditions change. Risks in currency options, forward, swaps and flexible currency forward pertain to movements in the currency exchange rate. There is no rule of thumb to determine whether a currency rate will rise or fall or remain unchanged. A judgment on this will depend on the knowledge and understanding of the variables that affect currency rates. These variable include trade balance, inflation, interest rates and political risks affect the movement of the currency futures contracts. Therefore it is strongly advisable for all currency derivative investors to study and analyze these variable and assess their impact on their investment.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

[C] CONCLUSION

Investment analysis can help determine how investment in a particular currency derivative is likely to perform and how suitable it is for a given investor. Therefore it is advisable for an investor who prefers to trade in currency derivatives to perform analysis of risk and return. Investors who are not comfortable doing their own investment analysis can seek professional advice from a financial advisor or other financial professional. Beginner investors in currency derivatives have a tendency to look at a currency's historical returns when deciding whether to buy. After evaluation of the past performance, the analysis derived can indicate how a particular currency might perform in the future. However, when choosing to invest in currency derivatives, past performance should be only a minor consideration. Investing in currency derivatives simply because it's performing well, without knowing why it's performing well, an investor may lose when market conditions change. The world of currency derivatives is deep and complicated, due to the chaotic nature of the markets, and the diverse characters and purposes of market participants. It is hard to master all the different kinds of financial derivatives that goes on in this world, so it is a great idea to restrict our trading activity to a currency pair which we understand, and with which we are familiar. Beginning with the trading of the currency of your nation can be a great idea. If that's not your choice, sticking to the most liquid, and widely traded pairs can also be an excellent practice for both the beginner and the advanced traders. In general, a beginner is never advised to trade against trends, or to pick tops and bottoms by betting against the main forces of market momentum. Join the trends so that your mind can relax. Fight the trends, and constant stress and fear will wreck investors' money. Risks in currency options, forward, swaps and flexible currency forward pertain to movements in the currency exchange rate. There is no rule of thumb to determine whether a currency rate will rise or fall or remain unchanged. A judgment on this will depend on the knowledge and understanding of the variables that affect currency rates. These variable include trade balance, inflation, interest rates and political risks affect the movement of the currency futures contracts. Therefore it is strongly advisable for all currency derivative investors to study and analyze these variable and assess their impact on their investment. Currency derivative markets offers short term speculation, for longer term investing. For income generation the currency derivative market offers investors a wide range of choices to consider a variety of strategies, but as with all speculation in the market to be educate about the currency derivative. Currency derivative market is critical to make better investment decisions for investors. So, it is suggested to regulatory bodies to take necessary steps to guide the investors.

Currency derivatives indeed are a double-edged sword since they are leveraged products where one commits to buy or sell a large number of currency units or an index by only paying a part of the total cost, leading to phenomenal profits and losses. However, there is no shortage of currency derivative strategies that offer the best of both the worlds when it comes to times such as these when volatility is the order of the day.

BIBLIOGRAPHY

1. Currency derivatives, risk and regulation, chaos or confidence? By R. Dixon and R.K. Bhandari (1997), published in International Journal of Bank Marketing.
2. Pricing and hedging in incomplete markets, By Peter Carr, Helyette Geman, Dilip B. Madan, Journal of Financial Economics.
3. Investor's Awareness and Perception about Currency Future Market, By Narender L. Ahuja (2006), Internal Research Journal of Business and Management.
4. A study on Investors Preferences towards various investment avenues in Capital Market with special reference to derivatives, By Dr. K. Ravichandran (2007), Journal of Contemporary Research in Management Derivative Choices of Retail Investors: Evidence from Indian Market, By Pankaj Tiwari (2010), Imperial Journal of Interdisciplinary Research.
5. Workbook for NISM-Series-I: Currency Derivatives Certification Examination, Published by: National Institute of Securities Market.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY OF MICROFINANCE INSTITUTIONS AND ITS IMPLIACTIONS TOWARDS MSMEs FOR MAKE IN INDIA

Abhinandan N,

Assistant Professor,

Maharani Lakshmi Ammanni College For Women, Autonomous, Bangalore. 560012.

Dr. A M Kadakol,

Associate Professor, Kousali Institute of Management studies,

Karnatak University, Dharwad, India.

ABSTRACT

Micro, Small and Medium Enterprises (MSME) sector is one of the still untapped high growth segments in India and an essential partner for achieving socio-economic growth. MSMEs, which are spread across both urban and rural areas of the country, mostly form part of the unorganized sector. In this context, the research paper aims at analysing the link between the outreach capacities of microfinance institutions (MFIs) and their lending to micro enterprises. The study focuses on three select urban centric MFIs, namely Samasta Micro Finance, Grameen Koota Financial Services, and Janalakshmi Financial Services. The paper analyses the MSME lending trends of these institutions in the context of increasing outreach. The analysis is done by comparing three phases, i.e., expansion, MFI sector crisis period and the recent reform period featuring the aspects of bank license and IPO.

The study considers certain major parameters of outreach such as number of branches, customer base, number of employee and the variety of products and services. The impact of these parameters on the total amount of disbursement, number of MSMEs unit beneficiaries and amount of MSMEs finance is found. The study lies in enhancing the magnitude of MSMEs lending by MFIs in the context of their increasing outreach and market orientation. In this context, a further challenge would be in maintaining the financial health of the MFIs sector if it has to effectively operate as an agent for the 'Make in India' strategy in the future.

Key words: Customer base, Grameen Koota Financial Services, Janalakshmi Financial Services,Samasta Micro Finance, Make in India.

Introduction:

The primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country. Led by the Department of Industrial Policy and Promotion, the initiative aims to raise the contribution of the manufacturing sector to 25% of the Gross Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector.

This initiative intends to change this by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country alongside the corporate sector. The main objectives of this initiative is to build for getting Foreign Direct Investment (FDI) and foster business partnerships, Infrastructure as a integral part to the growth of any industry, and it also targets 25 sectors of the economy which range from automobile to Information Technology (IT) &

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Business Process Management (BPM) etc., It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property.

Since the launch of Make in India in September 2014, FDI inflows of USD 77 billion including a equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents about a 44% increase in FDI Equity inflows over the same corresponding period[1].

'Zero defect zero effect' is a key phrase which has come to be associated with the Make in India campaign it's about making our product which has 'zero defect' and 'zero effect' so that the manufacturing does not have an adverse effect on our environment".[2] Thus, sustainable development in the country is being made possible by imposing high-quality manufacturing standards while minimising environmental and ecological impact.

The "Make in India" program has an embedded thrust on growth of local industrial units and aims to optimize opportunities to harness local capital, skills and innovations. In this context Micro, Small and Medium Enterprises (MSME) sector is one of the still untapped high growth segments in India and an essential partner for achieving socio-economic growth. MSMEs, which are spread across both urban and rural areas of the country, mostly form part of the unorganized sector. As per present estimates, the MSME sector including Khadi, Village and Coir industries, consist of 51 million units and provides employment to over 117 million persons. The sector contributes 7% to India's GDP while accounting for 45% of the total manufacturing output and 40% of the exports from India.

FDI in MSMEs is subject to the sectoral caps, entry routes and other relevant sectoral regulations. Soft loans launched by SIDBI on August 18, 2015, in the nature of quasi-equity, and term loans on relatively soft terms are being provided to MSMEs to meet the required debt-equity ratio for establishment of an MSME and for pursuing opportunities for growth of existing MSMEs[3].

Classification of MSMEs (Investment limits):

Table 01: The guidelines with regard to investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are:

Nature of activity of the Enterprise	**Investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods**	**Investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs 1 crore)**
Micro	Not exceeding Rs.25.00 Lakhs	Not exceeding Rs.10.00 Lakhs
Small	More than Rs.25.00 lakhs but does not exceed Rs.500.00 lakhs	More than Rs.10.00 lakhs but does not exceed Rs.200.00 lakhs
Medium	More than Rs.500.00 lakhs but does not exceed Rs.1000.00 lakhs	More than Rs.200.00 lakhs but does not exceed Rs.500.00 lakhs

Sources: MSMEs Act 2006

The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based (i) on the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods and (ii) on the investment in equipment for enterprises engaged in providing or rendering of Services. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature. The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement, promotion of industrial development in rural areas, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports and manufacturing output, respectively, it is easy to comprehend the salience of the role they play in social and economic restructuring of India[4].

Microfinance Institutions and financial inclusion:

Make in India as one of the priority areas as a MFIs there is a greater responsibility, to bridge the growing gap between haves and have-nots together with the divide between rural-urban, rich-poor, privileged-under privileged. Unless we are able to bridge this concept of financial inclusion, programmes like Skill India, Make in India will not be able to overcome these disparities, there is need to make a very conscious effort to bridge this gap.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 02: Characteristics of Microfinance Delivery Models in India

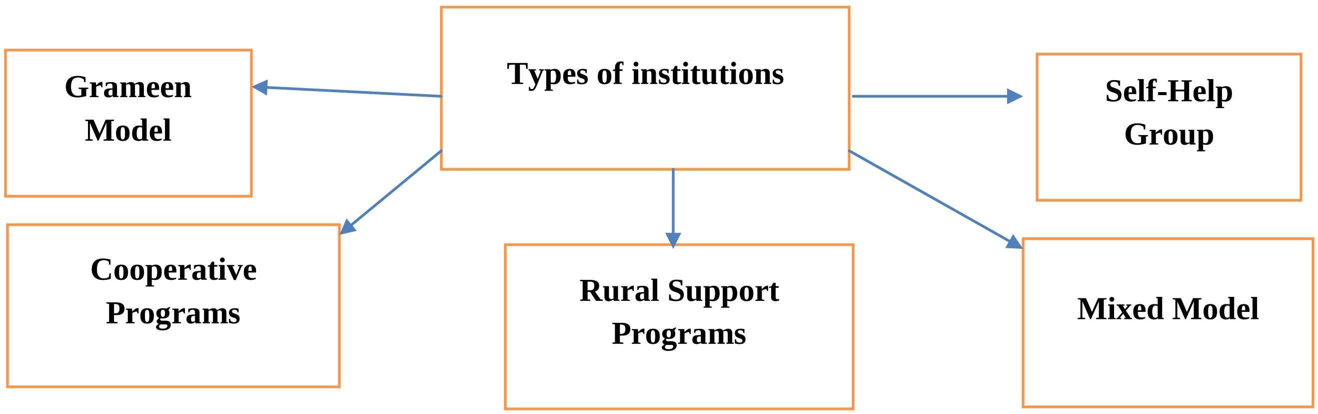
Financial Service	Characteristic	Description
Credit	Loan amount	Determined by the longevity of the client's association with the MFI. Not often directly related to the credit needs of the borrower
	Loan term	Usually 12 months, occasionally less, sometimes greater
	Repayment instalments	Monthly or weekly – usually fixed, equal amounts
	Interest charges	Range: 24-36%, usually levied as a flat charge, partly to simplify calculations for both the MFI and the client. Some MFIs charge lower rates but suffer from poor sustainability as a result.
	Collateral	No physical collateral but often linked to some compulsory savings component which acts as financial collateral. Reinforced by joint liability (Grameen) with other clients or peer pressure arising from membership of a community group revolving its own as well as borrowed funds (SHGs, cooperatives). Some MFIs also create reserve funds to cover the risk of default.
Savings	Amount deposited	Grameen: Compulsory – usually a fixed proportion of the repayment instalment SHG: Compulsory – fixed amounts per (weekly or monthly) meeting to be deposited as part of the group fund; occasionally also voluntary Some MFIs now offer long term fixed deposits.
	Withdrawals	Compulsory savings cannot be withdrawn except when the client leaves the group. Voluntary savings often require some notice of withdrawal.
	Interest paid	Most programmes pay 4-6% interest (not consistent)

A wide range of delivery systems is employed by these many different types of institutions, but the main methodologies can be classified into the following five types:

- **Grameen Model-**a delivery methodology pioneered by Grameen Bank of Bangladesh. Joint liability is the key factor in ensuring repayment, although there is no formal documentation of this, and accounts are maintained in the individual names of clients.

- **Self-Help Group-** Operations of 15 to 25 member SHGs are based on the principle of revolving the members' own savings.
- **Cooperative Programs-** Entailing the provision of financial services by MFIs to individual clients organized into credit and savings cooperatives. In cooperatives, all borrowers are members of the organization, either directly or indirectly, by being members of associations in which they hold shares.
- **Mixed Model-** some MFIs started with the Grameen model but later on mixed that with an SHG model or another model, adapting their approach to prevailing market conditions.
- **Rural Support Programs-** Pakistan makes a unique contribution to this discussion in that a number of the NGO-MFIs and, indeed, one of the microfinance development banks, have evolved out of multidimensional programs based on establishing and strengthening village organizations to manage their own development.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



In India micro finance constitutes three-fourth of the total micro financing where activity/ joint liability/ shelf-help groups are formed and nurtured by facilitating agencies and are linked directly with banks for the purpose of receiving credit[5].

Research Design:

In the recent times, there have been remarkable changes in the policies of RBI and the government of India aiming at financial strengthening, widening the capital base and market-orientation of MFIs so as to contribute to their increasing outreach and credit expansion to the MSME sector. These policies include raising the amount of micro-credit lending by MFIs from Rs. 50,000 to Rs. 1,00,000 (Business standards, 2015), issue of micro finance bank and approving initial public offers (IPOs). It has thus become pertinent to introspect about the impact of these policy changes.

Review of Literature:

Khadilkar,S and Tawade, (2016). Implications of the outreach and MSME sector lending of MFIs for the 'Make in India' strategy.The study analyses the MSME lending trends of three MFIs in the context of increasing outreach and its implications on their financial performance. The analysis is done by comparing three phases and the study focuses on the secondary information. **Kapuria, (2016).**MSME sector: Epitomising vitality. This article is about **Performance of Indian MSME Sector and the Diversity of the Indian MSME Sector.** As India gears up to retrace the high growth path, the Micro, Small and Medium Enterprises (MSMEs) sector assumes a pivotal role in driving the growth engine. **Priti G, & Thakur Y. S. (2017)** in his article: MSME performance and classifying problems of micro, small and medium enterprises in India. This research paper is helpful to academicians, Ministry of MSME, practitioners and common people. Study concludes that the performance of MSMEs has a positive impact on the growth of the economy of the country and government should support this sector as it reduces poverty and helps in the development of the country. **Siddiqui M A (2017),** in his article**:** Providing MSME Finance: The Indian Perspective, The present paper studies the industry wise availability of loan to MSMEs in the present era. A descriptive analysis was done to permit the study to make use of both quantitative and qualitative data collection techniques and data analysis procedures. In all, 112 enterprises were chosen for the research. Evidence from the analysis shows that there is significant variation in the amount demanded and disbursed by financial institutions to different sectors.

Objectives:

1. To study the trends in outreach capacity of MFIs over a period of time in changing MFI model and policies.
2. To explore the link between outreach capacity and trends in lending of MFIs to Micro enterprises.

Hypothesis:

1. **Ho-** The outreach capacity of MFIs has increased over a period of time.

   H_1- The outreach capacity of MFIs has not increased over a period of time.

2. **Ho-** Increase in the outreach capacity of MFIs increased their contribution to MSME lending
   H_1- Increase in the outreach capacity of MFIs has not increased their contribution to MSME lending

Methodology and scope:

The study focuses on three select urban centric MFIs, namely Samasta Micro Finance, Janalakshmi Financial Services, and Grameen Koota Financial Services. The analysis incorporates a comparison between three phases of MFI growth; phases of emergence to

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

expansion, and phases of MFI crisis as well as recent reform period featuring the aspects of micro credit institutions. The study considers certain major parameters of outreach such as number of branches, customer base, number of employees and the variety of products and services. The impact of these parameters on the total amount of disbursement and amount of MSME finance is found. Their implications on the financial performance of these MFIs is measured using the four parameters of interest income, profit before tax, profit after tax, and operating expenses. Secondary sources of data were used such as web sources, financial statements, annual reports, and impact assessment reports of the MFIs.

Data Analysis and Findings:

Part 1: Outreach Capacity

The outreach capacity of MFIs has measured considering four parameters, namely; number of branches, customer base, number of employees and the variety of products and services. An Analysis of the changing outreach is done for three different phases in the growth of the MFIs. The phases identified are: emergence of expansion, period regarded as MFI crisis in India and phases in change in policy towards MFIs.

In analysing the various trends are as follows:

a. The year represents emergence to expansion in which the data for the establishment is considered in this phases.
b. 2012-2013 represents period regarded as financial crisis in India.
c.
d. 2016-17 represents phase of policy change towards MFIs through IPO and small finance bank.

A comparison for the first three parameters is done across the three growth phases. Other parameters is to analyse thevariety of products and services through the recent data for the year 2016-17 is considered.

Table 03: Outreach parameters for Samasta Micro Finance:

Phases	**A. 2008**	**B.2012-13**	**C. 2016-17**
Parameters:			
No. of Branches	07	29	70
Customer Base	20,754	65,406	1,23,179
No. of employees	251	400	690
Loan Disbursed			Rs. 24,480.48 (in Lakh)

Sources: Annual and Financial report of Samasta Micro Finance.

Since its inception in March 2008, Samasta has achieved significant milestones and has grown in the states of Karnataka and Tamil-Nadu, impacting the lives of women and their families substantially. There has been a constant upward movement in terms of growth. The number of branches grew to 29 in 2013 from just 7 in 2008 and 2016 the rise is about 10 times of that of year of establishment in 2008.
Samasta microfinance acquisition with IIFL has gained large number of customer base, the change in customer base shows a consistently increasing trend. It has risen by 20,754 during 2008 to 1,23,179 during 2016-17. Therefore the customer base increased by approximately 6 times between 2008-09 to 2016-17
The number of employees has also increased by more than 1.5 times between 2008-09 to 2012-13 and 3 times approximately between 2008-09 to 2016-17. Therefore all the three parameters shows an increase in the outreach capacity during the expansion period and lower in the post MFI crisis period. The concept of microfinance has gained significance among the lower sections of the society who have been denied financial assistance by mainstream financial institutions and banks. This is clearly evident from the increase in the loan disbursed and the no of people served, which stands above Rs.272.5 Crores and with no of loans disbursed was 2.35 Lakhs in a period of 6 years. Thus we can expect the outreach to expand at much faster rates post 2017.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 04: Outreach parameters for Grameen Koota Financial Services:

Phases	**A. 2007**	**B.2012-13**	**C. 2016-17**
Parameters:			
No. of Branches	51	161	393
Customer Base	2,56,371	3,81,000	16,53,611
No. of employees	480	1189	4,952
Loan Disbursed			3,125,361

Sources: Annual and Financial report of Grameen Koota Financial Services.

Grameen Koota microfinance has gained large number of customer base shows a consistently increasing trend. It is currently operates in 96 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh and Tamil Nadu. It serves over 16 lakh women customers in 393 branches spread across 5 states with over 4900 staff members. It has risen by 2 lakh during 2007 to 16 lakh during 2016-17. Therefore the customer base increased by approximately 6 times between 2008-09 to 2016-17. The number of employees has also increased by more than 1.4 times between 2007-08 to 2012-13 and 6 times approximately between 2007-08 to 2016-17. The number of branches grew to 161 in 2013 from 51 in 2008 and 2016 the rise is about 8 times of that of year of establishment in 2007.

The study reveals that Grameen Koota high customer retention rate due to Social factors that contribute to customer retention and contributing parameters to customer retention in comparison with retention parameters of other industry players. In August 2016, Grameen Koota achieved a new milestone: its customer base expanded to more than 1.5 million and its loan portfolio crossed the 3,000 cr mark. This was another important accomplishment. It has crossed 15 lakh customers and also within one year of expansion in certain states, these are very important milestones in the history of Grameen Koota and financial products are broadly classified into Credit, Insurance and Pension products such as, Income Generation Loans, Emergency Loans, Family Welfare Loans, Home Improvement Loans, Business Loans, Life Insurance

Table 05: Outreach parameters for Janalakshmi Financial Services:

Phases	**A. 2006**	**B.2012-13**	**C. 2016-17**
Parameters:			
No. of Branches	65	95	462
Customer Base	3,10,000	3,96,000	5,80,000
No. of employees	860	2000	16,357
Loan Disbursed			Rs. 9025 Crores

Sources: Annual and Financial report of Janalakshmi Financial Services.

Janalakshmi Financial Services is in the process of setting up the capabilities to launch Small Finance Bank Operations. It is currently operates in 462 districts in the different parts of the states. It serves over 5.8 lakh women customers in 462 branches spread across different states with over 16000 staff members. It has increase over3 lakh during 2007 to 5.8 lakh during 2016-17 in customer base. Therefore the customer base increased by approximately 2 times between 2008-09 to 2016-17.The number of employees has also increased by more than 2.3 times between 2006-07 to 2012-13 and 19 times approximately between 2007-08 to 2016-17. The number of branches grew to 95 in 2013 from 65 in 2006 and 2016 the rise is about 7 times of that of year of establishment in 2006.

The various products and services under Janalakshmi Financial Services includes, Small Batch Loan, Home Improvement Loan, Nano Loan, Education Loan, Housing Loan, Rural Financial Services

Thus the Microfinance industry witnessed a significant drop in the outstanding loan growth rate, from 84% in FY16 to 25% in FY 2016-17. While there was growth across key performance indicators in FY 2016-17 the growth rates were largely muted compared to earlier years across important parameters.

Part 2:Outreach Capacity and lending trends of MFI to Micro enterprises.

a. **Samasta Micro Finance:**Women from financially weaker section are generally denied credit from mainstream banking services, thus hindering their financial growth prospects and a sustainable livelihood. Samasta Microfinance extends micro loans to such women, enable them to involve in income-generating activities for a better living. From the financial assistance received from Samasta, women have ventured into tailoring, papad making, setting up fruit /vegetable stalls & petty shops, etc. Samasta provide financial assistance to women and enable them to achieve their business targets. Samasta follows Grameen Model (JLG – Joint Liability Group) & Business correspondent Model (SHG – Self Help Group). All the loans provided to the members are disbursed only after a series of training sessions and a test; this enables us to ensure that members understand Product details and repayment structure. "Loans are in the range of Rs 15000 to 35000 with tenure of 12 months to 24 months".
   Samasta Micro Finance is also a partners with SBI, IDBI Bank, Union Bank of India, SIDBI, HDFC Bank etc., which provide financial assistance to MSMEs in contributing Make in India.
b. **Grameen Koota Financial Services:**Under retail finance is a new lending structure which is envisaged for graduated group lending customers who have higher entrepreneurial capacity. This is Grameen Koota's attempt to develop individual credit products for loyal customers. Products currently offered under Retail Finance include: Business Loans - Grameen Udyog Loan and Grameen Suvidha Loan are offered to customers to establish a new enterprise or expand an existing business in their individual capacity. The collateral-free loans are offered for purchase of inventory, machinery or business expansion. Income Generation Loan supports business enterprises and income enhancement activities of the clients like purchasing fixed assets to installing additional machinery etc. These loans also meet the additional working capital requirements of the client's businesses. Loan AmountClients can avail loans up to Rs. 45,000/-. Rate of interest 22% per annum on declining balance.Tenure: Minimum 52 weeks to Maximum of 104 weeks depending on the loan amount.
   It implies positive effect of increasing outreach of MFI on its MSMEs lending.
c. **Janalakshmi Financial Services:**Enterprises Financial Services (EFS) caters to the business requirements of Micro and Small enterprises by providing short term and long term business loans. The business loans are given for working capital, machinery purchase or any other business requirement and the tenor ranges from 18 months to 120 months. The EFS customer segments are broadly divided into two categories - (i) Emerging Micro and (ii) Micro and Small Enterprises.

   Emerging Micro Segment (Business First Loans) Our Business First loans provide the last mile credit delivery to very small business enterprises. Graduating Nano customers and open market customers with turnover up to Rs.50 lakhs p.a. having a daily cash flows from the target group for lending. Bulk of these enterprises do not have access to bank credit due to their low level of formalization like registration or absence of financials. Loans are given to enterprises in the six sectors like Retail, Eateries, Education, Transport & Logistics, Construction and Healthcare (HECTER), which together form more than 70% of enterprise population. The unique features of these loans are doorstep service for on boarding and collections and convenient repayment through Equated Daily Instalments (EDI). Loans range from Rs.1,00,000 to Rs.10,00,000 and for a maximum tenor of 40 months.

   Micro & Small Enterprises (MSE) MSE segment are enterprises having annual turnover of more than Rs.50 laks p.a. and operating in the six HECTER sectors and Manufacturing. MSE loans range from Rs.5 lakhs to Rs.50 lakhs with a maximum tenor of 120 months. Secured Loans are given for short term working capital purposes, for purchase of machinery and for any business purposes. Typically the Long term business loans (LTBL) are secured by equitable/registered mortgage of self-occupied property of the applicants. Machinery loans are secured by the hypothecation of machinery purchased. It implies positive effect of increasing outreach of MFI on its MSMEs lending.

Findings:

Form the analysis of data microfinance Institution plays a vital role in bridging a gap of MSMEs i.e., to grow at a faster pace, and to sustain the growth rate of rapidly growing Indian economy.In terms of the rise in amount disbursed, Samasta Micro Finance was the lowest and Grameen Koota Financial Services was the second lowest, the outreach elasticity is the highest for Janalakshmi Financial Services.

All the three MFIsshow larger increases in the outreach capacity in the post economic crisis period as compared to the earlier expansion period.The above indicators represents better financial performance in case of Janalakshmi Financial Services compare to the other two Samasta Micro Finance and Grameen Koota Financial Services. There is a positive correlation between these financial service imply that the increasing outreach of MFIs is important for growth of MSMEs and thus contributing to the goals of 'Make in India'. All the data values of parameters presented above have been taken from the financial reports of these MFIs.

Suggestions and Conclusion:

The poor themselves can create a poverty-free world all we have to do is to free them from the chains that we have put around them - Professor Muhammad Yunus

The "Make in India" campaign aims to transform India as a manufacturing powerhouse by promoting exports, encouraging Foreign Direct Investment (FDI), improving industrial productivity, and by lowering the barriers to doing business. The government hopes to

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

create 100 million jobs by 2022 and to increase the share of manufacturing in GDP to 25%.In this context, an important question is: What are the industries which hold the greatest potential for growth and what are the opportunities for MSMEs in those industries?

The Make in India Strategy aims to facilitate investment, foster innovation, enhance skill development and build a sustainable eco-system for the manufacturing infrastructure in the country. These measures have succeeded in raising the business confidence in India. The stage has been set through these industry and MSME interventions for a larger share of global business in India which presents opportunities for MSME integration in almost all industry sectors. The Indian MSME sector is poised for rapid growth and integration with major global value chains. Timely policy intervention and due support have promptly resulted in rendering the Indian MSMEs globally competitive.

The outreach in terms of branch expansion is the highest for Janalakshmi Financial Services and lowest for Samasta Micro Finance. The customer base has increased at faster rate in all three microfinance institutions. In terms of the rise in amounts of Loan Disbursed, it was the lowest for SamastaFinancial Services. Thus increased capitalization would enhance disbursement capacity. This MFI has not opted for an IPO, the outreach elasticity is highest for Janalakshmi Financial Services indicating its valuable contribution to MSMEs lending. The financial performance of Samasta Financial Services is relatively lowest and its outreach elasticity is the lowest among the three. All these factors indicate that this MFI needs efforts in the direction of capitalization, widened customer base and increased MSMEs lending in order to improve its financial performance. This is also supported by the experience of the other two MFIs who have highest outreach elasticity, larger MSMEs lending and better financial performance. In this context, a further challenge would be in maintain the financial health of MFIs sector if it has to effectively operate as an agent for the “Make in India” strategy in the future.

Reference:

1. **Khadilkar, S and Tawade, (2016).** Implications of the outreach and MSME sector lending of MFIs for the ‘Make in India’ strategy. National Conference on: Make in India: Perspective Boon for Microfinance, in collaboration with NABARD (pp. 01-07). Navi Mumbai.
2. **Kapuria, (2016).** MSME sector: Epitomising vitality. Retrieved from:
3. http://www.makeinindia.com/article/-/v/nurturing-a-manufacturing-culture
4. **PritiGoswami, & Y. S. Thakur (2017).** MSME Performance and Classifying Problems of Micro, Small and Medium Enterprises in India. Retrieved from: http://www.indianjournals.com.iproxy.inflibnet.ac.in:2048/ijor.aspx?target=ijor:ajrbem&volume=7&issue=7&article=018&type=pdf
5. **Siddiqui M A (2017). Providing MSME Finance: The Indian Perspective.** Retrieved from: http://www.indianjournals.com.iproxy.inflibnet.ac.in:2048/ijor.aspx?target=ijor:zijbemr&volume=7&issue=10&article=012&type=pdf
6. **SamastaMicro Finance,(2017). Annual report 2016-17, 2015-16 & 2007-08.** Retrieved from:http://www.samasta.co.in/annual.html
7. **Grameen Koota Financial Services, (2017). Annual report 2016-17, 2015-16 & 2007-08.** Retrieved from:
8. http://www.grameenkoota.org/index.php?option=com_content&view=article&id=80&Itemid=86
9. **http://www.grameenkoota.org/images/stories/gk%20annual%20report%202016-17.pdf**
10. **http://www.grameenkoota.org/images/stories/Annual%20report%202008-09.pdf**
11. **Janalakshmi Financial Services, (2017). Annual report 2016-17, 2015-16 & 2007-08.** Retrieved from:http://www.janalakshmi.com/annual-reports

Websites:

1. **http://www.makeinindia.com/article/-/v/make-in-india-reason-vision-for-the-initiative**
2. **http://www.grameenkoota.org/index.php?option=com_content&view=article&id=80&Itemid=86**
3. **http://www.zed.org.in/**
4. **http://www.msme.gov.in**
5. **http://www.microfinancegateway.org/**
6. **http://www.grameenkoota.org**
7. **http://www.akmi.in/**
8. **http://www.samasta.co.in/index.html**
9. **http://www.janalakshmi.com/**

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON BANKS BAIL OUT, A BOON OR BANE TO SENIOR CITIZENS

Pramod A V

Sr. Lecturer in Commerce

Seshadripuram Institute of Commerce and Management

ABSTRACT

The country India is currently enjoying status of business hub of the World, owing to its population with nearly 60% below age of 35 years. With an intention of providing facilities to the youth population, the Government has initiated many steps but many policies have created threat to 8.6% population who are above age of 60 years. With economic development as their prime objective, Government had rolled out policies like demonetization, Goods and Services Tax etc., to promote economic equality and strengthen banking sector FRDI (Financial Resolution And Deposit Insurance Bill) is proposed to be passed which requires insurance premium charges on deposits to be borned by the depositor if not it can be converted to equity, in case if banks face financial crisis. The paper emphasizes on both sides of the coin of the proposed draft bill.

***Key Words**: FRDI, Bail-in, Bail out, Equity.*

Introduction:

Indian banking is the sixth largest banking system in the World, comprising of 27 public sector banks, 26 private banks, 46 foreign banks, 56 regional rural banks, 1574 urban cooperative banks. Banks are the professional intermediaries of money bridging gap between surplus economies to deficit economies. Deposits, being main source of income facilitate banks to create credit out of money which do not have, which exposes them to face systematic risks and financial crisis due to non recovery of debts.

Indian banking evolved under the model of British Government first Indian bank was Bank of Hindustan setup in 1770. In 1781, General Bank of India was setup but both these bank was liquidated in short span of time.

The evolution of modern banking originated from Bank of Calcutta in 1806, Bank of Bombay 1840 and Bank of Madras in 1843. These banks were merged in 1921 to Imperial Bank of India which upon independence became State Bank of India in 1955.

Imperial bank performed regulatory function until 1935, since 1935 Reserve Bank of India was setup under its Act of 1934. SBI had 8 associate banks, 1969 led to nationalization of banks by Government of India followed with 6 additional banks in 1980. Indian Banking Regulation Act was passed in 1956.

The banking sector was given its due respect by the Government of India since independence. Reserve Bank of India has from time to time framed various committees to conduct research on banking operations and has brought necessary changes from time to time. The current government led by Sri Narendra Modi has put up proposal to merge banks and bring the number down to have better Governance and Regulation. In view of this policies are framed to enhance structure of banks in India which includes FRDI bill which is concentrated upon in this paper.

(www.wikipedia.com)

Statement of problem:

India stands at sixth position in banking sector considering efficiency, productivity and soundness as parameters. Indian banks witnessed innovative banking model, with the intention to increase capital and to improve economic conditions. Small banks and

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

public sector banks are facing financial crisis and losses. Government has taken a step to protect the banks from being closed due to losses is "Bail-in". Government has proposed to pass Financial Resolution Deposit Insurance (FRDI) bill and assists the bank to recover the losses using the deposits. The study is taken to analyze the effect of bail in with respect to bank as well as senior citizen depositors.

Research methodology:

Paper is descriptive; the data is obtained from primary and secondary sources. The primary data is extracted by interviewing bank managers and employees. The secondary source of data is extracted from the published books, journals, magazines and websites.

Scope of the study:

FRDI is a broad concept involving business, economy and consumer reactions. The study involves concentration on the effect on consumer, particularly senior citizens and the paper does not concentrate on any aspects. The study also limits itself to study of few banks which are operating in the country.

Review of literature:

a) Study on NPA with respect to Public, Private and foreign banks by Raoa 2014: paper considers aggregate data on NPA management on all banks from 2009-2013.
b) IBMRD Journal: Anuja Barge March 2012 studies about credit defaults and its impact on profitability.
c) Bloomberg Indian Banks need more than Bailout December 2017: Article stresses on non requirement of capitalization in banks without proper reform.
d) Impact of current financial crisis on banking sector: Jahan Zeb (Novemeber 2017)

Objectives of study:

1. Analyze the current financial position of banks.
2. Analyze the purpose of FRDI on Indian economy.
3. Analyze the pros and cons of FRDI bill with regard to senior citizens.

Analysis and Interpretation of Data:

The data is analyzed in the order of the objectives:

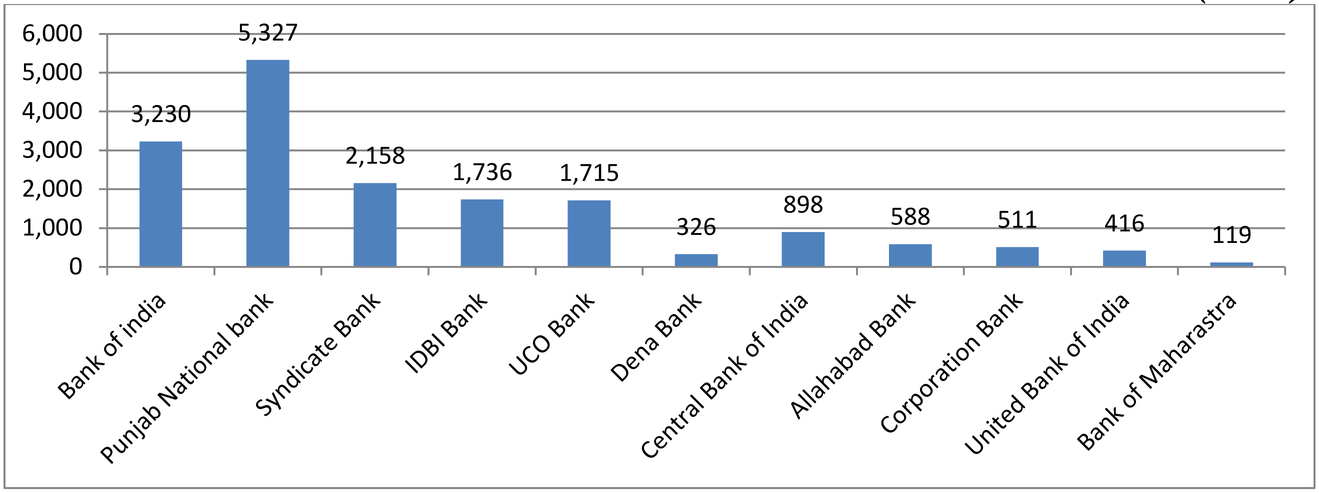
Analyze the current financial position of banks.

Banks face major problems with regard to management of risks associated with treasury. The large chunk of liquid cash with which it deals provides exposure to different kinds of risk. The bank has to take necessary precautions with calculated risk to sustain in the market.

The loans given to Commercial establishment form major percentage of advances from Commercial banks, these establishments or any other borrower who would not pay installment money to bank for 90 consecutive days the advances turnout to be Non Performing Assets (NPA).

Name of Bank	Amount in crores
Bank of India	3,230
Punjab National bank	5,327
Syndicate Bank	2,158
IDBI Bank	1,736
UCO Bank	1,715
Dena Bank	326
Central Bank of India	898
Allahabad Bank	588
Corporation Bank	511
United Bank of India	416
Bank of Maharashtra	119

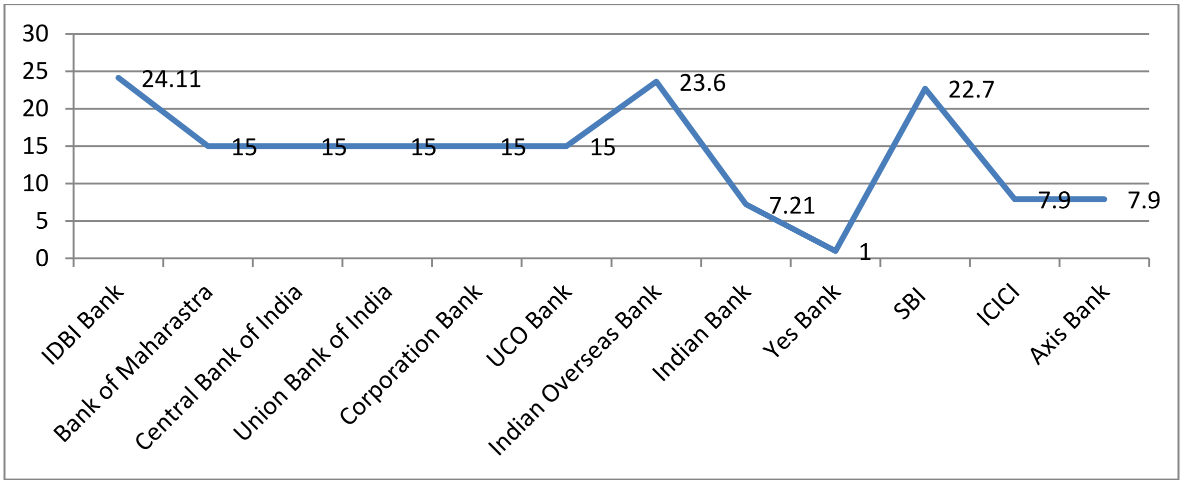
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



(Television, 2018)

(Barge, 2012)

Name of Bank	Percentaege of NPA
IDBI Bank	24.11
Bank of Maharastra	15
Central Bank of India	15
Union Bank of India	15
Corporation Bank	15
UCO Bank	15
Indian Overseas Bank	23.6
Indian Bank	7.21
Yes Bank	1
SBI	22.7
ICICI	7.9
Axis Bank	7.9



(Raoa, 2014)
(Zeb, 2017)

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Analyze the purpose of FRDI on Indian economy.

Indian commercial banks are a blend of mixed ownership, private banks, public banks, state banks and foreign banks. These banks come under the guidance of Reserve Bank of India. The banks have the privilege to decide their lending policy without disturbing basic rules laid down by Reserve Bank of India.

With second largest population base and dominant middleclass population, it is imperative for the banks to be financially strong to support commercial and individual activity. The present scenario of Indian banks is unsatisfactory in terms of highest NPA's.

The Government of India has come out with FRDI bill with provision to provide the rights to these commercial banks to convert Fixed Deposits to Equity shares. The concept of Asset Liability Management (ALM) to undergo change, the compulsory cash outflow in the form of interest payments is converted into dividend may arise only when necessary profits are earned by banks.

(Hindu, 2017)

Case:

Mr. A deposited Rs.25, 00,000 as fixed deposit with bank X, bank suffers from financial crisis so passes a resolution bail in 50% of its investment. Mr. A 12, 50,000 will be written under the head deposit and the balance 12, 50,000 irrespective of there is profit or loss and has to repay that 12, 50,000 whenever demanded by Mr.A. On the contrary, will not get interest on balance 12, 50,000 and also capital will not be redeemed.

The financial statement of banks before bail looks as under:

Liabilities	Rs	Assets	Rs
Deposits	25,00,000	Cash in hand	25,00,000

The financial statement of banks after bail looks as under:

Liabilities	Rs	Assets	Rs
Share capital Deposits	12,50,000 12,50,000	Cash in hand	25,00,000
	25,00,000		25,00,000

Analyze the pros and cons of FRDI bill with regard to senior citizens.

Pros

Better returns: There is a outright possibility that the returns may increase on the capital fund once the banks overcome the problems of financial crisis.

Involvement in management: The deposit converted in to shares will promote voting rights and involve in major decisions of the management.

Ownership rights: The holders of the share by default becomes the owner of the Bank, they enjoy the privileges of being the owner rather than investor.

Portfolio options: The senior citizens may also think of some of the options which they would not know by force with the compulsory introduction of provisions of bail out.

Low cost investment for banks is lost: Banks enjoy the cheapest source of surplus investments, the people would hesitate in invest in banks in the long run as it will replace from safe to risk funds.

Cons

Capital fund is acquired by force: The FRDI forces the customer to budge and the capital is created by force, the liquidity of the banks is not affected but the Capital will increase.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Regular income is affected: The senior citizens depend on regular funds for their livelihood in the form of interest which is affected with the conversation of deposit in to capital.

Locked fund: Capital leads to blockage of funds, the money deposited in Fixe deposit is liquid money with some restrictions, this is overlooked by converting deposits in to capital.

Mistrust with banks: The Citizens lose their trust with the banks in the long run. The deposits which are the safest and easiest accessible investment may be replaced with risk investments.

May lead to restructuring of banks: Banks will be restructured like Corporate restructuring, the banks capital will be altered with deposits and the obligation o payment will be replaced with obligation to pay only whrn sufficient profits are made.

Conclusions:

It is imperative on the part of the country to strike right balance between development and creating secured leaving environment to citizens. The central Government has to respond to the pulse of the people, with most of the Indian citizen depending on Fixed deposit and its interest for their livelihood after retirement and frame policies.

The economic position of the banks has to be strengthen from policies in stages instead of framing such policies to drive banks to strengthen in short span of time. The decision of the Government to bail out banks from crisis by using its funds available as FD and convert it to Equity capital has raised concerns over the corpus funds of many retired employees which are deposited with banks and would not want to take the funds away from the most safe investment option. Government has to take necessary measures and relax senior citizen deposits from this scheme.

BIBLIOGRAPHY

1. Barge, A. (2012). *Credit Defaulta and its Impact on profitability.* IBMRD Journal.
2. Hindu, T. (2017). Clearing the air on bail in clause. *Economy* .
3. Raoa, M. (2014). AStudy on NPA With public, private and foreign banks.
4. Television. (2018). *FRDI.* Bangalore: TV Channel.
5. Understyanding basic on Bail in . (2017). *Indian Express* .
6. *www.wikipedia.com*. (n.d.). Retrieved from www.wikipedia.com.
7. Zeb, J. (2017). *Impact of Current financial Crisis on Banking Sector.*

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON GST (GOODS AND SERVICE TAX) IN INDIA

MS.Gayathry.P
Assistant professor,
Emerald Heights College for Women,
Ooty,Nilgiri District,Tamilnadu.
&
Research Scholar
Department of commerce
Dr. SNS Rajalakshmi college of arts and science,
Coimbatore.

Dr.S.Shalini,
Associate Professor,
Head department of commerce with Finance
Dr.SNS Rajalakahmi college of Arts and Science, Coimbatore.

ABSTRACT

In today's scenario we pay various taxes i.e. Direct and Indirect taxes, which are felt as burden on us and due to these taxes the corruption is increasing. So, to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax (GST). GST is one of the most critical tax reforms in India which has been long awaiting decision. It is a comprehensive tax system that will subsume all indirect taxes of State and central Governments and whole economy into seamless nation in national market. It is expected to remove the burden of existing indirect tax system and play an important role in growth of India. GST includes all Indirect Taxes which will help in growth of economy and proves to be more beneficial than the existing tax system. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. GST is now accepted all over the world and countries are using it for sales tax system. This will show what will be the impact of GST in India, difference between Indirect Taxes and GST and what will be the benefits and challenges of GST.

INTRODUCTION

India is the hub of taxes where people pay different taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax are those tax which are paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. Indirect Tax is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but it has been collected from intermediaries (such as retail stores) from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax proceeds to government with the return example Sales tax, VAT, Excise Duty, and Custom Duty. GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. GST was firstly introduced in France in 1954, by introducing GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France introduced then it was adopted by 165 nations. Now, India has adopted GST. After its implementation in India, India became 166th nation to adopt it. In India before 16 years, in 2000 Shri Atal Bihari Vajpy brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the finance minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by Finance Minister Arun Jaitely, on 19th December 2014, and then it was passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8th September 2016. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax which is paid as GST. Goods and Services Tax (GST) will include one tax one nation; this statement was given by our honourable Prime Minister Mr. Narandra Modi of

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

India. In today's scenario we pay 30% to 35% tax on different things but with GST it will be only 18%, which shows it will be beneficial and one main thing that GST will be common in all nation.

GST will merge all Indirect Taxes under an umbrella and will help in creation of smooth market. Experts say that GST is helping economic growth of the country. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and the Indian economy. The State and the Central Government will levy GST is implemented on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's tax structure, elaborate and create a similar market across states. GST has been replaced with different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers and compliance cost will fall which will lead in getting life simpler. This process will help to increase India's tax to-gross domestic product ratio. According to experts GST is regarded to increase the economic growth by between 0.9% and 1.7%. Experts are expected to increase economic growth by between 3.2% and 6.3%, were as imports will likely raise 2.4% – 4.7%. GST is a Value Added Tax (VAT) to be implemented in India, from April 01;2017. Government has promised that GST will reduce the compliance burdens at present. One of the aims of introducing GST is to reduce the cascading effects of taxes which are primary focus of VAT, but VAT system is not comprehensive enough to do so. It would be applicable to all transactions of goods and service. It is to be paid to the accounts of the Centre and the States separately. The rules for taking and utilization of credit for the central GST and the State GST would be aligned. Cross utilization of input tax credit between the Central GST (CGST) and the State GST (SGST) would not be allowed except in case of inter-state supply of goods.

Amidst economic crisis across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make in India and Digital India campaigns. The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighbouring countries and developed economies of the world.

REVIEW OF LITERATURE

Akansha Khurana and Aastha Sharma (2016) in there research paper on GST- A positive reform for Indirect taxation system concluded that the GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes.

Monika Sehrawat (2015) in her paper on GST in India – A key tax reform concluded that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector.

Hitesh k.Prajapati (2016) in his paper on Challenges and Implementation of GST in India talked about the challenges in implementation of GST like IT sector is not boomed, threshold limit of turnover for dealers under GST is another bone of contention between the government and the Empowered Committee etc.

Dr. Shakir Shaik, Dr. S.A.Sameera, Mr. Sk.C. Firoz in there paper on Does Goods and Services Tax (GST) Leads to Indian Economic Development? Stated in conclusion that GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as

OBJECTIVES OF THE STUDY

- To study the features of GST
- To enquire the impact of GST in India
- To identify benefits of GST

REGISTRATION FOR GST

On 7th October 2016 Government of India (GOI) passed Process and Flowchart of GST. Now, GST has been implemented in all the sectors. The first step for each sector is to register under Central Goods and Service Tax Act (CGST) and State Goods and Service Tax Act (SGST). If a person is bound to be registered for GST he/she shall register himself under SGST Act of his respective state where he perform his business work he/she shall also register under CGST Act.

The process of registration for GST is different from other registrations in different ways such as:-

1. Permission from CGST and SGST Act for registration is required.
2. If one authority rejects the process for registration there will be automatic rejection by the other authority also.
3. There shall be no rejection for the application without giving a solid reason to the applicant.

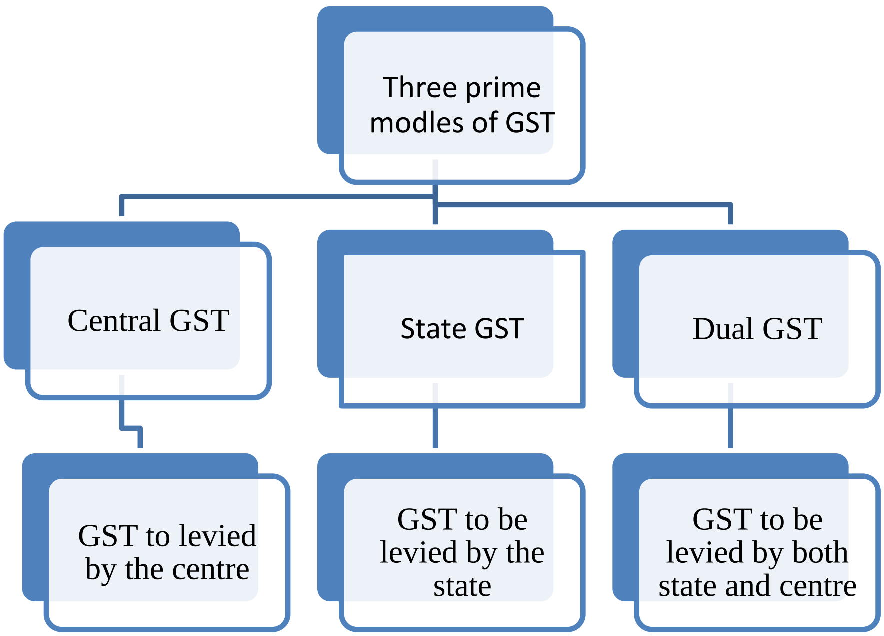
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

4. Application shall be considered to be granted under CGST/SGST Act if the application for registration has been granted under SGST Act/CGST Act.
5. The non-residential and casual taxable person would also require registration from GST.
6. Registration is compulsory.

ABOUT GST

There are three prime models of GST, which are available in existing literature which are as follows:-

1. GST at Central (Union) Government Level only
2. GST at State Government Level only
3. GST at both, Union and State Government Levels.



In India the expected model of GST will be "Dual GST" which is combination of both CGST and SGST. All the goods and services bearing certain exemption of taxes will be brought under GST where the difference between the goods and services is ignored. The important features of Dual GST in India after implementation are as under:-

STATE TAXES	CENTRAL TAXES
Value added tax(VAT)	Excise duty
Entertainment tax levied by states	Additional excise duty
Luxury tax	Excise duty under medical and toilet preparation Act.
Tax on lottery, betting and gambling	Service tax
Entry tax other than for local bodies	Additional custom duty commonly known as countervailing duty(CVD), Special additional duty(SAD)
-	Surcharge

1. The CGST will be governed by Center and SGST will be governed by State.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2. The VAT system may be replaced by SGST while CENVAT and Service tax may be replaced by CGST.

3. Taxes subsumed under SGST are Value added tax (VAT), Entertainment Tax levied by State, Luxury Tax, Tax on Lottery, Betting and Gambling, Entry Tax other than for Local bodies.

4. The rates of the good will be decided separately by CGST and SGST keeping in view the burden of different taxes, capability of common man to pay tax etc.

5. Certain Indirect Taxes subsumed under CGST are Excise duty, Additional Excise Duty, Excise Duty under Medicinal and Toilet Preparation Act, Service Tax, Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty (SAD), Surcharge and CENVAT.

RESEARCH AND METHODOLOGY

The research paper is an attempt of research, based on the secondary data sourced from journals, Internet, articles, previous research paper which focused on the various aspects of goods and service act. According to the requirements of the objectives of the study the design is descriptive type. The accessible secondary data is used only for study. This study mainly concentrated in impact , differences and benefits of GST in India.

FEATURES OF THE GST

The GST system is based on the same concept as VAT. Following the features have been discussed:-

Range of GST

1. GST to be structured on the destination principle so that the tax base shifts from production to consumption whereby imports will be liable to tax and exports will be relieved of the burden of GST.

2. CGST and SGST would be comprehensively applicable to all goods and services up to the final consumer. CGST and SGST would be applicable to all transactions involving supply of goods and services made for a consideration (except alcoholic liquor for human consumption) and the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.

3. Tobacco products are included in GST along with central excise tax.

4. Initially the following products are exempted but GST on following products shall be levied from a date to be notified by the GST Council • Petroleum Crude • High Speed Diesel • Motor Spirit (commonly known as Petrol) • Natural Gas • Aviation Turbine Fuel

Collection of GST-:

1. GST has two components CGST and SGST as discussed above. CGST will be collected by

central government whereas states governments will collect SGST. 2. IGST is levied on supplies in the course of interstate trade including imports which is collected by central government exclusively and distributed to imported states as GST is destination based tax. The proportion of distribution between centre and states is decided on recommendation of GST Council. (Proposed article 269A).

IMPACT OF GST IN INDIA

When GST was implemented there was certain amount of impact in ever sector. Some of these impacts can be temporary while others may remain permanent. The impact is expected in a high rate as the sudden change in the game of tax is going bring slight or a huge leap in the world of business depending on the category of business.

Positive impacts of GST in India

1. GST will also help to build a transparent and corruption free tax administration.
2. Presently a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.
3. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.
4. GST is a single taxation system that will reduce the number of indirect taxes.
5. GST would introduce corruption free taxation system.
6. This will also help in curbing circulation of Black money.
7. GST would change VAT all over India. This means that a business would not have to suffer about keeping up with VAT compliances that are various in all state.
8. It will be of large help to the logistics sector and will also result in the faster transportation of goods as there will be no hour long waits at the sales tax check posts across borders due to the elimination of various indirect taxes.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

9. Increase in foreign investment.
10. The Indian economy will grow as revenue efficiency and competitiveness.

Impacts of Major Sectors

- **Automobiles**:

It will result in 10-17 percent of fall in prices assuming 18 percent GST rate. Lesser benefits might be accrued by the tractors as these are against the taxes paid on input. Though looking on the bright side the automobile sector will emerge as the tax that this field is paying a much higher tax than the tax that will be acquired from it after the GST implementation.

It will lead to the easy and direct transfer of vehicles to the dealer. The stock will be transferred to your own warehouse and further will be transferred from warehouse to dealer.

- **Textiles**

The tax for textile industry is divided into 9 categories at the moment that varies from 4 to 12 percent. The textile sector is also bound to pay taxes to the unorganized players who extract tax based on the size of the business. It depends on the fiber if it is natural or manmade as the synthetic requires high service and the natural requires almost no duty. The mills are taxed at higher rate more than the power looms which discourages the integration of production. The GST implementation will boost exports as it will have no complicated schemes.

- **Engineering, capital goods and power equipment**

GST will have a positive impact on these and it will improve the prospects of engineering, capital goods and power equipment (ECPE) sector by reducing all the complications.

These industries are involved with both manufacturing and servicing of the goods which makes the tax rate of these business high because of double tax and also creates a puzzle ground of structure. This will be broken down into much simpler structure with help of GST due to common tax.

- **Hotels**

Let us estimate that the GST rate will be 18% in this case the impact will remain neutral as currently the hotels pay 8.7 percent and luxury tax at around 8-12%. Restaurants pay service tax at around 5.6% and VAT at around 12%- 14.5%.

- **Logistics**

GST will lead to elimination of central sales tax and inter-state value-added tax arbitrage possibilities. This will lead to consolidation of warehouses and increased efficiencies in the logistics chain.

- **Pharmaceuticals**

It could bring a negative impact on this sector. The indirect paid by this sector could increase by 60 percent which is a thing to worry about and MRP could increase by 4 percent.

- **FMCG**

The FMCG will receive a positive for household and personal care space. It will reduce 200 to 500 basis points, apart from reducing the warehousing and logistical requirements. However the working capital for retailers and additional tax rates for jewelry and cigarette manufacturers are negatives and will attract higher GST regime than companies like ITC which are going to be affected adversely.

- **Telecom**

All the service related sectors are expected to suffer from this implementation as the service tax might shoot up. Even the moderate rise in tax could blow a hit on demand and profits.

BENEFITS OF GST

- It would introduce two-tiered One-Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.
- It would bring down the prices of goods and services and thus by, increase consumption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

FINDINGS

- The GST features are used to develop the income of nation and also meet the various problems of the country.
- The impact of GST is that it has been started for good cause, so it will increase the revenue of the government which will lead to development of the country.
- It major benefit is that there will be equality among the people in future, it will increase the revenue of the government. The major challenge is that it should be adopted everywhere.

