



Hindi Vidya Prachar Samiti's

**RAMNIRANJAN JHUNJHUNWALA COLLEGE**

Ghatkopar (W), Mumbai- 400086, Maharashtra, INDIA

**Department of Accountancy**

**Proceedings of**

**Two Day State Level Students' Seminar**

**on**

**Changing Dimensions in**

**Accounting, Finance and**

**Taxation in the Indian Scenario**



**16<sup>th</sup> & 17<sup>th</sup> February, 2018**

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Dr. Saraswathi Moorthy

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### **Principal's Message**

The Department of Accountancy under the aegis of the Finance and Accountancy Association organizes academic events to encourage and promote the learning of Accountancy. Learning is an ongoing process which need not be restricted to topics prescribed in the syllabus. Such learning requires the learner to explore new and emerging issues , and gain perspectives in the recent developments in the field of Accountancy.

In order to help the students to *explore, educate* and thereby *empower* them, the department has organized the Two day state level students' seminar on the theme:

**“Changing Dimensions in Accounting, Finance and Taxation in the Indian Scenario”.**

I wish the academic event all success.

A handwritten signature in black ink, appearing to read 'Usha' with a stylized flourish underneath.

**Dr. Usha Mukundan**

**Principal**



### **Conveners note of Thanks**

The Two day State level students' Seminar was organized by the Department of Accountancy on 16<sup>th</sup> and 17<sup>th</sup> February, 2018. The theme of the seminar was "Changing Dimensions in Accounting, Finance and Taxation in the Indian Scenario."

The objectives of the seminar • To encourage students to acquaint themselves with the various changes that have taken place in Accounting, Finance and Taxation. • To empower students through self- learning and inculcate research culture in students • To explore areas which are not included in the course syllabus • To help students to update and keep themselves abreast about the recent developments in the areas of Accounting, Finance and Taxation .Through such seminars, it is expected that students will go beyond the syllabus , such initiatives will encourage students to explore new areas, educate and get empowered in the process thereby learning through self study.

On behalf of the Department of Accountancy, we would like to place on record our sincere thanks to all those who directly and indirectly contributed to the successful conduct of the Two day seminar. Thanks to our invited speakers who accepted our invitation, spared their valuable time and shared their views on various topics of interest with the gathering.

Sincere heartfelt thanks and gratitude to all the judges, reviewers, student participants whose active contribution and participation helped in the conduct of this two day academic event.

Students were the focal point of this seminar and the department appreciates the enthusiastic participation of all student volunteers of R. J. College. This seminar would not have been possible without the guidance and support of Principal Dr Usha Mukundan. Sincere and heartfelt Thanks to one and all

Warm Regards,

Dr Saraswathi Moorthy  
Associate Professor and Head of Accountancy Department  
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Sincere Thanks to all the reviewers.

***Our esteemed and distinguished speakers -***

- ❖ Dr. CA Subhash Desai,
- ❖ Mrs. Noorin Khan, Manager, SEBI,
- ❖ Prof. CA Atul Thatte, Associate Professor, K.J. Somaiya College
- ❖ CA Haresh Desai, Practising Chartered Accountant

***Our erudite judges-***

- ❖ Dr. Kinnarry Thakkar, Associate Professor, University of Mumbai
- ❖ CA Mosam Thakker, Practising Chartered Accountant.
- ❖ CA Savita Desai, Assistant Professor and HOD, N. M. College, Mumbai
- ❖ CA Parvati Soneji, Assistant Professor and HOD, Chetana college, Mumbai

The Department expresses sincere gratitude and thanks to all the Invited Speakers and Judges for their contribution in the seminar.

***Experts Opinion***

- ❖ Ms. Mosam Deepak Thakker, Practising Chartered Accountant.
- ❖ Mr. Sandeep V Joshi, Chartered Accountant.



## The bright side of direct tax proposals: Budget 2018

*Ms. Mosam Deepak Thakker, Practising Chartered Accountant*

The Union Budget 2018 was presented by the Finance Minister Sh. Arun Jaitley on the 1<sup>st</sup> of February this year. This Budget stands testimony to the Government's intention of an all-encompassing development. A step closer towards New India, this Budget addresses itself to the bolstering of rural economy, healthcare and infrastructure. In the ensuing paragraphs, I deep dive on the reassuring direct tax proposals which shall open the doors for a better tomorrow. It is no denying the fact that this Budget manifests Government's audacity to take unparalleled steps without fretting over the fast-approaching elections next year.

The tax slab rates for individuals, Hindu Undivided Family (HUF) and firms have not been plummeted. Tax rate for Companies reporting gross receipts/turnover of up to Rs. 250 crores in the financial year 2016-17 has been brought down to 25%. A standard deduction of Rs. 40,000 has been proposed for the salaried employees in lieu of medical allowance, transport allowance and the like. The cherry on the cake is that such deduction has been allowed to pensioners as well. This budget has renewed buoyancy amongst tax paying senior citizens. A special deduction of Rs. 50,000 (Section 80TTB) has been proposed against interest on all types of deposits. However, it is to be noted that a senior citizen claiming deduction under section (u/s) 80TTB will not be eligible to claim deduction of Rs. 10,000 u/s 80TTA. Furthermore, the deduction u/s 80D available to senior citizens in respect of health insurance premium and medical treatment has been shot up to Rs. 50,000. Also, u/s 80DDB, the existing limit of deduction available to an individual and HUF towards amount paid for medical treatment of specified diseases in respect of senior citizens has been increased to Rs. 1,00,000.

The 5% deviation permitted on valuation of properties (Section 43CA, Section 50C and Section 56) has given immediate respite to the

dealings in real estate. With digitization gaining momentum, it has been put forth to have all income tax scrutiny assessments in electronic mode only. The Government has been leaving no stone unturned to tax giant multinationals like Google by tweaking the definition of Business Connection (Section 9) to include Significant Economic Presence. Employment generation has essentially been a prime concern of the ruling Government. With that frame of reference, the special relaxation u/s 80JJAA has been extended to footwear and leather industry too. Agriculture has always remained the cornerstone of India's fiscal policy and this year, the Budget has provided for deductions in respect of income of the Farm Producer Companies (Section 80PA) to further advocate agriculture. Additionally, with a view to uplift trading of agricultural commodities,

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*If this is not people's budget, nothing  
is or ever can be.*

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section 43(5) has been refashioned to treat such trading transactions as non-speculative subject to fulfillment of certain conditions. Apart from the foregoing provisions, amendments have been brought forward to reinforce the dispute resolution mechanism (Section 253) and shore up the start-ups (Section 80IAC). It is indeed very comforting to know that the Government has granted much needed solace from Minimum Alternate Tax to companies under the Insolvency Proceedings. Although the imposition of tax on long term capital gains has caused humongous hue and cry across the country, the tax payers certainly have multifarious amendments to cheer about.

Shout out to the ruling Government for raising India from the 'fragile five' status to the seventh largest economy of the world. To sum up, my conviction says that if this is not people's budget, nothing is or ever can be.

<sup>1</sup> The opinions expressed herein are the personal views of the author and do not necessarily reflect the views of any organisation. Also, such views should not be construed as a legal opinion.

<sup>2</sup> The sections cited herein are that of the Income Tax Act, 1961.

## Recent developments in Auditing

Sandeep Joshi

Auditors have an attest function and an enormous responsibility towards the users of financial statements who place reliance on the opinion expressed by the auditors. Distance gap between owners and users have increased in modern corporate world and greater reliance is placed on audited financial statements of large organizations. Revenue and regulatory Authorities under various laws have in recent times taken punitive action against negligent auditors who did not exercise due diligence before expressing an opinion on the statements.

Auditing involves inquiry, assessment of audit risks, evidence gathering, verification, evaluation of controls and examination of financial books and statements, with a view to enable the auditor to express an opinion based on conclusions drawn from evidence, whether the financial statements are prepared and presented in accordance with the accepted accounting framework and give a true and fair view of the state of affairs and the financial position of the entity. The owners funds and financial stakeholders in business base their decisions on the opinion given by the auditors on the state of affairs as managed by the users of funds so deployed.

Auditor's scope and liability is thus governed by the terms, scope and limits as per his engagement and also in accordance with the governing statutory provisions (e.g, liabilities of company auditor as per the Companies Act)

### Stages of Audit

Scope--Risk Assessment----- Audit Technique----Audit Evidence----Conclusion---
-- Opinion --

Hence the audit approach has been risk based and delimited by the purpose of auditor's engagement, related statute and restricts the auditor's responsibility accordingly. This has oriented the audit approach and reporting to the terms of engagement and to assessment of audit risk.

The Companies Act, 2013 lays down provisions and rules regarding qualification, appointment and rotation/ removal of auditors.

Institute of Chartered Accountants of India (ICAI), established under the Act of Parliament, have as a matter of its endeavour to continuously benchmark, upgrade and administer highest standards of profession, evolved Indian Accounting Standards (IndAS) which have been enshrined in the Companies Act and laid down various standards and guidance notes on auditing as well. The organization under audit is obliged to comply with these accounting standards. The ICAI has also laid down standards on various aspects of auditing and auditing process so as to regulate the compliance with these standards by different auditors of different organizations engaged in different sectors of the economy. This ensures standardized and principled approach and practice by different auditors in a given situation.

Following pronouncements of ICAI regulate the framework, conduct and evaluation of different types of auditing assignments accepted by the members of the ICAI.

#### 1. Standards on Auditing (SAs)

These broadly cover all aspects of audit per se of any audit area:

# General Principles and responsibilities

200: Overall objectives and manner of conduct of audit as per standards

210: Terms of Audit Engagements

220: Quality control in auditing

230: Documentation

Others: Communication, laws and regulations governing audit, responsibility as regards fraud, communication with those charged with governance.

# Risk Assessment and Response to Assessed Risks

These standards cover areas of planning, identification of risk of material misstatement in financial statements, evaluation of identified misstatements, audit of engagement of service organizations

# Audit evidence

These standards lay down the principles of audit process as regards gathering and retention of audit evidence, external confirmations, use of analytical procedures, sampling, accounting estimates, subsequent events, written representations.

# Using work of others

Principles in relying on work of other auditors including internal auditor, auditor of a component of the organization and expert consultant engaged by the auditor per se.

# Audit conclusions and reporting

Principles of forming an opinion and reporting

# Specialised areas

Audit of financial statements or elements of such statements prepared for special purpose or under special purpose frameworks.

2. Standards on Review Engagements (SREs) (involving review of statements audited/ performed by other auditors)
3. Standards on Assurance Engagements (SAES) (E.g, Assurance report on controls)
4. Standards on related Services (SREs) (E.g, Engagement to perform certain agreed procedures only and engagement to compile financial information)

Bare standards can be downloaded from the URL:

[https://www.icaai.org/new\\_post.html?post\\_id=450&c\\_id=141](https://www.icaai.org/new_post.html?post_id=450&c_id=141)

National Budgeting of distressed Indian economy under election-driven political system and amidst international challenges

Sandeep Joshi

National budgeting involves resource allocation in line with the economic policy, into areas of national priority. Fiscal measures are proposed in budget proposals, to either incentivize the investment into the areas with high multiplier potential such as infrastructure and power generation, apart from disincentivising the flow of money into the low priority or low potential areas. Also, in an interdependent world with near free movement of money and goods, state policy also needs to take cognizance of the challenges of the international economic environment. Budget 2018-19 proposes 12% increase in infrastructure spending to 597000 Crs, full benefits of which will be visible only in the long run.

In times when there has been emphasis on less government and more governance the state role has shrunk from direct or prime mover of the economy to a facilitator and a regulator role since majority of the growth endeavours will have to come from the private entrepreneurs including the investors which covers both foreign direct investment (FDI) and Public Private Partnership (PPP). Indian economy is under pressures such as rural distress in agriculture due to rise in input costs disproportionate to price for produce received by farmers from middlemen and sluggish pattern of private sector investment in productive capacity over the past decade and no discernible progress on employment generation.

Budget exercise in the face of rising crude prices necessitate a different approach than that in times of sluggish crude prices that the world witnessed a few years ago. Budgetary deficit for the next year is planned at 3.3% which is short by miles of the target of 2.5% set by the NK Singh Committee.

		Rs. Crores / 10,000		
		Outlook		Budget
		FY17-18	FY17-18	FY18-19
Revenue Receipts				
Tax	126.95		148.06	
Non-tax	23.6	150.55	24.51	172.57
Revenue Expenditure				
Other than Interest	141.35		156.6	
Interest	53.08	194.43	57.58	214.18
Revenue Deficit		(43.88)		(41.61)
Capital Receipts	11.75		9.22	
Capital Expenditure	27.35	(15.60)	30.04	(20.82)
Fiscal Deficit		(59.48)		(62.43)

*(Financed by Borrowings  
including drawdown of cash  
balance)*

Gross Domestic Product (GDP)	1699.4	1891.8
Fiscal Deficit as % of GDP	3.5%	3.3%

In the past forty years the state emphasis has graduated from mere population control to Human Resource development for skill building and generating employment. It is expected that the infra emphasis coupled with the demand push rural economy will have multiplier effect on all sectors of the economy and will encourage investment and generate employment in the long term. This budget aims to control imports as the Basic customs tariff has been raised and 10% Social Welfare surcharge imposed on a host of items perhaps to give boost to domestic capacity building and production as per Make in India initiative. The government cannot take eyes off the balance of trade that impacts forex rate and inflation. Imports are needed to make quantum jump upliftment and not just gradual improvement of infrastructure and capacities that improve production and service sector so as to generate more employment. Exports cannot be pushed merely by fiscal encouragement without building up the capacities.

The next year will be full GST year with expectedly greater collections due to higher economic activity with better economic growth. The role of Direct taxes has shrunk over the past few decades and hence, the strategy has been to expand the tax payer base rather than increase the rate.

		Outlook FY17-18		Budget FY18-19	Expected Increase
Revenue from Taxes					
	Direct Taxes	100.50		115.00	14%
	Indirect Taxes	93.75		111.87	19%
Total		194.25		226.87	17%
Less:	Share of State Governments	(67.30)		(78.81)	17%
Share of Central Government		126.95		148.06	17%

Increase in direct taxes is attributable to widening of tax base and that in indirect taxes may be due to the full year impact of GST.

There was increase of only 13% in the actual gross tax revenues between 2016-17 (171.58) and 2017-18 (194.45). Hence the planned increase appears ambitious and will hopefully materialize. If not, there will be higher deficit financing and consequences will be for anyone to guess.



In the above context, we can see some highlights of the budgetary provisions at both macro and micro levels:

**Agriculture:** Allocation to agriculture sector has increased by 11% to Rs. 63836 Crores and that for food processing has been doubled to Rs. 1400 Crs. Minimum Support Price is proposed for all crops which will be 1.5 times the norms of production cost.

**Salaried employees:** This class contributes majority of income tax but has no longer an influencer role in the political environment and hence, over the years, has been taken for granted by all political parties. A few sops to the senior citizen will give some relief in the context of ever rising medical costs and costs of living for the elderly. Combined effect of rising food price (MSP) and GST will definitely reduce the real income of this strata of society.

**Investor Community:** Real investment in production capacities and employment have not grown in proportion to the movement of stock markets over the past decade and such real macro economic priorities push the state not to make an entirely market friendly budget. Despite exempting the gains upto the price level of 31<sup>st</sup> January, the stock markets have reacted adversely to the introduction of 10% LTCG and DDT for funds, which is not significantly lower than the 15% STCG. Narrow difference between tax rates may lead to higher activity in the stock markets since long term investment is not greatly differentiated from the short term. Brokers will be happier.

**Entrepreneurs:** Income tax rate has been reduced to 25% for enterprises with turnover upto Rs. 250 Crores from the earlier limit of Rs. 50 crores. This is expected to encourage SMEs and promote job creation in the long run.

**Measures to induce employment generation:**

- Government funding of the 8.33% EPF contribution for three years of new employees  
Such contribution to be 12% in high employment sectors like textiles, leather and footwear.
- Additional deduction of 30% of wages to new employees

**Healthcare to Poor Masses:** Allocation to health sector has been increased by 12% to 54670 crs. The National Health Protection Scheme proposes insurance cover of Rs. 5 Lacs per annum to over 10 Crores of poor families and seems to be a long term and path maker initiative that will be a game changer but appears like a distant goal in view of present status of health care infrastructure.

Indian budgets one year prior to general election do have a flavour of election manifesto and this budget is not an exception since the policy announcements such as Health insurance roll out are long term and don't have short term influence over the remaining one year of the present government. It is only hoped and prayed that such long term announcements actually convert into better quality of life for the masses and don't "merge themselves into" the political "void and disappear"

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**TAX AWARENESS AND TAX PLANNING FOR INDIVIDUAL ASSESSEE****DEVENDRA D. PRASAD****ABISHEKH SHARMA – TYBCOM****Mrs. Khushabu Pandya – Asst. Prof.****Abstract**

Tax planning is the important part of our financial activities. Tax planning is the arrangement of financial activities which reduce tax burden. Benefits of the tax are enjoying by making use of provision in the tax law. The exemption, deduction, rebate and allowances are should be in line for long term benefit. The main aim of study is to find out the most suitable and popular tax saving provision and deduction are adopted by the people. After doing the study we come to know “LIC” life insurance policy and “PPF” provident fund were used by people for the tax saving.

**Key word:** - Tax Planning, Exemption, Deduction, LIC, PPF, Tax Liability, Tax Evasion.

**Introduction:**

Tax planning is the arrangement of the financial activities which help us to save the tax. The tax planning should not be done with intent to defraud the revenue. All transaction entered by an assessee could be legally correct. In respect of tax planning it should be according with rule and regulation of tax law which will show the true and fair spirit of statute and should be correct.

Tax planning is the arrangement of one's affair in such a manner that the tax planner may reduce to maximum possible extent as may be expected within the form of Indian Taxation Act 1961.

When the tax liability is illegally avoided is termed as tax evasion. The tax evasion is done by show the untrue and unfair statement or knowingly submitting document, suppression of fact and not maintaining proper account of income earned.

Individual person who try to reduce the tax burden or tax liability by using tax evasion as reduction tool. They are ultimately met with penalty by income tax department. Because tax law is not only involving for planning but also for the offices was the taxes are paid.

**Research Methodology:** The present study is undertaken to study tax awareness and Tax planning of tax payer. For this requirement, data collected from 100 individual person of four different categories like service man, Businessman, professional, student and other from suburban area kandivali. The study mainly based on primary data. Primary data collected through questionnaire and by personal meeting with individual assessee to study of tax awareness and tax planning method adopted by them.

**Objective of the study:** Primary objective of this study to know how much the individual taxpayer are aware about the tax law and different section under Indian Income Act 1961. The other objective of this study is to find current scenario individual tax planning. Because we know Direct tax is main source of income of our country.

- To know individual tax planning
- To find different form of income tax saving scheme.
- To get information about tax planning in practical life.

### **SAMPLE, SAMPLING TECHNIQUES AND SELECTION OF SAMPLE**

For the current study 100 individual assessee selected using convenient sampling techniques. The sample selected in such way that from every category like teacher, accountant, employee of company, and other employee at least we get all responses from 100 individual. However the composition of gender, income and depend on categories of an individual assessee.

Classification of individual assessee are as follow.

**Table 1. Gender of Respondent**

Gender	Respondent	Percentage
Male	76	76%
Female	24	24%
Total	100	100%

Table No 1. As per the above table it clears that majority respondent are male (76%) as compare to female is (24%).

**Table No 2. Income range of individual assessee**

Respondent	Percentage
Less than 3 lakhs	64%
Rs 3 lakhs to 5 lakhs	36%
Total	100%

Table No 2. Show 64% of the individual are having income less than 3 lakhs and 36% of the people have the income between Rs 3 lakhs to 5 Lakhs.

**Table 3.Occupation of the Respondent**

Occupation	Respondents	Percentage
Professional	24	24%
Student	16	16%
Service man	24	24%
Business man	36	36%

Total	\100	100%
-------	------	------

Table3. Give the detail of occupation wise from our research majority of respondent are business man (36%) followed by the service man (24%), professional are (24%), student are (16%). The more respondent is from the business man because they are engaged with investment scheme like LIC, PPF, etc and they thing so much about tax saving. The followed respondent after the business man are professional and service man, has professional and service man are less dependent on tax saving schemes has compare to business man because tax saving schemes are preferred by investor across the job profiles.

**Table4. Tax planning awareness of individual assessee**

Particular	Respondent in yes	Respondent In no	Total Respondent
How income tax charge	60%	40%	100%
At which rate income tax is charge	60%	40%	100%
When the income of other person included in assess total income	60%	40%	100%
Profession Tax	52%	48%	100%
Interest on housing loan	56%	44%	100%
Insurance premium	84%	16%	100%
Fixed deposit in schedule bank	84%	16%	100%
Interest on loan taken for higher education(U/S 80E)	76%	24%	100%
Donation to charitable fund (U/S80E)	84%	16%	100%
Relief in advance salary(U/S 89(1))	84%	16%	100%

Table3. It's clear from the above table 60% of the respondent are aware of "How income tax is charge", "At which rate income tax is charge", "when the income of other person includes in assessee other total income". From above 84% of individual assessee are aware of Deduction on "Insurance premium", "Fixed deposit in schedule bank", "Donation to charitable fund (U/S80E)", "Relief in advance salary(U/S 80(1))"and 76% of individual assessee are on deduction Interest on loan taken for higher education(U/S 80E). The 52% of individual assessee aware of deduction on "Profession Tax". About 56% of individual assessee are aware of deduction on "Interest on housing loan".



**Table 4. Awareness of individual assesses about 80C deduction**

Particular	Respondent in yes	Respondent in no	Total
Provision for provident fund	60%	40%	100%
National securities certificate	52%	48%	100%
Life insurance corporation	84%	16%	100%
Housing interest	32%	68%	100%

Table No 4. As from the above table it clears the awareness of individual assessee about 80C deduction from which we come to know 84% of the individual assessee is aware about the “LIC” and 60% of individual assessee is aware about “PPF”. About 52% & 32% of individual assessee are aware about deduction on “NSC” and “Housing Interest”.

### **Suggestions**

In current research we have seen different tax reduction scheme which prefer by people. All Assessee were not aware about the all the scheme were they can reduce the tax so they might go for the different scheme for the different benefit, Today people are less aware about the investment in mutual fund were individual assessee can get good return and get good amount of deduction in tax amount. Now her is important to learn terms related to an investment.

In this research some suggestion are given below:

- It is suggested that government and financial institution of India should educate people about tax planning in general to the individual assesses.
- Tax planning alternative are use in number and that make difficult for an individual assesses to choose a specific scheme at the time Income Tax Return.
- Taxpayer generally has a thinking that tax saving instrument only carries tax benefit and don't provide good return.
- Government should organize taxpayer education programs to educate the public about benefit of tax planning.

### **Conclusion**

As per our research we come to know the conclusion of this study is tax is compulsory payment to government body, under the “Indian Income Tax Act 1961”. Hence there are individual who don't want to give tax while other who wants to reduce the amount for tax. Tax planning is not so easy and simple process. There is certain taxes saving schemes provide by income tax Act and deduction provided in income tax act 1961 which make the complicated process. So other way to reduce the tax is investment were government have given some exemption in tax, but again in this the individual find more risk factor in the investment.

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**Benevolent Auditor; A Divine Entity for an Organization**

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**Abstract:** An *audit* is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. This paper focuses on the types of audit and the skill and competence required by an auditor. Research work carried out here also throws light on various phases of auditing. Qualities and characteristics required by an auditor for avoiding financial crisis and smooth functioning of an organisation is also discussed in this research paper. Role of an internal auditor and his importance in evaluating internal control system and analysing the same is also shown here. Differentiation in the role of internal auditor and external auditor is highlighted. Concept and importance of external audit and agencies involved therein along with the types of audit reports and time intervals of the audit are highlighted. As all the above mentioned features are concerned with audit and auditors, every effort is made to impart through knowledge through this research paper beneficial for the people at all levels. A smart auditor considers all these features as baseline and work to grow beyond the “rules and regulation” a eminent mindset of this profession.

**Key words:** mindset, profession, Benevolent, competence,

**Introduction:** The auditor is a systematic and independent examination of books, accounts, statutory, records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts ensure that the books of accounts properly maintained by the concern as required by law. The auditor perceives and recognises the propositions before them for examination, obtains evidence, evaluates the same formulates an opinion on the basis of his judgement.

The word audit is derived from a latin word “audire” which means to “hear”. During the medieval times when manual book-keeping was prevalent, auditors in Britain used to hear accounts read out for them and checked that the organisation’s personnel were not negligent or fraudulent. Cart filed documented that early United States auditing was viewed mainly as verification of book-keeping detail.

**Objectives:** To understand the characteristics and importance of auditor in smooth functioning of an organization. To study the changing of auditor in today's dynamic corporate world.

**Methodology of study:** The present study is collection of data based on secondary data. Secondary data is obtained from published and unpublished records. Books, Magazines, and Journals.

### **Types of auditor**

There are nine types of auditor which play a very important aspect over a subject matter and primary responsibility of another person is:

- External Audit
- Internal Audit
- Forensic Audit
- Public Sector Audit
- Tax Audit
- Information System Audit
- Environmental & Social Audit
- Compliance Audit
- Value for Money Audit.

### **External Audit:**

External audit, also known as financial audit and statutory audit, involves the examination of truth and fairness of the financial statements of an entity by an external auditor who is independent of the organization. The need for an external audit primarily stems from the separation of ownership and control in large companies in which shareholders nominate directors report on the financial performance and position of the company, shareholders need assurance over the accuracy of the financial statements before placing any reliance on them.

### **Internal Audit:**

Internal audit, also referred to as operational audit, is a voluntary appraisal activity undertaken by an organization to provide assurance over the effectiveness of internal controls, risk management and governance to facilitate the achievement of organizational objectives. Internal audit is performed by employees of the organization who report to the audit committee of the board of directors as opposed to external audit which is carried out by professionals independent of the organization and who report to the stakeholders via audit report.

- \* Monitoring the effectiveness of internal controls and proposing improvement.
- \* Investigating instances of fraud and theft.
- \* Monitoring compliance with laws and regulations.
- \* Reviewing and verifying where necessary the financial and operating information.
- \* Evaluating risk management policies and procedures of the company.

- \* Examine the effectiveness, efficiency and economy of operation and processes.

## **Forensic**

Forensic Audit involves the use of auditing and investigate skills to situations that may involve legal implications. Forensic audits may be required in the following instances:

- Fraud investigations involving misappropriation of funds, money laundering, and insider trading.
- Quantification of loss in case of insurance claims.
- Determination of the profit share of business partners in case of a dispute.
- Determination of claims of the professional negligence relating to the accountancy profession.

Findings of a forensic audit could be used in the court of law as expert opinion on financial matters.

## **Public Sector**

In many countries, public sector audits are conducted under the supervision of the auditor general which is an institute responsible for strengthening public sector accountability, governance and promoting transparency. Audits of public sector companies are becoming increasingly concerned with the efficiency, effectiveness and economy of resources used in state organizations which has given way for the development of value for money.

## **Tax**

Tax audits are conducted to assess the accuracy of the tax returns filed by a company and therefore used to determine the amount of any over or under assessment of tax authorities.

## **Information system**

Information system audit involves the assessment of the controls relevant to the IT infrastructure within an organization. Information system audit generally comprises of the evaluation of the following aspect of information system:

- Design and internal controls of the system
- Information security and privacy
- Operational effectiveness and efficiency
- Information processing and data integrity
- System development standard
- 

## **Environment & Social**



The need for environmental auditing is increasing due to higher number of companies providing assurance on the accuracy of the statements and claims made in such report.

## **Compliance**

In many countries, companies are required to conduct specific audit engagements other than the statutory audit to comply with the requirements of particular laws and regulations. Examples of such audit include:

- Verification of reserves available for distribution to shareholders before the declaration of interim dividend
- Audit of the statement of assets and liabilities submitted by a company at the time of liquidation
- Performance of cost audit of manufacturing companies to verify the cost of production in order for a regulator to determine the maximum price to be allowed after allowing a responsible profit margin to companies operating in a sensitive sector.

## **Value For Money**

Value for money audits are increasingly relevant to sectors which do not have profit as their main objective such as the public sectors and charities. They are usually performed as part of internal audit or public sector audit.

## **Characteristics required by a successful auditor:**

Throughout the auditor's career, she/he must possess a strong ethical foundation and avoid any temptation to "let it pass" when a deeper review of an issue may reveal error or fraud. The successful auditor also possesses the following characteristics:

- Vision and instinct
- Able to see the big picture
- People skills
- Decision – making ability
- Leadership
- Superior communication skills.

## **VISION AND INSTINCT**

As an auditor gains experience in working with numerous clients in multiple industries, a good auditor gains the ability to instinctively understand what the client's business is all about. While carrying out the audit, she/he is able to determine a picture of any issues at the business and to translate them into what they might mean in the future.

## **ABLE TO SEE THE BIG PICTURE**

A good auditor is able to sort out connection and linkages within the organization to focus the audit approach. The ability to see the big picture is very important to the planning stages of the audit. Putting the audit plan together requires an appreciation and an understanding of the organization and what constitutes a logical approach to the audit. A good auditors have a much shorter list of targeted questions that are developed specifically for their clients which allows him or her to focus on the big picture.

## **PEOPLE SKILLS**

The audit profession is not all about ticking and tying it's about people. Auditors need to have exceptional people skills. They need to have the ability to deal with all types of clients and in all different types of client's situation. The most overlooked people skill is listening. Listening seems like a simple concept, but few do it well. When client does expand their answer, the auditor must "hear" the client's answer completely; missing one small piece of the answer can cause them to miss the message entirely. Lastly, people skills are very important within your firm and your audit team. Auditors need to be team players as the entire team is working toward a common goal.

## **DECISION – MAKING ABILITY**

Once the audit evidence is accumulated, the auditor needs to determine what is relevant and what is not. Sometimes client's also confuse about their decision and talk to the auditor then auditor must have their ability to take right decision in client side. In the company auditor have ability to take right decision about companies planning and profit.

## **LEADERSHIP**

Great leader have desire to help others succeed. An auditor that is a leader first they are cool and calm and then find solutions to complex problems at the client and has to ability and skill to assist in getting the solutions implemented. A good auditor must survive to become a successful leader. Leadership must be earned day in and day out. Leadership seen by the auditor being a teacher and/or trusted confident. An audit staff members sees a leader as a mentor or coach.

## **SUPERIOR COMMUNICATION SKILLS**

Superior communication allow auditors to have connection and rapport with others on the staff, managers, partners, and clients. A good auditor recognise the importance of face-to-face communication and strives to make it primary mode of communication. It is essential that all auditors work to make verbal communication a priority rather than last resort. In most cases, e-mail should be the last resort.

## **Skills and Competence required by an auditor.**

There are internal and external skills required by an auditor are as follows;

Internal skills and competence: There are seven Internal Auditors should have:

- **Interview Skills**

Internal auditor interviews with members of auditee management and staff are an important first step in the internal audit process. All internal audit interview meetings, wheather with auditee management or team associates, should be based on some internal audit planning and preparation before launching the interviews.

- **Analytical Skills**

Analytical skills refers to the ability to visualize, articulate, and solve complex problems and concepts and to make decisions that makesense based on available information.

- **Testing and Analysis Skills**

Internal auditors should develop their intial decision approaches analytically, their next challenge and a required key competency is to havethe ability to test, review, and assess the materials. For example, the next snippet describes some alternative audit testing approaches

- **Physical Observation**
- **Independent Evaluations**
- **Compliance Tests**
- **Exception or Deficiency Testing**
- **Accuracy Testing**

- **Recommending Results and Corrective Action**

A very important role-perhaps the most important-of an internal auditor is reporting the results of audit work and developing and make strong recommendations for corrective actions, as appropriate.

- **Communication Skills**

Internal auditors must have good communication skills because to dealing with others on a day-to-day basis, all internal auditors should develop strong communication skills.

- **Negotiation Skills**

Internal auditors at all levels should learn negotiation skills because it is very important to negotiate with clients. Internal auditors should develop skills to negotiate and compromise on some items or areas nut always reserve the right to say that something is wrong and needs to be reported.

- **Documentation Skills**

Internal auditors have a major challenge in preparing meaningful and helpful documentation covering all of their work, whether informal notes from a meeting, to auditing workpapers, to the final issued audit report.

### External Skills Required an Auditor.

- External Auditor have self motivation, determination and Confidence.
- Ability to divide time between work and study
- External Auditor must have Meticulous attention to detail
- External Auditor must have A strong aptitude for maths.
- Ability to work deadlines, under pressure.
- 

### Qualities and Qualifications of an Auditor.

An efficient auditor must possess certain qualities besides statutory qualification, so she\he can carry out work efficiently and smoothly. The qualities of an auditor as classified below

#### Qualities

- **Honesty** : An auditor must be honest in his\her work to carry out his/her duties successfully.
- **Tactful** : The auditor should be tactful in dealing with client's staff.
- **Ability To Work Hard** : The auditor must have a painstaking attitude and willingness to work hard.
- **Impartial** : The auditor should not be influenced by any bias in discharging his\her duties.
- **Cautious and Vigilant** : An auditor should always proceed with his/her eyes open and alert.
- **Methodical** : He must perform his/her duties methodically, and should be thorough, and complete in his\her work.
- **Ability to Trace out Facts and Figure** : Auditor should possess a realistic attitude towards his/her work.
- **Always Inquisitive** : Auditor should not adopt an attitude of suspicion.
- **Courage** : Auditor should not certify which he doubts to be genuine.
- **Ability to Maintain Secrets** : Auditor should not disclose the secrets of his/her client to anybody.
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#### Qualification of an Auditor

- Statutory Qualification
- Professional Qualification
- General Qualification

In present economy, government has introduced certain changes like demonetisation and GST which has brought hell over lot of changes in the regular smooth functioning of the company. Auditor whether internal or external needs to be knowledgeable and skillful enough to settle accounts in favour of the company. Companies financial health depends to a greater extent on the skilful management of finances by the auditor.

**Recommendations:**

- Auditor have to keep themselves updated with the changing taxation system.
- Auditors have to be innovative and create own innovation in the organization.
- Auditors have to have ability to make proper decision in the organization.
- Auditors should have skills to solve any problem.
- Auditors should focus on their work and take care about their health.
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**Conclusion**

Auditor needs to be knowledgeable and skillful enough to settle accounts in favour of the company. Companies financial health depends to a greater extent on the skillful management of finances by the auditor. Auditors have to have proper knowledge and skills to explore their innovative ideas. Auditors should be able to take right decision and focused on companies goal and handling employees and client's.

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# ETHICS IN ACCOUNTING

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## INTRODUCTION

Accounting ethics is an important topic because accountants, are the key personnel who access the financial information of individuals and entities. Such power also involves the potential and possibilities for abuse of information, or manipulation of numbers to enhance company perceptions or enforce earnings management. Ethics is also absolutely required in the course of an audit. Without meeting the requirements of auditing and accounting ethics, an audit must instantly be paused.

For a small-business owner, investor or manager, learning the basics of accounting ethics and their function is a good way to avoid legal and financial trouble.

## AIMS AND OBJECTIVES

- Understanding importance of ethics in accounting
- Ethical Issues Facing the Accounting Profession
- Ethical Dilemmas In Accounting

## IMPORTANCE OF ETHICS IN ACCOUNTING

**Accounting ethics** is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics. Accounting introduced by Luca Pacioli, and later expanded by government groups, professional organizations, and independent companies. Ethics are taught in accounting courses at higher education institutions as well as by companies training accountants and auditors. The following are five areas that deserve the attention of anyone considering working in the accounting profession.

## **1. Independence and Objectivity**

Ethics and independence go hand in hand in the accounting profession. A critical component of trust is making unbiased decisions and recommendations that benefit the client. Conflicts of interest, for example, demand exposure under independence guidelines. Benefiting from the sale of one financial product over another could lead to a bias that skews financial advice to a client. To remain objective and independent, it is also necessary to ensure that recommendations are not subject to outside influence. An accountant's professional judgment is compromised if they subordinate their judgment to someone else's.

## **2. Integrity**

Demonstrating integrity means being straightforward and honest in all business and professional relationships. Upholding integrity requires that accountants do not associate themselves with information that they suspect is materially false or misleading — or that misleads by omission.

## **3. Confidentiality**

Disclosure of financial information or revealing the disposition of a potential merger by an accounting professional without express permission violates the trust that is the foundation of a professional relationship — unless there is a legal or professional reason to do so.

## **4. Professional Competence**

As technology, legislation and best practices change, a professional accountant must remain up to date. To exercise sound judgment, an accountant must stay abreast of developments that could affect a decision's outcome. Practicing due care means recognizing your skill level and not suggesting that you have expertise in an area where you do not. Consulting with other professionals is a standard practice that helps to bond a network of individuals and generate respect. Similar guidelines also apply to accounting professionals who supervise others. These accountants must ensure that the subordinates receive proper training and guidance as they carry out their responsibilities.

## 5. Professional Behavior

Ethics require accounting professionals to comply with the laws and regulations that govern their jurisdictions and their bodies of work. Avoiding actions that could negatively affect the reputation of the profession is a reasonable commitment that business partners and others should expect.

### ETHICAL ISSUES FACING ACCOUNTING PROFESSION

- **Pressure from Management:** The burden for public companies to succeed at high levels may place undue stress and pressure on accountants creating balance sheets and financial statements. The ethical issue for these accountants becomes maintaining true reporting of company assets, liabilities and profits without giving in to the pressure placed on them by management or corporate officers. Unethical accountants could easily alter company financial records and maneuver numbers to paint false pictures of company successes. This may lead to short-term prosperity, but altered financial records will ultimately spell the downfall of companies when the Securities and Exchange Commission discovers the fraud.
- **Accountant as Whistleblower:** An accountant may face the ethical dilemma of reporting discovered accounting violations to the Financial Accounting Standards Board. While it is an ethical accountant's duty to report such violations, the dilemma arises in the ramifications of the reporting. Government review of company financial records and the bad press caused by an accounting scandal could cause the company's rapid decline and may lead to the layoff of thousands of employees. Executives and other corporate officers could also face criminal prosecution, leading to heavy fines and prison time.
- **The Effects of Greed:** Greed in the business and finance world leads to shaving ethical boundaries and stepping around safeguards in the name of making more money. An accountant can never let the desire to earn a better living and acquire more possessions get in the way of ensuring that she follows ethical guidelines for financial reporting. An accountant who keeps her eyes on her own bank account more than on her company's balance sheet becomes a liability to the company and may cause real accounting violations, resulting in sanctions from the SEC.



- **Omission of Financial Records** A corporate officer or other executive may ask an accountant to omit or leave out certain financial figures from a balance sheet that may paint the business in a bad light to the public and investors. Omission may not seem like a significant breach of accounting ethics to an accountant because it does not involve direct manipulation of numbers or records. This is precisely why an accountant must remain ethically vigilant to avoid falling into such a trap.

## ETHICAL DILEMMAS IN ACCOUNTING

Accountants provide information about companies that allow the public to make investment decisions for retirement, a child's education and major purchases such as a home. For the public to rely on the information provided, there must be a level of confidence in the knowledge and behavior of accountants. Ethical behavior is necessary in the accounting profession to prevent fraudulent activities and to gain public trust.

- **FACTS**

In an article entitled "Business Accounting Ethics," Katherine Smith and L. Murphy Smith explain that the main reason for ethical guidelines is not to provide an exact solution to every problem, but to aid in the decision-making process. An established set of guidelines provides an accounting professional with a compass to direct him toward ethical behavior. Specific responsibilities of the accounting profession are expressed in the various codes of ethics established by the major organizations such as the American Institute of CPAs. The AICPA Code of Professional Conduct outlines an accountant's responsibilities towards the public interest and emphasizes integrity, objectivity and due care.

- **SIGNIFICANCE**

The effects of ethical behavior in accounting are far reaching in the economy. Every business entity has an accounting professional provide information at some point in the organization's life cycle. Many accounting professionals are tempted to alter financial results and often rationalize the behavior by calling it creative or aggressive accounting. Aggressive accounting is the process of employing questionable accounting methods to boost results. An accountant may record revenues and expenses in an incorrect manner or omit expenses altogether. Repeated incidences of aggressive accounting are a result of the lack of ethical behavior.

- **EXAMPLE**

A common example of an ethical dilemma involves management instructing a subordinate employee to record a transaction in an incorrect manner. For instance, a company with a Dec. 31 year-end calendar year, signs contracts with consumers to perform services. The contracts are usually signed Dec. 1 and are a year in length. Accounting principles require the company to record the revenue for the contract for one month only, the month of December. The remainder of the revenue is recognized on next year's financial statements. However, management instructs an employee to record the entire amount of the contract in December to boost revenues for the current year end. Management receives a bonus for the boosted revenue and the subordinate receives recognition in an upcoming performance review.

- **SOLUTIONS**

Unfortunately, ethical dilemmas, such as the example provided, are common. To help curb the desire to practice aggressive accounting and ignore ethical behavior, a number of organizations require accounting professionals to complete continuing professional education courses on ethics. In addition, a number of companies establish whistleblower hotlines to encourage employees to demonstrate honesty and integrity in the workplace.

- **CONSIDERATIONS**

Many accounting professionals do not encourage ethics courses and argue that ethical behavior is not taught, but it is inherent in an individual's personality. In addition, Faculty Director J. Edward Ketz notes that accounting professors do not like to research or study ethics because of its unscientific approach. The results are difficult to examine and it is hard to gauge the level of success from teaching ethics courses.

## **CONCLUSION:**

An accountant working in the public or private sector must remain impartial and loyal to ethical guidelines when reviewing a company or individual's financial records for reporting purposes. An accountant frequently encounters ethical issues regardless of the industry and must remain continually vigilant to reduce the chances of outside forces manipulating financial records, which could lead to both ethical and criminal violations. Ethics in accounting includes both strict adherence to guidelines and careful assessment of unique situations where professional judgment

is necessary. Understanding the ethical frameworks for independence, integrity, confidentiality and professional competence can guide decision-making and help preserve the reputation of the field..

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**Financial Inclusion is an emerging paradigm in economic growth****Author**

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Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players. It helps in creating platform to save money and general credit awareness. Then in 2014 Prime Minister Narendra Modi launched PMJDY scheme. RBI has taken initiative for financial inclusion as Saving Bank deposit Account in Rural area and KYC guidelines were given to poor rural people. As per World Bank group around 2 billion people don't use formal financial service and more than 50% of adults in the poorest household and unbanked. Banks play a vital role in the economic development of a country like India. Indian economy in general and banking services in particular have made rapid strides in the recent past. Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. It refers to delivery of banking services to masses including underprivileged people at an affordable terms and conditions. Financial inclusion is important priority of the country in terms of economic growth of society. It enables to reduce the gap between rich and poor population. This paper focuses on all features of financial inclusion and the schemes launched therein for the betterment of weaker section of society and also suggest few more features in this direction.

**Keywords:** Financial Inclusion, economy, underprivileged, paradigm

## **Introduction**

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

## **Concept of financial inclusion:**

The purpose of financial inclusion is making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size respectively. Financial inclusion strives to address and proffer solutions to the constraints that exclude people from participating in the financial sector.

An estimated 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example, in Sub-Saharan Africa, only 24% of adults have a bank account even though Africa's formal financial sector has grown in recent years. It is argued that as financial services can be viewed in that are significant positive externalities when more people and firms participate. The availability of financial services that meet the specific needs of users without discrimination is a key objective of financial inclusion.

## **Objectives:**

The objectives of the current research study are as follows:

- To examine the level of financial inclusion in India.
- To review the steps taken by Government, RBI and various other financial institutions towards financial inclusion.
- To assess the importance of financial inclusion on economic development on the basis of the above steps taken.

**Research Methodology:**

This study is an exploratory study based on secondary data. Various websites, journals, books and existing literature was referred to.

**World Bank Report**

Around 2 billion people don't use formal financial service and more than 50% of adults in the poorest household are unbanked. Financial inclusion is a key enabler to reduce poverty and boosting prosperity. World Bank Group President KIM has called for Universal Financial Access (UFA) by 2020. Progress toward financial inclusion, significant challenges remain:

- An estimated 2 billion adults worldwide don't have a basic account.
- Globally, 59% of adults without an account cite a lack of enough money as a key reason, which implies that financial services aren't yet affordable or designed to fit low income users. Other barriers to account-opening include distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion.
- More than 200million formal and informal micro, small and medium-sized enterprises (MSMEs) in emerging economies lack adequate financing to thrive and grow.
- MSMEs cite a lack of collateral and credit history, and business informality as main reasons for not having an account.
- Some groups are more financially excluded than others: Women, rural poor, and other remote or hard-to-reach populations, as well as informal micro and small firms are most affected. For example, the gender gap in developing countries is estimated at 9 percentage points: 59% of men reported having an account in 2014, while only 50% of women did.
- The forcibly displaced populations present one of the most pressing financial inclusion challenges as almost 80% in adults in Fragile and Conflict-Affected States are outside the formal financial system.

**Steps taken by RBI to support financial inclusion\**

Some of the steps taken by RBI are:

- Initiation of no-frills account – These accounts provide basic facilities of deposit and withdrawal to accountholders makes banking affordable by cutting down on extra frills that are no use for the lower section of the society. These accounts are expected to provide a low-cost mode to access bank accounts. RBI also eased KYC (Know Your customer) norms for opening of such accounts.
- Banking service reaches homes through business correspondents – The banking systems have started to adopt the business correspondent mechanism to facilitate banking services in those areas where banks are unable to open brick and mortar branches for cost considerations. Business Correspondents provide affordability and easy accessibility to this unbanked population. Armed with suitable technology, the business correspondents help in taking the banks to the doorsteps of rural households.
- EBT – Electronic Benefits Transfer – To plug the leakages that are present in transfer of payments through the various levels of bureaucracy, government has begun the procedure of transferring payment directly to accounts of the beneficiaries. This “human-less” transfer of payment is expected to provide better benefits and relief to the beneficiaries while reducing government’s cost of transfer and monitoring. Once the benefits starts to accrue to the masses, those who remain unbanked shall start looking to enter the formal financial sector

**Strategies used for financial inclusion**

Strategies used by RBI to implement Financial Inclusion in India

- KCC – Kisan Credit Card – from the year 1998-99 –to meet production credit requirements and short-term credit needs in a timely and hassle-free manner credit for crop production
- Lead Bank Scheme -1969 aimed at forming a coordinated approach for providing banking facilities. To enable banks to assume their lead role in an effective and

systematic manner, all districts in the country (excepting the metropolitan cities of Mumbai, Kolkata, Chennai and certain Union Territories) were allotted among Public Sector Banks and a few Private Sector Banks. The Lead bank role is to act as a consortium leader for co-coordinating the efforts of all credit institutions in each of the allotted districts for expansion of branch banking facilities and for meeting the credit needs of the rural economy. For the preparation of District Credit Plans and monitoring their implementation a Lead bank Officer (LBO) now designated as Lead District Manager was appointed in 1979.

- Local Area Banks (1996) –are expected to bridge the gap in credit availability and strengthen the institutional credit framework in the rural and semi-urban areas. Although the geographical area of operation of such banks will be limited, they will be allowed to perform all functions of a scheduled commercial bank. Licences are given out in under-banked or unbanked areas of the country. Some of these local area banks could eventually become full-fledged banks at some stage. The local area banks are likely to have a capital adequacy ratio higher than 15% to offset higher risk arising from being geographically focused.. The scheduled commercial banks are required to have a capital adequacy ratio — ratio of capital fund to risk weighted assets expressed in percentage terms — of 12%.
- Swabhiman – Opening of Bank accounts covering the habitations with minimum population atleast through Business correspondent model providing cash services. Habitations with population more than 1600 in plain areas and 1000 in north-eastern and hilly states as per 2001 census are covered.
- Ultra small Branches with Bank officers offering other services , undertake field verification and follow-up banking transactions.
- Direct Benefit Transfer : Cash transfer through Aadhar payment Bridge requires Bank accounts which leads to financial inclusion.
- Interest subvention scheme : facilitates access to cheap credit from the banks indirectly through interest subsidies from the govt. It is a subsidy of interest given by Government to certain sectors like Textiles, Farm .. For eg. Textile company borrow from Bank at 10% and Government gives subvention of 2%. Hence net bank takes interest from textiles



companies 8%. Other sectors have to pay 10% to the bank. Likewise, Farm or Agriculture sectors borrow from Bank at 10% and they will get 4% subvention from the govt. Certain sectors are covered by the system of Differential rate interest (DRI) which is less than base rate. Eg : Educational loans, export credit, agriculture, credit to weaker sections.

- Priority Sector Lending – target of 40% of Net Bank Credit to select few sectors for all banks including foreign private ones;
- Rashtriya Mahila Kosh (RMK)- to facilitate credit support to poor women for their socio-economic upliftment

### **Schemes by Government**

#### **Swabhimaan**

Benefits Given by Government in Swabhiman Schemes

- Villages with population greater than 2000 covered; thus limited geographical coverage
- Only rural
- Bank Mitra (Business Correspondent) was visiting on fixed days only
- Offline accounts opening - Technology lock-in with the vendor
- Focus on account opening and large number of accounts remained dormant
- Inter-operability of accounts was not there
- No use of Mobile Banking
- Cumbersome KYC formalities
- No guidelines on the remuneration of the Bank Mitra (Business Correspondent). Banks went generally with Corporate BCs who used to be least expensive to them
- A recent RBI survey finds that 47% of Bank Mitra are untraceable
- Monitoring left to banks
- No active involvement of states / districts
- No brand visibility of the Programme & Bank Mitra (Business Correspondent)
- Providing credit facilities was not encouraged
- No grievance redressal mechanism

**PMJDY**

## Benefits given in PMJDY Scheme

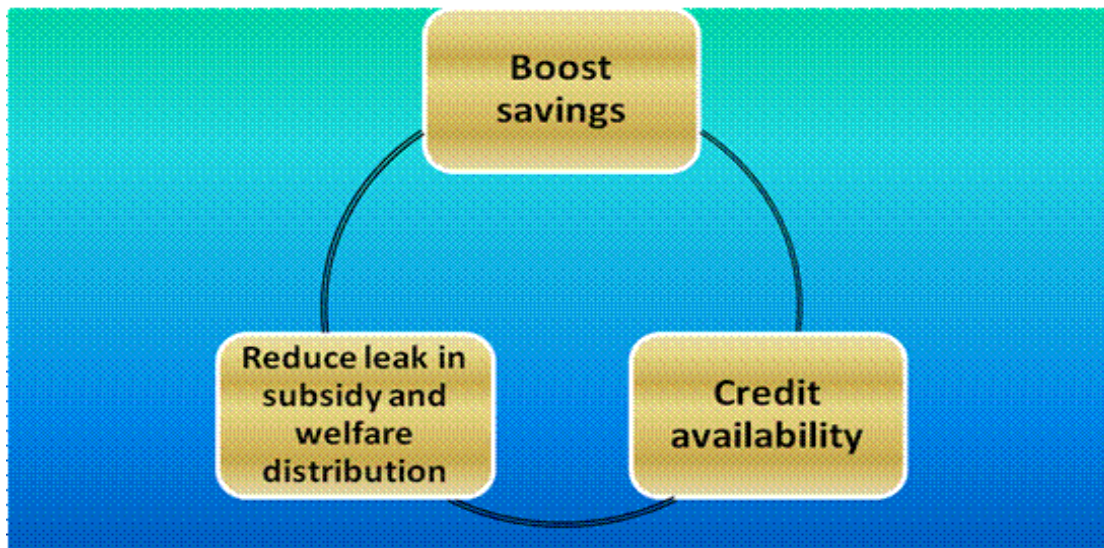
- Focus on household; Sub Service Area (SSA) for coverage of the whole country.
  - Both rural and urban
  - Fixed point Bank Mitr (Business Correspondent) in each SSA comprising of 1000-1500 households (3 to 4 villages on an average) to visit other villages in the SSA on fixed days
  - Only online accounts in CBS of the Bank
  - Account opening to be integrated with DBT, credit, insurance and pension
  - Inter-operability through RuPay Debit Card, AEPS etc.
  - Mobile wallet and USSD based mobile banking to be utilized
  - Simplified KYC/e-KYC in place as per RBI guidelines
  - Minimum remuneration of the Bank Mitr (Business Correspondent) to be ` 5000/- ( Fixed + Variable)
  - Viability and sustainability of Bank Mitr (Business Correspondent) is identified as a critical component
  - Financial Inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level
  - Financial literacy had no focus
  - The rural branches of banks to have a dedicated Financial Literacy Cell
  - State level & District level monitoring committees to be set up
  - Brand visibility for the programme & Bank Mitr (Business Correspondent) proposed
  - OD limit after satisfactory operations / credit history of 6 months
  - Grievance redressal at SLBC level in respective states.
- Importance of financial inclusion in India

**Importance of Financial inclusion in India is:**

- Creating a platform for inculcating the habit to save money – The lower income category has been living under the constant shadow of financial duress mainly because of the absence of savings. The absence of savings makes them a vulnerable lot. Presence of

banking services and products aims to provide a critical tool to inculcate the habit to save.

- Providing formal credit avenues – So far the unbanked population has been vulnerably dependent of informal channels of credit like family, friends and moneylenders. Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the micro-finance sector.
- Plug gaps and leaks in public subsidies and welfare programs – A considerable sum of money that is meant for the poorest of poor does not actually reach them. While this money meanders through large system of government bureaucracy much of it is widely believed to leak and is unable to reach the intended parties. Government is therefore, pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government's subsidy bill (as it shall save that part of the subsidy that is leaked) and provide relief only to the real beneficiaries. All these efforts require an efficient and affordable banking system that can reach out to all. Therefore, there has been a push for financial inclusion.



(Source: <http://www.allbankingsolutions.com/Articles/Articles-AB-Financial-Inclusion.htm>)

### **Benefits of financial inclusion**

Some of the benefits of Financial Inclusion in India are:

- Existing literature shows that greater access to finance increases savings, reduces income inequality and poverty, increases employment, and improves overall well-being.
- Despite positive effects, little is known about the impact of inclusiveness on the soundness of banks.
- As banks are responsible for providing the bulk of financial services to households/firms in any economy, a clear understanding of this link is of immense managerial and economic importance for inclusive financial development and growth.
- By exploiting innovative technology, banks can provide financial services to a large number of customers, potentially at a reduced cost, and mobilise large non-wholesale long-term funding.
- With the competitive advantage of better information, banks can make judicious lending decisions and set prices accordingly, while mitigating moral hazards and adverse selection problems.
- We therefore argue that the benefits may outweigh the costs associated with greater financial inclusion.

### **Suggestions and recommendations**

From the above study I have understood that below Government should take below steps for the growth of the economy:

- Create awareness and educate customers on access to financial services, availability of various types of products and their features.
- Changing thought process of customers towards financial products.
- Promote the financial products by various means in Rural and Urban area.
- Ensure easy financial access and services extend to women and the rural poor.

### **Conclusion**

Financial inclusion is becoming a priority for policymakers, regulators and development agencies globally. Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals. Countries that have achieved the most progress toward financial inclusion have put in place an enabling regulatory and policy environment, and have encouraged competition allowing banks and non-banks to innovate and expand access to financial services. However, creating this innovative and competitive space has to be accompanied by appropriate consumer protection measures and regulations to ensure responsible provision of financial services.

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## **Moving Towards Cashless Economy**

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### **ABSTRACT**

India ranks second as 98% of volume of customer payments and 68% of value of customer payments are in cash (PwC,2015). Hence, India can be regarded as heavily cash-based economy. Keeping in mind, the study aims to analyse the need and impacts of cashless policy in India.

The essence of policy change has been highlighted in the study, as it concerns payment system. The study presents useful recommendations from the 534 stakeholders of urban, semi-urban and rural area. It includes professionals, employees, businessmen, students and other low-income earners and the data was analysed using Chi-Square test, One-way ANOVA test and simple percentage method. It also includes reviewing of three reports on cashless economy. In conclusion, the study posits that the move towards a cashless economy is widely accepted in India mainly with reasons to curb the black money and corruption. More awareness, infrastructure and consistent policies are needed for efficient transition to cashless economy. There is still the need to create gradual move from cash-based policy to cash-less policy and at end to cashless economy. The study has also suggested the plan for moving towards cashless economy.

**Keywords:** Cash-less economy, cashless economy corruption, black money.

### **Introduction:**

India is heavily regarded as cash-based economy where 95% of the transactions are made in cash (PwC, 2015). Cash still dominates the Indian economy. But a major change in the Indian economy was introduced by Government of India by demonetizing the high value currency notes of – Rs 500 and Rs 1000 from 8th November 2016 and push India towards cashless future. Post demonetisation, Indians are taking baby steps towards a less cash economy and have started making payments electronically. Various other measures have also been adopted by government of India to encourage cashless transactions in India thereby making Cashless India. Coupled with Aadhar and the whole availability of digital payment options, the foundation for a fully cashless economy in India have been laid. A cashless economy is one in which all the financial transactions are done through electronic channels such as debit/credit cards, e-wallets, mobile banking, point of sale, internet banking Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS) and other newly introduced payment channels.

According to Woodford (2003) Cashless economy is defined as one in which there are assured to be no transactions frictions that can be reduced through the use of money balance and that accordingly pride a reason for holding such balances even when they earn rate of return. Recently, Government has implemented various new policies for encouragement of cashless transactions. Keeping in mind, the study is aimed to analyse the need and impacts of cashless policy in India.

### **Literature Review:**

Review of literature helps to get better insight of the study. It paves way for a clear understanding of the areas of research already undertaken. Keeping this view in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless economy. The reviews of some of the important studies are presented below:

The move towards a cashless economy brings with it numerous benefits (Yaqub et al. 2013). Majority of the stakeholders support the policy (Princewell&Anuforo (2013). There was a negative significant influence of the introduction of cashless policy on the operations and growth of small scale businesses (Igbara et al.2015). The shift towards a cashless Nigeria seems to be beneficial. Though it comes with high level of concerns over security and management of cost savings resulting from its implementation (Odior&Banuso 2015). The introduction of cashless economy in India can be seen as a step in right direction as it helps in the growth and development of the economy (Preeti Garg &Maanvi Panchal 2017).

### **Objectives:**

The objectives of the present study are:

- To understand the system and need of cashless economy in India.
- To analyse the impact of cashless policy in India.
- To provide suggestions and plan.

### **Importance:**

The importance of the study is that it gives insights into various implications for introduction of the policy. Challenges and prospects are identified which will be useful to various stakeholders. A Plan of way to cashless economy is drafted.

### **Limitations:**

Limitations of the study is that the study covers the payment transactions and system. It is related to area and related stakeholders.

### **Research Methodology:**

Research Design: It is a descriptive research.

Sources of data: The data is collected from primary and secondary sources. Secondary data is collected from research papers, journals, reports, newspapers and internet. Primary data includes-

- Survey method: Since the gradual introduction of the cashless policy, stakeholders are divided along divergent views. The study sampled different stakeholders among different areas-Urban (Navi Mumbai and Mumbai), Semi-Urban (Konkan region) and Rural (Konkan region) (Omotundet al., 2013, Adeniyietal.2015, Achor& Robert, 2013). The data is collected from 534 stakeholders and convenience sampling is used.
  - Field Observation: 3 field observations are done at different places in Mumbai. (Achor& Robert, 2013)
- Data Analysis is done using Chi-Square test, One-Way ANOVA and simple mean. Sample Description is given below.

	<b>Rural</b>	<b>Semi-Urban</b>	<b>Urban</b>	<b>Total</b>	<b>%</b>
Students	18	25	85	128	23.97
Professionals	0	19	39	58	10.86
Employees	0	18	36	54	10.11
Businessmen	15	24	49	88	16.48
Other low-income earners	97	51	58	206	38.58
Total Sample Size	130	137	267	534	
%	24.34	25.66	50.00		

### Hypotheses:

H1: The cashless economy is widely acceptable in India.

H2: The cashless policy has sufficient impact on reduction of corruption, black money and fraudulent practices during elections.

H3: Cashless economy initiative will be of significant benefits to India.

H4: India has insufficient Infrastructure.

### Need for cashless economy:

Majority of retail and commercial payments are made in cash. About 98% of transactions are made in cash. **Sources- PwC, October 2015**

There has been an increase in card payment from 2.8% in 2007 to 4.1% in 2012 (Euro Monitor Passport 201). Also bulk of the India's economy is driven by SMEs and petty traders carrying mostly cash transactions.

- There is a need of cashless economy since there are many vices associated with cash such as corruption, inefficient treasury management, revenue leakage, election rigging, high cost of cash handling and processing, robbery and other related crimes.
- Apart from this, E-Government initiatives are emerging as a key enabler of non-cash payments. Cost of cash is high. (PwC,2015).
- Also, global volume of non-cash payment transaction has grown by 7% annually to an estimated 280 billion transactions in 2010 from 154 billion since 2001. (World payments report).



- Moving towards cashless economy will help to displace shadow economies.
- Monitoring of tax compliance is easy for the government.
- There will be push towards financial inclusion in India as cashless economy will help the unbanked people induce into the banking sector.
- There is ease and convenience while using cashless transactions. An individual can keep a track of all their spending pattern.
- It will benefit the government, corporations, individual, and thereby the society.

Impact of cashless policy:

As per the report of ASSOCHAM “Indian m-wallet market forecast 2022” Rural India, or Bharat, indeed looks like a land of golden opportunity for marketers, including mobile wallet players. (Economic Times 27 Nov 2016). According to BCG reports titled “Rising connected consumer in rural India” constitutes that rural users will constitute half of internet users by 2020.

### Data Analysis and Interpretation:

People in favor of cashless economy –

Chi-Square Test	Total	Rural	Semi Urban	Urban
Value	37.760	8.892	14.781	64.273
Df	1	1	1	1
Asymp. Sig.	.000	.003	.000	.000

Modes of payment being used –

Frequency of using cashless payments-

Oneway ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	128.359	2	64.180	51.086	.000
Within Groups	667.102	531	1.256		
Total	795.461	533			

	N	Mean
Rural	130	2.71
Semi – Urban	137	3.82
Urban	267	3.93
Total	534	3.60

**Response on cash withdrawal limit-**

Chi-Square Test	Total	Rural	Semi Urban	Urban
Value	13.213	35.569	3.861	5.697
Df	1	1	1	1
Asymp. Sig.	.000	.000	.049	.017

**Response on cash ceiling in India**

Chi-Square Test	Total	Rural	Semi Urban	Urban
Value	1.079	20.800	7.015	7.584
Df	1	1	1	1
Asymp. Sig.	.299	.000	.004	.005

**Convenience in using cashless transactions**

Oneway ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	138.645	2	69.323	55.505	.000
Within Groups	663.190	531	1.249		
Total	801.835	533			

	N	Mean
Rural	130	2.71
Semi Urban	137	3.82
Urban	267	3.93
Total	534	3.60

As the above results are significant. Hence, H1 is proved which signifies that cashless economy is widely accepted in India. Responses for people for going cashless is to reduce. Hence, cashless economy has sufficient impact on reduction of corruption, black money and fraudulent practices. Thus H2 is proved.

**Response on benefits to other sectors of the economy**

Chi-Square Test	Total	Rural	Semi Urban	Urban
Value	9.708	13.569	5.321	28.348
Df	1	1	1	1
Asymp. Sig.	.002	.000	.021	.000

Thus, the result is significant within all the three groups. Hence, H3 is proved signifying that implementation of cashless policy will be beneficiary to various sectors of economy. Responses of people for not going cashless is due to the following reasons

**Adequate ICT level for implementation of cashless economy**

Chi-Square Test	Total	Rural	Semi Urban	Urban
Value	142.652	80.031	99.920	12.169
Df	1	1	1	1
Asymp. Sig.	.000	.000	.000	.000

Field Observation: Field observation is done at Navi Mumbai and Mumbai.

- Hyper City: Customers complained of slow transactions because the machines hardly work. At Hyper City, Inorbit mall.
- Payzapp App by HDFC Bank: Recharge payment was not successfully completed though the amount had been deducted from customers account.
- The rejection of deposits of a trader by the Bank of Baroda was observed.

Thus, the above results shows that there is a need for sufficient infrastructure facility for implementation of cashless economy. Hence, H4 is proved.

**Conclusions:**

The study concludes that:

- Respondents of Urban area are more in favor of cashless economy followed by semi-urban and rural area.

- Key reasons why respondents support the policy is because of its potential in reducing cash-related robberies, corruption, and other fraudulent practices among others. (Princewell& Anuforo,2013).
- The Society is moving towards cashless economy since people are-
  - Accepting convenient and frequent use of other modes of payment,
  - Favouring more cashless payment
  - Supporting the cash withdrawal limit.
  - 67 % of businessmen and 54% of other low-income earners are in favour of the cashless economy.
- The increased use of electronic transfer systems can lead to the predictions of a cashless society. (Humphrey et al., 1996; Humphrey and Berger, 1990; Olney, 1999).
- The cashless economy is analysed to be beneficial (Odior& Banuso,2015) subject to ICT literacy and infrastructure.

### **Suggestions:**

Cashless economy should not mean a total elimination of cash as money will continue to be a means of exchange for goods and services in the foreseeable future. There is a need to create more awareness to entice the unbanked people into the banking system. The policy to be framed and implemented to bring low-cost, secure and convenient financial services with adequate infrastructure.

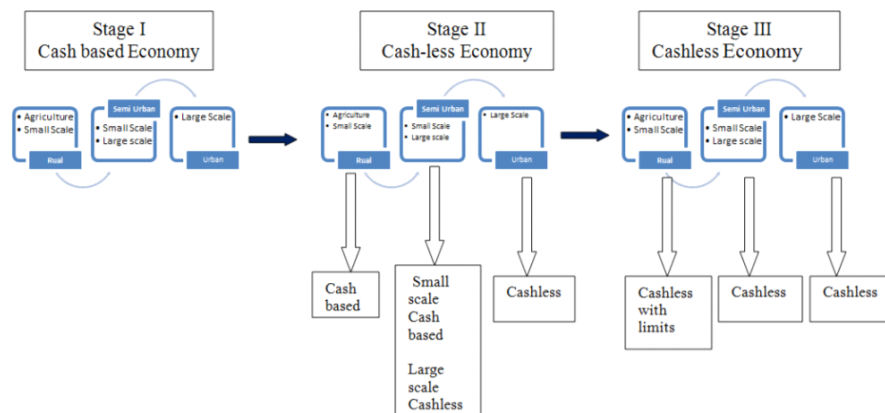
There must be gradual movement -Movement from cash-based economy to cash-less economy and lastly to cashless economy. Futuristic cards if evolve to use biometric ID (finger prints, eye scan) etc. It can be extremely difficult to copy, making it a safer option. Make Electronic payment infrastructure completely safe and secure so that people incident of cyber-crimes is minimised and people develop faith in electronic payment system.

Efforts should be made to convert urban areas as cashless areas since 70% of India's GDP comes from urban areas. If government can convert this into cashless it will be a huge gain.

As a part of CSR every company must adopt certain villages and educate and guide them to go cashless using digital technology. NGO's too can lend a helping hand in training low income groups.

Stored valued can be developed that will be used while travelling with bus, train, cab or auto rickshaw ensuring common fare payment-mode (Singapore Transit cards and in Hong Kong Octopus card). Smart cards can be developed in colleges to provide it to students while paying the fees or purchasing the books.

## Suggested Plan



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**CASHLESS ECONOMY: A GOVERNMENT INITIATED REVOLUTIONARY INITIATIVE****Author**

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**Abstract**

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. All transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer in India. Benefits of cashless economy is to curb of black money. This paper focuses on pros and cons of cashless economy to poor people of India who are in majority and are barely covered under standard banking system. They have also suffered a lot as they depend on cash for daily wages. It will ensure a corruption free India or rather so called parallel economy without coming under the preview of tax will suffer a setback. The latest World Bank report states that due to demonetization, there will be no long-term adverse effect on the health of the Indian economy. Rather, it will eventually prove beneficial for the Indian economy, even in the growth rate of the Indian economy. This paper throws light on the benefits of cashless economy to the Indians of varied income sector.

**Key words: Cashless society, Cashless economy, Paperless, Faceless.**

## **Introduction**

Cashless India is a mission which was started by the Indian government under the leadership of Prime Minister Narendra Modi. The purpose of this mission is to reduce the cash of the Indian economy so that the hidden black money in the country can be brought back to the banking system. On November 8, 2016, the government initiated a revolutionary initiative; the mission devalued the old notes of 500 rupees and 1000 rupees.

. Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them. But, the step taken on Nov 8, 2016 of demonetization has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent.

## **Meaning**

A cashless economy is one of the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer and Real Time Gross Settlement in India. At present, India is far behind to other economies with regard to cashless transactions. The ratio of cash to gross domestic product in India is one of the highest in the world-12.42% in 2014 as compared with 9.47% in China or 4% in Brazil. Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such a US, Japan, France, Germany, etc. Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them. But, the step taken on Nov 8, 2016 of demonetization has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent.

## Objectives

**To study the platform provided by government of India to make this country truly cashless in the real sense. To study the role of banks in making the dream of cashless India a reality.**

## Benefits of Cashless economy

- Reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left.
- Curb generation of black money.
- IT will reduce real estate prices because of curbs on black money.
- It will place universal availability of banking services to all as no physical infrastructure is needed other than digital.
- There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients.
- Reduced cost of printing notes, instances of their soiled or becoming unusable, counterfeit currency.
- Reduced costs of operating ATMs.
- Speed and satisfaction of operations for customers as no delays and queues, no interactions with bank staff required.
- A Moody's report pegged the impact of electronic transactions to 0.8% increase in GDP for emerging markets and 0.3% increase for developed markets because increased velocity of money.

## Modes of Cashless Payments

**Mobile wallet:** It is basically a virtual wallet available on your mobile phone. You can store cash in your mobile to make online or offline payments. Various service providers offer these wallets via mobile apps, which is to be downloaded on the phone. You can transfer the money into these wallets online using credit/debit card or Net banking. This means that every time you pay a bill or make a purchase online via the wallet, you won't have to furnish your card details. You can use these to pay bills and make online purchases.



**Plastic money:** It includes credit, debit and prepaid cards. The latter can be issued by banks or non-banks and it can be physical or virtual. These can be bought and recharged online via Net banking and can be used to make online or point-of-sale (PoS) purchases, even given as gift cards. Cards are used for three primary purposes – for withdrawing money from ATMs, making online payments and swiping for purchases or payments at PoS terminals at merchant outlets like shops, restaurants, fuel pumps etc.

**Net banking:** It does not involve any wallet and is simply a method of online transfer of funds from one bank account to another bank account, credit card, or a third party. You can do it through a computer or mobile phone. Log in to your bank account on the internet and transfer money via national electronic funds transfer (NEFT), real-time gross settlement (RTGS) or immediate payment service (IMPS), all of which come at a nominal transaction cost.

The RBI classifies every mode of cashless fund transfer using cards or mobile phones as ‘**prepaid payment instrument**’. They can be issued as smart cards, magnetic stripe cards, Net accounts, Net wallets, mobile accounts, mobile wallets or paper vouchers. They are classified into four types:

- **Open Wallets:** These allow you to buy goods and services, withdraw cash at ATMs or banks and transfer funds. These services can only be jointly launched in association with a bank. Apart from the usual merchant payments, it also allows you to send money to any mobile number linked with a bank account. M-Pesa by Vodafone is an example.
- **Semi-Open Wallets:** You cannot withdraw cash or get it back from these wallets. In this case, a customer has to spend what he loads. For example, Airtel Money/Ola Money is a semi-open wallet, which allows you to transact with merchants having a contract with Airtel/Ola.
- **Closed Wallets:** This is quite popular with e-commerce companies; where in a certain amount of money is locked with the merchant in case of a cancellation or return of the product, or gift cards. Flipkart and Book My Show wallets are an example.
- **Semi-Closed Wallets:** These wallets do not permit cash withdrawals or redemption, but it allows you to buy goods and services from listed vendors and perform financial services at listed locations. Paytm is an example.

## Methodology of study

Our is a conceptual paper. This paper collection of data is from secondary sources. Secondary data is often from various published search as books, magazines, journals and internet excess.

**ADVANTAGES:** CASHLESS ECONOMY IS DEFINITELY A WISE MOVE, GIVEN THE FACT THAT IT PROVIDES THE FOLLOWING ADVANTAGES:

- A cashless economy will allow less tension of tackling a wallet full of notes along with us, which is not at all safe in a world full of anti-socials. We can rather use our mobile as a one-stop solution for all kinds of transactions such as bill payments, fees payments, funds transfer, recharge, etc.
- It will ensure a ‘black-money free India’ or rather the so-called ‘parallel economy’ where people bypass the banks to gather money in their closets at home without coming under the purview of tax will suffer a setback.
- Crime rates have already started diminishing due to cash ban as most of the terrorist activities are funded with black money that has bore the brunt of this. In addition to this, other crimes such as burglary, extortion, bank robbery, etc. are also declining.
- One of the biggest advantages is the increase in the span of the income tax. Due to least involvement of cash, transactions have to be done through banks where proper KYC verifications will be done prior to banking transactions and hence, it will be easier for the Government to monitor and mend the income tax evasion by the unscrupulous persons. This will, in turn, enhance the revenue received by the Government.

Above all, the cashless economy will lead to the most convenient and secure economy for all.

**DISADVANTAGES:** APART FROM THE BRIGHTER SIDES OF THE CASHLESS ECONOMY, THERE ARE ALSO SOME DARKER SIDES ASSOCIATED WITH IT AS EXPLAINED BELOW:

- The cashless economy will see a hike in the hacking of the personal information over the internet such as credit and debit card numbers, PINs, passwords and other sensitive information due to an increase of digital transactions. In short, cyber crimes will escalate like anything if proper internet security measures are not taken.

- The poor section of India who is in majority and is scarcely covered under conventional banking system will suffer a lot, as they are solely dependent on cash for their daily wages.
- Sectors such as real estate, retail, restaurants, cement and other MSMEs, where huge cash transactions are involved are going to be affected terribly.
- Inadequate internet infiltration, low internet speeds, limited S Smartphone and broadband penetration, very less PoS machines are the roadblocks towards achieving full digitalization that is here the main substitute for cash transactions.
- Funds will always be in control of the third party such as Government, banks, payment interfaces, etc. which lead to extreme uncertainty.

In short, a cashless economy can only be possible with sufficient infrastructure and planning that are required for supporting an economy like India.

### **Steps taken by RBI and Government to discourage use of cash**

- Licensing of Payment banks
- Government is also promoting mobile wallet. Mobile wallet allows users to instantly send money, pay bills, recharge mobiles, book movie tickets, send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1,00,000 based on a certain KYC verification
- Promotion of e-commerce by liberalizing the FDI norms for this sector.
- Government has also launched UPI which will make Electronic transaction much simpler and faster.
- Government has also withdrawn surcharge, service charge on cards and digital payments

### **What else needs to be done?**

- Open Bank accounts and ensure they are operationalized.
- Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.
- Tax rebates for consumers and for merchants who adopt electronic payments.
- Making Electronic payment infrastructure completely safe and secure so that incidents of Cyber crimes could be minimized and people develop faith in electronic payment system.

- Create a culture of saving and faith in financial system among the rural poor.
- The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.
- RBI will also have to shed some of its conservatism, part of which is because it has often seen itself as the protector of banking interests rather than overall financial development.
- The regulators also need to keep a sharp eye on any potential restrictive practices that banks may indulge in to maintain their current dominance over the lucrative payments business.
- 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 trajectories need to be planned for migration to cashless for those having bank account and for those not having.

### **Merits of cashless economy**

- Electronic payments will help business people to boost their customer base even in far of geographic locations and hence will result in enhanced business
- The real estate prices will come down because of curb on black money, as most of the black money is invested in Real estates
- Electronic payments will improve transparency and accountability. Most of the cashless societies are corrupt free as all the transactions are being traced, are visible and are transparent.
- Making online payments are handy and it will lead to slim wallets as people need not carry cash.
- Majority of election funding is done through Black money. Cashless transactions will make it impossible for political parties to spend thousands of crores of unaccounted money on elections. Buying votes by giving cash will also come to an end. True democracy will come into picture.

- Amount of tax collected will also increase, and it can be spent for the betterment of poor and under privileged people.
- Generation of counterfeit currency will be reduced and hence terrorism can be prevented.
- It will reduce pick pocketing and robbery of cash in crowded locations.
- Through online payment one can view history of their expenses and plan their budget in a smart way.
- Printing costs of notes and maintenance itself is accounting to 27 billion; this can be removed by electronic payments as there would be no need of paper currency.

### **De-merits of Cashless economy**

- Many of the rural people and even some urbanites still do not have a functional bank account in order to make online payments.
- A majority of India's population is in rural locations, and there are no proper internet facilities available to make online payments.
- People in rural areas are not educated about the digital mode of payments.
- There are still some places which take cash and do not accept cards. Making a purchase at such locations with card becomes difficult. Small retailers in India still deal only in cash as they cannot afford to invest in digital infrastructure.
- Cash is not under your control, you will try to spend excessively.
- If you lose your debit/credit card, it takes some time to get a new one.
- Hacking and cyber theft are challenging problems which can be caused by online transactions. Cyber Security measures have to be brought in place to prevent money going into wrong hands.
- Even in big cities, sometimes online transactions cannot be made because of poor internet facilities.

**Conclusion**

The first step taken to digital India was the demolition of 500rs and 1000rs notes in India. I do understand that it will be very difficult to adopt to such changes immediately but if such immediate actions were not be taken then India's economical conditions will only turn from bad to worse.

**Recommendation**

This is one way to embellish a better relationship among the public of different religious. Always keep in mind the word "COMING TOGETHER IS A BEGINNING; KEEPING TOGETHER IS PROGRESS; WORKING TOGETHER IS BUSINESS"

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**Changing Dimensions in Auditing and Impact of its Fraud****Lennox Kinny**

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**Abstract:**

An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The purpose of the statutory audit is to detect errors and material misstatements and to provide independent opinion to the shareholders of the financial statements.

The objective of this report is to show the public in general and auditors that in the absence of control there is always a risk of fraud. The study includes audit analysis and its impact on general public.

This report explores that the banks and group companies controlled by unreliable owners can lead to misuse of public funds. Our study includes a survey on Satyam Scandal.

**Keywords:** Internal Audit, Fraud, Misappropriation, Misrepresentation and Disclosure.

**INTRODUCTION:**

“Finding Fraud is like using a metal detector at a city dump to find rare coins, you are going to have lots of false hits.”- **D. Larry Crumbley**.

Fraud is not a recent phenomenon associated to some highly-publicized cases of financial fraud from the last two centuries. It can be found early in the history of our world as men have made use of tricks, manipulation, and deceit in order to acquire money, land, goods, or trust, with the overall objective of making profit. The creation of accounting and audit are connected in economic history with the desire, especially on the part of the state, to contain and prevent stealing and misrepresentation in their finances.

The companies generally function with an objective to earn profits or to increase its worth these days. Their worth and market standing is directly related to their performance. Whenever a company performs well, it is reflected in their books of accounts in the form of profits and other

items in the balance sheet. The users of this information, namely, investors, bankers, shareholders, etc. rely on such information in order to assess the position of the company. Therefore the information reflected by the books of accounts of a company plays a very crucial role in the investment, financing or other vital decisions of various stakeholders. But this poses an important issue. One needs to judge how far the accounts prepared and presented by the company are true and reliable for such decision-making? And the answer to this question lies in the word called 'auditing'. Auditing plays an important role in opinion formulation on the part of the users.

Montgomery -Auditing is, "A systematic examination of books and records of a business or other organizations in order to ascertain or verify and to report upon the facts regarding the financial operations and the results thereof."

A fraud is an act that is done intentionally. As defined in paragraph 11a of SA 240 fraud is "An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage." Fraud is a criminal offence in India and is a punishable offence under Indian Penal Code.

### **OBJECTIVES:**

1. To study cases of audit frauds recently
2. To study the role of auditor as responsible person to improve Governance.
3. To study the norms or guidelines laid by various authorities to reduce fraud.
4. To evaluate the efforts taken by the management and the auditor during the conduct of audit using the case study of Satyam scandal.

### **LITERATURE REVIEW:**

Glgorić Maja (2017) "Countries around the world, especially developed economies, are faced with a number of financial irregularities, as well as non-compliance with accounting standards and legal regulations in the form of criminal and fraudulent actions. Based on previous corporate and accounting scandals, the need for new skills in accounting practice has arisen. The main purpose of those skills is detection of different types of occupational fraud.

Austin A. (2017 ) "audit factors discourage attention to fraud during evidence evaluation. Insufficient attention to fraud can cause auditors to overlook fraud cues while working, making them less likely to collect additional evidence that responds to fraud risks".

Amiram Dan (2017) "Financial reporting fraud and other forms of financial reporting misconduct are a significant threat to the existence and efficiency of capital markets".

### **Kabuye Frank (2017)**

"The internal audit organizational status and the internal audit competence are significant predictors of fraud management. Contrary to previous thinking, internal audit activities do not significantly predict fraud management. Therefore, once internal auditors have appropriate status and are competent in an organization, they are likely to perform activities that enhance fraud management."

### **METHODOLOGY:**

Secondary source of data was used, with help of case study of Satyam Scandal, etc.

### **FINDINGS:**



## 1. Case study

## A) Scandal at Satyam Computer Services Limited:

The 'Satyam Computer Services, scandal' was a corporate scandal affecting India-based company Satyam Computer Services in 2009, in which chairman Ramalinga Raju confessed that the company's accounts had been falsified. On 7 January 2009, the chairman of Satyam, Byrraju Ramalinga Raju, resigned, confessing that he had manipulated the accounts by US\$1.47 billion. The global corporate community was said to be shocked and scandalized. In February 2009, CBI took over the case and filed three partial charge sheets (dated 7 April 2009, 24 November 2009, and 7 January 2010), over the course of the year. All charges arising from the discovery phase were later merged into a single charge sheet. On 10 April 2015, Byrraju Ramalinga Raju was convicted with 10 other members.