CONCLUSION

Moving to GST regime will be beneficial for the economy on multiple counts. GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax – a justified step forward. A single rate would help maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It can be further concluded that GST have a positive impact on various sectors and industry. GST will soon be knocking the doors if Indian economy and thus we shall all be ready to deal with it. It's the world wide accepted system of taxation and will result in India joining this system too. Though there are bottlenecks in adapting and ruining the system in India though it be political or growth and more research is yet to be done. Implementation of GST requires undivided efforts of all stakeholders though it be Governments both central and state, industries or consumer. Thus steps should be taken to successfully implement the tax. In India, Implementation of GST would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

PERFORMANCE ANALYSIS OF BANCASSURANCE- A KEY TREND IMPACTING JOBS AT AXIS BANK WITH REFERENCE TO BENGALURU CITY

SNEHA.V, M.com, PGDHRM, (M.B.A)
Assistant professor,
Indian Academy Degree College
Autonomous,
Bangalore-43

ANITHA.S, M.com,(M.B.A)
Assistant professor,
Indian Academy Degree College
Autonomous,
Bangalore-43

ABSTRACT

Indian Banking sector has made ample advancements in its technology due to Liberalisation and Globalisation during the Indian Economic Reforms ,1991. It has been progressing continuously through its innovations like Internet Banking, NFC (Near Field Communication), Demat services...etc. Among these developments, is a paradigm shift in the Banking activities which includes associations with Insurance companies called as BIM(Banking-Insurance Model).

This key trend-Banccassurance is an emerging concept in India which combines two terms Bank and Insurance. It is an arrangement in which a bank and an Insurance company form a partnership so that the insurance company can sell its products to the Bank's existing customer base.

These tie ups have recently gained prominence in Banking sector due to additional profitability to the banks, growing revenue base from existing customers, reduction in operational cost as they use the same infrastructure for the normal banking activities as well as for marketing and selling Insurance products.This study mainly focuses on analysing the performance of Bancassurance in Axis bank which has a MOU with Max Life Insurance, Tata AIG General Insurance, Apollo Munich Health Insurance & LIC of India. The sampling technique adopted for the study is Convenience Sampling. The sample size is 5 branches from Bengaluru City. Primary data has been collected through Questionnaire from the respondent branches. The study found that Bancassurance is performing effectively and is also generating required amount of revenue from the insurance products sold.

Key words: Indian Economic Reforms, Bancassurance, Banking-Insurance Model, Insurance products.

I) INTRODUCTION

Indian banking system has seen enormous reforms from July 1991 due to the Globalization and Liberalization, which restructured major financial institutions. By virtue of the LPG, there were economic reforms, fiscal reforms and the financial sector reforms, due to which the Indian banking sector has changed and developed rapidly. Since the global financial markets have merged, and the banks are bringing in various non-banking services or activities- Bancassurance is also a major transition that has been adopted by the Banking sector.

Bancassurance is an added fee based service provided by a bank where in, it acts as a distribution channel or a corporate agent to the insurance companies(insurers) to market their insurance products through their huge networks. Banks which acts as promoters of the insurance companies, gains when their business value soars by the reason of the synergism acquired from Bancassurance. Banks having easy access to customers, utilize that efficacious opportunity to earn surplus bottom line rates. Bancassurance also acts as a means of product diversification to banks and is a tool for the insurance companies to gain excessive premium turnover and extensive

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

market penetration. Bancassurance is a partnership agreement between insurance companies and the bank where the bank staff and tellers become the point of sale and point of contact to the customers.

The win-win situation

Insurance policies are processed and administered by the Insurance Companies where in sold by the bank branches to leverage their inherent advantages. The commission or revenue earned through such sale is shared between both the partners(i.e the Bank and the Insurance Company) of the agreement. This situation is called as a win-win situation to both the parties as it earns additional fees to banks and also helps the insurance Companies to expand their customer base without having to expand their sales force or pay excess commissions to their agents.

Bancassurance-An opportunity for the Retail Banks

Banks focusing on selling insurance products have enormous opportunities which:

- ✓ Banks can cross sell insurance products like term insurance products with loans.
- ✓ Improve employees' productivity.
- ✓ Protects credit Insurance.
- ✓ Improves loyalty and cost utilization and
- ✓ An additional fee income boosts shareholders' ROE with stable recurring income.

RBI guidelines to Banks for Insurance Agency Business:

The banks need not obtain prior approval of the RBI for engaging in insurance agency business or referral arrangement without any risk participation, subject to the following conditions:

i The bank should comply with the IRDA regulations for acting as 'composite corporate agent' or referral arrangement with insurance companies.

ii The bank should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by the bank. The customers should be allowed to exercise their own choice.

iii The bank desirous of entering into referral arrangement, besides complying with IRDA regulations, should also enter into an agreement with the insurance company concerned for allowing use of its premises and making use of the existing infrastructure of the bank. The agreement should be for a period not exceeding three years at the first instance and the bank should have the discretion to renegotiate the terms depending on its satisfaction with the service or replace it by another agreement after the initial period. Thereafter, the bank will be free to sign a longer term contract with the approval of its Board in the case of a private sector bank and with the approval of Government of India in respect of a public sector bank.

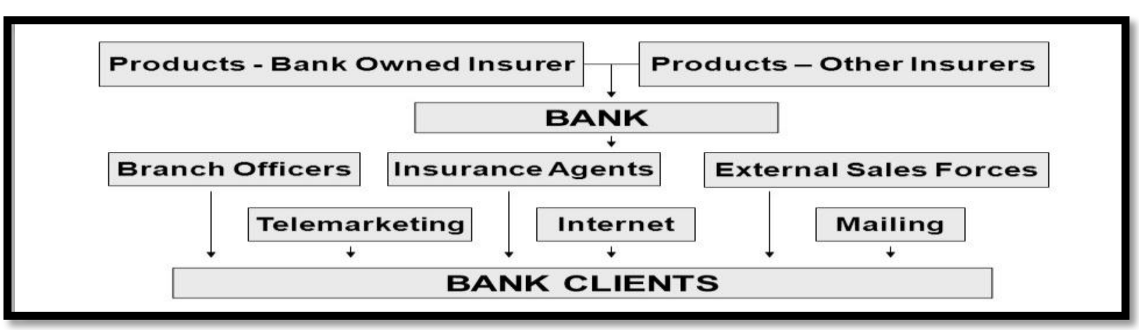
iv As the participation by a bank's customer in insurance products is purely on a voluntary basis, it should be stated in all publicity material distributed by the bank in a prominent way. There should be no 'linkage' either direct or indirect between the provision of banking services offered by the bank to its customers and use of the insurance products.

v The risks, if any, involved in insurance agency/referral arrangement should not get transferred to the business of the bank. (Source: rbi.org.in)

Bancassurance in India

As the Indian Banking sector is growing, the market expects more vigorous changes in the financial and banking products and services. India is coupled with vast banking network with wide depository base, which gives vast scope to bancassurance. According to *Knight(2006)* "The Indian bancassurance has promised to combine insurance companies' competitive edge in the "production" of insurance products with banks' edge in their distribution, through their vast retail networks".

Bancassurance Distribution channel



Source: Scotia Bank–The future of Bancassurance Rebuilding Confidence, June 07/2010

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

According to a World Bank report, Bank account penetration in India increased from 35 per cent to 53 per cent between 2011 and 2014, but the country also suffers from high dormancy rates. This growth in number of bank accounts means that 175 million in India became account holders between 2011 and 2014. There are 70,324 bank offices in India and each bank office serves around 16,000 people, which is considered as one of the best infrastructure. This benefit can be utilized in the right way for penetrating into bancassurance.

Bancassurance at Axis Bank

Axis bank, majorly concentrating at the retail-banking segment, has a wide range of products and services across loans, deposits, and investments which are delivered through various channels to its customers. Apart from providing the regular banking facilities, the bank also distributes investment products such as mutual funds, Banccasurance products (Life, Health and General insurance) and online trading products through its branches. Axis bank has Insurance partnerships with

- Max Life Insurance
- Tata AIG General Insurance
- Apollo Munich Health Insurance
- Life Insurance Corporation of India.

Life Insurance: For the Life Insurance, the Bank has a strategic partnership with Max Life Insurance Company from 2010, which is one of the most leading Life insurance companies in India. From then, the Bank has successfully marketed and sold approximately 8 lakh policies to its customer base through its various distribution channels. This partnership has mainly concentrated on provided top-class service by setting up Max Life Toll free helplines and technology integration in bank branches to cater to the customer queries.

General Insurance: Axis bank has entered into a corporate agency agreement with the Tata AIG for General Insurance products since 2013, which is a joint venture between Tata and American International Group. This Insurance Company provides a wide variety of general insurance products such as motor, health, personal accident, travel, home, fire etc., and each of these products are backed by Tata AIG General Insurance Company Limited professional expertise who help the customers to purchase the products with ease and transparency. The Bank has thrived hard and sold around 3 lakh policies during 2013, which has tremendously earned Rs. 219 crores of premium to the company.

Health Insurance: Apollo Munich Health Insurance and Axis Bank have tie-ups for Health related policies for the banks customers. Apollo Munich Health Insurance is a joint venture between Asia's largest healthcare group, 'The Apollo Hospitals Group' and the world leader in Reinsurance 'Munich Re'. This association of Axis Bank with Apollo Munich makes quality healthcare easily available for every Axis Bank Customer with the use of simple language, clear policies and transparent procedures.

LIC of India: Axis Bank and Life Insurance Corporation of India (known as India's largest public sector insurer) has signed an agreement, where the bank will be distributing LIC's products to its customers. This association leverages the strengths of both the companies, bringing Axis Bank Limited customers a comprehensive suite of Life Insurance products. The product suites offered to the customers are based on the core needs of life insurance for an Individual..

Performance of Fee based services at axis bank

YEAR	INCOME	Q4 CURRENT FY	Q4 PREVIOUS FY	% GROWTH	CURRENT FY	PREVIOUS FY	% GROWTH
2016-17	Fee Income	2,422.86	2,253.82	7.50%	7,882.01	7,501.97	5.07%
2015-16	Fee Income	2,253.82	2,124.02	6.11	7,501.97	6,778.98	10.67
2014-15	Fee Income	2,124.02	1,780.48	19.29	6,778.98	5,985.44	13.26
2013-14	Fee Income	1,780.48	1,618.15	10.03	5,985.44	5,520.93	8.41
2013-13	Fee Income	1,618.15	1,326.76	21.96	5,520.93	4,726.94	16.80

SOURCE: www.axisbank.com. Axis Bank Quarterly and FY Audited results.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

II) RESEARCH DESIGN

a) Statement of the problem:

Axis Bank has corporate agreements with 4 major insurance companies and is actively selling **all the products to its customers nationwide. But, customer's refusal to receive insurance** services through banks has been a road to ruin for Axis Bank. However, using the synergies of both the Bank and the Insurance Co., it can increase its products sale. This study emphasizes on analyzing the performance of bancassurance at Axis Bank in Bangalore, which would provide database both for the bank as well as the researcher to spot the unfavorable aspects and utilize them to magnify their ROE through Bancassurance.

b) Literature Review:

Sl. No.	Author	Topic of study	Year
1	Dr. Nandita mishra	Bancassurance : Problems and Challenges in India	June 2012
2	Lalat K Pani & Sukhamaya Swain	Bancassurance and Indian Banks	2013
3	Rebeena Alavudeen and Dr. Sr. Rosa K.D	Growing role of Bancassurance in Banking sector	June 2015
4	Dr. R.Ramaabaanu S.Elakkiya	Bancassurance- An emerging scenario in Indian Insurance Sector	June 2014
5.	Dr. R. Neelamegam & Miss. K. Pushpa Veni	Bancassurance- An emerging concept in India	Jan-Jun 2008

c) Objectives of the Study:

1) To identify the various training techniques on insurance products adopted by the Bank.
2) To explore various promotional approaches implemented by the Bank to market their insurance products.
3) To analyze the Bank's performance based on revenue generation through fee based income.

d) Scope of the Study:

Despite the fact that Bancassurance is a recent developing field in the country, the study covers performance analysis of bancassurance at Axis Bank branches and is confined to North Bengaluru district only.

e) Limitations of the Study:

Although the research was carefully prepared and examined, there are certain pitfalls, which could not be terminated. The following are certain shortfalls confronted by the researcher:

- The duration of the study was only limited to 20 days which was a major obstacle.
- The geographical area selected for the study was only restricted to North Bengaluru due to which the respondents for the study were of small number.
- Due to contradictory ideologies of the respondents, the information collected does not reveal the actual views of the total population.

f) Research methodology:

- **Hypothesis:**

Independent Variable: Training programs and Promotional activities.
Dependent Variable**:** Performance of Bancassurance.
Null Hypothesis (H0): Training programs and vigorous promotional activities have no impact on performance of bancassurance at Axis Bank.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Alternative Hypothesis (H1): Performance of bancassurance is immensely impacted by the training programs and promotional techniques adopted by the Bank.

- **Types of Research:**

The study is based on descriptive and analytical field research. The objectives were first analysed through field research and later was extended to library research.

- **Sample size:**

The sample size of the study is 76 branches of Axis Bank across Bengaluru.

- **Sample design:**

The Overall population of the study across India is 3120 branches.

- **Data Collection tool:**

The data for the study is collected through a Questionnaire given to the respondents at various bank branches selected in the sample.

- **Profile of respondents:**

The profile of the respondents was Assistant Manager- Life Insurance.

- **Method of analysis:**

The collected data is analyzed using the statistical tools Factor analysis and Chi-square test.

III) FINDINGS AND DISCUSSIONS:

Table no 1- Relation between no of years insurance products are sold and bank's performance

Hypothesis- Ho: There is no significant association between Number of years of selling the insurance products and Performance of the bank.

H1: There is a significant association between Number of years of selling the insurance products and Performance of the bank.

		Bank Performance			**Total**
		High Performance	**Medium Performance**	**Low Performance**	
Less than 2 Years	Count	0	2	1	3
	Expected Count	1.0	1.8	.2	3.0
2-5 Years	Count	13	22	1	36
	Expected Count	11.5	21.6	2.9	36.0
6-9 Years	Count	11	21	4	36
	Expected Count	11.5	21.6	2.9	36.0
Total	Count	24	45	6	75
	Expected Count	24.0	45.0	6.0	75.0

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table no 2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.289[a]	4	.259
Likelihood Ratio	5.539	4	.236
Linear-by-Linear Association	.001	1	.978
N of Valid Cases	75		

INFERENCE: The manager's are of an opinion that there is minimum of 1% high performance when the bank is selling insurance products for less than 2 years, where there is maximum of 11.5% high performance with a count of 13 when the bank is selling insurance from 2-5 years.

As the Pearson's Chi-square test analyses the value .259 which is greater than the standard of 0.05 for acceptance, H0 is accepted and H1 is rejected.

Table no 3

Relationship between Back office support provided by the insurance company and its impact on the Performance of the bank

H0: There is no significant relationship between Back office support and the bank's performance.

H1: There is significant relationship between Back office support and the bank's performance.

			Bank Performance			
			High Performance	**Medium Performance**	**Low Performance**	**Total**
Back office support by Insurance Company	Yes	Count	17	34	6	57
		Expected Count	18.2	34.2	4.6	57.0
	No	Count	7	11	0	18
		Expected Count	5.8	10.8	1.4	18.0
Total		Count	24	45	6	75
		Expected Count	24.0	45.0	6.0	75.0

Table no 4 :Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	2.251[a]	2	.325
Likelihood Ratio	3.634	2	.163
Linear-by-Linear Association	1.513	1	.219
N of Valid Cases	75		

INFERENCE: Table 2 examines that the bank has maximum of 18.2% of high performance when the bank is getting back office support from the insurance company, and has a very low performance of 1.4% with a count of 0 when the bank is not getting any

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

support from the insurance company**. Person's Chi-square test** analyses the value .325 which is greater than the standard of 0.05 for acceptance, H0 is accepted and H1 is rejected.

Table no 5
Various training methods given to the Bank employees on Selling Insurance Products and its impact on bank's performance

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.843[a]	6	.046
Likelihood Ratio	14.774	6	.022
Linear-by-Linear Association	.014	1	.906
N of Valid Cases	75		

H0: There is a significant relationship between training methods and the Banks's performance.

H1: There is no significant relationship between training methods and the Banks's performance.

Table No 6: Training methods and bank performance

			Bank Performance			
			High Performance	**Medium Performance**	**Low Performance**	**Total**
Training Methods	Periodical Updates on innovations in policies and products offered	Count	7	7	4	18
		Expected Count	5.8	10.8	1.4	18.0
	Certificate courses	Count	7	11	0	18
		Expected Count	5.8	10.8	1.4	18.0
	Workshop on insurance technical topics	Count	5	19	0	24
		Expected Count	7.7	14.4	1.9	24.0
	Segment oriented training	Count	5	8	2	15
		Expected Count	4.8	9.0	1.2	15.0
Total		Count	24	45	6	75
		Expected Count	24.0	45.0	6.0	75.0

INFERENCE: The bank has maximum of high performance when training is provided through updates on the innovations in insurance products and certificate courses, and has a minimum of high performance of 4.8% when training is according to segment. The chi-square test suggest that the impact factor is .046 which is less than 0.05 and therefore, H0(Null Hypothesis) is rejected and H1(alternative hypothesis) is accepted.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

FACTOR ANALYSIS

Factor analysis is used to identify and define the underlying dimensions (factors) in the original variables. Here 8 statements are identified as bank preference; the variables are stated in the form of statements to collect opinion from assistant managers of axis bank in Bangalore'. They were asked to give their opinion for all the 8 statements in the Likert's five point scale with alternate options such as strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. Initially, the correlation among these variables is calculated. Usually a correlation value of 0.3 is considered sufficient to explain the relation between variables. If the correlation between variables is small, it is not likely that they share common factors. A closer examination of the correlation matrix may reveal variables which do not have any Significance Association. Therefore, all the 8 variables have been retained for further analysis. Further, two tests were applied to the result of a correlation matrix to test whether the Significance association among the variables is significant or not.

TABLE NO 7: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.742
Bartlett's Test of Sphericity	Approx. Chi-Square	96.710
	df	28
	Sig.	.000

KMO and Bartlett's Test

The Kaiser Meyer-Olkin (KMO) test is based on the correlations and partial correlations of the variables. If the test value of KMO measure is closer to one, it is good to use factor analysis. If KMO measure is closer to zero, the factor analysis is not a good idea for the variables and data. The value of test statistics is given above as 0.6 which means the factor analysis for the identified variables is found to be appropriate to the data. The value of KMO measure of sampling adequacy is 0.742

Another test namely, Bartlett's test of Sphericity is used to test whether the correlation matrix is an identified matrix i.e., all the diagonal terms in the matrix are zero. The significant value of Bartlett test is 0.000. Hence, there exists significant Significance association among the variables. The measure of KMO test and value of Bartlett test indicate that the present data is useful for factor analysis

Table no 8: Ranking of variables

Statements	Scores	Rank
Due to extensive promotional strategies adopted by the bank, the Customers are extremely fascinated and are recommending your insurance products to their family and friends.	.800	I
Does the Bank require comprehensive promotional techniques hereafter, when compared to the present promotional strategies? If yes, Specify.	.778	II
The bank has remarkably progressed in selling the products	.730	III
The Bank has been able to achieve its profitability target through fee based income.	.700	IV
The various approaches adopted to train the employees on Bancassurance is inadequate.	.650	V

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Customers find it irrational when a bank is marketing Insurance products.	.604	VI
Deficiency in the use of appropriate promotion programs is an important factor for non popularization of insurance products.	.571	VII
The Bank has succeeded in achieving better penetration into existing customer base.	.555	VIII

(Source: Primary Data)

Table 8 describes about the managers opinion and based on that the Ranking is done. Out of 8 statements pertaining to bank performance, the managers felt that bank preference in "Due to extensive promotional strategies adopted by the bank, the Customers are extremely fascinated and are recommending insurance products to their family and friends." is highest1st in ranking and It is beneficial to approach AXIS Bank in Bangalore and the least ranking is "The Bank has succeeded in achieving better penetration into existing customer base. " placed in 8th rank.

IV) SUGGESTIONS AND CONCLUSIONS:

From the factor analysis and the chi-square tests the researcher found that the independent variable-training methods are impacting the performance of axis bank and the factor analysis identifies that the various promotional strategies adopted by the bank is a factor influencing the performance of Bancassurance. It is all about how the bank provides training to its employees about the insurance products and how well they promote their products to their customer base at Axis bank branches in Bengaluru City.

V) BIBLIOGRAPHY

1) Dr. R. Neelamegam , Miss. K. Pushpa Veni(June 2008). Bancassurance-An emerging concept in India. *https://www.insuranceinstituteofindia.com*.
2) Dr. Nandita Mishra(June 2012). Bancassurance: Problems and challenges in India. A Journal of Management, *ISSN :2278-6120, Volume 5, No. 1, June-2012,pp 52-63*
3) PUNEET BHUSHANAND MOHD ABBAS MURTAZA(2014). Bancassurance: The Indian Scenario.
4) Lalat.K.Pani, Sukhamaya Swain(2013),Bancassurance and Indian Banks. *ISSN (Print): 2319–5479, Volume-2, Issue – 1, 2013*
5) Prachi Dahiya- Scenario of bancassurance in the Indian financial market: A study of the selected life. International Journal of Commerce and Management Research- *Volume 2; Issue 9; September 2016; Page No. 38-44.*

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

FORENSIC ACCOUNTING SERVICES IN INDIA-AN EMPIRICAL INVESTIGATION

Dr. K. Bhavana Raj* & Dr. Srinivas Kolachina**

**Assistant Professor – Finance & Banking, Department of Management Studies, KL Hyderabad (KLUH) (Deemed to be University), RVS Nagar, Aziz Nagar (PO), Moinabad Road, Hyderabad, R.R. Dist. – 500 075, Telangana, India.*

***Associate Professor – HR & Banking, Department of Management Studies, KL Hyderabad (KLUH) (Deemed to be University), RVS Nagar, Aziz Nagar (PO), Moinabad Road, Hyderabad, R.R. Dist. – 500 075, Telangana, India.*

ABSTRACT

The foremost objective of this empirical study is to investigate the perception of professionals in the relevant field and the users of forensic accounting services with respect to essential traits, basic and relevant enhanced skills and ethical values of public sector forensic accountants. A survey research was carried out and was distributed to the target populations which are the users of forensic services like auditors and academicians. One-way ANOVA is used to determine if the three major groups of users of forensic accounting differed in their perception ratings on the top five information for the essential traits, relevant skills, and ethical values of forensic accountants in the public sector.

KEYWORDS: Forensic Accounting, Traits, Skills, Values, Ethics, Services.

JEL Classification: C00, G00, H10, I00, J00

INTRODUCTION

Research confirms that preventing fraud and uncovering the deceptive accounting practices are in great demand since both public sector organizations and private sector organizations have to respond to closer scrutiny of the financial activities by shareholders and tax payers. The public sector organization requires the forensic accountant to possess a different skill set and ethical values from the traditional accountants. Forensic accountants play an important role in Government where they need to look for signs of suspicious financial activity and fraudulent activities. The use of forensic accounting procedures or services to detect financial reporting frauds and corruption practices should be increased in the public sector organizations by having or recruiting more forensic accountants. Forensic accountants should play an important role in government where they need to look for signs of suspicious financial activity and fraud by individuals and businesses. Public Sector Accountants who are equipped with forensic accounting skills with essential traits and ethical values will be able to see where and what others do not see i.e. forensic accountants are required to see beyond financial records.

Tan Sri Ambrin Buang, the Auditor General, reiterated in his 2008 speech that the top management of government entities should have the primary responsibility for the prevention, detection and investigation of fraud. All public officers especially accountants have to be alert to the possibility of fraudulent activities and misconduct. To meet this responsibility, public officers must possess some knowledge of fraud indicators or symptoms that will enable them to evaluate accounting frauds/errors and materially misstated financial statements (Buang, 2008). Thus, the main purpose of this empirical survey is to investigate the perception of professionals in the relevant field and those users of forensic accounting services about the essential traits, relevant skills and ethical values of public sector forensic accountants.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

This empirical investigation on the important traits, skills and ethical values of public sector forensic accountants shall assist the Accountant General's Department of India for the recruitment and development of training programs for public sector forensic accountants and shall provide insights to educators (universities) for the development of academic curriculum of forensic accounting program and the effective provision of forensic accounting services. There is no research carried out in a public sector accounting organization in India which investigates on the essential traits and relevant skills of forensic accountants as well as the focus on the Indian ethical values to combat financial frauds and corruption practices in the public sector.

The survey respondents for this research project are three groups of stakeholders of forensic accounting services in the public sector: 1) professionals who are associated with forensic accounting services or procedures (accountants and auditors), 2) academicians (accounting and law lecturers) and 3) users of forensic accounting services who make use of the services of forensic accountants (lawyers, attorneys, investigation officers).

Since India is a country with a multi-culture society, the practice of the Indian work ethics is encouraged in the public sector organizations. The introduction of Indian ethical values in the Indian public administration was intended to ensure greater accountability, integrity, transparency and good public governance in the public service delivery. From the religious concept of Indian knowledge and moral values, ethics is a reflection of good values whether in behavior, action, thinking or even heart. To uphold the integrity of the Indian civil service, the government continuously emphasized the need for civil servants to maintain the public trust in them through the practice of Indian work ethics. In India, the practice of Indian work ethics (Ismail, 2009); the twelve pillars of ethical values for civil service (Md Zain, 2008) introduced by National Institute of Public Administration (INTAN, 1991; 1992 and 1994) and the work ethics currently adopted by the Accountant General's Department are among the Indian concept of ethical values that should be promoted and practiced for the effectiveness of forensic accounting services in the government sector in India.

Therefore, the main objective of this empirical study is to investigate the perceived opinions of the three major stakeholders - professionals, academicians and users of forensic accounting services on the important traits, skills and Indian ethical values of public sector forensic accountants in India.

A one-way between groups ANOVA with post-hoc comparisons is the statistical technique used to compare group differences on the top five ranked important traits, skills and ethical values of public sector forensic accountants. One-way ANOVAs is used to determine if the three groups of stakeholders (professionals, academics and users of forensic accounting services) differed in their ratings on the importance of the top five information for the essential traits, relevant skills and Indian ethical values of forensic accountants in the public sector.

The findings from this empirical investigation shall provide the much-needed guidance that will assist the Accountant General's Department of India and academicians (universities) for the development of training programs for forensic accountants in the public sector and academic curriculum of forensic accounting services.

REVIEW OF LITERATURE

Bolgna and Linquist (1995) described the forensic accounting as application of financial skills and investigate into unresolved issues, conducted within the rules of evidence. According to Digabriele (2008; 2009), forensic accountants should possess various combinations of skill and knowledge in accounting, auditing, law, and investigation techniques. These should be accompanied by strong ethical values and soft skills. Though the main thrust of forensic accounting is on the financial aspects of an investigation, it encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidences, investigative proficiency, and interpersonal skills (Syed Ahmad, 2008).

The forensic accountant can be considered as a bloodhound of bookkeeping because he is able to sniff out fraud transactions, hound for concrete evidence, find out the misstatement and look beyond the numbers (De Lorenzo, 1993). Thus, according to Albrecht et al. (2009), the most important skills that the forensic accountant should have are analytical skills, communication skills, technology skills, knowledge in accounting, business, and law and human behavior.
Forensic accountants utilize business information and financial reporting systems, accounting and auditing standards and procedures, evidence gathering and investigative techniques, and litigation processes and procedures to perform their work (Crumbley and Smith, 2009). The skills and preparation for precision, attention to detail, objectivity, problem-solving ability, and strong oral and written communication skills are important for forensic specialists (Torpe, 2009).

Digabriele (2008) has identified and suggested the relevant skills for forensic accountants based on a nationwide survey from a random sample of 1,500 (fifteen hundred) accounting academics, forensic accounting practitioners and users of forensic accounting services. The relevant skills of forensic accountants are 1) deductive analysis, 2) critical thinking, 3) unstructured problem solving, 4) investigative flexibility, 5) analytical proficiency 6) oral communication 7) written communication, 8) specific legal knowledge and 9) composure.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Another study by American Institute of Certified Public Accountants (AICPA report) found that communication skills, the ability to simplify the complex and the ability to present opinions in a legal setting are critical to the effectiveness of the forensic accountants (Davies, Farrell and Ogilby, 2010). The results obtained from the attorney, academicians and CPA (practitioners) reveal that analytical characteristics remain the foremost trait that forensic accountants are expected to possess. The results also reveal that communication skills, the ability to simplify the complex and the ability to present legal opinions in a legal setting are critical to the effectiveness of the forensic accountants.

Under the concept of religiosity, Salleh, Abdul Razak, Rani and Baharim (2011) have also looked into the Indian knowledge and moral values for the more value added characteristics required for public sector forensic accountants in India. Based on the previous empirical study conducted by Salleh, et al. (2011), the random sample of public sector accountants employed by the Accountant General's Department of India have collectively agreed on the thirteen Indian pillars of ethics for forensic accountants in the public sector (MdZain, 2008; Salleh, et al., 2011) which are 1) the joy of originating 2) the dignity of simplicity 3) the power of kindness 4) the improvement of talent 5) the influences of examples 6) the success of perseverance 7) the virtue of patience 8) priority to the client 9) loyalty 10) wisdom of economy 11) teamwork 12) the pleasure of working 13) the value of time. In addition, the top ten information on Indian values for public administration (Ismail, 2009; Salleh, et al., 2011) which provide greater accountability, integrity and transparency in the public services are 1) justice 2) discipline 3) cooperation 4) accountability 5) obligation of duty 6) worth of character 7) consistency 8) dedication 9) integrity 10) a vigorous and mastery of knowledge. Furthermore, the Indian work ethics including 1) moderation 2) gratefulness 3) cleanliness and 4) sincerity currently being adopted by the Accountant General's Department in India are collectively agreed to be primarily important for the effective provision of forensic accounting services (Salleh et al., 2011).

RESEARCH METHODOLOGY

A self-administered survey questionnaire was used as the main research instrument to collect data from the identified three groups of stakeholders of forensic accounting services in the public sector. A Likert scale was employed to obtain the perceptions of the respondents on the importance of traits, skills and ethical values of forensic accountants in the public sector. The respondents were asked to state to what extent using Likert scale ranging from '1' to '7' on the importance of 46 (forty-six) question items for the essential traits and relevant skills of forensic accountants in the public sector. Respondents were also asked to state the extent to which they agree with 26 (twenty-six) question items related to Indian values and work ethics to enhance the characteristics and skills of public sector forensic accountants in India.

Table 1 shows the reliability coefficients for the 72 (seventy-two) question items used in this survey instrument to measure the identified four study variables for the essential traits, core/ basic skills relevant skills and ethical values of forensic accountants in the public sector. Pallant (2006) suggested that the value for Cronbach alpha greater than 0.70 is preferred for the internal consistency reliability measure for the study variable. The Cronbach alpha coefficient of the four tested study variables are ideally found to be above 0.70 which reflected the reliability terms of the established and well-validated scales of survey instrument used by this study.

Table 1: Survey Instrument - Reliability test

	Study Variables Descriptive	Question Items	Reliability Statistics (Cronbach's Alpha)
1	Essential Traits and Characteristics	16	0.920
2	Core/ Basic Skills	17	0.935
3	Relevant Enhanced Skills	13	0.920
4	Indian Ethical Values & Work Ethics	26	0.897

PRIMARY DATA

Postal survey questionnaires were distributed to a random sample of 1551 respondents which consist of professionals (744), academics (216) and users of forensic accounting services (591). The details concerning the distribution of questionnaires are provided in Table 2.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 2: Questionnaires - Distribution

	Individual Group of Stakeholders	Respondents	Questionnaires Distributed to Individual Group	Number of Questionnaires Distributed
1	Professionals	Auditor General (auditors)	744	250
		Audit Firms (auditors)		404
		Statutory Bodies/Local Authorities (Accountants/Finance Director)		90
2	Academicians	Accounting Lecturers (Academics)	216	131
		Law Lecturers (Academics)		85
3	Users of Forensic Accounting Services	Attorney General (Lawyers)	591	246
		Law Firms (Lawyers)		103
		Indian Anti-Corruption Commission (Investigators)		92
		Royal Indian Police (Investigators)		150
Total			1551	1551

About 15.5% response rate were received (241) out of 1551 distributed questionnaires but only 14.7 % (228) are useable responses for further statistical data analysis purposes. Detailed information for the collection of questionnaires is provided below in Table 3.

Table 3: Questionnaires - Collection

	Individual Group of Stakeholders	Respondents	Questionnaires Distributed to Individual Group	Number of Questionnaires Distributed
1	Professionals	Auditor General (auditors)	95	68
		Audit Firms (auditors)		16
		Statutory Bodies/Local Authorities (Accountants/Finance Director)		11
2	Academicians	Accounting Lecturers (Academics)	36	34
		Law Lecturers (Academics)		2
3	Users of Forensic Accounting Services	Attorney General (Lawyers)	97	38
		Law Firms (Lawyers)		6
		Indian Anti-Corruption Commission (Investigators)		24
		Royal Indian Police (Investigators)		29
Total			228	228

Based on the descriptive statistics, about 50% (115) of the respondents who completed the survey questionnaires were female and 50% (113) were male respondents. All respondents had at least graduated with a first degree program (57%) and 17% of the respondents continued their education in Masters Degree program and 3.5% with professional degree and 11% with PhD or doctorate degree.

DATA ANALYSIS

A total of 228 (two hundred and twenty eight) respondents had completed the survey questionnaires (useable responses) and of these, 95 (41.7%) were professionals (auditors and accountants in both public and private sector), 36 (15.8%) were academicians of various universities across the nation (accounting and law lecturers) and the remaining respondents about 97 (42.5%) were users of forensic accounting services (lawyers, attorneys, investigation officers).

Data collected from the survey questionnaires were analyzed using the statistical package for the social science (SPSS Version 20). Data were analyzed using several statistical data analysis such as frequency, descriptive analysis and ANOVA.

This paper highlights the top five information on the traits, skills and Indian values for the forensic accountants in the public sector based on the descriptive statistics (overall means and standard deviations) as perceived by all survey respondents. One-way ANOVA is used to determine if the three groups (professionals, academics and users of forensic accounting services) differed in their ratings on the importance of the top five information for the essential traits, basic and relevant enhanced skills and Indian ethical values of forensic accountants in the public sector.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

1. Essential traits for forensic accountants in public sector

The results of Descriptive Statistics show all respondents have collectively agreed and gave high ratings for the essential traits of the forensic accountants. The top five essential traits rated and ranked as most important are: 1.Analytical 2.Ethical 3.Detail oriented 4.Confident 5.Evaluative.

The above finding for the top five information on the essential traits that forensic accountants in the public sector should possess is consistent with another study carried out by AICPA, USA (Davies, et al., 2010) which revealed that all three respondents i.e. CPA practitioners, attorneys and academician had agreed for the forensic accountants in the private sector to be analytical, detail-oriented and ethical.

For the inferential statistics, a one-way between groups ANOVA with post-hoc comparisons is used to compare group differences on the top five ranked traits of forensic accountants. One-way ANOVAs is used to determine if the three groups (professionals, academics and users of forensic accounting services) differed in their ratings on the importance of the top five information for the essential traits of forensic accountants in the public sector. Tukey HSD (multiple comparison) follow-up tests were used when the ANOVA was statistically significant. Table 4 represents the mean scores on each essential trait item as a function of group category.

Table 4: Means and Standard Deviations of essential traits - top five information, as a function of group category (One-way ANOVAs)

Top five items	Overall Response		Professionals		Academicians		Users of Forensic Services		ANOVA	
	M	S.D	M	S.D	M	S.D	M	S.D	Significant ($p < 0.05$)	Differences
Analytical	6.40	0.831	6.29	0.836	6.86	0.351	6.34	0.900	0.001*	S
Ethical	6.39	0.897	6.31	0.946	6.86	0.424	6.31	0.928	0.001*	S
Detail oriented	6.32	0.870	6.22	0.853	6.75	0.500	6.26	0.950	0.001*	S
Confident	6.26	0.961	6.27	0.818	6.64	0.487	6.10	1.17	0.001*	S
Evaluative	6.25	0.858	6.14	0.794	6.72	0.513	6.20	0.964	0.001*	S
The mean difference is significant * 5% level of significance test & NS = No Significant Differences and S = Significant Difference, M= Mean, S.D= Standard Deviation										

The first ANOVA performed on the top five essential traits was found statistically significant for all important rating items of the essential traits for the public sector forensic accountants. There is a significant difference (S) on the mean score for each of the top five information on the essential traits as a function of group comparison. The different background characteristics of respondents (professionals, academicians and users of forensic accounting services) and the different professional functional areas from the users' perspective of forensic accounting services can therefore be considered as representative views of disagreements.

2. Basic skills for forensic accountants in public sector

The results of Descriptive Statistics indicate that all respondents have collectively agreed and gave high ratings for the basic/core skills of the forensic accountants. The top five basic /core skills rated and ranked as most important are: 1.Investigative ability 2.Auditing skills 3.Critical / strategic thinker 4.Identify key issues & 5.Understand the goals of a case.

The survey research carried out by AICPA, USA whose three respondents are from CPA practitioners, attorneys and academician (Davies et al., 2010) reported that the basic skills of forensic accountants such as 1) simplify the information, 2) investigative intuitiveness, 3) synthesis results of discovery and analysis and 4) think like the wrongdoer are found not to be consistent with the present study.
The second ANOVA in Table 5 compared the three groups on the importance ratings of the top five information on the basic skills of a forensic accountant. There is a significant difference (S) on the mean score of the auditing skills as being compared with the three

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

groups of respondents. The different background characteristics and functional areas of the three groups are expected to be the reasons for their different ratings for the audit skills issue. The ANOVA was not statistically significant (NS) for the four items of basic skills – 1) investigative ability, 2) critical / strategic thinker, 3) identify key issues and 4) understand the goals of a case. This indicates that professionals, academics and users of forensic accounting services did not differ in their viewpoints with respect to their ratings on the importance of the four ranked items of basic skills of the forensic accountants.

Table 5: Means and Standard Deviations of basic skills - top five information, as a function of group category (One-way ANOVAs)

Top five items	Overall Response		Professionals		Academicians		Users of Forensic Services		ANOVA	
	M	S.D	M	S.D	M	S.D	M	S.D	Significant ($p < 0.05$)	Differences
Investigative ability	6.44	0.758	6.39	0.734	6.67	0.535	6.41	0.839	0.152	NS
Auditing skills	6.36	0.771	6.20	0.794	6.72	0.454	6.39	0.798	0.002*	S
Critical /strategic thinker	6.31	0.815	6.29	0.797	6.50	0.697	6.26	0.869	0.305	NS
Identify key issues	6.31	0.793	6.31	0.759	6.36	0.543	6.30	0.903	0.919	NS
Understand the goals of a case	6.31	0.771	6.23	0.778	6.42	0.692	6.35	0.791	0.381	NS

The mean difference is significant * 5% level of significance test & NS = No Significant Differences and S = Significant Difference, M= Mean, S.D= Standard Deviation

3. Relevant enhanced skills for forensic accountants in public sector

The results of Descriptive Statistics indicate that all respondents have collectively agreed and gave high ratings for the relevant enhanced skills of the forensic accountants. The top five relevant enhanced skills rated and ranked as most important are: 1. Analyze and interpret financial statements and information, 2. Fraud detection, 3. Audit evidence, 4. Asset tracing & 5. Internal controls.

The two mostly chosen relevant enhanced skills reported from the survey research carried out where the three respondents are CPA practitioners, attorneys and academician (Davies et al., 2010) are 1) analyze and interpret financial statements and information and 2) fraud detection. These ranked enhanced skills are found to be consistent with the present study.

The results of ANOVA in Table 6 show the three groups' rating on the importance of the top five information of the relevant enhanced skills of forensic accountants. The three groups' ratings on the importance of 1) fraud detection 2) analyze and interpret financial statements and information and 3) asset tracing did not differ for the three ranked relevant enhanced skills. However, the ANOVA for the three groups' rating was found statistically significant for their representative views of disagreements on the importance of 1) audit evidence and 2) internal controls for the next two ranked information for the relevant enhanced skills for forensic accountants in public sector.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 6: Means and Standard Deviations of relevant enhanced skills - top five information, as a function of group category (One-way ANOVAs)

Top five items	Overall Response		Professionals		Academicians		Users of Forensic Services		ANOVA	
	M	S.D	M	S.D	M	S.D	M	S.D	Significant ($p < 0.05$)	Differences
Analyze and interpret financial statements and information	6.44	0.677	6.40	0.721	6.53	0.654	6.44	0.645	0.628	NS
Fraud detection	6.41	0.754	6.38	0.760	6.64	0.683	6.35	0.764	0.130	NS
Audit evidence	6.40	0.705	6.43	0.679	6.67	0.535	6.28	0.760	0.016*	S
Asset tracing	6.28	0.739	6.20	0.780	6.42	0.692	6.31	0.712	0.288	NS
Internal controls	6.14	0.879	6.29	0.784	6.50	0.655	5.86	0.957	0.000*	S
The mean difference is significant * 5% level of significance test & NS = No Significant Differences and S = Significant Difference, M= Mean, S.D= Standard Deviation										

4. Indian ethical values for forensic accountants in public sector

The results of Descriptive Statistics show all respondents have collectively agreed and gave high ratings for the Indian ethical values of the forensic accountants. The top five Indian ethical values rated and ranked as most important are: 1. Trustworthiness, 2. Integrity, 3. Accountability
4. Transparency/honesty & 5. Discipline

Table 7. Means and standard deviations of Indian ethical values - top five information, as a function of group Category (One-way ANOVAs)

Top five items	Overall Response		Professionals		Academicians		Users of Forensic Services		ANOVA	
	M	S.D	M	S.D	M	S.D	M	S.D	Significant ($p < 0.05$)	Differences
Trustworthiness	6.65	0.592	6.52	0.697	6.78	0.422	6.66	0.575	0.048	NS
Integrity	6.64	0.609	6.59	0.627	6.72	0.566	6.67	0.608	0.467	NS
Accountability	6.64	0.587	6.55	0.711	6.81	0.401	6.68	0.490	0.058	NS
Transparency	6.62	0.615	6.52	0.697	6.78	0.422	6.66	0.575	0.063	NS
Discipline	6.54	0.698	6.43	0.767	6.67	0.586	6.61	0.654	0.111	NS
The mean difference is significant * 5% level of significance test & NS = No Significant Differences and S = Significant Difference, M= Mean, S.D= Standard Deviation										

For the purpose of this study, all respondents have collectively agreed and gave high ratings on the top five information of the Indian ethical values to enhance the forensic skills of public sector accountants. The ANOVA was not statistically significant for all the top ranked Indian ethical values, which indicates that professionals, academics and users of forensic accounting services did not differ to their ratings of the top five information of Indian ethical values for the public sector forensic accountants.

CONCLUSION

Digabriele (2008) indicated that Forensic accountants should possess skill and knowledge about accounting, auditing, law, investigation techniques besides strong ethical values and soft skills. Once the detective work is done, good interpersonal and communication skills are necessary for forensic accountants to communicate findings to many audiences such as judge, jury, government authorities, lawyers, defendants (Harris and Brown, 2000; Bressler, L. 2012).

The main objective of this empirical survey is to investigate the perceptions of the three major stakeholders of forensic accounting services in the public sector (professionals, academics and users of forensic accounting services) on the essential traits, basic and relevant enhanced skills and Indian ethical values for the forensic accountants.

Through descriptive statistical results, the top 5 information on the essential traits, relevant skills and Indian Values for public sector forensic accountants in India are identified. The top 5 information on the essential traits that forensic accountants in the public sector should possess are 1) ethical, 2) analytical 3) detail oriented, 4) confident and 5) evaluative. The top 5 information on the basic/core skills of the public sector forensic accountants are 1) investigative ability, 2) auditing skills, 3) critical/strategic thinker, 4) identify key issues, and 5) understand the goals of a case. The top five information of relevant enhanced skills for the public sector forensic accountants are 1) fraud detection, 2) analyze and interpret financial statements and information, 3) audit evidence, 4) asset tracing, and 5) internal controls. Under the concept of religiosity, the top five information of Indian ethical values to enhance the effectiveness of forensic services are 1) integrity, 2) trustworthiness, 3) accountability, 4) transparency/honesty, and 5) discipline.

A one-way between groups ANOVA with post-hoc comparisons is used to determine if the three groups of respondents (professionals, academics and users of forensic accounting services) differed in their ratings on the importance of the top five information for the traits, skills and Indian values for forensic accountants in the public sector.

The ANOVA compared the important ratings of the top five information for the essential traits of forensic accountants were found to be statistically significant. The different background of respondents' professional jobs indicates their representative disagreement in their scores for the top five information on the traits - 1) analytical, 2) ethical, 3) detail oriented, 4) confident, and 3) evaluative. The ANOVA was not statistically significant for the four items of basic skills – 1) investigative ability, 2) critical / strategic thinker, 3) identify key issues, and 4) understand the goals of a case except they differ in their ratings on the importance of auditing skills. For the top five information of relevant enhanced skills for forensic accountant, the three groups' rating scores did not differ on the importance of 1) fraud detection, 2) analyze and interpret financial statements and information, and 3) asset tracing except for the importance of 1) audit evidence and 2) internal controls. The ANOVA was not statistically significant for all the top five ranked Indian ethical values, which indicates that professionals, academics and users of forensic accounting services did not differ to their ratings of the top five information of Indian ethical values for forensic accountants in the public sector.

The empirical findings of this study are intended to provide an insight on the level of awareness and commitment in the public sector organization in managing knowledge workers such as public sector accountants to be forensic accountants as well as in promoting ethical practices in forensic accounting services for anti-corruption and anti-fraud programs.

The findings from this empirical study would also help policy makers and regulators in government sector to recognize:
1. The essential traits and relevant skills for forensic accountants in public sector.
2. The importance of ethical culture and Indian values for good public governance.
3. Professional bodies and academic institutions can expand their forensic accounting education and training programs.
4. More efforts from employers should be directed towards providing insights and trainings on the required traits and relevant skills needed to qualify as a forensic accountant.

REFERENCES

1. Abbott, A. (1991), The order of professionalization: An empirical analysis, Work and occupations, Vol. 18 No. 4, pp. 355–384.
2. ACFE (2012), Report to the Nations on Occupational Fraud and Abuse: 2012 Global Fraud Study, Austin, TX: Association of Certified Fraud Examiners.
3. Adhard, J. (1989), Beyond Statutory Audit, Prentice Hall.
4. Ahwood, F. A. and stein, N.D. (1986),De Paula Auditing 17th Edition, London Pitman Publishing Limited.
5. Albrecht, W.S. and C.O. Albrecht (2004), Fraud Examination. Mason, OH: SouthWestern.
6. Albrecht, W. S, Albrecht, Conan, C, Albrecht, Chad, O. and Zimbelman, M. F. (2009), Fraud Examination, South Western.
7. Beaver, W. H. (1986), Financial reporting, In G. E. Germane (Ed.), The executive course. Reading, MA: Addison-Wesley, pp. 123–148.
8. Bressler, L. (2012), The role of Forensic Accountants in fraud investigations: Importance of Attorney and Judge's perceptions, Journal of Finance and Accountancy.

9. Brody, R., Melendy, S. and F. Perri. (2012), 'Commentary from the American Accounting Association's 2011, Annual Meeting Panel on Emerging Issues in Fraud Research', Accounting Horizons, Vol. 26 No. 3, pp. 513–531.
10. Buang, Ambrin (2008), Financial Fraud in the Public Sector: Detection and Preventive Measures, National Seminar on Forensic Accounting and Financial Criminology, Vol. 28 October 2008, Securities Commission, Kuala Lumpur.
11. Buckstein, J. (2012), 'Keeping a Step ahead of the Bad Guys', The Bottom Line, 25th February 2012.
12. Button, M. (2007), Security Officers and Policing: Powers, Culture, and Control in the Governance of Private Space, Burlington, VT: Ashgate.
13. Bolgna, J.G. and Linquist, R. J. (1995), Fraud Auditing and Forensic Accounting, New York, Wiley.
14. Carity, P. (1991), "Crime Wave: Who Can Stop the Tide?" Accounting September, 1991.
15. Cressey, D. (1973), Other People's Money: A Study in the Social Psychology of Embezzlement, Montclair, NJ: Patterson Smith.
16. Crumbley, D. L., and Smith, G. S. (2009), How divergent are pedagogical views toward the fraud/forensic accounting curriculum? Global Perspectives on Accounting Education, Vol. 6, pp. 1-24.
17. Davies, C., Farrell R. and Ogilby, S (2008), Characteristics and Skills of the Forensic Accountant (AICPA Report), Institute of Certified Public Accountants.
18. De Lorenzo, J. (1993), Forensic Accounting, Australian Accountant, Mach.
19. Digabriele, J. A. (2008), An Empirical Investigation of the Relevant Skills of Forensic Accountants, Journal of Education for Business.
20. Digabriele, J. A. (2009), Implications of regulatory prescriptions and audit standards on the evaluation of forensic accounting in the audit process, Journal of Applied Accounting Research, Vol. 10 No. 2, pp. 109-121.
21. Dong Renzhou: Legal Governance of False Accounting, Beijing: People's Court Press, June 2006, pp.220–247.
22. Eaglesham, J. (2013), 'Accounting Fraud Targeted', The Wall Street Journal 27th May 2013, C1.
23. Ericson, R. and K. Haggerty. (1997), Policing the Risk Society, Toronto: University of Toronto Press.
24. Gill, M. and J. Hart. (1996), 'Historical Perspectives on Private Investigation in Britain and the US', Security Journal, Vol. 7, No. 4, pp. 273–280.
25. Glaser, B. G., & Strauss, A. L. (1967), The discovery of grounded theory: Strategies for qualitative research, New York: Aldine.
26. Greenwood, R., Cooper, D. J., Hinings, C. R., & Brown, J. L. (1993), Biggest is best? Strategic assumptions and actions in the Canadian audit industry, Canadian Journal of Administrative Science, Vol. 10 No.4, pp. 308–321.
27. Hall, R. (1993),A framework linking intangible resources and capabilities to sustainable competitive advantage, Strategic Management Journal, Vol. 14, pp. 607–618.
28. Harris, C. K. and Brown, A. M. (2000), The Qualities of A Forensic Accountant. Pennsylvania CPA Journal, Vol.71 No.1, pp. 6 -8 INTAN (Institute Tadbiran Awam Negara, India) (1991). Nilai dan Etika Dalam Perkhidmatan Awam.
29. Ismail, A.S.H. (2009), Values and Ethics Towards Quality Public Delivery System of India: An Indian Perspective, Journal Syariah BARU.
30. Johnston, L. and C. Shearing. (2003), Governing Security: Explorations in Policing and Justice, New York: Routledge.
31. Jones, T. and T. Newburn. (1998), Private Security and Public Policing, Oxford: Clarendon Press.
32. Levi, M. (2008), 'Combating White-Collar and Organized Economic Crimes: Some Reflections on the Role of Security.' in M. Gill (ed.), The Handbook of Security, New York: Palgrave Macmillan.
33. MdZain, H. (2008), Director, IntanKampus Wilayah Tengah, Slide Presentations for Indian Values and Ethics Workshop organized by National Institute of Public Administration.
34. Meerts, C. (2013), 'Corporate Security — Private Justice? (Un) settling Employer-Employee Troubles', Security Journal, Vol. 26 No. 3, pp. 264–279.
35. Miller and M. Power. (1995), 'Calculating Corporate Failure.' in Y. Dezalay and D. Sugarman (eds) Professional Competition and Professional Power: Lawyers, Accountants, and the Social Construction of Markets, New York: Routledge.
36. Morales, J. Gendron, Y. and H. Guénin-Paracini. (2012), 'The Rise of the Fraud Society and the Normalization of Individual Deviance', Unpublished Working Paper.
37. Pallant, J. (2006), SPSS Survival Manual: A Step by Step Guide to Data Analysis using SPSS for windows (version 12): Open University Press, Buckingham, UK.
38. Poveda, T. (1994), Rethinking White-Collar Crime, London: Praeger.
39. Prenzler, T. (2008), 'Private Investigators', in M. Gill (ed.) The Handbook of Security, New York: Palgrave.
40. Reichman, N. (1992), 'Moving Backstage: Uncovering the Role of Compliance Practices in Shaping Regulatory Policy', in K. Schlegel and D. Weisburd (eds) White-Collar Crime Reconsidered, Boston: Northeastern University Press.
41. Thomas ·W·Gordon, Steven ·L·Scarborough Lake, Mona ·M·Crichton (2009), translated by Zhang Lei: A Guide to Forensic Accounting Investigation, Dalian: Dongbei University of Finance and Economics Press, pp.362–369.
42. Torpe, E.M. (2009), Careers in Forensics: Analysis, Evidence and Law, Occupational Outlook Quarterly (Spring).
43. Salleh, K., Abdul Razak, N., Rani, U. and Baharim, S. (2011), Essential Traits, Relevant Skills and Ethical Values of Public Sector Accountants: An Empirical Survey. IPN Journal of Research and Practice in Public Sector Accounting and Management, Vol.1, pp. 1-22.
44. Sigieton Green, B. (1991), "The Biggest Fraud In History", Accounting, September 1991.
45. Signpost (1992), Canadian Institute of Chartered Accountants, Vol. 1.
46. Syed Ahmad, S. N., (2008), Chapter 6, Developing Expertise in Forensic Accounting, Forensic Accounting Courses in India, ADB/OECD Anti Corruption Initiative for Asia and the Pacific.
47. Wells, J. (1997), Corporate Fraud Handbook: Prevention and Detection. Hoboken, NJ: John Wiley.
48. White, A. (2010) The Politics of Private Security. London: Palgrave MacMillan.
49. Williams, J.W. (2009), 'Envisioning Financial Disorder: Financial Surveillance and the Securities Industry', Economy and Society, Vol. 38 No.3, pp. 460–491.
50. Wootton, C. W., Tonge, S. D., & Wolk, C. M. (1990), From the big eight to the big six accounting firms, Ohio CPA Journal Spring, pp. 19–23.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF DEBT-EQUITY MIX ON SHAREHOLDERS - A STUDY OF IT INDUSTRY

Dr. K.T. Gopi,

Professor & Director,

V.V. Sangha's Allum Karibasappa Institute of Management

Cantonment, Ballari-583101.

Ms. Momintaj

Assistant Professor,

PG Department of Management Studies & Research Center

PES Institute of Technology and Management

Shivamogga- 577204

ABSTRACT

Debt-equity mix is a most debated concept in the financial grounds. Both debt and equity have their own advantages and limitations. More debt in the balance sheet will increase huge burden on fixed outlay every year, whereas more equity do not have that issue as payout is not mandatory. Less equity will have more unified decision making in the board but less debt will not give leverage to the equity holders. Thus striking a perfect balance between these two components in restructuring the balance sheet is crucial so as to bestow a decent return to the owners of organization. This decision making cannot be generalized to all the industries across the country. It has to be studied independently for all the industries. Hence, an effort is made to study the impact of Debt-Equity Mix on Shareholders for leading companies of IT industry listed in NSE such as HCL Technologies Limited, Infosys Limited, Tata Consultancy Services, Tech Mahindra and Wipro Ltd. The following trends of debt-equity mix practices in selected IT companies are analyzed using the following capital structure ratios - Capital Gearing Ratio, Debt Equity Ratio, Ratio of Total Investment to Long term liabilities, Fixed Assets to Funded Debt Ratio, Current Liabilities to Proprietor's Fund Ratio and Reserves to Equity Capital Ratio.