## B) KPMG fraud:

The KPMG tax shelter fraud scandal involves allegedly illegal U.S. tax shelters by KPMG that were exposed beginning in 2003. In early 2005, the United States member firm of KPMG International, KPMG LLP, was accused by the United States Department of Justice of fraud in marketing abusive tax shelters. On 29 August 2005, nine individuals, including six former KPMG partners and the former deputy chairman of the firm, were criminally indicted in relation to the multibillion-dollar criminal tax fraud conspiracy. On 17 October 2005, another ten individuals were indicted on criminal conspiracy and tax evasion charges.

## C) WorldCom Scandal

WorldCom admitted in March 2002 that it will have to restate its financial results to account for billions of dollars in improper bookkeeping. An internal audit showed that transfers of about \$3.06 billion for 2001 and \$797 million for the first quarter of 2002 were not made in accordance with generally accepted accounting principles.

## 2) Role of an Auditor:

A2. An audit in accordance with SAs is conducted on the premise that management and, where appropriate, those charged with governance have responsibility:

(a) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and

(b) To provide the auditor with:

(i) All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements;

(ii) Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and

(iii) Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

## 3) Guidelines (Compliance Auditing Guidelines – C&amp;AG of India):

Auditors should plan and conduct the audit with ‘professional scepticism’ and exercise ‘professional judgement’ throughout the audit process.

Auditors should possess the necessary skills

Auditors should observe the code of ethics

Auditors should take responsibility for the overall quality of audit

Auditors should maintain effective communication throughout the audit process

Auditors should consider the risk of fraud

Auditors should gather sufficient and appropriate audit evidence

#### 4) Satyam scandal (case study)

Satyam won numerous awards for innovation, governance, and corporate accountability. “In 2007, Ernst & Young awarded Mr. Raju with the ‘Entrepreneur of the Year’ award. On April 14, 2008, Satyam won awards from MZ Consult’s for being a ‘leader in India in CG and accountability’. In September 2008, the World Council for Corporate Governance awarded Satyam with the ‘Global Peacock Award’ for global excellence in corporate accountability”. Unfortunately, less than five months after winning the Global Peacock Award, Satyam became the centerpiece of a “massive” accounting fraud. The case of Satyam accounting fraud has been dubbed as “India’s Enron”.

Mr. Ramalinga Raju and the Satyam Scandal:

On January 7, 2009, Mr. Raju disclosed in a letter to Satyam Computers Limited Board of Directors that “he had been manipulating the company’s accounting numbers for years”. Mr. Raju claimed that he overstated assets on Satyam’s balance sheet by \$1.47 billion. Nearly \$1.04 billion in bank loans and cash that the company claimed to own was non-existent. Satyam also underreported liabilities on its balance sheet. Satyam overstated income nearly every quarter over the course of several years in order to meet analyst expectations. For example, the results announced on October 17, 2009 overstated quarterly revenues by 75 percent and profits by 97 percent. Mr. Raju and the company’s global head of internal audit used a number of different techniques to perpetrate the fraud. Mr. Raju also revealed that he created 6000 fake salary accounts over the past few years and appropriated the money after the company deposited it.

The Auditors Role and Factors Contributing to Fraud:

Global auditing firm, PricewaterhouseCoopers (PwC), audited Satyam’s books from June 2000 until the discovery of the fraud in 2009. Several commentators criticized PwC harshly for failing to detect the fraud. Indeed, PwC signed Satyam’s financial statements and was responsible for the numbers under the Indian law. One particularly troubling item concerned the \$1.04 billion that Satyam claimed to have on its balance sheet in “non-interest bearing” deposits. According to accounting professionals, “any reasonable company would have either invested the money into an interest-bearing account, or returned the excess cash to the shareholders. The large amount of cash thus should have been a ‘red-flag’ for the auditors that further verification and testing was necessary. Furthermore, it appears that the auditors did not independently verify with the banks in which Satyam claimed to have deposits”. The following is a list of factors that contributed to the fraud: greed, ambitious corporate growth, deceptive reporting practices—lack of transparency, excessive interest in maintaining stock prices, executive incentives, stock market expectations, nature of accounting rules, ESOPs issued to those who prepared fake bills, high risk deals that went sour, audit failures (internal and external), aggressiveness of investment and

commercial banks, rating agencies and investors, weak independent directors and audit committee, and whistle-blower policy not being effective.

### **Aftermath of Satyam Scandal:**

Immediately following the news of the fraud, Merrill Lynch terminated its engagement with Satyam, Credit Suisse suspended its coverage of Satyam, and PricewaterhouseCoopers (PwC) came under intense scrutiny and its license to operate was revoked. Coveted awards won by Satyam and its executive management were stripped from the company. Immediately after Raju's revelation about the accounting fraud, "new" board members were appointed and they started working towards a solution that would prevent the total collapse of the firm. Indian officials acted quickly to try to save Satyam from the same fate that met Enron and WorldCom, when they experienced large accounting scandals.

### **Conclusion:**

After analyzing the case study and other aspects of the research I have come to a conclusion that in spite of having so many rules and regulations laid down by various authorities it has not succeeded to stop the frauds in the audit field. The above mentioned case study states that despite of the fraud the new Board members started working to find solution to resolve the fraud and prevent the company from collapsing. This was a positive sign by newly appointed board members.

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**CHANGING DIMENSIONS OF CSR PRACTISES IN INDIA-**

**A CASE STUDY OF RELIANCE JIO INFOCOMM LTD.**

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**ABSTRACT**

Corporate social responsibility(CSR) can be understood to be a concept imposing a liability on companies to contribute to society along with the duty to conduct the business in an ethical manner.CSR is a form of self-regulation integrated into a business model.CSR benefit the society as the companies go beyond their corporate interests and look into the social problems. Here the study explores the actual practises of CSR disclosed vis a vis its ethical aspects.CSR practises followed by one of the leading telecom company-Reliance Jioinfocomm Ltd, a subsidiary of Reliance Industries Ltd is analysed in this paper.Our study covers the strategies undertaken by jio as an aid to increase its consumers and its impact on other sectors of economy in India.

**Keywords:** Corporates,CSR,strategy,ethics.

**INTRODUCTION:**

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits. CSR,earlier used to lie in philanthropic activities like donations, charity, relief,etc. Globally the concept has evolved and now encompasses all related concepts such as corporate citizenship, corporate sustainability, strategic philanthropy and business responsibility.According to World Business Council of Sustainable Development (WBCSD), CSR is defined as, “the continuing commitment by business to contribute to economic development while improving the quality of life of the

workforce and their families as well as of the community and society at large.”There were no corresponding provisions regarding CSR in Companies Act 1956, but Ministry of Corporate Affairs(MCA) and government of India had brought ‘Corporate Social Responsibility Voluntary Guidelines ,2009’ in December 2009. Now, the new Companies Act 2013 also contains provisions to be mandatorily complied with by the companies falling under the categories as specified. As per the Companies Act 2013, provisions of CSR shall be applicable to every company satisfying any of the following criteria during any of the preceding financial years:

- a) Companies having net worth of rupees five hundred crore or more, or,
- b) Companies having turnover of rupees thousand crore or more, or,
- c) Companies having net profit of rupees five crore or more.

Such companies are also required to constitute a CSR Committee of Board comprising of three or more directors one of whom shall be an independent director. The Act further provides that the Board of every company shall ensure that the company spends, in every financial year, at least two per cent of the average net profit of the company made during the three immediately preceding financial years, as its CSR expenditure. Any default in complying with the provisions specified shall be disclosed in the Board Report. The Companies Act 2013 has specified the format of annual report on CSR activities and also clearly mentions the activities which cannot be treated as CSR activities. The MCA has provided for clarification, that any amount spent in excess of the mandatory limit shall not be allowed to be carried forward to the next year. CSR is not only beneficial to society at large but also to the companies performing CSR activities. Benefits to the companies are as follows:

- Enhanced corporate image and reputation.
- Strengthened brand position.
- Attracts, motivates and retains employees.
- Increases sales and market share.
- Attracts investors and financial analysts.

## **TELECOMMUNICATION SECTOR :**

Telecommunication sector comprises of companies that make communication possible on global scale. This sector is evolved from telegraphs, taking days to communicate, to this modern technological era, where huge amount of data is transferred in seconds. Now, India's telecommunication network is the second largest in the world on the bases of phone users having 1.202 billion subscribers and also on the bases of internet users with 324.89 million subscribers. Hence telecom industry has played and continues to play an important role in economic development of India.

### **TELECOMMUNICATION COMPANIES AND CSR:**

Presently, Airtel, Vodafone, Idea, Jio are few leading companies of telecommunication sector. CSR in this sector plays an important role as this sector affects the economy and the society at large. The study shows that the companies in this sector have performed their CSR activities. Airtel has performed its CSR activities in

- Education sector (Swachh Vidyalaya in Chennai, Coimbatore and Pondicherry)
- Environmental sector (Bagh Bachao Project).

Bharti Airtel, one of the leading companies, has taken various initiatives that include education, sanitation, healthcare, disaster management, environment protection, etc. Some of these are:

- Satya Bharti school programme- Free education to underprivileged children and special attention to girl child and providing of midday meal, stationery, etc
- Satya Bharti Quality Support Programme- provides need based intervention to improve the quality of schooling experience.
- Nyaya Bharti- aid to underprivileged undertrials.

Idea Cellular Ltd under its CSR activities emphasizes on improving access to education, improving learning among students through various projects. It has covered 500000 students through various projects in the states of UP, Karnataka, MP, Tamil Nadu, Odisha, Bihar, Gujarat. Idea has also taken health care activities as its CSR activities. Idea has also made the required disclosures as specified in Companies Act 2013.

Vodafone focuses on addressing challenges relating to education, equality and access.

- Rural Women Initiative for Self-Sustained Enterprises.
- Digital Literacy.
- SEWA RUDI.

#### **RELIANCE JIO INFOCOMM LTD:**

Reliance JioInfocomm Ltd, is a subsidiary of Reliance Industries Ltd. It was launched to its partners and staff in 27 December ,2015. This company provides fourth generation (4G) services. Since its commercial launch, by october 2017, the company has 130 million subscribers .ReliancejioInfocomm Ltd covers all the 22 circles of India.The strategy used by Jio was predatory pricing. This is a strategy that brought Jio such higher number of subscribers so early. Jio used this strategy by incurring losses in the beginning and slowly making increasing profits through it. This strategy is not only beneficial to the company but also is proved to be beneficial to consumers as Jio provides for low price schemes.RelianceJio, though being the newest entrant, has accumulated more than 138.6 million subscribers for its network.

As per the Companies Act 2013 requirements, to perform CSR activities a company requires to make a expenditure of 2% of average net profits of three financial years. Reliance JioInfocomm Ltd, has incurred losses and therefore this company does not fall under the category of performing mandatory CSR activities. Though Reliance Jio is not required to perform CSR activities as per law, it has voluntarily initiated to perform activities under their CSR.The CSR activities proposed by Reliance JioInfocomm Ltd are:

- Offering (pre-launching) free 4G service to Indore traffic police.

Under this CSR activity ,jio offered free 4G services to Indore traffic police.It also plans to extend its reach to government hospitals and schools.RelianceJioInfocomm Ltd tied up with Indore traffic police to provide high-speed internet for relaying signals from Red Light Violation Detection (RLVD) cameras installed at 15 traffic squares.

- Jio Scholarships -Class 10th to Post Graduate.

Jio is now giving financial support to students who have completed their 10th to Post graduates.

Students who are performing well in their artistic, athletic , or other abilities will be awarded with this scholarship. This scholarship is paid directly to the institutes where the students belong.

Jio also issues scholarship for specific categories like gender, race, religion, family, medical history or many other specific factors. There are also need based scholarships available wherein, the scholarship is provided as per the need in the particular field of education. The candidates are required to fill eligibility forms to proceed with scholarships. However the launching date is not particularly specified but all the details regarding the eligibility and procedures have been updated. The research shows that many of the students are awaiting the launch of this scholarship by Jio.

## **LITERATURE REVIEWS:**

The concept of CSR is one of the key ethical and moral problems which corporate decision-making and behavior is surrounded (Branco and Rodrigues 2006). As a business concept, corporate social responsibility (CSR) has emerged in the late years of the twentieth century, when a growing number of companies started to consider the impacts of corporate decisions on society and the environment. In general, CSR refers to the obligations of firms to society, more particularly, refers to the obligations to stakeholders and those who persuade corporate policies and practices.

Baker (2006) argues that proponents of CSR claim that it is in the enlightened self-interest of business to undertake various forms of CSR.

Bansal, Parida, Kumar (2012), paper entitled “Emerging trends of Corporate Social Responsibility in India” in KAIM Journal of Management and Research analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not functioning only to earn profit but also have realized the significance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now ongoing taking a turn in the new direction.



The Economic Times (11 Jan.2013), news highlighted about the company Dell's strategy of motivating its employees in initializing CSR. The news discussed that company's employees are the power that forced the company to do more for the society. Company with its employees are busy in social responsibility activities in the areas of education, environment and employee welfare. Beside Dell Company, the news also discussed about other companies like Maruti and Godrej that these companies also provide induction training to its employees for preparing them for community services. Maruti Company run a program named e- parivartan for a group of employees to make them aware about community problem and their solution.

### **OBJECTIVES:**

- To study the compliance relating CSR in India.
- To know the CSR practises in telecom industry.
- To do a case study on Reliance jio
- To do a comparative analysis on the CSR by Reliance jio and other telecom companies.

### **METHODOLOGY OF STUDY:**

a)Primary data was obtained by using survey method. This data was obtained to know about the preference of consumers over mobile network providers and their views on Jio and its services. The survey was performed on college students and few professors in urban area between the age group of 19- 45. This survey was performed by preparing Questionnaire. The sampling size for this survey was 150 literates.

### **RESULT ANALYSIS:**

This survey method was performed without considering any gender basis .the results from the questionnaire are presented below.

- The response by the consumer for the mobile network preferred by them was as follows:

**TABLE 1-Network Preferred**

NETWORK PROVIDER	PERCENTAGE OF USERS
Vodafone	39.33%
Airtel	17.33%
Jio	40.67%
Others	2.67%

- This was to know the views of consumers on the package provided by mobile network providers:

**TABLE 2-Package Preferred**

NETWORK PROVIDERS	PACKAGES PREFERRED
Vodafone	36.67%
Airtel	18%
Jio	42.67%
Others	2.67%

- The following table discloses the views of the consumers on whether Jio has achieved its objective of “DIGITAL INDIA “

**TABLE 3: Digitalisation .**

“Digital India”objective of JIO achieved	Percent of response
Yes	77.33%
No	22.67%

- In the following table, the views of consumers based on their knowledge on the CSR activities is known.

**TABLE 4 :CSR By Jio**

CSR activities by Jio	Percentage of response
Performed	44%
Not Performed	56%

The following results are based on the views given by Jio network users, other network users are not taken into consideration for the following as those are only related to the services provided by Reliance Jio and hence requires the views of Jio subscribers.

- Views based on the network satisfaction of the subscribers are as follows:

**TABLE 5:Connectivity**

Connectivity	Percentage of response
Good	72.13%
Not good	27.87%

- Following are the views on customer services provided by Jio.

**TABLE 6:Customer services.**

Consumer friendly	Percentage of Response
Yes	67.21%
No	32.79%

- Opinion of consumers over the price changes by Jio.

**TABLE 7:PRICE CHANGE**

Price change	Percentage of response
Fair	74.67%
Unfair	25.33%

- Following are the views of consumers over switching their network providers, if the prices are raised by Jio in future.

**TABLE 8:Switching over**

Switching over if price raised by jio	Percentage of response
Yes	62.30%
No	37.70%

b)Secondary sources like newspapers,articles,books and online sources were used.

### **FINDINGS:**

The survey and other research show that Reliance Jio has interesting and smartly strategize its business which has not only benefited the company by getting a major share in the market but also benefited consumers. Through Jio, consumers became aware that the price of mobile networks and internet are much more cheaper than those which other competitors charged. Not only the consumers of Jio but also other network subscribers are benefited due to predatory pricing strategy by Reliance Jio, as the competitors had to introduce cheaper plans to stay in the market. Most of the customers of Reliance Jio are happy with the services and felt that the “DIGITAL INDIA” project of Prime Minister, Modi, supported by Jio is being achieved.

The strategy of Reliance Jio caused its competitors a major loss of subscribers as well as in their revenue. This loss was quietly born by some competitors while some opposed it and files suits against the strategies used by Reliance Jio.

Airtel had filed a suit against Jio for “Predatory Pricing” with the Competition Commission of India (CCI), which was eventually rejected. The study also disclosed that Reliance Jio claimed that it was blocked to function in the market by the competitors and hence Jio had file a suit for “Cartelisation “ by competitors i.e. by Airtel, Vodafone, Idea.

### **CONCLUSION:**

Our conclusion from this study is that the new Companies Act 2013 is better than the previous Act as it includes specific provisions regarding CSR activities and due to this Companies Act 2013, changes in the CSR activities have been seen. Earlier due to lack of provisions, most of the companies either did not perform their CSR activities or just named their business activities as their CSR activities. But since the new Act has made mandatory provisions, a better change is to be seen with regards to consumers, society at a large and also the Environment. In case of Reliance Jio, CSR activities are predicted to be successfully carried on by the company as there are many CSR activities performed by its parent company i.e. Reliance Industries Ltd as one of its mission.

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## **Accounting Fraud with reference of Satyam Company**

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### **ABSTRACT:**

Accounting Fraud means misrepresentation or alteration of accounting record regarding sales, revenue, expenses and other factors for a profit motive such as inflating company stock values, obtaining more favorable financing or avoiding debt obligations. In this research paper we analyzed the accounting fraud with case study of Satyam Company is classic example, Satyam means "truth" in the ancient Indian language "Sanskrit". Satyam won the "Golden Peacock Award" for the best governed company in 2007 and in 2009. From being India's IT "crown jewel" and the country's "fourth largest" company with high-profile customers. Mr. Ramalinga Raju (Chairman and Founder of Satyam), who has been arrested and has confessed to a \$1.47 billion (or Rs. 7800 crore) fraud, admitted that he had made up profits for years. The Auditors Role and Factors Contributing to Fraud Global auditing firm, Price water house Coopers (PwC), who had audited Satyam's books from June 2000 until the discovery of the fraud in 2009. Several commentators criticized PwC harshly for failing to detect the fraud. Indeed, PwC signed Satyam's financial statements and was responsible for the numbers under the Indian law. Satyam's shares fell to 11.50 rupees on January 10, 2009, their lowest level since March 1998, compared to a high of 544 rupees in 2008. Thus, investors lost \$2.82 billion in Satyam. Unfortunately, Satyam significantly inflated its earnings and assets for years and rolling down Indian stock markets and throwing the industry into turmoil. Criminal charges were brought against Mr. Raju, including: criminal conspiracy, breach of trust, and forgery.

**Keywords: Accounting Fraud, Satyam Scam****Meaning of Accounting Fraud:**

The international misrepresentation or alteration of accounting record regarding sales, revenue, expenses and other factors for a profit motive such as inflating company stock values, obtaining more favourable financing or avoiding debt obligations. Employees who commit accounting fraud at the request of their employers are subject to personal criminal prosecution.

**Case Study on Corporate Accounting Scandal at Satyam Computer Services Limited:**

A Case Study of Indian history of accounting scam is Satyam Computer services ltd. Satyam means “truth” in the ancient Indian language “Sanskrit”. Satyam had won the “Golden Peacock Award” for the best governed company in 2007 and in 2009. From being India’s IT “crown jewel” and the country’s “fourth largest” company with high-profile customers, the outsourcing firm Satyam Computers has become involved in the nation’s biggest corporate scam in living memory. The main culprit was Mr. Ramalinga Raju (Chairman and Founder of Satyam; henceforth called “Raju”), who has been arrested and has confessed to a \$1.47 billion (or Rs. 7800 crore) fraud, admitted that he had made up profits for years. Mr. Raju and his brother, B. Rama Raju, who was the Managing Director, “hid the deception from the company’s board, senior managers, and auditors”.

In order to evaluate and understand the cruelty of Satyam’s fraud, it is important to understand factors that contributed to the “unethical” decisions made by the company’s executives.

- **Emergence of Satyam Computer Services Limited:**

Satyam Computer Services Limited was a “rising-star” in the Indian “outsourced” IT-services industry. The company was formed in 1987 in Hyderabad (India) by Mr. Ramalinga Raju. The firm began with 20 employees and grew rapidly as a “global” business. It offered IT and business process outsourcing services spanning various sectors. Satyam was as an example of “India’s growing success”. Satyam won numerous awards for innovation, governance, and corporate accountability.

From 2003-2008, in nearly all financial metrics of interest to investors, the company grew measurably. Satyam generated USD \$467 million in total sales. By March 2008, the company

had grown to USD \$2.1 billion. The company demonstrated “an annual compound growth rate of 35% over that period”. Operating profits averaged 21%. Finally, beginning in January 2003, at a share price of 138.08 INR, Satyam’s stock would peak at 526.25 INR- 300% improvement in share price after nearly five years. Satyam clearly generated significant corporate growth and shareholder value. The company was a leading star and a recognizable name in a global IT marketplace. The external environment in which Satyam operated was indeed beneficial to the company’s growth.

- **Satyam Scandal:**

Mr. Ramalinga Raju and the Satyam Scandal on January 7, 2009, Mr. Raju disclosed in a letter to Satyam Computers Limited Board of Directors that “he had been manipulating the company’s accounting numbers for years”. Mr. Raju claimed that he overstated assets on Satyam’s balance sheet by \$1.47 billion. Nearly \$1.04 billion in bank loans and cash that the company claimed to own was non-existent. Satyam also underreported liabilities on its balance sheet. Satyam overstated income nearly every quarter over the course of several years in order to meet analyst expectations. For example, the results announced on October 17, 2009 overstated quarterly revenues by 75 percent and profits by 97 percent.

Mr. Raju and the company’s global head of internal audit used a number of different techniques to perpetrate the fraud. “Using his personal computer, Mr. Raju created numerous bank statements to advance the fraud. Mr. Raju falsified the bank accounts to inflate the balance sheet with balances that did not exist. He inflated the income statement by claiming interest income from the fake bank accounts. Mr. Raju also revealed that he created 6000 fake salary accounts over the past few years and appropriated the money after the company deposited it. The company’s global head of internal audit created fake customer identities and generated fake invoices against their names to inflate revenue. The global head of internal audit also forged board resolutions and illegally obtained loans for the company”. It also appeared that the cash that the company raised through American Depository Receipts in the United States never made it to the balance sheets.

Greed for money, power, competition, success and prestige compelled Mr. Raju to “ride the tiger”, which led to violation of all duties imposed on them as fiduciaries—the duty of care, the duty of negligence, the duty of loyalty, the duty of disclosure towards the stakeholders.



On December 16, 2008, the Satyam board, including its five independent directors had approved the founder's proposal to buy the stake in Maytas Infrastructure and all of Maytas Properties, which were owned by family members of Satyam's Chairman, Ramalinga Raju, as fully owned subsidiary for \$1.6 billion. Without shareholder approval, the directors went ahead with the management's decision. The decision of acquisition was, however, reversed twelve hours after investors sold Satyam's stock and threatened action against the management. This was followed by the law-suits filed in the US contesting Maytas deal. Investment bank DSP Merrill Lynch, which was appointed by Satyam to look for a partner or buyer for the company, ultimately blew the whistle and terminated its engagement with the company soon after it found financial irregularities.

On 7 January 2009, Satyam's Chairman, Ramalinga Raju, resigned after notifying board members and the Securities and Exchange Board of India (SEBI) that Satyam's accounts had been falsified. Raju confessed that Satyam's balance sheet of September 30, 2008, contained the following irregularities: "He faked figures to the extent of Rs. 5040 crore of non-existent cash and bank balances as against Rs. 5361 crore in the books, accrued interest of Rs. 376 crore (non-existent), understated liability of Rs. 1230 crore on account of funds raised by Raju, and an overstated debtor's position of Rs. 490 crore. He accepted that Satyam had reported revenue of Rs. 2700 crore and an operating margin of Rs. 649 crore, while the actual revenue was Rs. 2112 crore and the margin was Rs. 61 crore". In other words, Raju claimed in the same letter that "neither he nor the managing director had benefited financially from the inflated revenues, and none of the board members had any knowledge of the situation in which the company was placed". The fraud took place to divert company funds into real-estate investment, keep high earnings per share, raise executive compensation, and make huge profits by selling stake at inflated price. The gap in the balance sheet had arisen purely on account of inflated profits over a period that lasted several years starting in April 1999.

- **The Auditors Role and Factors Contributing to Fraud Global auditing firm:**

Price water house Coopers (PwC) was audited Satyam's books from June 2000 until the discovery of the fraud in 2009. Several commentators criticized PwC harshly for failing to detect the fraud. Indeed, PwC signed Satyam's financial statements and was responsible for the numbers under the Indian law. One particularly troubling item concerned the \$1.04 billion that Satyam claimed to have on its balance sheet in "non-interest bearing" deposits. According to

accounting professionals, “any reasonable company would have either invested the money into an interest-bearing account, or returned the excess cash to the shareholders. The large amount of cash thus should have been a ‘red-flag’ for the auditors that further verification and testing was necessary. Furthermore, it appears that the auditors did not independently verify with the banks in which Satyam claimed to have deposits”.

Suspiciously, Satyam also paid PwC twice what other firms would charge for the audit, which raises questions about whether PwC was complicit in the fraud. Furthermore, PwC audited the company for nearly 9 years and did not uncover the fraud, whereas Merrill Lynch discovered the fraud as part of its due diligence in merely 10 days.

- **Outcome of Satyam Scandal Immediately:**

Following the news of the fraud, Merrill Lynch terminated its engagement with Satyam, Credit Suisse suspended its coverage of Satyam, and PricewaterhouseCoopers (PwC) came under intense scrutiny and its license to operate was revoked. Coveted awards won by Satyam and its executive management were stripped from the company. Satyam’s shares fell to 11.50 rupees on January 10, 2009, their lowest level since March 1998, compared to a high of 544 rupees in 2008. In the New York Stock Exchange, Satyam shares peaked in 2008 at US \$ 29.10; by March 2009 they were trading around US \$1.80. Thus, investors lost \$2.82 billion in Satyam.

Criminal charges were brought against Mr. Raju, including: criminal conspiracy, breach of trust, and falsification. After the Satyam fiasco and the role played by PwC, investors became wary of those companies who are clients of PwC, which resulted in fall in share prices of around 100 companies varying between 5% - 15%. Immediately after Raju’s revelation about the accounting fraud, “new” board members were appointed and they started working towards a solution that would prevent the total collapse of the firm.

Indian officials acted quickly to try to save Satyam from the same fate that met Enron and WorldCom, when they experienced large accounting scandals. The government appointed a “new” board of directors for Satyam to try to save the company. The Board’s goal was “to sell the company within 100 days”. To devise a plan of sale, the board met with bankers, accountants, lawyers, and government officials immediately. It worked diligently to bring stability and confidence back to the company to ensure the sale of the company within the 100-day time frame. To accomplish the sale, the board hired Goldman Sachs and Avendus Capital

and charged them with selling the company in the shortest time possible. By mid-March 2009, several major players in the IT field had gained enough confidence in Satyam's operations to participate in an auction process for Satyam. The Securities and Exchange Board of India (SEBI) appointed a retired Supreme Court Justice, Justice Bharucha, to oversee the process and instill confidence in the transaction.

- **Investigation Criminal and Civil Charges:**

The investigation that followed the revelation of the fraud has led to charges against several different groups of people involved with Satyam. Indian authorities arrested Mr. Raju, Mr. Raju's brother, B. Ramu Raju, its former managing director, Srinivas Vdlamani, the company's head of internal audit, and its CFO on criminal charges of fraud. Indian authorities also arrested and charged several of the company's auditors (PwC) with fraud. The Institute of Chartered Accountants of India ruled that "the CFO and the auditor were guilty of professional misconduct".

The CBI is also in the course of investigating the CEO's overseas assets. There were also several civil charges filed in the US against Satyam by the holders of its ADRs. The investigation also implicated several Indian politicians. Both civil and criminal litigation cases continue in India and civil litigation continues in the United States. Some of the main victims were: employees, clients, shareholders, bankers and Indian government. In the aftermath of Satyam, India's markets recovered and Satyam now lives on. Civil litigation and criminal charges continue against Satyam. Tech Mahindra purchased 51% of Satyam on April 16, 2009, successfully saving the firm from a complete collapse. With the right changes, India can minimize the rate and size of accounting fraud in the Indian capital markets.

### **Lessons Learned from Satyam Scam:**

- **Investigate All Inaccuracies:**

The fraud scheme at Satyam started very small, eventually growing into \$276 million white-elephant in the room. Indeed, a lot of fraud schemes initially start out small, with the perpetrator thinking that small changes here and there would not make a big difference, and is less likely to be detected. Dividing responsibilities across a team of people makes it easier to detect irregularities or misappropriated fund.

- **Ruined Reputations:**

Fraud does not just look bad on a company; it looks bad on the whole industry and a country. “India’s biggest corporate scandal in memory threatens future foreign investment flows into IT sector of India. The news sent Indian equity markets into a tail-spin, with Bombay’s main benchmark index tumbling 7.3% and the Indian rupee fell”. Now, because of the Satyam scandal, Indian rivals will come under greater scrutiny by the regulators, investors and customers.

- **Corporate Governance Needs to Be Stronger:**

The Satyam case is just another example supporting the need for stronger Corporate Governance. All public-companies must be careful when selecting executives and top-level managers. These are the people who set the tone for the company: if there is corruption at the top, it is bound to trickle-down. Also, separate the role of CEO and Chairman of the Board. Splitting up the roles, thus, helps avoid situations like the one at Satyam. The Satyam Computer Services’ scandal brought to light the importance of ethics and its relevance to corporate culture. The fraud committed by the founders of Satyam is a testament to the fact that “the science of conduct” is swayed in large by human greed, ambition, and hunger for power, money, fame and glory.

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# AN OVERVIEW OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INDIAN ACCOUNTING STANDARDS

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## **Abstract:**

The Accounting Standards are written policy documents formulated by Accounting Standard Board , Institute of Chartered Accountants of India. The IFRS establish broad based rules rather than dictating specific treatment. This paper is an attempt to understand the relevance of accounting standards and the IFRS . It also highlights the role of ICAI and SEBI in convergence of IFRS.

## **Key Terms:**

*Accounting Standards, ICAI-Institute Of Chartered Accountant Of India, Security Exchange Board of India(SEBI), Convergence, high quality standards, global investment*

## **• Introduction:**

Accounting standards are written policy documents formulated by ASB of ICAI and issued by the government with support of other regulatory bodies like Ministry Of Corporate Affairs and National Advisory Committee on Accounting Standards covering the aspects of recognition, measurement, presentation and disclosure of accounting transactions in financial statements. They provide a set of standard valuation norms, accounting policies and disclosure requirement, allowing comparability of financial statement. They also promote dissemination of timely information to investors interested in companies economic performance. The ASB was set up in 1977 to formulate these standards. Although the ASB is a body constituted by the council of the ICAI, the council is not empowered to make any modifications in the draft accounting standards formulated by ASB without consulting with the ASB. NACAS recommends these

standards to the MCA who has to spell out the accounting standards applicable for companies in India.

IFRS comprises of standards issued by International Accounting Standard Board, IAS issued by International Accounting Standard Committee, interpretation issued by standard interpretation committee and IFRS interpretation committee of IASB.

International Financial Reporting Standard are considered a principle – based set of standards. In fact, they establish broad rules rather than dictating specific treatments.

India, like every major nation is moving towards adopting them to some extent. Large number of authorities permit public companies to use IFRS for stock exchange listing purposes, and in addition banks, insurance companies and stock exchange may use them for their statutorily required reports. So, over the next few years many companies will adopt the International Standards. This requirement will affect thousands of enterprises including their subsidiaries, equity investors and joint venture partners. The increased use of IFRS is not limited to public company listing requirements or statutory reporting. Many lenders and regulatory and government bodies are looking to IFRS to fulfil local financial reporting obligations related to financing or licensing.

#### **Objectives of the study:**

- To study the importance of Accounting Standards
- To study the significance of IFRS
- To study the reasons and need for converging IFRS when there already exists Indian Accounting Standards.
- To study the role of ICAI and SEBI in convergence of IFRS

#### **Scope:**

A study has been undertaken about the IFRS and the Accounting Standards to appreciate the relevance of convergence to IFRS and also the role of various stakeholders in the process.

#### **Research Methodology:**

To conduct this overview of IFRS and Accounting Standards, secondary method of data collection has been used and the relevant information from books published by the ICAI, websites have been included.

#### **Benefits of Accounting Standard:**

Accounting Standards seek to describe the accounting principles, the valuation techniques and the methods of applying the accounting principles in the preparation and presentation of financial statements so that they may give a true and fair view.

The following are the benefits:

- **Standardization of alternative accounting treatments:**

Accounting Standards reduce to a reasonable extent or eliminate altogether confusing variation in the accounting treatment followed for the purpose of preparation of financial statements.

- **Requirement for additional disclosure beyond that required by law:**

There are certain areas where important information is not required to be disclosed, but the standard may call for disclosure beyond that required by the law.

- **Comparability of financial statement of different companies situated in India:**

The application of accounting standards would facilitate comparison of financial statements of different companies situated in India. However it should be noted that differences in the institutions, traditions and legal system from one country to another gives rise to differences in Accounting Standards adopted in different countries.

The above thus explains the significance of Accounting Standards for the users of the financial statement.

### **Need for Convergence with IFRS:**

The last decade has seen a lot of change in the global economic scenario due to the process of globalisation thereby converting the world into a global village. In order to fuel the growth and to sustain the on-going activities it is necessary to raise the capital from all parts of the world, cutting across frontiers.

Each country has its own set of rules and regulations for accounting and financial reporting. Thus when enterprise raises capital from market other than the country in which it is located, the rules and regulations of that foreign country applies and thus there is a need to understand difference between the rules of financial reporting in foreign country as compared with the country of origin. Thus making translation and re-instatements is of utmost importance in present scenario. This in turn establishes a degree of confidence in the financial statement put forward by the organisation.

The convergence of financial reporting and Accounting Standards is a valuable process contributing to free flow of global investment and achieves substantial benefits to all the stake holders

### **Significance of IFRS:**

Thus, in this present era of globalisation and liberalisation, resulting in increasing complexity of business transactions, a single set of high quality accounting standards is the need of the hour. This has given rise to IFRS as explained in above paragraphs

So the various benefits of convergence with IFRS are as follows:

- ***The economy*** :When the markets start expanding globally the need for convergence increases because it benefits the economy by increasing growth of its international business. There is maintenance of orderly and efficient capital market and also increases the capital formation thus leading to economic growth. It also increases foreign capital flow in country
- ***The Investors***:Investors want the information that is more relevant, reliable, timely and comparable across jurisdictions. Convergence helps them to understand investment opportunities as opposed to financial statements prepared using different set of national accounting standards.
- ***The Industry***: A major force in the movement towards convergence has been in the interest of the industry. The industry can raise capital from foreign market at lower cost if it creates confidence in the mind of foreign countries that their financial statement comply with globally accepted accounting standards. Due to diversity in accounting standards from country to country, enterprises which operate in different countries face multitude of accounting requirements in different countries creating confusion. Thus using converged IFRS helps them to create confidence in the mind of foreign investors

Thus from above it is clear that there are many benefits of adoption of IFRS. In the Indian context it is seen that convergence of IFRS to Indian AS is preferred rather than total adoption of IFRS. This decision is taken by ICAI and the Government authorities such as NACAS, and other regulators like SEBI and RBI. While formulating the Accounting Standards, ICAI recognises the legal and other conditions prevailing in India and makes deviations from the corresponding IFRS.

### **The role of ICAI in convergence:**

- India though being an important emerging economy in the world, is yet to adopt the IFRS. Internationally , in so far as cross-border investment are concerned, a non-IFRS compliant country is perceived as an additional risk factor.



- After a series of discussion with various legal and regulatory authorities as seen above the Ministry of Corporate Affairs has committed itself for convergence of Indian entities with IFRS from April 2011. ICAI has given the responsibility of formulating the convergence process and ensure smooth convergence
- For this purpose the ASB of ICAI constituted a task force in the year 2006 to explore the approach for convergence with IFRS and lay down the road map for convergence with IFRS
- Since then ICAI has been relentlessly making extensive analysis of various phases the convergence process would go through. It has identified the legal and regulatory requirement arising out of convergence with IFRS.
- ICAI has also recommended changes in the respective act, guidelines and other regulatory provisions related to RBI, SEBI, NACAS and IRDA and has submitted its recommendations to the respective authorities. This would eventually pave the way to smooth transition process.
- In addition , the ICAI Accounting Board has pointed out several national issues requiring debates and conclusion that would enable the convergence process deadlines.

#### **Role of SEBI:**

SEBI has been pro-actively involved in the process of convergence of the Indian Accounting Standards with IFRS. It has set up a group under the chairmanship of Shri Y.H. Malegam with representation from RBI, ICAI, accounting and auditing firms, and industry to discuss and submit comments on the exposure drafts issued by the IASB in an objective manner. Since formation in February 2010, the group has had four meetings and has provided comments to IASB on following exposure drafts:

- Management Commentary (proposed new IFRS)
- Financial Instruments: Amortised Cost and Impairment
- Conceptual Framework for Financial Reporting
- Fair Value Option for Financial Liabilities (proposed new IFRS replacing IAS 39)
- **Conclusion:**

Thus from the above analysis it may be concluded that the decision of convergence rather than adoption of IFRS was taken after detailed analysis of IFRS requirements and discussion with various stakeholders. Also efforts have been made to keep these standards as far as possible in line with corresponding IFRS and departures, if any, made where considered essential. Also the recent stream of acquisition by Indian companies makes it extremely important to adopt high quality standards to convince

foreign enterprises about the financial standing as also the disclosure and governance standards of Indian acquisitions. Last but not the least the regulatory bodies have contributed significantly and soon the IFRS converged accounting standards will become mandatory

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## Study on Cashless Economy in India

### Benefits and Challenges

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### 1. INTRODUCTION:

Globally there is a tremendous interest to move towards a Cashless society. What is a Cashless economy? Cashless economy is one in which all the transactions are done using cards or digital means like debit cards, electronic fund transfer, mobile payments, internet banking, mobile wallets and other newly evolved payment channels. The circulation of physical currency is at its lowest. At present, India is far behind to other economies with regard to cashless transactions. Cash accounts for 95% of all transactions, 90% of the vendors didn't have card readers or means of accepting electronic payments. 85% of the workers are paid in cash and most of them don't even have bank accounts. The ratio of cash to gross domestic product in India is one of the highest in the world-12.42% in 2014 as compared with 9.47% in China or 4% in Brazil. Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. As per the current status of India only 7% to 8% payments are taking place electronically. Moreover, various other studies indicate that people prefer to make payments in cash in malls even when they carry credit cards with them. Since cash still continues to remain the predominant form of transaction the Government is working on various levels to reduce the dependency on cash. Government has introduced two new schemes- Lucky Grahak Yojna and Digi Dhan Vyapar Yojana for customers and traders to promote habit of making e-payments. Government encourages cashless transactions like Mobile banking, Ru-pay cards, UPI, USSD which are the means and methods of digital payments. Government has also introduced Aadhar based payment system, for those who do not have cards or mobile phones. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. Reducing Indian economy's dependence on cash is desirable for a variety of reasons mainly to control counterfeit notes that could be contributing to terrorism, it also affects the monetary policy of our country and to eliminate the-black money. A large part of black money is generated through illegal trades like selling drugs. Therefore, a less cash or cashless system can help curb the illegal activities altogether.

**BENEFITS OF A LESS CASH ECONOMY:**

- **Don't have to worry about change:**

While making cash payments for small amount bills you have to arrange for small amount of notes of exchange. With cashless payments you don't have to worry about change you can just make an exact payment for the amount.

- **Convenient way:**

There is no need to carry big bundles of cash and worry about the cash being stolen. Also, there is no need to stand in long ATM queues for withdrawing cash.

- **Real estate:**

It will lead to reduction in real estate prices because of curbs on black money as most of it is invested in real estate which will ultimately inflate the prices of real estate markets.

- **Cost effective:**

Production of coins and paper currency is indeed an expensive endeavor and the life span of most of the currency is about 6 years. So by going cashless the production cost is saved.

- **Saves money and time:**

Companies and Government will become efficient and they can reduce costs as they no longer need the manual accounting work to be done. The costs associated with accounting and handling cash is very high.

- **Financial records:**

Recording financial transactions has many advantages. It helps the Government to collect appropriate tax revenues and can effectively detect and curtail illegal transactions. Although we do not have the accurate estimates of the amount of 'black money' in the country but if one were to correlate the black money held in the economy with the black money held abroad, the amount would be enormous. But with cashless transactions almost all dealings leave digital footprints and shall therefore help in curbing the black money.

Recording financial transactions has many advantages as it helps the Government to collect appropriate tax revenues and it can effectively detect and help curtail illegal transactions. Although we do not have accurate estimates of the amount of 'black money' in the country and if one were to correlate the black money held in the economy with the black money held abroad the amount will be enormous. With cashless transactions almost all transaction leave digital footprints.

## CHALLENGES OF CASH LESS ECONOMY:

- **Low literacy rate:**

Low literacy rate hinders the accessibility of banking services. Citizens should not only know how to read and write but also possess basic information on communication and technology to entirely enjoy the benefits of e-payments.

- **Language barrier:**

Internet is an English based platform. The details on the plastic card and the messages received on mobile phones regarding transactions are also in English. Therefore, it is necessary to use multiple languages regarding these processes or make everyone learn English.

- **Few banks in villages:**

The capital city New Delhi alone has about 20 HDFC bank branches. There are several villages and Tehsils that don't even have one. More the banks, more will be the cash deposit in accounts. Banks in villages should help in teaching the residents the process, usage and benefits of plastic cards.

- **Digital literacy:**

More than half of the nation still does not know how to use a computer. People in rural areas still not aware about smart phones. Besides, there is a lack of internet facilities and without it a country cannot become cashless. There are still many rural and urban areas where even getting access to a 2G network is very difficult. Moreover, the cost of Internet access is very high as compared to developed countries. There is no point in going cashless if most of the population is digitally illiterate or has no means to access it.

## 2. OBJECTIVES OF THE STUDY:

- To understand the concept of cashless economy.
- To examine the benefits of cashless economy to the general public.
- To highlight the challenges that are faced while moving towards a cashless society.
- To ascertain whether the public is accepting the cashless system.
- To check whether the public is making use of the cashless modes and encourage them to make cashless payments.

### 3. RESEARCH METHODOLOGY:

#### SECONDARY DATA:

- The secondary data has been collected from Newspapers, reports, journals and the internet.

#### PRIMARY DATA:

- The primary data was collected through survey method.
- Questionnaires are collected from 50 respondents.

#### • MODES OF PAYMENT

##### • Banking cards:

Banking cards include both Debit and Credit cards. Banking cards offer consumers more security, convenience, flexibility and control than any other payment method. These cards allow the consumers to purchase items anywhere and are not very time consuming.

##### • Electronic fund transfer:

Two popular methods- RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another. Leading to less time and economy in operations.

##### • Mobile wallets:

There is an option to open a zero Know Your Customer (KYC) or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone. This method will help in reducing cases of money laundering, terrorist financing and theft.

##### • Internet banking:

For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same. Internet banking also known as online banking or e-banking. It 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. Different types of online banking are National Electronics Funds Transfer (NEFT), Real Time Gross Settlement (RTGS) and Immediate Payment Service (IMPs)

- **Unified Payment Interface(UPI):**

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application. It merges several banking features, seamless fund routing & merchant payments under one hood. Each Bank provides its own UPI Application for Android, Windows and iOS mobile platform(s).

- **Unstructured Supplementary Service Data(USSD):**

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. This service has been launched to make banking services available to every common man. This facility has been offered by 51 leading banks and can be accessed in 12 different languages.

It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services.

- **Micro ATMs:**

Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. This mode of payment would enable the person to instantly deposit or withdraw funds regardless of the bank the BC is associated with.

- **Aadhar enabled payment system:**

AEPS is a bank led model which allows online financial transaction at Point of Sale or Micro ATM. AEPS is a bank led model which allows online financial transaction at Point of Sale or Micro ATM through the Business Correspondent of any bank using the Aadhaar authentication. You don't even have to go to a bank branch the customer just has to link their Aadhaar details with their bank account.

- **DATA ANALYSIS:**

Data are collected from 50 respondents. The analysis of each question is indicated below.

- **What are the ways of purchase?**

The above chart depicts two preferences of purchasing.

22% of the people who purchase online are below 20%.

15% of the people who purchase online are between 20-50%.

6% of the people who purchase online are between 50-80%.

3% of the people who purchase online are between 80-100%.

4% of the people who purchase offline are below 20%

**4% of the people who purchase offline are between 20-50%**

**33% of the people who purchase offline are between 50-80%**

**9% of the people who purchase offline are between 80-100%**

**The analysis indicates 11.5 % prefer purchasing online on an average.**

- **What are the modes of payment?**

**The above chart depicts the modes of making payments and which mode is preferred by the people to make payments.**

**86% of the people use Cash on delivery as a mode of payment. People give preference to cash for making their payments.**

**60% of the people use Credit card as a mode of payment.**

**80% of the people use Debit card as a mode of payment.**

**58% carry out payments using Net banking.**

**50% of the people use Paytm for making payments.**

**12% of the people use USSD to make payments.**

**12% of the people use UPI to make payments.**

**16% of the people use the Aadhar enabled system to make payments.**

**10% of the people use Micro-ATMs to make payments.**

**10% of the people use Bank prepaid cards.**

**The analysis indicates that 86% use cash on delivery as their preferred mode of payment and 80% use debit cards and only 10% of the people use bank prepaid cards.**

- **What are the ways of payment of bills?**

**The figure depicts two ways of making payments and to what percentage people use those ways to make payments.**

**17% of the people pay their bills online below 20%.**

**13% of the people pay their bills online between 20-50%.**

**8% of the people pay their bills online between 50-80%.**

**8% of the people pay their bills online between 80-100%.**

**6% of the people pay their bills offline below 20%.**

**3% of the people pay their bills offline between 20-50%**

**27% of the people pay their bills offline between 50-80%.**

**7% of the people pay their bills offline between 80-100%.**

**The analysis indicates that on an average 11.5% prefer making bill payments online even though they are more convenient and time saving.**



- **What are the modes of payment of bills?**

The figure shows different modes for making payments of bills and which mode is preferred by the people to make payments.

60% of the people use Credit card to make payment of bills.

80% of the people use Debit cards to make payment of bills. Debit cards are highly used to make payment of bills even more than the use of cash.

70% of the people use Net banking facility to make payment of bills.

76% of the people use cash to make payment of bills.

56% of the people use Paytm app to make payment of bills.

4% of the people use USSD to make payment of bills.

2% of the people use UPI to make payment of bills.

4% of the people use the Aadhar enabled system to make payment of bills.

26% of the people use Internet transfer to make payment of bills.

4% of the people use Micro ATMs to make payment of bills.

4% of the people use Bank prepaid cards to make payment of bills.

The analysis shows that 80% of the people use debit cards followed by net banking at 70% and the least used mode of payment is bank prepaid cards which is at 4%

- **Do you agree that the cashless payment will curb the following-**

The figure depicts percentage to which cashless economy can curb the following.

77.6% people accept that cashless transactions will help curb the circulation of black money.

85.7% people accept that cashless transactions will help monitor the practice of tax avoidance.

85.7% people accept that cashless transactions can be a step towards eliminating corruption from the Indian society

The analysis shows that majority of the people believe that cashless economy will help curb the circulation of black money, the practice of tax avoidance and also help in elimination corruption.

## CONCLUSION

- Majority of the people prefer to make purchases offline.
- Most of the purchasers prefer cash payment. Other than cash payment, few modes are used like debit cards, credit cards, net banking and Paytm. Rest of the options are rarely used.
- Majority of the people prefer to pay their bills offline.
- Majority of the people use cash, credit card, debit card, net banking, Paytm, internet transfer for paying their bills. Other transaction methods are rarely used to make payment of bills.
- More than half of the people believe that going cashless can help curb tax avoidance, corruption and the generation of black money.
- India does not seem fully ready to go cashless but the future of India becoming a cashless economy is favorable.
- Government needs to organize campaigns in small cities and villages to educate people on how to use smart phones and how to carry out digital transactions using the smart phone.
- Internet facility plays a crucial role in carrying out digital transactions and internet facility should be made available in small cities and villages at reasonable rates.
- Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money.
- But a lot needs to be done before cash can be eased out of the Indian economy.

From the above analysis it comes into view that though people are hesitant towards the idea of going completely cashless they aren't resisting it. And although it would be impossible for India to become a completely cashless economy in this short duration after the demonitisation, it is definitely something the country can look forward to.

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## ROLE OF MICRO FINANCE IN BUILDING STRONG FINANCIAL SECTOR FOR SUSTAINABILITY

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### **ABSTRACT:**

Microfinance refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of society. It is emerging as a powerful tool for poverty alleviation in India. This working paper tries to outline the prevailing condition of the Microfinance in India in the light of its emergence till today. The prospect of Micro-Finance is dominated by SHGs (Self Help Groups) - Banks linkage Program. Its main aim is to provide a cost effective mechanism for providing financial services to the poor. This paper discovers the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and duplications, consumption and individual loan demand with lack of mitigation measures, less thrust on enterprise loans, collection of savings/loans and highest interest rate existing in micro finance sector. Microfinance stands as one of the most promising and cost-effective tools in the fight against global poverty. Microfinance is being practiced as a tool to attack poverty the world over. It was envisaged in 11th plan which is current five year plan that the fruits of industrial development in India should be perforated to rural population by the help of utilizing small saving for industrial capital formation.

**Key words:** Microfinance, SHGs, MFIs, poverty.

### **OBJECTIVES**

- To study the status of micro finance in Indian economy

- To suggest measures to improve micro finance in India

## **RESEARCH METHODOLOGY**

The research paper is based on secondary data collected from newspapers, websites and published papers on the subject. Due to limited time constraint primary data could not be collected.

## **INTRODUCTION:**

Since Independence in 1947, the Government of India and the Reserve Bank of India (RBI) have made concentrated efforts to provide the poor with access to credit. Despite the phenomenal increase in the physical outreach of formal credit institutions in the past several decades, the rural poor continue to depend on informal sources of credit. Institutions have also faced difficulties in dealing effectively with a large number of small borrowers, whose credit needs are small and frequent and their ability to offer collaterals is limited. Besides, cumbersome procedures and risk perceptions of the banks left a gap in serving the credit needs of the rural poor. This led to a search for alternative policies, systems and procedures, saving and loan products, other complementary services and new delivery mechanisms that would fulfill the requirements of the poor. It is in this context that micro credit has emerged as the most suitable and practical alternative to the conventional banking in reaching the hitherto unreached poor population. No doubt micro finance has been successful in providing credit access to the poor. But in recent times the role of microfinance has become controversial, with various sections raising objection and criticism in this regard. “Microfinance is based on the premise that the poor have skills, which remain unutilized or underutilized. It is definitely not the lack of skills which make poor people poor. Charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes the individual’s initiative to break through the wall of poverty. Microfinance is an important tool for social financial engineering in the battle against poverty. The most active states in India in the context of paradigm shift in microfinance are: Kerala, Andhra Pradesh, Tamil Nadu, Karnataka, Himachal Pradesh and Uttaranchal.

## **CURRENT POSITION OF MICROFINANCE IN INDIA :**

Microfinance seems to be failing to achieve its most noble goal: poverty alleviation. At worst, some lenders are contributing to a cycle of indebtedness and abuse, just like the loan sharks they sought to replace. Critics say the industry has grown too quickly for its own good, with too much rapaciousness and too little regulation. That has fostered a breakdown in lending discipline, with multiple loans to overextended borrowers, and allowed some unscrupulous players to thrive. Irresponsible lending leading to multiple loans without due diligence, unproductive loans for consumption and consumer durables, lack of transparency in operations, usurious interest rates, coercive recovery practices, have all resulted in hyper profits to microfinance institutions and impoverishment of the poor.

## **THE POTENTIALS:**

- Micro-finance is an innovative credit delivery mechanism that ensures viable financial services for the needy. It has the potential to address issues like actualizing equitable gains from the development on a sustained basis and can play a vital role in developing nations in fighting poverty.
- The micro-finance scene in India is dominated by SHG-bank linkage programme. Though the groups existed even before the linkage programme (under the SGSY and NABARD's SHG-bank linkage programme), the banks could not recognize their potential as business clients and both operated independently in most of the cases, without knowing the strength of the other.
- The SHG-bank linkage programme was conceived with the objectives of supplementary credit delivery services for the un-reached poor, building mutual trust and confidence between the bankers and the poor and encouraging banking activity both on thrift as well as credit and sustaining a simple and formal mechanism of banking with the poor.
- India has a strong potential to promote the women as key decision-makers through encouraged local leadership, which can be facilitated by complete involvement and participation of poor women in micro-credit programmes.

### **THE CONSTRAINTS:**

- Non-productive loans and procedural delays for productive loans: Since most of the poor and needy are illiterate and prefer loans for consumption rather than productive purposes, majority of the poor find it hard to get loans sanctioned for taking up economic activities, even if they want to. Sometimes, the loanees are asked to furnish some documents and collateral security against the loan sanctioned, contrary to the directives of the Government and the RBI.
- Inflexibility and delay: The rigid systems and procedures for sanctioning loans and disbursing them to the beneficiaries result in a lot of delay in time for the borrowers, which de-motivate them.
- High transaction costs: Although the interest rate offered to the borrowers is regulated, the transaction costs in terms of the number of trips to be made, the documents to be furnished etc. plus the illegal charges demanded by the lending institutions clandestinely, result in increasing the cost of borrowing, thus, making it less attractive to the borrowers.

### **MICRO-FINANCE BASED POVERTY ALLEVIATION PROGRAMMES**

As part of the poverty alleviation measures, the Government of India (GOI) launched the Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999 where the major emphasis is on self-help group (SHG) formation, social mobilization and economic activation through microcredit finance. Up to March 2003, 13.38 lakh groups were constituted in 33 States and Union Territories, of which 33,436 SHGs only could take up economic activities for their economic sustenance. Simultaneously, the Government supports the National Bank for Agriculture and Rural Development (Nabard) to take up activities such as group formation, micro-finance and economic activation. Besides this, the Rashtriya Mahila Kosh (RMK that is, National Credit Fund for Women) and the Department of Women and Child Development have their own programmes under which micro credit is being provided for economic empowerment of the rural poor. The year 2001-02 marked a decade of self-help group-bank linkage programme in India. With the growing importance of the micro-credit through SHG-bank linkage in India, the Reserve Bank of India (RBI) in 1996 included financing to SHGs as a mainstream activity of banks under their priority sector lending. It has been estimated that India has the world's largest micro-finance

programme in terms of out-reach, with 7.8 million households accessing credit through 17,085 branches of the formal banking system under the micro-credit finance programme.

### **FUTURE OF MICRO FINANCE IN INDIA**

India has great future in Microfinance. It was pioneered by Muhammad Yunus in Bangladesh. India has everything it takes for this business to flourish.

- **Market:** Huge market potential, there are 33% below poverty line and a huge number of small scale business who don't have access to conventional financial sources, like banks.
- **Huge Workforce:** You need a community model for Microfinance, someone who would introduce reliable people and make sustainable self-help groups.
- **Lending Power:** Huge banks like SBI have immense amount of lending power, there is no shortage of funds in the market, the only issue is servicing this low value loans, for which Microfinance is the answer. There is only one thing hindering the business currently and it is Governmental Regulations and Policies. RBI needs to take some time off and make some concrete guidelines regarding MFI institutions in India rather than coming up with temporary solutions and guidelines.

### **SOME OF THE CASES:**

- Self-help groups have been consequential in promoting economic growth for its members who were previously stuck in a cycle of poverty. Observations of SHGs such as Jharkhand and Chhatisgarh Projects in India demonstrate SHGs abilities to promote financial independence among women by allowing them to participate in marketplace trade, become entrepreneurs and earn livelihoods
- DFID's Financial Deepening Challenge Fund provided a grant to the Equity Building Society (EBS) in Kenya to roll out and adapt its mobile banking product. Mobile banking units visit rural locations once or twice weekly, bringing to clients in difficult rural areas a range of financial services, with a special emphasis on savings. The flexible nature of the grant, and DFID's tolerance for innovation risk was vital for EBS to move forward with this new product.
- Supply chain finance a viable alternative for rural farmers(Kenya): Agriculture still remains the main workplace for a majority of population and therein lies the economic salvation and sustainability of many, if innovatively harnessed. For finance providers, the risks or costs involved in financing small- and medium-sized farms are often considered too high. Therefore, traders, agribusinesses and farm input suppliers could play a role in financing farmers.

- After joining Self Help Groups women in India are interested to enhance their skills and awareness. The multiple efforts to increase their skills will help mobilization and it will be helpful b multiple ways. They have started participating in decision making process of the family. The Self Help Group women started communicating in the family and in the society at large.

### **CONCLUSION:**

After six decades of banking in Independent India, the questions that needs to be asked is not whether MFI's are doing good enough job, but whether there's a better alternative to them. Finally in my view MFI'S in India have many loopholes in their running, though the MFI'S played an important role in the poverty alleviationand increasing the standard of living of the poor. If the above shortcomings are eliminated by MFI'S it would have positive result on the economy, lead to improvement in standard of livings of the thousands of poor.

Presently there is no distinctive regulatory framework for the MFI'S in India. Regulations of the MFI'S is largely in the hand of state governments. So there is a need for an exclusive regulation's to regulate to MFI'S in India.

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## **Understanding Microfinance'by DEBADUTTA K. PANDA (Wiley India Pvt Ltd)**

**OMAR JADHAV**

### **Abstract:**

Tax is a confusing and mostly hated topic for common people. It is been in limelight for a quite a while for GST and the rate of GST. The main purpose of this study was to find out how the tax changes in history and current tax system. There are different type of tax for different purpose with different reason but it seems that tax was created to finance government. Tax was started way back in 1799 and it been imposed on people forcefully in the starting era. In India there is different tax like income tax, vat, excise duty etc. but all this been replace by the one tax which is GST. In this paper we are going to see brief information about these taxes.

### **Introduction:**

Tax is been started way back in 1799 where British collect the tax to fund their war against French and this laid the foundation of tax in Modern world. In history most of tax is been collected for funding wars but the definition of war is been changed for upcoming years. Now a day tax is been main revenue for the government for financing its various activities. Tax is been change over a period of time as the time changes tax collection also changes. Now thanks to GST tax revenue start rising. But what is tax how it starts and how may taxes in India till now. Before GST there was a vast tax system in India and how GST unite this tax all this we are going to see in this paper.

### **Chapters:**

1. History of Tax
2. Taxation policy before Independence
3. Taxation policy till GST
4. GST

### **History of Tax**

What is mean by Tax?

According to Oxford dictionaries –

“A compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions.”

According to Cambridge dictionaries –

“ Money paid to the government that is based on your income or the cost of goods or services you have bought”

In simple words A Tax is a mandatory financial charge or some other type of levy imposed upon a taxpayer by a governmental organization in order to fund various public expenditures. World's 1<sup>st</sup> known tax collected by the British Prime Minister William Pitt the younger in 1799 to help to cover the cost of his country's war with France. At that time Income Tax also introduced. In US Tax was started collecting from 1864 because of Civil war. In India the tax system we know today has been in force by the ancient times there are various tax measures are referred in in both Manu smriti and Arthashastra. According to Manu smriti The King should arrange the collection of taxes in such a manner that the tax payer did not feel the pinch of paying taxes. He laid down that traders and artisans should pay 1/5<sup>th</sup> of their profits in Silver and Gold While the agriculturist were to pay 1/6<sup>th</sup>, 1/8<sup>th</sup> and 1/10<sup>th</sup> of the production. In Arthashastra Mentioned that each tax was specific and there was no scope for arbitrariness. Tax collectors determined the schedule of each payment and its time, manner and quantity being all pre-determined. The land revenue was fixed at 1/6<sup>th</sup> share of the produce and import and export duties were determined on ad-valorem basis.

### **Taxation policy before Independence**

In India tax was introduced for the first time in 1860, by Sir James Wilson in order to meet the losses sustained by the government on account of the Military Mutiny of 1857. The Indian debt, which was £51 Million in 1857 rose to £97 Million in 1862.

In 1918, new Income tax was passed

In 1922 new act was passed

In 1961-62 numerous amendments made in act

- Custom duties (Sulka) which consist of import duty (Pravesya), Export duty (Nishramya) and octroi and other tolls
- Transaction tax (Vyaji)
- Share of production (Bhaga) 1/6<sup>th</sup> share
- Tax (Kara) Cash form
- Taxes in Kind including labour supply of soldiers
- Countervailing duties or taxes (Vaidharana)
- Road cess
- Monopoly tax
- Royalty

- Army maintenance tax

Above are few names of tax which was in India

Most controversial tax in history was salt tax. British East India Company imposed tax on salt. In 1772 Governor-General Warren Hastings brought tax in company control and in 1780 rate was 2 rupees a mound with a tax of 1.1 to 1.5 rupees a mound.

In 1781-82 tax revenue was 29,60,130 rupees

In 1784-85 tax revenue was 62,57,750 rupees

Year	Rs. (Million)	£ (Million)
1929-30	67	5.025
1930-31	68	5.1
1931-32	87	6.525
1932-33	102	7.65

[www.wikipedia.org](http://www.wikipedia.org)

### **Taxation Policy till GST**

As we all know we have Direct and Indirect taxation policies in India

In this we are going to talk about the indirect taxation policy

Indirect tax is a tax which can be transfer from one person to another person and the last person on the chain is always get the burden of payment of this tax. Sellers always shift the payment liability to the buyers.

The authority of levy a tax is derived from the Constitution of India which allocates the power to levy various taxes between the Central and the State

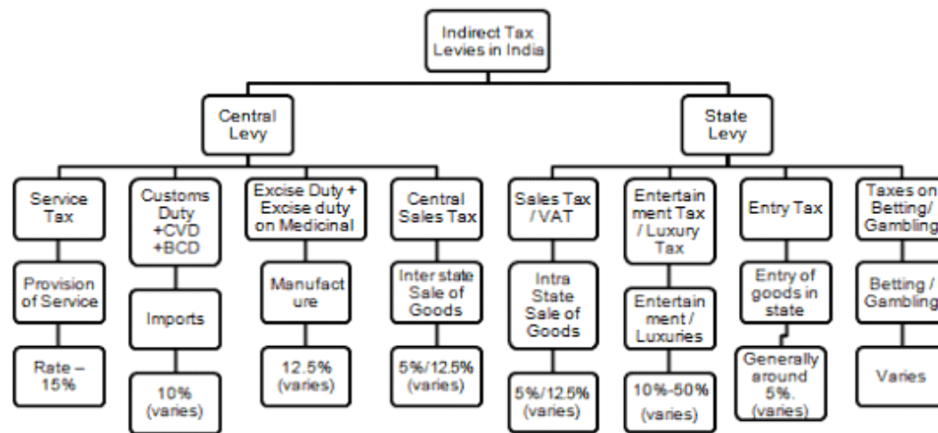
As per Article 265 of Constitution

“No tax shall be levied or collected except by the authority of law”

Therefore each tax levied or collected has to be backed by an accompanying law, passed either by the parliament or the state legislature

Tax policy in India is levied by the central and state government and local authorities also impose some tax on the people.

Following is the table of some different taxes imposed on people by both central and state government



- Service Tax -

Service tax was a tax levied by Central Government of India on service provided or agreed to be provided. presently from 1<sup>st</sup> June 2016 service tax rate has been increased to consolidated rate at  $14\% + 0.5\% + 0.5\% = 15\%$

0.5% = education cess and higher education cess

0.5% = SwachBhartcess

Dr. Raja Chelliah committee on tax reforms recommended to introduce service tax in 1994 . The flat 5% from 1<sup>st</sup> July 1994 till 2003 was levied on 13<sup>th</sup> may the service tax structure out at nominal 5% is now at 15% The only exemption is when the service provided during financial year is not more than Rs. 10 lakh

- Custom duty -

A custom duty is the indirect tax levied on the import and export of goods in the International trade. It include both import and export duties but as export duties contributed only nominal revenue, due to raising competitiveness of exports. Import duties alone constituted major part of the revenue its most probably 10% but it varies There are different types of custom duty few as follows

- Basic Customs Duty
- Counter veiling Duty (CVD)
- Additional Custom Duty or Special CVD
- Safe Guard Duty

- Anti-Dumping Duty
- National Calamity Contingent Duty
- Education Cess on Custom Duty
- Protective Duty

Press information bureau Govt. of India

Above diagram is Indirect tax collection of Customs, Central Excise & Service tax from April to October 2015 (IN Rs. Crore)

- Excise duty -

An excise duty is on duty on manufactured goods which is levied at the moment of manufacture, The basic duty rate has been changes from 12% to 12.5% however education cess and higher education cess has been removed

Commodities	Collection in FY 15*	Collection In FY 16*	% of excise Kitty in FY 16
Petroleum products	1,06,653	1,98,793	69.23
Tobacco products	16,676	21,463	7.47
Iron and steel	15,970	16,632	5.79
Motor vehicles	8,546	14,220	4.95
Cement	9,572	10,544	3.67
Machinery	3,707	6,421	2.24
Plastics	5,150	6,092	2.12
Chemical products	5,103	5,419	1.89

CAG Fig in Rs. crore

- Central Sales tax (CST) -

CST is a levy of tax on sales which are effected in the course of interstate trade or commerce. According to constitution any state should not impose tax on intrastate trade only central govt. have authority to do it. The Central Sales Tax Act 1956, was passed to implementation of the tax and its vary from 5% to 12.5%

Now we will discuss the tax imposed by the state government

- Sales tax –

In Maharastra sales tax was first introduce in erst while state of Bombay in 1964. It was then a single point levy at the rate of 6 paisa per Rupee payable at the last stage of sale. After recommendation of Babubhai Patel Taxaction Enquiry committee Bombay was made and Act was passed as Sales Tax Act 1959.

Maharashtra state – Division wise sales tax revenue gross receipts for the year 2005  
- 06 to 2017 – 18 ( Up to July 2017 )

Division/Year	2013-14	2014-15	2015-16	2016-17	2017-18 (up to July 2017 )
Mumbai	41558.35	44524.47	45797.70	53151.98	20893.04
Thane	2221.21	2584.83	2884.21	3505.05	1451.29
Thane Rural	926.46	815.69	946.85	1004.17	397.43
Raigad	3110.26	3715.21	4159.36	4790.28	1929.04
Pune	9330.82	10245.77	11015.21	12073.40	4632.50
Solapur	476.45	548.28	614.47	701.79	253.86
Nasik	3068.51	3306.90	3597.50	4071.80	1591.78
Dhule	686.55	697.02	670.95	750.03	313.41
Kolhapur	1725.40	1900.98	1940.45	2266.20	820.77
Nagpur	3207.27	3633.61	3925.79	4323.41	1683.30
Amravati	593.62	666.76	617.18	737.25	308.56
Aurangabad	2452.01	2711.72	2501.01	2536.44	964.60
Nanded	420.32	431.81	453.61	613.39	239.23
Total ( in CR)	69777.23	75783.06	79124.29	90525.19	35478.79

www. mahavt.gov.in

Department of Sales tax\

- Entertainment Tax –

This is a tax imposed by the government on the feature Films

Bihar = 50%

Delhi=20%

Karnataka=30%

Maharashtra=45% ( nil for marathi films )

Maharashtra entertainment duty act 1923 was pass for this tax

In 16<sup>th</sup> Jan 2013 Movie ticket above Rs.251 and Rs.350 10% entertainment duty is imposed

City	Entertainment tax rates on across various cities
Mumbai	25%
Pune	20%
Bengaluru	10%
Chennai	10%
Hyderabad	20%
Mysore	20%
Kolkata	20%
Gurgaon	25%
Noida	25%

Andhra Pradesh	20%
Delhi	15%
Goa	15%

meraevents

- Entry tax –

Entry tax is a tax on the movement of goods from one state to another state. This is imposed by the state government. It was introduced on 1<sup>st</sup> September 2000 its generally 5% and it varies

- Taxes on Betting / Gambling –

As per section 115 BB of the Income tax Act the current rate of income tax ( As on financial year 2016 – 17 ) On poker winnings or winnings from any such card games etc. is 30% however there is an education and higher education cess payable on the taxable amount and hence the total effective amount of tax payable is 30.90%

#### 4. GST

GST means Goods and Service Tax is an Indirect tax which was introduced in India on 1<sup>st</sup> July 2017

France was the first country to impose GST in 1954

China adopted in 1994

Russia adopted in 1991

GST when applied it is applicable throughout India which replaced multiple cascading taxes levied by the central and state government

It was introduced as The Constitution ( One Hundred and First Amendment ) Act 2017

Following the passage of constitution 122<sup>nd</sup> Amendment Act Bill.

The GST is governed by a GST council and its chairman is the Finance Minister of India

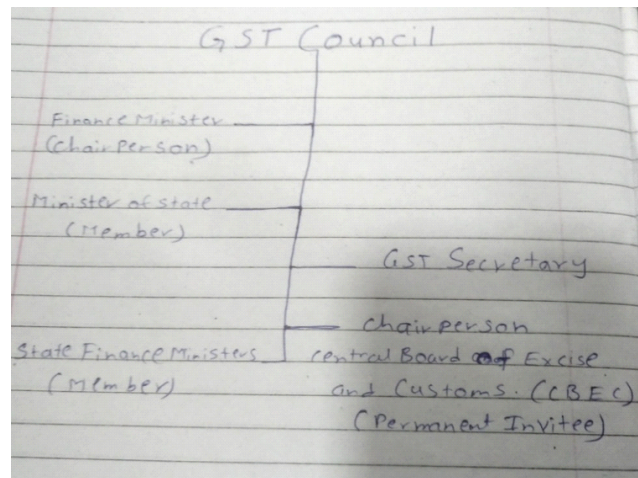
Tax rates are as follows 0%, 5%, 12%, 18% and 28%

There is a special rate of 0.25% on rough and precious and semi-precious stone and 3% on Gold

Composition of GST council

GST council is a federal forum with both central and state in India on board.

Following is the composition of GST council



### Functions of GST council

As per Article 279A (4), the council will make recommendations to the union and states on important issues related to GST

Following are some functions.

- Taxes, cesses and surcharge to be submitted under GST;
- Goods and Services which may be subject to, or exempt from GST;
- The threshold limit of turnover for application of GST;
- Rates of GST;
- Model GST laws, principles of levy, apportionment of IGST and principles related to place of supply;
- Special provisions with respect to the eight north eastern states, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand.

### History of GST

- It was all started back in 1999 when PM Vajpayee and his Economic advisers I.G.Patel, Bimal Jalan and C. Rangarajan made first attempt to design GST  
In 2000 PM Vajpayee set up a committee to draft GST law
- Asim Das Gupta Finance minister of West Bengal has been keep to design GST model and the panel did 80% of today's GST job
- In 2004 a task force conclude GST must be implemented to improve current tax structure
- In 2006 the Finance Minister is try to implement and introduce from 1<sup>st</sup> April 2010 but failed



- In 2007 to try to implement the GST Government reduce CST ( Central Exice Duty ) from 4% to 3%
- In 2008 Dual GST model will be applicable in India is fixed
- In 2010 Project to computerize commercial taxes launched but GST implementation postponed
- In 2011 Constitution Amendment bill to enable GST law introduced
- Standing committee begins discussion on GST but stalled it over clause 279B in 2012
- In 2013 standing committee presents its report on GST
- 2014 GST bill is been reintroduce in the Parliament by finance minister
- Finance Minister of West Bengal Amit Mitra was become the head of GST department
- In 2015 GST passed in Loksabha but failed in Rajyasabha
- In 2016 GSTN goes Live
- In 2016 Amendment model GST law passed in both houses
- In 2017 four supplementary GST bills passed in Lok sabha and approved by the cabinet
- Rajya sabha also passed four supplementary GST bills and GST implemented on 1<sup>st</sup> July 2017 ( Except J&K but then later J&K also accept it )

GST was launched at midnight on 1<sup>st</sup> July 2017 by president of India Pranab Mukarjee and PM Narendra Modi it was made in historic midnight ( 30 June – 1 July ) at Central hall of parliament

### GST Model

GST replaced several former taxes and levies which is implemented by central and state also.

The tax between of transactions of goods have also been removed and come under one head GST

It levied on all transactions such as sales, transfer, purchase, barer, lease and import and export

As we know India has adopted the dual model of GST

That means we will pay tax to the both central as well as state government to do it we have three terms

CGST

SGST  
IGST

CGST –

CGST means Central GST this amount will be payable to the central government

SGST –

SGST means State GST this amount will be payable to state government

IGST –

IGST means Integrated GST this amount will payable to state government

Example –

- If a goods is made in one state and then sell in the same state then CGST and SGST will be applicable and total tax amount will be distributed in half and each half will be received as CGST and SGST

If a person buys CCTV camera then he have to pay 18% tax so then CGST will be 9% and SGST will be 9% On goods and that will mention in bill separately

- If a good is made in a state and then sell it in another state then only IGST will be applicable and whole amount of tax will be given to Central government

Following are the present slab in GST and goods and service in that slab

### **5%**

Goods –

Item such as fish fillet, Apparel below Rs. 1000, packed food item, footwear below Rs. 500, cream, skimmed milk powder, branded paneer, frozen vegetable, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicine, stent, lifeboats, cashew nut, ice and snow, Bio gas, Agarbatti, kites, postage and revenue stamp,

Services –

Transport services ( Railways, air transport ), small restaurants.

### **12%**

Goods –

Apparel above Rs. 1000, frozen meat products, butter, cheese, ghee, dry fruits in packed form, animal fat, sausage, fruit juice, namkeen, ayurvedic medicine, tooth powder, coloring books, cell phones, playing cards.

Service –

state run lotteries, non a/c hotels, business class air ticket, fertilizers, work contracts.

### **18%**

Goods –

CCTV, optical fibers, bamboo furniture, cake, jams, sauces, goodwill, Biscuits, camera, speakers, monitors, printers most items cum under this slab

Service

-

AC hotels, telecom services, IT services etc

### **28%**

Goods –

chewing gums, chocolate non containing coco, pan masala, paint, shaving cream, hair shampoo, washing machine ATM

Services -

Private run lottery, hotel rooms over Rs. 7500, 5 star hotel etc

all above goods and service is till the date

### **HSN Code**

Harmonized system of nomenclature is a 8 digit code for identifying the applicable rate of GST If a company has a turn over less than 1.5 crore then do not have to file it otherwise vise versa

### **GSTN**

It is a non profit organization proposed to be formed for creating a website for all the concerned parties related to the GST The known capital of GSTN is Rs. 10 crore in this government has 24.5% share rest with the private bankers

## **Conclusion**

As we see in this paper there were various taxes before and after Independence of India. Tax is become main revenue for the government. As the country develop, need of people in country changes and according to it tax also changes and changes in tax led to change in economic condition of country. So it's important for a country to have healthy tax system and tax payers. Different tax in different time period do the same work of collecting tax but the name differ as per the situation. GST is raising the tax amount collection. So to conclude at this paper I would say tax is very necessary revenue for government and changes in tax over a period of time was successful and this type of taxation policy will change upcoming future.

## **Current Scenario of India's Bank Non Performance Assets**

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### **ABSTRACT:**

A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

CARE ratings revealed worldwide India's NPA ranking is fifth At 9.9 %NPA on the list of countries with highest NPA and is on top spot among the BRICS nations. The country is reeling under a huge NPA burden of over Rs 7.33 lakh crore as of June 2017. Top four countries are Greece has the highest NPA of 36.4 % in the world, Italy (NPAs 16.4 %), Portugal (15.5 %), Ireland (11.9 %), Russia (9.7 %) and Spain (5.3 %) are also facing huge NPA crisis.

In another side an indication of deteriorating management of non-performing assets (NPAs), the rate of recovery of banks' gross NPAs has been steadily declining for the past 12 years and hit the lowest level of 20.8 per cent in 2016-17 from 61.8 per cent in 2009. During the 2015-17 period, the average recovery ratio of Indian banks was 26.4 per cent, with recovery by private sector banks at 41 per cent being much higher than by public sector banks (PSBs) at 25.1 per cent.

Despite a series of steps to contain non-performing assets (NPAs), public sector banks (PSBs) wrote off a record Rs 81,683 crore worth of bad loans in the financial year ended March 2017, a jump of more than 41 per cent over the previous year's write-off amount of Rs 57,586 crore. In contrast to the write off amount of Rs 27,231 crore in 2012-13, when banks earned combined net

profit of Rs 45,849 crore, the amount of loans written off in 2016-17 trebled to Rs 81,683 crore and the banks combined profits were a Rs 474 crore.

**Keywords: Non Performing Assets, Recovery of Loan**

**I) Definition:**

*A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.*

**Description:** Banks are required to classify NPAs further into Substandard, Doubtful and Loss assets.

1. *Substandard assets:* Assets which has remained NPA for a period less than or equal to 12 months.
2. *Doubtful assets:* An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
3. *Loss assets:* "Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value."

**II) Problems of Research Paper:**

1. India's is facing problem of NPA and banks profitability is sinking.
2. India's NPA is growing year on year but bank cannot recover of NPA.
3. Mostly Nationalized banks are facing problem of NPA in India.

**III) Objectives of Research Paper:**

1. To determine the impact of NPA on bank's profitability
2. To identify the NPA of last five years
3. To determine India's NPA ranking.

**IV) Collection of Data:**

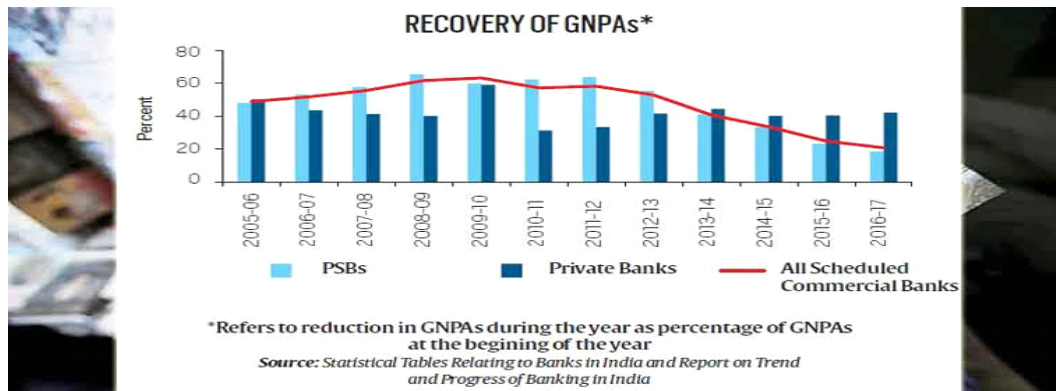
We have collected data through secondary source from newspapers, magazines and websites

**V) Finding of Research Paper:**

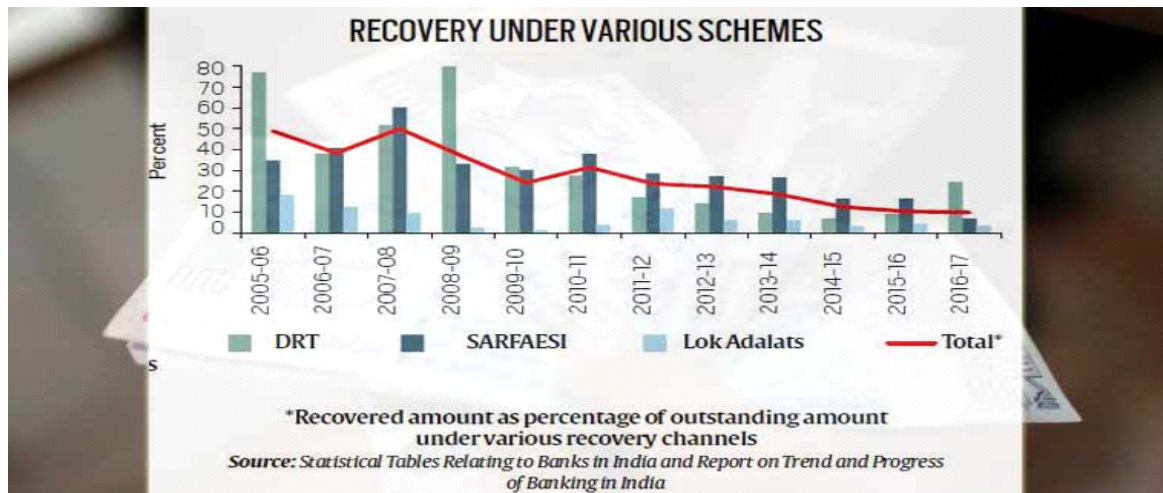
**Finding 1. Rising Bad Loan And Shrinking Profitability:**

In an indication of deteriorating management of non-performing assets (NPAs), the rate of recovery of banks' gross NPAs has been steadily declining for the past 12 years and hit the lowest level of 20.8 % in 2016-17, according to the latest data from the Reserve Bank of India (RBI). Recovery of written-off loans through various channels, such as Debt Recovery Tribunals (DRTs), has also been falling year-on-year. While the loan recovery rate has been falling, the number of cases being referred to the National Company Law Tribunal (NCLT) benches for insolvency resolution has been correspondingly rising since the enactment of the Insolvency and Bankruptcy Code (IBC) last year.

“Recovery of banks' NPAs remains poor, having declined to 20.8% by end-March 2017 from 61.8% in 2009. After peaking in 2009 and remaining well above 40% in the earlier years, the recovery rate has declined over the years, the data show. Banks were able to recover higher amount through secured loans, term loans and exposure to real estate.



During the 2015-17 periods, the average recovery ratio of Indian banks was 26.4%, with recovery by private sector banks at 41% being much higher than by public sector banks (PSBs) at 25.1%. Banks continue to pursue various recovery measures for NPAs as well as written-off loans. A higher recovery rate indicates the ability of banks to reduce their NPAs. During this two-year period, banks and financial institutions recovered an average of around 10% through the existing legal recovery channels, including DRTs, the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, and Lok Adalats.