***Keywords**: Financial mix, Market Value, Intrinsic Value, Value of firm and Shareholders' Wealth.*

I. Introduction

Any organization would have factors of production to carry on its business in the economy. The companies strive hard to obtain the funds from various avenues. Procurement of finance is deliberately done on the basis of facts of the capital market conditions. It is the tactic that where to procure finance and at what cost. Cost of finance place a crucial role in deciding debt equity mix. Debt-equity mix decision is not a onetime solution for any organization. Debt-equity mix decision is perpetual in nature due to variation in demand for the product, availability of the resources, monetary policy, interest rates, inflation, money supply and various other micro and macro economic factors in collaboration with demographics. Most of these factors are highly impulsive and which make deciding a debt-equity mix a tough task for any finance officer. Many laureates have found empirical evidences for optimal debt-equity mix in their studies across the time horizons. Even then those studies provide a strong basement to understand the past but not able synthesis the intricacies. Generalized results are not serving the purpose as there exist variety of debt, equity and hybrid instruments in combination with various industries consisting numerous demographic differences. This difference and complexity is hindering to come out with specific results. Hence there are only two options to overcome this issue, namely, 1) A method is to be formulated so that the

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

extraneous factors shall be controlled. 2) Industry specific study to be conducted. Hence, this study is aimed at how intrinsic value and market value will be impacted by the Debt-Equity Mix of IT industry in India.

In this article, we made an attempt to study the Debt-Equity Mix and its impact on shareholders of leading IT companies in India. The research work has been organized in following 6 segments: 1. Introduction; 2. Review of relevant literatures; 3. Objectives and Research Methodology; 4. Analysis of Data; 5. Major findings and limitations; 6. Conclusion of the research paper.

II. Literature Review:

The available literature review on Debt-Equity Mix and its impact on shareholders' wealth have been documented in this section.

Anup and Suman (2010), in this paper researcher's have made an attempt to study the Impact of Capital structure on firm's value: Evidence from Bangladesh. The financial information was obtained from Dhaka Stock Exchange (DSE) and Chittangong Stock Exchange (CSE). The study considered share price value and different capital structure ratios for decision making. For the analysis samples were drawn from 4 most dominant sectors like engineering, fuel and power, food and allied and pharmaceutical. It was observed in the result that there exist a strong positively correlated association between capital structure and firm's value. **Chitra and Rajesh (2014),** this research paper analyses the gap in Intrinsic and Market value of companies. The findings of the study revealed that there is a wide gap between intrinsic and market price. Researchers also concluded that in stock recovery phase market prices are generally higher than intrinsic value due to investors increased expectations. **Hassan and Saidatou (2012),** this research paper throws light on Intrinsic value vs. Market value: An Empirical Mean-Reversion-Based Study. The major aim of this paper was to measure the performance of a mean reversion structural model in pricing shares (model developed by El Ibrami and Naciri in 2012). Market is considered as the benchmark for analyzing model. Results of the study drawn the following inference stating market overestimated mean reversion companies by about 10% and remain almost same throughout the industries. **Uche (2012),** here the study was conducted on Debt-Equity Mix and Market value of companies, regression analysis was used to investigate the impact of Debt-Equity Mix on the value of capital of Nigerians companies. They found that variable of equity has significant relationship with the market value and the increase of debt in the Debt-Equity Mix increases shareholders wealth and also increases shareholders risk. They also concluded that there is need to attain an optimal Debt-Equity Mix to Nigerians companies because their market values are directly boosting the Nigerian economy. **Maryam and Abdolkarim (2015)**, in this paper research study was based on the effect of capital structure on firm value, the rate of return on equity and earnings per share of listed companies in Tehran Stock Exchange. Study was conducted of 55 companies for a period of 4 years. In order to test the hypotheses; multiple regression analysis, f-statistics and t-test were used. Researchers concluded in the results stating the rate of return on equity has a negative impact on financial leverage and market value of the company's EPS has significant effect on financial leverage. **Divya and Purna (2017),** researchers have examined the impact of Debt-Equity Mix and firm quality on firm value of selected Indian hospitality firms listed on BSE over a period of 15 years. Variables were studied through Altman Z score, leverage, size, profitability, tangibility, growth, inflation were considered for analyzing the impact of capital structure on firm value. The study found that a significant relationship of firm value with firm quality, leverage, liquidity, size and economic growth. The study also showed that Modigliani miller theorem of Debt-Equity Mix does not hold good for an Indian hospitality sector.

From the above review of literatures it can be concluded that debt-equity mix has significant impact on observed parameters of the study. It is noticed from the previous reviews that most of the research has been undertaken in other countries and other than IT companies. And more over, there is no research work conducted specifically on debt-equity mix and its impact on shareholder's wealth. Hence, with this note, researchers have made an attempt to measure the "Debt-Equity Mix and its impact on Shareholders-A study of IT Industry".

III. Objectives and Research Methodology:

Objectives: Following are the prime objectives for the present research study.

1. To study the trends of debt-equity mix practices in IT Companies listed on NSE by using selected capital structure ratios.
2. To study the effects of debt-equity mix and its consequences on shareholder's wealth.

Research Methodology:

Data: The research study has taken five leading IT companies listed at National Stock Exchange (NSE), India and comprised in NSE Nifty. The companies are as follows: HCL Technologies Ltd., Infosys Ltd., Tata Consultancy Services Ltd., Tech Mahindra Ltd. and Wipro Ltd. In order to fulfill the research objectives, required data for analysis will be collected from secondary sources which include five years (2013-2017) annual reports of 5 selected IT companies and Market value is collected from NSE India website for the same period.

Methodology:

The collected data will be analyzed by using ratio analysis to study the composition of Debt-Equity Mix and correlation and t-test will be used to find out the Debt-Equity Mix and its impact on Shareholders. The following ratios are used to study the composition of Debt-Equity Mix.

1. Reserves to Equity Capital: The ratio depicts the number of times wealth of equity holders is grown over a period. Higher the ratio better is the financial soundness.
2. Financial Leverage: It measure the ability of the business to meet its long-term debt obligations, such as interest payments on debt, the final principal payment on debt, and any other fixed obligations
3. Total Investment to Long Term Liabilities: this ratio measures the extent of usage of long term funds in investments.
4. Fixed Asset to Funded Debt: The ratio describes the portion of fixed asset investment out of long term borrowings.
5. Current Liabilities to Proprietor's Funds: It portrays the level of portion of current liabilities in the owners'' equity
6. Capital Gearing Ratio: analyze the Debt-Equity Mix of a company and is computed by dividing the common stockholders' equity by fixed interest or dividend bearing funds.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

IV. Data Analysis

The study analyzed the five pharmaceutical companies listed at NSE and comprised in NSE Nifty for a period 2013 to 2017 (5 years). The collected data is analyzed by using selected Debt-Equity Mix ratios and result is presented in this section.

Table-1: Composition of Debt-Equity Mix by using selected Debt-Equity Mix ratios

Company	Year	Reserves to Equity Capital	Current Liabilities to Proprietor's Funds	Fixed Asset to Funded Debt	Total Investment to Long Term Liabilities	Financial Leverage	Capital Gearing Ratio
HCL Technologies Ltd.	2013	9341.76	0.57	2.75	17.52	1.01	16.52
	2014	13858.70	0.47	13.25	98.40	1.01	97.40
	2015	8514.65	0.41	20.27	145.29	1.00	144.29
	2016	9576.02	0.37	5.18	38.01	1.00	37.01
	2017	11446.77	0.34	10.45	87.56	1.00	86.11
Infosys Ltd.	2013	13184.62	0.21	0.00	0.00	1.00	0.00
	2014	15469.93	0.27	0.00	0.00	1.00	0.00
	2015	8769.93	0.31	0.00	0.00	1.00	0.00
	2016	4954.72	0.30	0.00	0.00	1.00	0.00
	2017	5929.90	0.20	0.00	0.00	1.00	0.00
TCS	2013	12968.35	0.30	45.75	296.05	1.00	295.05
	2014	25016.03	0.32	55.28	387.57	1.00	386.57
	2015	25751.21	0.40	82.05	444.12	1.00	443.12
	2016	33071.21	0.34	128.52	792.96	1.00	791.96
	2017	43663.45	0.17	141.65	1215.28	1.00	1214.28
Tech Mahindra	2013	4135.21	0.50	2.94	19.08	1.07	18.08
	2014	3831.69	0.50	102.42	484.18	1.01	483.18
	2015	2449.67	0.47	47.91	267.27	1.01	266.27
	2016	2868.86	0.48	12.80	74.04	1.01	73.04
	2017	3645.94	0.39	7.97	43.66	1.02	42.66
Wipro	2013	5294.92	0.62	53.20	312.43	1.01	311.43
	2014	6416.98	0.49	4.37	30.45	1.01	29.45
	2015	7413.06	0.52	3.91	30.19	1.01	29.19
	2016	8944.44	0.52	3.34	26.74	1.01	25.74
	2017	10529.54	0.44	3.09	27.35	1.02	26.35

Source: Annual reports

The above table describes the Debt-Equity Mix of selected 5 companies for period of five years with 6 parameters to measure the composition of Debt-Equity Mix. The result shows that all companies have trembled down in terms of increasing wealth of shareholders as reserves to equity capital are showing a down trend. The current liability to owner's fund ratio is declining in all the companies and it signifies deteriorated growth in wealth for all the companies. The Fixed asset to debt ratio is decreased in HCL, Tech Mahindra and Wipro, which shows use of debt in acquiring fixed asset is increased over the years, whereas TCS has outperformed in this sector and rotated the ratio to a maximum possible extent. It is also evident that Infosys is nil as it has no leverage options. Total investment to long term liabilities is normally distributed over the selected years in HCL and Tech Mahindra, this shows a boomerang effect in increasing investments over long term liabilities in the midst of the selected period and coming back to the position. In case of TCS it is increased and means the company has better option for returns in other investments when compared to plowing back. But in case of Wipro it has tried to disinvest over the years, which tells the company is not better option to invest outside other than plow back. Again Infosys is nil as it has no leverage options. Financial leverage neither accelerates nor retard in HCL, Infosys and TCS whereas Tech Mahindra and Wipro has very negligible variations. This trend shows that the IT companies are not in a favorable position to cover the fixed financial obligations or they have maintained to be even over the period. Capital gearing ratio is increasing in TCS which shows the company has tried to use more equity than debt in the portfolio, but in Tech Mahindra and Wipro it has gradually dropped down and signifies more leverage. CGR is having a bell shaped curve for HCL and not applicable for Infosys again.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table- 2: Five Companies aggregate value of the parameters					
Parameters	**2013**	**2014**	**2015**	**2016**	**2017**
Reserves to Equity Capital	8984.97	12918.67	10579.70	11883.05	15043.12
Current Liabilities to Proprietor's Funds	0.44	0.41	0.42	0.40	0.31
Fixed Asset to Funded Debt	20.93	35.06	30.83	29.97	32.63
Total Investment to Long Term Liabilities	129.02	200.12	177.37	186.35	274.77
Financial Leverage	1.02	1.01	1.00	1.00	1.01
Capital Gearing Ratio	128.22	199.32	176.57	185.55	273.88

Source: Table - 1

The above table explains the trend of all the selected parameters of Debt-Equity Mix. Reserves to equity capital have been increased and convey that the equity holders have earned over the years. Current liabilities to proprietor's fund have steadily sloped down signifying growth in owners' fund and slothful trend in short term liabilities. Fixed asset to debt and total investments to long term funds are having a progressively positive slope portraying deliberate investment in fixed asset. Financial leverage is been constant over the years and capital gearing ratio suffers turbulence in the five years.

Table- 3: Relationship among Intrinsic value and parameters						
Intrinsic Value	**HCL**	**Infosys**	**TCS**	**Tech Mahindra**	**Wipro**	**Average**
Reserves to Equity Capital	0.78	0.97	0.63	0.82	0.30	0.70
Market Value	1.00	1.00	0.98	0.84	1.00	0.96
Financial Leverage	-0.02	-0.12	-0.70	0.57	-0.77	-0.21
Total Investment to Long Term Liabilities	0.06	0.00	0.94	0.29	-0.67	0.12
Fixed Asset to Funded Debt	0.12	0.00	0.99	0.24	-0.66	0.14
Current Liabilities to Proprietor's Funds	0.17	0.00	-0.62	0.66	0.69	0.18
Capital Gearing Ratio	0.12	0.00	0.99	0.24	-0.66	0.14

Source: NSE website and Annual Report

The above table shows that intrinsic value is strongly positively correlated with reserves to equity capital in all the companies except Wipro showing weakly positive correlation. Market value correlates almost perfect correlation with intrinsic value of IT firms. The financial leverage shows a negative correlation but with varied magnitude and explains more leverage in capital structure is going to deplete the intrinsic value. The total investments to long term funds describe no uniformity in relation with intrinsic value. Fixed asset to funded debt shows strong and weak positive relationship except TCS, having strongly negative relationship with intrinsic value. Current liabilities to proprietors' funds and capital gearing ratio are having a one negative and other positive correlation with intrinsic value.

Table -4: Relationship between market value and parameters						
Market Value	**HCL**	**Infosys**	**TCS**	**Tech Mahindra**	**Wipro**	**Average**
Reserves to Equity Capital	0.79	0.97	0.76	0.55	0.30	0.67
Financial Leverage	0.12	0.05	0.09	0.58	-0.47	0.08
Total Investment to Long Term Liabilities	0.51	0.00	0.73	0.78	-0.81	0.24
Fixed Asset to Funded Debt	0.51	0.00	0.56	0.74	-0.81	0.20
Current Liabilities to Proprietor's Funds	0.23	0.00	-0.13	0.14	-0.47	-0.05
Capital Gearing Ratio	0.51	0.00	0.56	0.74	-0.81	0.20

Source: *NSE Portal and Annual Report*

The above shows that market value is strongly positively correlated with reserves to equity capital and it also shows that financial leverage shows a weak positive correlation or moderately negative relationship. The total investment to long term funds, fixed asset to

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

funded debt, and capital gearing ratio are having a moderate positive correlation with market value. A current liability to proprietors' funds is having an almost moderate and weak negative relationship with market value.

Table-5: Average of relationship between intrinsic and market value and parameter co-efficient

Parameters	Intrinsic Value	Market Value
Reserves to Equity Capital	0.67	0.96
Financial Leverage	0.08	-0.21
Total Investment to Long Term Liabilities	0.24	0.12
Fixed Asset to Funded Debt	0.20	0.14
Current Liabilities to Proprietor's Funds	-0.05	0.18
Capital Gearing Ratio	0.20	0.14

Source: Table 3 & 4

The above table shows that reserves to equity capital has strong relationship with both intrinsic and market value. Financial leverage has very negatively weak correlation with market value but almost no relationship with intrinsic value in IT sector. Total investment to long term liability, fixed assets to funded debt and capital gearing ratio are having a moderate positive relationship shows positive relationship with both intrinsic and market value. Financial leverage holds negative relationship with market value. Current liabilities to proprietor's fund have weak negative correlation or no relationship with intrinsic value but has weakly negatively correlated with market value.

The present research work wanted to test difference between correlation coefficients of parameters with intrinsic value and market value. Hence, the following hypothesis has been formulated:

H_0: There is no significant difference between correlation coefficients of parameters with intrinsic value and market value.

H_1: There is a significant difference between correlation coefficients of parameters with intrinsic value and market value.

Table – 6: t-Test: Two-Sample Assuming Equal Variances

Parameter	Intrinsic Value	Market Value
Mean	0.22	0.22
Variance	0.06	0.15
Observation	6.00	6.00
Df	10.00	
t Stat	0.32	
P(T<=t) one-tail	0.38	
t Critical one-tail	1.81	
P(T<=t) two-tail	0.75	
t Critical two-tail	2.23	

Source: Table - 5

In order to test above hypothesis t-test is employed and the result has been presented in the above table. The test intends to check whether there is a significant difference in mean of correlation coefficients of different parameters with intrinsic and market value. As the p-value is 0.32 and 0.75 in one tailed and two tailed respectively, it falls in acceptance region of the bell shaped curve and null hypothesis is accepted at 5% significance level. This tells that all the parameters relate similarly with both intrinsic and market value of the pharmaceutical companies.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

V. Major Results and Discussions

1. All the companies in the IT industry have considerably increased their wealth for their shareholders.
2. Wipro exhibits negative relationship with all the parameters with intrinsic value and market value except reserves to Equity capital.
3. Total investments to long term liabilities, capital gearing ratio and fixed assets to funded debt behaves almost similar with intrinsic value and market value as well in IT industry. That is in the IT sector, investments, fixed assets and intrinsic value and market value move hand in hand.
4. Even though Infosys don't use debt in its capital structure, it has made a effort to enhance the a decent returns to its shareholders.
5. Except Tech Mahindra all the firms have a negative correlation between financial leverage and intrinsic value. This means only Tech Mahindra is enjoying the benefits of leverage.
6. All the companies have a positive correlation between market value and returns of shareholders.
7. Equity shareholders of Wipro and TCS reciprocate with a bearish attitude if short term liabilities are proportionally more than owners' fund.
8. Both intrinsic value and market value have similar relationship with the Debt-Equity Mix parameters in IT industry.

Limitations of the study:

- The results drawn from the research study is limited for the time period considered for the study and the results may vary with the variation of period of study.
- The market value will keep on fluctuating so; the value obtained may not remain same.

VI. Conclusion:

IT industry has given a paradigm shift to all most all the industries across the world. The study aimed at how intrinsic value and market value will be impacted by the Debt-Equity Mix of IT companies in India. It is revealed that shareholders wealth has been increased in all the selected companies. Increase in wealth has significantly increased the intrinsic value and market value. Financial leverage has not contributed to an extensively level to gain the returns from it. Thus the study identifies usage of more debt in the Debt-Equity Mix is able to yield more benefits to equity shareholders and highlight the industry in rapid growth phase. The results of the study can be used by the companies and investors in understanding the implication of Debt-Equity Mix on wealth creation. As future research direction, we suggest to expand the scope of research by increasing the sample of companies and studying the inter-relationship with industries to study the impact of Debt-Equity Mix on intrinsic and market value.

References:

1. *Divya Aggarwal, Purna Chandra Pradhan (June 2017), Impact of Debt-Equity Mix on Firm Value: Evidence from Indian Hospitality Industry, Scientific Research Publishing, Theoretical Economics Letters, 7, 982-1000, ISSN Online: 2162-2086, ISSN Print: 2162-2078.*
2. *Chitra Bhatia Arora, Rajesh Shaw (June 2014), Analysis of Gap in Intrinsic and Market Value of Companies, Journal of Management Sciences and Technology 3(1),ISSN-2347-5005).*
3. *Maryam Alhani Fumani, Dr. Abdolkarim Moghadam (2015), The Effect of Debt-Equity Mix on Firm Value, The Rate of Return on Equity and Earnings Per Share of listed companies in Tehran Stock Exchange, Research Journal of Finance and Accounting, ISSN 2222-1697(Paper), ISSN 2222-2847(Online), Vol. 6, No. 15.*
4. *Hassan El Ibrami, Saidatou Dicko (December 2012), Intrinsic Value vs. Market Value: An Empirical Mean-Reversion-Based Study, International Journal of Accounting and Financial Reporting, ISSN 2162-3082, Vol. 2, No. 2.*
5. *Dr. Uche Ugwuanyi (2012), Debt-Equity Mix and Market value of companies, European Journal of Business and Management, ISSN 2222-1905 (Paper), ISSN 2222-2839 (Online), Vol. 4, No. 21.*
6. *Anup Chowdhury, Suman Paul Chowdhury (October 2010), Impact of Debt-Equity Mix on firm's value: Evidence from Bangladesh, Peer-reviewed and Open access Journal, BEH-Business and economic Horizons, ISSN: 1804-1205, Volume 3, Issue 3, pp. 111-122.*
7. https://nseindia.com/products/content/equities/equities/equities.htm, *last accessed on 01/02/2018.*

Annual Reports:

Annual reports of five selected IT companies for five years

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A CONCEPTUAL STUDY ON "THE IMPACT OF THE RECENT INNOVATION ON ACCOUNTING STANDARDS AND IFRS" IN INDIA

Dr. S. KANTHIMATHINATHAN

Associate Professor-Department of Commerce (SCS)

Jain University- District Fund Road

Jayanagar-9 th Block, Bangalore-560069.

Dr. K. KANISHKA

Head -Department of Business Management

Professor –St Joseph Evening College (Autonomous)

35, Museum Road, Bangalore-560025

ABSTRACT

***Accounting Standards**: Indian Laws advocate, recommend and insist business enterprises to adhere to the accounting standards. The company's act 2013 states that every profit and loss account and balance sheet must comply with accounting standards. It mandates the directors to declare in the Directors 'Responsibility Statement that in the preparation of annual accounts the applicable accounting standards had been followed along with proper explanations. Further, the auditors of a company must check the extent to which the accounting standards have been adhered to and mention of laws in their auditor's report Hence, in India, adhering to accounting standards is mandatory (unless the standard provides an option for adherence) as per the requirement of laws governing business enterprises. In India, accounting standards are issued by the Accounting Standard Board of the Institute of Chartered Accountants of India in consultation with the National Advisory Committee on Accounting Standards.*

IFRS :(International Financial Reports and Statement)

Initially all multinational and global companies across the world prepare financial statements for each country in which they did business, in accordance with each country's GAAP evolved from International Accounting Standards (IAS) issued by International Accounting Standard Committee(IASC) from 1973 to 2001. During this period, a series of Accounting standards (AS) were released which were numbered numerically starting from IAS 1 and concluded with IAS 41 in December 2000.At the time establishment of IASB, they agreed to adopt the revised set of standards issued by IASC .IFRS are increasingly becoming the set of globally accepted accounting standards that meet the needs of the worlds increasingly integrated global capital markets. The adaptation of standards that require high quality, transparent and comparable information is welcomed by investors, creditors, financial analysts and other users of financial statements. This enables comparability of financial information prepared by entities located in different parts of the world. A use of single set of accounting standards facilitates investments and other economic decision across borders, increases market efficiency and reducing cost of raise capital.

***Key Words**: Transparency-Uniformity of accounting-Need for harmonies-Best practices etc.*

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

1. Introduction

Accounting standards are written policy documents issued by expert accounting body or by Government or other regulatory body covering the aspects of recognition, treatment, measurement, presentation and disclosure of accounting transactions and events in the financial statements. In short, an accounting standard may be recorded as a sort of law a guide to action, a settled ground or basic of conduct or practice, of accounting. The accounting standards are set in the form of general principles, the application of which is left to the professional judgement.

IFRS is an abbreviation for International Financial Reporting Standards and covers full set of principles and rules on reporting of various items, transactions or situation in the financial statements. Often, they are referred to as "Principles based" standards because they describe principles rather than dictate rigid accounting rules for treatment of certain items. In simple word, IFRS are a set of international Accounting standards, stating how particular types of transaction and other events should be reported in the financial statements. They are the guidelines and rules set by IASB which the company and organization can follow while preparing their financial statements.

II.STATEMENT OF THE PROBLEMS

The need to harmonies the adverse accounting policies and practices at present in use in India constituted the accounting standards Boards (ASB) on 21 st April 1977.

a) The Accounting standards deal with the issues of recognition of events and transactions in the financial statements and it is difficult to measurement of these transactions and events.
b) Presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to reader and
c) The disclosure requirements which should be there to enable the public at large and the stakeholders and the potential investors, to get an insight into what these financial statements are trying to reflect and thereby facilitating them to take prudent and informed business decisions.

As discussed above the importance of accounting standards and implementation of IFRS in all Indian companies has been facing the difficult situations at present scenario. Hence it is felt that, this study will help to resolve the problems in a very lightening way towards more positive directions

III.OBJECTIVES OF THE STUDY

Accounting standards standardize diverse accounting policies with a view:

1. To eliminate the non-comparability of financial statements and thereby improving the reliability of financial statements.

2. To Provide a set of standard accounting policies, valuation norms and disclosure requirements.

3. To study the importance and role of accounting standards in Indian accounting systems.

4. To understand the conceptual background of Accounting Standards and IFRS and its impact on financial reporting.

5. To study the features and challenges in adopting the IFRS

IV. Role of setting accounting standards

Setting of accounting standards has the following advantages:

(i) They reduce to a reasonable extent or eliminate altogether confusing variations in accounting treatment used to prepare financial statements.
(ii) Accounting standards may even call of disclosure of certain information which may not be required by law but such information might be useful for the general public. Investors and creditors.
(iii) The application of accounting standards would at least moderately facilitate comparison of financial statement of companies in various parts of the world and within the country. However, it is to be noted that different countries, may adopt different accounting standards according to their needs and in such context
Comparison among different companies will be less facilitated.
(iv) Accounting standards raise the standards of auditing itself in its task of reporting on the financial statements.
(v) Government officials, tax authorities and others find accounting reports produced in accordance with established standards to be reliable and acceptable.
(vi) Financial statement thus produced will be reliable documents for analysis and interpretation by analysis's researchers and consultants for economic forecasting and planning.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

V. Drawback of Accounting Standards

The following are some of the limitations of setting of accounting standards.

(i) Alternative solution to certain accounting problems may each have arguments to recommend them. Therefore, the choice between different alternative accounting treatments may become difficult.

(ii) Lack of flexibility by using accounting standards' some business people may rigidity to use the same.

(iii) Accounting standards cannot override the statute. The standards are required to be framed within the ambit of prevailing statutes.

(iv) It requires more professional ethics for applications of all standards.

VI. Need for Accounting Standards:

The stability of an economic system depends upon the confidence that user groups have in the fairness and reliability of the financial statements on which they rely. It is the function of accounting standards to create this general sense of confidence by providing a structural framework within which credible financial statements can be produced. Accounting standards deal mainly with the system of financial measurements. And disclosure used in producing a set of fairly presented financial statements. They can thus be thought of as a system of measurement and disclosures rules.

Many of user groups have competing economic interests, and it is therefore essential that published financial statements should be credible, and recorded as reliable, by all the user interest groups who may rely upon them. Accounting standards are also vitally important in resolving potential conflicts of financial interest among the various external group that use and reply upon published financial statements. Such conflicts of interests are frequent and rare.

Accounting standards reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of financial statements of different enterprises .Thus accounting standards can be seen as providing an important mechanism to help in the resolution of potential financial conflicts of interest between the various important groups in society, It follows that it is essential that accounting standards should command the greatest possible credibility among all of these different groups.

The whole idea of accounting standards is centred on harmonization of accounting policies and practices adopted for various aspects of accounting can be standardized,

VII. Procedures for issuing Accounting Standards by Accounting Standards Board of Institute of Chartered Accountant of India:

The following is the procedure followed for issuing accounting standards by the Accounting Standards Board.

1. Accounting Standards Boards (ASB) shall determine the broad areas in which accounting standards need to be formulated and the priority regard to the selection thereof.

2. In the preparation of accounting standards will be assisted by study groups; provision will be made for wide participation by the members of the institute and others.

3. ASB will also hold a dialogue with the representatives of the government, public sector undertakings, industry and other organisations, for ascertaining their views.

4. On the basis of the work of the study groups and the dialogue with the organisations referred above, an example of draft of the proposed standard will be prepared and issued for comments by members of the institute and the public at large.

5. The draft of the proposed standard will include the following basic points.

(a) A statement of concepts and fundamental accounting principles relating to the standard;

(b) Definitions of the terms used in the standard;

(c) The manner in which the accounting principle have been applied for formulating the standard.

(d) The presentation of disclosure requirements in complying with the standard

(e) Class of enterprises to which the standard will become effective.

(f) Data from which the standard will be effective.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

6. After taking into consideration the comments received, the draft of the proposed standard will be finalised by ASB and submitted to the council of the institute.

7. The council of the Institute will consider the final draft of the proposed standards, and if found necessary, modify the same in consultation with ASB. The accounting standard on the relevant subject written will be issued under the authority of the council.

VIII.List of Accounting Standards in India:

The following is the list of accounting standards issued by the Accounting Standards Board till date.

AS 1	Disclosure of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow statement
AS 4	Contingencies and events occurring after the balance sheet date
AS 5	Net profit or loss for the period, prior period items and changes in accounting policies
AS 6	Depreciation accounting
AS 7	Accounting for construction contracts
AS 8	Accounting for research and development (withdrawn now)
AS 9	Revenue Recognition
AS 10	Accounting for fixed assets
AS 11	The effect of changes in foreign exchange rate
AS 12	Accounting for government grants
AS 13	Accounting for investments
AS 14	Accounting for amalgamation
AS 15	Employee benefits
AS 16	Borrowing cost
AS 17	Segment reporting
AS 18	Related party disclosures
AS 19	Leases
AS 20	Earning per shares
AS 21	Consolidated Financial statement
AS 22	Accounting for taxes of income
AS 23	Accounting for investment in associates in consolidated financial statement.
AS 24	Discontinuing operations

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

AS 25	Interim financial reporting
AS 26	Intangible assets
AS 27	Financial reporting of interest in joint venture
AS 28	Impairments of assets
AS 29	Provision, Contingent liabilities and contingent assets
AS 30	Financial instruments Recognition and measurement
AS 31	Financial Instrument Presentation
AS 32	Financial Instrument Disclosures

XI.IFRS

At first blush, it would appear that a book on the impact that IFRS would have on industry is needless and unnecessary as all IFRS standards are principle-based and irrespective of the nature and peculiarities of a industry, the same principles would apply. However, accounting history has shown us that a general principle cannot take into account the accounting nuances of each and every industry. There could be interpretational issues when applying the same principles across all industries. As an illustration, let us take the principle of transfer of risks and rewards required in IAS 18 Revenue to recognise revenue on sale of goods. The transfer of risks and rewards could occur at different times for a software product company that sells its goods on the internet and a machinery manufacturer which transports its machinery to the customer premises at its own risk. In the latter case, the transfer of risks would occur at a different time if the customer bore the risk of transporting the goods to his premises. Since IAS 18 only down a principle, determining the timing of transfer of risks and rewards is not very clear from the accounting standard. This gap in IAS 18 would however appear to have rectified by its successor IFRS15.

X.Features of IFRS

1. IFRS are principle based standards as compared to the rule based GAAP .This means that they have distinct advantage that transactions cannot be manipulated easily**.**

2. IFRS lays down treatments based on the economic substance of various events and transactions rather than their legal form.

3. Under the IFRS, the historical cost concept has been abandoned and replaced by a current cost system for more accurate financial reporting. The concept of fair value accounting has taken over historical cost accounting in financial reporting to improve the relevance of the information contained in financial reports and getting the balance sheet right.

4. Presentation of financial statements (IAS 1) is significantly different from presentation of financial statements in GAAP. Which follows the schedule III of the companies' act, 2013, For example, IFRS require clean segregation of assets and liabilities in to current and non-current groups. At present the liquidity basis is preferred as per the companies Act.

5. Indian Entities prepare financial statements in Indian rupees. Under IFRS, an entity measures its assets and liabilities and revenues and expenses in its functional currency. Functional currency is the currency of the primary environment in which the entity operates which may be different from the local currency of a country.

6. IFRS requires annual reassessment of useful life of the assets. Earlier depreciation was stopped once asset is retired from active use. But under IFRS, depreciation is to be allowed till the time of actual de-recognition of asset from the books.

7. IFRS mandated a component accounting, under this approach, each major part of an item of equipment with a cost that is significant in relation to the total cost of an item has to be maintained and depreciated separately.

XI. Relevance of IFRS in India:

The institute of chartered Accountants of India (ICAI) as the accounting standards formulating body in the country has always made efforts to formulate high quality Accounting Standards and has been successful in doing so. Indian Accounting Standards have withstood the test of time. As the world continues to globalize, discussion on convergence of national accounting standards with international financial reporting standards (IFRSs) has increased significantly.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

The forces of globalisation prompt more and more countries to open their doors to foreign investment and as businesses expand across borders the need arises to recognise the benefits of having commonly accepted and understood financial reporting standards, In this scenario of globalization, India cannot insulate itself from the developments taking place worldwide.

In India, so far as the ICAI and the governmental authorities such as the National advisory Committee on Accounting standards and various regulators such as Securities and Exchange Board of India and RBI are concerned, the aim has always been to comply with the IFRSs to the extent possible with the objectives to formulate sound financial reporting standards. The ICAI being a member of the International Federation of Accountants (IFAC) considers the IFRSs and tries to integrate them. to the extent possible, in the light of the laws, customs, practices and business environment prevailing in India. Although, the focus has always been on developing high quality standards, resulting in transparent and comparable financial statements, deviations from IFRSs were made where it was considered that these were not consistent with the laws and business environment prevailing with in the country.

XII. Advantages of adopting IFRS:

1. Common basis of Comparison:

Most of the countries of the European Union have switched over to IFRS. If companies in India also switched over to IFRS, it would make transactions and dealings with companies of other countries who operate under IFRS much easier. It would also give stock holders and other interested parties a common basis of Comparability.

2. Clarity and Productivity:

Under IFRS, financial makers use their own professional judgement as to how to handle a specific transaction. This will lead to less time being spent trying to follow all rules that are coupled with rule based accounting.

3. Consistent Financial Reporting Basis:

A consistent financial reportingbasis would allow a multinational company to apply common accounting standards with its subsidiaries worldwide which would improve internal communication, quality of reporting and group decision making.

4. Improved Access to International Capital Markets:

Many Indian entities are expending and making significant acquisitions in the global market for which large amount of capital is required. The majority of the stock exchanges require financial information prepared under IFRS.

5. Lowest Cost of Capital:

Migration to IFRS will lower the cost of raising funds, as it will eliminate the need for preparing dual sets of financial statements. It will also reduce accountant's fees abolish risk premiums and will enable access to all major capital markets as IFRS is globally acceptable.

6. Escape Multiple Reporting:

Convergence to IFRS will eliminate the need for multiple reports and significant adjustments for preparing consolidated financial statements.

7. Reflect True Value of Acquisition:

In Indian GAAP business combinations are recorded at carrying values rather than fair value of net assets in the acquirer's books is not reflected separately in the financial statements, instead the amount gets added to the Goodwill.IFRS will overcome this flows as it is mandates accounting of net assets taken over in a business combination at fair value.

8. Benchmarking with Global Peers:

Adoption of IFRS will facilitate companies to set targets and milestones based on global business environment, rather than merely local ones.

XIII. Challenges of Adopting of IFRS:

1. Wide Gap:

IFRS is very much different from present accounting policies being followed. There are big differences expected in accounting for financial instruments deferred taxes, business combinations and employee's benefits.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2. Increased Responsibility:

The change of IFRS opens certain choices a company will have in flow to account for some items. This carries with it the responsibility to investors the reasons for the choices and the impact on financial statements.

3. Tax Implications:

IFRS convergence will have a significant impact on the financial statements and consequently tax liabilities tax authorities should ensure that there is clarity on the tax treatment of items arising from convergence of IFRS

4. Distributable Profits:

IFRS is fair value driven which often result in unrealised gains and losses. Whether this can be considered for the purpose of computing Distributable profit, is still to be debated.

XIV.List if International Accounting Standards (IAS)

IAS-1	Presentation of Financial Statements (1997)
IAS-2	Inventories (1993)
IAS-3	Consolidated Financial Statements
IAS-4	Depreciation Accounting
IAS-5	Information to be disclosed in the Financial Statements
IAS-6	Accounting responses to changing Prices
IAS-7	Statement of Cash Flows
IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS-9	Accounting for Research and Development Activities
IAS-10	Events after the reporting period
IAS-11	Construction Contracts
IAS-12	Income Tax
IAS-13	Presentation of Current Assets and Current Liabilities
IAS-14	Segment Reporting
IAS-15	Information Reflecting the effect of Changing Prices
IAS-16	Property plant and Equipment
IAS-17	Leases
IAS-18	Revenues
IAS-19	Employee Benefits
IAS-20	Accounting for Government Grants and Disclosure of Government Assistance
IAS-21	The Effects of changes in Foreign Exchange Rates

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

IAS-22	Business combination
IAS-23	Borrowing Costs
IAS-24	Related Party Disclosures
IAS-25	Accounting for Investments
IAS-26	Accounting and reporting by retirement benefit plans
IAS-27	Separate Financial Statement
IAS-28	Investment in Associates
IAS-29	Financial reporting in Hyperinflationary Economics
IAS-30	Disclosure in the Financial Statements of banks and similar financial institutions
IAS-31	Interest in Joint ventures
IAS-32	Financial Instruments Presentation
IAS-33	Earning per shares
IAS-34	Internal Financial Reporting
IAS-35	Discontinuing operations
IAS-36	Impairment of Assets
IAS-37	Provisions, Contingent liabilities and Contingent Assets
IAS-38	Intangible Assets
IAS-39	Financial Instruments: Recognition and measurement
IAS-40	Investment Property
IAS-41	Agriculture

XV. List of International Financial Reporting Standards (IFRS)

IFRS-1	First time Adoption of International Financial reporting standards.
IFRS-2	Share -based Payment
IFRS-3	Business Combinations
IFRS-4	Insurance Contracts
IFRS-5	Non-Current Assets Held for sale and Discontinued Operation
IFRS-6	Exploration for and Evaluation of Mineral Resources
IFRS-7	Financial Instruments: Disclosures

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

IFRS-8	Operating Segments
IFRS-9	Financial Instruments
IFRS-10	Consolidated Financial Statements
IFRS-11	Joint Arrangements
IFRS-12	Disclosure of Interest of other entities
IFRS-13	Fair Value measurement
IFRS-14	Regulatory deferral accounts
IFRS-15	Revenues from contracts with customers
IFRS-16	Lease
IFRS-17	Insurance Contract

XVI. Findings and Suggestions

Meaning of Convergence with IFRS: Convergence means to achieve or harmony IFRS. It can be considered to design and maintain national accounting standards in a way that financial statements prepared in accordance with National Accounting Standards draw unreserved statement of compliance with IFRS ie, National accounting standards (NAS) comply with all the requirement of IFRS. Convergence does not mean that IFRS should be adopted word by word.

In the present globalisation era a number of multinational companies are establishing their business in various countries including in emerging economies and even companies from emerging economies are establishing their businesses in developed economies. The entities in emerging economies are increasingly accessing the global markets to fulfil their capital needs by getting their securities listed on the stock exchange outside the country. More and more Indian companies are being listed on overseas stock exchanges. The use of different accounting frame works in different countries leads to inconsistent treatment and presentation of the same underlying economic transactions which creates confusion for users of financial Statements. This confusion leads to inefficiency in capital markets across the world. Therefore, increasing complexity of business transactions and globalisation of capital markets call for a single set of high quality accounting standards. Thus, IFRS came to existence to serve as single set of globally accepted accounting standards.

The Government of India in consultation with the ICAI decided to coverage and not to adopt IFRSs issued by the IASB .The decision of convergence rather than adoption was taken after the detailed analysis of IFRS requirements and extensive discussion with various stakeholders .Accordingly, while formulating IFRS -converged Indian Accounting Standards (Ind AS), efforts have been made to keep these standards as far as possible, in line with the corresponding IAS/ IFRS and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as various terminologies related changes have been made to make it consistent with the terminology used in law, e.g statement of profit and loss in place of statement of comprehensive income and balance sheet in place of statement of financial position. Certain changes have been made considering the economics environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS.

List of Ind AS issued by ICAI -Notified by Ministry of Corporate Affairs (MCA)

Ind AS 101	First -Time adoption of Indian Accounting Standards
Ind AS 102	Share based Payment
Ind AS 103	Business Combination
Ind AS 104	Insurance Contracts

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Ind AS 105	Non-Current Assets held for sale and discontinued operations
Ind AS 106	Explorations for and Evaluation of Mineral resources
Ind AS 107	Financial Instruments Disclosures
Ind AS 108	Operating Segments
Ind AS 109	Financial Instruments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 112	Disclosure of Interest in other Entities
Ind AS 113	Far Value Measurement
Ind AS 114	Regulatory Deferral accounts
Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of cash Flows
Ind AS 8	Accounting Policies, changes in accounting estimates and Errors
Ind AS 10	Events after the Reporting Periods
Ind AS 11	Construction contracts
Ind AS 12	Income Taxes
Ind AS 16	Property Plant and Equipment
Ind AS 17	Leases
Ind AS 18	Revenue
Ind AS 19	Employee Benefit
Ind AS 20	Accounting for Government Grants and Disclosure of Govt Assistant
Ind AS 21	The Effects of change in Foreign Exchange Rates
Ind AS 23	Borrowing Costs
Ind AS 24	Related Party Disclosures
Ind AS 27	Consolidated and separate Financial statements
Ind AS 28	Investment in Associates
Ind AS 29	Financial Reporting in Hyperinflationary
Ind AS 31	Interest in Joint Ventures

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Ind AS 32	Financial Instruments Presentation
Ind AS 33	Earning Per Shares
Ind AS 34	Interim Financial Reporting
Ind AS 36	Impairment of Assets
Ind AS 37	Provision, Contingent Liabilities and Contingent Assets
Ind AS 38	Intangible Assets
Ind AS 39	Financial Instruments Recognition and Measurement
Ind AS 40	Investment Property

List of Ind AS corresponding to IFRS and IAS

Ind AS 101	First -Time adoption of Indian Accounting Standards	IFRS 1
Ind AS 102	Share based Payment	IFRS 2
Ind AS 103	Business Combination	IFRS 3
Ind AS 104	Insurance Contracts	IFRS 4
Ind AS 105	Non-Current Assets held for sale and discontinued operations	IFRS 5
Ind AS 106	Explorations for and Evaluation of Mineral resources	IFRS 6
Ind AS 107	Financial Instruments Disclosures	IFRS 7
Ind AS 108	Operating Segments	IFRS 8
Ind AS 109	Financial Instruments	IFRS 9
Ind AS 110	Consolidated Financial Statements	IFRS 10
Ind AS 111	Joint Arrangements	IFRS 11
Ind AS 112	Disclosure of Interest in other Entities	IFRS 12
Ind AS 113	Far Value Measurement	IFRS 13
Ind AS 114	Regulatory Deferral accounts	IFRS 14
Ind AS 1	Presentation of Financial Statements	IAS 1
Ind AS 2	Inventories	IAS 2
Ind AS 7	Statement of cash Flows	IAS 7
Ind AS 8	Accounting Policies, changes in accounting estimates and Errors	IAS 8
Ind AS 10	Events after the Reporting Periods	IAS 10
Ind AS 11	Construction contracts	IAS 11

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Ind AS 12	Income Taxes	IAS 12
Ind AS 16	Property Plant and Equipment	IAS 16
Ind AS 17	Leases	IAS 17
Ind AS 18	Revenue	IAS 18
Ind AS 19	Employee Benefit	IAS 19
Ind AS 20	Accounting for Government Grants and Disclosure of Govt Assistant	IAS 20
Ind AS 21	The Effects of change in Foreign Exchange Rates	IAS 21
Ind AS 23	Borrowing Costs	IAS 23
Ind AS 24	Related Party Disclosures	IAS 24
Ind AS 27	Consolidated and separate Financial statements	IAS 27
Ind AS 28	Investment in Associates	IAS 28
Ind AS 29	Financial Reporting in Hyperinflationary	IAS 29
Ind AS 31	Interest in Joint Ventures	IAS 31
Ind AS 32	Financial Instruments Presentation	IAS 32
Ind AS 33	Earning Per Shares	IAS 33
Ind AS 34	Interim Financial Reporting	IAS 34
Ind AS 36	Impairment of Assets	IAS 36
Ind AS 37	Provision, Contingent Liabilities and Contingent Assets	IAS 37
Ind AS 38	Intangible Assets	IAS 38
Ind AS 39	Financial Instruments Recognition and Measurement	IAS 39
Ind AS 40	Investment Property	IAS 40
Ind AS 41	Agricultural	IAS 41

XVII. Conclusion

The Institute of Chartered Accountant of India (ICAI) being the accounting standards setting body in India, way back in 2006, initiated the process of moving towards the International Financial Reporting Standards (IFRSs) issued by the international accounting standard Board (IASB) with a view to enhance acceptability and transparency of the financial information communicated by the Indian corporate through their financial statements. This move towards IFRS was subsequently accepted by the Government of India**.**

Initially Indian Accounting Standards (Ind AS) were expected to be implemented from the year 2011.However , keeping in view the fact that certain issues including tax issues were still to be addressed, the Ministry of Corporate Affairs decided to postpone the date of implementation of Ind AS In July 2014, the Finance Ministry of India at that time in his budget speech, announced an urgency to coverage the existing accounting standards with the International Financial Reporting standards (IFRS) through adoption of the new Ind AS by the Indian Companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Moving in this direction, the Ministry of corporate Affairs (MCA) has issued the companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 covering the revised roadmap of implementation of Ind AS for companies other than banking companies, Insurance Companies and NBFCs and Ind AS. Asper the Notification, Ind AS covered with IFRS shall be implemented on voluntary basis from 01.04.2015 and mandatorily from 01.04.2016.

References:

1. Antony, R.N.,& Reece , J.S.(2003), Accounting Principles.Delhi:AITBS

2. Armstrong, S, Christopher, Barth, E, Mary, Jagolinzer, D, Alan, Riedl, J, Edward, 2010

"Market reaction to the adoption of IFRS in Europe" The accounting Review , 85 (1) pp 31-61

3. Batra, K.(2014).Difference between IFRS conversion and IFRS adoption. Retrieved fromwww.charteredclub.com.

4. Barth, E, Mary, Landsman,R, Wayne, Lang, H,Mark, 2008, "International Accounting standards and Accounting Quality" Journal of Accounting Research , 46(3) pg 467.

5. Chand, Pramod, White, Michael, 2007, "A critique of the influence of Globalisation and convergence of accounting standards in Fiji, "Critical perspective on Accounting, 18 (5) pg605

6. Gupta, Das.,(1977) .Financial reporting in India, New Delhi: Sultan Chand and Sons.

7. IFRS,(2009) ., WILEY.

8. International Financial Management & Accounting, 21(2) pg85.

9. Maheshwari, S,&Maheshwari, S.(2000),Fundamental of Accounting .Vikas publication House

10. Porwal,H(2003) , Financial Accounting Standards: A comparative study , Jaipur: Indus valley Publication

11. Retrieved from www.icai.org

12. Sharma, B.(2010).IFRS-Challenges and Need for India Inc.pune:www.indiamba.com

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

APJR Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

INDIVUDUAL INVESTORS' BEHAVIOUR- AN EMPERICAL STUDY IN BANGALORE

KAVITHA.G

ASSISTANT PROFESSOR,

Seshadripuram College, Nagappa Street, Seshadripurum Bangalore 560020

LAKSHMI.BN

ASSISTANT PROFESSOR,

Seshadripuram Institute of College and Management Bangalore -560020

Nagappa Street, Seshadripurum

ABSTRACT

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. One needs to invest and earn return on their idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. investor attitude is quit important and effect the way one invest it most from across the entire spectrum from panic to frenzy , from pessimism to unbounded optimism and history repeat itself.

The study discuss about the behaviors of investors towards various select investment alternatives with special reference to Bangalore city the sampling method used was the convenient sampling method with the sample size of 450 the tool used for data collection is questionnaire. The tool used for purpose of analysis is are simple percentage analysis and ranking method.

Key Words: *Investor behaviour, Investment alternatives, psychologybehaviour, behaviour finance, Perception of Investors, Security, Opinion Leadership, Awareness of Investment options, Time Duration*

INTRODUCTION

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. One needs to invest and earn return on their idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. One of the important reasons why one needs to invest wisely is to meet the cost of inflation. Inflation is the rate at which the cost of living increases.

OBJECTIVE OF THE STUDY

1. To find out how investor's get information about the various financial instruments;
2. To know the financial instruments, and duration they would prefer to invest;
3. To know the risk tolerance level of the individual investor and suggest a suitable portfolio;
4. To identify the objective of savings of an investor;
5. To study the dependence/independences of the demographic factors (Age) of the investor and his/her risk tolerance level

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Review of literatures

Gupta L.C (1987) Bombay in the country's shareholding population was that they lack necessary infrastructure needed for facilitating share transaction.
Narayana (1976) found that the most important forms of urban financial investment were bank deposits, shares and securities.
Mathivannan.S and Selvakumar.M (2011) the teachers are saving their money
For the purpose of their children's education, marriage and other welfare expenses.
Manish Sitlani, Geeta Sharma & Bhoomi Sitlani (2011) observed that there is no association between demographic variables and investment choice of occupants of
Financial services industry.
Suman and Warne.D.P. (2012) the market movements affect the investment pattern of investors in the stock market.
Sharma, Gunjan; Singh, Tarika; Awasthi, Suvigya (2017) Investment decisions are influenced by many reasons. It is a tolerable fact that the financiers are the central position in the financial market. Behaviour of investors is not fixed.

RESEARCH GAP

Many researchers have undertaken a wide variety of research programmes on the topic. However it is a first of its kind topic in relation to "INDIVIDUAL INVESTORS' BEHAVIOUR -AN EMPERICAL STUDY IN BANGALORE"

Statement of the Problem

Individual investors take trading decision based on their self perceived competence that is influenced by several factor. The present study aims to examine the following research issues like toidentifythe various factors that determine the individual investor competence, What are the unconscious processes that stimulate behaviour these and other research issues called for a thorough research program. Therefore present study is undertaken.

Scope of the study

- **Subject scope**

The scope of the study covers investor's behavior, investor's psychology, investors' competence education and trading frequency, age trading frequency, income and trading frequency, overconfidence, herd mentality, hope, pride, fear.

- **Geographical scope**
  Limited to Bangalore

The Research Methodology

The research methodology used for the study is Descriptive and exploratory to be followed in research activity starting from investigation to presentation. It includes the research design, sampling framework, the Sources of data, the collection of data and the framework of analysis.
Sources of data Collection
The entire data required for the study is collected through well structured questionnaire to measure the investment pattern of individuals after pilot testing, the questionnaire was administered to a group of people whom age is more than 22 years. Here we are using minimum age as 22 years since we are considering that an individual starts earning after this age. Secondary sources of data from various Reports, Books, Reputed Journals, Magazines, Newspapers, online sources and international publications

COMPOSITION OF SAMPLES

Sl no	Category of Respondents	Sample size	Sampling technique to be used
1	**Investors from Bangalore North**	**100**	Convenience sampling technique
2	**Investors from Bangalore South**	**100**	Convenience sampling technique
3	**Investors from Bangalore East**	**100**	Convenience sampling technique
4	**Investors from Bangalore**	**100**	Convenience sampling technique

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

	West		
5	**Investors from Bangalore Central**	**100**	Convenience sampling technique

Limitations of the study

- Investor's behaviour and psychology are unpredictable; therefore the researcher and as far as possible tries to achieve objectively by reducing the subjectivity.
- The study is subjected to select avenues as the options are plenty to investors
- The study is confined to Bangalore.

RESULT AND DISCUSSION

Table 1 : DEMOGRAPHIC PROFILE OF THE SAMPLE RESPONDENTS

Parameter	Number of investors	Percentage
GENDER		
MALE	261	58%
FEMALE	189	42%
Total	**450**	**100%**
AGE -GROUP		
BELOW 20	0	0%
Between 20-30	162	36%
Between 30-40	162	36%
18OAbove 40	126	28%
Total	**450**	**100%**
Qualification		
UNDER GRADUATES	27	6%
GRADUATES	207	46%
POST GRADUATES	180	40%
OTHERS	36	8%
Total	**450**	**100%**
OCCUPTION		
SALARIED	248	55%
BUSINESS	90	20%
PROFESSIONAL	63	14%

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

HOUSE WIFE	50	11%
Total	**450**	**100%**
ANNUAL INCOME		
BELOW RS.2,00,000	171	38%
2,00,000-4,00,000	144	32%
4,00,000-6,00,000	81	18%
ABOVE RS 600,000	54	12%

INTERPRETATION:

Table 1 above shows, that 261(58%) of the investors are men and the rest 189(42%) are females. Generally males bear the financial responsibility in Indian society, and therefore they have to make investment (and other) decisions to fulfil the financial obligations.

When it comes to age, it was found that 36% are young and significant number under the age between 20-30. 36% of them are in the age group 30-40.28% of them is 40 years of age. There are no investors below 20 years below 20years of age.

Nearly 55% of the investors belong to the salaried class, 20%were business class, 14% were professionals, 11% were housewives and rest were retired.

It was found that irrespective of annual income of investors all are interested in investment since today's inflated cost of living is forcing everyone to save for their future needs, invest those saved resources efficiently.

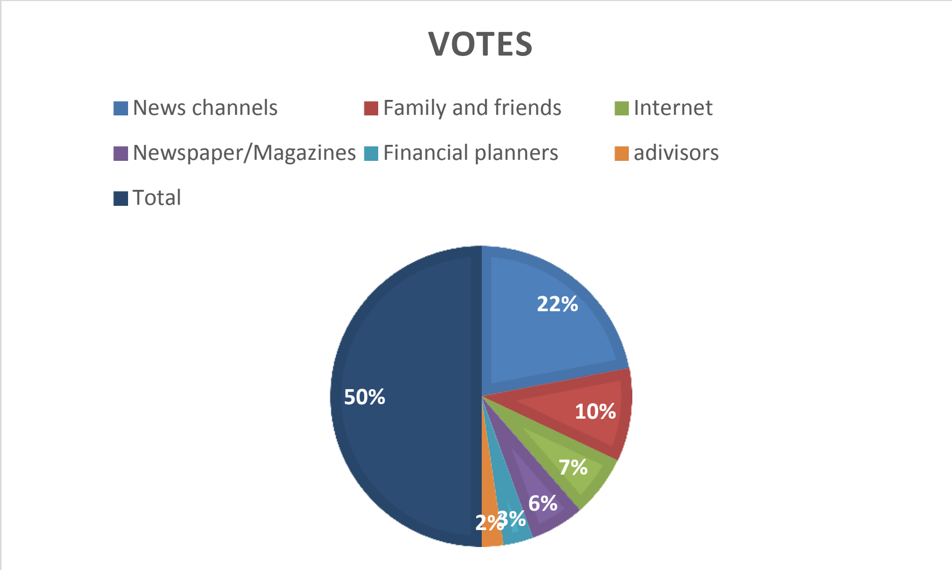
180(40%) of individual investors covered in the study are post graduates and 207(46%) investors are graduates and 27(6%) belongs to under graduates and 36(8%) investors are categorized as others. it is interesting to note that most of the respondents said to possess higher education (bachelor degree and above) and this factor will increase the reliability of conclusions drawn about the matters. under investigation

171(38%) of individual investors are earning below 2 lakhs per anum, 144(32%) investors earning between 2 lakhs and 4 lakhs, 81(18%) earning between 4-6 lakhs, 54(12%) earns above 6 lakhs; many of them are non risk takers.

Table – 2 source of 1nvestment Advice

Parameter	**VOTES**	**RANKS**
News channels	198	1
Family and friends	90	2
Internet	60	3
Newspaper/Magazines	52	4
Financial planners	29	5
adivisors	21	6
Total	**450**	

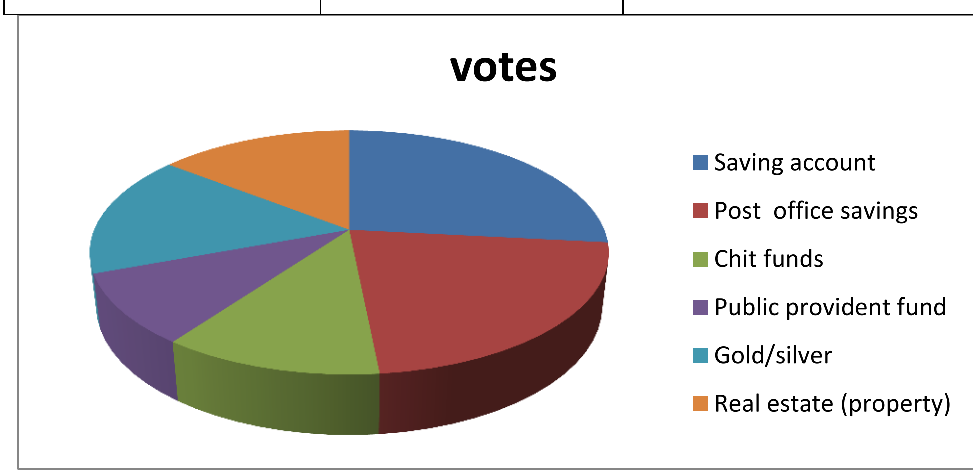
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



INTERPRETATION- From this above table were majority of the investor want to get investment advice through internet 23 % and the least is financial planner 5 % because lack of proper adequate information in reaching to various investor in different mode of communication in investment

Table -3 Various Investment Avenues

Parameter	Votes	Weight	ranking
Saving account	120	27	1
Post office savings	98	22	2
Gold/silver	73	16	3
Real estate (property)	65	14	4
Chit funds	52	11	5
Public provident fund	42	10	6
Total	**450**	**100**	

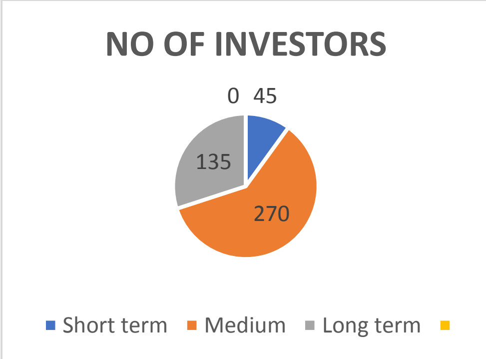


Interpretation- As the part of this analysis that majority of investor invests in saving account rather than preferring public provident fund as a least investment avenue

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 4: Time period preferred to Invest

Parameter	No of investors	Percentage
Short term	45	10%
Medium	270	60%
Long term	135	30%
Total	**450**	**100**

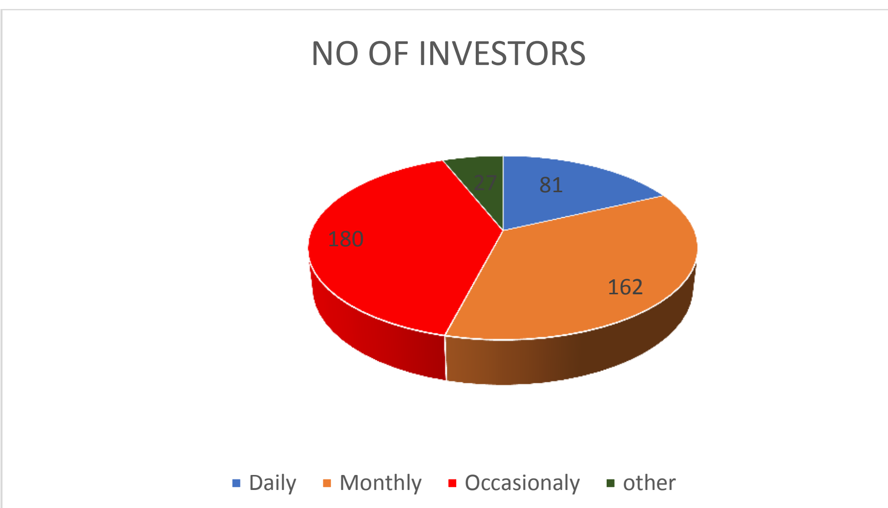


INTERPRETATION:

its interesting to know that many investors prefer to invest their money for medium term i.e. from 1-5 years, instead of short or long term,10% preferred short term, and 30% preferred long term.