Even

as the loan recovery remained weak, PSBs wrote off a record Rs 81,683 crore worth of bad loans in the financial year ended March 2017 a jump of more than 41 % over the previous year's write-off amount of Rs 57,586 crore. Banks wrote off a total of Rs 2.46 lakh crore worth of loans in the past five years.

Rising bad loans, shrinking profitability and weak recovery of written-off loans necessitated the need for higher capital infusion in the PSBs. Out of the total 22 PSBs, as many as eight banks currently have GNPA's above 15% and 14 have GNPA of more than 12%. To address these issues and to improve credit deployment in the economy, the government in October 2017 announced a mega capital infusion plan of Rs 2.11 lakh crore, comprising Rs 1.35 lakh crore worth of re-capitalisation bonds, Rs 18,000 crore through budgetary support and Rs 58,000 crore to be raised by the banks from the market. The re-capitalisation will be done in 2017-18 and 2018-19 with the government planning to frontload capital injections. The amount of capital infusion will be higher than the Rs 79,700 crore provided by the government in the eight-year period between 2007-08 and 2014-15.

### **Finding 2. Written Off Loans:**

Despite a series of steps to control non-performing assets (NPAs), public sector banks (PSBs) wrote off a record Rs 81,683 crore worth of bad loans in the financial year ended March 2017, a jump of more than 41 % over the previous year's write-off amount of Rs 57,586 crore, as per the finance ministry data.

Even as the amount of loans written off has been rising steadily in the past five years, their combined profitability deteriorated sharply during the same period, as NPAs spiked and the



Reserve Bank of India (RBI)-mandated asset quality review forced them to make higher disclosures of non-performing loans.

In contrast to the write off amount of Rs 27,231 crore in 2012-13, when banks earned combined net profit of Rs 45,849 crore, the amount of loans written off in 2016-17 trebled to Rs 81,683 crore and the banks combined profits were a Rs 474 crore. Banks have written off a total of Rs 2.46 lakh crore worth of loans in the last five years.

In the past couple of years, PSBs incurred combined net losses of over Rs 19,529 crore, even as the government capital infusion during these two years, at Rs 47,915 crore, was the highest in the last decade. The gross NPA of banks has risen to 9.6 % (of total advances) in March 2017, from 9.2 % in September 2016. The stressed advances ratio declined marginally from 12.3 % to 12 % due to fall in restructured standard advances, especially in agriculture, services and retail sectors, the data showed.

<b>LOANS WRITTEN OFF BY PSU BANKS (₹ CR)</b>		
<b>Year</b>	<b>Write-off amount</b>	<b>Combined net profit</b>
<b>2012-13</b>	<b>27,231</b>	<b>45,849</b>
<b>2013-14</b>	<b>34,409</b>	<b>31,513</b>
<b>2014-15</b>	<b>49,018</b>	<b>30,868</b>
<b>2015-16</b>	<b>57,586</b>	<b>(-) 20,003</b>
<b>2016-17</b>	<b>81,683</b>	<b>474</b>

*Source: Finance Ministry, RBI*

In

order to contain NPAs and consequential write-offs, the finance ministry took a series of measures in the past 2-3 years, including asking banks to agree to operating performance norms for getting capital, amending the loan recovery laws, merging associate banks with the parent State Bank of India, among others.

The government last year enacted the Insolvency and Bankruptcy Code (IBC) and earlier this year empowered the RBI to direct banks to initiate insolvency proceedings against large loan defaulters. The RBI has recently directed banks to refer 12 large NPA cases for resolution under the IBC. The 12 troubled companies being referred to NCLT under the RBI directive — including Jyoti Structures, Bhushan Steel, Monnet Ispat and Electrosteel Steels, Amtek Auto and Era Infra Engineering among others — account for a combined debt of around Rs 2.5 lakh crore.



**Finding 3: NPA Ranking of CARE Report:**

At 9.9 % ratio, India has been ranked fifth on the list of countries with highest NPAs, and is on top spot among the BRICS nations, a recent report by CARE Ratings revealed. The country is reeling under a huge NPA burden of over Rs 7.33 lakh crore as of June 2017. To address the crisis, the government has announced the recapitalisation of these public sector banks by infusing around Rs 2.11 lakh crore, besides pumping in Rs 1.35 lakh crore through recapitalisation bonds. The NPA list is topped by countries known as PIIGS (Portugal, Italy, Ireland, Greece and Spain), excluding Spain that is ranked at 7th spot below India and Russia. India's NPA ratio is 400 points higher than that of Spain's.

Greece has the highest NPA of 36.4 in the world. Its economy is in tatters with around 50 % of registered unemployed people without a regular job for over one and half year. Other countries like Italy (NPAs 16.4 %), Portugal (15.5), Ireland (11.9), Russia (9.7) and Spain (5.3) are also facing huge NPA crisis. Experts believe the capital infusion in banks needs to be backed by a string of reforms so that they engage in responsive banking in the future. For banks to be responsive the government needs to boost bank boards, address NPAs and HR related issues. "Reform agenda is the highest priority which has to be implemented along with capitalisation. A whole lot of reforms will come so that genuine borrowers don't suffer and get hassle-free, need based credit,

**Finding 4: Other effects of NPA:**

- Reduce the earning capacity of assets and badly affect the ROI.
- The cost of capital will go up.
- The assets and liability mismatch will widen.
- Higher provisioning requirement on mounting NPAs adversely affect capital adequacy ratio and banks profitability.
- The economic value additions (EVA) by banks get upset because EVA is equal to the net operating profit minus cost of capital.
- NPAs causes to decrease the value of share sometimes even below their book value in the
- capital market

- NPAs affect the risk facing ability of banks.

## **VI: Recommendations for Bank:**

- RBI should revise existing credit appraisals and monitoring systems.
- Banks should improved upon and strengthen the loan recovery methods.
- Credit appraisal and post –loan monitoring are crucial steps which need to concentrate by all the public sector banks.
- There must be regular follow-up with the customers and it is the duty of banker to ensure that there is no diversion of funds. This process can be taken up at regular intervals.
- Personal visits should be made after sanction and disbursal of credit and further close monitoring of the operations of the accounts of borrowed units should be done periodically.
- Managers under credit monitoring and recovery department should have dynamism in their work. Many managers say that “we do not fear to negotiate but we do not negotiate out of fear. Such fear leads to arbitrary negotiation, which fails.
- Frequent discussions with the staff in the branch and taking their suggestions for recovery of dues.
- Assisting the borrowers in developing his/her entrepreneurial skill will not only establish a good relation between the borrowers but also help the bankers to keep a track of their funds.

## **VII: Conclusion:**

The Non-Performing Assets have always created a big problem for the banks in India. It is just not only problem for the banks but for the economy too. The money locked up in NPAs has a direct impact on profitability of the bank as Indian banks are highly dependent on income from interest on funds lent. This study shows that extent of NPA is comparatively very high in public sectors banks. Although various steps have been taken by government to reduce the NPAs but still a lot needs to be done to curb this problem. The NPAs level of our banks is still high as

compared to the foreign banks. It is not at all possible to have zero NPAs. The bank management should speed up the recovery process. The problem of recovery is not with small borrowers but with large borrowers and a strict policy should be followed for solving this problem. The government should also make more provisions for faster settlement of pending cases and also it should reduce the mandatory lending to priority sector as this is the major problem creating area. So the problem of NPA needs lots of serious efforts otherwise NPAs will keep killing the profitability of banks which is not good for the growing Indian economy at all.

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“A Study of Factors Affecting Investment Trends in India”

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**Abstract**

Investment is vital in everyone's life. Because, it gives constant and assured income in the form of interest to an investor as well as it becomes helpful in case of an emergencies. The investment trends have changed over the time. This is due to the fact that there are many avenues available for investments in India. Also, due to high awareness and technological advancement, the investors have better access to investment information. But now, the investors have to think on some investment factors which majorly affects the investors at high level. There are lots of factors that affect the investor in framing their perception on various investment options.

The aim of this study was to investigate the factors which affect the investment decision of every individual investor. The data used in this study is obtained from the Secondary Data Source. For the purpose, Reserve Bank of India's investment data has been studied.

**Key words:** Investment, factors, Investment trends, Investment Avenues

- **Introduction**

Indian economy is growing significantly. In recent times, it has various options for the investors to make an investment. It is known fact that investment plays very important role in every individual's life. But at the same time they should be very careful while making investment decision. This is because there are some factors like risk, return, liquidity and many more which affects the investors at high level. Therefore the investors should consider all the factors of investment before taking investment decisions. The purpose of this study is to identify the factors affecting investment. The investment avenues available today are traditional Avenues and modern Avenues. Traditional avenues includes investment in gold/ silver, traditional insurance products of LIC and General Insurance Corporations, bank deposits, real estates, pension, provident fund and so on whereas modern avenues include stocks, debentures, bonds, money market instruments, mutual funds and so on. These avenues create a clutter in the minds of the investors. Therefore an attempt is made to examine these factors and exploring it from the investors perspective.

### **Meaning of Investments:**

Financial investment is purchasing of financial instruments like share, bonds, debentures, bank deposits etc with an intention to get some positive return in future which is known as interest. Financial investment ensures safety of an individual along with their family members to have a better life ahead. It controls an individual's spending pattern and it also decides how and what amount one should spend so that he/ she has sufficient money for future.

- **Objectives of the study**

In the current scenario of the financial markets in India is the awareness about savings and investments has increased. Various studies and statistics have shown a rise in the private investments in India. Hence, in the light of this, the following are the objectives of the current study:

- To study and to explore the various factors affecting investment.
- To examine the recent investment trends in India (public and private sectors both).

- **Research methodology**

Methodology is the way to conduct the study in a systematic manner to achieve the objectives of the study. It can also be considered as systematic way to solve a research problem. This study is purely based on the secondary data collection method.

The source of secondary data includes:

- Magazines /News Papers
- Journals/Articles /Books
- Websites of various organizations and institutions.

- **Review of Literatures**

- **S. Umamaheshwari, M. Ashok Kumar (2014)** This study is to find the relationship between Demographic and social factors that affects the invest decision of respondent like investment attitude, investment awareness and return on investment. This study analyses the priorities of salary classed people regarding investments. Different factors that affect the decision of respondents such as age, gender, Income scale, marital status etc.

- **Rajeshwari Jain (2014)** According to author, investment is the consumption and saving opportunity in future expressed in monetary terms. Two classes of investments like fixed income statements i.e. preference shares, bonds, fixed deposits and variable income investments i.e. equity capital, proprietary ownership. The data shows that respondents between the age group of 26 years to 35 years are more involved in investment activities.
- **V.R. Palanivelu, K. Chandrakumar (2013)** In this study the researcher or author have divided the avenues in different categories like equity with high rate of return and risk, debt with fixed interest rate on investment, fixed deposits with banks, insurance, public provident fund low rate of return on investment and secured.  
So according to the researcher's data, after the analyses done, results shows that 40% respondents prefer to invest in insurance, 30% respondents prefer to invest in bank deposits, 18% prefer to invest in gold and real estates.

- **Investment Trends in India**

#### **Public Investment**

India has grown as one of the significant economies in the world having immense potential for long term growth. Indian is developing at a faster pace and is brimming with investment opportunities.

According to the McKinsey Global Institutes, the average Indian's income will triple by 2025. This will result in more investment in the coming years. The Government of India has also mulled 100% foreign ownership. The current Government of India is mulling to allow 100% Foreign Direct Investment in banking sectors. The finance ministry, Department of Industrial Policy and Promotion (DIPP) and International Bar Association (IBA) are presently accessing the hike in Foreign Direct Investment cap in the banking sector from 74% to 100% [Report by CNBC-TV 18].

- **Investment in Real Estate Industry (December 2017)**

The Indian Real Estate Sector has witnessed for high growth in the recent times with rise in demand for offices as well as residential spaces.

Investment in 2017 U.S. \$ 7 billion which is expected to rise in 2020 to U.S. \$10 billion.

It has ranked 4<sup>th</sup> developing Asia for FDI inflows.

-World investment report 2016 by United Nations Conference for Trade and Development.

Table no 1: **Gross Saving Report by The Reserve Bank of India**

<b>Gross Savings</b>					
(Per cent of GNDI)					
Item	2012-13	2013-14	2014-15	2015-16	
I. Gross Savings	33.1	31.4	32.3	31.6	
1.1 Non-financial corporations	9.7	10.5	11.1	11.8	
1.1.1 Public non-financial corporations	1.2	1.1	1.0	1.0	
1.1.2 Private non-financial corporations	8.5	9.4	10.1	10.8	
1.2 Financial corporations	3.0	2.5	2.7	2.1	
1.2.1 Public financial corporations	1.7	1.4	1.3	1.3	
1.2.2 Private financial corporations	1.2	1.1	1.3	0.8	
1.3 General Government	-1.6	-1.5	-1.5	-1.0	
1.4 Household sector	21.9	19.8	20.0	18.7	
1.4.1 Net financial saving	7.2	7.2	7.2	7.8	
Memo: Gross financial saving	10.5	10.4	10.1	10.9	
1.4.2 Saving in physical assets	14.4	12.3	12.4	10.7	
1.4.3 Saving in the form of valuables	0.4	0.3	0.4	0.3	
<p>Note: Net financial saving of the household sector is obtained as the difference between gross financial savings and financial liabilities during the year.</p> <p>Source: CSO</p>					

(Source-Central Statistics Office)



Financial Assets of the Households (2012-17) (in Rs Billion & at current prices)					
Year	Bank Deposits	Non-Banking Deposits	Life Insurance Funds	Provident & Pension Funds	Shares & Debentures
2012-13	5,751	279	1,799	1,565	170
2013-14	6,393	228	2,044	1,778	189
2014-15	6,027	335	2,992	1,887	198
2015-16	6,220	366	2,660	2,768	413
2016-17	10,957	341	4,406	2,960	1,825

\* Life Insurance Fund includes Central or State Governments employees' insurance funds and postal insurance funds.

\* Shares and Debentures include investment in shares and debentures of credit / non-credit societies, public sector bonds and mutual funds (other than Specified Undertaking of the UTI).

Table No. 2: **Investments by the private sector**

Based on the above data, we can observe that there has been a steep increase of savings in Bank deposits and investments in Stocks during 2016-17.

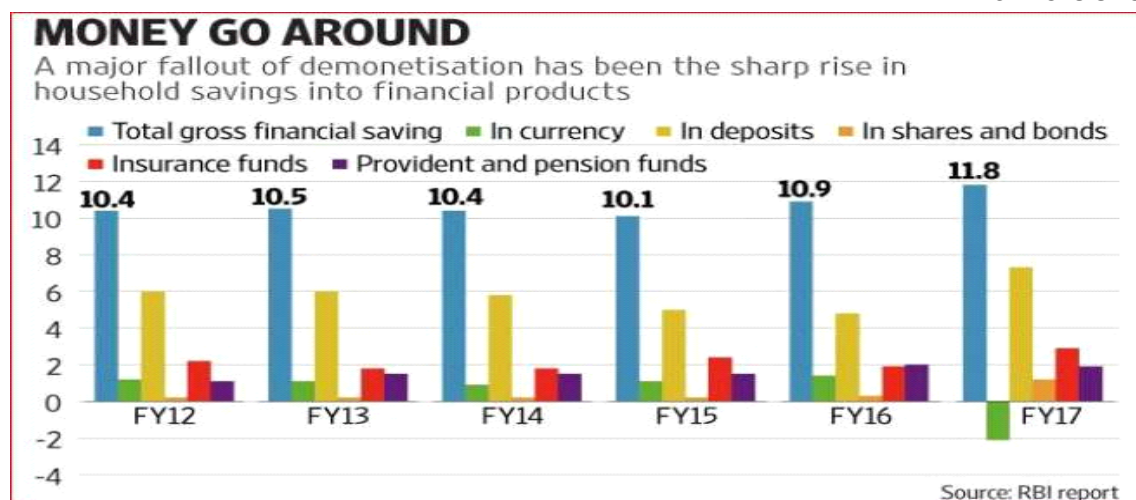
Table No. 3: **Term Deposits with Scheduled Commercial Banks**

Term Deposits with Scheduled Commercial Banks		
Deposit Tenure	2015-16 Data (Rs in billion)	2016-17 Data (Rs in billion)
Upto 90 days	4,277	4,353
90 days to 6 months	2,346	2,406
6 months to 1 year	7,199	5,555
1 year to 2 years	23,101	26,281
2 to 3 years	5,741	6,435
3 to 5 years	6,537	7,184
5 Years and above	7,911	8,476

(Source: Reserve Bank of India)

The above table gives you an idea about the total outstanding amount (*as on Mar 2017*) saved in Bank Term Deposits based on the tenure of the deposits. Term deposits with 1to2 year duration was the most preferred ones followed by the 5 year term deposit.

Table No 4: **Trends of investments by the private sector**



(Source: Reserve Bank of India)

The above table shows the trends in various investment avenues by the household sectors in the year 2012- 2017.

Table No.5:**Foreign Institutional Investment yearly Investment**

<u>Year</u>	<u>Equity Net Investment ( Rs. in crores)</u>
2006	36,393
2007	70,057
2008	-52,987
2009	83,392
2010	1,33,266
2011	-2,714
2012	1,28,361
2013	1,13,027
2014	97,054
2015	17,808
2016	20,568
2017	51,252

Table no 5 Shows that the amount invested in equity in 2017 is comparatively high than the 2016. In the year 2013 it has largest investment made again in next next year the rate of investment drastically has come down i.e. in the year 2014. But from year 2015 onwards till 2017 data shows the rapid growth in investment.

Table No. 6: **Household Investment**

<u>Year</u>	<u>Equity Net Investment ( Rs. in crores)</u>
2005	13,267
2006	15225
2007	6,195
2008	13,992
2009	-5,313
2010	-27,876
2011	6,653
2012	-20,593
2013	-21,188
2014	23,326
2015	71,254
2016	47,818
2017	1,17,044

Table no 6 is the data about household investments made in equity, it shows the clear upward going trend of investment from the year 2014 till 2017.

- **Factors Affecting Investment Behavior and also the Investment Trends**

- Framework of investment in India

The predominance of government securities serves the purpose of bringing about confidence to the individual investor, but before an investor can make a choice, he must realize the controlled nature of investment. In most investments, the return on investment is controlled by the government and not according to the free play of demand and supply of investments.

- Inflation In the long run, inflation rates can have an influence on investment. High and variable inflation tends to create more uncertainty and confusion, with uncertainties over the cost of investment. High inflation leads to economic uncertainty and future

downturn. Countries with a prolonged period of low and stable inflation have often experienced higher rates of investment.

- Taxation

The Indian investor is to a great extent affected by the taxation policy of the government. He would plan his investment in a manner so that he would have to pay a minimum direct tax. His investment would be directed to those schemes which would give him a tax relief.

For example:- Life insurance premium, provident fund, units and National Saving Certificates enable the investor to save from the tax point of view.

- Manipulation of share price

Another factor which affects the Indian investor is the helpless and inadequate nature in which he deals with the investment climate in the country. An investor who has the power either through position, status or money has great control over the investment outlets in the country. It is the middle class investor who suffers a great deal because he is unprotected in the Indian environment. Despite SEBI regulations, crashes and scams continue in the stock market in India.

- Rates of interest

Investment is financed either out of current savings or by borrowing. Therefore investment is strongly influenced by interest rates. High interest rates make it more expensive to borrow. High interest rates also give a better rate of return from keeping money in the bank. With higher interest rates, investment have a higher investment opportunity cost because you lose out the interest payment.

- Risk tolerance

Not everyone has the same risk tolerance, some people are conservative while others are more aggressive in how they invest their funds. Assets classes can also be categorized on a scale of risky to safe. Stock and commodities are considered more risky than high grade bonds or T-bills. If you have a low risk tolerance, most of your funds will be put into investment like certificate of deposits, T-bills, high grade bonds and money market mutual funds. If your risk tolerance is high, more funds can be directed towards stocks and commodities.

- Expected return

A diversified portfolio contains investments that are safe and typically yield lower long-run returns as well as higher-risk investment, which generally yield higher returns over the long run. As your risk level increases, so does the expected return of your portfolio, although expected return does not necessarily equal the return you actually achieve. Therefore your willingness to accept uncertainty in terms of the return you will achieve directly affects how much you will invest in assets such as stocks and commodities.

- Consumer demand

The present and future demand for the products greatly influences the level of investment in the economy. If the current demand for consumer goods is increasing rapidly more investment will be made. Even it is the future demand for the products, it will be considerably influenced by their current demand and both will influence the level of investment. Investment will be low if the demand is the low and vice versa.

- Liquid assets

The amount of liquid assets with the investors also influences the inducement to invest. If they possess large liquid assets, the inducement to invest is high. On the contrary, the inducement to invest is low for investors who having little liquid assets.

### **Findings and suggestions**

- According to Reserve Bank of India's data, it has been observed that many of investors have preferred bank deposits followed by share and debentures.
- It has been also observed that investors who prefers banking investment, prefers the tenure of 1-2 years terms followed by 5 year term plan, which leads to increase the bank growth rate year by year.
- Based on the study, it is very clear that majority of investors have preferred to have savings with banks as well as investment in shares.
- Bombay Stock Exchange and Reserve Bank of India's data gives the clear idea about investment trends. That means from the year 2014, the investment made by private as well as household sectors are increasing year by year.
- Researcher suggests that investors must study the investment factor carefully using reasonable source of information before making investment.
- Investor should evaluate all the factors with each other instead of considering only one factor.

- Investor should also diversify their investment in different companies by developing a proper portfolio of investment.
- To enhance the knowledge of the investors with respect to all the factors associated to investment.

### **Conclusion**

Investment decision is purely based on the investment motive or objective of an investor but at the same time it becomes mandatory for every investor to think practically on each factor of investment. These factors could be anything other than the Risk-Return factor. It is very important for the investor to make final investment decision only after studying all the factors carefully.

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**Financial Literacy An Essential Tool**

**For Growth**

**Of**

**Financial Sector In India**

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**Abstract:-**

Financial literacy has secured a vital role in the recent scenario due to many reasons viz. Development of the new financial products .financial literacy is the ability to use skills and knowledge to take effective and informed money-management decisions. For a country like India, this plays a bigger role as it is considered an important adjunct to promotion of financial inclusion and ultimately financial stability. Lack of financial literacy leads to the ill-informed financial decisions and these decisions in turn, have tremendous negative impact on the financial system as a whole. This paper tries to outline the prevailing status of financial sector & financial literacy in India. The efforts taken by the government & other financial stakeholders like financial institutions, banks etc. the importance of promoting financial literacy through the various ways is suggested on the basis of study done.

**Key words:** financial literacy, financial education, financial service sector, investment

**Objectives:-**

- To study the current position of Indian financial sector
- To understand the current financial literacy status
- To understand the importance of financial literacy in India

**Research Methodology:-**

The research paper is based on secondary data collected from newspapers, websites and published papers on the subject. Due to limited time constraint primary data could not be collected.

### **Introduction:-**

Financial services are the economic services provided by the financial industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accounting companies, consumer-financial companies, stock brokerages, investment funds, individual managers and some government sponsored enterprises.

An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will be sold at a higher price for a profit.

Financial education is “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

Financial literacy is the ability to use skills and knowledge to take effective and informed money-management decisions. For a country like India, it plays a bigger role, as it is considered an important adjunct for the promotion of financial inclusion and ultimately financial stability. Financial literacy is a way by which individuals can enhance their understanding about the financial concepts, markets, and products to take effective action to improve overall well-being and avoid distress in financial matters thus improve their financial status.

Financial literacy and financial stability are two key aspects of an efficient economy. Financial literacy enhances individuals' ability to ensure economic security for their families. In India, on one hand, there is a need to reach out to lower income groups and economically weaker sections, and on the other, to millennials who are hyper-connected and require tailor-made financial products but have limited awareness of the possible financial solutions.



As per a global survey by standard & poor's financial services LLC (S&P) less than 25% of adults are financially literate in south Asian countries. For an average Indian, financial literacy is yet to become a priority. India is home to 17.5% of the world's population but nearly 76% of its adult population does not understand even the basic financial concepts.

The survey confirms that financial literacy in India has consistently been poor compared to the rest of the world. Financial illiteracy puts a burden on the nation in the form of higher cost of financial security and lesser prosperity. An example of this is the fact that most people resort to investing more in physical assets and short-term instruments, which conflicts with the greater need for long-term investments, both for households to meet their life stage goals and for meeting the country's capital requirements for infrastructure. With this the below are the determinants which also a cause of low financial literacy in India.

### **Determinants of Financial Literacy and Education:-**

The financial literacy level majorly depends upon the education and income of the individuals; the social factors such like family size, family background, age, regions nature of employment have a little impact on this.

**(a) Gender:** Financial literacy is affected by gender as women's literacy in India is matter of debate since past, hear as women's are saving rate among women's is high not in formal ways as there are several biasness only the matters of education among them .in the present periods India has improving status of women's in terms of educations as well as employment level.

**(b) Age:** Financial literacy follows an inverted-U shape with respect the age. Financial literacy increases among the youths is high as soon as the age increases it decline this is may be due to time as soon as time varies a lot of changes took place in the financial market and youth is make effort to update and accept the changes.

**(c) Education & Income:** Financial literacy is associated with higher educational attainment and income. As soon as the education levels of individuals increases their understanding about the financial terms and clarity about their financial needs and goals in order to protect their finance they increases the effort toward the accessing the information ,which ultimately enhances their knowledge of present financial services and products.

**(d) Geographical region & Employment:** Financial literacy is associated with more sophisticated investment. Financial literacy is independent of geography and religions of the individuals. While it is dependent upon the nature of employment the privet employees have better levels in comparison of government employees

In India, a large number of stakeholders including financial regulators, financial institutions, educationists and other agencies are involved in spreading financial literacy. Efforts are continuously been made so as to improve the level of financial literacy in India.

**(a) Securities Exchange Board of India (SEBI):** has undertaken various measures to spread the financial literacy awareness across the nation to various segments viz. school students, college students, working executives, middle income group, home makers, retired personnel, self-help groups etc., by appointing the Resource Persons throughout India. The SEBI Certified Resource Persons organize workshops on topics like savings, financial planning, retirement plans, investments etc. to the target segments across India. The measures undertaken by various institutions-Stock Exchanges, Depositories, Mutual Funds Association, Association of Merchant Bankers etc. conducts the seminars wherein study material is disseminated on the investors education. Other material related to the financial education is available on the official website of the SEBI. College and school students are encouraged to visit SEBI office and learn about its working under “Visit SEBI” programme. Recently SEBI has launched a toll free helpline number in 14 languages for the investors wherein they can seek information on any related issue of the finance.

**(b) Reserve Bank of India:** An initiative under “Project Financial Literacy” has been undertaken by the Reserve Bank of India (RBI). The objective of this project is to disseminate information regarding the basic banking concepts to various target groups, including school and college students, women, rural and urban poor and senior citizens. The study material related to the financial literacy is available in English and 12 other Indian languages. It is disseminated to the target audience with the help of banks, local government agencies, schools and colleges through presentations, pamphlets, brochures, films and also through the RBI’s official website. The community finance learning initiatives (CFLIs) were also commenced with a view to encourage fundamental financial literacy.

**(c) Insurance Regulatory and Development Authority (IRDA):** has taken up different steps in the area of financial literacy. Awareness programmes has been organized on national television and radio wherein the simple messages about the rights and duties of the policyholders are discussed in English, Hindi and 11 other Indian languages. IRDA organizes an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies. IRDA has also brought out publications of “Policyholder Handbooks” as well as a comic book series on

insurance. An official website has been designed for the consumer education in insurance by IRDA.

**(d) Pension Fund Regulatory and Development Authority:** The Pension Fund Regulatory and Development Authority (PFRDA) has developed Frequently Asked Questions on the pension related issues on its official website, and has associated itself with the various non-government organizations to spread the pension awareness in India.

**With the above efforts some of the below measures can also be suggested:-**

- More capital infusion towards financial literacy workshops, seminars at the school, college, workplaces and the residential areas so as to boost up its effectiveness on the usage of financial products and services.
- the awareness of all seminars, programmes, schemes, workshops and projects should be made among the target group to give the maximum benefit.
- Small activities on types and importance of the investment avenues should be undertaken at the various schools, colleges, offices and the local level to increase the practical knowledge of the financial aspects.
- Another need of the hour is to analyse the impact of such programmes from time to time through feedback

#### **Literature Review:-**

Empirical evidence suggests there is a positive relation between financial knowledge and personal finance behavior, Martin, Matthew. (2007).

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### **Conclusion:-**

Financial literacy is a way by which individuals can enhance their understanding about the financial concepts, markets, and products to take effective action to improve overall well-being and avoid distress in financial matters thus improve their financial status. The various initiatives have been undertaken by the government (Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority) to improve the level of financial literacy in India. However, the level of financial literacy is very poor in India. This level of literacy can not accelerate the pace of financial inclusion which will further hamper the economic growth of the Indian economy. More capital infusion towards financial literacy workshops, seminars at the school, college, workplaces and the residential areas so as to boost up its effectiveness on the usage of financial products and services and thereby enhancing the financial system of the nation and it is also suggested that the awareness of all seminars, programmes, schemes, workshops and projects should be made among the target group to give the maximum benefit. Small activities on types and importance of the investment avenues should be undertaken at the various schools, colleges, offices and the local level to increase the practical knowledge of the financial aspects. Another need of the hour is to analyse the impact of such programmes from time to time through feedback.

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- Financial Literacy & Education: Present Scenario In India Sumit Kumar &Dr.Md. Anees

**Patuck-Gala College of Commerce & Management****Prateekachauhan****TYBCom (Banking & Insurance) 2017-18****Abstract**

Corporate Social Responsibility (CSR) is referred as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare and to promote positive social and environmental change. The activities that can be done by the company to achieve its CSR obligations include promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, contribution to the Prime Minister's National Relief Fund and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes. Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business. Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014. An example of CSR can be State Bank of India (SBI) contributed a sum of Rs. 23.74 lakh for purchase of School Bus, a NGO that runs a school for the betterment of mentally challenged and hearing impaired children in Mumbai on 6<sup>th</sup> January 2018.

- **Introduction:** The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.
- **Definition of CSR:**
  - European Commission described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.”
- **Types of CSR**

There are four types of CSR according to its beneficiaries:

- **Environment-Focused Corporate Social Responsibility (CSR)**

This type of CSR focuses on reducing detrimental effects of the corporation's operations on the environment. The corporation innovates in its manufacturing stage to reduce the production of environment harming by-products. It also promotes the use of non-renewable energy sources to prevent harm caused to the environment by burning of fossil fuels.

- **Community-Based Corporate Social Responsibility (CSR)**

The corporation joins hands with other organizations (usually Non-Profit ones) to ensure the welfare of a local community's people. These organizations either fund or receive funding from corporations to perform tasks that can improve the living conditions of the community's people.

- **Human Resource (HR)-Based Corporate Social Responsibility (CSR)**

Corporations focus on the well-being of their own staff and improve their living conditions. The companies may extend compassionate leaves like paternity leaves so that the employee can look after his new-born. They can also provide medical insurance to their employees to take care of accidents caused due to occupational hazards.

- **Charity Based Corporate Social Responsibility (CSR)**

In a charity-based CSR, corporations donate to organizations or individuals (usually through a charity partner) to improve their financial condition and for their general upliftment. This is the most common form of a CSR activity. Most corporations provide direct financial support to organizations or individuals who require such assistance.

- **CSR in India:**

India's new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business" Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc. from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.

- **CSR Activities:**

The Policy recognizes that corporate social responsibility is not merely compliance; it is a commitment to support initiatives that measurably improve the lives of underprivileged by one or more of the following focus areas as notified under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014:

- Eradicating hunger, poverty & malnutrition
- Promoting education
- Improving maternal & child health
- Ensuring environmental sustainability
- Protection of national heritage
- Measures for the benefit of armed forces
- Promoting sports
- Contribution to the Prime Minister's National Relief
- Slum area development etc.

- **Annual spends/Allocation of Funds:**

- The Company would spend not less than 2% of the average Net Profits of the Company made during the three immediately preceding financial years. The surplus arising out of the CSR activity will not be part of business profits of the Company.
- The Company may build CSR capacities of its personnel and/or those of its implementing agencies through Institutions with established track records of at least three financial years but such expenditure shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- However if the Company ceases to be covered under sub-section (1) of Section 135 of the Act for three financial years, then it shall not be required to, comply with the provisions laid down under sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of the Act.

- **Need of undertaking CSR activities in India:**



India is home to 1.31 billion people, some of whom live in acute poverty and face myriad of problems. The government has been trying for years to eradicate the problems afflicting the holistic growth of the country. However, the experience so far well illustrates that it is impossible to bring about radical transformation without the active participation of the corporate and the private sector..

The enactment of the law is only a stepping stone. A lot depends on the will of the corporations to execute the plan into actions. The target constituencies should be encouraged to take benefits of the CSR initiatives. The government should also work hard to remove any obstacle that the corporations might run into. The resolve of companies and government will play a crucial role in the success of the CSR strategy of the Act.

- **Advantages of Corporate Social Responsibility:**

- **Satisfied employees.**

Employees want to feel proud of the organization they work for. An employee with a positive attitude towards the company is less likely to look for a job elsewhere. It is also likely that you will receive more job applications because people want to work for you. More choice means a better workforce. Because of the high positive impact of CSR on employee wellbeing and motivation, the role of HR in managing CSR projects is significant.

- **Satisfied customers**

Research shows that a strong record of CSR improves customers' attitude towards the company. If a customer likes the company, he or she will buy more products or services and will be less willing to change to another brand.

- **Positive PR**

CSR provides the opportunity to share positive stories online and through traditional media. Companies no longer have to waste money on expensive advertising campaigns. Instead they generate free publicity and benefit from word of mouth marketing.

- **Costs reductions**

A CSR program doesn't have to cost money. On the contrary. If conducted properly a company can reduce costs through CSR. Companies reduce costs by:

- More efficient staff hire and retention
    - Implementing energy savings programs

- Managing potential risks and liabilities more effectively
- Less investment in traditional advertising

- **More business opportunities**

A CSR program requires an open, outside oriented approach. The business must be in a constant dialogue with customers, suppliers and other parties that affect the organization. Because of continuous interaction with other parties, your business will be the first to know about new business opportunities.

- **Long term future for your business**

CSR is not something for the short term. It's all about achieving long term results and business continuity. Large businesses refer to: "shaping a more sustainable society"

- **Disadvantages of Corporate Social Responsibility:**

Now we will see why CSR is criticized in business circles.

- **Shift from the Profit-Making Objective**

Milton Friedman, an economist, is the biggest critic of CSR. He says that CSR shifts the focus of the company from the objective that made it a financial entity in the first place – profit-making. The company forgets about its obligations towards its shareholders that they have to make profits for them. Instead of focusing on making profits, they engage in CSR programs and use up funds for community welfare.

- **Company Reputation takes a hit**

According to CSR policies, companies have to disclose shortcomings of even their own products if they are found to violate the CSR program. For example, car manufacturing companies calling back their vehicles in large numbers when they find glitches in the model after having sold them wallops their reputation.

- **Customer Conviction**

Initially, customers like to see the companies that they trust are engaged in social welfare programs. They like the fact that these programs are for a good cause. Later, they grow wary of it. If they don't see instant results from these programs, they think that these are nothing but PR stunts. So it becomes difficult to convince customers that the results will take some time in coming and that they should continue believing in the good intentions of the company.

- **Increase in Cost of Production**

More often than not, CSR programs increase the expenditure of the company. This increased expenditure is reflected in the increased prices of the product for which, ultimately, the customers have to pay. Large corporations can absorb this increased expenditure. They may not increase their products' prices, but small businesses have no other option but to increase their products' prices to meet their increased expenses.

- **Challenges to CSR Initiatives in India**

CSR initiatives face many challenges in India and are often seen as deterrent to even the best-intentioned plans. The most important ones are described here.

- **Lack of Community Participation in CSR Activities**

Often, the communities who are the intended beneficiaries of a CSR program show less interest which will affect their participation and contribution. Also, very little efforts are being made to spread CSR within the local communities and instill confidence in the people.

- **Need to Build Local Capacities**

There is a need to build the capacities of the local non-governmental organizations. Many NGOs are not adequately trained and equipped to operate efficiently and effectively as there is serious dearth of trained and efficient organizations that can effectively contribute to the on-going CSR activities initiated by companies.

- **Issues of Transparency**

Lack of transparency is one of the key issues. There is a perception that partner NGOs or local implementation agencies do not share adequate information and make efforts to disclose information on their programs, address concerns, assess impacts and utilize funds.

- **Lack of Consensus**

There is a lack of consensus amongst local agencies regarding CSR project needs and priorities. This result in lack of consensus often results in duplication of activities by corporate houses in their areas of their intervention. The consequence results in unhealthy competitiveness spirit among local implementing agencies, which goes against the necessity to have rather than building collaborative approaches on important issues.

- **Examples of CSR Programmes:**

- **Tata Group**

The Tata Group conglomerate in India carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development, and other social welfare programs. In the field of education, the Tata Group provides scholarships and endowments for numerous institutions. The group also engages in healthcare projects such as facilitation of child education, immunization and creation of awareness of AIDS. Other areas include economic empowerment through agriculture programs, environment protection, providing sport scholarships, and infrastructure development such as hospitals, research centres, educational institutions, sports academy, and cultural centres.

- **Ultratech Cement**

Ultratech Cement, India's biggest cement company is involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare, and sustainable livelihood. The company has organized medical camps, immunization programs, sanitization programs, school enrolment, plantation drives, water conservation programs, industrial training, and organic farming programs.

- **Mahindra & Mahindra**

Indian automobile manufacturer Mahindra & Mahindra (M&M) established the K. C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company primarily focuses on education programs to assist economically and socially disadvantaged communities. CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs. M&M runs programs such as Nanhi Kali focusing on girl education, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas.

- **Conclusion:**

To conclude with, CSR should be inbuilt into the functioning of various activities of corporate sector. It should be a way of life for them. In more revealing words, CSR does not mean 'earning money by hook or crook and diverting portion of it as tax saving measures or

otherwise in name of welfare activities’. Such an approach is against the vision of Mahatma Gandhi who considered CSR as an ethical act. Ethics calls for purified mind resulting into purified thoughts which would result into purified actions. So, purity must be in the beginning, during the process and at the end with all CSR activities. There are various activities such as design, planning, production, commercial, HRD, quality assurance to be performed by a company in corporate sector. Performing all these activities in a right manner at the right time by the right people will result into right product meeting the requirements of customers. Such companies will be truly socially responsible, and would not hesitate in diverting a portion of profit for public good. All employees of corporate body should be trained and re-trained on on-going basis to enhance their spiritual quotient. Enhancement of Spiritual Quotient (SQ) is the need of hour. The actions of an organization/a corporate body with low SQ will not bring lasting advantage to itself as well as the society at large.

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## QUALITIES AND SKILLS OF AUDITORS

### RAMSHA FAKIH

**RAIS CAMPUS, THANA ROAD, BHIWANDI**

### INTRODUCTION

An auditor is a person or a firm appointed by a company to execute an audit. To act as an auditor, a person should be certified by the regulatory authority of accounting and auditing or possess certain specified qualifications. Generally, to act as an external auditor of the company, a person should have a certificate of practice from the regulatory authority.

### TYPES OF AUDITOR

External auditor/ Statutory auditor is an independent firm engaged by the client subject to the audit, to express an opinion on whether the company's financial statements are free of material misstatements, whether due to fraud or error. For publicly traded companies, external auditors may also be required to express an opinion over the effectiveness of internal controls over financial reporting. External auditors may also be engaged to perform other agreed-upon procedures, related or unrelated to financial statements. Most importantly, external auditors, though engaged and paid by the company being audited, should be regarded as independent.

Internal Auditors are employed by the organizations they audit. They work for government agencies (federal, state and local); for publicly traded companies; and for non-profit companies across all industries. The internationally recognised standard setting body for the profession is the Institute of Internal Auditors - IIA ([www.theiia.org](http://www.theiia.org)). The IIA has defined internal auditing as follows: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

### Definition:

- 1: a person authorized to examine and verify accounts.
- 2: one who hears or listens, *especially* one who is a member of Audience.
- 3: a person who audit a course of study.
- 4: a person who hears something (such as a court case) in the capacity of judge.

Auditors should: – be open-minded and mature – possess sound judgment – have analytical skills and tenacity – have the ability to perceive situations in a realistic way – understand complex operations from a broad perspective – understand the role of individual department or employees within the overall organization

Auditors should show: – Tactfulness – Flexibility – Persistence – Objectivity – Integrity – Discretion

#### **AIMS AND OBJECTIVES:**

- To understand the importance of a good auditor.
- To study the qualities and skills required to be a good auditor.

#### **THE FUNDAMENTALS:**

Strong technical and ethical characteristics are fundamental to audit success. These are not new to anyone and should be considered a baseline set of characteristics that is expected of all auditors. A good auditor continues to build upon these over the course of a career through what our profession defines as our “commitment to lifelong learning.” Throughout the auditor’s career, s/he must possess a strong ethical foundation and avoid any temptation to “let it pass” when a deeper review of an issue may reveal error or fraud. This foundation holds true in the technical area as well. The auditor must maintain appropriate technical skills throughout his or her career. If the auditor is not current with the technical rules, s/he could easily miss something and issue an inappropriate opinion. Our profession reinforces these two characteristics through required continuing professional education hours with numerous training sessions being available. As important as technical and ethical characters are, these are only fundamental to success. These characteristics won’t set you apart

## IMPORTANCE OF A GOOD AUDITOR:

Auditors attest that a company's financial records and accounting procedures comply with the law. They conduct reviews of financial statements and records to confirm publicly held companies meet their legal requirements under U.S. laws. Companies that are not publicly traded hire auditors to verify that internal accounting procedures and financial operations run efficiently, and that standardized accounting practices are maintained.

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- **ACCURATE FINANCIAL STATEMENTS:** Publicly traded companies are required by the U.S. Securities and Exchange Commission to have financial records audited regularly by an independent outside accounting and auditing firm. The SEC requires financial statements that are "accurate, truthful and complete." Auditors authenticate the accuracy of a company's financial transactions and confirm that the company follows generally accepted accounting principles— or GAAP—as administered by the Federal Accounting Standards Advisory Board.
- **ACCOUNTING STANDARDS:** Besides checking financial statements for accuracy, an auditor reviews a company's accounting methods and procedures to substantiate that the company follows steps to prevent fraud. The auditor verifies a company's internal rules for signing checks, making payments to vendors and handling deposits. The company must also fulfill requirements regarding people who have access to funds. An audit by a licensed independent auditor lets a company and its creditors know where it stands with respect to following standard accounting principles and guidelines.



- **INTERNAL CONTROLS** Auditors verify that internal controls and procedures are in place for companies they audit. They identify critical areas that may need improvement, and they test the performance of new technology and accounting systems. Auditors also evaluate the quality of record-keeping procedures and can ferret out fraudulent events hidden in documents. Auditors analyze a company's financial data to ensure that taxes are paid properly and procedures are maintained to protect the security of a company's financial data.
- **ASSURANCE** Auditing provides assurance to investors and creditors that company funds are handled appropriately. Auditors protect the public from investing in companies that use corrupt business practices or that attempt to defraud investors with false financial statements. By reviewing financial statements and digging into accounting records, auditors can determine whether the financial statements and records accurately depict the company's true financial profile.

## QUALITIES OF A GOOD AUDITOR

- **VISION AND INSTINCT:** As an auditor gains experience in working with numerous clients in multiple industries, a good auditor gains the ability to instinctively understand what the client's business is all about. While carrying out the audit, s/he is able to determine a picture of any issues at the business and to translate them into what they might mean in the future. There is an anonymous quote that states that "instinct is the nose of the mind." The good auditor does not settle when a client's answer or transaction doesn't seem right. Instinct causes him or her to dig deeper to arrive at a conclusion that fits with the vision of the business. To develop instinct and vision, the auditor must develop an inquiring mind and strive to learn from all experiences encountered in client situations throughout his or her career.
- **A THIRST FOR KNOWLEDGE:** No matter where your jobs in audit may take you, you must always strive to cultivate a deep knowledge of your company including its culture, key players and competitive environment. It is this key factor that is guaranteed

to set you apart from other auditing and risk compliance professionals. Knowing the inner workings of your organisation, having an in-depth understanding of what is driving its success, and a keen enthusiasm for staying abreast of auditing industry trends is what could make the difference between remaining a junior auditor, or Audit manager to one day crossing over to that sought-after Partner title.

- **ABLE TO SEE THE BIG PICTURE:** Auditors need to be able to understand the client's business and industry. This requires the ability to quickly frame a picture of the client's business, the organization and key attributes within it. A good auditor is able to sort out connections and linkages within the organization to focus the audit approach. The ability to see this big picture is very important to the planning stages of the audit. Putting the audit plan together requires an appreciation and an understanding of the organization and what constitutes a logical approach to the audit. The audit checklist approach has a tendency to cloud the big picture because of the large number of questions that are asked. Many auditors in their attempt to get all the questions completed typically do not take time to step back and ask, "What does all this mean." Good auditors will have a much shorter list of targeted questions that are developed specifically for their client which allows him or her to focus on the big picture.
- **INDEPENDENCE AND CONFIDENTIALITY:** Auditors are not permitted to carry out any activities which may affect their independence or impartiality, and specifically shall not carry out consultancy or training customised activities for companies on whom they perform audit or inspections. Auditors must strictly observe the auditees and the CB's procedures to maintain the confidentiality of information and records
- **PEOPLE SKILLS :** The audit profession is not all about ticking and tying; it's about people. Auditors need to have exceptional people skills. They need to have the ability to deal with all types of clients in all types of client situations. In certain cases, client personnel have a fear of the auditor because they don't like someone looking over their shoulders. So the auditor must have the ability to put client personnel at ease and be able to empathize from the client perspective. It is also important for the auditor to show respect for the client. After all, it is the client who is paying for the audit. The most often

overlooked people skill is listening. Listening seems like a simple concept, but few do it well. Many auditors listen to hear the answer they want to hear rather than to listen for understanding. Most audit checklists ask closed-ended questions which prevent the client from elaborating on a situation. When the client does expand their answer, the auditor must “hear” the client’s answer completely; missing one small piece of the answer can cause them to miss the message entirely. Lastly, people skills are also very important within your firm and on your audit team. Auditors need to be team players as the entire team is working toward a common goal

- **AUDITORS SHOULD HAVE ABILITY TO UNDERSTAND BUSINESS NEEDS:** Another characteristic of an auditor is the ability to work with different company setups. To come up with a successful audit, they must first understand what the business entails. An auditor can quickly analyze a company set up and find a working strategy no matter how big the organization is. If they have people working under them, their organization skills help them to work smoothly and lead their team confidently.
- **DECISION-MAKING ABILITY:** Once the audit evidence is accumulated, the auditor needs to determine what is relevant and what is not. © Copyright 2012 Alan W. Anderson, used with permission. Making these decisions is, at times, not easy as there is so much information is accumulated and tying it all together can be a challenge. Decision making can be hard. Most every decision involves some conflict or trade off. The challenging part is to select the best decision given the information that you have gathered to assist with the decision. There is a tendency to put off the decision by concluding that you need more information, only to again later conclude that you need even more information. This decision paralysis can cause the audit to drag on and on and can ultimately cause the auditor to feel pushed to the wall as they now must make a decision because the client needs their financial statements immediately. Clients want their auditor to be strong and effective decision makers. Waffling around on a decision causes the client to lose confidence in their auditor.
- **LEADERSHIP:** Great leaders have the desire to help others succeed. Henry Ford said, “Don’t find fault, find a remedy.” This statement is a classic in the context of leadership; leaders find solutions, they don’t place blame. An auditor that is a leader finds solutions to complex problems at the client and has the ability and skill to assist in getting the

solutions implemented. A good auditor must strive to become a successful leader. Leadership characteristics can be taught but leadership must be earned day in and day out. Leadership is seen by the client as the auditor being a teacher and/or a trusted confidant. An audit staff member sees a leader as a mentor and coach. No single audit or audit firm, for that matter, can rise above the quality of its leadership. A common theme on every well-run audit or well-run audit firm can be directly linked to leadership.

- **SUPERIOR COMMUNICATION SKILLS** Superior communication skills allow auditors to have connection and rapport with others on the staff, managers, partners, and clients. The technological world in which we live today can negatively impact the audit staff's ability to become an effective communicator, especially when e-mail becomes a substitute for face-to-face communication with audit clients. A good auditor recognizes the importance of face-to-face communication and strives to make it the primary mode of communication. It is essential that all auditors work to make verbal communication a priority rather than a last resort. In most cases, e-mail should be the last resort rather than the first resort. Clients want to talk to the auditor, and the better the auditor is at effective communication, the better the conversation is with the client. Effective communication occurs when the client understands exactly what you are saying. Achieving this is not easy but once achieved, it will set you apart from the rest.

## CONCLUSION:

The characteristics of a good auditor start with the basics of sound technical ability and solid ethical foundation. A good auditor considers those as baseline and work to grow beyond the "rules and regulations" mindset of our profession. Attaining and maintaining the characteristics mentioned in this article require a personal commitment but are crucial to the auditor's long term success

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**TITLE OF THE PAPER**

**CASHLESS INDIA :  
CHALLENGES AND OPTIONS**

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**Cashless India: Challenges and Options**

**Abstract:**

Just like every other developed country, Indian government is excessively trying to push our economy into adopting a cashless mode of transactions instead of the paper currency custom which existed in India. There are various prerequisites before any country can go for this plunge. Going less-cash is a fine balance between maintaining ease of financial transactions and curbing malpractices.

To curb-out black money, money laundering and to have a sound economy, the central government of India has embarked on the cashless economy. It is a start of a new era in the nation with life with digital money. How far are we from becoming a Cashless Society? Keeping a check on the ground reality and questioning the stand of the Government and Society on Cashless India.

This paper focuses on the understanding of the cashless system in India and will draw attention to the significant hindrances faced by the cashless economy and electronic payment systems. The exploratory study was conducted to calculate the cost of transaction borne by the customers and banks on the way towards a cashless society. The purpose of this paper is to find out the challenges which the stakeholders would face in implementing the cashless economy and the possible measures to overcome them.

**Keywords:** cashless society, digital payments, transaction cost, hindrances, measures, options

- **Introduction**

Cashless economy or cashless means all the transactions carried out between two individuals will occur by payment through payment gateways or through the plastic money. It is done with the primary aim of uncovering the non-registered transactions. The Indian government with another aim to promote the economy through non-cash transactions has introduced mediums such as: Banking cards, Unstructured Supplementary Service Data (USSD), Aadhaar Enabled Payment System (AEPS), Unified Payment Interface (UPI), Mobile Wallets, Banks Pre-Paid Cards, Point of Sale, Internet Banking, Mobile Banking, and Micro ATM's etc.

## **Genesis of cashless economy**

India has seen a rapid disintermediation of the payments system that was once restricted to only banks and their traditional clearing facilities. Entrepreneurs abound in the recent digital payment interfaces such as prepaid instruments like mobile wallets. These will replace the traditional clearing systems such as RTGS (Real Time Gross Settlement) as also online facilities provided by banks and telecom companies. Unified Payments Interface is in itself a game changer and only banks have been allowed by the Reserve Bank of India (RBI) to become payment service providers keeping wallets and other prepaid instruments out, thus giving a boost to banks in the race to secure a big slice of the payments pie.

While India is trying to leapfrog into digital, it has a long way to go. Sweden, South Korea, Denmark, Canada have high percentage of cashless transactions—as high as 75-85%. Norway has stopped cheques. Of course, these countries are either smaller, or have a more educated population, higher penetration of organized retail and higher awareness about digital transactions than India.

### **Prerequisites for a Cashless Society**

To turn an age-old dependence on physical cash transactions into cashless society is a just a dream without proper preparation in this regard. There are few prerequisites like technical infrastructure, awareness, social acceptance and comprehensive legal measures in place for a successful transition to cashless economy.

#### **1.2 Objectives:**

- To know the concept of Cashless Transaction.
- To highlight the impact and importance of Cashless Transaction System.
- To identify the various challenges faced by Indians while moving towards cashless economy.
- Suggestions for removal of roadblocks towards cashless transaction system.

#### **1.3 Research Methodology:**

This study is based on qualitative and quantitative research method.

Data was collected from primary as well secondary sources.

- **Primary Research Data**

Researchers seeks to understand a given research problem from the perspectives of the local population. Data is extracted through structured questionnaire by following direct personal interview method.

- **Population size**

Our Study is related to all the Banks and the Consumers across Mumbai.

- **Sample**

**Customers** - 50 customers from different categories of people residing in central and suburban Mumbai region

**Banks** - In our sample we have considered 12 banks across the banking sector in Central Mumbai (Dadar and Matunga, in Central Mumbai), The reason for selecting Mumbai region as our sample is that Mumbai is the financial city of the country. Bank managers and officers had been interviewed and their responses were captured.

Following are the banks under study:

Sr.No	Private	Public	Co-Operative Bank
1	Axis Bank	State Bank of India	Abhuydaya Co-operative Bank
2	Kotak Mahindra Bank	Punjab National Bank	JanakalyanSahakari Bank
3	HDFC Bank	Central Bank of India	SVC Co-operative Bank
4	IndusInd Bank	Bank of Maharashtra	Saraswat Co-operative Bank



- **Secondary Research Data**

Secondary data was extracted from various sources viz: journals, books, e-books, reports, published and unpublished papers.

#### **1.4. Limitations of the study:**

Despite of all efforts and dedication towards this study there are some limitations to this research which are as follows:

- Sample size: The sample size for this study is too small for a diversified country like India.
- Instruments for data collection: As interviews are direct personal interview method of data collection therefore it is possible that with mood the answers of respondent may change. Also, banking personnel were busy with their routine operations.

#### **2. Review of Literature:**

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.

1) According to Alvares, Clifford (2009) in their reports —The problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

2) Jain, P.M (2006) in the article —An Analysis of Growth Pattern of Cashless Transaction System. Available funds can be optimally used if fullest advantage of technology, quick payments and remittances is ensured. This will largely benefit banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

3) Srinivas, N. (2006) in his study —An analysis of the defaults in credit card payments, has tried to analyze the socio-economic profile of the defaulters of credit cards, to identify the set of

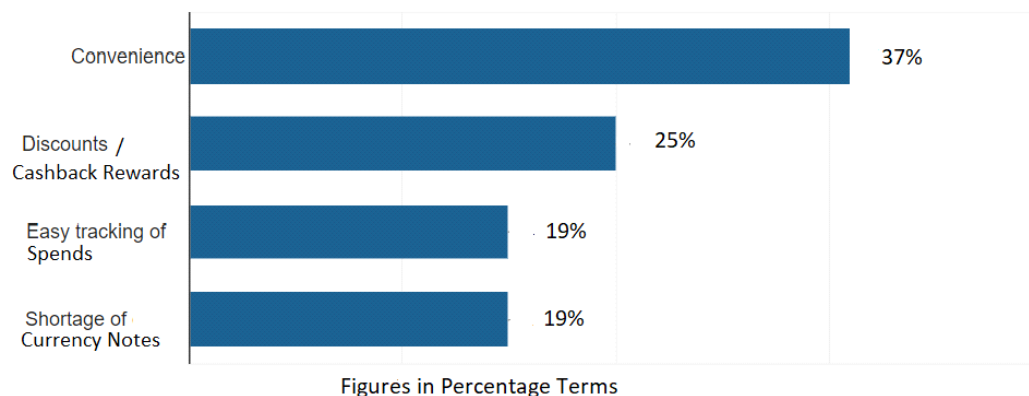
factors which contributed to such defaults and suggest relevant measures to minimize the default cases. Analysis of reasons indicated that economic hardship is the major reason identified by majority of the sample units follows by rigid payment structure and loss of job/business. The main suggestion is that the banks concerned should redesign the payment structure of credit card defaulters in a flexible and affordable installment.

### 3.Data Analysis and Interpretation:

- **Responses from consumers**
  - **Reasons for consumers to adopt cashless transactions:**

Financial inclusion is one very good reason to shift from a cash-based system to one that operates on electronic payments, but there are other compelling reasons as well.

**Diagram 1:**



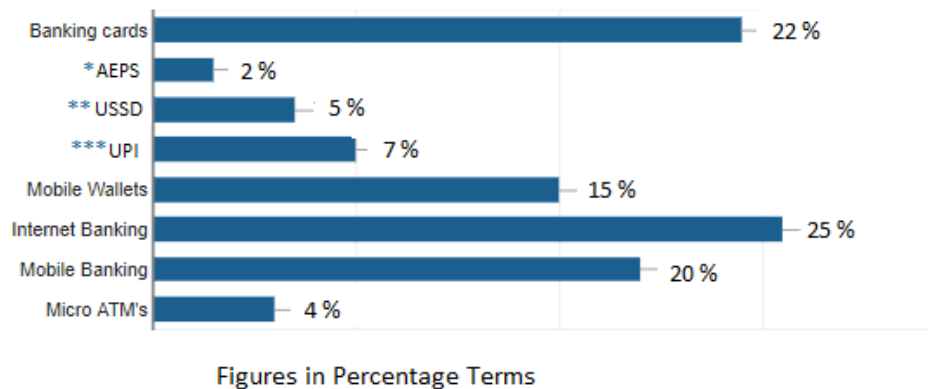
SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

From the above Diagram 1, it's evident that cashless payment system is adopted only because it's convenient for the consumers. Also, it can be said that discounts/cashback rewards lure customers to adopt cashless payment system. As per the survey conducted, the preferred payment option in food/beverages, entertainment purposes, travelling, shopping, utility bills and government services is via card, followed by cash, cheque, bank transfers and mobile payments.

- **Familiarity of electronic payment systems among consumers:**

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. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

**Diagram 2:**



SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

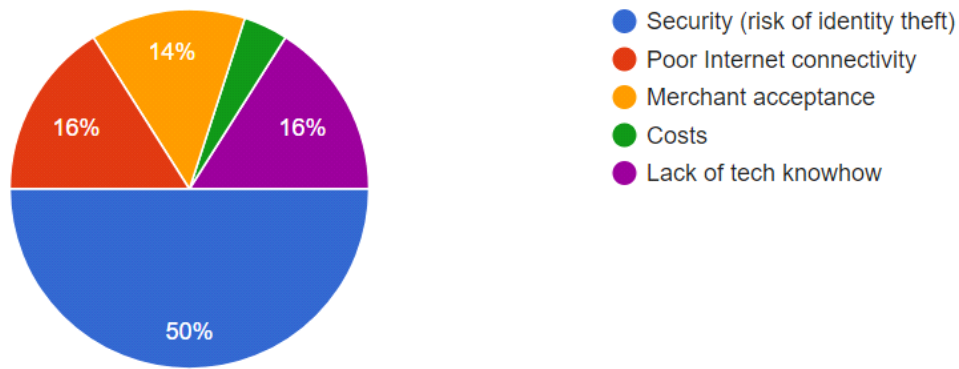
[\*Aadhaar Enabled Payment System \*\*Unstructured Supplementary Service Data \*\*\*Unified Payment Interface]

With the advent of Aadhaar System in the Indian Economy much concerns have been raised for the AEPS. The above Diagram 2 is a clear revelation that AEPS being an emerging electronic payments system is rather relatively unfamiliar mode.

- **Consumers' biggest concern around cashless payments**

Consumers would move from being a cash ridden society to a cashless society, but due to the security issue, poor internet connectivity, merchant acceptance, cost of transactions and lack of tech knowhow they still resist cashless transactions.

**Diagram 3:**

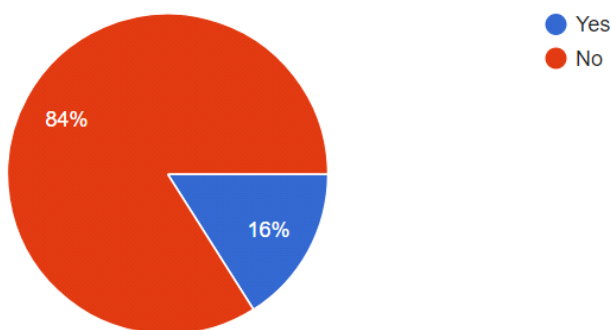


SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

According to the data collected it shows that the major concern among sample of consumers under study is the security aspect of such electronic payments. Also, the lack of technical knowledge and poor internet connectivity adds to be major hindrances for India to become cashless.

- **Consumers opinion on the cost of transaction charged to them**

**Diagram 4:**



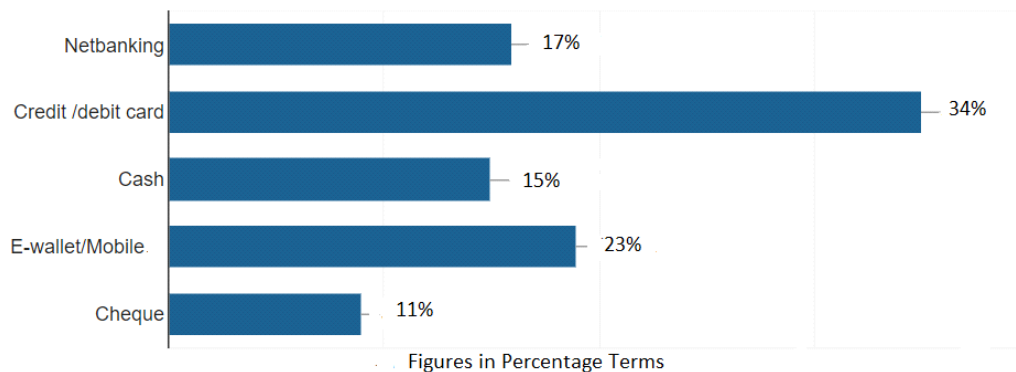
SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

Banks charge transaction fees and service charges like SMS service charges, card fees, Internet banking fee, access fee on electronic payments. Currently, citizens feel squeezed because of the cost.

of cashless has not reduced the cost of cash. They feel the cost of cashless and digital transactions will have to be significantly brought down from the current levels. Until then, the cost of digital transactions must not be increased beyond the current levels.

- **Consumers preferred mode of payment post demonetization**

**Diagram 5:**



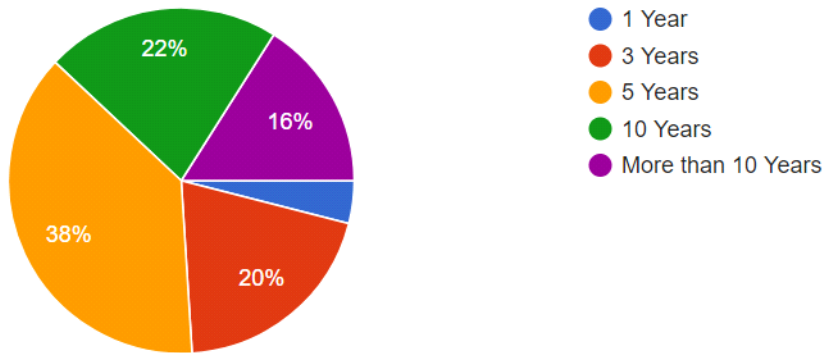
SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

When Demonetization struck, people had to turn to mode of payment other than cash, most of the people resorted to pay through banking cards. Also, the use of E-wallets increased. The fact that the country was starved of paper currency for a significant period while the new notes were being printed it pushed many end-consumers into adopting e-wallets like PayTM to transact, closing the merchant-customer loop. Even if there was a hype in the digital transactions post demonetization, when the circulation of notes became regular it was observed that, the majority switched back to traditional mode of payment.

- **Probable time for India to become a cashless economy by the consumers**

For India to become cashless there are still many infrastructural and usage issues to overcome.

**Diagram 6:**



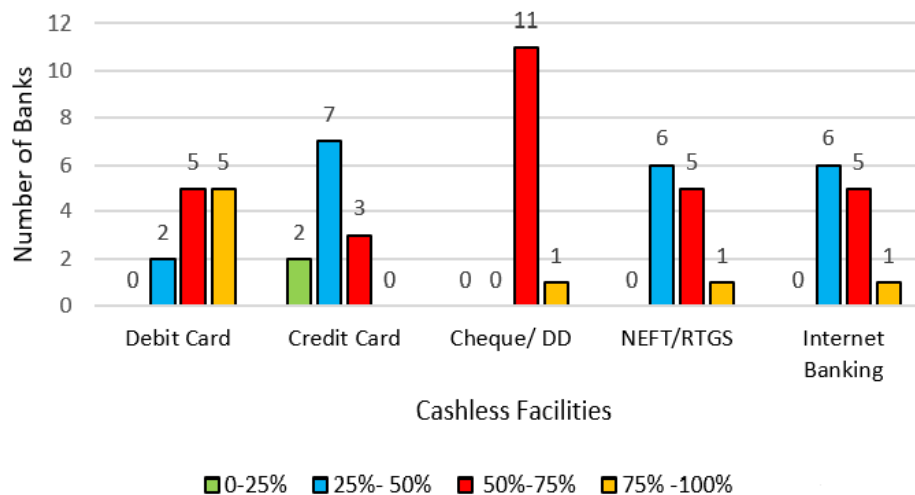
SOURCE- DATA COLLECTED THROUGH PRIMARY RESEARCH

Only 24% of respondents feel that India can become cashless in next 3 years. Whereas, 60% of respondents feel that India can become cashless in next 5- 10 years. 16% of respondents feel that India will take more than 10 years to become a cashless economy. The process of making digital payments in India is relatively tedious and time consuming. Digital payments aren't a single standard like cash money. In few cases it can be said that digital payment platforms are not interoperable.

### 3.2. Responses from banking professionals

- Various banking cashless facilities used by the consumers

**Diagram 7:**



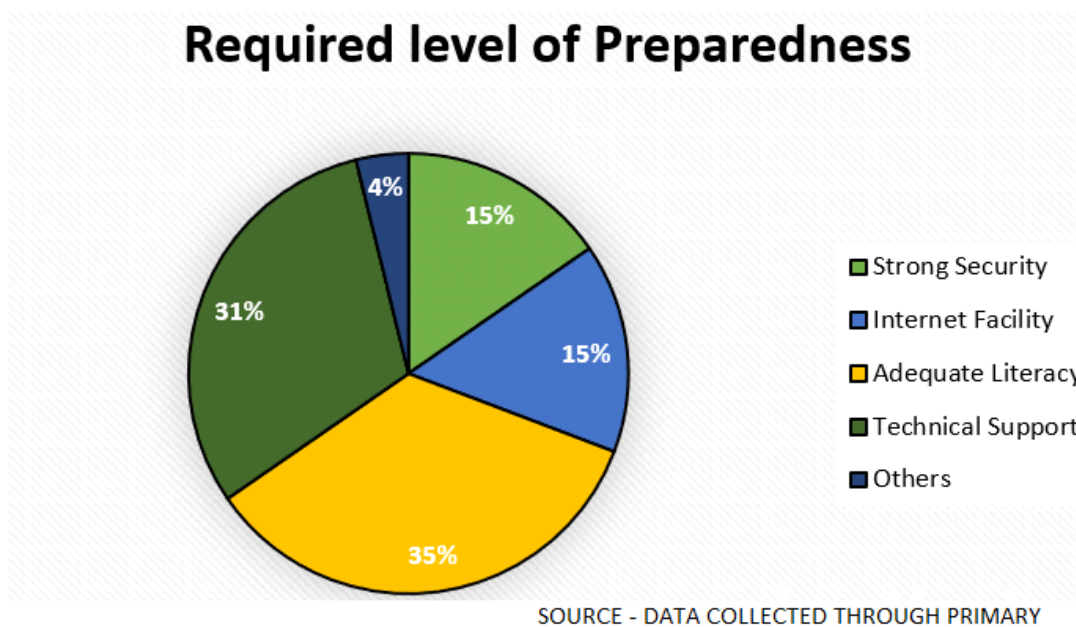
SOURCES- DATA COLLECTED THROUGH PRIMARY

We see that debit cards, credit cards and cheque/DD are most commonly used cashless transaction. According to banking professionals, there has been a significant increment in the usage of internet banking and NEFT/RTGS post demonetisation.

- **Level of Preparedness required to become cashless economy**

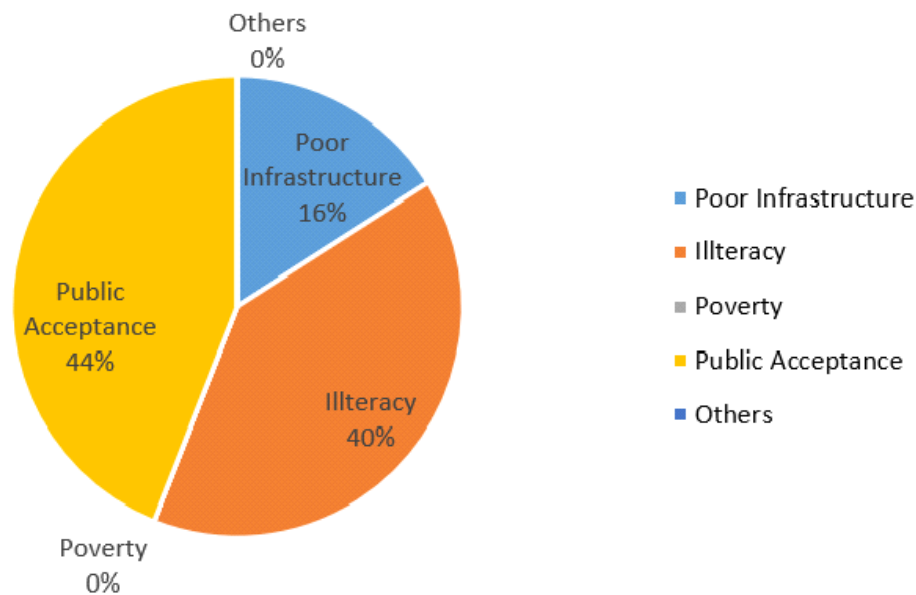
Even as people adapt to newer digital modes of payment, questions remain over the platform's operational aspects. As a nation, we are clearly behind on the preparedness to deal with this largescale move towards digital payments

**Diagram 8:**



It is observed that adequate literacy of the public and an efficient technical support, followed by strong 24x7 security and internet facility for increasing the reliability on the cashless India movement.

- **Hurdles affront of Cashless India**

**Diagram 9:**

SOURCE - DATA COLLECTED THROUGH PRIMARY RESEARCH

It was found that, public acceptance stays supreme for effective change in the overall structure of payments and to reduce illiteracy and improve the infrastructure required to become a digital economy.

#### 4. Findings

Consumers are not familiar with all the electronic payment facilities available. Even if they knew, the usage of digital transactions boosted only after demonetization. They realize that the cost of going digital is high and hence expects incentives and discounts for using such electronic payment systems. Consumers and bankers believe security and tech knowhow to be made efficient for effective usage of digital transactions

According to the sample survey, it is revealed that India is not completely ready for cashless economy. The preparedness required to become a cashless economy are adequate literacy, strong security, internet facility and effective technical support. The hurdles in the path of India are illiteracy, public acceptance and poor infrastructure.



The interviews conducted with bank officials and managers reveal that, India is not fully ready to become a cashless economy, strong aversion from customer to accept fund through banking channels. A secured structure to be made for clients with good user interface which should reduce security risks.

The bankers feel that, awareness for digital payments should be increased. Free service should be provided to help incompetent public for usage of the electronic transactions. And there should be incentives like discounts/cashbacks which will motivate digital transactions among consumers and businessman. Technical infrastructure should be improved to facilitate digital transactions. Educating the lower section of India to increase the smooth performance. Also, the bankers suggested that tight firewall is required for the safety of customers, which concerns customers the most as we found the by the survey conducted.

## **5.Recommendations and Conclusion:**

If we look at the overall scenario of establishing the cashless economy, it is beneficial in the present system. It can be said that cashless economy is the need of the hour. It has become not only important but necessary for the country to go cashless for the systematic development in the economy. Parity between cash and digital money is probably impossible to achieve, but there are means of getting closer to it by creating an incentive structure for that switch, and that involves making cash more expensive than cashless, and better enforcement of digital economy.

It will be better to say that India at this point of time has to go for less cash economy rather than cashless economy. The continuous march towards less cash economy will lead to cashless economy in the country in near future.

This study is a pilot study and following are the suggestions:

- Equitable improvement of infrastructure for bringing in effective changes and thus decreasing the disparity in the development of rural and urban regions.

- Mere launching of schemes and campaigns regarding cashless doesn't seem to be worthwhile. To make these schemes more impactful, some sort of marketing tools like Bank Mitra or exhibition and camps in rural areas should be set-up to make these schemes fruitful.
- Online transactions should be made as cheap as possible, eliminating all sort of extra charges so that more and more people switch from cash based to cashless economy.
- Adequate security mechanisms should be put in place to safeguard the interest of consumers against dubious and fraudulent practices of fraudsters.
- Giving an indirect tax rebate for using cashless methods of payment, which brings parity between cash and cashless. Even online, merchants can be incentivised to charge less for digital payments, and more for cash on delivery.

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### **Cashless India: Challenges and Options**

Thank you for participating in this Educational Survey . Your feedback is very important. This short questionnaire is conducted purely for academic purposes, answers are in complete condence and no personal information will be published, or be used for any other purpose.

**1)Name:**\_\_\_\_\_

**2)Education level:**

Primary Level

Secondary Level (High School)

College Certificate / Degree

Post Graduate

**3)Gender:**

Male

Female

**4)Age:**

Under 18

Between 18 and 30

Between 30 and 45

Between 45 and 60

Above 60

**5)Occupation:**

**6)Please rate your comfort level with new technology?**

Low Medium High

**7)Why would you adopt a cashless payment system?**

Convenience

Discounts/cashback rewards

Easy tracking of spends

Shortage of currency notes

**8)Which of these electronic payments are you familiar with?**

Banking cards

USSD (Unstructured Supplementary Service Data)

AEPS (Aadhaar Enabled Payment System)

UPI (Unied Payment Interface)

Mobile Wallets

Internet Banking

Mobile Banking

Micro ATM's

**9) While buying the following goods/services what is your preferred payment option?**

Sr.No	Particulars	Cash	Cheque	Card	Money Order/Draft	Bank Transfer	Mobile Payments	Other
1	Food and Beverages							
2	Entertainment Purpose							
3	Travelling							
4	Shopping							
5	Paying utility bills							
6	Govt. Services (Licences, Passport etc.)							

**10) Which is the preferred payment option while shopping?**

Sr.No	Limits	Cash	Cheque	Card	Money Order/Draft	Bank Transfer	Mobile Phone Payments	Other
1	Less than RS.500							
2	Between RS. 500 and RS.1000							
3	Between RS.1000 and RS.2000							
4	Over RS. 2000							

**11)What is your biggest concern around cashless payments?**

Security (risk of identity theft)

Poor Internet connectivity

Merchant acceptance

Costs

Lack of tech knowhow

**12)Are extra charges on electronic payments justified?**

Yes

No

**13)What has been your preferred mode of payment post demonetisation?**

Netbanking

Credit /debit card

Cash

E-wallet/Mobile app

Cheque

Money order/ Draft

Bank Transfer

**14)How long according to you will India take to become a Cashless Economy ?**

1 Year

3 Years

5 Years

10 Years

More than 10 Years

**BANKING QUESTIONNAIRE**

- Bank Name

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- Branch Name

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- How many customers avail the cashless facilities provided by your Bank

Cashless Facilities	0-25%	25%-50%	50%-75%	75%-100%
a)Debit card				
b)Credit card				
c)Cheque/ DD				
d)NEFT/ RTGS				
e)Internet Banking				

- Do you think India is completely ready for a Cashless Economy ?

Yes

No

- If no what kind of preparedness is required ?

- Strong security

- Internet facility



- Adequate literacy
- Technical support
- Any other , Please specify

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- What are the hurdles in the path of Cashless India

- Poverty
- Illiteracy
- Poor Infrastructure
- Public Acceptance
- Any other , Please specify

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- Any suggestions for better implementation of Cashless India

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## CORPORATE FRAUDS

SHAHZIYA SHAH

GM MOMIN WOMEN'S COLLEGE

RAIS HIGH SCHOOL CAMPUS , THANA ROAD, BHIWANDI

## INTRODUCTION

A corporation, being a congregation of various stakeholders at the micro and macro levels, must be fair and transparent to its stakeholders in all its transactions (Ramachandran, 2008). In a globalised scenario, corporations need to access resources and compete in a global marketplace that essentially requires that it must embrace and demonstrate ethical conduct to grow and prosper in the long run. Recent decades have witnessed the sharp increase in the greed of individuals and organisations and have acquired an inevitable presence in our lives and society. Corporate frauds and misconduct remains a constant feature posing a threat both from the macro and micro perspectives of the economy. Liberalisation process in developing economies has typically witnessed a series of scams almost with sickening regularity. Corporate frauds have become a global phenomenon with the advancement of commerce and technology. In recent decades, fast-growing economies observed an enormous increase in corporate frauds, posing serious questions before the academicians, researchers and professionals on the effectiveness of corporate governance mechanisms, government regulation mechanism and the role of corporate and individual ethics. Recently, a number of studies in the finance, economics and law literature have been conducted on the understanding of incentives and monitoring deterrents of corporate frauds and the loopholes in the government control systems. After every scam, the government and regulatory machinery have been strengthened to reduce the number of frauds that essentially impose a check on the nexus between the company and professionals and between banks and bureaucrats, which may be achieved through more disclosures, by putting and fixing responsibilities on each party involved in the fraud. Similar to other developing and some developed countries, India is in the grip of fraud, implying the need for a transparent, ethical and responsible corporate governance framework. The global financial crisis during the recent past, along with some of the large corporation failures and frauds, has convincingly revealed that while the corporate governance super structure in India is fairly durable (ICSI, 2007), there are certain weaknesses that may have their roots in the ethos of individual business entities. KPMG

Survey of 2006, 2008 and 2010 reveal a continued persistence of corporate frauds and warn the presence of fraud risk in the business structures of large- and medium-sized organisations including banks. Corporate frauds have increased at a high pace in India (Vivian Bose Commission of Inquiry, 1963; KPMG, 2010). Tables I and II present a summary of the Indian and Global corporate frauds. The Securities and Exchange Board of India (SEBI) introduced (Prohibition of Insider Trading) Regulations, 1992, which was later amended in 2002 but does not have transnational jurisdiction. SEBI should be given more powers and has to be worked as the Securities Exchange Council. It must acquire the nature of a criminal court to enforce criminal sanction against directors of foreign companies listed in the domestic exchange, who are actively involved in insider trading. Apart from SEBI, we have a multiplicity of regulations dealing with a variety of fraud types and perspectives. Despite adopting corporate governance and with the existence of numerous legislations and regulatory authorities, corporate frauds have become rampant throughout the country. We attempt to examine the perception of corporate frauds in India and highlight the emerging issues so that existing legal and regulatory obligations.

### **AIMS AND OBJECTIVES**

- TO STUDY THE TYPES OF FRAUD AND ITS PROPENSITIES
- STRATEGES TO PREVENT FRAUD
- FRAUD DETECTON

### **CORPORATE FRAUD TYPES AND PROPENSITIES:**

Fraud is the use of false representations to gain unjust advantage and criminal deception. The Internal Resources Service, Department of the USA of the Treasury, defines a corporate fraud as a violation of the Internal Revenue Code and related statutes committed by large, publicly traded corporations and/or by their senior executives (IRIS, 2010). Corporate frauds, conceptually, is broad and encompasses a variety of criminal and civil violations. In addition, corporate frauds have gradually become very complex in nature (Sutherland, 1949). A typical fraud triangle quoted in the literature has three major components:

(1) Opportunity – Sometimes referred to as perceived opportunity, which defines the method of committing crimes or frauds;

(2) Motivation – The pressure or “need” that a person feels which could also be a perceived financial need, whereby a person strongly desires material goods but does not have money or means to acquire them; and

(3) Rationalisation – The method and mental process by which an individual can come to an understanding in their mind and to justify any act or acts that they take part in.

Fraud can be classified into:

- Financial reporting fraud;
- Misappropriation of tangible assets, intangible assets or proprietary business opportunities; and
- Corruption, including bribery, gratuities, money laundering and embezzlement.

Researchers have proposed various measures to reduce the intensity of frauds. These are broadly classified into governance structures, modification in the legal and reporting systems and self-correction exercise within the organisation. Corporate frauds are easy to commit, but prevention or detection of corporate crime is not an easy task (Seetharaman et al., 2004). Reiss and Tonry (1993) suggest that for fraud prevention, one has to rely on governments to make laws and rules governing the behaviour of organisations and to establish techniques for their enforcement or compliance with them. Mesquita et al. (2004) show that these governance structures influence corporate performance and compensation packages are used to reward management and stockholders. Some authors like Guttentag et al. (2008) show that requiring additional disclosures significantly reduces fraud. Baer (2008) argues that corporate frauds are often presumed to be the type of crime that can be deterred. From the organisations’ perspective, vigilance and innovativeness can prevent frauds (Coburn, 2006). Coburn (2006) also shows how to conduct an effective corporate investigation and the relevant steps that should be considered if an investigation is undertaken. Employees who blow the whistle at work on serious fraud and malpractice out of concern for public interest are to be afforded new protection against reprisals and unfair dismissal (Sarker, 1995).

**FRAUD****PREVENTION**

It is vital to an organization, large or small, to have a fraud prevention plan in place. The fraud cases studied in the ACFE 2014 Report revealed that the fraudulent activities studied lasted an average of 18 months before being detected. Imagine the type of loss your company could suffer with an employee committing fraud for a year and a half. Luckily, there are ways you can minimize fraud occurrences by implementing different procedures and controls.