Table 5 : Frequency Of Monitoring The Investment

Parameter	No of investors	Percentage
Daily	81	18%
Monthly	162	36%
Occasionaly	180	40%
Other	27	6%
Totally	**450**	**100%**



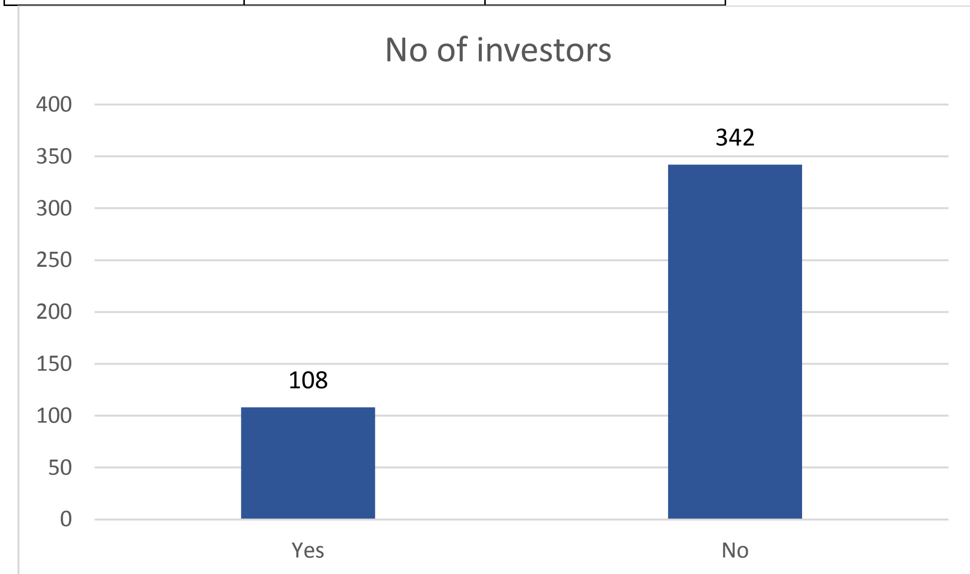
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

INTERPRETATION:

Due to the busy schedule, many of the investors are not able to spend time in monitoring their investments, only 18% of investors are monitoring their investors daily, 36% of the investors monitors on monthly basis ,40% the majority investors are monitoring their investments occasionally

TABLE 6 : Financial Advisor

Parameter	No of investors	Percentage
Yes	108	24%
No	342	76%
Total	**450**	**100**



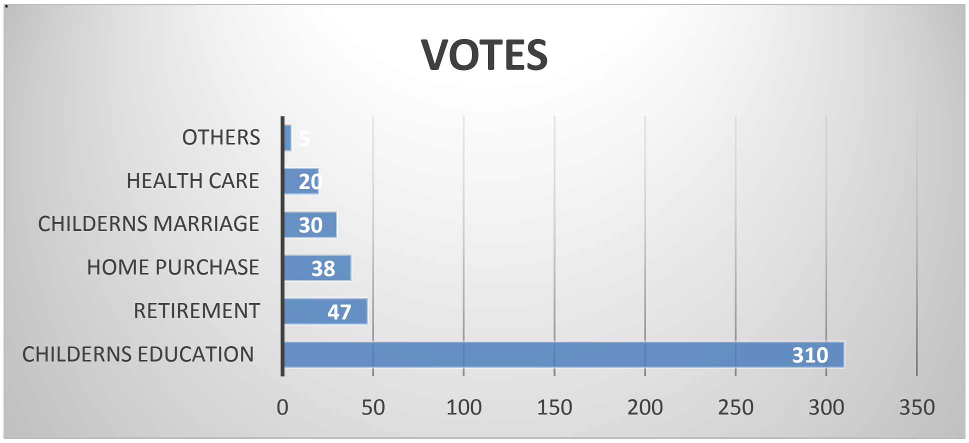
INTERPRETATION:

76% of the investors never had financial advisor, they never approached an advisor for their financial needs, the reason may be inadequate income and excess expenditure and there wouldn't be surplus money to worry about.24% of the investors have financial advisors, who manage their investments.

Table 7: Objectives Of Investments

Parameter	VOTES	WEIGHTS	RANKING
CHILDERNS EDUCATION	310	70	1
RETIREMENT	47	10	2
HOME PURCHASE	38	8	3
CHILDERNS MARRIAGE	30	7	4
HEALTH CARE	20	4	5
OTHERS	5	1	6
Total	**450**	**100**	

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



INTERPRETATION:

Above Table Shows The saving objective of sample investors are given option to select one or more saving objectives , since there may be one or more answer, weights are given for each parameter bases on votes given by the investor, the maximum weight age represent many investors have that as main objective . based on the weights calculated rake are given in order of maximum weight age given by investors first rank is given to children education , many investors feel that, investing money for the future of the child's educations is very important than any other need

Findings:

1. The study reveals that male investors dominate the investment market in India.

2. Most of the investors possess higher education like graduation and above.

3. Majority of the active and regular Investors belong to accountancy and related employment, non-financial management and some other occupations are very few.

4. Most investors opt for two or more sources of information to make investment decisions

5. Most of the investors discuss with their family and friends before making an investment decision.

6. Percentage of income that they invest depend on their annual income, more the income more percentage of income they invest.

7. The investors' decisions are based on their own initiative.

8. The investment habit was noted in a majority of the people who participated in the study.

9. Most Investors prefer to park their funds in avenues like savings account, post office savings as the like.

Summary

This report is a reflection of the behavior of various categories of investors. Selection of a perfect investment avenue is a difficult task to any investor. An effort is made to identify the tastes and preferences of a sample of investors selected randomly out of a large population. Despite of many limitations to the study I was successful in identifying some investment patterns, there is some commonness in these investors and many of them responded positively to the study. This report concentrated in identifying the needs of current and future investors, investor's preference towards various investment avenues are identified based on their occupation. Investors risk in selecting a particular avenue is dependent on the age of that investor.

Conclusion

This study confirms the earlier findings with regard to the relationship between Age and risk tolerance level of individual investors. The Present study has important implications for investment managers as it has come out with certain interesting facets of an individual investor. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use TV as a marketing media as they seem to spend long time watching TVs.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON FACTORS INFLUENCING BEHAVIOUR OF EMPLOYEES IN OPENING OF PENSION INSURANCE PLANS – A STRUCTURAL MODELLING

C. Sundari,

Research Scholar, Madurai Kamaraj University, Madurai.

Dr. D. Maria Pon Reka,

Assistant Professor, Department of Business Administration,

Sri Meenakshi Government Arts College for Women(A), Madurai-625002 (Tamil Nadu)

ABSTRACT

The main aim of the study was to examine the behaviour of employees through relationships between the factors which may affect the employees' interest in opening a pension plan. The study was conducted with a view to find out the feasibility for investments in pension insurance plans. A well-structured questionnaire was prepared and information was gathered from 200 working people in Chennai city and properly analysed through statistical software. It was found through the study that the employees do not have the sufficient level of awareness about various pension schemes available in the insurance market and also, they do not know much about the benefits of the pension schemes. However, the study found that there is a fair amount of interest among the employees to know more about pension plans and was eager to make invest in pension plans / group insurance plants when they are properly advised on the various schemes available in the market. The study concludes with the suggestion to the insurance companies to run awareness campaign in the State to create more awareness among working people to make investment in pension plans and have their lives secured after retirement.

Key words: Pension Plans, Security, Reliability, Types, Benefits

Introduction

In the present world of industrial revolution, technology and systems are the primary tools of working for every sector, but however, the manpower differentiates the productivity of industries. The important question prevailing over the working community is whether the working people are adequately secured to lead their retired life peacefully. Retirement isn't what it used to be. Improving life expectancy, rising incomes and changing family dynamics are reshaping the way India's sandwich generation is preparing for their old age. An early start makes the most of power of compounding and ensures enjoyment of a happy retired life.

Need and Importance of the study

The present scenario in our country on pension scheme offers no compulsion of employees to have pension plans and also there is no statutory obligation of any employer to make pension payment to his employees. However, it is a must for an employee to have some earning even after retirement where he will have no salary. The benefits after retirement like Provident fund and Gratuity are paid in lump sum which are often spent too quickly or not invested prudently with the result that the employee finds himself without regular income in his post retirement days. This creates a need for an employee to go for pension plans when they are in employment. At the same time, the attitude/behaviour of employees shall decide on having pension plans. Hence the researcher had decided to have a study on the behaviour of employees on having plans through the factors like Need, Types of plans, Security, Reliability, etc.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Area selected for the study

This study mainly focuses on employees in Chennai region working in private sector organizations to know their behaviour towards purchase of pension available in insurance market.

Research Design

A combination of descriptive and empirical research design is used for this study. The description of the state of affairs is the main purpose of descriptive research. The study is empirical due to the application of statistical tools used for data analysis. Data has been analysed with the use of and the testing of hypothesis using Structural Equation Modelling to arrive on conclusions. The aim of this analysis is to bring out the employees' behaviour towards purchase of pension plans.

Target Population

Target Population for this study has been selected industrial areas of Chennai in Tamil Nadu state. The reasons for considering these areas are - large number of industries, low literacy level on future plans, low level of living standards, unstructured saving pattern, low level of savings for future life, etc.

Sampling

A random sample of 200 employees working in private sector organizations in Chennai region was selected for study. The researcher visited the industrial areas in Chennai and gathered data from the employees.

Objective

To examine the relationship between behaviour of employees on different factors affecting their interest in having pension insurance plans.

The factors considered for the study is Types of plans, Benefits of plans, Need of plans, Reliability, Security and Secured future. The types of plans include statements such as Immediate pension plans are available in the market, Availability of deferred pension plan, The availability of unit-linked pension plans, The availability of individual and group pension plans, and Availability of government social security schemes. The Benefit of plans include statements such as Benefits on maturity of policy, Availability of the period of payments, Grace time for payment of premium, Lapse of policy, surrender of policy before maturity, Change of nomination, and Tax benefits. The respondents were asked to state their level of awareness one these statements on a five-point scale, 5 being the highest level. The Need of plans include statements such as sufficiency of current income sufficient for future need, Immediate need for pension, Pension for life, Regular equated premium, to avoid tax, and Pension as investment option. Reliability include the statements It is safe to purchase pension plan from a company with high market share, Transparency about the product and its cost implications are a deciding factor, Financial strength rating is necessary, and Reputation need not be the basis for assurance. Social security includes statements such as I am assured of peaceful life after retirement, I have a raised level of confidence to face life after retirement, I need not depend on others, I can help wards even after retirement, Pension provides respect from family members, I can happily spend money for grand-children, I can meet marriage expense of wards even after retirement, I will be able to maintain same facilities enjoyed before retirement and I can afford to offer some social service.

The present study examines the relationship between attitude of employees on different factors affecting their interest in having pension insurance plans, viz. Types of plans and Benefits of plans and also how these perceptions may affect their Need of plans, Reliability and Security of pension plans; further the study extends to interrogate the respondents perceive on their Secured Future based on these factors and finally how all these factors are influencing the opening of pension plans through their perception on Secured Future. These relationships can be analysed through Structural Equation Modelling wherein the relationship among independent variables is also tested to verify as to whether the different attributes taken for study are influencing purchase of pension plans through their perception on Secured Future via Need, Reliability and Security with interrelationships among them. The model is depicted in the following Figure 1.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

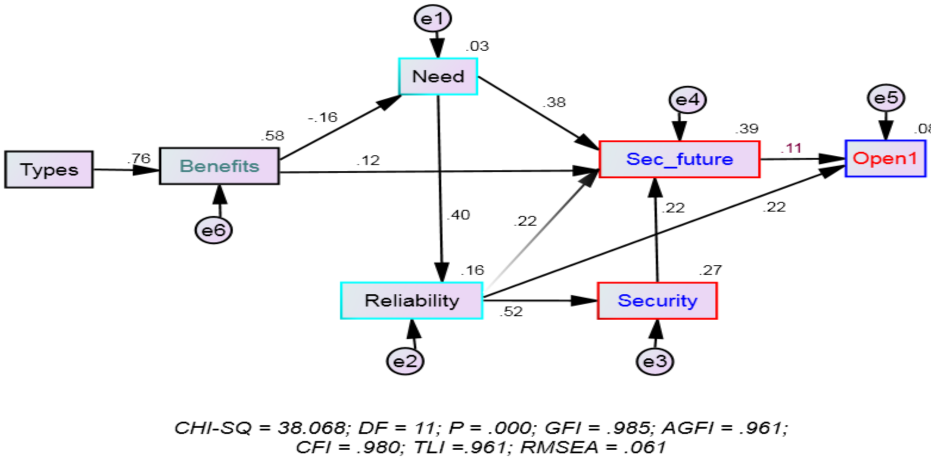


Figure 1: Structural Model

In terms of the research and recommendation of Hau, Wen, & Chen (2004), the researcher selected goodness of fit indicators like χ^2, Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA) and TLI (Tucker Lewis Index) to examine the degree of model fit. During these indicators, it is better for Chi-square test not to reach significance. But the value of Chi-square is easily influenced by sample size. If the sample size is large, the value is easy to reach significance. GFI is less than or equal to 1. A value of 1 indicates a perfect fit. The AGFI is bounded above by one, which indicates a perfect fit. It is not, however, bounded below by zero, as the GFI is. CFI values close to 1 indicate a very good fit. CFI is a goodness of fit index with many strong points, which has less impact from sample size. Even though RMSEA is also influenced by sample size, it is insensitive to the misspecification model with few parameters, so it is also rarely influenced by sample size, the smaller the value of RMSEA is, the fitter the model is. “Practical experience has made us feel that a value of the RMSEA of about .05 or less would indicate a close fit of the model in relation to the degrees of freedom. This figure is based on subjective judgment. It cannot be regarded as infallible or correct, but it is more reasonable than the requirement of exact fit with the RMSEA = 0.0. The statisticians are also of the opinion that a value of about 0.08 or less for the RMSEA would indicate a reasonable error of approximation and would not want to employ a model with a RMSEA greater than 0.1." (Browne and Cudeck, 1993). The typical range for TLI lies between zero and one, but it is not limited to that range. TLI values close to 1 indicate a very good fit.

The results of the above conceptual model show the Chi-square value of 38.068, with p =.000, GFI = 0.985; AGFI = 0.961; CFI = 0.980, TLI = 0.961 and RMSEA = 0.061. The values of the goodness of fit indexes suggest the norms of a reasonably high-fitting model are fully satisfied.

The regression weights of the parameters used in the model are appended in the following table 1 along with its significance in the model.

Table 1 – Regression weights of parameters in Structural Model

Parameters			Unstandardized Estimate	Standardized Estimate	S.E.	C.R.	P
Benefits	<---	Types	0.773	0.761	0.025	30.334	.000
Need	<---	Benefits	-0.077	–0.164	0.018	–4.303	.000
Reliability	<---	Need	0.420	0.395	0.038	11.129	.000
Security	<---	Reliability	0.690	0.520	0.044	15.75	.000
Secured future	<---	Need	0.389	0.383	0.034	11.509	.000
Secured future	<---	Reliability	0.215	0.224	0.036	5.950	.000
Secured future	<---	Benefits	0.056	0.118	0.015	3.842	.000
Secured future	<---	Security	0.156	0.216	0.025	6.112	.000
Open1	<---	Secured future	0.073	0.106	0.029	2.524	.012
Open1	<---	Reliability	0.148	0.224	0.028	5.308	.000

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

The relationship between all the pairs of factors are significant ($p < .05$) at 5 per cent level of significance. The awareness on benefits of plans has a high positive significant relationship with the Types of plans; there is high positive significant relationship between Security and Reliability, which means that if the plan is highly reliable, then people feel that it has a high security; the other factors taken for study have a low positive relationship among them; also, the awareness on benefits of plans has a low negative relationship with the need of pension plans. However, the direct and indirect effects of different factors involved in explaining purchase of plans were further analyzed to arrive at an in-depth conclusion.

Table 2 – Standardized effects of contributing factors

Standardized Total Effects						
Factors	Types	Benefits	Need	Reliability	Security	Secured future
Benefits	0.761					
Need	-0.125	-0.164				
Reliability	-0.049	-0.065	0.395			
Security	-0.026	-0.034	0.206	0.520		
Secured future	0.025	0.033	0.516	0.337	0.216	
Open1	-0.008	-0.011	0.143	0.260	0.023	0.106
Standardized Direct Effects						
Benefits	0.761					
Need		-0.164				
Reliability			0.395			
Security				0.520		
Secured future		0.118	0.383	0.224	0.216	
Open1				0.224		0.106
Standardized Indirect Effects						
Benefits						
Need	-0.125					
Reliability	-0.049	-0.065				
Security	-0.026	-0.034	0.206			
Secured future	0.025	-0.085	0.133	0.112		
Open1	-0.008	-0.011	0.143	0.036	0.023	

The factor Reliability has a total effect (.224) on Purchase of pension plans and it has a positive effect on purchase of pension plans; the factors Need (.143) and Secured Future (.106) have a positive effect on purchase of plans; further the factors Reliability (.224) and Secured Future (.106) have a positive direct effect on purchase of plans, whereas the factor Need has more indirect effect (.143) on purchase of plans. Awareness on Types and Benefits of pension plans have a very low indirect negative effect on purchase of pension plans; Reliability and Security have a very low indirect positive effect on purchase of pension plans. Awareness on Types

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

and Benefits of plans have a negative indirect effect on Reliability as well as Security of pension plans. Also, perception on security of plans is directly affected positively by Reliability and indirectly affected positively by Need of pension plans.

The various hypotheses set in the model are tested for their validity and the result is reproduced in the following table:

Table 3: Hypothesis testing of factors in the model

Factors	**Hypothesis**	**R^2**	**P**	**Inference**
Benefits <--- Types	Awareness on benefits is not related to awareness on Types of plans	.579	.000*	Rejected
Need <--- Benefits	Awareness on Benefits of plans has no effect on Need of plans	.027	.000*	Rejected
Reliability <--- Need	Need of pension plans does not affect the perception on Reliability of pension plans	.156	.000*	Rejected
Security <--- Reliability	Perception on Reliability does not affect the perception on Security of pension plans	.270	.000*	Rejected
Secured future <--- Need	Perception on secured future is not affected by Need of plans	.390	.000*	Rejected
<--- Reliability	Perception on secured future is not affected by Reliability of plans		.000*	Rejected
<--- Benefits	Perception on secured future is not affected by Benefits of plans		.000*	Rejected
<--- Security	Perception on secured future is not affected by Security of plans		.000*	Rejected
Open1 <--- Secured future	Organizational commitment does not have any impact on Job satisfaction	.084	.012*	Rejected
<--- Reliability	Emotional intelligence does not have any impact on Job satisfaction		.000*	Rejected

* Significant at 1% level of significance

The perception on Benefits of pension plans is significantly affected by the perception on Types of plans ($p < .05$) and the respective hypothesis is rejected. The awareness on Benefits of plans is significantly affected by the Need of pension plans ($p < .05$). The perception on Reliability of pension plans is significantly positively affected by the Need of pension plans. Also, the perception on Security of plans is significantly positively affected by the perception on Reliability of plans ($p < .05$). The factors Need, Reliability, Benefits and Security of pension plans have a combined positive impact on the perception of Secured future of pension plans. Also, the willingness to purchase the pension plan is significantly positively affected by the perception on Secured future and Reliability of pension plans. Around eight per cent of variation in the willingness to purchase pension plans is explained by the factors Types, Benefits, Need, Reliability, Security, and Secured Future. Also, around 39 per cent of variation in perception on Secured future is explained by the factors Need, Reliability and Security of pension plans. Moreover, 27 per cent of variation in the perception on Security is explained Need and Reliability of pension plans.

The above structural model wad developed without the factor Interest on pension plans, as it was found that Interest has a least effect on the intention to purchase pension plans through the initial analysis. However, the effect of Interest on pension plans was also put under inspection and the model inserted with the factor Interest is analysed as depicted in the following Figure 2.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

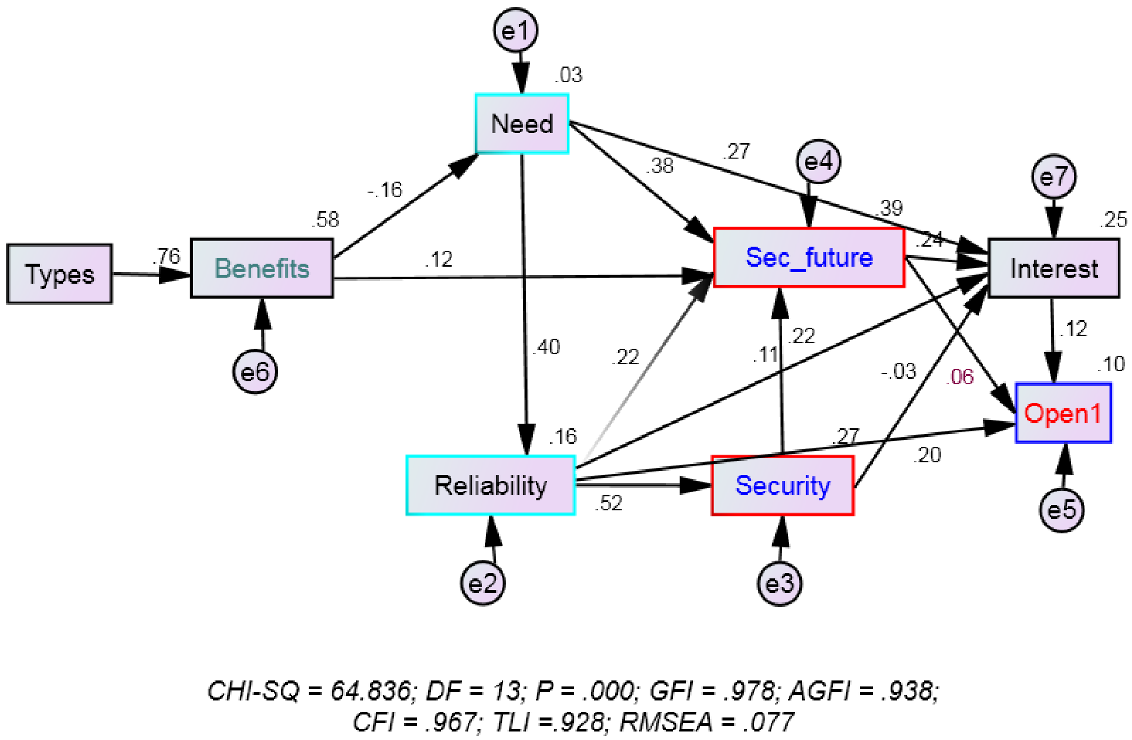


Figure 2 – Structural Model (Revised)

The norms for a good model is met except for RMSEA is above the expected level of 0.06 and hence the previous model without the factor Interest was finally accepted for analysis. Even though the above model Interest on pension plans explains ten per cent of variation, it is not statistically valid as the model developed without Interest on pension plans. Here, 25 per cent of the variation in Interest on pension plans is explained by the factors Need, Reliability, Security and Secured future.

5. Findings of Structural Equation Modelling

- The awareness on Benefits of plans has a high positive significant relationship with the Types of plans.
- There is a high positive significant relationship between Security and Reliability, which means that if the plan is highly reliable, then people feel that it has a high Security; the other factors taken for study have a low positive relationship among them;
- The awareness on Benefits of plans has a low negative relationship with the need of pension plans.
- The factor Reliability, Need and Secured Future has a positive effect on purchase of pension plans; the factors Reliability and Secured Future have a positive direct effect on purchase of plans, whereas the factor Need has more indirect effect on purchase of plans. Further, the factors awareness on Types and Benefits of pension plans have a very low indirect negative effect on purchase of pension plans and the factors Reliability and Security have a very low indirect positive effect on purchase of pension plans.
- The awareness on Types and Benefits of plans have a negative indirect effect on Reliability as well as Security of pension plans.
- The perception on Security of plans is directly positively affected by Reliability and indirectly positively affected by Need of pension plans.
- The factors Need, Reliability, Benefits and Security of pension plans have a combined positive impact on the perception of Secured future of pension plans.
- The willingness to purchase the pension plan is significantly positively affected by the perception on Secured future and Reliability of pension plans.

Conclusion

The structural equation modelling has clearly brought out the fact that the willingness to purchase a pension product is based on the perception of people towards need, reliability, benefits and security. The awareness and the reach of the pension products play a significant role along with the factors which affect the purchase of pension plan. With reliability and secured future being the most important predictors, the pension funds administered by both public sector and private sector should be backed by Government to bring in more people to invest in pension fund. The types and benefits of pension plans can be redesigned to suit the needs of the people which can overweigh the existing schemes for better advantage of the individuals. Though investments in other assets are

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

available with higher interest rates, people are ready to invest in the pension plans for a secured future. It is also evident that without reforms in investment policies and performance of pension funds, it will be difficult to attract the younger generation to plan for a pensioned society. Security, in general, can be thought as a peace of mind and freedom from uncertainty, whereas insecurity implies feelings of doubt, fear and apprehension – Tryst with trust.

References

1. Ageing in India: Need for a Comprehensive Policy -IIMB, Year of Publication -August 2013, Kanchan Bharati.
2. Bharati, K., and Singh, C. (2013), Ageing in India: Need for a Comprehensive Policy, IIMB WP, forthcoming.
3. Holzman, R., and Palmer, E. Pension reform, Issues and prospects for non-financial defined contribution (NDC) schemes, The World Bank, Washington, 2006. ISBN 0-8213-6038-8.
4. Larry Willmore, "Three Pillars of Pensions? A Proposal to End Mandatory Contributions", DESA Discussion Paper No. 13, Economic and Social Affairs, Department of Economic and Social Affairs, United Nations, June 2000, pp. 1-10.
5. Praveen Jha and Nilachala Acharya, "Social Security for the elderly in India – a Note on Old age pension", HelpAge India-Research & Development Journal, Vol. 19, No.2, May 2013, pp. 3-15.
6. Ranadev Goswami, "Indian Pension System: Problems and Prognosis", Indian Institute of Management, Bangalore, pp. 1 - 38.
7. Roland, Sigg (2005): A Global Overview on Social Security in the Age of Longevity.
8. Sanyal, A., Gayithri, K., and Erappa, S. (2011). National Pension Scheme: For Whose Benefit? Economic & Political Weekly, 46(8).
9. Social security administration in India-study of provident funds and pension scheme Madhava P Rao, December 2005.
10. Tryst with Trust: The LIC Story, Edition:1991, LIC of India publication.
11. Universal Pension Scheme in India – IIMB , Year of Publication -August 2013, Ayanendu Sanyal.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

THE PERFORMANCE EVALUATION OF MUTUAL FUNDS WITH SPECIAL REFERENCE TO SBI, HDFC AND BSL MUTUAL FUNDS.

Mr. C.B Gopinath
Asst. Professor
Acharya Bangalore B School, Bangalore

Mr. Joswa Stalin S
Asst. Professor
Acharya Bangalore B School, Bangalore

Mr. Gopinath B.S
Asst. Professor
Acharya Bangalore B School, Bangalore

ABSTRACT

Mutual funds have emerged as a strong financial intermediary and are the fastest growing segment of the financial service sector in India. Mutual funds play a very significant role in channelizing the savings of millions of individuals. A mutual fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. There are wide varieties of mutual fund schemes that cater to investor needs. Whether as the foundation of one's investment programme or as a supplement, mutual fund schemes can help the investors to meet their financial goals.

Some incredible factors have contributed to this explosive growth of the industry. The industry has made significant strides in terms of its variety, sophistication and regulation. Due to the economic boom, entry of foreign asset management companies, favourable stock markets and aggressive marketing by mutual funds, the asset management industry in India is witnessing dramatic growth in terms of new fund openings, the number of mutual fund families, and in the total assets under management in recent years.

The Mutual Fund Industry has shown rapid growth in the past decade and the small investors with their savings are active investors in Mutual Fund schemes they look for proper guidance to balance the risk and return on their investments. This study helps them to plan their investment in the right company schemes and also to switch over from one company scheme to another scheme, so as to increase their returns over a period of time.

In this context a sincere attempt has been made to examine the steady growth of the industry, the innovations and the development that has taken place in India. This study on Mutual Fund industry will specifically focus on the following three companies which includes SBI MUTUAL FUND, HDFC and BIRLA SUN LIFE Mutual Funds for the period 2013-2017. The idea behind performance evaluation of these companies is to find out the risk adjusted return levels at which they are delivered in comparison to their benchmark indices.

The performance of the funds will be measured by observing the rates of return they are able to earn during the duration of the test period (five years) using the SHARPE, TREYNOR AND JENSON index.

The functioning of Mutual Funds is regulated by SEBI and they have come out with various rules and regulations to protect the interest of the investors.

Key words: risk, return, AMC's public company, private company.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

INTRODUCTION

Since its inception, the mutual fund industry has come a long way in India, the remarkable growth in the Indian mutual fund industry can be ascribed to multiple factors like, rise in savings of household, all-inclusive regulatory framework, and satisfactory tax policies, start of several new products, investor educational campaigns and the role of brokers. More pleasing aspect of the Indian fund market is that it has graduated from offering plain vanilla equity and debt funds, to an array of diverse products such as capital protection-oriented funds, exchange traded funds, gold funds, and even the native funds. Although, the fund industry in India has achieved many milestones yet the potential that it enjoys remains unrealized. For example, assets under management as a percentage of GDP for India is about 5 to 6 percent, significantly lower than some other emerging economies like Brazil and South Africa having 40 percent and 33 percent respectively. The other fact is that the fund industry in the country is yet to spread its reach beyond Tier-I cities which accounts for around 74 percent of the fund folios as on September 2013. There is also an interplay of cultural and behavioral factors which prevents savings from being streamlined into mutual funds. Therefore, if these and other challenges are properly addressed, the fund industry in the country will likely achieve newer heights.

Treynor (1965) used the characteristic line for relating expected rate of return of a fund to the rate of return (ROR) of a suitable market average. The researcher even coined the fund performance measure taking investment risk into account. Also, to deal with a portfolio, portfolio possibility line was used to relate expected return to the portfolio owner's risk preference. A composite portfolio evaluation technique regarding the risk-adjusted returns was used by Jensen (1968). The researcher evaluated the ability of 115 fund managers in selecting securities during the period 1945-66. Analysis of net returns indicated that, 39 funds had above average returns, while 76 funds yielded abnormally poor returns. Using the gross returns, 48 funds showed above average results and 67 funds below average results. On the basis of the study Jensen concluded that there was very little evidence that funds were able to perform significantly better than expected as fund managers were not able to forecast securities price movements.

The most prominent study by Sharpe (1966) developed a composite measure of return and risk. The researcher evaluated 34 open-end mutual funds for the period 1944-63. The study revealed that the reward to variability ratio for each scheme was significantly less than DJIA and ranged from 0.43 to 0.78. Also, it reveals that expense ratio was inversely related with the fund performance, as correlation coefficient was 0.0505. The results showed that notable performance was linked with the low expense ratio and not with the size. Also, the sample schemes showed consistency in risk measure.

The performance of 86 funds with random portfolios was compared by Irwin et al. (1970). The study has concluded that, mutual funds performed badly in terms of total risk. Funds with higher turnover outperformed the market. The size of the fund did not have any impact on their performance.

The methods to distinguish observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements in the market was developed by Fama (1972). The researcher, introduced a multi-period model allowing evaluation on a period-by-period and on a cumulative basis. The researcher explained that the return on a portfolio constitutes return for security selection and return for bearing risk. His contributions combined the concepts from modern theories of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management. The investment performance of 40 funds was analyzed by Klemkosky (1973) based on quarterly returns during the period 1966-71. The researcher acknowledged that, the biases in Sharpe, Treynor, and Jensen's measures, could be disinterested by using mean absolute deviation and semi-standard deviation as risk surrogates associated to the composite measures resulting from the capital asset pricing model. Khare (2007) opined that investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk. The researcher identified that, with a higher savings rate of 23 percent, channeling savings into mutual funds sector has been growing rapidly as retail investors were gradually keeping out of the primary and secondary market.

Similarly, the results and conclusions made by Ippolito (1989) were relevant and consistent with the theory of efficiency of the informed investors. The researcher estimated that risk-adjusted return for the mutual fund industry was more than zero and identified that fund performance was not related to expenses and turnover as predicted by efficiency arguments. Also, Fortin and Michelson (1995) studied 1326 load funds and 1161 no-load funds and has found that, no-load funds had lower expense ratio and were suitable for six years, while the load-funds had higher expense ratio and so had fifteen years of average holding period. No-load funds offered superior results in nineteen out of twenty-four schemes. Based on these findings, the researcher has concluded that the mutual fund investor had to remain invested in a particular fund for very long periods to recover the initial frontend charge and achieve investment results similar to that of no-load funds.

An analysis of the implications of conditioning information variables on a sample of Portuguese stock funds was attempted by Cortez and Silva (2002). The researchers identified that unconditional Jensen's alpha ensured superior performance till incorporation of public information variables. Alpha was not statistically different from zero while beta was related to public information variables.

While, Rohleder et al. (2014) used a matched sample of 2,588 actively managed U.S. domestic equity funds from the CRSP mutual fund database and the SEC's N-SAR filings, they detect cross-sectional differences in the response of funds to flow risk. The researcher also found that the funds using complex instruments, such as derivatives and leverage strategies, have higher performance

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

than non-using funds. The study also showed that this outperformance is not a result of employing complex instruments for stock-picking or market-timing activities. Rather, user funds are able to mitigate parts of the adverse relation between investor flows and risk-adjusted performance with complex instruments.

Choi et al. (2017) used the on security holdings for 10,771 institutional investors from 72 countries, and tested whether concentrated investment strategies result in excess risk-adjusted returns. And the results suggest, in contrast to traditional asset pricing theory and in support of information advantage theory, that concentrated investment strategies in international markets can be optimal. Soni (2017) in the study analyzed the returns of various asset classes and correlate these with their risk characteristics in order to verify whether there is always a positive relation between risk and return across all asset classes and to find out the portfolio mix of the various asset classes corresponding to the desired return and risk.

Kholkin and Haug (2016) applied dataset consists of 74 Norwegian open-end equity funds with monthly observations. On average, they found quite low significance of all used models, compared to basic Capital Asset Pricing Model and excluding the Carhart (1997) model. Also, they found that funds with a top high idiosyncratic volatility have lower returns than other funds. More ever, they also found that funds with close to mean idiosyncratic volatility have the highest returns. Grinblatt et al. (2016) reveal stark differences between the investment philosophy and skill of hedge funds and mutual funds. Hedge funds tend to buy stocks with low past returns, while mutual funds tend to be trend followers. Jagric et al. (2015) studied the mutual fund industry and applies various tests to evaluate the performance capacity of mutual funds. They found that the rankings obtained by performing both the Sharpe and Treynor rules to be almost the same, implying that funds are well diversified. The rankings reveal that all analyzed funds outperformed the market on a risk-adjusted basis.

Bali et al. (2014) estimated hedge fund and mutual fund exposure to measures of macroeconomic risk that are interpreted as measures of economic uncertainty. They found that the resulting uncertainty betas explain a significant proportion of the cross-sectional dispersion in hedge fund returns. However, the same is not true for mutual funds, for which there is no significant relationship. After controlling for a large set of fund characteristics and risk factors, the positive relation between uncertainty betas and future hedge fund returns remains economically and statistically significant. Hence, they argue that macroeconomic risk is a powerful determinant of cross-sectional differences in hedge fund returns. Amihud and Goyenko (2013) proposed that fund performance is predicted by its R2, obtained by regressing its return on the Fama-French-Carhart four benchmark portfolios. Lower R2, or higher idiosyncratic risk relative to total risk, measures selectivity or active management. We show that lagged R2 has significant negative predictive coefficient in predicting alpha or Information Ratio.

A strong link between the dispersion in beliefs among mutual fund managers was established by Jiang and Sun (2014) and the study also revealed through their active holdings, and future stock returns. The effect of dispersion on returns is particularly pronounced among stocks with high information asymmetry, moreover, the lower returns on stocks with low dispersion concentrate on those with binding short-sale constraints. The results are consistent with a subgroup of informed managers driving up the dispersion in active holdings when they place large bets after receiving positive information signals unobserved by their peers; conversely, binding short-sale constraints prevent them from fully using their negative private information, leading to low dispersion in active holdings.

OBJECTIVES OF THE STUDY

The study is aimed to achieve the following specific objectives:

1. To analyze the growth and development of Indian mutual fund industry and to identify the challenges confronting by the industry.
2. To analyze risk and return of select mutual fund in India.
3. To give pragmatic suggestions for the investors to invest based on the performance of the fund using raking index.

DATA AND METHODOLOGY

To test the hypothesis, the data set used was collected from the database of Association of Mutual Funds of India (AMFI) for Net Asset Value (NAV). And for the S & P BSE Sensex Indices from BSE and Reserve Bank of India for the risk-free rate. The fund returns were calculated on the basis of opening and closing NAVs for 5 years.

Further, the returns so obtained were compared with the market return of BSE Sensex and determined beta, standard deviation.

In the present study we have used sharpe Ratio, Jenson and Treynor ratio to measures returns per unit of risk. Also, this ratio gives you the two-dimensional picture of the performance of the fund manager like: in Sharpe's ratio total risk (Systematic risk and unsystematic risk) is taken into account whereas in case of the Treynor ratio the researcher has to take systematic risk in to account only.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

SCOPE AND REFERENCE PERIOD OF THE STUDY

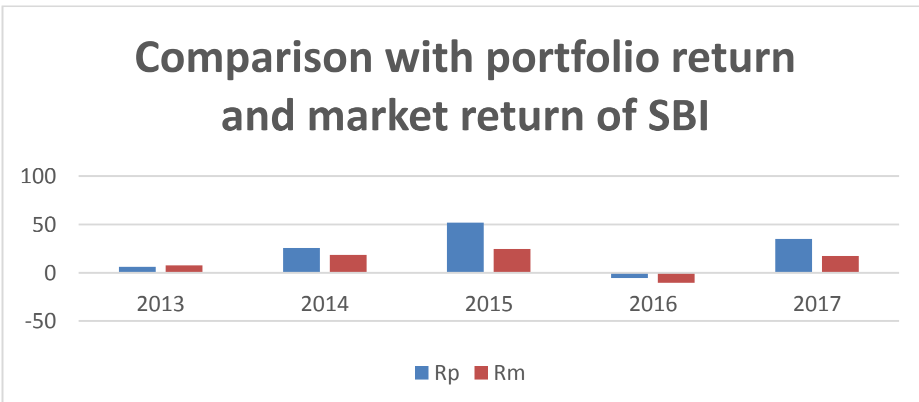
The mutual fund industry in India consists of public, private and foreign funds. All the three sectors were taken for the study so as to compare the performance on the basis of sponsorship of funds. However, for the study we have chosen active funds belongings to growth under equity scheme were selected for the present study.

We have taken into account the period of study of five years from 2013 to 2017. And the rationale for selecting the study period of 5-years due to two reasons: Firstly, during this period, the stock market witnessed high volatility and was of great interest for the study, as such selected to find-out whether the funds have been able to surpass the market performance even under down-market conditions. Also, the five years were long enough to capture different market phases and to draw meaningful conclusions.

ANALYSIS

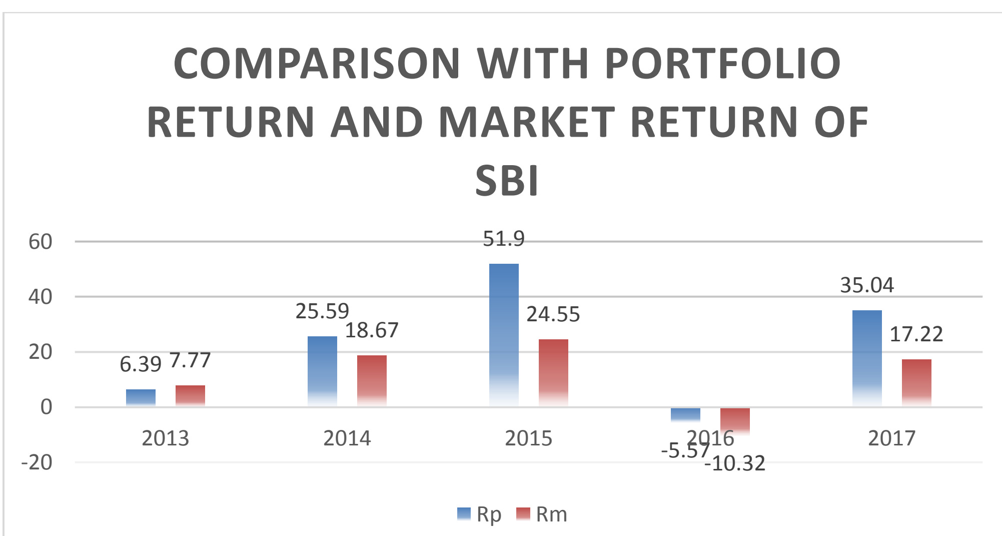
Comparison with portfolio return and market return of SBI

	2013	2014	2015	2016	2017
Rp	5.5	15.88	39.5	-4.46	18.33
Rm	7.77	18.67	24.55	-10.32	17.22



Comparison with portfolio return and market return of HDFC

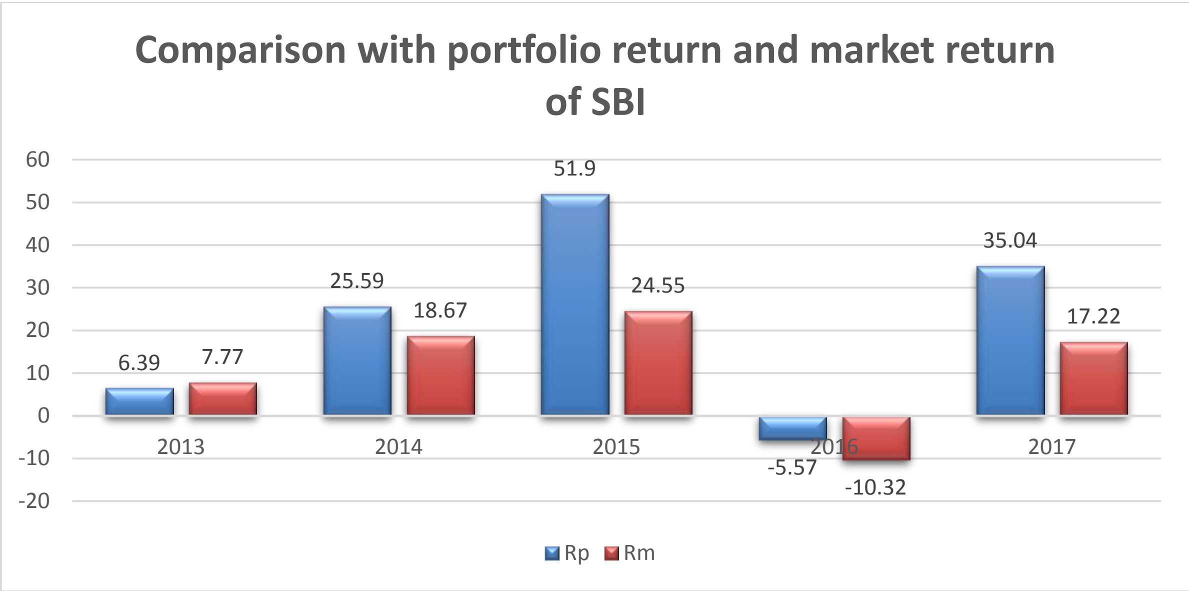
	2013	2014	2015	2016	2017
Rp	2.97	22.86	41.37	-12.17	30.39
Rm	7.77	18.67	24.55	-10.32	17.22



ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

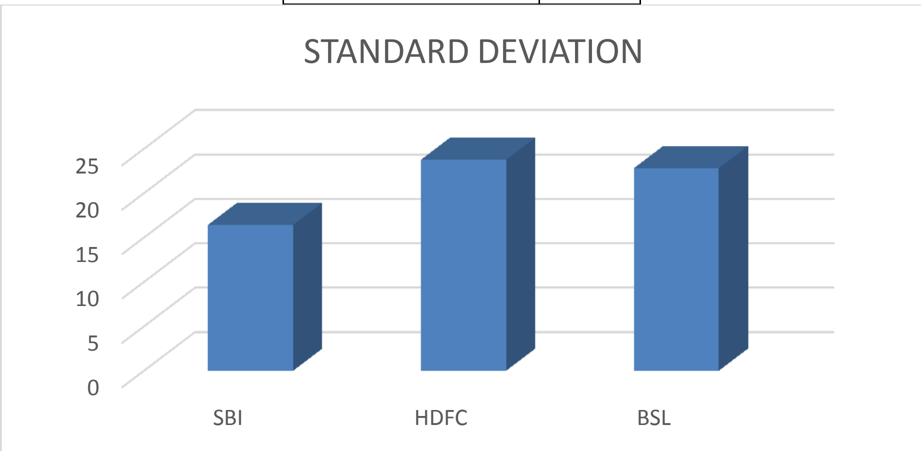
Comparison with portfolio return and market return of HSL

	2013	2014	2015	2016	2017
Rp	6.39	25.59	51.9	-5.57	35.04
Rm	7.77	18.67	24.55	-10.32	17.22



STANDARD DEVIATION: SYSTEMATIC RISK

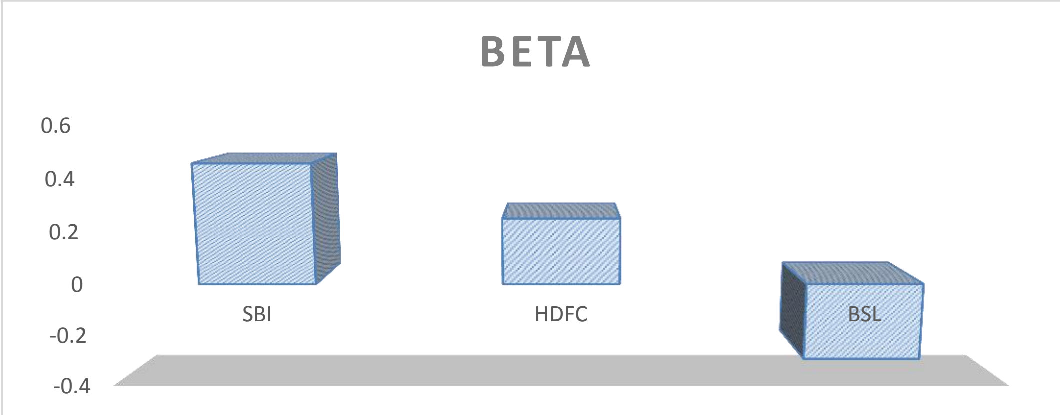
Standard Deviation	
SBI	**16.43**
HDFC	**23.77**
BSL	**22.8**



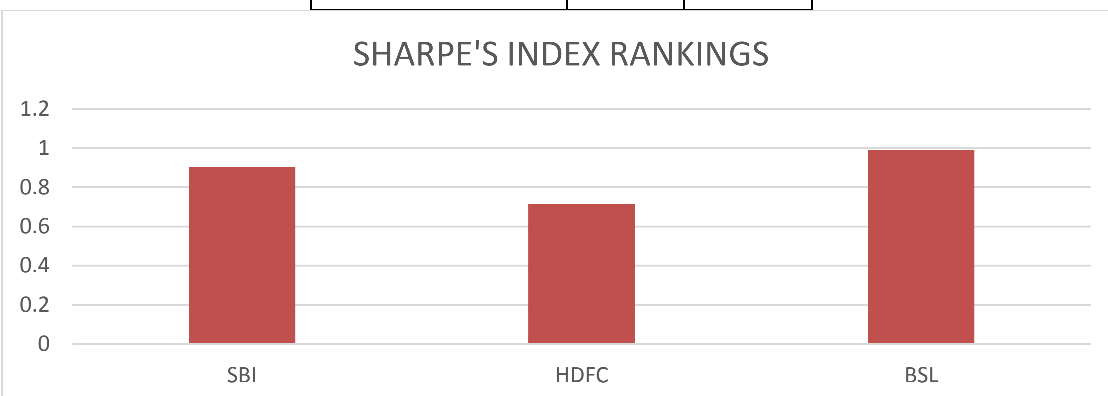
BETA for Market Volatility

Beta	
SBI	**0.4568**
HDFC	**0.25**
BSL	**-0.292**

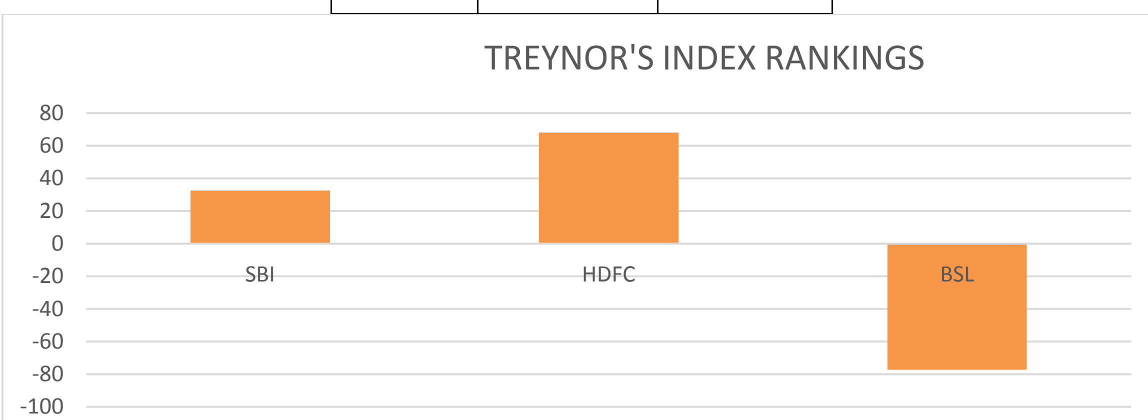
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



Sharpe's Index		
SBI	HDFC	BSL
0.9044	0.7149	0.99

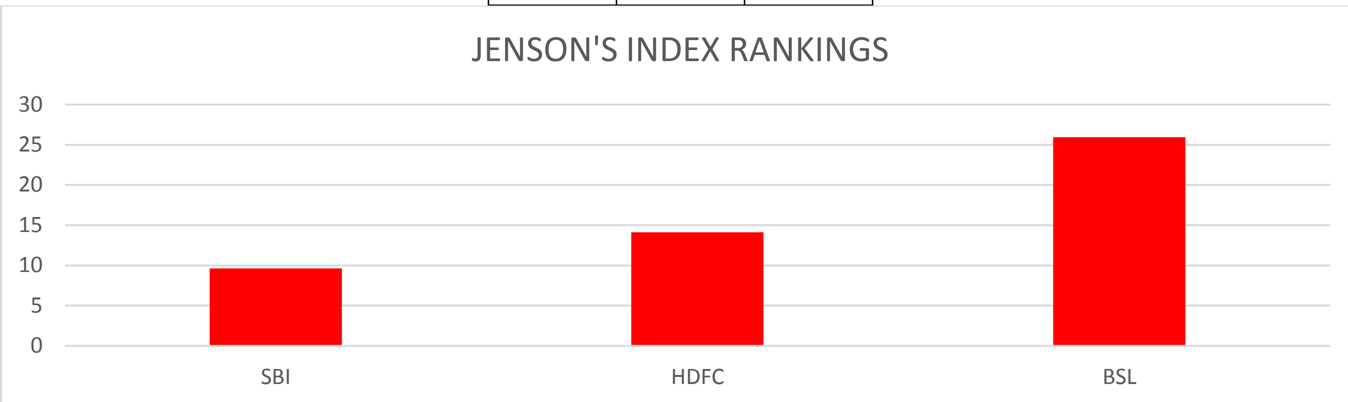


TREYNOR'S INDEX		
SBI	HDFC	BSL
32.53	67.976	-77.33



ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

JENSON INDEX		
SBI	HDFC	BSL
9.61	14.124	25.94



Based on the individual portfolio analysis, with reference to SBI Magnum Equity fund, it found that from 2013 the performance of the company is gradually increasing every year, but because of negative market return in 2016, the performance of the company was also decreased.

Like wise if we compare the same with other companies, the performance of the company was very positive and because of fall in the market in 2016, the overall performance of the mutual funds was also decreased.

Later in 2017, the market stood up and relatively the return of all the mutual funds are marked up to a positive figure.

If we compare the portfolio returns of each company for 5 years, it is observed that all the funds taken for the study are almost equally performing, but comparatively, BSL mutual fund performed well in 2013 when compared to other funds.

The study also helps to identify the unsystematic risk by calculating standard deviation. It is found that the unsystematic risk of HDFC mutual fund is more when compared to SBI and BSL. SBI magnum is having least unsystematic risk. This indicates, investment made through SBI is riskless.

Beta calculation helps to analyze the market volatility of the stocks. It is observed that all the funds taken for the study is less volatile, because it is less than 1, hence it is further interpreted that BSL is very less volatile than SBI and HDFC.

To rank the portfolio, return of each funds Sharpe, Jenson and Treynor index was taken to make the data more concise.

According to Sharpe's index BSL ranked 1st compared to SBI and HDFC, hence it is good to make investment in BSL.

According to Treynor's index HDFC ranked 1st compared to SBI and BSL, this shows more the risk, more the return.

According to Jenson's index the risk free return of BSL is more compared to SBI and HDFC, hence, it is further interpreted that BSL is the best avenue for the investment compared to SBI and HDFC.

CONCLUSION

The study is conducted on **"Performance Evaluation of Mutual funds between public and private sectors with special reference to SBI, HDFC, BIRLA SUN LIFE under Equity growth scheme"** only for those funds which come under equity growth category. The risk, returns and ranking is an only opinion on the relative past performance of the mutual fund scheme and various factors that can influence its future performance.

From the study it is conclude that BSL Mutual Funds has performed well by giving highest return. While comparing the Risk and Return also BSL and SBI is ranked first by giving maximum returns.

The functioning of Mutual Funds is regulated by SEBI and they have come out with various rules and regulations to protect the interest of the investors.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

References

- Preethi Singh (2016), 'Investment Management Security Analysis and Portfolio Management', Himalayan publishing house, Mumbai, 15th edition.
- Punithavathi pandian (2017), *Security Analysis and Portfolio Management*, Vikas Publishing House Pvt. Limited, 5th Edition
- Dr.V.A.Avadhani (2016), *Securities Analysis and Portfolio Management*, Himalayan publishing house, Mumbai.