### **1. Know Your Employees**

Fraud perpetrators often display behavioral traits that can indicate the intention to commit fraud. Observing and listening to employees can help you identify potential fraud risk. It is important for management to be involved with their employees and take time to get to know them. Often, an attitude change can clue you in to a risk. This can also reveal internal issues that need to be addressed. For example, if an employee feels a lack of appreciation from the business owner or anger at their boss, this could lead him or her to commit fraud as a way of revenge. Any attitude change should cause you to pay close attention to that employee. This may not only minimize a loss from fraud, but can make the organization a better, more efficient place with happier employees. Listening to employees may also reveal other clues. Consider an employee who has worked for your company for 15 years that is now working 65 hours a week instead of 40 because two co-workers were laid off. A discussion with the employee reveals that in addition to his new, heavier workload, his brother lost his job and his family has moved into the employee's house. This could be a signal of a potential fraud risk. Very often and unfortunately, it's the employee you least expect that commits the crime. It is imperative to know your employees and engage them in conversation.

### **2. Make Employees Aware/Set Up Reporting System**

Awareness affects all employees. Everyone within the organization should be aware of the fraud risk policy including types of fraud and the consequences associated with them. Those who are planning to commit fraud will know that management is watching and will hopefully be deterred by this. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft. These employees are assets in the fight against fraud. According to the ACFE 2014 Report, most occupational fraud (over 40%) is detected because of a tip. While most tips come from employees of the organization, other important sources of tips are

customers, vendors, competitors and acquaintances of the fraudster. Since many employees are hesitant to report incidents to their employers, consider setting up an anonymous reporting system. Employees can report fraudulent activity through a website keeping their identity safe or by using a tip hotline.

### **3. Implement Internal Controls**

Internal controls are the plans and/or programs implemented to safeguard your company's assets, ensure the integrity of its accounting records, and deter and detect fraud and theft. Segregation of duties is an important component of internal control that can reduce the risk of fraud from occurring. For example, a retail store has one cash register employee, one salesperson, and one manager. The cash and check register receipts should be tallied by one employee while another prepares the deposit slip and the third brings the deposit to the bank. This can help reveal any discrepancies in the collections.

Documentation is another internal control that can help reduce fraud. Consider the example above; if sales receipts and preparation of the bank deposit are documented in the books, the business owner can look at the documentation daily or weekly to verify that the receipts were deposited into the bank. In addition, make sure all checks, purchase orders and invoices are numbered consecutively. Use "for deposit only" stamps on all incoming checks, require two signatures on checks above a specified dollar amount and avoid using a signature stamp. Also, be alert to new vendors as billing-scheme embezzlers setup and make payments to fictitious vendors, usually mailed to a P.O. Box.

Internal control programs should be monitored and revised on a consistent basis to ensure they are effective and current with technological and other advances. If you do not have an internal control process or fraud prevention program in place, then you should hire a professional with experience in this area. An expert will analyze the company's policies and procedures, recommend appropriate programs and assist with implementation.

### **4. Monitor Vacation Balances**

You might be impressed by the employees who haven't missed a day of work in years. While these may sound like loyal employees, it could be a sign that these employees have something to

hide and are worried that someone will detect their fraud if they were out of the office for a period of time. It is also a good idea to rotate employees to various jobs within a company. This may also reveal fraudulent activity as it allows a second employee to review the activities of the first.

## **5. Hire Experts**

Certified Fraud Examiners (CFE), Certified Public Accountants (CPA) and CPAs who are Certified in Financial Forensics (CFF) can help you in establishing antifraud policies and procedures. These professionals can provide a wide range of services from complete internal control audits and forensic analysis to general and basic consultations.

## **6. Live the Corporate Culture**

A positive work environment can prevent employee fraud and theft. There should be a clear organizational structure, written policies and procedures and fair employment practices. An open-door policy can also provide a great fraud prevention system as it gives employees open lines of communication with management. Business owners and senior management should lead by example and hold every employee accountable for their actions, regardless of position.

## **Fraud Detection**

In addition to prevention strategies, you should also have detection methods in place and make them visible to the employees. According to *Managing the Business Risk of Fraud: A Practical Guide*, published by Association of Certified Fraud Examiners (ACFE), the visibility of these controls acts as one of the best deterrents to fraudulent behavior. It is important to continuously monitor and update your fraud detection strategies to ensure they are effective. Detection plans usually occur during the regularly scheduled business day. These plans take external information into consideration to link with internal data. The results of your fraud detection plans should enhance your prevention controls. It is important to document your fraud detection strategies including the individuals or teams responsible for each task. Once the final fraud detection plan has been finalized, all employees should be made aware of the plan and how it will be implemented. Communicating this to employees is a prevention method in itself. Knowing the

company is watching and will take disciplinary action can hinder employees' plans to commit fraud.

### **Corporate Accounting Scandal at Satyam Computer Services Limited: A Case Study of India's Enron**

Ironically, Satyam means "truth" in the ancient Indian language "Sanskrit". Satyam won the "Golden Peacock Award" for the best governed company in 2007 and in 2009. From being India's IT "crown jewel" and the country's "fourth largest" company with high-profile customers, the outsourcing firm Satyam Computers has become embroiled in the nation's biggest corporate scam in living memory. Mr. Ramalinga Raju (Chairman and Founder of Satyam; henceforth called "Raju"), who has been arrested and has confessed to a \$1.47 billion (or Rs. 7800 crore) fraud, admitted that he had made up profits for years. According to reports, Raju and his brother, B. Rama Raju, who was the Managing Director, "hid the deception from the company's board, senior managers, and auditors". The case of Satyam's accounting fraud has been dubbed as "India's Enron".

### **CONCLUSION**

Those who are willing to commit fraud do not discriminate. It can happen in large or small companies across various industries and geographic locations. Occupational fraud can result in huge financial loss, legal costs, and ruined reputations that can ultimately lead to the downfall of an organization. Having the proper plans in place can significantly reduce fraudulent activities from occurring or cut losses if a fraud already occurred. Making the company policy known to employees is one of the best ways to deter fraudulent behavior. Following through with the policy and enforcing the noted steps and consequences when someone is caught is crucial to preventing fraud. The cost of trying to prevent fraud is less expensive to a business than the cost of the fraud that gets committed.

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**Financial Inclusion in India: Demonetisation and the Pradhan Mantri Jan-Dhan Yojana**

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**Abstract**

- India is the second most populated country with about 66% of its population residing in rural areas and with an illiteracy rate of approx. 25%. Providing financial services especially like banking services, pension and insurance to most of the such population is a difficult task. This provision of financial services to the citizens, especially the poor and illiterate, is known as financial inclusion.
- With one of the aims being transition to a cashless economy, the Government demonetized the currencies of ₹ 500 and ₹ 1,000. This gave a stimulus to digitalisation which has affected the financial sector. Demonetisation is hence also impacting the financial inclusion in the country.
- The objective of this paper is to study the state of financial inclusion in India, the effect(s) of demonetisation on financial inclusion, the ways in which the Government is improving the inclusion and the challenges faced by in the process. The paper is mainly based on secondary data i.e. articles and research papers, from the internet.

**Research Paper**

- **What is Financial Inclusion?**
- Enabling maximum proportion of population to access and derive benefits from financial services is known as financial inclusion. Hence, greater the financial inclusion in a country, higher will be the percentage of its citizens using financial services.
- **Why is Financial Inclusion important?**
- Financial inclusion is vital for an economy. Availing financial services like holding a bank account, gives confidence to account holders. It also prevents the illiterate and poor

from getting exploited by moneylenders who lend money at extremely high rates, trapping the borrowers in debts. It helps them to know about financial services which they are not aware of, because of their geographical location, thereby empowering them. Availability of funds boosts entrepreneurial activities and improves the national income, and therefore, the standard of living. An increase in bank accounts increases the lending power of banks. Financial inclusion helps to reduce income inequality and geographical disparity. This inclusion is hence necessary for India for her economic and social growth, as it will help to empower the poor, rural and illiterate - the groups majority of population in India belongs to.

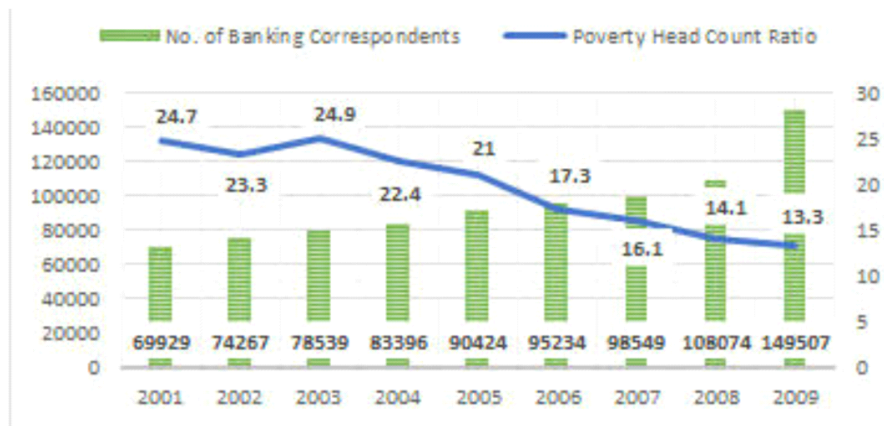


Figure 1: Poverty Trends vs. No. of Branchless Banking Agents

Sources: Central Bank of Brazil and World Bank Data

Disclaimer: This graph is merely an extrapolation. Poverty reduction could have many other factors other than branchless banking

- The graph above tries to establish a relationship between poverty and the number of banking correspondents (agents of banks in areas without branches or ATMs) in Brazil – an inverse one, in which an increase in banking correspondents have reduced poverty. India will be greatly benefitted if the increase in banking correspondents has the same impact here.
- **A brief history of Financial Inclusion in India:**
- The process of improving financial inclusion in India started in 1955 with the State Bank of India being nationalized. This was followed by nationalisation of various other private banks. The aim of nationalisation was a wider access to banking services. Priority lending was also started in 1974 to give the weaker section of society a better access to credit

facilities. But, financial inclusion did not get much importance until November 2005, when the term, for the first time, was a part of the RBI's annual policy statement.

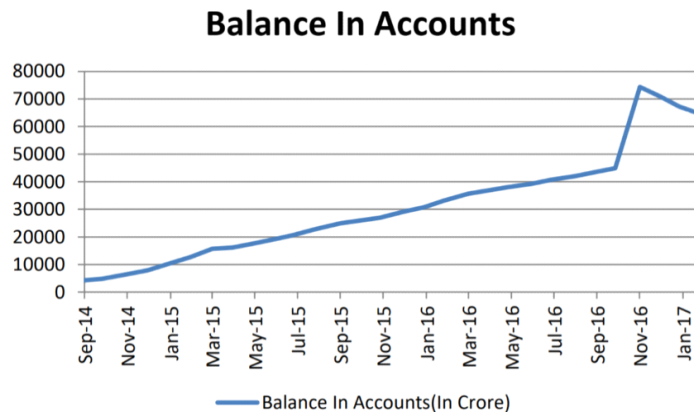
- **Recent reforms by the RBI to improve Financial Inclusion:**

- The Reserve Bank of India has introduced various reforms to improve financial inclusion. This has been done by implementing the 3 years Financial Inclusion Plan (FIP). The plan has been divided into phases. The first phase was from 2010 to 2013 and the second, from 2013 to 2016. The third phase has begun in 2016, for 3 years. FIP and various other steps such as follows have improved financial inclusion in India:
- Bank outlets were opened in villages (without any banks) with population greater than 2,000 (74,414 villages - Phase 1) and with population under 2,000 (4,90,298 villages - Phase 2).
- KYC (Know Your Customer) requirements were simplified and the process of making a bank account was made easier.
- Banks were made to provide forms and other information in various regional languages to remove the language barrier in villages.
- From January 2006, banks were allowed to make use of Business Facilitators and Business Correspondents – the former help spread financial literacy while the latter are agents employed by banks for providing their services in areas not having their branches or ATMs.
- Banks and Business Correspondents were encouraged to make use of ICT.
- Guidelines on priority sector lending were revised in 2015. Instructions on Priority Sector Lending Certificates were announced in 2016.
- Banks were required to make a plan for providing banking services to villages not having a bank and having population more than 2,000, by March 2012.
- The Financial Inclusion Advisory Committee was constituted in 2012. It was reconstituted in 2015 for tracking the progress of Financial Inclusion Plan, monitoring the

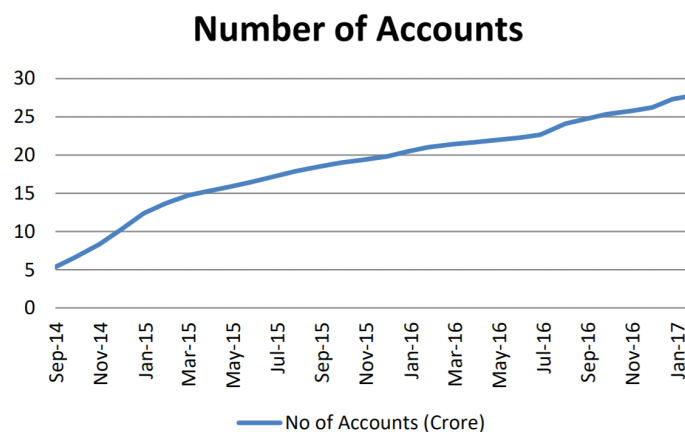
Financial Literacy progress reported by banks and for preparation of National Strategy for Financial Inclusion.

- Such measures have increased financial inclusion in the country considerably:
- Banking outlets in rural locations increased from 67,694 in March 2010 to 5,89,849 in September 2016.
- Number of general credit cards issued was 1.4 million in March 2010 which increased to 11.5 million in September 2016.
- In the quarter ended March 2010, the number of Business Correspondent-ICT transactions was 26.5 million. This increased considerably to 550.6 million in the quarter ended September 2016.
- Basic Savings Bank Deposit Accounts rose from 73.5 million in March 2010, to 495.2 million in September 2016.
- **The Pradhan Mantri Jan Dhan Yojana:**
- This increase in the Basic Savings Bank Deposit Accounts has also been a result of the Pradhan Mantri Jan Dhan Yojana (PMJDY).
- The PMJDY was announced on 15<sup>th</sup> August 2014 and launched on 28<sup>th</sup> August 2014. This robust, nation-wide campaign aims to improve financial inclusion in India. It has improved the access of the weaker sections of the society to financial services like bank accounts namely zero-balance accounts and small accounts or the ChotaKhata accounts, credit i.e. overdraft facility, free accident insurance cover, death claim, subsidies and pension. Under this scheme, accounts can be opened without any balance and this has been the highlight of PMJDY.
- **Impact of demonetisation on the PMJDY:**
- From the date of commencement of the scheme, the balance in PMJDY accounts steadily increased till October 2016. But November 2016 witnessed a sharp rise in the amount of deposits. This was because of the demonetisation which came into effect on 8<sup>th</sup> November 2016. Number of deposits increased by 45% from 8<sup>th</sup> November to 30<sup>th</sup>

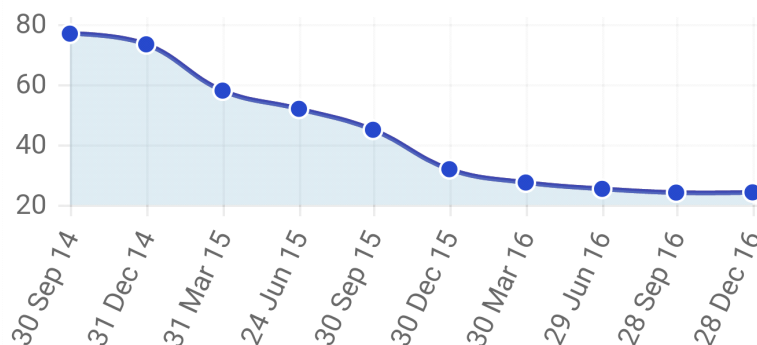
November 2016. The amount of deposits increased from ₹ 45,000 crores to ₹ 74,000 crores in the same period.



- (Source: [www.math.iitb.ac.in](http://www.math.iitb.ac.in)>PMJDY\_2017)
- But, people began withdrawing money in 2016 itself i.e. before the drive ended and amount of deposits hence started to fall in December. On 22<sup>nd</sup> March 2017, the amount of deposits had reduced by 15.09% to ₹ 63,101.48 crores. Though the rise in amount of deposits, was temporary, the number of accounts continued to rise even after the amount of deposits fell.
- **Brief analysis of the PMJDY scheme:**
- The effects of PMJDY, without considering the temporary impact of demonetisation, have 2 aspects. Firstly, the number of bank accounts and secondly, the proportion of accounts not having zero balance, and not being dormant and duplicated.



- (Source: [www.math.iitb.ac.in](http://www.math.iitb.ac.in)>PMJDY\_2017)
- Guinness World Records Certificate says ‘The most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by the banks in India from 23<sup>rd</sup> to 29<sup>th</sup> August, 2014’. Because of enough preparations, PMJDY was successful in increasing the number of people having bank accounts. 1.5 crores accounts were opened on the very first day of the Yojana. By September 2014, 3.02 crores accounts were opened. The initial target of the Government was to open 7.5 crores bank accounts by January 2015, which was achieved. As can be seen in the graph, this number steadily increased and by 1<sup>st</sup> February 2017, over 27 crores bank accounts were opened under the scheme. By August 2017, 29.4 crores bank accounts were opened.
- But along with the number of accounts, what should also be considered is the number of accounts used to make transactions. The PMJDY scheme initially faced the problem of zero-balance accounts and dormant accounts. The percentage of zero-balance accounts came down from 76.81% on 30<sup>th</sup> September 2014 to 24.13% on 28<sup>th</sup> Dec. 2016 (graph below shows the percentage (y-axis) of zero-balance accounts from Sep. 2014 to Dec. 2016 (x-axis))



- Though, substantial data after this date is not readily available, the strength of the trend in the graph makes it safe to assume that the no. of zero-balance accounts has substantially fallen. But, this might be because of Re.1 deposits which several banks have admitted to have put in the PMJDY accounts because of the pressure to reduce zero-balance accounts.

- In a research conducted by Sumit Agarwal, a Georgetown University professor, and co-authors, activity in 1.5 million bank accounts was studied from August 2014 to May 2015. Though initially, 81% of the new account holders did not deposit money in the first 6 months, frequency of transactions in PMJDY accounts, within a year, reached the level of transactions opened before the scheme. Also, according to a study (Bank accounts for the unbanked: Evidence from a big bang experiment) conducted in May, 2017, 70% of the PMJDY had ceased being dormant and activity levels in PMJDY have shown growth over a period of time. These results might be the effects of awareness and successful financial literacy programmes or because of duplication i.e. PMJDY account holders having another account switch to the former from the latter. This is possible because, according to a survey conducted in early 2016 by MicroSave, 31% of PMJDY account holders have alternate bank accounts.
- **Conclusion:**
- The measures taken by the Reserve Bank of India have been quite successful to improve the financial inclusion in India, as can be concluded from the data provided earlier. Statistics show that the Government of India also achieved its aim, of improving the percentage of population having bank accounts, through the Pradhan Mantri Jan DhanYojana, albeit with a few problems – zero-balance accounts, dormant accounts and duplication.
- The number of zero-balance accounts have fallen, but it is not clear whether the decrease was an effect of large scale ₹ 1 deposits by banks or because of actual transactions due to improved awareness. If it is the latter, it makes the PMJDY scheme more successful. In a similar manner, the reduction in dormant accounts could have been due to awareness or because of switching accounts i.e. duplication. The latter points out at a weakness of the scheme. But as the percentage of multiple account holders is lesser than percentage of active accounts, the case might perhaps be that the increase in transactions has been because of successful awareness programs.
- Analysis of the graphs of ‘Number of (PMJDY) accounts’ and ‘Balance in (PMJDY) accounts’ shows that though the balance in accounts sharply rose post-demonetisation, the number of accounts were not visibly affected. This might mean that black money was

transferred to existing PMJDY accounts. The sharp rise in balance is also temporary. But, it must be noted that demonetisation revealed the poor financial and technical infrastructure in the country apparent. It had serious negative effects of on the financially excluded population.

- In spite of all the problems, the RBI and the Government of India have been taking steps in the right direction to improve financial inclusion. Empowering and educating women, considering the disabled population, improving connectivity, power supply and infrastructure in rural as well as urban areas, incorporating behavioural economics while formulating policies will all help to further reduce the financial exclusion in the country which will improve the human resource and the living standards and will ultimately help India grow as an economy and as a society.

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## **CASHLESS INDIA**

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### **ABSTRACT**

Cashless India is a mission launched by the Government of India led by Prime Minister Narendra Modi to reduce dependency of Indian economy on cash and to bring hordes of stashed black money lying unused into the banking system. A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), RTGS, NEFT, Aadhaar Enabled Payment System, Unstructured Supplementary Service Data, BHIM, Mobile Wallets, debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. The paper under study tries to throw light on the rising trend of digital transactions in India being carried out in various cashless modes over the last few years but simultaneously being ourselves making alert of the negative impact of going cashless thereby showing downside of digital India. As the people of India are showing amazing response towards move of digitalization, it is the big indicator of prosperous future for India to be cashless India. So, the need of an hour is to spot the weaknesses involved in cashless transactions and work out on them to achieve the vision of Prime Minister Modi's Digital India.

### **I INTRODUCTION**

#### **1.1 Objectives of study**

- 1.1 To find out benefits in going cashless.
- 1.2 To chalk out the major challenges in making India cashless.
- 1.3 To assess growth of India on the path of being cashless in terms of digital transactions such as POS, Credit & debit cards and payment banks etc.

“We want to have one mission and target: Take the nation forward – Digitally and Economically”  
**---Shri Narendra Modi**

Prime Minister, Mr. Narendra Modi launched the Programme “Digital India” with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. As per the current status of India, only 7% to 8% of all the payments are taking place electronically. On Nov 8, 2016, a historical date, he talked about making India a cashless economy and on Nov 27 during an election rally in Uttar Pradesh, he again motivated the people of India to become familiar with cashless transactions.

On the same day, during his radio Programme “Mann kiBaat”, he said: “Learn how this digital economy works. Learn the different ways you can use your bank accounts and internet banking. Learn how to effectively use the apps of various banks on your phones. Learn how to run your business without cash. Learn about card payments and other electronic modes of payment.

## **II MEANING OF CASHLESS ECONOMY**

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.

Report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc.

Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them. But, the step taken on Nov 8, 2016 of demonetization has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent.

## **III BENEFITS OF GOING CASHLESS TO THE ECONOMY**

Various benefits of going cashless can be listed out as under:

3.1 It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who launder money bypassing banking channels, terrorist who need money to finance their terror will find difficulty in cashless economy.

3.2 It will help in reducing instances of tax avoidance. All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more productive activities can be carried out in the economy.

3.3 It will lead to reduction in real estate prices because of curbs on black money as most of it is invested in real estate which ultimately inflates the prices of real estate markets.

3.4 RBI spent Rs.27 billion in financial year 2015 on currency issuance and management. This could be avoided if India becomes a cashless economy.

3.5 Cashless economy will boost consumption as people would not be attracted towards keeping money in banks. More consumption will lead to more production, more employment opportunities & hence, income of people will increase.

#### **IV PRACTICAL IMPLEMENTATION FOR MOVING ON PATH OF GOING CASHLESS (IN CONTEXT OF INDIA)**

**4.1 Payment Banks:** Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc. These payment banks offer amazing competition to traditional banks in terms of services. Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of \$14.5 billion) and PAYTM (founded in 2010 and valued at \$1 billion presently)

**4.2 Electronic Fund Transfer Systems:** Two popular methods RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.

**4.3 Mobile Wallets:** Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.

**4.4 Internet Banking:** For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.

**4.5 Banking Cards:** Banking cards are available by the bank by providing the KYC (know you customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment.

**4.6 Banks Pre-Paid Cards:** For this service, a bank account is there with wallet or a pre-paid card and a smart phone to generate the MPIIN.

**4.7 Point of Sale:** 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.

**4.8 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).

**4.9 Aadhaar Enabled Payment System:** 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 Aadhaar authentication.

**4.10 Unstructured Supplementary Service Data:** The innovative payment service \*99# 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 underbanked society in the mainstream banking services.

## V CHALLENGES IN MAKING INDIA A CASHLESS ECONOMY

- Currency denominated economy: High level of cash circulation in India. Cash in circulation amounts to around 13% of India's GDP.
- Transactions are mainly in cash: Nearly 95% of transactions take place in cash. Large size of informal / unorganised sector entities and workers prefer cash based transactions.
- ATM use is mainly for cash withdrawals and not for settling online transactions: Nearly 92% of ATM cards are used for cash withdrawals. Multiple holding of cards in urban and semi urban areas show low rural penetration.
- Limited availability of point of sale terminals: Most of the POS terminals remain in urban / semi urban areas.
- Mobile Internet penetration remains weak in rural India: In India there is poor connectivity in rural areas. Lower literacy level in poor and rural parts of the country makes it problematic to push the use of plastic money on a wider scale.
- Since, India is dominated by small retailers; therefore, they don't have enough resources to invest in electronic payment infrastructure.
- Most card and cash users have the perception that they will be charged more if they use cards. Moreover, nonusers of credit cards are not aware of the benefits of credit cards.

## VI STEPS TAKEN BY RBI AND GOVERNMENT TO DISCOURAGE USE OF CASH

6.1 Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bill, and recharge mobiles, book movie tickets, and send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1, 00,000 based on certain KYC verification. Various incentives offered by government to promote digitalization in India to make India “Digital India” by focusing on cashless modes are:

- On digital transactions up to rupees 2000, Service Tax of 15% waived off
- Digital purchase of fuel through credit cards, mobile wallets or e-wallets, discount of 0.75%

- Free accident insurance worth rupees 10 lakh on account of online ticket buyers
- On purchase of new LIC policies online via its site, 8% discount is offered.

6.2 Government has also launched UPI (PDF) (Unified Payment Interface), payment system that can be used for immediate mobile transfers between account holders of two different banks.

6.3 Government has introduced various technologies like BHIM (Bharat Interface for Money) app to transact between each other as well as with other merchants. BHIM App currently has 17 million downloads in less than 3 months since its launch. And government is considerably promoting their digital cashless technologies other than BHIM such as UPI & Aadhar Enabled Payment Systems. As per National Payments Corporation of India, payment transactions through Aadhar enabled Payment Systems have raised 12 times over 6 months from April 2016 to October 2016 which is highlighting that traditional bank themselves are moving towards e-wallet services on mobiles at a faster pace.

6.4 In addition to government or RBI, Companies are also participating in combating of cyber crimes because of increasing trend of cashless or digital transactions. Microsoft opened full scale cyber security Center called Cyber security Engagement center (CSEC) in India. This centre, located in Delhi, functions as a satellite to company's Redmond Digital Crime Unit (DCU). This centre monitors how viruses are spreading, from where cyber attacks are originating and helping customers to tap pool of security specialists.

## **VII MEASURES TO BE TAKEN FOR STEPPING TOWARDS CASHLESS INDIA**

7.1 Basic cyber hygiene must be taken care of such as non-sharing of passwords with others, non-saving of passwords on public networks and Better access to control techniques with strong authentication measures should be implemented by mobile e-wallet companies.

7.2 Open Bank accounts and ensure they are operationalized.

7.3 Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.

7.4 Tax rebates for consumers and for merchants who adopt electronic payments.

7.5 Need is to scale up the capabilities of POS machines for faster rollouts in country.

7.6 Making Electronic payment infrastructure completely safe and secure so that incidents of Cyber crimes could be minimized and people develop faith in electronic payment system.

7.7 The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.

7.8 RBI will also have to shed some of its conservatism, part of which is because it has often seen itself as the protector of banking interests rather than overall financial development.

## VIII CONCLUSION

The future of the Cashless India looks pretty promising as the response of the country people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the creditability of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of "Digital India".

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**GOVERNMENT MEASURES FOR CASHLESS ECONOMY IN INDIA****Name:** Ulka Mohan Khebade**College:** ICLES's Motilal Jhunjhunwala College of Arts, Science

and Commerce

**Mobile No. –** 8433816860**Email ID-** ulkakhebade98@gmail.com**INTRODUCTION:**

Cash is considered a basic necessity without which one cannot really survive. Nevertheless, the use of cash is not waning off anytime soon. Even though India is moving towards the digital era 68% of the transactions involve cash. Meaning the people are still unsure about using technology to handle their cash flow and hence a lot of skepticism is found towards the concept of cashless economy. Cashless economy is nothing but using technology to handle the cash flow. When people start using E-Banking and E-Commerce methods to solve their payment issues automatically the flow of black money will be stopped. Of course the advancement of the digital era is something to be embraced and the new methods of payment will continue to be introduced, Indians need to recognize both the benefits and risks of going completely cashless and depending completely on technology. With the recent increase in online payment frauds, from hacking into people's bank accounts to stealing data from the credit cards and debit cards, the ability of the financial institutions to protect the electronic currency comes into question. In a courageous move to combat black money, the Modi Government announced demonetisation on 8<sup>th</sup> November, 2016. The currency notes of INR 500 and INR 1000. The declaration created confusion as these high value notes formed around 86% of the legal tender. The Government is working at many levels to reduce the dependence of cash. The prime minister unveiled two schemes-Lucky GrahakYojna, Digi DhanVyapaarYojna for customers and traders like to promote mobile banking and E-payments. To encourage the public to instill the habit of electronic transactions, the Government encourages cashless transactions like RuPay cards, USSD, UPI and other methods of E-payment.

**TYPES OF CASHLESS MODES:**

- **Banking Cards:**

Banking cards include debit and credit cards both. These cards provide consumers with more safety, convenience and flexibility. These cards give the consumer to purchase products anywhere and also save time.

- **Unstructured Supplementary Service Data (USSD):**



This service allows users to do mobile banking transactions using basic mobile phone features. There is no need for mobile data internet facility for using mobile based USSD banking.

- **Aadhar enabled payment systems (AEPS):**

AEPS is a bank led model which allows online financial transaction at Point of Sale or Micro ATM. You don't even have to go to a bank branch the customer just has to link their Aadhar details with their bank account.

AEPS is a bank led model which allows online financial transaction at Point of Sale or Micro ATM through the Business Correspondent of any bank using the Aadhaar authentication.

- **Unified Payment Interface (UPI):**

UPI is a system that powers multiple bank accounts into a single mobile application. It combines several banking features, faultless fund routing and merchant payments into one application.

- **Mobile wallets:**

A mobile wallet is a way of carrying cash in digital format. The consumer just has to link his/her debit and credit card with this mobile application or they can just transfer money online through these mobile wallets. Most banks have their e-wallets and some private companies like Paytm, Freecharge, Mobiwik, Oxigen, Jio Money, SBI Buddy, Axis Bank lime etc. The newly launched Bharat Interface for Money (BHIM) app is an initiative to enable fast, secure and reliable cashless payments through mobile phones

- **Internet banking:**

Internet banking also known as online banking or e-banking. It 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. Different types of online banking are National Electronics Funds Transfer (NEFT), Real Time Gross Settlement (RTGS) and Immediate Payment Service (IMPs)

- **Point of Sale(PoS):**

The place where a sale transaction is completed is called point of sale. At macro level, POS may be small mall or a market place in city where as at micro level, for retailers the POS is the place where customers complete the sale transactions i.e. checkout counters. It is also called as point of purchase.

## **OBJECTIVES:**

- To understand the Government policies and measures for cashless economy.
- To explain in detail the utilization of schemes and policies.
- To create awareness of the schemes and policies.

**RESEARCH METHODOLOGY:**

- **Secondary data:**

The secondary data has been taken from the newspapers reports, journals and the internet.

- **Primary data:**

The primary data was collected through survey method.

Questionnaires were collected from 50 respondents.

**POLICIES AND MEASURES TAKEN BY THE GOVERNMENT TOWARDS CASHLESS ECONOMY:**

Digital economy is one of the central themes for the Union Budget 2017-18. To encourage the people to use more of digital transactions the Government has introduced many schemes.

- Under the presumptive income scheme, for all small and medium tax payers whose turnover is upto 2 crores, the present 8% of the turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by cashless means.
- Increased digital transactions will enable small and micro enterprises to access formal credit.
- Government will encourage SIDBI to refinance credit institutions which provide unsecured loan, at reasonable rates to borrowers based on their transaction history.
- The digital payment infrastructure and grievance handling mechanisms will be strengthened. The focus would be on rural and semi urban areas through post offices, fair price shops and banking correspondents.
- Steps would be taken to promote and possibly mandate petrol pumps, fertilizer depots, municipalities, Block offices, road transport offices, universities, colleges, hospitals and other institutions to have facilities for digital payments, including BHIM App.
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards.

The Government, to encourage digital transactions has also offered various incentives to the people.

- The Government petroleum PSUs shall give incentives by offering a discount of 0.75% of the sale price to the customers on the purchase of petrol or diesel if the payment is made through digital means.
- To expand digital payment infrastructure in rural areas, the Government through NABARD will extend financial support to eligible banks for deployment of 2 POS

devices each in 1 lakh villages with population of less than 10,000. This will benefit farmers of one lakh village covering a total population of nearly 75 crore who will have facility to transact cashlessly in their villages for their agricultural needs.

- All railway passengers buying tickets online shall be given free accidental insurance and also be given a discount of 5% if they make the payment through digital means.
- Public sector companies shall provide an incentive of, by way of discount of credit, upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporations sold through customer portals in case of the payment being made online.
- Government departments and PSUs will ensure that transactions fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them.
- Merchants are not required to pay more than 100 rupees per month as a monthly rental fee for the POS terminals/Micro ATMs/Mobile POS so that they agree to be on board with the digital payment move.

The prime minister also introduced two schemes, the Lucky Grahak Yojana and the Digi DhanVyaapar Yojana, both enabling consumers and merchants to undertake real time digital transactions through the Digidhan Bazaar.

## CONCLUSION:

The future of cashless economy in India looks promising. The transparency in economy will increase the transactions through e-commerce and online payments. But our Government needs to take more steps towards it. The payment systems must be protected from the cyber-attacks which pose as a major threat to the cashless economy. The Government should take the necessary steps make and make policy considerations when they are preparing for cashless economy. Rather than imposing the cashless economy idea on people immediately the Government should first experiment it in few districts to see how the people are responding and if they are ready for cashless economy or not. The Government should find a way to make inexpensive smartphone that can be afforded by the rural and the poor people. The Government should take more steps to provide the internet access to all the people over India no matter what remote place they live in. Going digital isn't really a problem valid to the well educated and professionals since their salaries are deposited into their bank accounts by the end of the month so they are already familiar with idea of going digital. The main concern of the Government should be the rural and the semi urban areas, the illiterate and the poor people who neither have bank accounts nor can afford smartphones and also cannot afford the cost of the internet access. Though the digital payment options have grown over the years there is still no decline in cash withdraws from the ATM this could be because the digital payment facilities have not reached small cities and villages. Transitioning smoothly from cash payments to digital payments is an area both the Government and the citizens of India need to work on rigorously. We can take the initiative of educating and encouraging everyone around us including our grandparents, our

house helps, the less educated and the poor to go digital. The Government along with the citizens should take steps to inform people about digital economy and should visit different sections of cities and village and teach them how to operate a basic smartphone, they should make people aware of the digital payment ways and its benefits, and can teach people how to make payments digitally.

The majority of the public, though in favor of the cashless economy in India, is not satisfied with the limited options for digital transactions. The government needs to focus on making more modes of payments available to the public in a simple, non-time consuming and hassle free way.

A cashless economy is a welcome idea but not without preparation.

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**NPA's in Banking Sector and its Recovery in India****Upamanyu Dutta, Chetana's RK Institute of Management Studies and Research****Mobile-9769372497****duttaupamanyu@gmail.com.****ABSTRACT**

This paper intends to highlight the plaguing problem of Non-Performing Assets (NPAs) on the banks and steps being taken to deal with the aggravating situation. With the swelling up of NPAs in the recent years the profitability of banks have taken a direct hit. High level of NPAs suggest that there are increased chances of credit defaults which not only affect the bottom-line of the banks but also erodes the value of their assets. This has not only posed a threat to the survival of banks but also is proving to be detrimental for the whole Indian economy. The trade and industries are facing a severe shortage of credit which has aggravated the situation further. One of the prime reasons of the slowdown in economy growth is due to rising NPAs. So it is of primary importance to tackle this issue at the earliest. The impact of NPAs need to be analyzed first and corrective actions are to be taken to control the extent of damages it has caused to the Indian economy. The RBI and the government collaboratively are taking slew of measures to tackle this mess. The prime measures are the amendments in the banking policies and loan restructuring schemes. The government has launched an ambitious project which goes by the name "Mission Indradhanush for Banks" where in the government will infuse capital in the Public sector Banks (PSB) so that they can overcome the liquidity crunch and lend to industries which will have a positive impact on their balance sheets. The government is also trying to empower the RBI which will dish out reforms to improve the banking economy in years to come thereby fuelling overall growth of the country.

**Keywords: Non-Performing Assets, Credit defaults, Mission Indradhanush, Policy reforms, Liquidity**

- **Introduction**

The banking system in India comprises of public, private and cooperative sector banks of which the former two account for 85 percent of the banking systems assets. Apart from some foreign banks like the types of HSBC and Private sector banks like the ICICI and HDFC, the commercial banks are comprised of large number of PSB(Public Sector banks), the major one being the SBI. These nationalized banks along with the regional rural banks form the state owned banking system of India. The banking sector has undergone major changes after the first phase of economic liberalization in the year 1991. The quality of asset which the banks possessed was not of primary concern till the liberalization of 1991, but it mainly focused on priority sector lending, development of rural and urban areas, employment generation etc. In recent times the banks have

been stringent in lending to industries and individuals owing to the rise in the NPAs which has caused a huge setback for the Indian economy.

Bankers are responsible for deposit mobilization which helps in channelizing the fund for developmental and productive purposes. In order to mobilize deposits commercial banks undertake various deposit schemes suited for a wide section of investors. The deposits along with reserves and borrowings form the source of funds for the banks. On which lending and funding activities of the banks are based. The banks in their books have various kinds of assets such as cash in hand, balances with other banks, investment, loans and advances, fixed assets and other assets. The NPA is restricted to loans, advances and investments. As long as an asset generates income, it does not disclose any other risk apart from normal commercial risk. So this type of asset generating regular income for the bank is called as performing asset and which does not, is termed as non-performing asset. If payments are late for short time the loan is classified as past due date and if the payment becomes really late (90 days or more) then it is classified as non-performing. The Narasimhan Committee and the BJP government in the recent years have given a slew of recommendations to tackle this NPA mess. If we take a glance on the NPA numbers, then in the year 1995 it was Rs 38385 crores and now presently it has swelled up to Rs 393154 crores.

#### • **Review of Literature**

Many have conducted extensive research on NPAs and its effect on the banking industry. Rai (2012) in her study on performance of NPAs of Indian commercial banks mentioned that many companies who defaulted on their loans had no fear of banks taking action against them for the recovery of dues. Chatterjee C, Mukherjee J and Das (2012) in their study on management of NPAs-a current scenario concluded that banks should find out the real reason for borrowings. They should also scrutinize the credibility of borrower and the guarantor. Kumar (2013) in his study on a comparative study of NPA of old private sector banks and foreign banks has said that non-performing assets have become a pain for the banking sector for the past several years. Selvarajan and Vadivalagan (2013) in their study of management of NPA in priority sector reference to Public sector Banks. The study tries to find out that the banks lending to priority is of more importance than the development of Public sector Banks as a whole. Singh (2013) in his paper titled Recovery of NPA's in the Indian commercial banks lies in the inefficiency of the banks to manage credit risk. Banks should continuously keep a check on the loan accounts which have the possibility to turn into NPA. Gupta (2016) in her study NPA-A curse for Indian banking sector listed out the causes and inefficiency of the banks to handle this situation leading to a huge financial turmoil. The effective solution suggested by many in their research papers point out to good credit appraisal procedures, effective internal control system along with efforts to improve the asset quality in balance sheets. This ensures tackling the problem at ground level.

- **Objectives of Study**

- To study the status of Non-performing assets of Indian Scheduled Commercial Banks in India.
- To study the impact of NPAs on banks.
- To study the recovery of NPAs from various channel.
- To understand the steps taken by government to handle the grave situation of NPAs.
- To make appropriate suggestions to avoid future NPAs and manage the present NPAs effectively.

- **Limitations of the Study**

- The study of NPAs of SCBs is restricted to Indian banks till the year of 2017.
- The basis for identifying NPAs is taken from Reserve Bank of India Publications.
- NPAs are dynamic in nature and their state is changing very fast. The study is done in the present environment without foreseeing future developments.

- **Sources of Data**

The data collected is secondary in nature. The sources of data for this thesis include the reports published by Indian Banks and the Reserve Bank of India. Various journals, magazine and research papers were also scanned to extract information pertaining to current banking scenario and NPAs.

- **Methodology of Study**

For the study we have considered scheduled commercial banks which include the PSBs (Public Sector Banks), The paper mainly focuses on the current position of NPAs, its impact on the banking system and the economy and the steps taken by government, RBI and the banks to solve this problem. It also dishes out certain recommendations which when implemented can bring

about significant reductions in the NPAs. RBI report on trends and progress of India in banking for several years, books and websites on banking have been used during the research study. 17 aggregate years (2010-2017) of (banking data has been considered to analyze study and pen down the paper.