WEB SITES:

- http://www.moneycontrol.com/mutual-funds/nav/sbi-magnum-equity-fund/MSB085www.amfiindia.com
- http://www.moneycontrol.com/mutual-funds/nav/hdfc-equity-fund/MZU001
- http://www.moneycontrol.com/mutual-funds/nav/birla-sun-life-equity-fund/MAC006
- http://www.mutualfundindia.com/
- http://www.valueresearchonline.com
- http://www.sbimf.com
- http://www.hdfcfund.com
- http://www.birlasunlife.com

JOURNALS

- Sharpe, William F. (1966) *Mutual Fund Performance*. *Journal of Business* 39 (January), Supplement on Security Prices, 119–38.
- Jenson & Michael C, 1968. *"The Performance of Mutual Fund" Journal of Finance* 23, n 2 (May): 389-416
- Bailey, Warren & Joseph Lim, 1992 "*Evaluation the Diversification Benefits of the new country funds." Journal of portfolio management* 18, no. 3 (spring): 74 80
- Gupta, L.C., *Mutual Funds and Asset Preference Household Investors Survey,* New Delhi, Society for Capital Market Research and Development, 1994.
- Treynor, J. (1965), "*How to Rate Management of Investment Funds*", *Harvard Business Review, Vol. 43, pp 63-75.*

Asia Pacific Journal of Research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

MERGERS AND ACQUISITION IN BANKING: A CASE STUDY OF SBI BANKS

Satish M D

Asst. Professor, Department of Commerce

SSMRV College, Jayanagar 4th T Block, Bangalore -560041

ABSTRACT

It has been realized globally that mergers and acquisitions is only way for gaining competitive advantage domestically and internationally and as such the whole range of industries are looking for strategic acquisitions.

"Earnings and savings go hand in hand", when it comes to savings people will always think about bank. In present scenario every individual will be using the banks to make a transaction and also to save their hard earn money and usually the people will be addicted to the government sector rather than private sector bank. In past the bank had different state bank and people has open their account as per their convenient through the bank employees but now the Union Cabinet gave its final nod for State Bank of India (SBI) to acquire its five subsidiary banks, paving the way for the parent to turn into a global sized banking behemoth. The merger of nationalized banks state bank of India and its 5 associate banks is explored on different parameters. My study focuses on impact of all the branches of SBI getting merged, what are the uses? Advantages and disadvantages. The data related to the topic will be collected through primary and secondary sources.

Key words: Strategic acquisition, Merger, Impact of all the SBI getting merged, uses, pros and cons

INTRODUCTION

Mergers and acquisitions in banking sector have become familiar in the majority of all the countries in the world. A large number of international and domestic banks all over the world are engaged in merger and acquisition activities. One of the principal objectives behind the mergers and acquisitions in the banking sector is to reap the benefits of economies of scale. With the help of mergers and acquisitions in the banking sector, the banks can achieve significant growth in their operations and minimize their expenses to a considerable extent. Another important advantage behind this kind of merger is that in this process, competition is reduced because merger eliminates competitors from the banking industry. In the context of mergers and acquisitions in the banking sector, it can be reckoned that size does matter and growth in size can be achieved through mergers and acquisitions quite easily. Growth achieved by taking assistance of the mergers and acquisitions in the banking sector may be described as inorganic growth. Both government banks and private sector banks are adopting policies for mergers and acquisitions.

In many countries, global or multinational banks are extending their operations through mergers and acquisitions with the regional banks in those countries. These mergers and acquisitions are named as cross-border mergers and acquisitions in the banking sector or international mergers and acquisitions in the banking sector. By doing this, global banking corporations are able to place themselves into a dominant position in the banking sector, achieve economies of scale, as well as garner market share.

Mergers and acquisitions in the banking sector have the capacity to ensure efficiency, profitability and synergy. They also help to form and grow shareholder value. In some cases, financially distressed banks are also subject to takeovers or mergers in the banking sector and this kind of merger may result in monopoly and job cuts. Mergers and acquisitions in banking sector are controlled or regulated by the apex financial authority of a particular country. For example, the mergers and acquisitions in the banking sector of India are overseen by the Reserve Bank of India (RBI).

HISTORICAL BACKGROUND OF SBI

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in 1806 in Calcutta. Three years later the bank received its charter and was re–designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint–stock bank of British India sponsored by the Government of Bengal. The Bank of

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921.

The State Bank of India, the country's oldest bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of change and transformation – the two hundred year old public sector behemoth is today stirring out of its public sector legacy and moving with an agility to give the private and foreign banks a run for their money.

The bank is entering into many new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc. – each one of these initiatives having a huge potential for growth.

All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes. Their business is more than banking because they touch the lives of people anywhere in many ways. State Bank of India (SBI) has received an approval from the Government of India (GOI) for acquisition of SBI Commercial and International Bank (SBICI Bank). The government had issued the 'Acquisition of SBICI Bank Order 2011' vide order dated July 29, 2011.

In April 2014 State Bank of India launched three digital banking facilities for the convenience of SBI customers. Two at the customer's door step using TAB banking – one for customers opening Savings Bank accounts and another for Housing Loan applicants. The third is e–KYC (Know your Customer).

State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), besides Bharatiya Mahila Bank (BMB), merged with SBI with effect from 1 April, the bank said in a statement. At the end March, 2017, the total customer base of the bank will reach 37 crores with a branch network of around 24,000 and nearly 59,000 ATMs across the country. The merged entity will have a deposit base of more than Rs26 lakh crore and advances level of Rs18.50 lakh crore. The bank will rationalise its branch network by relocating some of the branches to maximise reach. This will help the bank optimise its operations and improve profitability, Integration of treasuries of the associate banks with the treasury of SBI will bring in substantial cost saving and synergy in treasury operations.

REVIEW OF LITERATURE:

Ivancevich, Schweiger and Power (1987) studied the merger stress process, stages of the merger process and the sources of stress created and choosing guidelines and interventions to encourage more effective management of merger stress. They suggested some measures to effectively manage merger stress, like prevention, to reduce the actual stress-inducing merger events; secondly, reappraisal of employee which refers to changing initial cognitive appraisal of a situation and at last effective stress management and professional help which supports those employees that are already stressed.

Cartwright and Cooper (1993) reported on a recent study of a sample of 157 middle managers involved in the merger of two U.K. Building Societies. Post-merger measures of mental health suggested merger to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations.

Appelbaum, Gandell, Yortis, Proper, and Jobin (2000) examined the multiple organizational factors, which directly affect a merger as well as the merger process. They addressed the issue of communication and its importance throughout the merger and acquisition (M&A) process. Further, they analyzed the corporate culture and its effects on employees when two companies merge, organizational change and the reaction of employees (resistance) to these changes. Further, they studied the issue of stress, which is an outcome of M&A within uncertain environment and reported high level of stress. Moreover, they evolved the five major sections such as communications, corporate culture, change, stress, and managing/strategy. These were sub-divided into three sub-sections: pre-merger; during the merger and post-merger.

Schuler and Jackson (2001) proposed a three-stage model of mergers and acquisitions that systematically identified several human resources issues and activities. Numerous examples were offered to illustrate the issues and activities in each of the three stages. The article concluded with a description of the role and importance of the HR department and leader has its presence in business environment, in order to get competitive advantage the acquirer must consider the HR perspective to bring effectiveness in a deal of a merger. Researchers in some articles also raise issues related to human resource management.

Bryson, (2003) reviewed the literature around managing HRM risk in a merger. He found that poor merger results are often attributed to HRM and organizational problems, and that several factors related to maintaining workforce stability are identified as important in managing HRM risk.

Cascio (2010) discussed the lessons from HR professionals from the merger of health insurer Bupa Australia with the Medical Benefits Fund Group, the second largest health insurer in Australia. It was opined that Bupa Australia is the only Australian health insurer to have kept premium increases below the industry average for many years. It adds that being a privately managed company, Bupa Australia reinvests any financial surpluses for the benefit of its customers. Here, Merger Lessons for banking industry is that transferor's bank employees must be given some stimuli to boost their morale and they should be prevented from various stressors.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Maire and Collerette (2011) studied the case of an international post-merger integration project in the private banking sector. It raised the challenges that were met, describes the methodology and the tools used to manage the process, and highlights the factors that led to success. This experience suggests that successful integration management mainly rests upon capabilities in communication, organization, and change management. It also highlighted the importance of having an Integration Manager in charge of the process in order to favour integration success. In particular, it appears that pace is the heartbeat of integration progress and that one of the Integration Manager's main roles is to set the pace of integration by applying pressure to speed up progress, while also providing a climate where people can be motivated to work together towards organizational objectives and success.

Weber and Fried (2011) discussed the role of human resources (HR) practices in managing the cultural integration process in a post-merger and acquisition (M&A) culture. The authors argued that the pervasiveness and growth of M&A's stand in sharp contrast to their high failure rate. Topics include the neglected role of HR practices in the management of M&As and the contribution of HR practices to the success of M&As.

OBJECTIVES OF THE STUDY

Being the largest amalgamation in history of Indian Banking Industry it attracts attention towards following objectives

1. To study the mergers and acquisition of SBI bank.

2. To become a largest of the bank in the world and increase their recognition.

3. To be a better management in the country.

4. To shows their better profitability.

BENEFITS OF THE MERGER:

1. It ensures synergies: Single Exam, branches, ATM.

2. After merger, Indian banks can manage their liquidity - short term as well as long term- position comfortably

3. In the global market, the Indian Banks will gain greater recognition and higher rating
4. Technological Advantages: Verisign, 128 bit encryption, RuPay card. We still depend on foreign payment gateways - VISA, MASTERCARD [Better negotiation]

5. One Stop Shop: Customers of Associate banks will get connected to a larger network of SBI branches with diversified products under one roof.

PROS OF MERGER IN SBI

- Through mergers, it will help the scale up its business and gain a large no. of customers quickly.

- It also helps to fill the business gap, to empower the business to fill product or technology gaps and being acquired by the big business firm it will help to upgrade its

  technology platform efficiently.

- It will bring better efficiency ratio to the business and banking operations and

  minimize the risk factor ratio by merging into one.

- It will also help in upgradation of technology, increase in profit and raise the standard of living.

CONS OF MERGER IN SBI

- The foremost disadvantage is compliance and risk consistency and both the merged organizations have different perspective of thinking, different risk culture so it creates

  a negative impact on the profitability of the organization.

- Another disadvantage is a poor culture fit as the bank only consider the perspective of merging on papers not consider their people or culture into account this is the reason why many bank mergers ultimately fail.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

RESEARCH METHODOLOGY:

The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine the Impact of all the SBI getting merged.

IMPACT OF SBI GETTING MERGED

- This is the first ever large-scale consolidation in the Indian banking industry.
- It has decided to shut down almost 47% the offices of these banks
- The target for the number of controlling offices after the merger is 687 - a reduction

  of 122 offices.
- The associate banks have also offered a Voluntary Retirement Scheme (VRS) to employees who do not wish to relocate. "VRS is only an option, else they will be relocated. They will have a different role,"
- The merger will create a banking behemoth with an asset book of ` 40 lakh crore.
- SBI will give 4,42,31,510 shares with face value of `. 1 for every 100 crore equity

  shares of Bhartiya Mahila Bank.
- SBI's asset base will now be five times larger than the second-largest Indian bank, ICICI Bank
- The merger benefits include getting economies of scale and reduction in the cost of doing business.
- Technical inefficiency is one of the main factors responsible for banking crisis. The scale of inefficiency is more in case of small banks. Hence, merger would be good.
- The size of each business entity after merger is expected to add strength to the Indian Banking System in general and Public Sector Banks in particular.
- After merger, Indian Banks can manage their liquidity – short term as well as long term – position comfortably. Thus, they will not be compelled to resort to overnight borrowings in call money market and from RBI under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).

ANALYSIS AND INTERPRETATION

1. Overall satisfaction of the customer

ANALYSIS

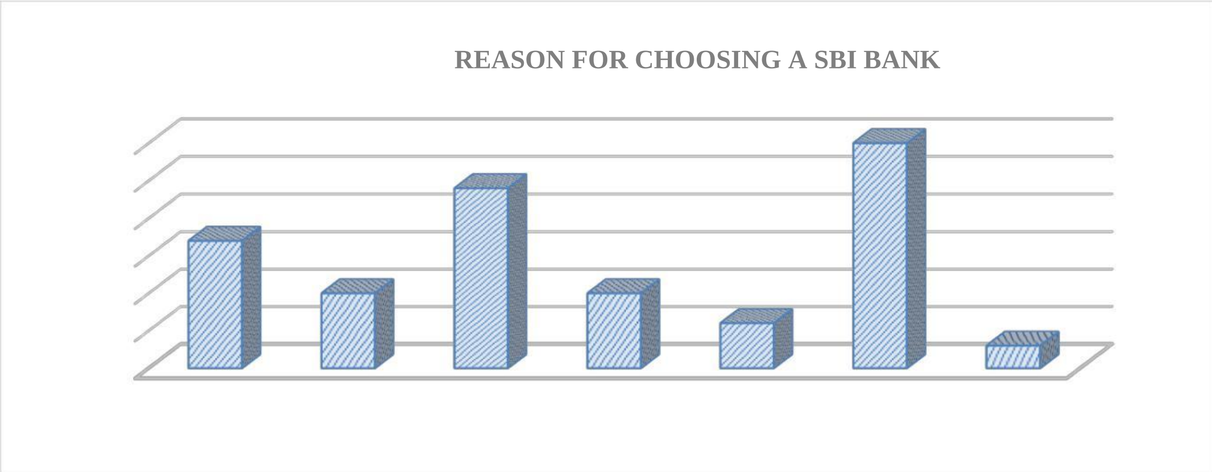
ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Interpretation

20% When question was asked about of its services, product, customer relationship 37% people rated SBI is excellent in its offering, 23% people rated it as good and they are happy with its overall services, 13% rated it as satisfactory but they are not much satisfied with some of its services, 20% people rated it as average because they are happy with only its few services and rest 7% rated it as below average.

2. Most important reason for choosing SBI bank

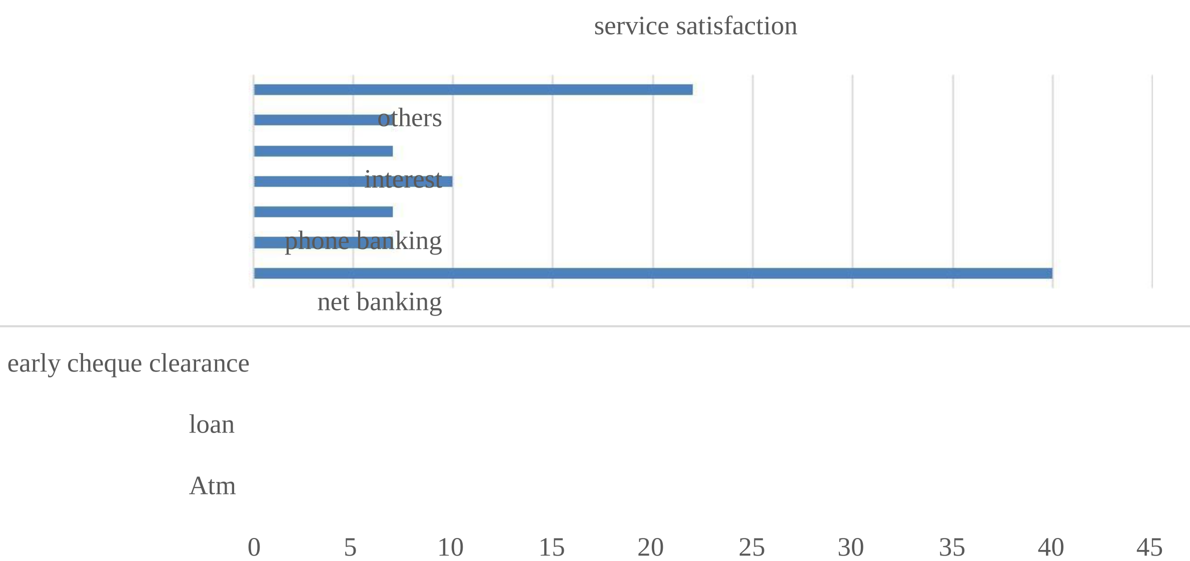
Analysis



Interpretation

30% state bank of India when question was asked what are the most important reason for choosing SBI bank then 30% said because of it is near by their location, 24% said because of its service, 17% choose because they have traditional account, 10% choose because of its brand name. 10% choose because of atm. 6% for net banking, 3% for any other reason.

3. Service Satisfaction Analysis



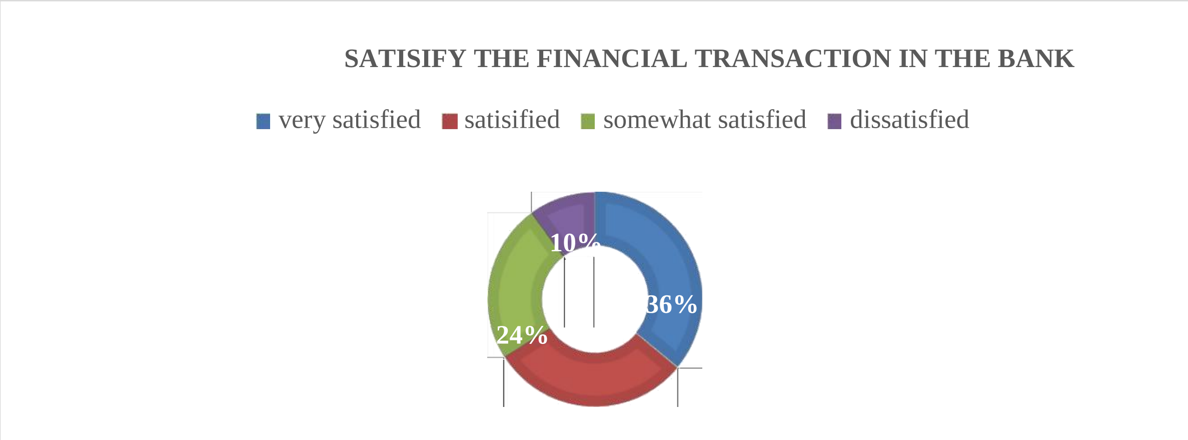
Interpretation

When question was asked which service satisfies you most then 40% said its ATM because it is easy to use and nearby their location.10% Think that is net banking is quite better. 7% are satisfied with about interest rate which is offered by the bank. 7%think cheque get clear very early and 7% think it is quite easy to take loan from SBI bank .7 % think its phone banking service is really good and rest of the 22 % satisfied with its other services

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

4. Are you satisfied with your financial transactions with the bank?

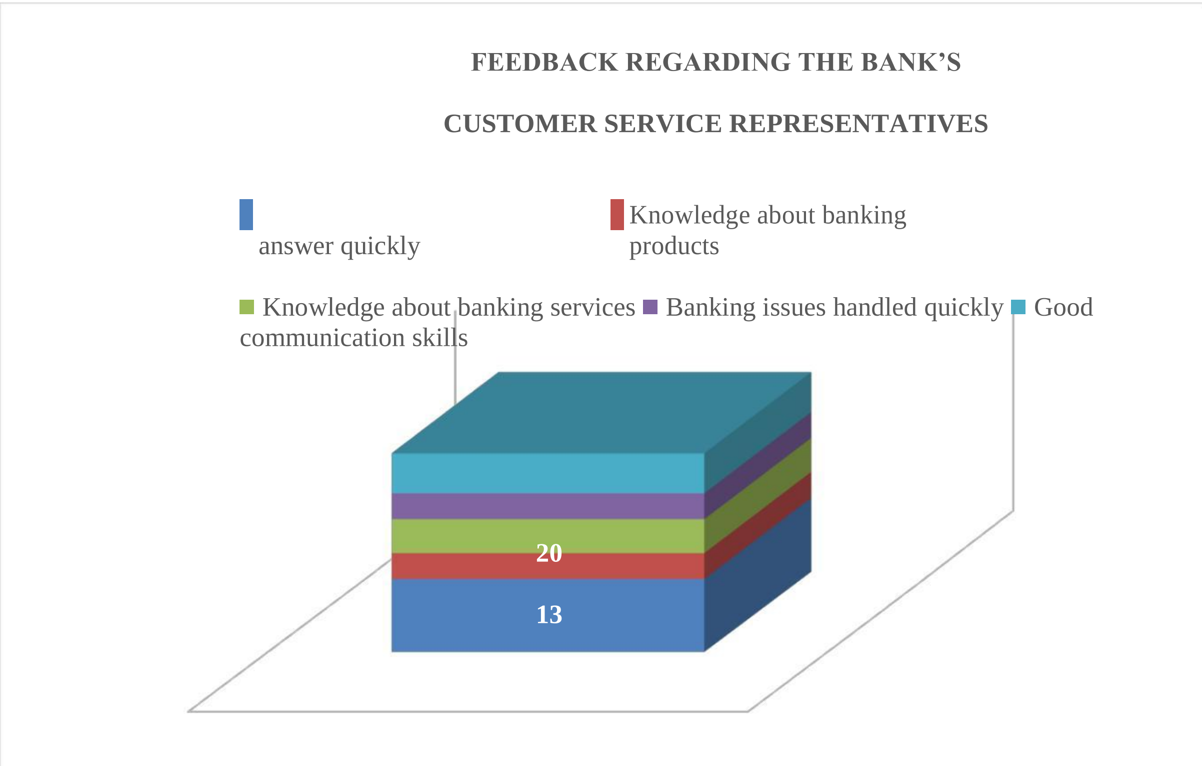
Analysis



Interpretation

According to my survey 36% of respondent said that they are very satisfied with the financial transactions of the bank while 30% said that they are happy with its services. 24% think its services are quite satisfied while remaining 10% are not satisfied with its services.

5. What is your feedback regarding the bank's Customer Service Representatives?



When question was asked feedback of its customer services representative 37% people think they are answer call quickly, 13% think they have good knowledge about banking product, 17% people think its customer service representative are well aware about its banking services, 13% people think they handle customers query very nicely and rest 20% thinks there communication skill is good.

Findings and Suggestion

To give a more competent with the internationalise bank

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

To set off all the losses in the associate bank and to earn a more efficient profit in the banking sector.

To retain the customer in the bank and enjoy the service provided by the SBI bank.

The management of SBI should conduct more product and services awareness campaign.

They should increase the level of providing personal attention to individual customers.

In delivery of quality service in banks, what matter are speed, accuracy, promptness, reliability, individualized attention, etc. Better results can be achieved through proper use of relevant banking technology.

The SBI Management should critically evaluate the deviation in means in order to create balance in all dimensions of customer satisfaction measurement tools.

Conclusion

In view that profitability of SBI was going down, and it needed reconstruction, this step of merger seems to be a smart step. It has brought SBI in list of top 50 banks in the world which is a big deal. However, profitability of the bank after merger has fallen by approximately `. 3000 crore. This was mainly because of accumulated losses of associate banks which were shown in balance sheet of the amalgamated entity and it reduced the enthusiasm of investors. Still, investors should not lose hopes as such bold steps have effects in long run and they take time to become visible.

BIBLOGRAPHY

1. www.wikipedia.com
3. www.sbi.in
4. www.moneycontrol.com
5. www.nseindia.com
6. www.profit.ndtv.com/stock/state-bank-of-india_sbin/reports

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF IFRS ADOPTION ON OBJECTIVITY IN FINANCIAL REPORTING; A STUDY ON SELECTED INDIAN COMPANIES

Nisha Amogh & **Dr. S. MariGowda

**Research Scholar, Mysuru University.*

***Professor, Department of Commerce, Vidyavardhaka First Grade Post Graduate Centre, Mysore 570021,*

ABSTRACT

With the economies opening up for trade and commerce and investments coming from all over the world, reporting practices across countries have come to the forefront as a result of which understanding the various aspects of adoption of IFRS or converged IFRS has become an important issue. IFRS aims at making the financial information reported by companies across the world uniform and comparable, thus making it easier for an investor to take important investment decisions. This paper aims to study the impact of adoption of IFRS on objectivity in financial reporting by analysing the accounting policy choices offered for measurement and disclosure as per IFRS. The examination of the financial statements of Indian companies which had voluntarily adopted IFRS since 2011 indicate the possibility that IFRS with the varied choices of accounting policy does to a certain extent allow management of outcomes.

KEY WORDS: International Financial Reporting Standard, Objectivity, Accounting Policy, Management of Outcome, Financial Statements.

INTRODUCTION

With the economies opening up for global exposure through the process of globalisation and the companies crossing borders for investment, financial reporting has gained a lot of importance. This increased importance has given rise to international financial reporting standards(IFRS), a new set of reporting standards which aims at making the reporting practises uniform across the world.

Accounting standards are the ground rules that govern the preparation of financial statements (Antony & Reece, 2003). Accounting standards establish rules that direct corporates in preparation of financial statements and thereby ensure it's true, fair and transparent.

Accounting is rightly termed as the language of business (Ijiri, 1975). In the present scenario where investments are made beyond country borders financial reporting has become an important decision-making tool for many economic agents. The main aim of international accounting convergence through IFRS was to minimise the diversity that existed in accounting practises and make it easier for understanding of investors, also contribute towards making it more objective and relevant.

At present, Accounting Standards Board (ASB) formulates and issues accounting standards in India which are more or less in line with IFRS except for a few instances where departure is necessary to comply with the legal, regulatory and economic environment. Council of the Institute of Chartered Accountants of India (ICAI) opined in May 2006 that adopting IFRS was considered and supported by the ASB. IFRS task force was set up to provide a road map for convergence and it decided to converge with IFRS from the accounting period commencing on or after 1 April 2011. Now the ICAI is trying to adopt converged IFRS in India called IND AS from 1st April, 2016.

The shift to IFRS or IND AS by many Indian corporates has led to a lot of studies to find out its benefits and drawbacks for the economic agents. One such benefit promised by IFRS adoption is improving the objectivity of reported financial statements. This paper aims to evaluate the impact of IFRS on objectivity in financial reporting by studying those firms which adopted IFRS voluntarily since 2011. The study tries to analyse whether adoption of IFRS has actually made accounting practices more objective or has left the reporting practices unaffected by allowing the managers to choose a method of reporting their financial figures.

REVIEW OF EXISTING LITERATURE

Grabinski, K. et.al.,(2014) in their paper analyses the process of implementing IFRS and examines a series of empirical research in this regard to understand the effects of transition. Based on the data the author concludes that transition did not result in major changes on company's financial standing measured by financial ratio.

Ghedrovici, O. et.al.,(2014) in their article discuss the obstacles and peculiarities in the transition based on analysis of regulatory framework, personal experience and a case study of an entity which applies IFRS since 2011. Based on comparative analysis of the secondary data collected the authors conclude that process of transition is not easy and the transition denotes changes in both qualitative and quantities terms.

Ray, S. (2012) examined the impact and consequences on financial statement due to IFRS adoption with the help of a case study of WIPRO Ltd. This study has been conducted based on secondary data available in the form of published annual reports. The findings of the study are based on a comparative analysis of reported balance sheet and income statement data and also a few important financial ratios for the year 2009 as per IGAAP and IFRS. The author concludes that there is not much deviations and fluctuations in the net income position as disclosed by financial statements in IFRS reporting and IGAAP. However deviation is rather prominent when observing the equity and total liability position which is mainly because of reclassification.

Srivastava & Bhutani (2012) attempted to find out up to what extent IFRS has been adopted by the organizations, what challenges and opportunities companies are facing regarding IFRS, and what are the measures that can be taken to make the process smooth and flawless. The paper focuses on the awareness and adoption of IFRS in India. The results of the study conducted state that the current status of the companies is not up to the mark as far as the transition process is concerned.

Chris & Heidhues (2009) in their paper try to provide in-depth insights into issues and concerns regarding the exercise of professional judgment in IFRS from a German perspective, based on interviews with German accountants and leading accounting academics. As such, this study extends the existing accounting literature and contributes by providing deeper and sharper insights into the controversial topic of professional judgement in the convergence process.

STATEMENT OF PROBLEM:

The expansion of capital market investment beyond domestic borders of a country has bought about major changes in the accounting and reporting field. In order to facilitate better understanding of reported data among the investors across the world international financial reporting standards were introduced. One main objective of these standards is to bring about uniformity in accounting and reporting practices. The standards proposed by international accounting standards board suggest a number of choices within the standard to be followed by managers while reporting their numbers at the year end. such choices provided within the standards may allow managers to manipulate their outcomes and hence the reported figures may not be objective. Thus, the study tries to analyse the impact on objectivity of financial statement due to presence of accounting choices within standards.

OBJECTIVE:

- To understand the accounting choices provided for measurement.
- To analyse the impact of IFRS adoption or convergence on objectivity in financial reporting

RESEARCH METHODOLOGY:

The study is a descriptive analysis. This study is conducted with the purpose of understanding the impact of voluntary adoption of IFRS on the objectivity of reported financial figures of the sample companies. Though IFRS is not mandatory in India, some companies are complying with IFRS, either voluntarily or because of the requirement of regulatory authorities outside India (Gupta, 2012).

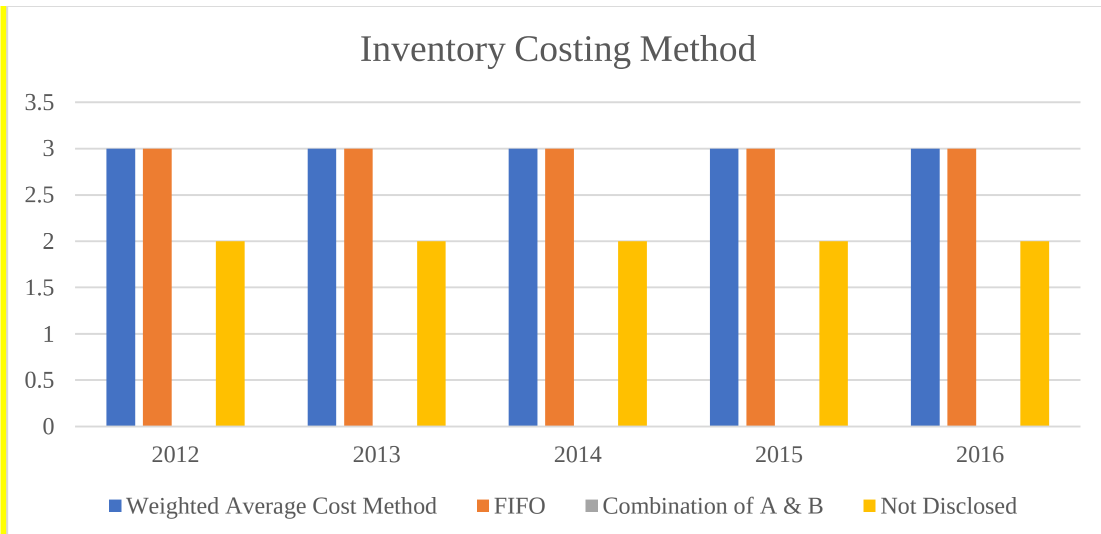
The scope of the study is limited to listed companies in India which have published their financial reports as per IFRS since 2012. The companies which adopted IFRS voluntarily since 2012 were considered for this study. The total number of companies selected for study were 9 namely Wipro, Infosys, Tata Consultancy Services, Rolta India Ltd., Dr. Reddy Laboratories, Sterlite, Bharti Airtel, Dabur India Ltd., and Glenmark pharma.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

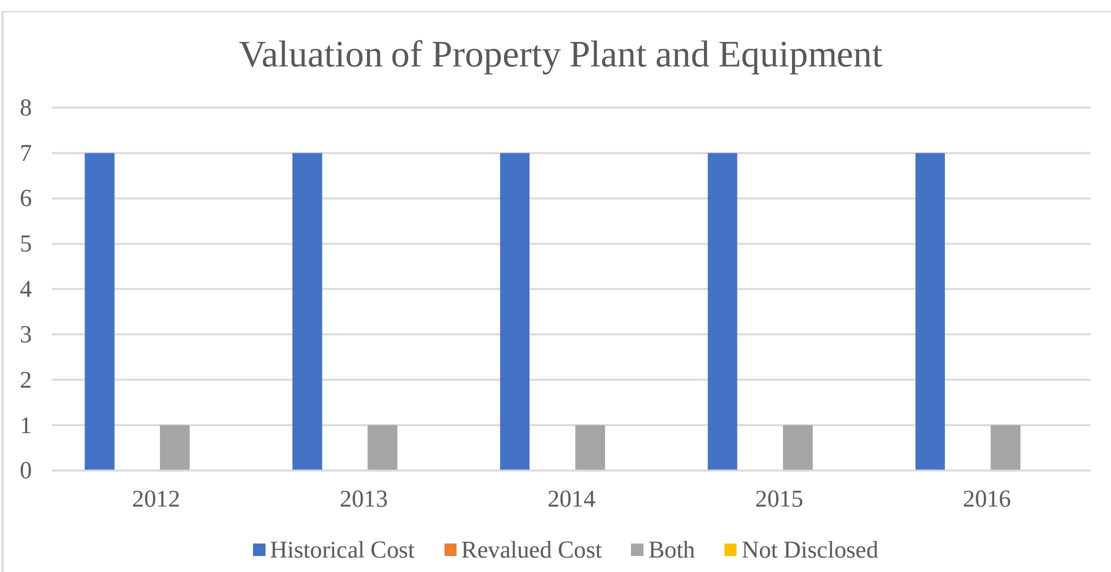
The study is based on secondary data sourced from published financial statements of the companies for the period 2012 - 2016. Tay and Parker (1990) observe that actual reporting practices might be assessed most accurately from annual accounts, or detailed surveys of such accounts. The period considered for study excludes the first year of voluntary adoption as very few companies adopted IFRS in 2011, also the study is limited to 2016 as since 2017 IND AS was made mandatory in India. The accounting items chosen to study effects on objectivity were measurement related and included the following areas; inventory valuation methods, inventory costing methods, depreciation method, valuation of property plant and equipment and treatment of taxation. The study focuses on the choices of accounting policies made by individual companies over the above period and also amongst the companies and thus tries to conclude effects on objectivity in reporting.

FINDINGS:

Adoption of IFRS by Indian companies has been a very challenging process directed towards making reporting practices more in line with global reporting practices. This change also claims making the accounting practices more objective and comparable. The objectivity is affected when there are choices given to the preparers of the financial statement while opting for the policies to record data. The findings of this study are presented in the form of bar diagram for better understanding of the descriptive data analysed.

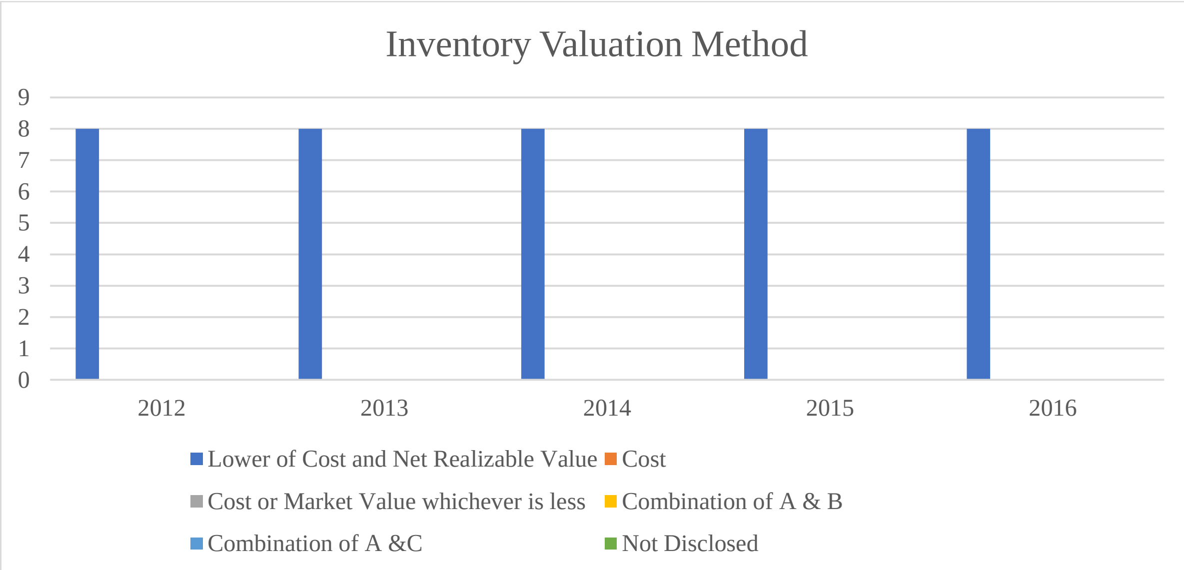


Finding 1: IFRS provides three alternatives in reporting for inventory costing methods. The methods are weighted average cost method, first in first out method or a combination of the two. As observed from the data obtained most of the companies have either opted for weighted average or FIFO method and have continued to use the same method year on year. So we may conclude that both the methods are in use as on date.

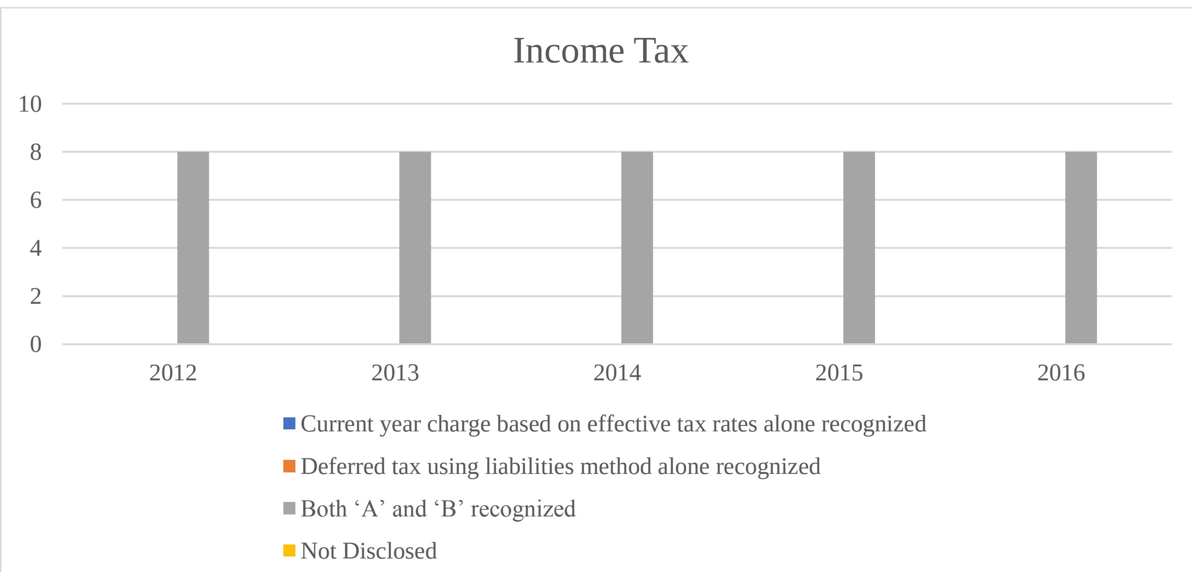


ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Finding 2: IFRS offers two alternative accounting policy choice while reporting for property plant and equipment. The asset can either be recorded at cost or at revalued value. Majority of the companies have opted for historical cost method while one amongst them have chosen both the methods and they record different category of property plant and equipment using different method. The existence of choices gives scope for personal judgement.

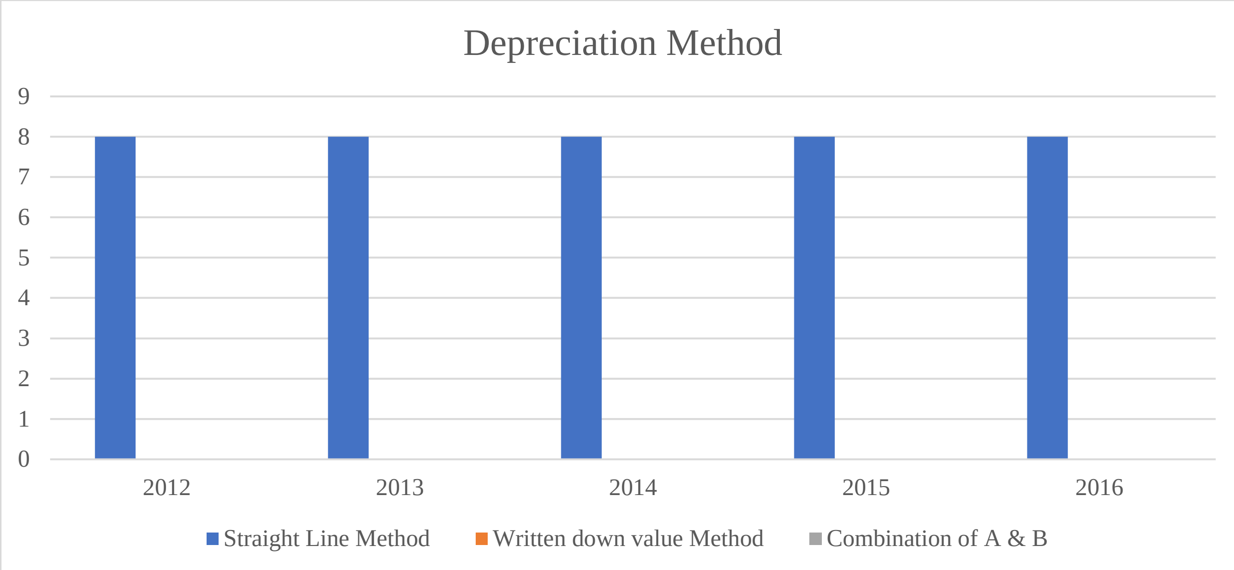


Finding 3: IFRS allows the financial statement preparers to choose from three options while reporting inventory valuation data. The methods being cost, cost or net realisable value whichever is lesser and cost or market value whichever is lesser. Most of the companies have opted for lower of cost and net realisable value. Valuation of inventory is again based on the judgement of the individual accountant or group of people preparing the books of accounts.



Finding 4: IFRS allows accountants to disclose income tax in two different manners. The companies can choose to show current year charge or deferred tax. Most of the companies have opted for the third alternative which is a combination of deferred and current tax. Here again the standards set a out choice for the users.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793



Finding 5: IFRS prescribes two major methods of depreciation that is straight line method and written down value method. We observe that the sample companies have all opted for straight line method. The choice of method in depreciation definitely affects the earnings before interest and tax and thus can influence users of the statements.

From the above findings we may summarise that although most of the companies have opted for similar accounting policies and have continuously reported according to the same policy, the standards set by international accounting standards board does allow the managers to use their personal judgement while accounting for the above line items of the financial statements by giving them accounting policy choices. All the five-line items of financial statement considered for this study have alternative policy choices for disclosure. The choice has to be made by a manager, an accountant or any other officer of the company who is authorised to do so. Such choices are either based on personal judgement or are made to exhibit a favourable outcome. Thus, we may conclude based on above data that IFRS does not improve objectivity of reported data.

SCOPE FOR FURTHER RESEARCH:

- The study can be extended to analyse more number of accounting line items from the financial statements
- The study can be further strengthened by analysing the perspectives of users of financial statement collected through questionnaire
- The study can be extended to those companies which adopted IND AS since 2016.

CONCLUSION:

The overall result of the analysis shows that presence of alternatives to choose from while reporting the same line item leads to loss of objectivity in reporting. The companies individually have reported their performance according one method only for the five years of the study but there are differences when we compare them against each other. Such differences in choice is done for the benefit of the company which in turn may not benefit the user.

The companies will find lot benefits of converging into IFRS when they have to raise funds from overseas and make their financials competent with their competition from all over the world. But as long as the number of alternatives continue to persist in the standards there would be chances of management of outcomes. The managers, accountants and the standards setting board must work together towards making the accounting policy choices more limited and making the reported statements more objective.

REFERENCE:

1. Grabinski, K., Kedzior, M., & Krasodomska, J. (2014). The Polish Accounting System and IFRS Implementation Process in the View of Emphirical Research. Accounting and Management Information System, Vol.13(No. 2), pp.281-310.

2. Ghedrovici, O., Mihaila, S., & Erhan, L. (2014). Transition to IFRS in the Republic of MAldova: general and practical aspects. Accounting and Management Information Systems, Vol. 13(No.2), pp. 259-280.

3. Antony, R. N., & Reece, J. S. (2003). *Accounting Principles.* Delhi: AITBS.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

4. Srivastava, A., & Bhutani, P. (2012). IFRS in India: Challenges and Opportunities. The IUP Journal of Accounting Research and Audit Practices, vol. XI(No.2), pp. 6-32.

5. Ray, S. (2012). Indian GAAP and its Convergence to IFRS: Emphirical Evidence from India. AAEF, Vol. 2, pp.257-276.

6. Jagannath, K. (2008). Impact of accounting standards on harmonization an empirical study of corporate financial reporting in India. Mysuru, Karnataka, India: Mysuru University.

7. Heidhues, E. &. (2009). IFRS and exercise of accountants' professional judgments: Insights and concerns from a German perspective. *IAAER & ANPCONT (3rd) International Accounting Congress*. Sao Poulo, Brazil.

8. D.S.Rawat. (2006). *Students guide to accounting standards.* New Delhi: Taxmann.

9. Sharma, B. (2010). *IFRS - Challenges and Need for India Inc.* pune: www.indiamba.com.

10. Gupta, R. K. (2012). *Impact on Economic Activities by Adoption of International Financial Reporting Standards by Indian Companies. Dissertation, Christ University.*

11. Kumar, P. and Srivastav, S. (2012). International Financial Reporting Standards (IFRS): An Overview. *International Journal of Applied Financial Management Perspectives, Vol. 1, No.1,* pp. 23-29.

12. Tay, J. S. W., and R.H. Parker [1990]. *Measuring International Harmonization and Standardization, Abacus*, Vol. 26, No.1, pp. 71-88.

13. http://www.ifrs.com/overview/Financial_Management/groundwork.html

14. http://www.deloitte.com/view/en_US/us/Insights/Browse-by-Content-Type/CaseStudies/IFRS-Case-Studies/casestudy/7804f75d99efd110VgnVCM100000ba42f00aRCRD.htm

15. http://www.crefige.dauphine.fr/recherche/actualite/richard1.htm

16. http://www.iasb.org/About+Us/About+the+IASB/Response+to+the+credit+crisis.htm

17. http://community.dynamics.com/blogs/financeheadlines/archive/2009/04/17/cfoson-ifrs-58-forget-about-it.aspx.

18. www.wipro.com

19. www.infosys.com

20. http://icai.org./resource

Asia Pacific Journal of Research

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

A STUDY ON THE ROLE OF TEACHERS IN TECHNOLOGICAL EDUCATION – "WITH SPECIAL REFERANCE TO GOVT. TEACHERS IN SELECT RURAL TALUKS OF KARNATAKA"

Gayathri V*; Nikitha S.D**; Dr.S.R.Ganesh***

**Student, M.Com (Financial Analysis), St Joseph College of Commerce.*

***Student, M.Com (Financial Analysis), St Joseph College of Commerce.*

****Assistant Professor, St Joseph College of Commerce (Autonomous).*

ABSTRACT

Policy makers and planners both at national and state level government have the same question of "How can rural system of education be matched with the advancement in urban educational system?" with reference to the state policy of "single education system". There are many policies made for the development of technological educational system in rural areas, but nothing has worked out much. Children in rural areas do not receive guidance from home since many of the parents are illiterate, so teachers play a very important role in educating them by implementing all sorts of technological developments in education which are being followed in urban areas. Not much research has been done on technology from the view of teachers, but the focus has largely been on students and how it affects them. So this study is to mainly focus on the role of teachers in government schools/colleges in rural areas and their perception on using the technology in teaching methods. Hence, the study is conducted by collecting the responses from teachers who are teaching in secondary and higher secondary schools to know the usage of technology in educating the students in select rural Taluks of Karnataka. The researchers have used appropriate hypothesis and suitable techniques in analysing and interpreting the data. Despite an overall positive attitude towards the use of technology some barriers are being faced like lack of facilities by government, lack of training and motivation to teachers are some of the reasons for failure of education in rural areas.

Key words*:Teacher's perception, technological skills, Single education system.*

INTRODUCTION:

India's population comprises 17.6% of total world's population, when it comes to rural urban ratio, rural India has 31.8% of Indian population where as 12.2 % live in urban areas. Most of our population lives in rural India, but when we look at literacy rates in rural areas it has comparatively less growth compare to urban areas. We can see how fast the urban education system is growing technology wise. The students and teachers are much ahead in using technology based education in urban areas, whereas rural areas are not being developed in providing education to students according to the technological advancement in the country. For e.g. If we compare the teaching methods in urban areas they use smart boards, PowerPoint presentation, LCD screens and practical exposure to all areas giving practical examples whereas in rural areas they still use the old concept of chalk and black board for teaching. Here, students are not at all exposed to technological skills and advancement in the country.

So in this situation teachers play a very important role in brightening the knowledge of students towards technological development in education by using various advancement in teaching and making them understand the concept. That is why every teacher of the govt. schools in rural areas should be aware about the technological skills developed in education system. This would help them to shape the future of every student in a meaningful way so as to match the education system in urban areas.

LITERATURE REVIEW:

Most institutions have invested in a "virtual learning environment and employ staff dedicated to supporting e-learning **(Blin & Munro, 2007**). Technology can be acknowledged to be an integral part of teaching today **(Younes lam 2000).** Teachers' beliefs play an important role in their deciding how will integrate technology into the classroom **(Chao-Hsiu Chan, 2010)**. Technology may be used to improve students' learning across a number of dimensions, a considerable number of teachers also perceive a variety of barriers to use of technology. According to **Robyn and Lynda (2009)** some teachers argued that "if I use more technology, I won't have time to cover the course". They decided to explore it as an option for teaching. If teachers choose not to use the technology provided to them, it is not because they fear technology but, rather, because they are not convinced of its

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

usefulness. Teachers also observed graduates working in an employment office who did not know what in the world they are doing with the employment office computers. They will need to know how to run basic computer operations **(sugar, Crowley, fine 2004).** According to **sugar, Crowley, fine (2004**) By developing computer games teacher could see a great deal of retention even though the students thought they were just playing a game. Many people and their schools, particularly but not only in rural areas, struggle with real difficulties such as the lack of classrooms, poor electricity, no landline telephone, no Internet, the like. Many of these problems are linked to socio-economic factors, and they also have a direct influence on the quality of education that is available to children **(Michael Gardiner 2008).** Most of the schools in rural area are run by the government. Moreover, non-teaching duties like election invigilation often keep teachers away from schools. With an inadequate transport system in rural India, the distance only adds to their woes and often results in absenteeism. Attuned to the Modi government's Digital India initiative, a couple of projects have been introduced in the school education segment. Another project, Rashtriya Madhyamika Shiksha Abhiyan (RMSA), is dedicated to enhance the capacity to all teachers in Information and communication technology (ICT). **(INDIATODAY.IN, 2017)**

RESEARCH GAP:

As most of the researchers have conducted the research based on students view about technological education in urban areas whereas, very less researchers have concentrated on technological development in education in rural areas of Karnataka and what is teacher's perception on this. Therefore, to fill this gap, the researcher has conducted a study on the perception of teachers in government schools of rural areas in implementing technology while teaching.

STATEMENT OF PROBLEM:

India's total population consists of 134 crore people. When it comes to percentage of people leaving in urban and rural areas, it is 31.15% of people living in urban area and 68.85% of people living in rural areas which is twice the urban population. But we can see only the urban education system is getting upgraded day by day in technological skills whereas rural education especially in government schools are running backward when compared with urban education system. So, this study is to know teachers perception on educational system in government schools and there view on what are the reasons for not adopting technological skills in government schools in rural areas.

NEED FOR THE STUDY:

According to the government there are many policies which says there are acts passed to improve technology in education in rural areas. But most of the rural areas are not being provided with any facilities to improve the education system. Therefore, our study focuses on to know the teachers awareness and government facilities to implement technological education.

OBJECTIVES:

- To understand the usage of technology inrural education system.
- To understand the perception of teachers in the implementation of technological skills in rural government schools.

SCOPE OF THE STUDY:

Our study mainly focuses on government schools located in 2 rural Taluks of Karnataka state such as Gubbi in Tumkur district and Malur in Kolar district. This study includes Government schools of Gubbi and Malur Taluk and have collected the data of teachers who teach secondary and higher secondary schools (i.e., 8^{th}, 9th, 10th, 11^{th} and 12^{th})

DEFINITION:

Technological Education: as per the researcher point of view, the usage of Technological Education refers to the usage of technical skills/tools by the teachers who teaching secondary and higher secondary schools. In the paper, Technological education includes usage of computer skills to the students, usage of internet, usage of smart boards, etc,.

METHODOLOGY:

Tools for data collection: **-**Primary data has been used to study the perception of government teachers in rural areas in technological education in Gubbi and Malur Taluks of Karnataka. Under primary data, the researcher has distributed structured questionnaireto the respondents and questionnaire was circulated manually to collect the data and the secondary data are collected from various journals, magazines, newspaper and internet.

Sample Size:-The survey has been conducted with 116 teachers out of which only 100 samples were valid. Since it is a conceptual and analytical study, the sample size was take as 100 and it is considered to be adequate in this context. The respondents belong to various schools in villages of Gubbi and Malur Taluk who are using and not using technological skills while teaching. All the 100 respondents were considered to be valid.

Period of study:-The study was conducted for 3 weeks in which the targeted population was interviewed using questionnaires. Data was collected and recorded based on the view of 100 respondents.

LIMITATIONS:

- The study is limited to teachers teaching in secondary and higher secondary schools.
- Due to the Time constraints in depth can't be possible.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- The study is restricted only to the rural government schools of two districts.
- The study is limited to 100 respondents.
- The respondents' answers were considered to be final irrespective of the possibility of bias.

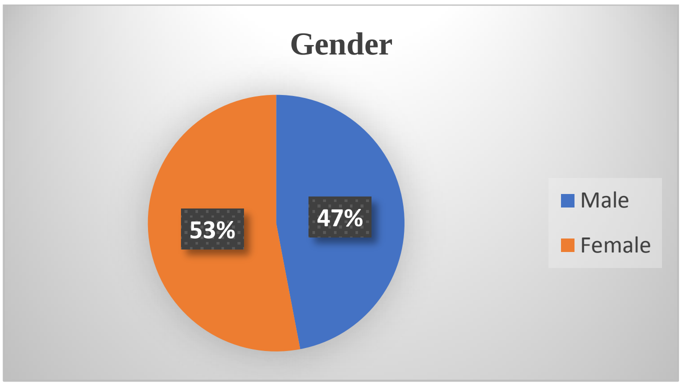
ANALYSIS AND ITERPRETATION:

Objective: **Awareness and adoption of technological skills among the government teachers in rural area.**

I. Demographic profile

Table-1:-Gender

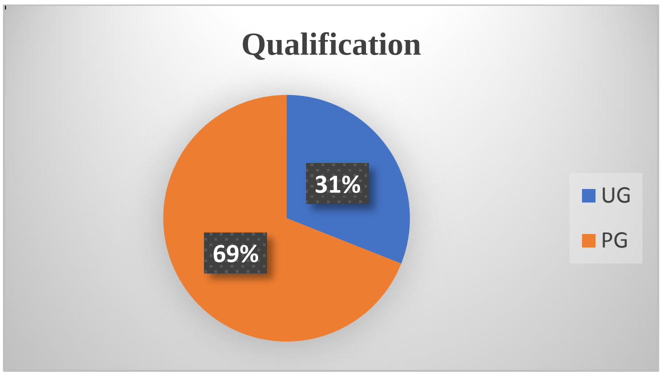
Gender	%
Male	47
Female	53



Interpretation: In this graph, we have found that among 100 respondents 53% are female teachers. And 47% male teachers. This might be because female teachers are very close to students than the male teachers.

Table-2:- Qualification

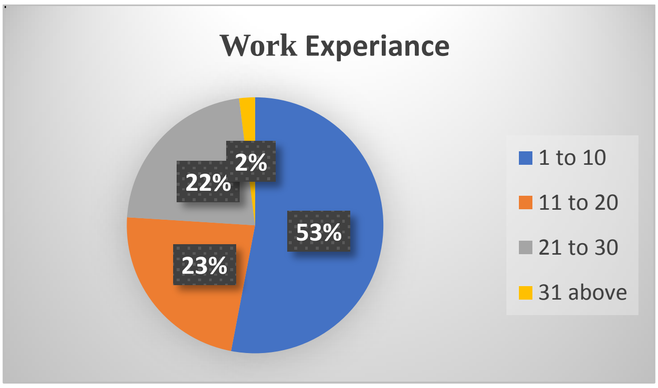
Qualification	%
UG	31
PG	69



Interpretation: As we have considered teachers who are teaching from 8^{th} standard to 12^{th} standard, 31% of teachers are under graduates and 69% of teachers are post graduates. Almost all the UG teachers including few of PG teachers teach 8^{th} to 10^{th} whereas most of the PG teachers teach in 11^{th} and 12^{th} classes.

Table-3 Work experience

Work Experience	%
1 to 10	53
11 to 20	23
21 to 30	22
31 above	2



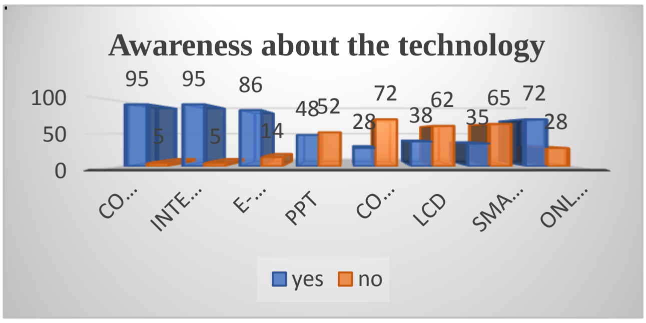
Interpretation: In our research, majority of the teachers are having below 10 years of work experience (53%). It enables us to predict future attitude of teachers. And only 2% belongs to the most experienced teachers who are at retiring stage. The important thing is, even though they are at retiring stage they are using technology while teaching.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

II. Technology while teaching and reasons

Table-4:- Awareness about the technology

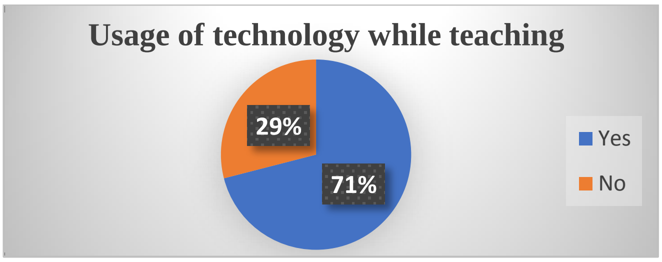
Items	Yes (%)	No (%)
Computer Operation	95	5
Internet	95	5
E-Mail	86	14
PPT	48	52
Computer Graphics	28	72
LCD	38	62
Smart Board	35	65
Online Video	72	28



Interpretation: While coming to the awareness about the technology, 95% of them know computer operation. And majority of teachers are aware about usage of e-mails (86%), and online videos (72%). But most of them don't know about PPTs, LCDs, computer graphics and smart boards. This shows that rural govt. teachers have only basic knowledge about computers, and they are not aware about the up gradation in technological system of education

Table-5:-Usage of technology while teaching

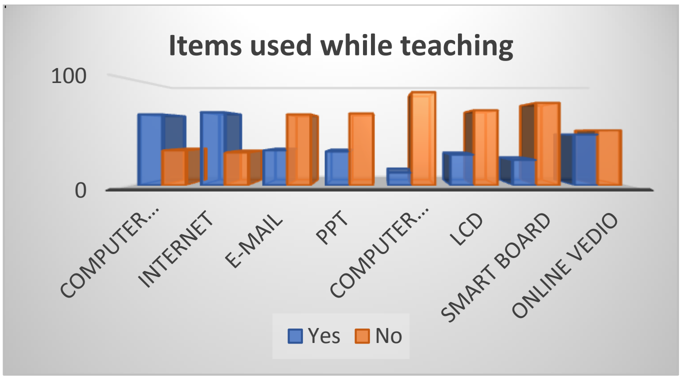
Particulars	%
Yes	71
No	29



Interpretation: The above graph shows that majority of the rural side teachers are using technology while teaching i.e. 71% (teachers using any one technology such as mobile, google etc in teaching also have considered as technology used teachers) and 29% of the teachers are not using technology because of many reasons that we will be discussed later. The technology users are also facing some difficulties while teaching by using technology.

Table-6:-Items used while teaching

Items	Yes (%)	No (%)
Computer Operation	67	33
Internet	69	31
E-Mail	33	67
PPT	32	68
Computer Graphics	12	88
LCD	29	71
Smart Board	24	78
Online Video	48	52

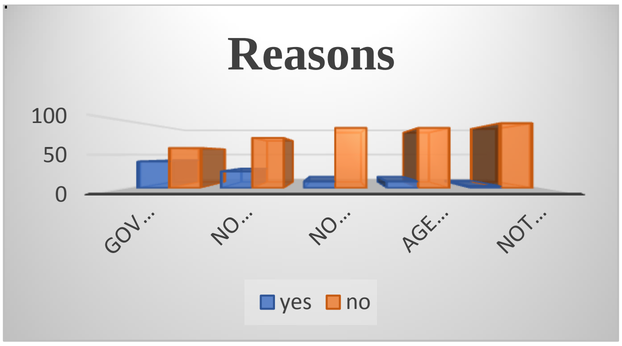


Interpretation: In the above graph, it has clear that even though majority of teachers are aware about the basic operations of computer but they have not adopted in their teaching. By making comparison between table 6 and table 4, we can say that 95% of teachers aware about computer operation but users are only 67%. Comes to online video part, 72% of teachers aware about it but usage is only 48%. In the email part also 86% are know how the e-mail is. But the thing is only 33% teachers know how to use it in teaching.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table-7:-Reasons for non-usage of technology

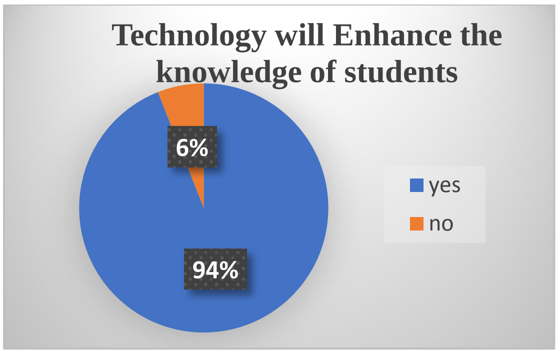
Reasons	Yes (%)	No (%)
Government Non-Support	40	60
No Training	25	75
No Parallel Support	10	90
Age Factor	10	90
Not Interested	3	97



Interpretation: From the above information, there are some reasons for non-usage of technology. 97% of teachers said nofor the last reason i.e. not interested. It shows that teachers are willing to use technology. But because of some barriers they are not using technology while teaching. And they also mentioned that government is giving training to the teachers (75% of teachers marked to the column NO for the reason "No training"). But there is a problem of load shedding in rural area. And lack of infrastructure.

Table-8:-Technology will enhance the knowledge of student

Particulars	%
Yes	94
No	6

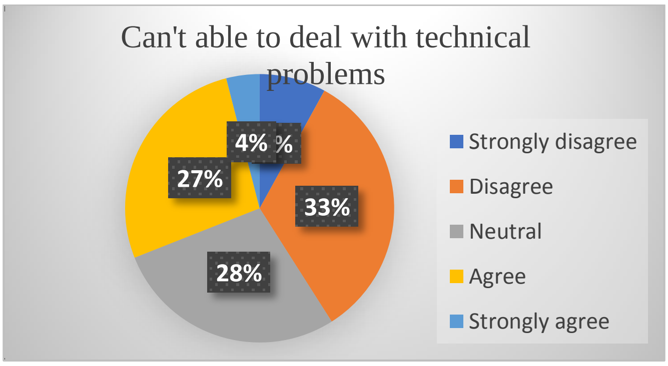


Interpretation: In this finding, 94% of the teachers accept that using technology will enhance the knowledge of students. And 6% of the teachers didn't accept this statement. The reason for not accepting is, some of them are language teachers and some are math teachers. They have a thought that "There is no need of technology for language teaching and working out of math problems".

III. **Ratings on the following statements**

Table-09:-Can't able to deal with technical problems

Perception	%
Strongly disagree	8
Disagree	33
Neutral	28
Agree	27
Strongly agree	4



Interpretation: The above graph shows that, 28% of teachers are neutral for the statement, 33% are disagree with the statements. It shows that as the government is giving training to rural teachers which may help them to solve some technical problems arising while teaching by using computers. 27% of the teachers said they will not be able to deal with the technical problems.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

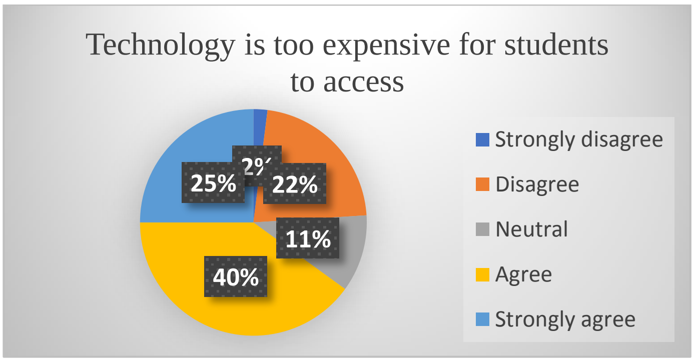
Table-10:-Parents wish to use technology in classes

Perception	%
Strongly disagree	1
Disagree	10
Neutral	29
Agree	43
Strongly agree	17

parents wish to use technology in class. Now a day's parents are also modernized. So, they are expecting their children to learn through technology even if they belong to rural area. 10% of the teacher said parents wouldn't give support to use technology in class. The reason is, they think that children won't be able to follow. As they belong to rural areas. And students will not be able to concentrate in class.

Table-11:-Technology is too expensive for students to access

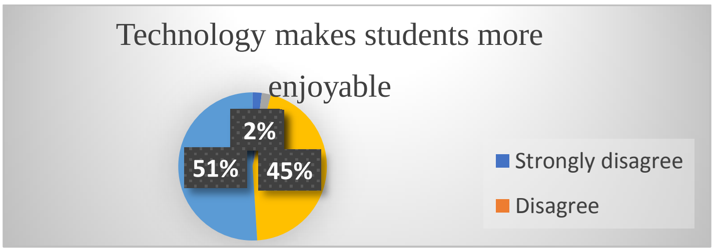
Perception	%
Strongly disagree	2
Disagree	22
Neutral	11
Agree	40
Strongly agree	25



Interpretation: Above statement states that, 65% of the teachers agree and strongly agree with the statement respectively. They think that some students might not be able to access with technology. Different students have different IQ level. So, all pupil can't be able to access in equal manner. 22% of teachers disagree with the statement having opinion that students can be able to access with technology.

Table-12:- Technology makes students more enjoyable

Perception	%
Strongly disagree	2
Disagree	0
Neutral	2
Agree	45
Strongly agree	51



Interpretation: From this information, we understood that 51% of teachers strongly agree and 45% of teachers agree that usage of technology make students more enjoyable. It shows that teachers can able to put technological teaching in an interesting way and 2% are at the position of neutral and 2% teachers strongly disagree with the statement.

HYPOTHESIS: ***Teachers perception in usage of technology***

H0 = Technology used in teaching helps the teachers to motivate and encourage students to understand the real time problems.

H1 = Technology used in teaching does not help teachers to motivate and encourage students to understand real time problems.

Table 13: table showing the teacher's perception towards Technological Education

Response	Motivate students to work on their academics.	Don't understand unless they first do it by hand.	Helps students to engage in real time problems.
Strongly disagree	2	6	1
Disagree	2	24	6
Neutral	53	23	17
Agree	0	29	41
Strongly agree	43	18	35
Total	**100**	**100**	**100**

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Interpretation: On combining agree and strongly agree,55% of the respondents of the total 100% , that is more than 50% of teachers agree to the statement that technology helps students to motivate, understand and engage in real time problems. Therefore null hypothesis is accepted. Therefore, it is clear Based on the Number of respondents, the researcher has identified that there is a requirement of usage of technologies in educating the students as like urban area which motivates the students to analyse and understand the real life problems and they can come up with the new solutions in future. From the analysis it is clear that, 86% of the respondents are in view of neutral, agree and strongly agree. Hence, there is a huge requirement of technological education to the children for their better development.

FINDINGS:

- Our study has helped us to find that there are more number of female teachers teaching in rural areas who have completed their under graduation and most of them have work experience between 0-10 from which we can assume that they will be aware of technological development in education.
- It is also clear from our findings that govt. schools are not using technology while teaching even if teachers are interested to use.
- When we interacted with teachers, we were also able to find out that no proper infrastructure was provided by government in rural areas.
- And there is also lot of load shedding in rural areas so, if teachers depend on technology based education, it would be hard for them to make students understand.
- Study also implies that most of the teachers accept that technology is too expensive to students even though it makes students enjoy class and gain practical knowledge.

CONCLUSION:-

Our study had been focused on governmentteachers' perception of technological education system in rural areas and we have conducted our study based on this in selected rural Taluks of Karnataka. From this we came to a conclusion that, there is comparatively less development in rural area's education system. Teachers agree that even though government has made many policies to develop rural areas education system technology wise and is giving training to teachers, there is no enough infrastructure to implement that training. Most of the new generation teachers believe that technological education would help students to gain more practical knowledge and apply those in real life.

SUGGESTIONS:-

- The increase in providing technological education by teachers to students in rural areas by using modern techniques like smart boards, power point presentations will help students to improve their technical skills and would help them for higher education.
- Teachers must be well trained and well equipped by required facilities to shape the future of students.
- Government should allocate funds appropriately to all government schools in rural areas and should keep a track of schools implementing advancement in technology while teaching.

BIBILOGRAPHY:-

Chen, C.-H. (2008). Why Do Teachers Not Practice What They Believe Regarding Technology Integration? *The Journal of Educational Research*, 65-75.

Francoise Blin, M. M. (2008). Why has't technology disrupted academics' teaching practices? Undestanding resistance to change through the lens of activety theory. *Computers & Education*, 475-490.

Gardiner, M. (2017). *EDUCATION IN RURAL AREAS.* Johannesburg, South Africa: Centre for Education Policy Development .

Paul Jen-Hwa Hu, T. H. (2003). Examining technology acceptance by school teachers: a longitudinal study . *Information & Management* , 227-241.

Robyn Pierce, L. B. (2009). Perception that may affect teachers' intention to use technology in secondary mathematics classes. *Educational Studies in Mathematics*, 299-317.

Sugar, W. C. (2004). Examining teachers' decisions to adopt new technology. *Educational Technology and Society*, 201-213.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

PERCEPTION OF INDIAN INVESTORS TOWARDS INVESTMENT IN MUTUAL FUND.

PRABHU KUMAR

B.com student, Mangalore Institute of Management and Science, Bengaluru.

Email id: prabhuinterior18@gmail.com

***SUMAIYA KAUSAR**, M.Com*

Email id: sali72313@gmail.com

ABSTRACT

The advent of mutual funds changed the way the world invested their money. The start of mutual funds gave an opportunity and a platform for the common investor to participate in the Indian capital market with professional fund management and hope of high returns from their investments when compared to other traditional source of investment. The main focus of the study is to understand the attitude, awareness and preferences of mutual fund investors. Irrespective of the amount invested, The Indian mutual fund industry is growing rapidly and this is reflected in increase in assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safe option for risk averse investors.

Key Words: Investment, Mutual Funds, Schemes, Money, AUM, Safety, Returns.

Statement of Problem

“Changing the Indian Investors Investment Policy”.

Introduction

As the name suggests, a 'mutual fund' is an investment vehicle that allows several investors to pool their resources in order to purchase stocks, bonds and other securities. The key consideration while investing in a mutual funds are **Safety**, **Liquidity** and **Return**. Safety is assured when investors are able to get back their money. These collective funds (referred to as Assets Under Management or AUM) are then invested by an expert fund manager appointed by a mutual fund company (called Asset Management Company or AMC). The combined underlying holding of the fund is known as the 'portfolio', and each investor owns a portion of this portfolio in the form of units. Most open-end Mutual funds (also known as an open-end investment company, to differentiate it from a close ended investment company) continuously offer new shares to investors. Mutual funds invest, pooled cash of many investors to meet the fund's stated investment objective. Mutual funds stand ready to sell and redeem their shares at any time at the fund's current net asset value i.e. total fund assets divided by shares outstanding. In other words, Mutual Funds coalesces different resources through the issuance of units to investors and enables investment of pooled funds in varied securities in lieu of disclosed objectives of offer documents. Security investments are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Different units are issued to the investors (who are also called as unit holders) by the Mutual Funds as per the money invested by them and hence as per the investment, profits as well as losses are shared amongst them. Now-a-days Mutual Funds offer different schemes with diverse objectives. Before moving towards the market, the Mutual Fund has to be registered with SEBI which scrutinizes it across different facets. Hence, Mutual Fund is an optimum alternative where investors with comparable investment objectives could pool in the money, Investment Manager therefore would invest money in accordance to the scheme objectives.

Objectives of the Study

1. To find out the most preferred Investment Avenue of the investors.
2. To find the main basis of different investment avenues, an investor thinks before investing.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

3. To find out overall credential of the investors towards investment.
4. To study factors responsible for selection of mutual funds as an option.
5. To find out the awareness level of the investors to Mutual Fund.
6. To find the types of scheme of mutual fund preferred by investors.

Characteristics

• Investors purchase mutual fund shares from the fund itself (or through a broker for the fund) instead of from other investors on a secondary market, such as the New York Stock Exchange or NASDAQ Stock Market.

• The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

• Shares are redeemable.

• Usually Mutual Funds generate new shares in order to house fresh investors.

• Investment advisors tend to manage the portfolios of Mutual Funds.

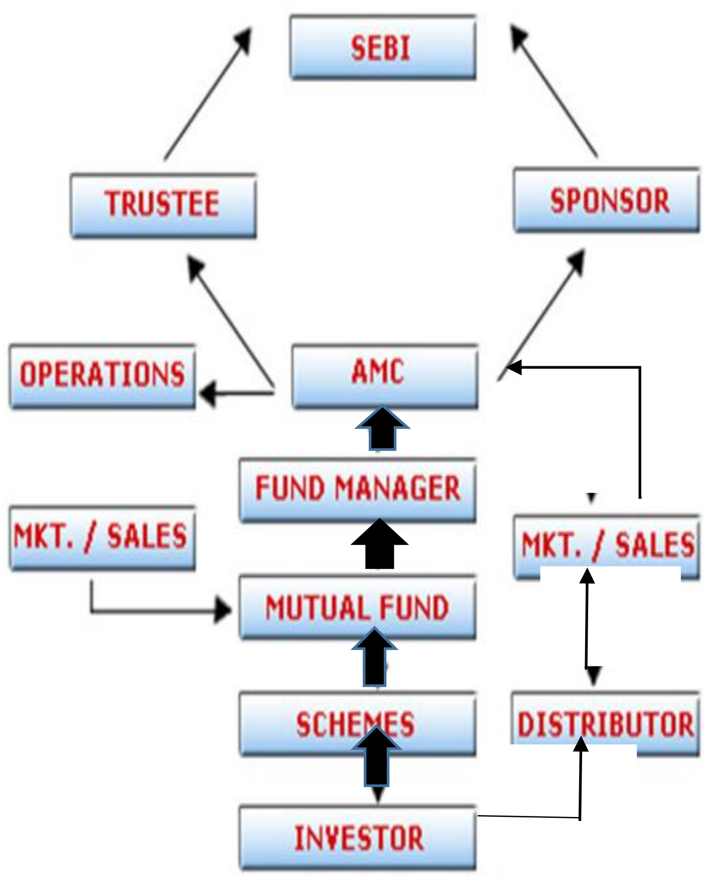
Methodology

Secondary Data.

History

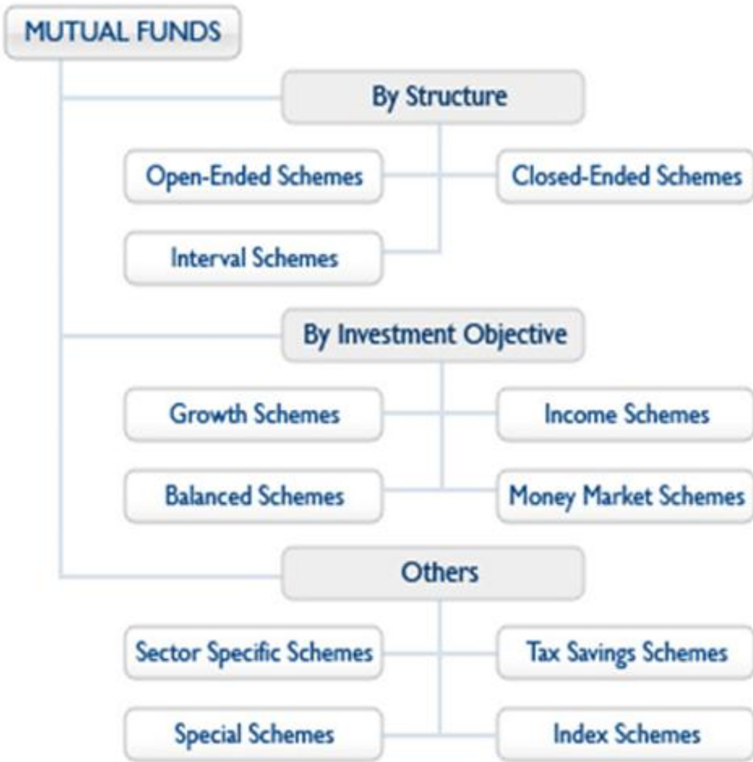
The mutual fund industry in India began in **1963** with the formation of the Unit Trust of India (UTI) as an initiative of the Government of India and the Reserve Bank of India. Much later, in 1987, SBI Mutual Fund became the first non-UTI mutual fund in India. Subsequently, the year 1993 heralded a new era in the mutual fund industry. This was marked by the entry of private companies in the sector. After the Securities and Exchange Board of India (SEBI) Act was passed in 1992, the SEBI Mutual Fund Regulations came into being in 1996. Since then, the Mutual fund companies have continued to grow exponentially with foreign institutions setting shop in India, through joint ventures and acquisitions. As the industry expanded, a non-profit organization, the Association of Mutual Funds in India (AMFI), was established on 1995. Its objective is to promote healthy and ethical marketing practices in the Indian mutual fund Industry. SEBI has made AMFI certification mandatory for all those engaged in selling or marketing mutual fund products.

Structure of Mutual Fund

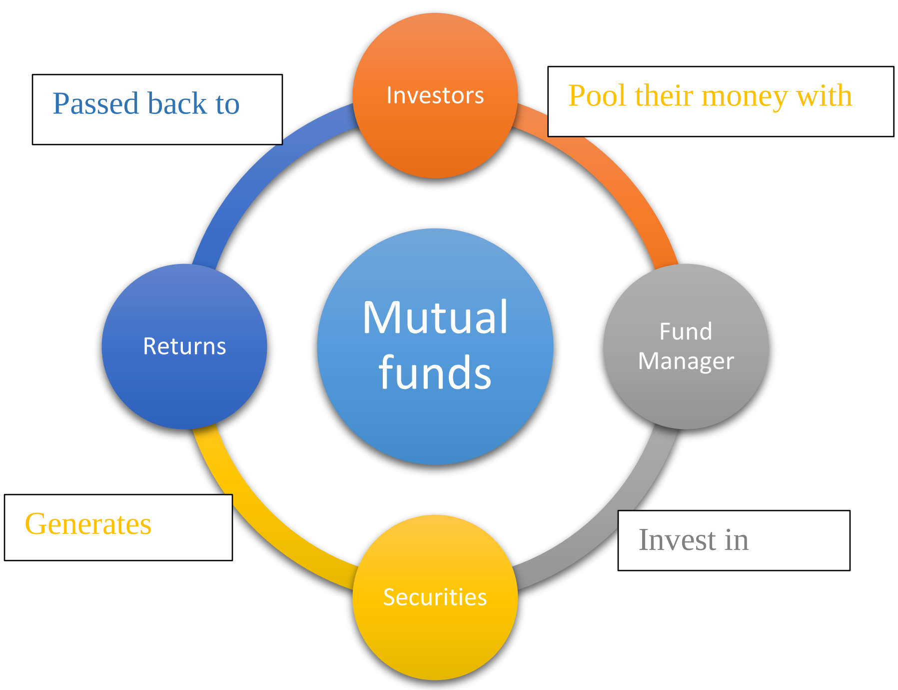


ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Schemes / Types of Mutual Funds



Mutual fund Operational flow chart



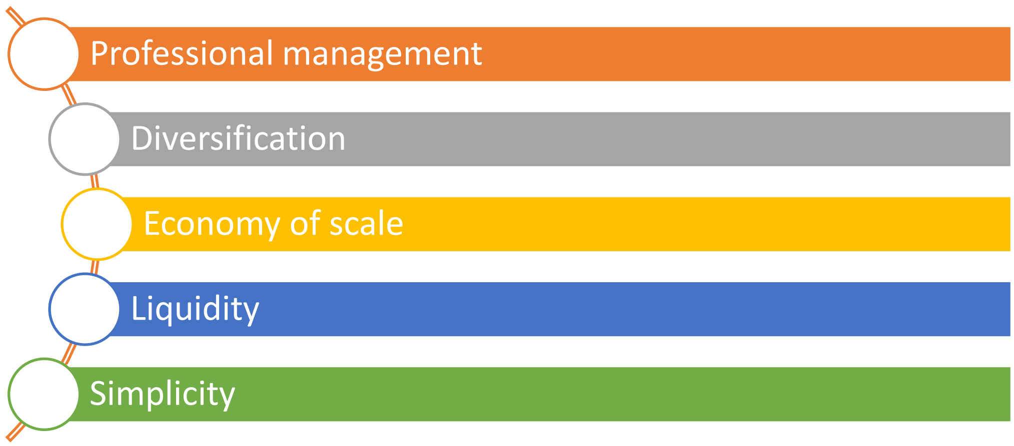
Tax Planning and Mutual Fund

Investors in India opt for the tax-saving mutual fund schemes for the simple reason that it helps them to save money. The tax-saving mutual funds or the equity-linked savings schemes (ELSS) receive certain tax exemptions under Section 88 of the Income Tax Act.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

That is one of the reasons why the investors in India add the tax-saving mutual fund schemes to their portfolio. The tax-saving mutual fund schemes are one of the important types of mutual funds in India that investors can option for. There are several companies in India that offer – tax – saving mutual fund schemes in the country

Features of mutual funds

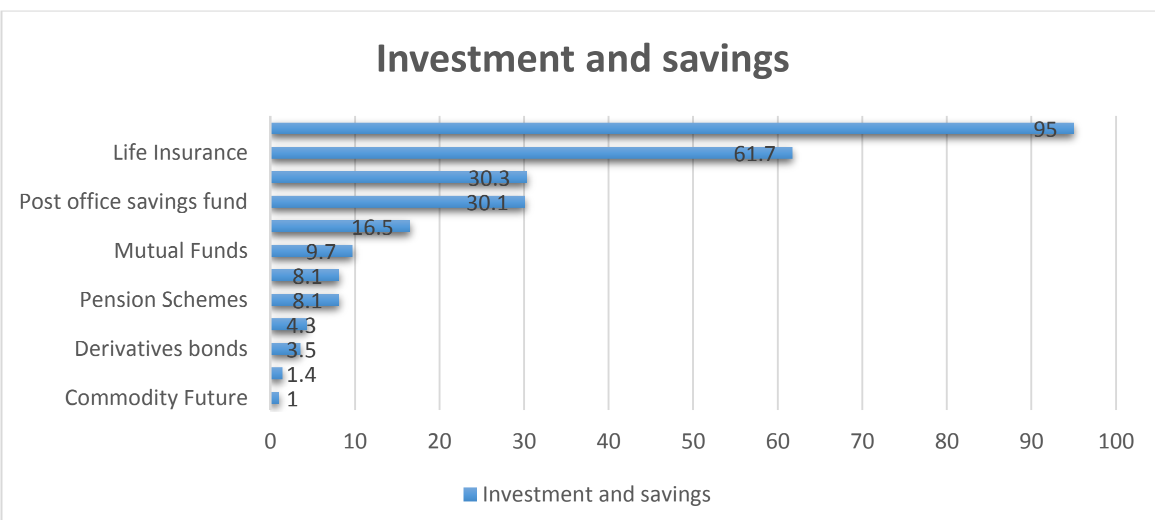


- **Professional Management:** Money is invested through fund managers.

Diversification: Diversification is an investing stratergy, by owning mutual funds instead of owing individual stocks or bonds, the risk is spread out

- **Economy of scale:** Because a mutual fund buys and sells large amount of securities at a time, its transactions costs are lower than what an individual would pay for securities transactions.
- **Liquidity:** Just like individual shares, mutual fund units are convetable into money by way of sale in the market
- **Simplicity:** Buying a mutual fund units is simple. Many banks have sponsored their own line of mutual funds and the minimum investment amount is small.

Investment and saving vehicles used by SEBI survey respondents.

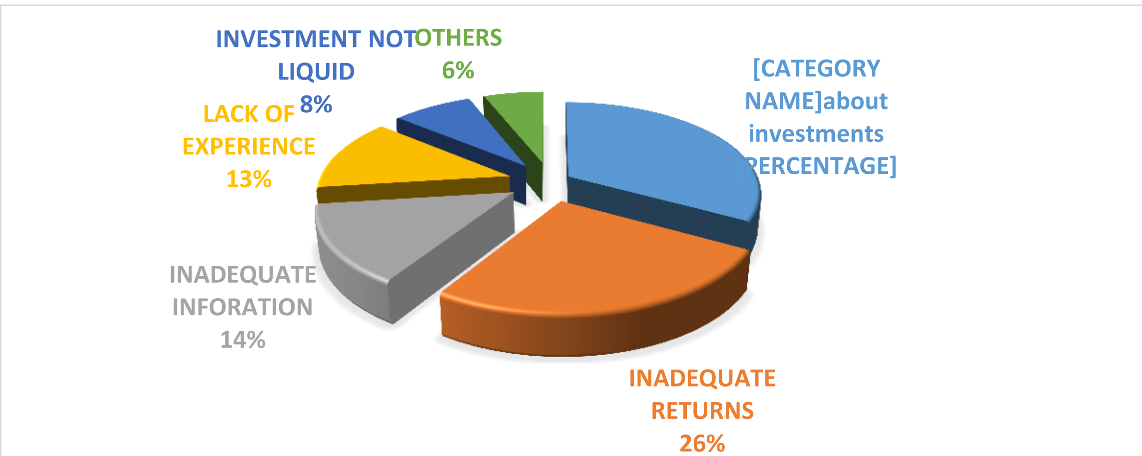


ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Comparison b/w Banks and Mutual Funds

PARTICULARS	BANKS	MUTUAL FUNDS
Returns	Low	Better
Admin. Expense	High	Low
Risk	Low	Moderate
Network	High penetration	Low but improving
Liquidity	At a cost	Better
Interest calculation	B/W 10th and 30th of every month	Everyday
guarantee	Max. of 1 lakh on deposit	None

Why people are away from Mutual Fund?



Role of SEBI

An index fund scheme' means a mutual fund scheme that invests in securities in the same proportion as an index of securities;" A mutual fund may lend and borrow securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board. "A mutual fund may enter into short selling transactions on a recognized stock exchange, subject to the framework relating to short selling and securities lending and borrowing specified by the Board." "Provided that in case of an index fund scheme, the investment and advisory fees shall not exceed three fourths of one percent (0.75%) of the weekly average net assets."

"Provided further that in case of an index fund scheme, the total expenses of the scheme including the investment and advisory fees shall not exceed one and one half percent (1.5%) of the weekly average net assets." Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities: Provided that a mutual fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board: Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board."

Role of AMFI (Association Mutual Fund in India)

The Association of Mutual Funds in India (AMFI) is dedicated to developing the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders.

Why should one invest in a mutual fund?

1. MFs are managed by professional fund managers, responsible for making wise investments according to market movements and trend analysis.

2. MFs allow you to invest your savings across a variety of securities and diversify your assets according to your objectives, and risk tolerance.

3. MFs provide investors the freedom to earn on their personal savings. Investments can be as less as Rs. 500.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

4. MFs offer relatively high liquidity.

5. Certain mutual fund investments are tax efficient. For example, domestic equity mutual funds investors do not need to pay capital gains tax if they remain invested for a period of above 1 year.

How does one earn returns in a mutual funds?

After investing your money in a mutual fund, you can earn returns in two forms:

1. In the form of **dividends** declared by the scheme
But one should analyze properly before investing in mutual funds as it is very risky and depends on market risk Leader.

2. Through **capital appreciation** - meaning an increase in the value of your investments.

More Reasons for Staying Invested

· **Sense of Discipline:** Staying true to your financial plan inculcates a sense of discipline towards long-term goals. Regular investing is probably one of the most critical aspects for wealth-creation.

· **Benefits from Compounding:** The mathematical reason for staying invested was well articulated by Albert Einstein, who said, "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it." Give your money the time to grow. Let it work as hard as you do.

· **Benefits from a Full Market Cycle:** Understanding the markets is easy, timing them isn't. We do know that markets tend to follow a cycle of ups and downs and bulls and bears. Staying invested allows you to participate in the rallies. This is an opportunity to buy low and sell high because in the long-term, the good schemes have always delivered positive returns.

· **Leverage Long-Term Strategies:** When you agree to stay invested for a longer duration, you give yourself the opportunity to benefit from the long-term strategy and vision of an experienced money manager or mutual fund manager.

· **Tax Benefits:** Long-term capital gains arising on the transfer of units of an 'equity oriented' mutual fund is exempt from income tax. Moreover, investments in Equity Linked Saving Schemes from mutual fund houses are exempt u/s 80/C of the IT Act.

Advantages of Mutual Funds

- **Portfolio Diversification**

Mutual Funds invest in a well-diversified portfolio of securities which enables investor to hold a diversified investment portfolio (whether the amount of investment is big or small).

- **Professional Management**

Fund manager undergoes through various research works and has better investment management skills which ensure higher returns to the investor than what he can manage on his own.

- **Less Risk**

Investors acquire a diversified portfolio of securities even with a small investment in a Mutual Fund. The risk in a diversified portfolio is lesser than investing in merely 2 or 3 securities.

- **Low Transaction Costs**

Due to the economies of scale (benefits of larger volumes), mutual funds pay lesser transaction costs. These benefits are passed on to the investors.

- **Liquidity**

An investor may not be able to sell some of the shares held by him very easily and quickly, whereas units of a mutual fund are far more liquid.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- **Choice of Schemes**

Mutual funds provide investors with various schemes with different investment objectives. Investors have the option of investing in a scheme having a correlation between its investment objectives and their own financial goals. These schemes further have different plans/options

- **Transparency**

Funds provide investors with updated information pertaining to the markets and the schemes. All material facts are disclosed to investors as required by the regulator.

- **Flexibility**

Investors also benefit from the convenience and flexibility offered by Mutual Funds. Investors can switch their holdings from a debt scheme to an equity scheme and vice-versa. Option of systematic (at regular intervals) investment and withdrawal is also offered to the investors in most open-end schemes.

- **Safety**

Mutual Fund industry is part of a well-regulated investment environment where the interests of the investors are protected by the regulator. All funds are registered with SEBI and complete transparency is forced.

Findings

1. Mutual Funds is not a direct investment among small investments.
2. It helps in tax planning process.
3. It is the 7th largest investment Fund.
4. More motivation required amongst mutual fund investors.
5. Mutual fund is a tool for financial goal attainment.

Conclusion

Investment in today's era is enveloped with risks like business, credit, default, currency, interest Rate, market etc. Mutual Fund allows investor to pool their money with which the investment Manager would instigate investments and hence attempt to attain results as per the investor'sObjectives. Diversification and SIP allows investor to manage the risks. After analyzing & interpreting the data received from the respondents, it may be concluded that maximum investorsare aware about Banks & LIC investment avenues only. More than 80% investors are aware about Mutual Funds, Real Estate, and NSC investment avenues. The Mutual fund has yet to percolate down as the preferred mode of investment in smaller towns and cities. AUM of the mutual fund industry has increased five times in the last decade1and is expected to touch the magical figure of Rs. 20 trillion in CY17 Diversification of portfolio and tax benefit are the main factors of mutual fund that allure the investors. Most of the investors are aware of MIP Funds and the preferred reason for investing in MIP fund is consistent returns given by these funds.

References

1. Dr. Binod Kumar Singh, A study on investor's attitude towards mutual funds as an investment option.
2. Overview of mutual funds industry in India.
3. Reepu, A study of Mutual Funds.
4. Concept and evaluation of mutual funds in India, times of India.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF MERGER AND ACQUISITION OF BANKING SECTOR

Mrs. Madhumati V.B

Assistant professor

Acharya Bangalore B- school

ABSTRACT

In the present time of worldwide economy, Mergers and Acquisitions have turned into the most broadly utilized business methodology of corporate rebuilding and fortifying to accomplish more prominent piece of the pie, long haul gainfulness, entering new markets, exploiting Economies of scale and so forth. The present paper assesses the impacts of merger and acquisitions on the budgetary execution of the chose banks in India. Pre and post merger correlation is directed on chosen factors to break down the adequacy of mergers and acquisitions on the banks. Two instances of merger and acquisitions have been taken haphazardly as test for the investigation, first the merger of ICICI bank and The Bank of Rajasthan, and second the merger of HDFC bank and Centurion Bank of Punjab. The aftereffects of the examination show that there is a positive effect of mergers and acquisitions on the money related execution of the chose banks.

Keywords: Mergers and securing, Banking, Financial Performance, Financial Ratios, Collaboration.

INTRODUCTION TO MERGERS AND ACQUISITIONS

Mergers and acquisitions are increasingly becoming strategic choice for organizational growth and achievement of business goals including profit, empire building, market dominance and long-term survival. The ultimate goal of this strategic choice of inorganic growth is, however, maximization of shareholder value. The phenomenon of rising M&A activity is observed world over across various continents, although, it has commenced much earlier in developed countries (as early as 1895 in US and 1920s in Europe), and is relatively recent in developing countries. In India, the real impetus for growth in M&A activity had been the ushering of economic reforms introduced in the year 1991, following the financial crisis and subsequent implementation of structural adjustment programme under the aegis of International Monetary Fund (IMF). In recent times, though the pace of M&As has increased significantly in India too and varied forms of this inorganic growth strategy are visible across various economic sector.
Accordingly Mergers and Acquisitions are being looked as a system for making huge keeps money with a dish India nearness. For this very reason the back service is additionally by and by looking at different choices to combine the nation's greatest state run banks to make significantly more grounded monetary foundations. The floods of mergers and procurement began in United States and Europe and had at that point spread to different nations around the globe. The greater part of the examinations on banks M&A have concentrated on the United States and Europe. With this point of view the present examination plans to inspect the post-merger monetary execution in Indian Banking Sector to survey the accomplishment of merger.

LITERATURE REVIEW

Under this examination a broad survey of writing has been completed with the end goal of giving a knowledge into the business related to Mergers and Acquisitions. A few investigations have been led to inspect the effect of M and A on various parts of the saving money division. Assist numerous examinations have additionally featured the different thought processes behind such a vital move

- Gupta Himani (2013) investigated the effect of mergers and securing on budgetary productivity of banks in India by contrasting chose pre and post merger files. Net income, benefits after duty and net resources of the chose banks were taken as lists for examination. Three mergers of Indian Banks were taken as test for the examination.
- Saluja Rajni, Sharma Sheetal, Dr. Lal Roshan (2012) assessed the effect of merger on the monetary execution of HDFC Bank by utilizing CAMEL Model. The examination reasoned that monetary execution of HDFC Bank enhanced in post merger period in all parameters of CAMEL Model that is capital ampleness, resource quality, administration capacity, procuring quality and liquidity.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- Sharma M.C. what's more, Rai Mahima (2012) in their investigation recognized the destinations of mergers and securing in the Indian Banking division. Assist they examined the budgetary execution of the consolidated banks through the model of EVA. The examination inferred that there was certain impact of mergers despite the fact that it requires some investment to appear.

In writing, number of concentrates that have been led to survey the effect of mergers furthermore, acquisitions on the bank's execution can be named ex-risk studies and ex-post thinks about. An Ex-risk examine looks to evaluate the impact of merger on bank's execution by examining the response of securities exchange to merger declaration. Ex-stake contemplates are moreover called occasion thinks about. Then again, Ex-post ponder surveys the impact of mergers and obtaining on the execution of banks by looking at their pre and post merger monetary execution. In spite of the fact that there is a plenty of writing on mergers and securing in created economies like US and UK however there is a shortage of writing in creating economies like India and other Asian nations.

OBJECTIVE OF THE STUDY

The objective of the paper is to evaluate the effects of merger and acquisitions on the financial performance of the selected banks in India.

1. Pre and post-merger comparison are conducted on selected variables to analyze the effectiveness of mergers and acquisitions on the banks.
2. Further, the study attempts to predict the future of the ongoing.
3. Merger and Acquisitions on the basis of its impact on the financial performance of the participating companies.

RESEARCH HYPOTHESIS: The following null and alternate hypotheses have been formulated to test the objectives of the study:

H_0: There is no significant difference between pre-merger and post-merger financial performance of the banks.

H_1: There is a significant difference between pre-merger and post-merger financial performance of the banks.

RESEARCH METHODOLOGY

Secondary data has been used for the purpose of study. The financial and accounting data has been collected from the bank's published annual reports to examine the impact of mergers and acquisitions on the performance of banks selected as sample. Also the data has been collected from the websites of Bombay Stock Exchange, National Stock Exchange and moneycontrol.com for the purpose of study.

For this paper ex-post methodology is used to analyze the impact of mergers on banks. The researcher has taken two cases of merger and acquisitions randomly as sample for the study, first the merger of ICICI bank and Bank of Rajasthan, and second the merger of HDFC bank and Centurion Bank of Punjab. To test the research hypothesis, methodology of comparing the pre and post-merger performance of banks has been adopted by using various financial ratios. The pre-merger and post-merger averages of financial ratios has been computed for 3 years prior to and 3 years after the year of completion of merger. Then these pre-merger and post merger averages are compared and tested for differences, using 't' test at 5% significance level. The year of merger is considered as the base year and it is excluded for the purpose of analysis.

ANALYSIS AND INTERPRETATION

For the purpose of study two cases were taken, first the merger of the ICICI Bank and the

Bank of Rajasthan in August, 2010 second the merger of the CBOP and the HDFC bank in May, 2008. The financial performance of the selected banks' pre and post merger is analysed by calculating various financial and accounting ratios grouped under three heads namely, profitability ratios, performance indicator and efficiency indicator. Net profit margin, Return on assets, Net interest margin, Return on capital employed, Return on Equity, Capital adequacy ratio, Credit deposit ratio, CASA and cost to income are calculated for the selected banks to assess the impact of merger on their financial performance.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 1: Profile of financial ratios of The Bank of Rajasthan and ICICI Bank for three financial years prior to merger (in percentages) Ratios

Ratios	As on 31/3/2008	As on 31/3/20093	As on 1/3/2010	As on 31/3/2008	As on 31/3/20093	As on 1/3/2010
Profitability ratios						
Net Profit Margin	9.75	7.81	-6.85	10.51	9.74	12.17
Return on Assets	0.91	0.74	-0.58	1.12	0.98	1.13
Net Interest Margin	2.08	2.29	2.04	2.20	2.40	2.50
Performance indicator						
Total Income/Capital Employed	8.60	9.35	8.83	10.62	9.90	8.90
Return on Equity	16.62	11.86	-10.31	11.75	7.83	7.96
CAR (Capital Adequacy Ratio)	11.87	11.50	7.52	13.97	15.53	19.41
Efficiency indicator						
Credit Deposit Ratio	54.36	51.92	56.36	72.76	76.42	61.16
CASA%	29.59	27.41	32.79	26.10	28.70	41.70
Cost to Income	61.14	61.92	106	50	43.40	37

Table 2: Profile of financial ratios of The ICICI Bank for three financial years post merger (in percentages) Ratios

Ratios	As on 31/3/2012	As on 31/3/2013	As on 31/3/2014
Profitability ratios			
Net Profit Margin	15.75	17.19	17.96
Return on Assets	1.50	1.66	1.76
Net Interest Margin	2.73	3.11	3.33
Performance indicator			
Total Income/Capital Employed	9.17	9.44	9.65
Return on Equity	11.20	13.10	14.02
CAR (Capital Adequacy Ratio)	18.52	18.74	19.08
Efficiency indicator			
Credit Deposit Ratio	64.12	66.27	69.60
CASA%	43.50	41.90	42.90
Cost to Income	42.91	40.50	38.20

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 3: Mean and Standard Deviation of Pre-merger and Post-Merger Ratios of combined (The Bank of Rajasthan & ICICI Bank) and Acquiring Bank (ICICI Bank)

		Mean	Std. Deviation	t-value	t-test result (.05sig level)
Profitability ratios					
Net Profit Margin	Pre	6.98	3.45	4.828	S
	Post	16.94	0.92		
Return on Assets	Pre	0.75	0.32	4.546	S
	Post	1.64	0.11		
Net Interest Margin	Pre	2.25	0.08	5.263	S
	Post	3.05	0.25		
Performance indicator					
Total Income/Capital Employed	Pre	9.36	0.35	0.248	NS
	Post	9.42	0.2		
Return on Equity	Pre	7.25	6.65	1.402	NS
	Post	12.72	1.18		
CAR (Capital Adequacy Ratio)	Pre	13.24	0.24	28.680	S
	Post	18.78	0.23		
Efficiency indicator					
Credit Deposit Ratio	Pre	61.90	2.25	2.568	NS
	Post	66.63	2.25		
CASA%	Pre	30.95	4.35	4.647	S
	Post	42.76	0.66		
Cost to Income	Pre	58.47	6.75	-4.435	S
	Post	40.49	1.92		

In the first case of the merger between the Bank of Rajasthan and the ICICI Bank, the financial performance pre and post merger has been compared on the basis of key ratios. It has been found that the mean value of the net Profit margin has increased from 6.98% to 16.94% post merger with t-value 4.828 which is statistically significant at 5% significance level as the critical t-value is 2.776. The mean value of return on assets has significantly increased from 0.75% to 1.64% during post merger period as compared to pre-merger period with t-value of 4.546. Net interest margin has also shown significant increase in the post merger period with mean value increasing from 2.25% to 3.05% and t-value 5.263. The increase in all these three ratios signifies that the profitability of the bank has significantly improved post-merger. Thus H1 (Alternate Hypotheses) is acknowledged which drives us to presume that there are noteworthy contrasts amongst pre and post merger execution as far as net revenue, Return on resources and net intrigue edge.

As of the execution markers, the mean estimations of aggregate salary/capital utilized and return on value has expanded yet they are measurably not critical with t-estimations of 0.248 what's more, 1.402 individually. Subsequently, Ho (invalid theories) is acknowledged which drives us to induce that there is no noteworthy contrast amongst pre and post merger add up to pay/capital utilized and return on value proportion. Capital Adequacy proportion has indicated ideal change after merger, with mean esteem expanding from 13.24% to 18.78% and t esteem 28.68 which is factually huge. Thus, H0 (invalid theories) is rejected prompting the acknowledgment of H1 (interchange theories). Higher Capital Adequacy Ratio is a standout amongst the most critical pointer of soundness, dissolvability and development capability of the banks.

In proficiency marker however, the credit store proportion has enhanced from 61.90% to 66.63% with t esteem 2.568 however the expansion isn't measurably critical demonstrating there is no critical contrast amongst pre and post merger execution as far as credit store proportion prompting the acknowledgment of Ho (invalid theories). The execution of bank has too enhanced as far as CASA from mean estimation of 30.95% preceding merger to 42.76% post merger with t esteem 4.647 which is measurably huge and thusly Ho (invalid speculations) is rejected and H1 (interchange theories) is acknowledged at 5% level of centrality.

The expansion in CASA connotes a huge upgraded stable ease store base. The pre also, post merger normal of cost to wage proportions have diminished from 58.47% to 40.49%The change is critical with t esteem - 4.435, bringing about the dismissal of H0 (invalid theories). The huge diminishing in this proportion features that post merger the banks' costs are falling when contrasted with pay, consequently showing that after merger the bank isbeing run all the more proficiently prompting expanded gainfulness. The previously mentioned examination demonstrates that as the dominant part of money related parameters have altogether enhanced after the merger, so it can be induced that the merger system has been valuable for Bank of Rajasthan and ICICI Bank.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

For the second case, Table 4 delineates the profile of HDFC Bank and Centurion Bank of Punjab prior to the merger and Table 5 demonstrates the budgetary execution of HDFC Bank post merger. Table 6 shows mean and standard deviation of pre-merger and post merger ratios of combined i.e. Centurion Bank of Punjab and the acquiring bank i.e. HDFC bank.

Table 4: Profile of financial ratios of HDFC Bank and Centurion Bank of Punjab for three financial years prior to merger (in percentages)

Ratios	HDFC BANK		
	As on 31/3/2010	As on 31/3/2011	As on 31/3/2012
Profitability ratios			
Net Profit Margin	14.76	16.18	15.88
Return on Assets	1.53	1.58	1.77
Net Interest Margin	4.30	4.30	4.20
Performance indicator			
Total Income/Capital Employed	9.85	9.71	10.57
Return on Equity	16.31	16.75	18.69
CAR (Capital Adequacy Ratio)	17.44	16.22	16.52
Efficiency indicator			
Credit Deposit Ratio	75.17	76.70	79.20
CASA%	52.00	51.00	48.40
Cost to Income	49.40	47.90	48.40

Table 5: Profile of financial ratios of The HDFC Bank for three financial years post-merger

Ratios	HDFC BANK		
	As on 31/3/2010	As on 31/3/2011	As on 31/3/2012
Profitability ratios			
Net Profit Margin	14.76	16.18	15.88
Return on Assets	1.53	1.58	1.77
Net Interest Margin	4.30	4.30	4.20
Performance indicator			
Total Income/Capital Employed	9.85	9.71	10.57
Return on Equity	16.31	16.75	18.69
CAR (Capital Adequacy Ratio)	17.44	16.22	16.52
Efficiency indicator			
Credit Deposit Ratio	75.17	76.70	79.20
CASA%	52.00	51.00	48.40
Cost to Income	49.40	47.90	48.40

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 6: Mean and Standard Deviation of Pre-merger and Post-Merger Ratios of combined

		Mean	Std. Deviation	t-value	t-test result (.05 siglevel)
Profitability ratios					
Net Profit Margin	Pre	11.96	1.24	4.551	S
	Post	15.59	0.61		
Return on Assets	Pre	1.12	0.09	6.383	S
	Post	1.62	0.10		
Net Interest Margin	Pre	4.45	0.04	-5.120	S
	Post	4.27	0.05		
Performance indicator					
Total Income/Capital Employed	Pre	9.22	0.51	2.240	NS
	Post	10.04	0.38		
Return on Equity	Pre	13.08	1.91	3.305	S
	Post	17.22	1.03		
CAR(Capital AdequacyRatio)	Pre	13.55	2.21	2.418	NS
	Post	16.72	0.52		
Efficiency indicator					
Credit Deposit Ratio	Pre	68.11	2.79	4.745	S
	Post	77.01	1.66		
CASA%	Pre	44.76	1.47	4.665	S
	Post	50.44	1.52		
Cost to Income	Pre	62.30	1.93	-11.751	S
	Post	48.56	0.62		

Table 6 indicates that Net Profit Margin (mean value 11.96 vs 15.59, t value 4.551) and Return on Assets (mean value 1.12 vs 1.62, t value 6.383) have shown significant improvement during post merger period depicting that favourable changes have taken place in the banks' profitability. Consequently, Ho (null hypotheses) is rejected and H1 (alternate hypotheses) is accepted at 5% significance level. But as far as Net Interest Margin is concerned the mean values have significantly declined from 4.45 to 4.27 with t value -5.120which indicates the negative impact of merger.

In the performance indicator, the mean values of both total income/capital employed (9.22% vs 10.04%) and capital adequacy ratio (13.55% vs 16.72%) has increased but they are statistically not significant with t-values of 2.240 and 2.418 respectively. Therefore, Ho (null hypotheses) is accepted which leads us to infer that there is no significant difference amongst pre and post merger add up to salary/capital utilized and capital sufficiency proportion. On the other hand, return on value has demonstrated critical change after merger, with mean esteem expanding from 13.08% to 17.22% and t esteem 3.305 which is factually critical. In this way, H0 (invalid speculations) is rejected prompting the acknowledgment of H1 (exchange theories).

As of the proficiency pointer, the credit store proportion has fundamentally expanded from 68.11% to 77.01% with t esteem 4.745 showing there is huge contrast between pre what's more, post merger execution as far as credit store proportion prompting the acknowledgment of H1 (interchange theories). The execution of bank has additionally fundamentally enhanced in wording of CASA from mean estimation of 44.76% preceding merger to 50.44% post merger with t esteem 4.665 which is measurably critical and thusly Ho (invalid theories) is rejected and H1 (substitute speculations) is acknowledged at 5% level of importance. Cost to wage proportion has declined from 62.30% to 48.56%. The change is critical with t esteem - 11.751, bringing about the dismissal of H0 (invalid theories) and acknowledgment of H1 (exchange speculations) demonstrating the positive effect of merger. The

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

above finding proposes that in the second instance of merger of Centurion Bank of Punjab and HDFC Bank, union through merger has a positive affect on the budgetary execution of banks.

CONCLUSION

Mergers and acquisitions are a stand out amongst the most broadly utilized corporate methodologies took after by associations searching for upgraded esteem creation. The present investigation endeavored to examine the effect of mergers and acquisitions on the money related execution of chose banks in India. The outcome shows that in the primary instance of merger between Bank of Rajasthan and ICICI Bank the execution of banks has fundamentally enhanced as far as net benefit edge, return on resources, net intrigue edge, capital ampleness proportion, CASA and cost to pay however no critical change has been found in absolute wage/capital utilized, return on value and credit store proportion in post merger period.

In the second instance of merger between Centurion Bank of Punjab and HDFC Bank the examinations demonstrates that net overall revenue, return on resources, return on value, credit store proportion, CASA, cost to wage have demonstrated critical change yet no change has been found in complete salary/capital utilized and capital ampleness proportion while net intrigue edgeindicates negative change in post merger period. The results reveal that post merger most of the financial parameters have shown significant improvement in both the cases while some parameters have not shown any significant improvement but it may be possible that there is improvement in these ratios in later years as only three years financial ratios are compared. While dealing with mergers and acquisitions, synergy gains are created in the long run resulting in the improvement in the efficiency and performance of banks. Therefore, it can be concluded that there is a positive impact of mergers and acquisitions on the financial performance of the banks.

REFERENCES:

1. Badreldin, Ahmed and Kalhoefer, Christian (2009), “The Effect of Mergers and
2. Acquisitions on Bank Performance in Egypt”, Working Paper Series no. 18, Retrieved
3. from http://mgt.guc.edu.eg/wpapers/018badreldin_kalhoefer2009.pdf 2. Bhan, Akhil (2009), “Mergers in Indian Banking Sector- Motives and Benefits”,
4. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1467813 3. Centurion Bank of Punjab, Published Annual Reports and Accounts, Various issues 4. Devarajappa, S. (2012), “Mergers in Indian Banks: A Study on Mergers of HDFC Bank
5. Ltd and Centurion Bank of Punjab Ltd.”, International Journal of Marketing, Financial
6. Services and Management Research, Vol.1, No.9, pp 33-42, Retrieved from
7. http://indianresearchjournals.com/pdf/IJMFSMR/2012/September/3.pdf 5. Dewan, Astha (2007), “Effects of Mergers and Acquisitions on Operating
8. Performance: A Study of Acquiring Firms in India”, Retrieved from
9. http://www.wbiconpro.com/302-%20Astha.pdf 6. Gupta, Himani (2013) “Impact of Merger and Acquisitions on Financial Efficiency of
10. Banks of India”, MAIMS Journal of Management, Vol. 8 (1) April 2013, pp. 38-43 7. HDFC Bank, Published Annual Reports and Accounts, Various issues 8. http://www.moneycontrol.com/ 9. http://www.valueresearchonline.com/ 10. ICICI Bank, Published Annual Reports and Accounts, Various issues 11. Khan, Azeem Ahmad (2011), “Merger and Acquisitions (M&As) in the Indian Banking
11. Sector in Post Liberalization Regime”, International Journal of Contemporary

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

SWOT ANALYSIS OF ACCOUNTING INFORMATION SYSTEM IN INDIAN BANKING SECTOR

DR. SAVITHA V

**Assistant Professor , Dos in Commerce and Management,*

PES College of Science, Arts and Commerce, Mandya, Karnataka State

ABSTRACT

Banking industry is considered as one of the dynamic industry when compare to other industries because of the amount of money and transactions involved. It helps the human in shaping their life. Banks provides different services to the public like accepting the deposits, lending loans, insurance facilities, investments etc. The advance technology implemented in banks made the life of common man easier. Banks also focusing on digital convergence and high competition from non banks. Accounting information system is significantly used in this sector for the purpose of maintaining the daily activities of banks. An Accounting information System is mostly a computer based way for tracking accounting activity together with information technology sources. It includes client accounts, bank accounts, accounting data, statistical data and bank management etc. This study is descriptive in nature and it is based on secondary data. The main objective of this study is to evaluate the SWOT Analysis of Accounting Information System in Indian Banking Sector. The outcome of this study may help the concerned to develop the principles and policies of Accounting Information System in Indian Banking Sector by taking into consideration SWOT Analysis.

Key Words : Banking industry, Accounting Information System, Advance technology, SWOT Analysis, Principles and Policies

Introduction

Banking industry is considered as one of the dynamic industry when compare to other industries because of the amount of money and transactions involved. It helps the human in shaping their life. Banks provides different services to the public like accepting the deposits, lending loans, insurance facilities, investments etc. The advance technology implemented in banks made the life of common man easier. Banks also focusing on digital convergence and high competition from non banks. Indian banking industry is going through a period of intense change, where global trends are affecting the banking business increasing competition, liberalisation, rising customer expectations, shrinking spreads, increasing disintermediation, profitability, productivity and financial efficiency as a result become

life of the nation. Accounting information system is significantly used in this sector for the purpose of maintaining the daily activities of banks. An Accounting information System is mostly a computer based way for tracking accounting activity together with information technology sources. It includes client accounts, bank accounts, accounting data, statistical data and bank management etc. Accounting information system is responsible for the collection, storage and processing of financial and accounting data that is used for internal management decision making including non financial transactions that affects on financial transactions. Accounting Information systems enable managers to have relevant and timely information for effective decision making from an operational point of view (Burno 2015). Information systems are believed to improve organizational outcomes (Dandago & Farvovk 2012). An AIS is a set of interdependent activities, documents and technology designed to collect, process and report information for decision making purposes. (Hurt 2013). AIS plays a vital role in enhancing modern organizations, especially in the banking sector through value chain system that leads to rapid financing services.

SWOT Analysis is one of the important tool which has to be used in different industries to analyse their strength, weaknesses, opportunities and threats. SWOT Analysis classifies the internal factors as strength or weaknesses and external factors as opportunities and threats. By taking into consideration these four factors a firm can improve it's strength, correct it's weaknesses, proper utilisation of it's opportunities and devastating threats. A SWOT Analysis can help in strategic planning and decision making. It is used in business to analyse the entire organisation. Through SWOT Analysis the Accounting Professionals can analyse the performance of a company and to report their findings.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Parts of an Accounting Information System

An accounting information system typically has six basic parts:

1.People: People who use the system, including accountants, managers, and business analysts

2.Procedures and Instructions: Procedure and Instructions are the ways that data are collected, stored, retrieved, and processed

3.Data: Data including all the information that goes into an accounting information system

4.Software: Software consists of computer programs used for processing data

5.Information technology infrastructure: Information technology infrastructure includes all the hardware used to operate the accounting information system

6.Internal Controls: Internal controls are the security measures used to protect data

Objective of the Study

The main objective of this study is to evaluate the SWOT Analysis of Accounting Information System in Indian Banking Sector.

Review of Literature

Daw Hla (2015) made an attempt to analyses the performance measures and efficiency of accounting information system. The study found that accounting information system is of great importance to both organization and businesses in which it helps in facilitating management decision making, quality of the financial report internal controls and facilitates the company's transactions. The study recommended that businesses firms and organization should adopt AIS for effective decision making and also for adequate information for planning and controlling activities of the business organization.

Kanakriyah (2017) investigated the impact of accounting information systems on banks success in Jordan. The researcher developed a structure questionnaire and distributed to the head offices of the surveyed banks. The statistical tools used for the study are correlations and multiple regressions. The study found that accounting information systems has a significantly affects on bank success. The study found that there is a strong relationship between AIS and certain variables like innovation activities, employees satisfaction, customer conversion competitive advantage and client retention by that it reflects on the banks functions positively such as planning control and decision making.

Lina Klovience (2015) conducted a case study on the effect of information technology on accounting systems with business environment in a banking sector. This study is based on literature review and case study. The study found that a more effective use of accounting system could be ensured by identifying an external environment of an organization and its reaction as internal environment. This study highlights the differences between the use of accounting system in external environment and internal reaction of an organization.

Neha yajurvedi (2017)made an attempt to analyze the emerging trends in banking and increasing role of information technology. The objectives of this study are (1) to study the rapid advancement occurring in the banking sector (2) to analyze the performance of existing technology based products offered by the banks in India and it's future prospects. This study is based on the secondary data. It analyses the available literature on banking technology and various existing upcoming innovative products offered by banks in India. The study concluded that the information technology revolution has set the stage for overcoming the challenges the new economy poses keeping in view the unprecedented increase in financial activity across the world.

Rahman (2016) in his study aim to find out the impact of accounting information system as a strategic decision making tool focusing on the banking sector of Bangladesh. For the purpose of the study 40 different private and public sector banks from Bangladesh were selected. The result shows that out of total respondent 72.5% are using AIS tool frequently in their banks to increase their efficiency in decision making process. The study revealed that accounting information system plays a crucial role not only in strategic decision making in banking sector, but also in accuracy, effectiveness and efficiency of taking decisions for the banks.

Shangavi (2017) evaluated the effectiveness of AIS in the Nigerian banking sector. The main objective of this study is to investigate the quality measures of information system success, including service quality system quality which influences on the effectiveness of AIS. A survey method was used to collect the data through structured questionnaire. The result of the study revealed that efficiency is the key features of system quality where as the accuracy; timeliness and completeness are the dimension of information quality.

Tulasi Rao and T.Lokeswara Rao (2015) conducted a study which aims to analyze the role of information technology in the banking industry. The main objective of this study is to understand the various dimensions of information technology in banking sector. This study was based on both the primary and secondary data. Primary data has been collected through sample survey of

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

120 customers and 60 front line bank personnel from three banks(SBI, AXIS, ICICI).To collect the primary data the investigator administered two different sets of structured questionnaire one set for the bank customer and the other for the bank staff. The study concluded that Information Technology is increasingly moving from a back office function to a prime assistant in increasing the value of a bank overtime. Indian public sector banks are moving towards the centralised database and decentralised decision

Research Methodology

This study is based on secondary data. It is collected from different articles from different journals, books, news papers, paper presented at different conferences and websites.

SWOT Analysis of Accounting Information System in Banking Sector

On the basis of previous studies the following strengths, weaknesses, opportunities and threats are detected

Strengths

- Banking sector use Accounting information system to make their accounting activities easier, quicker and more accurate.
- Accounting Information System gives safe time to employees and avoid mistakes.
- Accounting Software
- Technological Advancement
- Data Base Management System
- Software based preparation of financial statements
- Application Service Provider
- Capital Budgeting Techniques
- Information Systems Audit
- Focusing on Digital Convergence

Weaknesses

- Incomplete Database
- Improper Coding Technique
- Incorrect Database
- Structural Weaknesses
- Vulnerable to risk
- Fail to reach under penetrated market
- High Non performing Assets(NPAs)
- Unskilled Personnel for handling Database
- Low performance by the employees
- Lack of co-ordination among members

Opportunities

- Reducing cost of services
- Improving work efficiency
- Data Synthesis
- Graphical Presentation of Data
- Reducing Data Inconsistency
- Expansion of Banking Activities
- Reducing Acquisition Costs
- Enhance the Information System
- Data Banking
- Advance in Technology

Threats

- Inaccurate Data
- Destruction of Data
- Cash Flow Problems
- Unauthorised Journal Entries
- Inaccurate Financial Statements
- Stability of the System
- Competition
- Recession
- Fraudulent Financial Reporting

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

- Inaccurate updating of General Ledger

Findings

The present study related to SWOT Analysis of Accounting Information System in Banking Sector. Major findings on the basis of this study are as under:

1.Banking Sector increased the productivity, profitability and efficiency of banks.

2.Due to technological advancement the financial system of banking has increased drastically.

3.The effect of computerization in banking activities made easy for the smooth running of it's functions.

4. Accounting Information System plays a major role in the growth of the Indian Banking Sector.

5.Sometimes there may be a complexity in SWOT Analysis

6.Opinion of stakeholders are neglecting while framing SWOT Analysis

7.Lack of experience of employees of banks in handling of accounting information system

8.In some of the work place, the environment situation is very bad

9.Unsatisfaction of the employees regarding their pay scale

10.Failure to complete the data within a specified period of time

11.Bias may be found in database

12.Appointment of unskilled personnel for handling database

13.Lack of motivation towards employees in achieving the organizational goals

14.There may be irregularity and inaccuracy in updating general ledger

15.There may be a fraud in financial reporting

16.Lack of co-operation among the employees

17.Inadequate coding technique are adopted by the employees

18.Low work efficiency of the employees are found

Suggestions

On the basis of findings the following suggestions are made:

1.Proper training should be provide to the employees of banks regarding handling of Accounting Information System

2.Co-ordination should be build among the employees of banks through counselling

3.Better environment situation should be created at the work place

4.Government should change it's rules regarding the pay scale of the employees of the banks, as they are not satisfied with their salary, because of more work and less salary

5.SWOT Analysis should be simple.It should be understandable by common people also.

6.Complexity in SWOT Analysis should be avoid.

7.Before framing SWOT Analysis the opinion of stakeholders should be consider.

8.SWOT Analysis should be specific while dealing with accounting transactions.

9.Database should be complete within a specified period of time.

10.Bias should be avoid in database.

11.The application of Accounting Information System should also reach to the under penetrated market.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

12.Skilled personnel should be appoint for handling database.

13.Motivation should be given to the employees to increase

14..Proper coding technique should be adopted while dealing with accounting transactions.

15.Data base should be complete within a specified period of time.

16.Bias should be avoid in database.

17.The application of Accounting Information System should also reach to the under penetrated market.

18.Skiiled personnel should be appoint for handling data base.

19.Motivation should be given to the employees to increase their better performance to achieve the goals.

20.Journal entries should be properly authorised.

21.Fraudulent should be detected in financial reporting at the earlier stage and necessary action should be taken to avoid these practices.

22.General ledger should be updated regularly and accurately.

23.Necessary stepsshoulb be taken to overcome the problems in cash flow transactions

24.Work efficiency of the employees should be improved

Conclusion

Indian banking industry is considered as the backbone to the economic development of the country. Due to liberalization, privatization and globalization, Indian banking sector are facing so many challenges. To overcome from these challenges each and every bank in Indian banking sector should properly utilise the Accounting Information System in banking activities. By that they can provide better services to it's customers and also can contribute to the economic development of the nation. AIS are an important instrument that facilities effective knowledge management in a neat time decision support for banks. Thus banks may be able to reap the expected benefits of their huge investment in AIS thus achieving AIS effectiveness. SWOT Analysis is one of the important tool to analyse the over all performance of the industries. It includes both internal and external factors which helps the particular industry in decision making process.

References

1. Burno, E, Iacoviellllo G & Lazzini A (2015) "The adequacy of information systems for supporting the asset quality review process in banks, evidence from an Italian Case Study"Lecture notes in Information systems and organizations. 50-75.

2. Dandago, K.I& Farouk B.K.V (2012)" Impact of investment in information technology on the return on assets of selected banks in Nigeria" International Journal of Arts and Commerce Vol.1 (5), 234-244.

3. Fengyi, Olivia and sheng (2005) " An integrated framework for e-chain Bank accounting systems". Industrial Management. e-data systems, no 105(3), pp 291-306.

4. Hunt R.L (2013) "Accounting Information Systems : Basic concepts and current issues (3rd ed) New Yark.Me.Graw –hill.

5. Lina Kloviene and Edita Gimzavskiene (2015) " the effect of information technology on accounting systems conformity with business environment: A case study in banking sector'' procedia economics and Finance Vol.32.

6. Neha Yajurvedi (2017)" Emerging Trends in Banking-Increasing Role of Information Technology",Indian Journal of Applied Research,Vol.5,Issue 10, 636-638

7. Raed kanakriyah (2017) " The impact of Accounting Information systems on the banks success: evidence from Jordan ", Research Journal of Finance and Accounting Vol.8,No.17.2017.

8.Shamsudeen Ladan Shagavi (2017) " Accounting Information Systems effectiveness: evidence from the Nigerian Banking Sectors", Interdisciplinary Journal of Information, knowledge and management. Vol. 12.

9.Tulasi Rao G and Lokeswara Rao(2015) "Role of Information Technology in Indian Banking Sector",IOSR Journal of Business and Management, Vol 17, Issue 5, pp 80-84

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

WEB BASED CORPORATE GOVERNANCE DISCLOSURE PRACTICES BASED ON CORPORATE GOVERNANCE SCORECARD: A STUDY ON THE COMPANIES LISTED IN BOMBAY STOCK EXCHANGE

Geetanjali Purswani

Assistant Professor, Department of Commerce

CHRIST (Deemed to be University)

Bengaluru, Karnataka

Shebin John

Post Graduate Scholar, Department of Commerce

CHRIST (Deemed to be University)

Bengaluru, Karnataka

ABSTRACT

Web based corporate governance is an advanced form of disclosure which uses technology to maintain transparency and attracts stakeholders towards the company. The study examines adaptation of web based corporate governance in Indian companies which are listed in BSE. SEBI LODR (listing obligation and disclosure regulation), 2015 and Companies Act, 2013 provide consolidated listing disclosures which act as a framework for companies to adhere to. Corporate Governance Scorecard published by BSE provides disclosure items that are required to be listed by the companies in their official website. Findings from the study of 10 Indian listed companies provide the evidence that most of these companies adhere to disclosure in their official website. The level of compliance is high and this shows that even though web based corporate governance is a voluntary action, it is followed by companies to indicate the significance of corporate governance in the working of their organisations.

Keywords: *Web-based Corporate Governance; SEBI LODR, 2015; Companies Act, 2013; BSE – Scorecard.*

Introduction:

Corporate governance has been an essential phenomenon for the financial regulators across the world especially after scandals like Satyam and Enron which left a negative impact on the industry (Leahy, 2009). Corporate governance lays emphasis on the process of decision making and factors considered for decisions by the organisations. Investors' protection is a major concern of the financial regulator and to ensure the safety of funds and to build the trust towards the financial market, the adoption of corporate governance enhanced dramatically. The corporate governance report became a major tool for investment decision making for the investors. Credit risk measurements are also compared with the compliance of companies with corporate governance. Legal regulation of corporate governance was self-developed by various authorities such as OECD (Organisation for Economic Co-operation and Development) and the World Bank.

India is a country with highest number of listed companies. There are approximately 5000 companies listed in Indian stock exchanges. The increase in the number and the entry of new companies paves a way for the companies to involve in scams and unethical practices. Hence it is important for the regulatory bodies to carefully plan and amend certain rules and regulations to ensure ethical business practice by the companies.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

In India, insistence on corporate governance increased after liberalization in the year 1990s. This was introduced by the industry association Confederation of Indian Industry as a voluntary measure. It soon became obligatory by introduction of Clause 49 of the listing agreement which mandated companies to furnish information and comply with the norms of corporate governance. There are various types of corporate governance models such Anglo-American model, the Japanese model and German model. India had adopted Anglo-Saxon model of corporate governance. This model is the combination of Anglo-American and German model of corporate governance as there are three different types of companies in India namely public companies, private companies and government companies each of these companies have different pattern of shareholding therefore the disclosure method also varies. The salient features of Anglo-Saxon model is that focuses more on elements such as separating ownership and control therefore most of the actions taken by the company will be influenced by shareholders and the level of success by the companies depends upon the performance of share price and dividend. However, there are many challenges associated with the model and many norms and regulations are introduced to protect the investors' interest. There are risks involved in non-compliance of corporate governance such as the ability of the government to sue and charge penalty.

There are many forms of corporate governance and one among them is web based corporate governance. Evolution of internet has enabled a new platform for maintaining transparency by companies. Information technology (IT) plays a vital role in connecting companies and its beneficiaries. IT governance has been included as part of corporate governance requirement of SEBI (Securities and Exchange Board of India), RBI (Reserve bank of India) and Companies Act. Internet when used effectively to report information of the company can gain confidence of investors and help build the image of a company. IT Governance majorly focuses on web based disclosure of true information of companies in the websites. Websites act as major communicator of corporate governance to its stakeholders. This article lays emphasis on the prominent relationship between corporate governance and the role of IT and website in maintaining corporate governance. Web based corporate governance is an inexpensive method of communicating and a flexible approach to maintain integrity and governance in the internal working of an organisation.

SEBI LODR provide consolidated listing regulations which gives access to ease of reference by streamlining provisions of listing agreement of different segments of the capital market in a structured manner. SEBI LODR and Companies Act, 2013 have provided a web based corporate governance disclosure index which provides a standardised manner of establishing information in the website of companies. These disclosures provide a basis for judgement of companies' transparency, financial position, current management decisions and important announcements which helps the stakeholders in assessing the company.

Table 1: Items to be disclosed in the official website of companies

SI.NO	Disclosure	Relevant Regulations
1	Functional website	SEBI LODR
2	Details about its business	SEBI LODR
3	Appointment terms of independent directors'	SEBI LODR/COMPANIES ACT, 2013
4	Composition of board of committee's	SEBI LODR
5	Code of conduct for senior managers/directors	SEBI LODR
6	Details of vigil mechanism and whistle blower policy	SEBI LODR/COMPANIES ACT, 2013
7	Remuneration criteria for non-executive directors	SEBI LODR
8	Related party transaction policy	SEBI LODR/COMPANIES ACT, 2013
9	Policy for material subsidiaries	SEBI LODR
10	Contact details for grievance redressal team/designated officials	SEBI LODR
11	Details of agreement entered into with media companies	SEBI LODR
12	Schedule of analyst meet including investor presentation	SEBI LODR
13	Annual report	SEBI LODR
14	Financial results approved in board meetings	SEBI LODR
15	Notice of board meeting to consider financial reports	SEBI LODR

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

16	Newspaper advertisement- financial meetings, shareholder meeting	SEBI LODR
17	Policy to determine material information and details of the authorised key managerial personal	SEBI LODR
18	Intimation to stock exchanges	SEBI LODR
19	List of shareholders in case dividend remains unpaid	COMPANIES ACT, 2013
20	Corporate social responsibility policies	COMPANIES ACT, 2013
21	Accounts to subsidiaries	COMPANIES ACT, 2013
22	Documents relating to scheme of arrangements	COMPANIES ACT, 2013
23	Notice to shareholder meeting/postal ballot	SEBI LODR
24	Voting results of general meetings along with the scrutinizers report	COMPANIES ACT, 2013
25	Closure of register of members and debenture holders	COMPANIES ACT, 2013
26	Details regarding resignation of directors	COMPANIES ACT, 2013
27	Dividend policy	SEBI LODR

Source: BSE – Indian Corporate Governance Score Card, December 2016

This table has been extracted from BSE – Indian corporate governance Scorecard. This scorecard is a standardised form of evaluation on companies on their corporate governance disclosure. This scorecard helps the regulators, investors and other related parties of the company to assess and take the right measures in terms of legal, investment and other economic and operational decisions.

Literature review:

Sachdev S, Batra G & Walia N. (2015) studied about the disclosure practices followed by Indian companies in leading seven sectors. The tools and models used for their study were Average Corporate Governance (CG) score and CG Index. Their study found that mandatory norms are the same and after 2008 some changes have been observed in presenting information. Most of the companies follow the same pattern and there is an increase in average CG score in all sectors. The power and financial sector tops the list with 20% increase.

Subramanian C S, Reddy V.N. (2012) evaluated about the Corporate Governance disclosures and Competitiveness of Indian firms in the International market by using multiple regression models. The study found that firm's voluntary disclosure about the board-practices helps in gaining international competitiveness but when the firm's disclose information's about ownership-related details it reduces their market share in international competitiveness.

Madhani P M. (2016) found that the differences between foreign firms and private sector firms in corporate governance disclosure vary according to the ownership types given by legal authority in India. Corporate governance reforms have helped in reducing difference in disclosure between public and private firms. The study also states that there is no significant difference in CG disclosures by foreign, private and public firms in India.

Sharma, R., & Singh, F. (2009) studied about the voluntary corporate governance practices of the companies over and above the mandatory requirement as per Clause 49 of the Listing Agreement. For the study, voluntary CG index is prepared and has been observed that the companies follow less than 50% of the items of disclosure index. But there is no significant difference among the disclosure sources of the industries.

V.Raghupathi, Y. Jiang Y & Raghupathi W. (2009) evaluated about the role of information technology (IT) in corporate governance. The relationship between corporate governance and IT is analyzed with respect to content and design of corporate governance information on the website of companies. The web based disclosure index is derived from various literature and expert opinions. Using the disclosure scores, the companies' performance in the market is analyzed. The findings indicate that there is no relationship between low and high web based disclosure score with the companies' corporate governance. In other words, having a low web based disclosure score does not prove that the company has structural governance problem.

Fortin, S. Heroux S. (2013) studied about the role of information technology as an effective way of corporate governance. Their study found that Effective Information Technology governance is well developed where as strategic controls of websites are not well developed to the same level.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Uyar, A. (2012) studied the web-reporting by the compnies in turkey. The findings of the study reveals that Internet reporting has been encouraged by the stakeholders. And also determinants of internet reporting such as investor relations by disclosing financial and non-financial information indicate the satisfaction of stakeholders with this new trend in the market.

The existing literatures do not specifically highlight if Indian companies follow Web Based Corporate disclosures. BSE scorecard has not been used to find compliance of web-based corporate governance by the companies. Present paper aims at understanding if the Companies listed in India are compliant for web based corporate governance disclosures.

Objective of the study:

To analyse the compliance of Indian listed companies with web based corporate governance regulation set by SEBI LODR and the Companies Act, 2013.

Methodology:

The study is a descriptive study based on secondary data collected from reports, journals and research papers. The data under observation belongs to a period from 2014 to 2017.

From the top 100 companies as per market capitalisation ranking in BSE, only 10 companies were randomly selected. The annual reports and websites of these 10 companies were analysed in order to check their conformation with the web based corporate governance disclosure established by BSE – Indian corporate governance scorecard, SEBI LODR and Companies Act, 2013.

Analysis

Table 2: Bases for evaluation of scores for the companies

100%	All the 10 companies have complied the items in their website
90%	Only 9 companies have followed
80%	Only 8 companies have followed
70%	Only 7 companies have followed
60%	Only 6 companies have followed
50%	Only 5 companies have followed
40%	Only 4 companies have followed
30%	Only 3 companies have followed
20%	Only 2 companies have followed
10%	Only 1 companies have followed

Table 3: Compliance level by the companies according to their disclosure

Sl.No.	Items need to be listed on website	Compliance by the companies (in %)
1	Functional website	100%
2	Details about its business	100%
3	Appointment terms of independent directors	100%
4	Composition of board of committees	100%
5	Related party transaction policy	100%
6	Contact details for grievance redressal team/designated officials	100%
7	Annual report	100%
8	Intimation to stock exchanges	100%
9	Corporate social responsibility policies	100%
10	Notices to shareholder meetings / postal ballot	100%
11	Dividend policy	100%
12	Details of vigil mechanism and whistle blower policy	100%
13	Code of conduct for and senior managers/directors	90%
14	Remuneration criteria for non-executive directors (if not included in annual report)	90%
15	Financial results approved in board meeting	90%
16	Policy for material subsidiaries	80%
17	Newspaper advertisement - financial results, shareholder meetings	80%
18	Policy to determine material information and details of the authorised key managerial personal	80%
19	List of shareholders in case dividend remains unpaid	80%
20	Schedule of analyst meet including investor presentation	60%

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

21	Accounts to subsidiaries	60%
22	Notice of board meeting to consider financial results	40%
23	Documents relating to scheme of arrangement	40%
24	Voting results of general meetings along with scrutinizers report	20%
25	Details regarding resignation of directors	20%
26	Details of agreement entered into with media companies	10%
27	Closure of register of members and debenture holders	10%

The Table shows compliance level by the companies of the various listed items according to the BSE-Indian corporate governance scorecard that needs to be listed in the companies' official website. For the items such as Functional website, Details about the business, Appointment terms of independent directors, Composition of board committees , Related party transaction policy, Contact details for grievance redressal team/designated officials, Annual report, Intimation to stock exchanges, Corporate social responsibility policies, Notices to shareholder meetings / postal ballot, Dividend policy, Details of vigil mechanism and whistle blower policies are the items which are followed mostly by all the companies. The level of compliance is 100%, this can be because these are the most frequently viewed and important items which hold value and are of interest to stake holders and general public, the above mentioned items convey the details of business and its performance.

The items which fall under the category of 90% compliance are Code of conduct for senior managers/directors, remuneration criteria for non-executive directors, financial results approved in board meeting. These mentioned items are followed by only 9 companies. Items such as Policy for material subsidiaries, newspaper advertisement - financial results, shareholder meetings, policy to determine material information and details of the authorised key managerial personal, list of shareholders in case dividend remains unpaid are the ones which fall under the category of 80% which means 8 companies have followed the above mentioned items. Other items such as Schedule of analyst meet including investor presentation, accounts to subsidiaries are the items which has been complied by only 6 companies. Documents relating to scheme of arrangement have been followed by 4 companies and the level of compliance for items such as voting results of general meetings along with scrutinizers report, Details regarding resignation of directors are followed by 2 companies. The items such as Details of agreement entered into with media companies, closure of register of members and debenture holders are the least followed items in the above mentioned list, the compliance level is only just 10% which means only one company has mentioned the item on their website.

Limitations and Scope:

- The data collected is subject to change as the companies update their website on a regular basis.
- The study cannot reveal the economic benefit that the companies have with respect to their web-based disclosure.

Further study can be conducted using the same model to check whether web-disclosure has any relationship with the performance of the company.

Conclusion:

The aim of this research article was to find out the level of web-based corporate governance disclosure by the companies which are listed in India. SEBI LODR and companies act 2013 has listed certain disclosure items that needs to be disclosed on companies' website and the analysis was carried based on this items. The analysis shows us that the disclosure by the companies is focused more on the financial items and customer relationship items in their official website.

The web-based corporate governance can become more effective and efficient if the regulatory body such as SEBI and the companies act mandates web-based corporate governance as a compulsory disclosure that the companies needs to follow.

References:

1. Fortin, S. Heroux S. (2013). Exploring Information technology governance and control of website content- a comparative case study (Vol. 17). Journal of management and governance.
2. Leahy, J. (2009). Corporate governance: Scandal raises questions about disclosure regime. The Financial Times Limited, 1-4.
3. Madhani, P. (2016). Relationship between ownership types and Corporate governance and disclosure practices of firms, listed in Indian stock Exchange (Vol. 15). The IUP journal of CG.
4. S.K. Sachdeva, Batra G.S., Walia N. (2015). Corporate disclosure practice in selected Indian Companies (Vol. 3). International Journal of Management.
5. sharma, r., & singh, f. (July-October 2009). Voluntary Corporate Governance Disclosure: A Study of Selected Companies in India. IUP Journal of Corporate Governance, vol.8, no.3/4.
6. Subramanian C S, Reddy V. N. (2012). Corporate Governance Disclosure and International competitiveness- a study of Indian firms (Vol. 11). Asian Business and Management.
7. Uyar, A. (2012). Determinats of corporate reporting on the internet- and analysis of companies listed on Istanbul stock exchange (Vol. 27). Managerial Auditing Journal.
8. V.Raghupathi, Y. Jiang Y & Raghupathi W. (2009). web based corporate governance information disclosure:An emperical study (Vol. 22). Information resource management journal.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF MICRO & MACROECONOMIC FACTORS ON THE PROFITABILITY OF PUBLIC SECTOR BANKS IN INDIA

***Prof. Gnanendra. M,**

Assistant Professor, Department of Management Studies,

Christ (Deemed to be University), Bangalore

**** Ms. Kashvi Singhal,**

BBA Student, Department of Management Studies,

Christ (Deemed to be University), Bangalore

ABSTRACT

Banks are the most vital financial intermediaries that provide a heap of various services which has a significant role in the functioning of economies. The efficiency of financial intermediaries has an impact on a nation's economic growth and the profitability of the banking sector aid in withstanding negative shocks and provide stability to the financial system. Thus, it is vital to comprehend the profit determinants of banks. The aim of the study is to study the impact of micro and macroeconomic determinants of the bank's profitability of public sector banks in India for the time period 2012-2016. Return on Asset (ROA) and Returns on Equity (ROE) as a function of various micro and macroeconomic variables are the measures of profitability. The study uses a panel data set covering top 10 public sector banks according to market capitalisation. By running econometric tests of least squares analysis on the data set, it was concluded that banks can upscale profitability through increasing non-interest income and net interest margins. Also higher real interest rates can lead to lower profitability although usually assumed to be the contrary. It is also concluded that macroeconomic factors have a greater impact on banks profitability than micro economic factors.

Keywords: Micro & Macro Economic Variables, ROA, ROE, Profitability, Public Sector Banks.

INTRODUCTION

Banks are the most vital financial intermediaries that provide a heap of various services which has a significant role in the functioning of economies. The efficiency of financial intermediaries has an impact on a nation's economic growth and the profitability of the banking sector aid in withstanding negative shocks and provide stability to the financial system. Thus, it is vital to comprehend the profit determinants of banks.

The Indian banking sector has undergone a massive transformation since the nationalisation of banks in 1969. In the 1950-60 periods, the major business of commercial banks was to finance trade and businesses, on July 1969, the government of India acquired 14 big commercial banks which accounted for 80% of all the bank's deposits, advances and investments under the control of the government.

In 1980, six more commercial banks were nationalised to now increase the governments control to 91% of deposits and 84% of advances in the public sector banks. Nationalisation and effective management of banking operations aimed at controlling and meeting the needs of the economy along with ensuring growth in profits. To serve this purpose it is essential to have up to date knowledge of all those factors on which bank efficiency depends.

Profit being the central source of re-investment of funds, it is the primary motive of every business. The profitability of the banking sector can be appraised at micro and macro levels of the economy. Accordingly, various studies have analysed factors determining banks profitability and efficiency in countries across the globe. In India, the banking sector has seen immense and impressive structural changes to obtain a stable economy and to be more resilient to external shocks.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

REVIEW OF LITERATURE

In order to study banks' performance, numerous studies were held. In literature, some studies have focused on specific countries where as some have focused on a group of countries. A bank's performance is measured in terms of return on assets and equity and the impact of various internal (micro) and external (macro) factors is calculated to draw a conclusion regarding a bank's profitability.

Alpera & Anbarb (2011) studied the impact of internal bank and macroeconomic determinants of Turkish commercial banks' profitability. By testing a balanced panel data set, the inference made was that asset size and non-interest income positively effect a bank's performance. Real interest rate is the only macroeconomic factor that affects profitability positively. Vejzagic & Zarafat (2014)investigated the macroeconomic determinants of a bank's profitability in Malaysia. Upon using a simple regression framework, it was concluded that in the Malaysian case, the growth of GDP increases the bank's profitability, inflation significantly has a negative impact on some banks and the real interest rates have no relation with a bank's profitability in Malaysia.

Prasad & Chari (2013)investigated the factors affecting the efficiency of both public and private sector banks of India by studying 23 different financial ratios and their impact on efficiency of the banks.Eke, Eke, & Inyang (2015) Used the classical least squares method to study the commercial rates and banks' lending operations of Nigerian banks. The study concluded that there exists an inelastic relationship between interest rates spread and banks' loans and advances due to the interest rates de-regulation.

Tan & Floros (2012)evaluated the determinants of profitability of Chinese banks by examining the effect of inflation while controlling certain internal-bank and industry-specific variables. The study concluded that the relationship between banks profitability, cost efficiency, banking sector development, stock market development and inflation is positive in China.

Roman & Dănulețiu(2013)investigated the factors that have an influence on the profitability of Romanian commercial banks. The study revealed that the total profitability of Romanian banks is effected by both internal bank and external determinants.

Azam & Siddiqui(2012) Analyzed as well as compared the performance of domestic and foreign banks operating in Pakistan. Empirical results revealed that domestic banks are more affected by the macro economic factors of the host country than foreign banks. Duraj & Moci(2014) By extensive study of literature and running regression on various bank specific, industry related and macroeconomic variables it was concluded that profitability of Albanian banks is not just influenced by internal management decisions and policies but also effected by macroeconomic determinants.

Hooshyari & Moghanloo(2015)studied the impact of inflation on banks of Iran. For this purpose, primary data was collected using questionnaires and a generalised model of moments is used to estimate the model. Results show that inflation and ROA have a p value of less than 0.05 and hence is significant. Further, various other variables like NIM, Business size, liquidity have some impact on the profits.

Aggarwal(2016)determined the profitability indicators of public banks in India by examining the relationship of various variables with that of ROA and ROE of banks. Correlation and Regression studies suggested that Spread, CDR, IDR, NPA and NII are capable of determining profitability of Indian public sector banks.

Al-Jafari & Alchami(2014)used a Generalised Method of Moments model to study an unbalanced panel data set of banks in Syria covering a time frame of 2004 to 2011. It concluded that all bank specific factors impacted profits positively with capital being an exception. It was also concluded that macroeconomic factors impact profitability significantly.

Shaban & Lazar (2013)studied the productivity and profitability of commercial banks in India. For this purpose, technique of Data Envelopment Analysis (DEA) was used on non-parametric data. Results revealed that public sector banks show higher efficiency of profitability than foreign and domestic where as they show lesser productivity in performance.

Narwal & Pathneja(2015)used the Malmquist productivity index to evaluate the productivity of different banks. Return on average assets is used as a measure of profitability. Further, regression analysis was used to determine the significance of various governance and bank related variables on productivity and profitability of banks.

Bapat(2011)examined the relationship between growth profitability and productivity of public sector banks in India. For this purpose, return on assets (ROA), business per employee and profit per employee are used as proxies. The results concluded that there is no significant relationship between growth rate and profitability. For some years, growth rate significantly affected profitability.

DATA COLLECTION AND RESEARCH METHODOLOGY:

The sample is a balanced panel data set of the top 10 public sector banks according to market capitalisation observed over the period 2012-2016 consisting of 50 observations. The bank specific (microeconomic) variables have been retrieved from the financial statements of the banks under study. The financial performance statements have been collected from company websites, prowess database and moneycontrol.com. The data pertaining to the macroeconomic variables namely GDP growth rate, inflation rate and real interest rates have been collected from the RBI database and the globaleconomy.com which has consolidated data from sources such as The Ministry of Statistics and Program Implementation of India, "The World Bank" and "The International Monetary Fund".

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

To examine the relationship of the variables as determinants of bank's profitability, panel data has been used. A set of data which is a combination of both of time series and cross sectional elements is known as a panel data set. In this study, the time series if from 2012 to 2016 and the cross sectional elements are the 10 banks selected for the study.

The study uses a "Panel Least Squares Regression Model" to examine the relationship of the independent variables with the variables depicting the bank's profitability i.e. the dependent variables. The tests were executed on Eviews software.

Objectives

1. To examine the contribution of micro & macroeconomic factors to the variation in profitability of banks over specific period of time.

2. To compare the impact of microeconomic factors with that of macroeconomic factors on the profitability of banks.

Variables

In order to study the impact of various variables on commercial bank profitability, we include ten variables, two of them are the dependent (ROA & ROE) and the others are independent variables. The independent variables are divided into two sub-categories as microeconomic (AS, LIQ, CDR, NIM, NII) and macroeconomic (GDP, INF, RIR) determinants of bank profitability.

Independent Variables are, Return on Assets (ROA) and Return on Equity-ROE

Dependent Variables divided into,

Macroeconomic Variables like Gross Domestic Product Growth Rate (GDP), Annual Inflation Rate (INF) and Real Interest Rate (RIR)

Microeconomic Variables are Asset Quality (AS), Liquidity (LIQ), Cash Deposit Ratio (Lending out of deposits) – CDR, Net Interest Margin (NIM) and Non-interest Income (NII)

ANALYSIS AND INTERPRETATION

Descriptive Statistics

Table 1

Descriptive Statistics of All Variables

	Minimum	Maximum	Mean	Std. Deviation	Variance
ROE	-13.4200	20.9500	9.1946	6.4285	41.3251
ROA	-0.9900	1.2300	0.4142	0.5321	0.2832
LIQ	10.7800	36.6500	23.5394	5.8839	34.6206
CDR	3.0800	7.4200	5.0330	0.8057	0.6492
NII	0.5200	1.2400	0.8120	0.1609	0.0259
AS	5.1505	6.3539	5.6288	0.2728	0.0744
CA	9.9700	13.6400	11.9154	1.0028	1.0056
NIM	1.5600	3.2400	2.2566	0.4447	0.1980
GDP	5.4600	8.0100	6.8960	0.9015	0.8126
INF	4.9000	10.9000	7.3200	2.4314	5.9118
RIR	2.4700	8.0800	5.4540	2.0620	4.2517

Results and Discussion:

The basic descriptive statistics i.e. minimum value, maximum value, mean value and standard deviation for all the variables are presented in Table 1. On an average, the banks of our sample have a return on equity ROE of 9.19% and a return on assets ROA of 0.41% over the time period 2012 to 2016. The mean of ROE varies considerably with a variance of 41.3%. Liquidity which is one of the most important ratios for banks, has an average of 23.53% and shows high variance from the minimum being 10.78% to the maximum being 36.65%. The lending which is measured through CDR has very low variance and has an average of 5%. Similarly, the non-interest income NII, Asset size AS, Net Interest Margin NIM, have averages of 0.8%, 5.6%, 11.9% and 2.25% respectively with low variances. The mean values for GDP, Inflation and Real Interest Rates are 6.89%, 7.32% and 5.45% respectively

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Correlation between Independent Variables

Table 2

	AS	CA	LIQ	DEP	NII	NIM	GDP	INF	RIR
AS	1								
CA	.106	1							
LIQ	-.489	-.343	1						
DEP	.286	-.071	-.366	1					
NII	.562	.232	-.238	.335	1				
NIM	.223	.464	-.281	.209	.291	1			
GDP	-.158	.202	-.055	-.049	-.159	.266	1		
INF	.213	-.293	-.054	.044	.109	-.308	-.774	1	
RIR	-.156	.214	-.046	-.047	-.157	.261	.993	-.815	1

Results and Discussion:

The correlations matrix between the independent variables is represented in Table 2 below. As seen in the table, the correlation amongst the independent variables is fairly low except that of the macroeconomic variables owing to interdependence by economic theories, there is no major multicollinearity issue.

Panel Data Least Squares Analysis:

Tables 3, 4, 5 & 6 depict the estimated parameters and the t-statistics obtained from the application of least squares model on the panel data set, using ROA and ROE, respectively as the dependent variables.

Table 3
Regression analysis of macroeconomic variables on ROA

Dependent Variable: ROA
Method: Panel Least Squares
Date: 02/11/18 Time: 19:30
Sample: 2012 2016
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.64183	2.064767	-5.638329	0.0000
GDP	2.769951	0.499635	5.543953	0.0000
INF	-0.110516	0.038468	-2.872888	0.0061
RIR	-1.143487	0.238801	-4.788447	0.0000

R-squared	0.645354	Mean dependent var	0.414200
Adjusted R-squared	0.622225	S.D. dependent var	0.532139
S.E. of regression	0.327071	Akaike info criterion	0.679339
Sum squared resid	4.920867	Schwarz criterion	0.832301
Log likelihood	-12.98347	Hannan-Quinn criter.	0.737587
F-statistic	27.90222	Durbin-Watson stat	0.773296
Prob(F-statistic)	0.000000		

Hypothesis

H0: Macroeconomic variables have no impact on ROA
H1: Macroeconomic variables have an impact on ROA

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Results and Discussion:

Since the p value of GDP, INF and RIR are less than 0.05, the null hypothesis is rejected and the alternate hypothesis is accepted.

It can be inferred that Real Interest Rate, Inflation and GDP are highly significant at a level of 1% significance. Though GDP shows a positive relationship with ROA, RIR and INF has a negative impact. The R squared value depicts that 64.53% of the macro economic variables impact ROA.

Table 4
Regression analysis of macroeconomic variables on ROE

Dependent Variable: ROE
Method: Panel Least Squares
Date: 02/11/18 Time: 19:32
Sample: 2012 2016
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-118.7974	25.87491	-4.591221	0.0000
GDP	30.72866	6.261242	4.907758	0.0000
INF	-1.749925	0.482073	-3.630003	0.0007
RIR	-13.03692	2.992570	-4.356428	0.0001

R-squared	0.618366	Mean dependent var	9.194600
Adjusted R-squared	0.593477	S.D. dependent var	6.428459
S.E. of regression	4.098734	Akaike info criterion	5.735852
Sum squared resid	772.7824	Schwarz criterion	5.888813
Log likelihood	-139.3963	Hannan-Quinn criter.	5.794100
F-statistic	24.84475	Durbin-Watson stat	0.792022
Prob(F-statistic)	0.000000		

Hypothesis

H0: Macroeconomic variables have no impact on ROE
H1: Macroeconomic variables have an impact on ROE

Results and Discussion:

Since the p value of GDP, INF and RIR are less than 0.05, the null hypothesis is rejected and the alternate hypothesis is accepted.

It can be inferred that Real Interest Rate, Inflation and GDP are highly significant at a level of 1% significance. Though GDP shows a positive relationship with ROE, RIR and INF has a negative impact. The R squared value depicts that 61.83% of the macro economic variables impact ROE.

Table 5
Regression analysis of microeconomic variables on ROA

Dependent Variable: ROA
Method: Panel Least Squares
Date: 02/11/18 Time: 19:32
Sample: 2012 2016
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.635441	2.466991	0.662929	0.5109
AS	-0.430312	0.344603	-1.248718	0.2185
CA	0.024965	0.086255	0.289431	0.7736
CDR	-0.119302	0.100759	-1.184042	0.2429
LIQ	-0.005915	0.015333	-0.385756	0.7016
NII	0.386724	0.557203	0.694045	0.4914
NIM	0.588986	0.181767	3.240333	0.0023

R-squared	0.295286	Mean dependent var	0.414200
Adjusted R-squared	0.196954	S.D. dependent var	0.532139
S.E. of regression	0.476865	Akaike info criterion	1.486010
Sum squared resid	9.778204	Schwarz criterion	1.753693
Log likelihood	-30.15025	Hannan-Quinn criter.	1.587945
F-statistic	3.002941	Durbin-Watson stat	1.209303
Prob(F-statistic)	0.015353		

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Hypothesis

H0: Microeconomic variables have no impact on ROA
H1: Microeconomic variables have an impact on ROA

Results and Discussion:

Since the p value of AS, CA, CDR, LIQ and NII are more than 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected (The p value of NII is less than 0.05 and this is treated as an exception while accepting the null hypothesis).

It can be inferred that NIM is highly significant at a level of 1% significance. The rest of the variables do not show significant impact on ROA. The R squared value depicts that 29.52% of the micro economic variables impact ROA.

Table 6
Regression analysis of microeconomic variables on ROE

Dependent Variable: ROE
Method: Panel Least Squares
Date: 02/11/18 Time: 19:33
Sample: 2012 2016
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.60741	30.06861	0.352774	0.7260
AS	-3.844051	4.200147	-0.915218	0.3652
CA	0.310543	1.051304	0.295388	0.7691
CDR	-0.527960	1.228083	-0.429905	0.6694
LIQ	0.142941	0.186890	0.764841	0.4485
NII	-1.456975	6.791396	-0.214533	0.8311
NIM	7.533439	2.215446	3.400417	0.0015

R-squared	0.282634	Mean dependent var	9.194600
Adjusted R-squared	0.182536	S.D. dependent var	6.428459
S.E. of regression	5.812209	Akaike info criterion	6.486975
Sum squared resid	1452.616	Schwarz criterion	6.754659
Log likelihood	-155.1744	Hannan-Quinn criter.	6.588911
F-statistic	2.823580	Durbin-Watson stat	0.992347
Prob(F-statistic)	0.020893		

Hypothesis

H0: Microeconomic variables have no impact on ROE
H1: Microeconomic variables have an impact on ROE

Results and Discussion:

Since the p value of AS, CA, CDR, LIQ and NII are more than 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected (The p value of NII is less than 0.05 and this is treated as an exception while accepting the null hypothesis).

It can be inferred that NIM is highly significant at a level of 1% significance. The rest of the variables do not show significant impact on ROE. The R squared value depicts that 28.26% of the micro economic variables impact ROE.

CONCLUSION

The efficiency of financial intermediaries has an impact on a nation's economic growth and the profitability of the banking sector aid in withstanding negative shocks and provide stability to the financial system. Thus, it is vital to comprehend the determinants of banking sector profitability. Profitability is a significant criterion in measuring the performance of banks in the dynamically changing banking environment. The aim of the study is to examine the micro and macroeconomic determinants of the bank's profitability of public sector banks in India for the time period 2012-2016. ROA and ROE as a function of various micro and macroeconomic determinants are the measures of profitability. The study uses a panel data set covering top 10 public sector banks according to market capitalisation.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

From our study we find that net interest margin has a positive impact on the return on assets. This indicate greater the diversification in banking activities greater will be the returns. Further, Real interest rates have a negative impact on the profitability of banks. This can be due to various interest rate risk attributes and reduction in bank lending activities due to high rates of interest. This can provide for further research study as to how the interest rate risks and high real interest rates can have a negative impact on profitability of banks in India.It is also concluded that macroeconomic factors have a greater impact on banks profitability than micro economic factors.

The study of determinants of industry profitability from time to time can assist management, investors and the government to forecast and deal with rising uncertainties of the globalised environment.

REFERENCES

1. Aggarwal, P. (2016). An Empirical Evidence Determining Profitability Indicators of Indian Public Sector Banks . International Journal of Economic Perspectives, 93-101.
2. Al-Jafari, M. K., & Alchami, M. (2014). Determinants of Bank Profitability: Evidence from Syria. *Journal of Applied Finance & Banking*, 17-45.
3. Alpera, D., & Anbarb, A. (2011). Bank Specific and Macroeconomic Determinants of Commercial Bank Profitability: Empirical Evidence from Turkey. *Business and Economics Research Journal* , 139-152.
4. Azam, M., & Siddiqui, S. (2012). Domestic and Foreign Banks’ Profitability: Differences and Their Determinants. *International Journal of Economics and Financial Issues* , 33-40.
5. Bapat, D. D. (2011). Growth, Profitability and Productivity : An Empirical Study of Public Sector Banks in IndiaGrowth, Profitability and Productivity : An Empirical Study of Public Sector Banks in India. *Journal of Commerce & Management Thought IV*.
6. Duraj, B., & Moci, E. (2014). Factors influencing the bank profitability – empirical evidence from albania . *Romanian Economic and Business Review*, 60-72.
7. Eke, F. A., Eke, I. C., & Inyang, O. G. (2015). Interest rate and commercial banks’ lending operations in nigeria: a structural break analysis using chow test . *Global journal of social sciences*, 9-22.
8. Hooshyari, N., & Moghanloo, A. P. (2015). Evaluating the impact of inflation on profitability of banks. *Kuwait Chapter of Arabian Journal of Business and Management Review*.
9. Narwal, K. P., & Pathneja, S. (2015). Effect of bank-specific and governance-specific variables on the productivity and profitability of banks. *International Journal of Productivity and Performance Management* , 1057-1074.
10. Prasad, K. V., & Chari, D. A. (n.d.). Factors affecting efficiency of banks : a study on public and private sector banks .
11. Roman, A., & Dănuleţiu, A. E. (2013). An empirical analysis of the determinants of bank profitability in romania . 580-593.
12. Shaban, M., & Lazar, D. D. (n.d.). Productivity and Profitability Performance: A Comparative Study of Commercial Banks in India. *Anvesha*.
13. Tan, Y., & Floros, C. (2012). Bank profitability and inflation: the case of China . *Journal of Economic Studies* , 675-696.
14. Vejzagic, M., & Zarafat, H. (2014). An analysis of macroeconomic determinants of commercial banks profitability in malaysia for the period 1995-2011 . *Asian Economic and Financial Review* , 41-57.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

IMPACT OF GST WITH SPECIAL REFERENCE TO PETROCHEMICAL INDUSTRY

Mrs. Prathima R Shetty, Mrs. Sowmya Shetty & Ms. Meenakshi Acharya

Lecturer

Department of Commerce & Management

Poornaprajna College Udupi

ABSTRACT

This paper intends to highlight the importance of GST implementation and its pros and cons especially to petrochemical industries in India. It tries to explore the immediate effect of GST on this sector and tries to throw the light on its long term impact.

Introduction

Implementation of GST is a very significant step in the field of indirect tax reforms in India. France was the first country to implement GST in 1954. But, in India, of late the idea of GST was mooted by Kelkar Task Force in 2004, headed by Vijay Kelkar. Subsequently, then Union Finance minister, Shri P Chidambaram while presenting central budget (2007-08), announced that GST would be introduced in 2010. However, it gained its momentum in the year 2014, when NDA government table the constitution (122nd Amendment) Bill, 2014 on GST in the parliament. This bill received assent of president on 8th September 2015 and became Constitution (101st Amendment) Act 2016 which led to the introduction of GST. It is a value added tax on the supply of goods and services. As there is no difference between goods and services, both are taxed at single rate. GST amalgamated large number of central and state taxes, which ultimately mitigated cascading effect or double taxation in major way and led for a common national market. GST is regarded as the ideal persuasive tax reform in India.

The importance of Petrochemicals is massive. Although we might not realize it but our lives are dependent to quite a large extent on petrochemicals. Petrochemicals are very greatly a part and parcel of our day to day lives - the carpets that we use to decorate our homes, plastic bottles, clothes that we wear, fertilizers that we use to grow crops, tyres paints, pharmaceuticals, cosmetics etc. are made up of some kind of petrochemicals. Growth of Indian petrochemical industry is playing a major role in the growth of the economy and the development of the manufacturing sector. The petrochemicals industry provides more value addition to the Indian economy than most of the other companies.

Petrochemicals are obtained from different chemical compounds which are by-products of crude oil refining. Chemicals like naphtha, kerosene, petroleum gases, ethane, methane, and butane are the main stocks used in the petrochemical industry for the production of various other chemical compounds. Presently, the amount of diffusion of the petrochemical products in day-to-day use is vast. It actually covers most of the domain of existence such as apparels, accessories, household items, furniture, electronics, construction, housing, and automobiles, medicals.

OBJECTIVES:

1. To know the impact of GST on petrochemical industry
2. Critical evaluation of GST in the perspective of petrochemical industry
3. To make a comparative study of these petrochemical industries in pre and post GST era
4. To check the steps taken by the government to support these petrochemical industries after GST implementation

Research Methodology:

Our research paper is based on both primary and secondary data. We have gathered opinions of various petrochemical industries in Bangalore and Mangalore such as Shine chemical industry, Southern Petrochemical Industries Corporation Limited, MRPL, MCF etc., and found out how exactly they are facing up the transition period of GST and for the analysis purpose we have

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

contacted few chartered accountants to know the exact impact of GST on these petrochemical industries and we have referred to many articles and journals for basic information

Reasons for implementation of GST

Basically GST was implemented to integrate the chemical market by decimating the tax complications happening in interstate trade of chemical companies. GST will be ruling out Central Excise, Service Tax, Countervailing Duty, the Special Additional Duty, CST and various VATs. These taxes used to make end user of petrochemical industries located in different parts of the country pay a lot of money as the duty charges which are discretionary to each state. To bring a unification in taxation, central government brought GST and it took petrochemical industry into account. The main benefit of GST is, it avoids double taxation, as it is single tax for the whole nation. By this, manufacturer can produce and supply their products without any additional tariffs.

Impact of GST on petrochemical industry

The goods and services tax (GST) will have the major impact on petrochemical industries, as these will have to comply with Value Added Tax, Central Sales Tax and GST. At present, respective state governments are having the right to levy tax on petroleum products and the revenue is shared between the centre and the state.

As the petrochemical companies will pay the GST on procurement of various capital goods like plant, machinery, equipment and services, and will be unable to get input tax credit on the sale of finished products which are outside the ambit of GST, as the input GST paid cannot be set off against the excise duty and value added tax (VAT) paid on the output.

Under the new system, products that will be taxed under the higher rate of 18 percent include petroleum oil and oil obtained from bituminous minerals, Superior kerosene Oil, Fuel oil, Base oil, textile oil, lubricating oil, waste oil, petroleum gas and other gaseous hydrocarbons such as propane, butane, ethylene, propylene, butylene and butadiene.

Additionally, as services contribute a significant proportion to the upstream companies' CAPEX and OPEX, the increase in tax rate from 15% to 18% would impact the upstream companies adversely.

According to the expert opinion GST will have significant impact on chemical industry. In short run, industries are levied with various taxes to the state government as well as central government. Thus they will have to pay 25% of more tariff than what they were been levied. Thus to cope up with this situation industries need to buckle up their shoes for large scale production and hike in production value of chemicals.

GST will result in exertion of IGST for interstate trade and CGST and SGST for transaction within the state. Thus in long term production cost and re sale prices of chemicals will extensively lowered and production bases of industries will be expanded as chemical sectors are concerned in India.

Downside of Goods & Service Tax

As five petroleum products are kept out of GST, the situation of most of the oil and natural gas industries will become worse. Industries will end up with high cost. As these industries are dealing with dual mechanism, it will be very hard to these industries both from compliance point of view and cost point of view. Non-availment of CENVAT credit is the biggest burden on the petro chemical and fertilizer industries which in turn result into revenue or profit becoming wane.

Output of most of the petrochemical industries are the inputs of many fertilizer industries. So, it will have a direct impact on the revenue of fertilizer industries. For example: As per the chartered accountants, if there are two fertilizer industries, out of which one is using raw material as natural gas, which is out of GST and another industry using raw material as raw naphtha which comes under GST. Therefore we have two industries with same output, supplied to the same farmer with different inputs, one industries without getting input tax credit and another industries getting input tax credit. This is a major imbalance we can observe. This imbalance need to be corrected. Another point is that, at present the excise duty on fertilizer is minimal or nil. But GST initially decided on fertilizers was 18%. Later on, after so many protest of farmers our finance minister Mr Arun Jatley decided to reduce the rate. However, because of GST the cost of production has increased. As these industries are subsidised by the government, because of increased cost, government have to pay more subsidies to these industries ,which is not favourable from the government point of view as there is more cash outflow. There is every possibility that government will take time to sanction the subsidy, which ultimately results into cash flow problem to fertilizer industries.

GST on petrochemical industry can be evaluated from two perspective

1. Short term impacts

2. Long term impacts

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

1. Short term impacts: As per the primary data studies, currently industries are facing tremendous changes as long as sales are concerned. Earlier customers used to purchase more but their consumption has been reduced significantly after GST. For example: earlier customers used to purchase 1000 litres of paint and other chemical solvents but now they take up only 250 litres says a proprietor of private petrochemical industry, further he adds on that earlier in his product line 90% of the products marketed were taxed at only 5% remaining 10% were taxed at 14.5%but after GST all the products are uniformly taxed at 18%. Thus industries are finding it difficult in sustaining their market

2. Long term impacts: In the long term it's going to have reverse impact as retailers are not edged away from sales profit, there will not be warehousing or supply chain cost. Thus manufacturers can maintain affordable prices and promote consumption of chemicals. As long as VAT is concerned it will become irrelevant as GST will have common tax rate and even state or area wise tax will not be existing. Thus companies will have timely and uninterrupted flow of chemicals into remote corners of the country without any time lag.

Future perspective:

1. As per GST Act 2017, 5 petroleum products are out of GST. Most of the state governments are happy with this as they can earn revenue in the form of VAT. Central government should make an effort to convince these state governments to bring all these products under GST

2. Most of the petrochemical industries are not able to claim input tax credit for the tax paid at time of purchase of inputs, purchase of capital goods etc. as the output of these industries like petrol diesel natural gas etc. are not under GST.

3. As the 30% of tax revenue of the government are derived from these industries, government should positively respond to the complaints of these industries in this regard.

4. Even before the bill submission government would have taken certain prior cautions on certain concepts like GST rates, destination based consumption tax(not origin oriented), exemption etc. which was one of the reasons for the current conditions of chemical industries

To conclude we can state that GST would have been implemented by considering various stake holders like industries, agriculturist, end-users etc., for its effective outcome. Being aware that the petrochemical products are often the inputs of other industries which will have significant impact on overall revenue generation and economy as whole, which will have cumulative effect and therefore Indian petrochemical industries will be significantly more competitive after the implementation of GST.

References

Primary data:

CA Lokesh Shetty, BVC &Co.

CA Shrikrishna Acharya Acharya and D'souza &Co

CA Girish Amin, Mumbai

Shine chemical industry, Southern Petrochemical Industries Corporation Limited,

MRPL,

MCF

Secondary data:

Websites

Journals

Articles

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

A STUDY OF BUDGET ANNOUNCEMENT AND ITS IMPACT ON STOCK PRICE VOLATILITY: EVIDENCE FROM NATIONAL STOCK EXVCHANGE

Dr.Umamaheswari.S,

Assistant Professor, SCMS, Jain university, Bangalore

Dr. S.Ramesh,

Assistant Professor, SCMS, Jain university, Bangalore

ABSTRACT

Stock market reaction to government budget announcement has been widely discussed in many studies and it could be identified all around the world. Most of the studies have been a concern with investigating the volatility of the stock market during pre and post budget period. ***Thomas and shah*** *stated in their studies that activities of stock market are greatly influenced by the union budget and it is created stock price volatility on various stocks. Many past studies have focused on the reaction of stock market price to the budget announcement in the different span of periods. In this present study attempt to know the impact of Government of India union budget announcement on various stocks like SBIN, HDFC, Jain irrigation, Infosys, Navinflour industries ltd, and Tata steel industries Ltd. Therefore, the study used the event study analysis to test the theory. The result of this study shows that AARs, CAARs and t test were analyzed to ascertain whether an opportunity was available to make above abnormal returns during the price adjustment period. It is revealed that two days before and after event day is significant. In this study is attempt to prove that there is an effect of budget announcement on stock market price volatility.*

Key words: Budget announcement, stock market price volatility, Event study, Abnormal return.

Introduction

A budget is an influential factor which offers the legitimate power to the government to control monetary circulation of the country. Based on this budget the country's economic policy provide support to develop the industry and other resources. The movement of stock price is unpredictable in any economy. Most of the previous studies explored about the micro economic variables like dividend per share, earning per share and book value per share have got importance in others macro variables like bank rate of interest, union budget, inflation rate and foreign currency have been highlighted. Hence annual budget is one such event which may have impact on stock market.

The union budget of India also referred to as the annual financial statement in the Article 115 of the constitution of India, is the annual budget of India. The budget is presented by means of the financial bill and Appropriation bill, has to be passed by the members of houses before it can come into effect on April 1 of every financial year. It is presented by finance minister of India on 1st February 2018. The budget is explained about the government income and expenditure, policies for industries etc., for forthcoming year. The important information based on budget announcement is affected few industries in the stock market, consequently , the investor of listed companies stock market prices are reacted on budget announcement. Thus the study needs to investigate and prove that the announcement of budget and its information are influenced on stock prices , speed adjustments of return on stocks etc., hence the study focused to analyze the stock price reaction to budget announcement of six selected industries like **SBIN, HDFC, Jain irrigation, Navinflour industries limited, Infosys, and Tata steel industries** of NSE by using event study methodologies. The study have been carried out to analyze the effect of union budget announcement on stock market price volatility and stocks adjusted returns on selected industries.

Objectives of the study

1. To know the impact of budget announcement and stock market price volatility.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2. To analyze the stock market price volatility using by event study methodologies.

Hypothesis of the study

H_0: There is no significant changes in AARs before and after of budget announcement.
H_1: There is a significant changes in AARs before and after of budget announcement.

Review of Literature

Udani Chathurika Edirisingh (2017) The result of the study shows that the overall trend of the average returns of each sector around budget announcements are same and the reaction of stock is different from one sector to another sector.

Mitesh Patel, Dr. Munjal Dave, Dr. Mayur Shah (2016): The result of their study revealed that the stocks abnormal returns are positively reacted to the budget announcement .
Kutchu (2012): The study shows the effect of union budget to six sector indices justifies that impact budget cannot be distinguished to a particular sector but could be recognized company specific reactions.

Hussain, S.M (2011) : the result of the study revealed that there is a significant and immediate influence on stock index returns and volatility for monetary policy decisions and news announcement.
S., Mahadevan, A., & Gunasekar, S. (2012): The study examined the impact of dividend result on stock price voltality and it is revealed that the announcement of result is said to have an impact only when there is an abnormal return after the announcement of dividend results.

P.Varadharajan and Dr. P Vikkraman (2011): their study explored that the impact of budget on stock market price volatility and analyses how returns vary with it. the study found that the values of co-efficient of variation and standard deviation pertaining to the market capitalization of NSE are slightly more volatile when compared to BSE.

Raja.M & Sudhahar.J.C. (2010): attempted to test the efficiency of Indian stock market with respect to bonus issue announcement by IT companies . The result of the study showed that the security prices reacted to the bonus announcement.

Ranjini.R.C., Sujeewa.G.M. & Rathnasiri (2009): their result of the study shows that the effect of government budget announcement on CSE and have observed that there is an upward trend in the market reaction to the years which include tax concession and exception.

Gupta and Kundu (2006): The result of the study explored that there is a maximum impact of union budget is in the short-term post budget period compared to medium term and long term budget period.

Mohanty.M (2004) The study investigated the impact of policy announcements to telecom sector, banking and financing sector and pharmaceutical sector and reveled that stocks react to public news quite quickly but the first adjustment may not always be accurate.

Leiderman.L & Offenbacher .E.K, (1986): The study insisted that unexpected monetary policy announcements have significant positive impact on stock prices in Israel.

Research methodology and Data:

Event study methodology was mainly adopted to attain the objective of study. One of the important data items for this analysis tool is an event date i.e., before and after date of budget announcement. In order to examine the impact of budget announcement (1st February 2018) on the stock market price volatility, this study analyzed the stock price behaviour and its average abnormal returns of six companies stocks. In connected with this, event study methodology has employed. It is will accepted and used in various research studies such as examine return variances trading volume (Beaver , 1968, Patel, 1978, Campbell and Wasley, 1996.). Event study also plays vital role in capital market research to test the market efficiency of stock market.

The present study is focused on secondary data relating to stock market prices, budget announcement dates. The data were obtained from Yahoo finance and the additional information is referred through NSE website, books, journals etc., The period of event study for 7days before and after budget announcement.

Event study methodology

The date (t=0) in this study, the event date is budget announcement by the government of India. The event window is set as 14 days and is considered as t-7 to t+7 relative to the event day t=0. The study used the Average abnormal returns (AARs) and cumulative average abnormal returns (CAARs) to analysis the impact of budget announcement on stock price volatility. The formulas used for the analysis are as follows:

$AARit = 1/N \sum AR_{it}$
AR_{it} = Abnormal Returns of Firm i on event t
Rit = Normal Returns of Firm i on event t

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

$E(R_{it})$ = Expected Return/Normal Returns of the sector i on event t.

CARRt= The cumulative average abnormal return for time *t*

∂ CAR = The cross sectional standard deviation of abnormal returns at time t

CARR = ∂ AR/√n
n = The sample size/number of returns.

The above formula used for the calculation of Average of Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) of stock prices. The study also used the T-test to identify the significance difference between AAR before and after effect of budget announcement.

IV. Results and Discussion:

The Table-1 represents the results of the study by computing the AARs and CAARs for the six companies' budget announcements. For each of the 14 days in the event window the average abnormal returns (AARs) and Cumulative average abnormal returns (CAARs) for calculated. The AARs with their respective values along with their significance is also displayed in the table.

Table 1: AARs, CAARs and t-AARs of Budget Announcement

Day	SBI	Jain	INFY	HDFC	Navin	TATA	AAR	CARR	SD	SE	T	Result
-7	11.60	3.75	27.10	-12.05	36.10	26.25	15.46	15.46	16.26	6.64	2.328	Significant
-6	11.80	1.35	8.70	6.35	-3.00	-16.82	1.40	16.86	9.46	3.86	0.362	Significant
-5	-16.75	0.70	-10.40	17.30	-1.45	6.72	-0.65	16.21	11.05	4.51	-0.143	Not significant
-4	0.00	0.00	0.00	0.00	0.00	13.34	2.22	18.43	4.97	2.03	1.095	Significant
-3	-1.05	1.75	7.50	24.70	-12.75	-6.95	2.20	20.63	11.92	4.87	0.452	Significant
-2	1.45	-2.65	-12.25	-4.15	-4.40	-34.13	-9.36	11.28	11.80	4.82	-1.942	Not significant
-1	-0.30	-4.75	-20.40	10.20	-14.65	-8.30	-6.37	4.91	9.86	4.02	-1.582	Not significant
Event	-7.20	-13.25	-5.65	-14.55	-0.60	-26.30	-11.26	-6.35	8.19	3.34	-3.367	Not significant
1	-8.70	-9.80	-1.35	-43.15	-11.50	-6.40	-13.48	-19.83	13.65	5.57	-2.420	Not significant
2	0.70	4.40	-5.05	-34.15	7.80	0.45	-4.31	-24.14	13.91	5.68	-0.759	Not significant
3	-6.30	-7.65	-30.45	-17.05	-5.60	-2.70	-11.62	-35.77	9.52	3.89	-2.991	Not significant
4	1.05	-1.80	1.30	-24.00	17.60	9.65	0.63	-35.13	12.80	5.22	0.121	Significant
5	8.60	3.15	25.20	8.15	6.55	13.85	10.92	-24.22	7.13	2.91	3.750	Significant
6	-5.00	3.15	-25.10	-31.45	0.90	27.80	-4.95	-29.17	19.50	7.96	-0.622	Not significant
7	-7.65	5.00	-6.35	27.15	15.70	0.00	5.64	-23.52	12.36	5.05	1.118	Significant

Interpretation:
The above table revealed that the changes in AAR a couple of days before and after the event day is not statistically significant. However, the changes in AAR beyond two days before and after event day are significant. This means that the companies are watchful on the consequences of the event.

T-test

The following Table-2 represents differences in the AARs of the individual companies taken for study before and after the event date.

able-2 T-test for differences in AAR before and after Budget announcement date

	SBI	Jain	INFY	HDFC	Navin	TATA
Before AAR	0.96	0.02	0.04	6.05	-0.02	-2.84
After AAR	-2.47	-0.51	-5.97	-16.36	4.49	6.09
SD Before AAR	8.87	2.65	14.84	11.71	15.63	18.59
SD After AAR	5.75	5.61	16.95	23.34	9.88	11.00
Mean Difference	3.44	0.53	6.01	22.41	-4.51	-8.94
T	0.796	0.209	0.653	2.101	-0.597	-1.013
T Critical	1.812	1.813	1.782	1.833	1.812	1.812
Result	Not significant	Not significant	Not significant	Significant	Not significant	Not significant

The results of the study reveal that only HDFC's AAR has shown significant fluctuation after event. The AAR of HDFC has considerable increased after event date, while the differences in AAR of other companies are not statistically significant.

Conclusion and suggestion of the study

This study attempt to obtain the objective of budget announcement and its impact on stock price volatility among six industries. Most of the previous study investigated about overall market effect but not on the differences between before and after event date AARs., thus the current study attempt to fill this research gap based on available information. The study examined the stock price reaction with adequate information of budget announcement and the result of the study explored that the HDFC bank is reacted based on budget announcement , it is statistically significant . The other stocks shows the fluctuations before and after two days of event date and also not statistically significant among various level of significance. The study is concluded that the new information is quickly influenced the stock market and it is a cause of stock market price volatility. Therefore Investors are alert about the new information and changes of stock market prices in various situations.

References:

1. Beaver, W,"The information content of annual earnings announcements", Journal of Accounting Research Supplement, 6: 1968, pp. 67-92.
2. Campbell, C., C. Wasley,"Measuring abnormal trading volume for samples of NYSE/ASE and NASDAQ securities using parametric and nonparametric test statistics", Review of Quantitative Finance and Accounting, 1996.
3. Gupta, A., & Kundu, D. (2006). A Study on the Impact of Union Budgets on Stock Prices in India. *The ICFAI Journal of Applied Finance*, 12 (10), 65-76.
4. Kutchu, V. (2012). Testing semi-strong efficiency of Indian stock market-A study on effect of union budget 2012 on six select sectoral stocks. *Researchers World, 3* (3), 74.
5. Leiderman, L., & Offenbacher, E. K. (1986). Monetary announcements and stock prices in Israel. *Economics Letters, 20* (4), 377-381.
6. Mohanty, M. (2004). Stock Market Reaction to Announcement of Policy Changes. *The ICFAI Journal of Applied Finance*, 34-42.
7. Patell, J,"Corporate forecasts of earnings per share and stock price behavior: Empirical tests", Journal of Accounting Research, 14, pp. 246-276, 1976.
8. Hussin, B. M., Ahmed, A. D., Ying, T. C.,"Semi-strong form efficiency: Market reaction to dividend and earnings announcements in Malaysian stock exchange", IUP Journal of Applied Finance, Vol. 16, Issue 5, 2010, pp. 36-59.
9. Thomas, S., & Shah, A. (2002). Stock market response to Union Budget. *Economic and Political weekly*, 455-458.
10. Mitesh Patel,et al (2016), Market Efficiency of Indian Stock Market: A Study of Budget Announcement in Bombay Stock Exchange, IJMBS Vol. 6, Issue 2, April - June 2016 ISSN : 2230-9519 (Online) | ISSN : 2231-2463 (Print)
11. Impact of Government Budget Announcement on Stock
12. Patell, J,"Corporate forecasts of earnings per share and stock price behavior: Empirical tests", Journal of Accounting Research, 14, pp. 246-276, 1976.
13. Raja, M., Sudhahar, J.C.,"An empirical test of Indian stock market efficiency in respect of bonus announcement", Asia
14. Pacific Journal of Finance and Banking Research,Vol.4, Issue. 4, 2010, pp. 1-14.
15. Raja, M., Sudhahar, J. C.,"An empirical test of Indian stock market efficiency in respect of bonus announcement", Asia Pacific Journal of Finance and Banking Research, Vol. 4, Issue. 4, 2010, pp. 1-14.
16. Varadharajan, P., Vikkraman, P.,"Impact of Pre and Post Budget on Stock Market Volatility Between 2001 to 2011", Journal of Contemporary Research in Management, Vol. 6, Issue. 4, 2011, pp. 49-64.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

CORPORATE SOCIAL RESPONSIBILITY OF NIFTY FIFTY COMPANIES – AN ANALYSIS OF DIRECT SPENDING AND SPENDING THROUGH IMPLEMENTING AGENCIES (NGO).

Dr Valarmathi.b

Associate professor, Christ Deemed to be University

San john David

Research Scholar

ABSTRACT

This paper is conducted to find how companies are discharing their CSR responsibilities post implementation of the Companies Act 2013. The research indentified top ten Nifty fifty companies to see how these companies are involved in their CSR Activites. The objective of the research was to find the progress in CSR spending of companies for a period of three years, and also find whether companies spend directly of through implementing agencies. The research found that companies have increased in their CSR spending over and above prescribed limit , but companies are involving implementing agencies to discharge the CSR funds as they lack expertise and are not able to devot time for CSR.

Introduction

CSR in India since the twentieth century began with large companies contributing to society to promote their brand image through philanthropic gestures. It was companies like the Tatas, Bajaj and the Birlas that set up charitable trusts, institutions for promoting education & health care in rural areas through philanthropy. These philanthropic gestures were then replaced with CSR strategies to satisfy the concerns of stakeholders who wanted the company to give back to the society in return for resources utilized through business strategies aimed at promoting their values and image in the minds of society.

Corporate social responsibility refers to business practices, actions & decisions of a firm which positively impact its stakeholders. They include treating customers and their employees fairly. It also includes contributing to the communities in which they operate and eliminate the harmful impact on the environment -Toliver (2013) Companies today, play a key role in the socio-economic development of our country, hence its impact and influence can drive a change in the educational & developmental needs of others.

Since globalisation, companies have begun to expand rapidly, increasing their profits through low-cost productions and cheaper wages. These expansions have also led to the creation of communities, customers & broader market reach. It has also taken its toll on the environment through the depletion of resources, pollution and climatic changes. “Organizations are invited to take responsibility for the ways and their operations that impact societies and the natural environment”. (Amato, Henderson, Florence 2009) Hence, the focus has been placed on organisations in maintaining a decisive role towards its stakeholders who demand more transparency and responsible actions towards their environment. The CSR strategies propose two thoughts. The first thought is a reduction in the use of resources and becoming sustainable. The second thought is to carry out CSR in line with business initiatives that will foster innovation. These CSR strategies may face challenges in some companies if they lack understanding, trained personnel or dedicated departments to carry out such.

Significance of Strategies in CSR in India

CSR strategies focus more towards sustainability and corporate action responsibility, and it has been gaining momentum in the global business arena, through its support from government regulations, measures, environmental incidents & development. This sustainability and responsibility include the way business is driven by values, strategies, business propositions, changing responsibility and accountability. (Jonker, de Witte 2010) In India, a survey by (Nadaf, Nadaf, 2014) concluded that the most common challenge faced by companies was lack of community participation, issues of transparency and non-availability of clear

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

CSR guidelines, which has led to the need of implementing agencies to share their skill and knowledge through collaborated efforts.

While (Orlitzky 2003) argues that low impact actions like charitable donations are viewed as gimmicks to improve their image on the capital markets, rather than the focus placed on treating people with respect, acting with integrity, and preserving the environment for future generations. CSR actions of strategically motivated firms, however, are also influenced by competitive pressures. Also, innovation-oriented firms engage in CSR actions with due to strategic motivations and are proactive in monitoring and adapting their CSR actions according to the changing market demands, (Dabas 2014)

CSR law and its implications to companies in India

In India, it is mandated on spending on corporate social responsibility for organizations fitting the criteria prescribed by the Companies Act 2013. All companies having a turnover exceeding 1,000 Cr or a net profit above 5 Cr. are now required to spend 2% of their profits on corporate social responsible & sustainable actions

"The companies act 2013 (CSR law) differentiates CSR from charity and does not position it as a 'moral responsibility' for companies but more as an obligation arising from its influence and impact. Donations and charitable acts are not considered as CSR initiatives. Companies are also unable to involve directly in CSR initiatives. This has led to more companies partnering with non-profit organizations and vast opportunities for maximizing development to the society, surrounding environment and economy. (Subramaniam, Kansal, Babu 2017) in their findings indicate most managers believe that a mandatory policy has enhanced the accountability and commitment of governing boards and senior management to CSR since the introduction of CSR Law.

Gayathri, Subramania, Chief Programme Executive of National Foundation of CSR in her opening speech at the CSR summit elaborated about the opportunities now open to the NGOs to carry CSR on behalf of companies. The research hopes to understand the motives that serve as key business drivers to organizations as they expand their CSR initiatives. NGOs also are becoming more active, and they are developing new strategies for collaborating with companies (SylvainePoret, 2014). The key point is the development of competencies and capabilities to connect the business approach with the needs and circumstances of the various stakeholders. It demands a commitment to reshape relationships within the business and social (Jonker, de Witte 2010)

CSR Spending in India

Due to various challenges faced by Indian companies, more organizations are tying up with implementing agencies (NGOs) to ensure that the activities are conducted effectively. These non-profit organizations provide grass root level knowledge of the communities or the affected segment to maximize effectiveness in CSR initiatives.

Problem Statement

- After the implementation of the CSR law, CSR is differentiated from acts of charity. Guidelines have been prescribed for ensuring that actual initiatives are taking place because some **c**ompanies are not able to focus their efforts entirely on CSR activities due to the lack of expertise, trained personnel etc. Therefore there has been a growing need to partnered with NGO and other created foundations or trusts to discharge CSR more efficiently

Objectives

- To analyse companies direct spending on CSR post Companies ACT 2013.
- To compare companies direct CSR spending and through implementing Agencies (NGO)

Literature Review Challenges of Corporate Social Responsibility

According to " Corporate Social Responsibility: Issues & Challenges –(Saxena, 2016) The author felt that CSR required more participation from the employees & the society with regards to maintaining a better work environment in the office as well as when dealing with NGOs for its initiatives.

In "Corporate Social Responsibility: Issues Challenges and Strategies for Indian Firms"- (Y.Nadaf, S.Nadaf, 2014)The research paper states that setting up charitable foundations or conducting initiatives isn't enough unless there are societal awareness and participation. The authors focus on the importance of NGOs to bridge the gap between society and the organizations

According to "Corporate Social Responsibility – Issues and Challenges in India" – (Berad,2011)The challenge facing businesses is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. The author feels that the diversity in themes towards CSR is the cause for un-unified approaches for comparison in India.

The need of CSR Strategies to have NGO collaborations

In Corporations and NGOs: When Accountability Leads to Co-optation (Schmitz 2012) The concludes that more study is required on accountability of NGOs as the cost in resources to maintain efficiency may lead to limitations in spending

In CSR the Role of Non-Profit Organizations and voluntary groups for Creation of Better Environment in developing countries is rapidly increasing. (Deore, Khandare, Jadhav, 2016) the authors feel that the collaboration with NGO's will be an actuality in a dual relationship, i.e. social development and marketing for organizations and It identifies the importance of NGOs from a grass root level to determine society's need for improvement.

Methodology

TOP Ten companies have been selected from the NIFTY index National Stock exchange (India). Annual reports of the past three years have been analysed for these companies. Variables include direct spending, the average profit of the past three years, prescribed CSR budget and spending on NGO/foundation/NGO collaborated CSR efforts.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

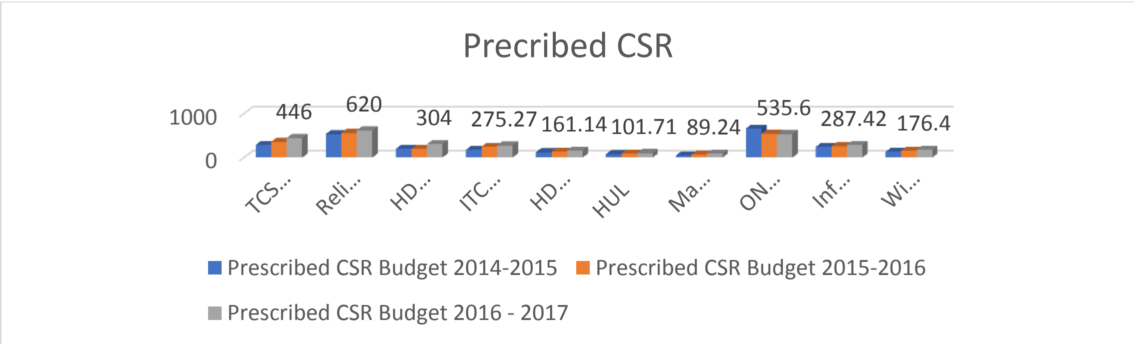
Data Analysis and interpretation

2016-2017	Name of the company	Average Profit Last 3 Years for 2016-17	Prescribed CSR Budget 2016 - 2017	Amount spent on CSR in cr 2016-1017	Deficit/Surplus	Spent on implementing agencies	Spend on Direct Spending
1	TCS Ltd.	22275	446	379.91	66.09	373.71	.6.2
2	Reliance Industries Ltd.	31020	620	659	-39	579	80
3	HDFC Bank Ltd.	15200	304	305.42	-1.42	127.9	177.52
4	ITC Ltd.	13763	275.27	275.96	-0.69	262.78	13.18
5	HDFC corp Ltd.	8056	161.14	146.55	14.59	76.55	70
6	HUL	5085.67	101.71	103.88	-2.17	28.3	75.58
7	Maruti Suzuki India Ltd.	4462	89.24	89.45	-0.21	78.61	10.84
8	ONGC Ltd.	26780	535.6	525.9	9.7	504.82	21.08
9	Infosys Ltd.	14371	287.42	289.44	-2.02	175.02	114.42
10	Wipro	6430	176.4	186.3	-9.9	186.3	0

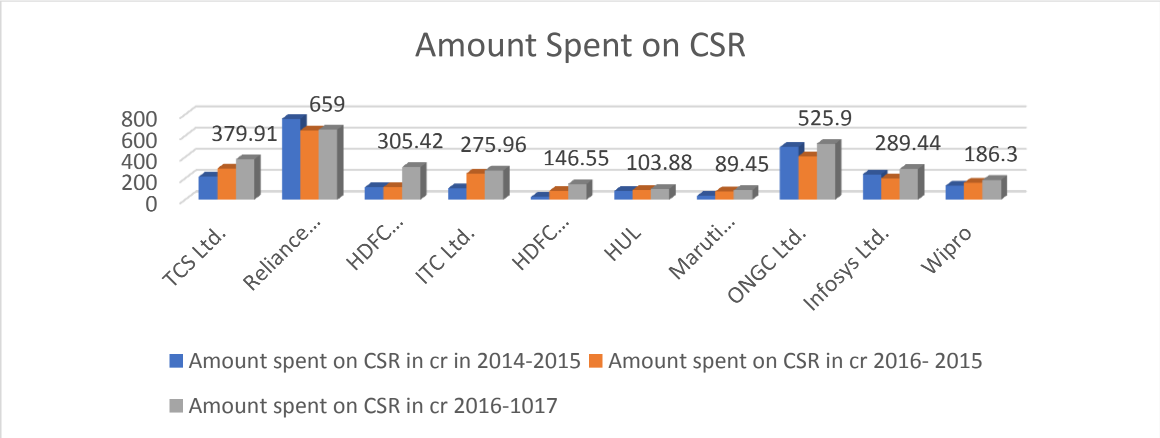
2015 - 2016	Name of the company	Average Profit Last 3 Years for 2016-17	Prescribed CSR Budget 2015-2016	Amount spent on CSR in cr 2016-2015	Deficit / Surplus	Spent on implementing agencies	Spend on direct
1	TCS Ltd.	17,994	360	294.23	65.77	278.77	15.46
2	Reliance Industries Ltd.	27,889	557.78	651.57	-93.79	639.7	11.87
3	HDFC Bank Ltd.	12385	194.81	119.02	75.79	117.23	1.79
4	ITC Ltd.	12338.22	246.76	247.5	-0.74	247.5	0
5	HDFC corp Ltd.	6,962.95	139.26	85.7	53.56	76.97	8.73
6	HUL	4597.07	91.94	92.12	-0.18	25.5	66.62
7	Maruti Suzuki India Ltd.	3269.1	65.4	78.46	-13.06	0	78.46
8	ONGC Ltd.	29684.8	539.7	409	130.7	100	309
9	Infosys Ltd.	12800	256.01	202.3	53.71	123.06	79.24
10	Wipro	7,800.20	156	159.8	-3.8	159.8	0

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

2014-2015	**Name of the company**	**Average Profit Last 3 Years for 2016-17**	**Prescribed CSR Budget 2014-2015**	**Amount spent on CSR in cr in 2014-2015**	**Deficit / Surplus**	**Spent on implementing agencies**	**Spend on direct**
1	TCS Ltd.	14,250	285	218	67	157.85	60.15
2	Reliance Industries Ltd.	26,648	532.96	760.58	-227.62	750.98	9.6
3	HDFC Bank Ltd.	9,856.35	197.13	118.55	78.58	9.75	108.8
4	ITC Ltd.	8785.21	175.7	106.63	69.07	0	106.63
5	HDFC corp Ltd.	6,130.73	122.61	26.91	95.7	26.91	0
6	HUL	3,990.93	79.82	82.35	-2.53	26.28	56.07
7	Maruti Suzuki India Ltd.	2,505.30	50.11	37.25	12.86	0	37.25
8	ONGC Ltd.	26,400	660.6	495.22	165.38	465.05	30.17
9	Infosys Ltd.	12,133.00	243	239.54	3.46	239.54	0
10	Wipro	6415.4	132.7	132.7	0	132.7	0

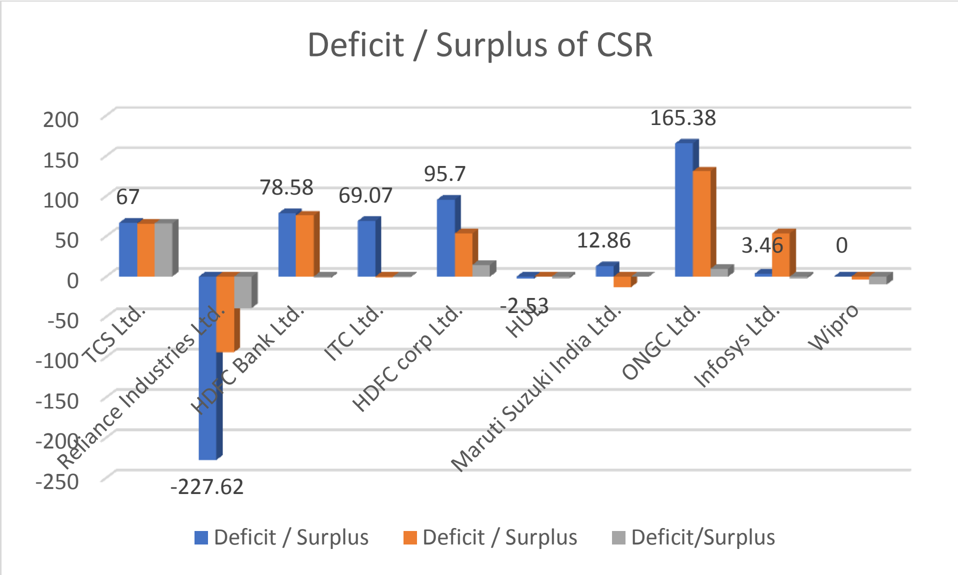


The above graph indicate most of the companies prescribed CSR has increased from 2014 to 2016, Expect for ONGC it has declined, this is due to decrease in their average profits.

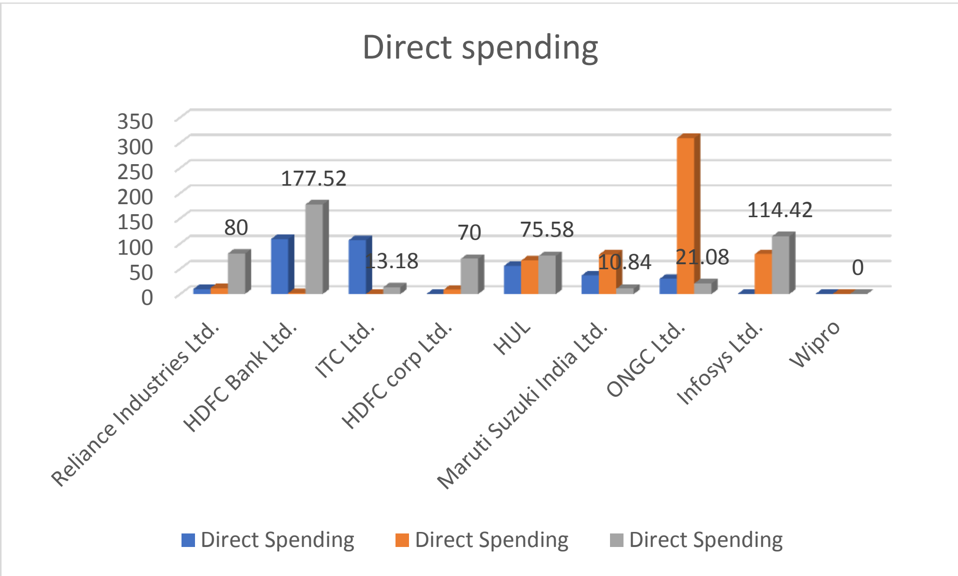


ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

The above chart depicts that the amount of CSR has also increased with the increase in Prescribed CSR. The interesting fact is that though ONGC prescribed CSR declined their amount spent on CSR has increased.

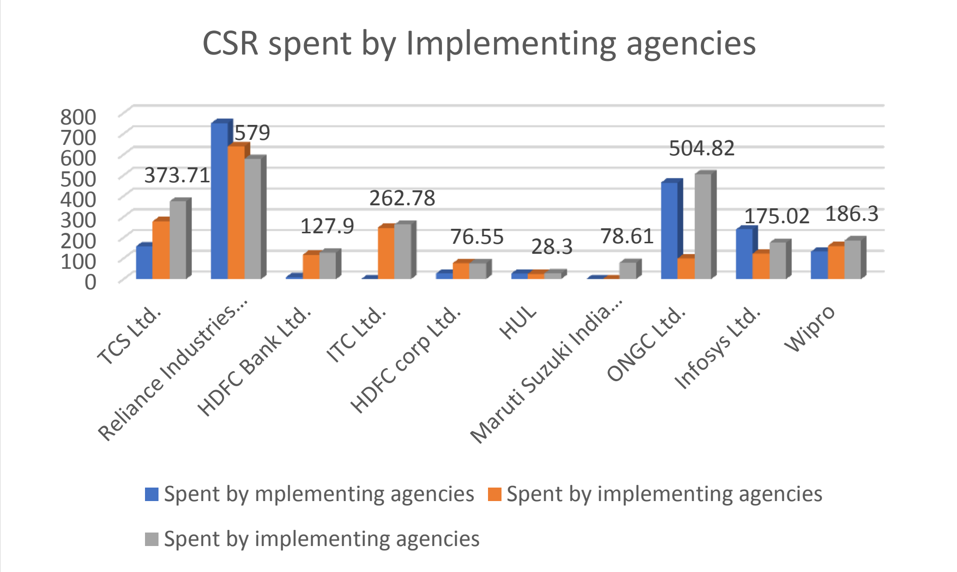


This chart indicates whether companies has spend on CSR above the prescribed limit of spend under the mandate. There is deficit in HDFC bank CSR spending but the company have slowly reduced the deficit. Other companies like HUL, Wipro ad Maruthi Suzuki Have negligible deficit in their CSR spending when compared to their prescribed CSR.



ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

The above chart shows very few companies involve in direct CSR Spending. They are ONGC Ltd HDFC and Infosys.



Most of the companies use implementing agencies to spend their CSR funds. Reliance and TCS are depending on NGOs and their collobrations to discharge CSR Activites.

Name of the company	**% for impementing agencies**	**% for Direct spending**	**% for impementing agencies**	**% for Direct spending**	**% for impementing agencies**	**% for Direct spending**
TCS Ltd.	72.41%	27.59%	94.75%	5.25%	98.37%	1.63%
Reliance Industries Ltd.	98.74%	1.26%	98.18%	1.82%	87.86%	12.14%
HDFC Bank Ltd.	8.22%	91.78%	98.50%	1.50%	41.88%	58.12%
ITC Ltd.	0.00%	100.00%	100.00%	0.00%	95.22%	4.78%
HDFC corp Ltd.	100.00%	0.00%	89.81%	10.19%	52.23%	47.77%
HUL	31.91%	68.09%	27.68%	72.32%	27.24%	72.76%
Maruti Suzuki India Ltd.	0.00%	100.00%	0.00%	100.00%	87.88%	12.12%
ONGC Ltd.	93.91%	6.09%	24.45%	75.55%	95.99%	4.01%
Infosys Ltd.	100.00%	0.00%	60.83%	39.17%	60.47%	39.53%
Wipro	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%

This table shows how much of CSR is spend directly and through implementing agencies.

Findings

Most companies have increased their CSR spending with the increase in their prescribed limit.

Very Few companies are spending CSR funds directly

The Implementing agenies are playing key role in enabling companies spend their CSR funds.

Conclusion

Since the companies act, 2013 organizations have increased their spending on implementing agencies & NGO collaborated efforts.

References

1. Corporate Social Responsibility and Sustainable Businesses A Guide to LeadershipTasks and Functions - Alessia D'Amato Sybil Henderson Sue Florence
2. Sustainable corporate responsibility – The foundation of Successful Business in the new millennium - Schüz, M.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

3. Doing Well by Doing Good or doing Smart? Antecedents and outcomes of Corporate Social performance – Chitra Srivastava Dabas Doctorate Thesis Michigan University (2011)
4. Management models for corporate responsibility – Jan Jonker, Marco de Witte
5. Measuring Corporate Social Responsibility Through Organizational Values: A Scale validation Study Adrise Toliver (2013)
6. Corporations and NGOs: When Accountability Leads to Co-optation Hans Peter Schmitz 2012 J Bus Ethics
7. " Corporate Social Responsibility: Issues & Challenges – (Saxena, 2016)
8. "Corporate Social Responsibility: Issues Challenges and Strategies for Indian Firms"- (Y.Nadaf, S.Nadaf, 2014)
9. According to "Corporate Social Responsibility – Issues and Challenges in India" – (Berad,2011)
10. In "Sustainable Corporate Responsibility – The Foundation of Successful Business In the New Millennium" Schüz (2012) Central European business review
11. "The socially engaged corporation – Attitudes and knowledge related to collaboration with non-governmental organizations" –(Karwaka, Kitzman, 2014)
12. In Corporations and NGOs: When Accountability Leads to Co-optation (Schmitz 2012)
13. In "CSR: The Role of Non Profit Organization and voluntary groups for Creation of Better Environment in developing countries- (Deore, Khandare, Jadhav, 2016)

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Asia Pacific Journal of Research
A peer reviewed international Journal
IMPACT FACTOR : 6.58
Print -ISSN -2320 - 5504
Online-E-ISSN - 2347 - 4793
University Grants Commission
Approved Journal S.N.45797

DIVIDEND ANNOUCEMENT AND ITS IMPACT ON SHARE PRICE

Sectorial Analysis of CNX Nifty Companies in India

Prof. Mahesh Bendigeri

Associate Professor

Global Business School, Hubli

Ms. Kalavati B Sabarad

MBA Sem IV Student

Global Business School, Hubli

ABSTRACT

The stock market is the collective result of the decisions of millions of investors. Though stock prices are based on the value of the issuing company, fluctuations in the stock market are largely dictated by human psychology. There are other factors that are equally important in influencing the stock price such as dividend announcement, bonus issue, merger & acquisition etc. In the present study of Dividend Announcement and its impact on the share price with 43 companies covering a time period of 3 years from 2014 to 2016 representing 17 sectors have been selected. Paired T test with two sample means is used for testing the hypothesis and it is found that out of 43 companies, there is no significant impact of dividend announcement on share price of 28 companies whereas there is a significant impact of dividend announcement on share price 15companies.

Keywords: Dividend, Stock Market, Share Price

Introduction:

Equity shareholders are the real risk bears of the company and also the owners of the company. In the event of abnormal profit, they get higher rate of return vice versa is equally true. Dividend is the cost of equity capital to equity shareholders. Market reacts both the ways depending upon the dividend announcement made by company. If the dividend announcement is upto the expectation of shareholders, the market reacts positively; if not then it will be in bear trend for that particular company. To make Indian stock market at par with developed stock markets around the world, the Securities and Exchange Board of India (SEBI) has initiated a number of reforms such as compulsory quarterly earnings announcement and dividend announcements.

These announcements will definitely have impact on the share price. Researchers around the world have studied some of these impacts and it is considered as an event study. Event studies focus on the impact of various announcements like bonus issue, right issue, stock splits, earnings, dividends, mergers and acquisitions, buyback of stocks, etc. Dividend announcements are one of the most important events and the studies on stock market reaction to earnings information are included in the semi-strong form of efficient market hypothesis (EMH). The semi-strong form of efficient market hypothesis states that stock prices reflects all the publicly available information instantaneously and accurately. The present study provides an empirical evidence of the market's reaction to dividend announcements. It provides an opportunity to understand the markets' assessment of dividend payments, thus facilitating a better understanding of the dividend policies of Indian companies. The present study is important for investors, regulators, and management.

Review of Literature:

Dividend is considered as an important facet of organisation’s financing decision and has attracted the researchers all over the world to find its underlying secrets. Despite a lot of research been undertaken in this field, yet till now, no conclusive answer is there as to the reasons behind dividend distribution and its impact. There is abundant literature that has examined market reaction to dividend

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

announcements. And majority of the studies have concluded the presence of a positive association between announced changes in dividend policy and stock price movements.

Neetu & Shuchi (2010) found that Investors do not gain significant value in the period preceding as well as on the dividend announcement day, yet they can gain value in the post announcement period. The evidence nevertheless shows that dividend increases lead more positive abnormal returns, supporting the Efficient Market Hypothesis.

Subhendu (2014) found that there is a rise price after result but that rise in price is mainly due to market conditions rather than dividend. The increase or decrease in share price is not reflecting the amount of dividend. The CAR is positive in the long run after dividend announcement.

The study of Shaveta et. al.(2012) exposed the fact that stock prices do react positively to increase in dividend announcements. Dividend announcements do possess signalling property.

Abdullahil, Nazamul, Abdullah (2013) found that dividend declaration does not bring any gain to the investors; rather they lose due to substantial fall in share prices both in pre dividend and post dividend period as market passes through regular and continuous revision of directives of regulators to check a bullish market.

The results of study conducted by Sultan & Kumari (2015) indicate that Average Abnormal Returns are not found significant on event day during any period of dividend announcements. The results of paired ttest for means have shown that there are significant differences in average number of transactions before and after announcement from 2006 to 2010. On the other hand, the results of the paired t-test for means have shown mixed results for turnover and average traded quantity during the period under study.

Suwanna (2012) focused on 60 dividend announcements of companies, which were listed on the Stock Exchange of Thailand (SET) from 2005 to 2010. The positive abnormal return was observed after 2 days from the dividend announcemen and found that, the dividend announcements have a significant influence on stock prices, which confirms the dividend signaling theory.

Dasilas and Leventis (2011) employed event methodology and focused on stock market and trading volume reaction to 231 cash dividend announcements for the period 2000–2004 using data from the Athens Stock Exchange (Greece). Their findings revealed that there is a statistically significant market reaction on the dividend announcement day and the market incorporates dividend news in an efficient manner. Such results supported a signaling hypothesis. Similar results were identified by Al-Yahyaee et al. (2011) in the Muscat Securities Market (Oman) between January 1, 1997 and August 31, 2005. The research found that there is a significant abnormal return during the announcement period

Objective of the study :

- To test whether dividend announcement has impact on share price with respect to companies belonging to particular sectors.

Methodology:

- For the purpose of study the researcher have selected CNX Nifty listed companies representing diverse sector of the industry. Share prices of one week before and one week after the date of announcement of dividend, for a period of 3 years i.e. 2014 to 2016 is recorded. Out of 50 CNX Nifty listed companies information regarding dividend announcement of 7 companies were not available, hence the total sample size was arrived at 43 companies with time period of 3 years in all respecting 129 observations. The historical stock prices and the dividend announcement data have been taken from website: www.nseindia.com. Paired T-test with two sample means is used to determine impact of dividend announcement on share price.

Hypothesis:

To achieve the above stated objective, the following hypotheses have been formulated for the proposed study:

H0 : Dividend Announcement has no significant impact on share price

H1 : Dividend Announcement has significant impact on share price

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Result and Conclusion:

Table 1: Paired T test Summary Result of Testing of Means of Share Price , Pre and Post Announcement of Dividend

S.No	Company	Sector	Pre Div Announcement Average. Share Price	Post Div Announcement Average. Share Price	T-Stat p value	Criteria	Hypothesis
1	Bajaj Auto	Automotive	2505	2491	0.075467	P>0.05	Reject
2	Bosch Ltd	Automotive	19321	18565	0.12761	P> 0.05	Reject
3	Eicher Motors Ltd	Automotive	13422	13466	-0.00783	P<0.05	Accept
4	Mahindra & Mahindra Ltd	Automotive	1304	1323	-0.16630	P<0.05	Accept
5	Maruti Suzuki India Ltd	Automotive	4066	4105	-0.040571	P<0.05	Accept
6	Tata Motors Ltd	Automotive	284	293	-0.26954	P<0.05	Accept
7	Axis Bank Ltd	Banking	1021	991	0.047326	P<0.05	Accept
8	Bank of Baroda	Banking	397	381	0.047516	P<0.05	Accept
9	HDFC	Banking	1010	1028	-0.07884	P<0.05	Accept
10	ICICI BANK	Banking	671	664	0.011386	P<0.05	Accept
11	Indian Bank	Banking	150	154	-0.23082	P<0.05	Accept
12	Induslnd Bank Ltd	Banking	871	865	0.025968	P<0.05	Accept
13	Kotak Bank	Banking	978	1003	-0.10233	P<0.05	Accept
14	YES Bank	Banking	801	830	-0.15117	P<0.05	Accept
15	Ultra Cement Com Ltd	Building Material	3021	2970	0.13387	P> 0.05	Reject
16	Asiant Paints	Chemicals	755	770	-0.084	P<0.05	Accept
17	Kirloskar Industries Ltd	Conglomerate	571	543	0.230967	P> 0.05	Reject
18	L &T	Conglomerate	1527	1513	0.286676	P> 0.05	Reject
19	Hindustan Unilever Ltd	Consumer goods	778	797	-0.17244	P<0.05	Accept
20	ITC	Consumer goods	339	331	0.408189	P> 0.05	Reject
21	Powergrid Ltd	Electric Utility	157	154	0.159901	P> 0.05	Reject
22	Tata power com Ltd	Electric Utility	86	82	0.25398	P> 0.05	Reject
23	Graphite India Ltd	Engineering	87	87	0.043792	P<0.05	Accept
24	Can Fin Homes Ltd	Financing	779	807	-0.08883	P<0.05	Accept
25	Adani Ports	Infrastructure	279	276	0.073	P>0.05	Reject
26	GAIL	Infrastructure	374	378	-0.06749	P<0.05	Accept

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 1 continued

S.No	Company	Sector	Pre Div Announce ment Share Price	Post Div Announce ment Share Price	T-Stat p value	Criteria	Hypothesis
27	HCL Tech	IT	1114	1096	0.053767	P>0.05	Reject
28	Infosys Ltd	IT	2128	1728	0.477598	P> 0.05	Reject
29	TCS	IT	2384	2440	-0.48249	P<0.05	Accept
30	Tech Mahindra	IT	1590	1608	-0.02243	P<0.05	Accept
31	Everest Industries Ltd	Manufacturing	305	302	0.044209	P<0.05	Accept
32	Hindalco Industries	Manufacturing	136	132	0.097148	P>0.05	Reject
33	Zee Entertainment Enterprises	Mass Media	264	271	-0.04980	P<0.05	Accept
34	Aurobindra Pharma	Pharmaceutical	920	911	0.03268	P<0.05	Accept
35	Cipla Ltd	Pharmaceutical	581	581	-0.00473	P<0.05	Accept
36	Dr Reddy	Pharmaceutical	3314	3345	-0.06604	P<0.05	Accept
37	Lupin Limited	Pharmaceutical	4704	4796	-0.01930	P<0.05	Accept
38	Nector Life Sciences Ltd	Pharmaceutical	34	38	-1.04982	P<0.05	Accept
39	Sunpharma	Pharmaceutical	843	826	0.355742	P> 0.05	Reject
40	Tata Steel Company Ltd	Steel	389	390	-0.01134	P<0.05	Accept
41	Bharti Airtel	Telecom	379	367	0.614941	P>0.05	Reject
42	Reliance Industries Ltd	Telecom	973	1005	-0.38963	P<0.05	Accept
43	IL & FS Transportation Ltd	Transportation	145	132	0.21828	P> 0.05	Reject

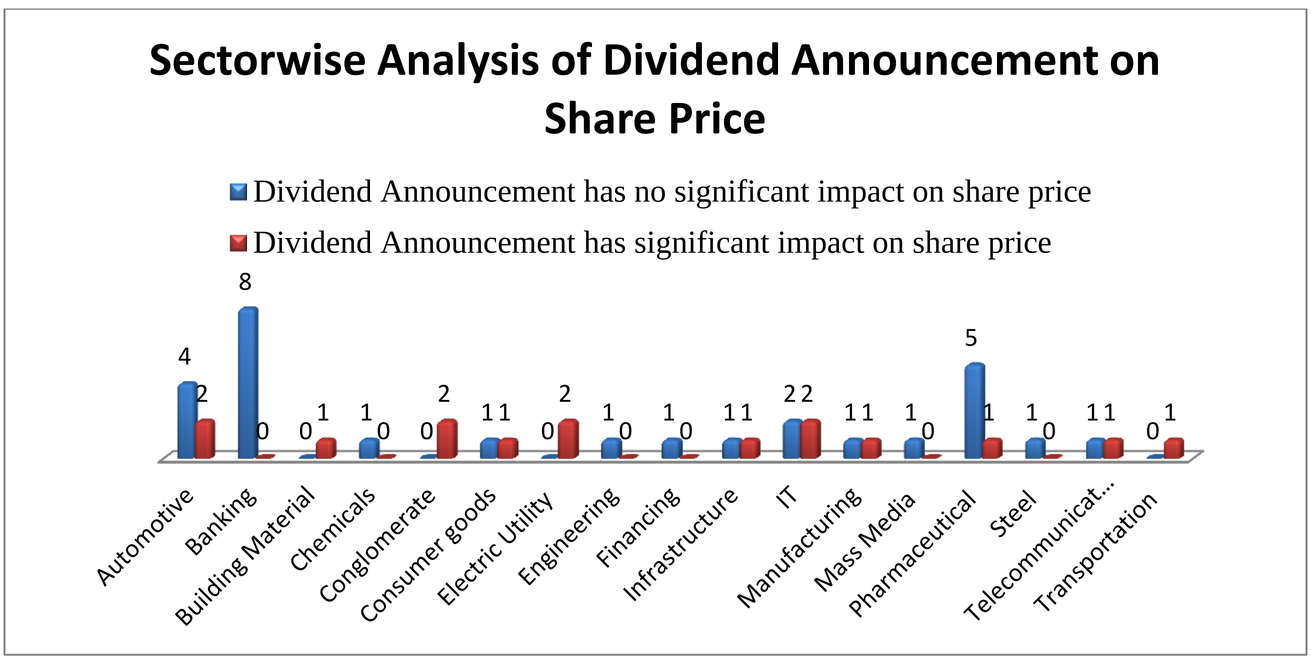
Number of Observation : 3 (years) , Level of Significance = 5%

From the summary table it is found that out of 43 companies selected for the study 28 companies p value is less than 0.05. Hence the Ho is accepted. There is no significant impact of dividend announcement on share price. Whereas rest 15 companies p value is more then 0.05, hence the Ho is rejected. There is a significant impact of dividend announcement on share price.

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

Table 2 : Summary of Sectoral Analysis with respect to Dividend Announcement and its impact on share price

Sector	Total No. of Companies	Ho : Accept		Ho : Reject	
		P Value @ 5 % Level of significance	No. of Companies	P Value @ 5 % Level of significance	No. of Companies
Automotive	6	$p < 0.05$	4	$p > 0.05$	2
Banking	8	$p < 0.05$	8	$p > 0.05$	0
Building Material	1	$p < 0.05$	0	$p > 0.05$	1
Chemicals	1	$p < 0.05$	1	$p > 0.05$	0
Conglomerate	2	$p < 0.05$	0	$p > 0.05$	2
Consumer goods	2	$p < 0.05$	1	$p > 0.05$	1
Electric Utility	2	$p < 0.05$	0	$p > 0.05$	2
Engineering	1	$p < 0.05$	1	$p > 0.05$	0
Financing	1	$p < 0.05$	1	$p > 0.05$	0
Infrastructure	2	$p < 0.05$	1	$p > 0.05$	1
IT	4	$p < 0.05$	2	$p > 0.05$	2
Manufacturing	2	$p < 0.05$	1	$p > 0.05$	1
Mass Media	1	$p < 0.05$	1	$p > 0.05$	0
Pharmaceutical	6	$p < 0.05$	5	$p > 0.05$	1
Steel	1	$p < 0.05$	1	$p > 0.05$	0
Telecommunication	2	$p < 0.05$	1	$p > 0.05$	1
Transportation	1	$p < 0.05$	0	$p > 0.05$	1
	43		28		15



From the table 2 it is found In case of Automotive segment, out of 6companies the p value of 4 companies is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Banking segment, all the 8companies have p value less than 0.05, hence Ho is accepted. In case of Building material segment, only one company p value is more than 0.05, hence Ho is rejected. And H1 is accepted that is Dividend announcement has impact on share price. In case of Chemical segment, only one company p value is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Conglomerate segment, out of two companies the p value of both the companies is more than 0.05, hence Ho is rejected. Dividend

ISSN (Print): 2320-5504
ISSN (Online): 2347-4793

announcement has impact on share price. In case of Consumer goods segment, out of 2 companies the p value of 1 company is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Electric Utility segment, the total 2companies the p value of 2 companies is more than 0.05, hence Ho is rejected. Dividend announcement has impact on share price.In case of Engineering segment, only one company p value is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of financing segment, only one company p value is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price.In case of Infrastructure segment, out of 2 companies the p value of 1company is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of IT segment, out of 4companies the p value of 2 companies is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Manufacturing segment, out of 2 companies the p value of 1company is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Mass Media segment, only one company p value is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Pharmaceutical segment, out of 6 companies the p value of 5 companies is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Steel segment, only one company p value is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Telecommunication segment, out of 2 companies the p value of 1company is less than 0.05, hence Ho is accepted. Dividend announcement has no impact on share price. In case of Transportation segment, only one company p value is more than 0.05, hence Ho is rejected. Dividend announcement has impact on share price.

Conclusion:

Based on the analysis conducted we can infer that the investor can gain out from the dividend announcement only in few industries by buying stocks 7 days before the dividend announcement date and selling 1,3 or 7 days after dividend announcement, but these gains are not statistically significant. One of the reasons for insignificant results might be the relatively small sample. Even though all the companies listed in Nifty index announced dividend during 2014 to 2016. But out of 43 companies, only 15 companies across 17 sectors reflected impact of dividend announcement on share price and within the given sectors. Automotive, Banking, Chemicals, Engineering, Mass Media, Pharmaceutical, Steel revealed no significant impact of dividend announcement on share price. Whereas, mixed reaction was observed in other industries. This means that the change in share price is not due to dividend announcement, but also due to external factors, which need to be studied. The industry wise analysis also shows that the impact of dividend is not different from industry to industry. The individual investors are not using dividend to make investment decision. Therefore we can conclude that dividend announcement is irrelevant to investment decision on sectoral basis.

References:

1. Al-Yahyaee, K. H., Pham, T. M., & Walter, T. S. (2011). The information content of cash dividend announcements in a unique environment. Journal of Banking & Finance, 35(3),606-612.
2. Dasilas, A., & Leventis, S. (2011). Stock market reaction to dividend announcements: Evidence from the Greek stock market. International Review of Economics & Finance, 20(2), 302-311.
3. Gupta, Shaveta, Balram Dogra, A. K. Vashisht, And Shevata Ghai (2012). "Stock Price Reaction To Dividend Announcements." International Journal Of Financial Management 2, No. 2 : 23- 47..
4. Mamun, Abdullahil, Nazamul Hoque, And Abdullah Mohammad Ahshanul Mamun (2013). "Stock Price Reaction To Dividend Announcement: The Case Of Bangladesh Capital Market." Journal Of Economics And Sustainable Development 4, No. 8: 89-98.
5. Mehndiratta Neetu, And Shuchi Gupta (2010). "Impact Of Dividend Announcement On Stock Prices." International Journal Of Information Technology And Knowledge Management 2, No. 2 (2010): 405-410.
6. Pradhan, Subhendu Kumar (2014). "Impact Of Dividend Announcement On Share Price: Both Sector And Industry Wise Analysis." Samzodhana – Journal of Management, Vol. 3 Issue 1, 159-167.
7. Sultan Singh And Kumari Sapna (2011) “Stock Return Behavior Around Dividend Announcements In India: A Study Of BSE A - Group Listed Companies.” International Journal Of Multidisciplinary Research Vol.1 Issue 2, 16-27.
8. Suwanna, T. (2012). Impacts of Dividend Announcement on Stock Return. Procedia - Social and
9. Behavioral Sciences, 40, 721–725.

Website:

https://wiki2.org/en/Securities_and_Exchange_Board_of_India

https://www.mbaknol.com/financial-management/securities-and-exchange-board-of-india-sebi/

https://syskool.com/securities-and-exchange-board-of-india-2/