## 2) Non-performing assets in Indian Scheduled commercial Bank

**TABLE 1. GROSS ADVANCES AND NPAs of PSBs (in billion rupees):**

Year	Gross NPAs	Total Advances	Percent Share
2010	572.93	25124.39	2.1
2011	710.8	30599.53	2.32
2012	1124.89	35503.89	3.17
2013	1158.90	40558.74	3.84
2014	2282.73	45904.80	4.97
2015	2784.68	48452.69	5.74
2016	5339.56	50821.56	10.50
2017	6847.31	51422.24	13.31

## 3) Findings:

From table 1 we can infer some facts about NPAs of Public Sector Banks of India. They are as follows-



- Gross NPAs have increased from Rs 572.93 billion in 2010 to Rs 6847.31111 billion in 2017 which shows clear mismanagement of NPAs on the part of PSBs.
- Gross Advances have also increased from Rs 25124.39 billion to Rs 51422.24 billion in 2017 which shows increase in the lending activities in priority and non-priority sectors.
- The percent share of the gross NPAs as that of the total advances has also grown approximately 6 times from 2.1 to 13.31 percent.

#### 4) Problems of NPAs:

High percentage of NPAs are due to the following reasons:

- Overleveraged balance sheets
- Stalled projects leading to increase in the stressed assets of banks
- Faulty reporting mechanism leading to the worsening of NPA situation.
- Nexus between corporates and bankers- deliberate defaulting.

#### **Components of Mission Indradhanush:**

It is a 7 prolonged plan to change the fortunes of PSBs. Many of the measures were recommended by PJ Nayak Committee on banking sector reforms. The 7 parts include appointments, bank board bureau, capitalization, de-stressing, and empowerment, framework of accountability and governance reforms.

- **Appointments** - separation of posts of CEO and MD to check excess concentration of power and smoothen the functioning of banks; also induction of talent from private sector ( recommendation of P J Nayak Committee)
- **Bank Boards Bureau** - will replace the appointments board of PSBs.
  - It will advise the banks on how to raise funds and how to go ahead with mergers and acquisitions.
  - It will also hold bad assets of public sector banks.
  - It will be a step into eventual transition of the bureau into a bank holding company. It will separate the functioning of the banks from the government by acting as a middle link.
  - The bureau will have three ex-officio members and three expert members, in addition to the Chairman.

- **Capitalization**
  - Capitalization of the banks by inducing Rs 70,000 crore into the banks in the next 4 years
  - Banks are in need of capitalization due to high NPAs and due to need to meet the new BASEL- III norms
- **De-stressing**
  - Solve issues in the infrastructure sector to check the problem of stressed assets in banks
- **Empowerment**
  - Greater autonomy for banks; more flexibility for hiring manpower
- **Framework of accountability**
  - The banks will be assessed on the basis of new **key performance indicators**. These **quantitative** parameters such as NPA management, return on capital, growth and diversification of business and financial inclusion as well as **qualitative** parameters such as human resource initiatives and strategic steps to improve assets quality.
- **Governance Reforms**
  - GyanSangam conferences between government officials and bankers for resolving issues in banking sector and chalking out future policy.

## 5) Impact of NPAs:

NPAs have a direct impact on the profitability and performance of the banks. The most notable impact of NPA is change in the banker's sentiment which has an adverse impact on the lending to sectors and industries. Banks may be tempted to move towards investments which are low on risk but it is not conducive for the country's growth and business environment. If the NPAs are not timely controlled then the following will be the after effects, detrimental for growth:

- Reduce the quality of assets and adversely affects the Return on Investment (ROI).
- There is increase in the mismatch between asset and liability.
- The cost of capital goes up.
- Higher provision by banks to deal with NPAs affect the capital adequacy ratio of banks and erodes the bank's profitability.
- It affects the EVA (Economic Value Additions) by banks.
- It affects the risk taking appetite of banks.

- It even affects the stock prices of the banks in the capital markets thereby shaking investor confidence and position of the bank.

#### **6) An assessment and success so far**

- The key performance indicators devised for PSBs if implemented well would establish a credible system of holding PSBs accountable just like present in any MNC or private sector organization.
- Mission Indradhanush focuses on setting up a transparent a quick-paced hiring mechanism which can allow smooth functioning of the PSB.
- Opening up the top positions in PSBs to private sector candidates can bring in the much-needed fresh outlook
- De- stressing bank assets is very much needed in view of the rising NPAs
- Bank Board Bureau has been formed with former Comptroller and Auditor-General of India Vinod Rai as its first Chairman
- It will select the heads of public sector banks (even from the private sector, if need be) and aid them in formulating strategies to raise additional capital. It will select and appoint non-executive chairmen and non-official directors.

#### **7) Available NPA management strategies:**

- **NPAs recovery through Lok Adalats:**

Recovery through award of Lok Adalats is the easiest and the fastest way of recovery of loans. The literal meaning of Lok Adalat is people's court. The concept comes under the "Alternate Disputes Redressal Mechanism" like arbitration, reconciliation etc. Prelitigation up to Rs 20 lacs and suit filed accounts where the plaint account does not exceed 20 lacs can be settled through Lok Adalats. The Lok Adalat is constituted under section 19 of Legal Service Authority Act, 1987. The method of organizing Lok Adalat is through the manager of the bank who contacts the borrower and negotiates with them the terms of the settlement. The concerned branch of the bank must ensure that the concerned parties are present during the hearing in Lok Adalat. The hearing is convened on the fixed date and the award is passed the same day.

#### **Advantages of Lok Adalat:**

- Every judgment of the Lok Adalat is of equivalent decree as the civil court.
- No appeal is entertained against the Lok Adalat sentence.
- Entire court fee paid while filing suit will be returned back and no lawyer fee is payable.
- Awards can be passed on even a holiday
- **NPAs recovery through DRTs:**

The abbreviation SARFAESI ACT stands for Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Banks utilize this act as an effective tool for NPA recovery. SARFAESI is effective only for secured loans where bank can enforce the underlying security example: hypothecation, pledge and mortgages. In such cases, court intervention is not necessary, unless the security is invalid or fraudulent. However, if the asset in question is an unsecured asset, the bank would have to move the court to file civil case against the defaulters. The SARFAESI Act, 2002 gives powers of “seize and desist” to banks. Banks can give a notice in writing to the defaulting borrower requiring it to discharge its liabilities within 60 days. If the borrower fails to comply with the notice, the Bank may take recourse to one or more of the following measures:

- d) Methods of Recovery:**

This act makes provisions for two main methods of recovery of the NPAs as follows:

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or by rescheduling of payment of debts payable by the borrower enforcement of security interest in accordance with the provisions of this Act.

Further, the act provides exemption from the registration of security receipt. This means that when the securitization company or reconstruction company issues receipts, the holder of the receipts is entitled to undivided interests in the financial assets and there is no need of registration unless and otherwise it is compulsory under the Registration Act 1908.

### 8) Government measures in dealing with the NPAs:

#### Mission Indradhanush for Banks:



Mission Indradhanush is a 7 prolonged plan launched by the government of India to resolve the issue of NPAs faced by Public sector banks. It aims to revamp their functioning to enable them to compete with private sector and foreign banks.

It selects the heads of public sector banks (even from the private sector, if needed) and aid them in formulating strategies to raise additional capital. It selects and appoint non-executive chairmen and non-official directors.

## Funding plans

The government is set to infuse Rs8,586 crore into 10 weak public sector banks this fiscal.

Capital allocation for fiscal year 2017		(in Rs crore)
IDBI Bank		1,900
Bank of India		1,500
Uco Bank		1,150
Andhra Bank		1,100
Indian Overseas Bank		1,100
Dena Bank		600
Allahabad Bank		418
United Bank of India		418
Bank of Maharashtra		300
Central Bank of India		100
<b>Total</b>		<b>8,586</b>

Source: Department of financial services

The government in the latest report has said that it plans to infuse Rs 88,139 crores into 20 state owned lenders, including Rs 52,311 crores to banks that face restriction from the RBI. This will help the state owned PSBs to improve their balance sheets and give a boost to core operations. The recapitalization will be in form of bonds issued by the government to the banks for 10 to 15 years. This will enable banks to meet their capital requirements and provide for losses due to the sharp increase in bad loans. PCA has been initiated mainly in banks that have incurred losses for two consecutive years and reported net non-performing loans of 10%.

### 9) Recommendations for NPAs management:

- RBI and the government in collaboration should revise the existing credit appraisals and monitoring system.
- Banks should work upon alternate methods for recovery of loans.
- Post loan monitoring should be of top priority in public sector banks.
- The bankers should ensure that there is no diversion of funds from the loan given. The follow up should be regular.
- Periodic personal visits should be made after sanctions to enterprises and individual borrowers so that a close check can be kept on them, preventing fraudulent transactions.
- Managers associated with the credit appraisal, monitoring and recovery department should be dynamic in their style of work. They should be able to make a way out through negotiations with the borrower party.

- Frequent discussions should be carried out with staff and authorities to maintain the flow of recovery through proper efficient methods.
- RBI must initiate action against wilful defaulters by publishing relevant information on the web, broadcasting in news channels or printing in papers which will be a great help for banks and non-banking financial companies.
- If the delinquencies are due to reasons beyond the control of the borrower (Like floods, earthquake etc.) then the bankers should help these borrowers by restructuring their loans, so that the recovery is possible in the due course.
- Banks should make more use of SARFAESI Act and recovery tribunals for fast recovery of loans.

## 10) Conclusion

The Non-Performing Assets have always created big problems for the banking sector as well as the economy as a whole. The money locked in NPAs has a direct impact on the profitability of banks as the Indian banks are very much dependent on the interest on the funds lent to borrowers. The study shows that the public sector banks are exposed to high levels of NPA. Although various steps have been taken by government to reduce the NPAs but still a lot is remaining to be done to curb this problem. The NPA level of our banks are higher than foreign banks. The problem of loan recovery is not with small borrowers but with big borrowers who use their lobby power to dodge the law and find out loopholes to delay the payment of large loans. There should be a strict policy framework laid down by the government to deal with wilful defaulters. The government should also make provisions for faster settlement of pending cases in the court and also reduce mandatory lending to priority sector if the recovery is less from there. So serious efforts need to be put in by government, RBI and the banks in collaboration to deal with the NPA issue so that the banking sector improves, credit is available to all important sectors and there is a significant growth in the GDP of the country.

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**ETHICAL ISSUES OF FINANCIAL REPORTING****VINIT BHAVESH DOSHI**

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**Abstract:** *In Financial reporting it ensure that all users of financial systems must know the generally accepted accounting principles (GAAP). In business world accurate accounting plays a crucial role. Ethical financial reporting and accounting practices corresponds to basic human requirements. It creates credibility with public and employees. Ethics and accounting exist to protect the public from unscrupulous corporation. Most of the professions accountants hide or manipulate the information. Most accounting scandals have taken place on fraudulent financial reporting. It means that the management of company presents the misstatement of the financial statements. Normally, this is carried out with the intention of misleading investors and maintaining the company's share price in the present scenario business ethics has its own significance which helps to come from the global financial scandals. There is a requirement a direct ethnical guideline which spread a awareness to protecting from this corporate scandal that had taken place in different areas in different countries which are very harmful to the economy and our society. Due to the necessities of Information supplied by an accountant and manager should observe certain professional ethical standards, financial management adequacy, quality of audit, corporate ethics, embracing ethics etc. This paper explained the meaning of ethics, causes of ethical issues relating to accounting and financial reporting, and steps required to solve those issues.*

**Keywords:** *Financial reporting, accounting, ethical issues and business.*

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**I INTRODUCTION**

In the modern industrial economy, the finance is blood of life. We cannot think of any formation of the companies without finance. The success of any companies and organization is directly subject to the finance adequacy and its efficacious utilizations. But sometimes different accounting standards of different country create a difficult problem. For growth of world economy there is need to adopt one global standard so that participants around all over the world receive the same fair view of enterprises results regardless operating in different geographic area. The Ethics is defined in legion form, sometimes it contradictory, renditions. Nowadays in many

area of accounting and financial reporting is a endured from problems of ethics which are a prominent issue. Ethics should have an essential part of the business and several other areas on ethical decision makings. The dictionary definitions of the word ethics is a system of principles governing morality and acceptable conduct, and ethical code. According, to The Oxford Dictionary Ethics means as moral principles or as rules of conducts. It is combination of moral principles or manner of actions which are acceptable or unacceptable in field of human activity. Ethics is a voluntary phenomenon. It cannot be forced but it should be sway. Financial reporting is directly and indirectly related with accounting and economics. Financial reporting is played a crucial role in corporate governance. Financial reporting is a financial statement of any organizations or companies which disclose the financial status to the government, management and investors. The issue of ethics sustaining true financial reporting of company assets, liabilities and profits without forcing on them by management or corporate officers. The ethics have raised the value of ethical decision on business which is affected to the stockholders, creditors and other parties by the financial performance of companies. Some unethical activities is high concerns in the organizations like fraudulent financial reporting, personal trading, insider trading, misappropriation of assets and disclosure. The significance of ethics in accounting have been verified by some old scandals. The auditors and accountants can acquired a lot of knowledge from the mistakes like. 2G Spectrum Scam, Commonwealth Games Scam, Satyam Scam, Indian Coal Allocation Scam, Enron scandal, etc. The scams have discredited public confidence and also spoiled the reputation of accountants in the accounting occupation. For all professional accountants, ethics has become a prominent issue, after a series of financial reporting scandals brought this issue into the forefront. There is various tricky ethical issues which bring forth the aboveboard task in financial reporting. The various scandals for companies is taken place due to breaches in ethics which is not good symbol for any companies. The results arise to loss of investors and confidence of consumers from the companies. It also badly affected to national economies growth and development.

## II LITERATURE RREVIEW

(Kamat1987)Studied that Ethical Governance Issues in Accounting and Reporting“conclude that the procedures of accounting the accountant integrity and financial disclosures on long-term basis are the fundamental quality to corporate transparency and stakeholder. Sound reporting and accounting practices is the cornerstone of the integrity of an accountant.

(Kermis)Indicates on topic” Financial reporting regulations, ethics and accounting education” is that in ethical conflicts and dilemmas arise the auditing condition leaves the accounting profession, client, auditor, regulators and society in a circumstances plunged. In this study Researcher has found that the rules are insufficient in many situations.

(Azimifar, 7(10) Oct 2013) Researched on the topic “Impact of Professional Ethics on Financial Reporting

Quality”. The study concluded that in the accounting profession Services provided to users by non-acceptance and confidence is useless. The importance of the moral standards of honesty

and personal training needs, current and future accountants to lead the noble. In future research to accounting career fair to its historical role in economic growth and prosperity and the welfare of nations to continue.

(Onyebuchi, Vol. 2 No. 10; June 2011 ) The main findings there studies in business world to rejuvenate public confidence and trust in the financial reporting, especially public companies . The lack of transparency is found at the time of financial reporting. It's financial matters followed by financial restatements disclosing billions of dollars of omitted liabilities and losses, contributed to its demise. That is an denotation that more litigation have to be taken by government to secure the loopholes that make successful it potential for businesses and financial institutions to prosecute in illegal financial practices.

### **Objective of the study**

To study the problem and challenges of ethics issue of financial reporting and accounting in business area.

### **Research methodology**

The research paper study was carried out with the secondary data and it was taken from different research papers, journals and websites. The present study based on analytical and descriptive research.

## **III CHALLENGES OF FINANCIAL REPORTING AND ACCOUNTING**

- **The continue challenging is Going concern concept:** The economic conditions suffers from chronic problem it premise that in some cases going concern concept is not clear-cut in the business. There is required for the company to take deliberate decision of the judgments on related to going concern concept. Business will have an indefinite period of life and it will not liquidate in the near future. The business entity is made an assumption to be exists indefinitely to operate profitably for a foreseeable period unless there is evidence to the contrary.
- **Historical accounting:** the present challenges to accounting and financial reporting is based on historical cost. This concept is strictly followed by companies. If any subsequent changes in market value of the assets it is not recorded by companies in their accounts. When the financial statements are prepared it ignored the present market price due to this it fails to reflect the true worth of the assets. In this situation, it is not relevant to the participants of the accounting information.
- **Challenges in measurement:** Any changes on the basis of measurements it directly and indirectly effect to the financial performance and statement of the organizations and almost every users of the society. Measurement of financial reporting is more concern to conventions, not know how to deal with measurement problem. Measurement of financial reporting and accounting is include five principals like fair value, realizable value, value in use, deprival value or value of the business and historical cost. It is challenge to a company how it works effectively and how to measurement a results of it reliability in some situations and importance for some purposes.

- **Consistency challenges:** When management of company once selected and adopted the accounting policies it must be followed continuous accounting period to other. If a company want to change the policies it must require to disclose that there is problem that required being deal. Sometimes consistency also shows the external consistency. It is useful to compare the financial statement of other companies but it possible only when the company prepares the financial statement in same methods and procedures. While sometimes it's very challengeable to companies to maintain perfect external consistency.
- **Development of IFRS:** It will be a big gainsay to business concerns to adopt of IFRS and its influencing strongly among the users of financial statements. International accounting standards board(IASB) is developed IFRS(International financial reporting standards) it is set of accounting standards. The companies act 2013 shows various modification to IFRSs related to joint ventures, consolidation, fair values , financial reporting and accounting . India decides to converge it existing accounting standards with IFRS to provide a high quality solutions, understandable, transparence and comparable several information in financial statement and financial reporting. It facilitates to investors to make a economic decisions on the basis of present information. But it is possible only when management of company fully disclose the information with proper evidences.

#### IV SOME IMPORTANT ETHICAL ISSUES IN ACCOUNTING AND FINANCIAL REPORTING

- **Financial reporting is deceitful:** From the last twenty years the financial scandals is a center of attention on financial reporting of fraudulent. The management of company is an intentionally misapplication of amount with intent to deceive the investors and showing fake the company's share price. The main area of fraudulent activities is by showing the fictitious revenue, recognition of premature revenue, adjustments of revenue by misstatement entries. In short period of time, when the company's stock price is high but in long period it badly effect on financial position of enterprise then it automatically understand by business concern the financial reporting is misrepresents their accounts.
- **Assets misappropriation:** In accounting one of important ethical issues is the misappropriation of assets at an individual employee level. It directly and indirectly affects the company's staff morale and reputation. The company's management made a embezzlement of assets by misleading the accounts and preparing a wrong invoices and documents. Assets Misappropriation by use of company assets other than company interests for any other purpose.
- **Full Disclosure:** financial reporting is subtopics of fraudulent, disclosure infringement are errors of ethical mistake resulting from neglect. Sometime information is not disclosed in a prescribed way with GAAP and accounts are not prepared with honesty then it is to be considered financial reporting is a fraudulent activities. The entire beneficial person who are interested in the business sectors but when they know information of full disclosure is not success to investors. Then business concerns change their decisions for investments in the enterprises should be reckon as financial reporting is fraudulent.

## V LIMITATIONS OF ACCOUNTING AND FINANCIAL REPORTING

- Antithetical framework and policies of accounting:** Accounting generally known as the language of the business. When entities operating a businesses worldwide then there is required to follow a single set of accounting standards. But Framework of Indian accounting standard (IAS) based on historical values and rules. While international financial reporting standards (IFRS) allow to use the accounting policies for preparing the financial statements. So that every organization follows a vernacular global language for business matters which helpful for understandable and comparable the companies account in different international boundaries. To overcome from this problem it is decided to merge its present accounting standards with IFRS. Thus information is communicated to users through financial statements and reports.
- Judgment of Professional:** The concept of professional judgment is developed by the ICAS (institute of chartered accountants of Scotland. It is one important aspects of preparing and auditing the financial statement. The demonstrating the professional judgment is to be made at reasonable period of time when the facts and circumstances are presents those results in information is more relevant and reliable. It is challenge of regulators to preparer"s judgment after the event made. Before preparing the judgment report it must be consider some issues like accounting assessment, collecting and analysis the full knowledge, document assessments etc.
- Verifiability objective evidence:** A company's accounting data should be verifiable, free from personal bias and must be definite. All accounting transactions should be supported business document and evidences like invoices, sales bills etc. which is verifiable by auditor in later stage. Verifiability do not provide truthfulness of data but one must ensure that the data provide must be logically stream. Example Enron scandals which had taken place on one of the reputed American corporate of Huston based commodities, energy and service corporation. When Enron had been declared bankruptcy but there share price was \$.26 per share. It was shot through with unverifiabilty. It will be done through by keeping huge debts off balance sheet.
- Use of historical basis:** All the transaction are recorded in the book of account at their monetary cost of acquisition. Measurement of assets based on historical cost. In the book of account several assets and liabilities are recorded at the price paid to acquire it. Its acquisition cost will be carried forward from year to year, irrespective of its present value. When we prepared the financial statement it will not reflect the true worth of assets.
- Limited predictive value:** Predictive value helpful for the investors to form the expectations about the future. Financial statement is prepared on previous performance of the companies and it reflects very less predictive value of the future which is more important point to the investors.
- Fraud and error:** To achieving a predetermined results the companies will made a deliberate manipulation of financial statements. Example WorldCom. Scandal. It will be done through with the help of the internal auditing department which underreported line

cost by capitalizing rather than expensing and also a inflated revenue with fake accounting entries.

## VI SOLUTION ETHICAL ISSUES RELATING TO FINANCIAL REPORTING AND ACCOUNTING

There are certain rules and regulations for financial reporting and accounting standards at the time of preparing a financial statements. It must be followed the GAAP , securities and exchange commission, investment accounting , disclosure rules and International Financial Reporting Systems guidelines and prepare the financial statement according the new guidelines.

- **Proper evidenced based approach:** the supporting document must be proper arranged and make provision for it to be kept up to date.
- **Significance of consistency:** uniformity is important issues to the users across the enterprises. because financial reports are disclose a true and fair view of financial statement of the enterprises.
- **Involvement in information technology system:** optimal use of multiple data systems which useful at the time of financial closing and reporting activities like workflow of material, updates account chart and participants experiences etc.
- **Management and internal supports:** senior and knowledgeable person of management must be presenting business speech on various matters of accounts, meeting with external stakeholders which are very important for any companies. And sometimes also abode on internal issues of companies like how to deal with factors of risk and assessment of internal structure.

## VII CONCLUSION

In present era nobody asked companies financial report, when everything appears bright. System of financial reporting reckon upon truthfulness of truth and trustworthy generally it is based on individual decision and actions for whole the companies and society. To impress the shareholder by providing pertinent information of business, this is more useful to make investment and economic decisions to the investors. Various financial scandals is taken place due failure of financial reporting and accounting standards is not properly implemented in accounting practices. So that there is need to make an awareness of code of professional ethics through accounting education and practices in the society. It tried to make a balance between economic, social and professional responsibilities. Motivating an employee and management to adopt an ethical behavior which will assist to discourage fraud and it also facilitates them to feel be a proud of our profession through contributions in accountancy.

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**DIGITAL INDIA****AND****ITS IMPACT****Ms. VISHAKA ARUN****Student of T.Y. BCom****Ramanand Arya D.A.V College**

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**Abstract:**

Digital India was an initiative taken by Government of India to ensure that Government services are made available to citizens electronically. The articles tries to explore about the programme and its impact. Research papers and articles related to the same has been studied. It is seen that though the implementation of the programme many involve huge funds and also many obstructions it is the need of the hour. It would bring the country on a global platform and would help the nation improve in every aspect.

**Keywords:** *Digital India, digitalization, impact, government*

**Introduction:**

India, a union of states, is the second most populous nation in the Asian region behind China. The country has achieved impressive progress in the field of science and technology and is emerging as one of the strongest economies in the developing world. Information & Communication technologies have brought significant changes in the development of Indian society through information dissemination.

Digital India, launched on 1<sup>st</sup> July, 2015 by Honourable Narendra Modi, targets to make Government services available to people digitally and enjoy the benefit of the newest information and technological innovations. The programme aims to transform the country into a digitally empowered society and knowledge economy. The program would help in connecting the past and present programs and bring India to a global platform. The focus of the program is to bring transformation to realise:

**IT+IT=IT**

Indian Talent + Information Technology = India Tomorrow

**Literature Review:**



A number of research papers and provide an insight of Digital India and its opportunities and challenges. Rani (2016) concluded that Digital India provides a huge opportunity to use the latest technology to redefine India the paradigms of service industry. It also pointed out that many projects may require some transformational process, reengineering, refinements to achieve that desired service level objectives.

Goswami (2016) concluded that for successful implementation of Digital India Programme involves lot of hindrances but in the present global context there is no second thought. Therefore, it is highly expected to expedite the initiation of Digital India Programme.

### **Research Methodology:**

The proposed study is mainly descriptive in nature. It is solemnly based on secondary data and information which is collected from concerned sources. As per need of the research relevant articles, papers and websites are used in the study.

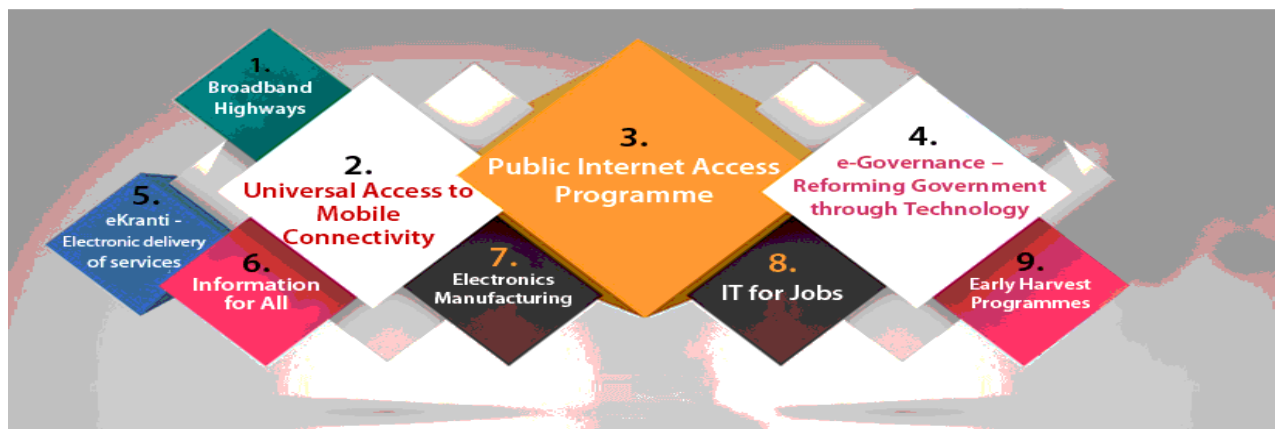
### **Objectives:**

- To understand the concept of Digital India
- To study the initiatives of Digital India.
- To understand the impact of Digital India on India's Economy.

### **Vision and Vision Areas:**

The vision of the programme is to transform India into digitally empowered society and knowledge economy. The Digital India is centred on three vision areas:

### **Nine Pillars of Digital India Programme:**



- **Broadband Highways:**

The first step is to provide high speed broadband. It covers three sub components:

- Broadband for all- Rural
- Broadband for all- Urban
- National Information Infrastructure

- **Universal Access to mobile connectivity:**

There are around 55619 villages that don't have mobile coverage. It is expected that by 2018 all the villages will be covered through mobile connectivity. The department of Telecommunication is the nodal department & the cost is expected to be Rs. 16000Cr.

- **Public internet access programme:**

The two sub components of the programme are Common Services Cost (CSCs) and Post-Office as multi-service centre. CSC would be strengthened and its number is to be increased to 250000 i.e., one CSC for one panchayat. 150000 post offices are proposed to be converted to multi-service centre.

- **E-governance – reforming governance through technology:**

Reforming governance & transforming it into a fully digital system. The following principles is to be followed:

- Making forms easy, simple and user friendly.
- Applications made available online and tracking provided
- Online repositories to be provided so that documents need not be physically submitted.
- Integration of services and platform.

- **EKranti – Electronic delivery of services:**

It includes technology for education, health, farming, etc. so that such services are delivered to a larger mass.

- **Information for all:**

It includes online hosting of services and document. Engaging social media platforms for governance is the aim of government.

- **Electronic Manufacturing:**

Demand for electronic goods is increasing with a Compound Annual Growth Rate (CAGR) of 22% and is expected to touch 400 Billion USD by 2020. Hence this pillar focuses on promoting electronics manufacturing in the country with the target of NET ZERO imports of 2020.

- **IT for jobs:**

It focuses on training to the youth in the skills required for availing employment opportunities in IT/ITES sector. This initiative seeks to train 10 million people in towns and villages for IT sector jobs in five years. It also aims to train 0.3 million agents to run viable businesses delivery IT services.

- **Early Harvest Programme:**

It consists of project which are implemented with short timeline. It consists of:

- Wifi in all universities
- Standardised government Email design
- Biometric attendance & many more

### **Initiatives under Digital India:**

- **Digilocker:**

It is a digital locker services operated by the Government of India that enables Indian citizens to store certain official documents on the cloud. 1GB of storage space is offered to users to store identification cards issued by government agencies, education certificates, PAN cards, driving licence& many more other documents.

- **attendance.gov.in:**

It aims to keep a close track on the attendance record of employees. Government of India has launched Aadhar based biometric attendance systems. It allows one to track the work of Central Government employees.

- **mygov.in:**

It is to promote the active participation of Indian citizens in their country's governance and development. It also aims at creating a common platform for Indian citizens to "crowdsource governance ideas from citizens".

- **SBM mobile App:**

It is a full fledged mobile banking solution, designed to offer a convenient friendly and secure access to SBM accounts, anytime, anywhere.

- **E-Hospital:**

It is a generic software which covers major functional areas like patient care, lab services, work flow-based document information exchange, human resource & medical records management of a hospital.

- **National Scholarship Portal:**

It is a one stop solution through which various services starting from student application, application receipt, processing, sanction & disbursal of various scholarships to students are enabled.

- **E-Sign Frameworks:**

E-Sign framework allows citizens to digitally sign a document online using Aadhar authentication.

### **Impact of Digital India**

- **Economic Impact:**

The Digital India plan could boost GDP upto \$ 1 Trillion by 2025. It can play a key role in macro-economic factors such as GDP Growth, employment generation, labour productivity, growth in number of businesses and revenue leakage for government.

As per the World Bank report, a 10% increase in mobile and broadband penetration increases the per capita GDP by 0.81% and 1.38% respectively in the developing countries. India is the 2nd largest telecom market in the world with 915 million wireless subscribers and world's 3rd largest Internet market with almost 259 million broadband users. There is still a huge economic opportunity in India as the tele-density in rural India is only 45% where more than 65% of the population lives. Future growth of telecommunication industry in terms of number of subscribers is expected to come from rural areas as urban areas are saturated with a tele-density of more than 160%.

- **Social Impact:**

Services such as Banking, Education, healthcare and many more such services are unable to reach many specially the rural parts due to many obstructions such as middlemen, illiteracy, ignorance, poverty, lack of information and investments. Mobile connectivity

can help reach out these services to all of them. The programme can help in providing real-time education hence increasing the literacy rate. Mobile banking and internet banking can bring about financial inclusion. BHIM App is one such step towards financial inclusion. Mobile hospitals can help enhance the healthcare services thus reaching out to many more population of the country.

### **Conclusion:**

The programme involves a high implementation cost. It is not an easy task to connect the whole country on one platform specially a diversified country like India where there are many languages, cultures, etc. A smooth teamwork of Government i.e., state as well as central government is required so that the services are made available to every nook and corner of the country. We live a world where cyber crimes are on a high run. The country needs to implement a privacy norm to overcome this issue.

But having overcome all these obstructions Digitalization is the need of the hour. To have a smooth and developmental economy it is essential to bring every one under one shelter and this programme is a platform where it can happen. Many services provided under the programme can play a key role in developing the country and its citizens. It can help improve the economical and social condition of the country. Digital India is just one step towards digitalization if implemented well it can give way to many new opportunities to the citizens.

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**FINANCIAL LITERACY AND EDUCATION IN 21<sup>ST</sup> CENTURY****MITHIBAI COLLEGE, MUMBAI-400056****VRUNDA.K.BHUTA, JANVEE SHAH****ABSTRACT:**

Financial literacy is the education and understanding of various financial areas. Financial education is the process by which consumers improve their understanding regarding the financial products, concepts and information. This paper is an attempt to present the current scenario relating to financial literacy and education in India and to understand, explore and make use of sophisticated system and methods adopted to make the process much faster to reach areas which are untapped. The study helps in identifying the level of financial literacy in India through secondary source and make people acquainted with the habit of savings, investments and going digital. As financial literacy and education is very low in India, various initiatives are taken by RBI, SEBI, and IRDA to enhance the level of financial literacy across the nation. There is lack of awareness which doesn't encourage the mass to perform banking services and gain knowledge. Some suggestions are being provided with a motive to empower the existing and new generation to learn for a better tomorrow.

**INTRODUCTION**

Financial literacy and education is training the masses and understanding various financial areas and skills required to empower the citizens to be aware and enhance their economic knowledge regarding financial products, concepts and information. The importance of financial education is increasing, not just for investors but also for the financial well-being of an average family trying to decide how to balance its budget, buy a home, fund the children's education and ensure an income when the parents retire. India is the second largest populated country in the world which accounts for 17.5% of the world population but at the same time 76% of its adult population is not able to infer even the basic financial generality. Increasing consumer awareness is highly needed in today's time for people to access to the technology being provided for faster transactions and better life. The lack of financial inclusion can lead to owing large amounts of

debt and making poor financial decisions. People who are well-read have the competency to make choices related to saving, investments, lending and borrowing.

Of course people have always been responsible for managing their own finances on a day to day basis such as planning for an upcoming expenditure, keeping funds aside for children's education or saving for future. But at the same time, the responsibility and risk for financial decisions that will have a major impact on an individual's future life, notably pensions. The life expectancy is increasing, and as a result the pension question is particularly important as individuals will be enjoying longer periods of retirement.

Individuals may lack the ability to choose a proper plan for savings or investments, and may be at a risk of fraud, if they are not financially literate. But if individuals do become financially educated, they will be more likely to inject their funds in appropriate sources available and will also be able to challenge financial service providers to develop products responding their needs. This will have a positive effect on both investment levels and economic growth.

## **OBJECTIVES**

1. To understand where India lacks in terms of financial literacy and education.
2. To provide data relating to the competency that can be improved to make our land a Developed Nation.
3. To find out factors which are affecting us concerning the literacy percentage.
4. To highlight some of the initiatives under taken by the Government, SEBI, RBI, NSE and IRDA to promote financial inclusion.
5. To explore certain areas where literacy should be present among the masses.
6. To study the blocks and supply suggestions which can help achieve our target.

## **FINANCIAL LITERACY: INDIA AND OTHER COUNTRIES**

On an average, Norway, Sweden, Denmark has 71% adult population who are financially literate, Australia with 64%, Germany with 66%, 52% of France's population, while United States and United Kingdom has 57% and 67% adult financially knowledgeable population respectively whereas India on the other hand has only 24% adult who are financially educated.

## **FACTORS AFFECTING FINANCIAL LITERACY**

In recent years, financial literacy is the need of an hour. This is because the world economy has faced financial crisis leaving people in turmoil. Financial Knowledge helps to answer a few questions relating to 'WHERE TO INVEST?' and 'HOW MUCH TO INVEST?' and safeguards the funds of people. A person can only make relative decisions if he has cultivated some

knowledge regarding finance. There are some factors that affect Financial Literacy. These are as follows:

- GENDER

From the study, it is observed that women generally have lower financial literacy levels than men. Men's financial literacy is increasingly faster than that of women. Making a comparison between women, those married and having higher income show higher financial literacy levels.

- AGE

The average age from 30 to 40 years is associated with higher literacy levels. Earlier the rate of financial literacy was low amongst the youth. Whereas in recent time it is seen that students have adapted the habit of reading newspapers which is a sign of increasing financial literacy. Financial literacy is still low among elderly individuals.

- EMPLOYMENT

Unskilled and unemployed workers are seen to have less desirable attitudes towards finance structure. Employed persons are the ones who participate actively towards financial attitudes and hence have a higher knowledge of finance. Further comparing on the basis of experiences, individuals with longer work experiences have higher financial inclusion because of greater familiarity with economic and financial subjects.

- INCOME

Low income levels are associated with low financial literacy levels. On the other hand there is higher financial literacy amongst people with higher income.

- EDUCATIONAL LEVEL

Those with higher educational levels are those with higher financial literacy levels. This is because they are benefitted through various seminars conducted by colleges and institutions.

- AREA

India is a developing economy. Approximately 68% of India is rural with around 26% of illiterate population. Here, rural population has a lower financial literacy rate as compared to the urban population. The highest rate of literacy is seen in the state of Goa with 50%, whereas the lowest being 4% in the state of Chhatisgarh.

- FAMILY MEMBER OPINION

The opinion and views of family members have a great impact on the behavior of an individual towards finance. It differs from individual to individual depending on their perspectives and experiences.



- **ATTITUDE TOWARDS MONEY**

It is a matter of one's perspective. It is an independent variable varying from person to person.

## **IMPORTANCE OF FINANCIAL LITERACY**

Understanding basic money management skills such as living within a budget and handling credit and debt is very important.

- More and more, the burden of making sound financial decisions is coming to rest on the shoulders of consumers. Many companies have shifted their retirement plans from traditional pension plans to those requiring employees to participate in, pay part of the cost for, and make investment decisions about.
- Basic planning for the financial needs such as children's education, marriage, retirement plans are an integral part of one's vigor.
- Social Security used to be seen as a major source. Now it serves more like a safety net that will provide enough only for survival, not enjoyment.
- We are living longer. This means that we must have accumulated more funds before retirement to cover living expenses over a longer time. Otherwise, we could become a burden for our families.
- The financial environment seems like it is changing faster. Bull markets, bear markets, rising interest rates, falling interest rates and the increased number of finance-related articles with conflicting views in the press can make creating and following a financial path difficult.

## **INITIATIVES TAKEN TO PROMOTE FINANCIAL LITERACY AND EDUCATION**

### **RESERVE BANK OF INDIA**

Reserve Bank of India is regarded the central financial institution and hence it plays a very important role in shaping the future of our economy. Reserve Bank of India has launched a literacy drive in 9 States. It is initiating a pilot project at the block level to explore participatory approaches. The document given by RBI included states namely Maharashtra, Chhattisgarh, Bihar, Odisha, Karnataka, Telangana, Andhra Pradesh, Haryana and Uttar Pradesh across 80

blocks by 6 NGOs in collaboration with sponsor banks. The total cost of the pilot project over a period of three years is Rs 18.40 cores. The aim of pilot project is to inculcate the habit of making a household budget and recording financial transactions, encourage transactions in savings accounts, and active saving by depositing in banks through fixed deposits and recurring deposits.

## **GOVERNMENT OF INDIA**

Government of India has aimed at promoting the welfare of the nation through launching a series of initiatives, programs schemes, seminars. It has boosted the unprecedented effort to “bank the unbanked” through the PRADHAN MANTRI JAN DHAN YOJANA and the data as on 10/01/2018 stated that number of total beneficiaries are 30.93 crores and number of deposits accounts are 73258.49 crores. According to Arun Jaitley (Finance Minister of India), MUDRA YOJANA has a provision of Rs 1.20 lakh crore and it has to be increased to Rs 1.80 lakh crore in the financial year 2016-17. Major beneficiaries under the scheme are women and people from weaker sections of societies. ‘VITTSHALA’ is a Centre For Community Engagement(CCE) initiative, aimed at making communities equipped so that they are competent to handle their own resources in a efficient manner through community engagement, workshops, seminars and discussions. It is originally founded by group of teachers and students as multi-faceted programmed involving peer-counseling, developing interactive apps and events to strengthen financial literacy and education.

## **SECURITIES EXCHANGE BOARD OF INDIA**

Securities Exchange Board of India are taking tremendous efforts to disseminate and spread useful information so that the people our country can participate in India’s growth story. It launches several educational programmers through short films, TV and radio commercials in English and other regional languages. It has taken an initiative through the National Institute of Securities Market where it conducts classes in schools has covered 256 schools with a total participation of 5783 students. In rural India, the regulator has trained 238 teachers across 197 schools. SEBI conducts thousands of programs every year for school students, college students, disadvantaged young adults and professionals to meet its objective of Investor Awareness.

## **INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)**

Insurance Regulatory and Development Authority (IRDA) had launched The Insurance Awareness Campaign in the State of Tripura on 8th January, 2015 at Agartala by the Hon’ble Chief Minister of Tripura Shri Manik Sarkar. Also awareness programmes has been organised on national television and radio wherein the simple messages about the rights and duties of the policyholders were discussed in English, Hindi and 11 other Indian languages. IRDA also organises an annual seminar on policy holder protection and welfare.

## **NATIONAL STOCK EXCHANGE (NSE)**

National Stock Exchange of India is the leading institution and works with motive to develop life skill and thus it has started an initiative with the Nagaland Board of Secondary Education (NBSE) a course for the students of 12<sup>th</sup> class. More than 60 schools have registered with the board so that it makes it compulsory for all students of 12<sup>th</sup> class. As per the data, 5150 students have registered for the course already. The objective of the initiative is to help the students grow the habit of savings from the young age and to develop financial and investment capabilities. MD and CEO of NSE said, "Such programs are helping students to develop a life skill. Finance is indeed a fundamental skill and such programs help to understand how to manage disposable income etc."

## **BHIM APP**

In the continued quest for a digital, cashless economy, Prime Minister Narendra Modi launched a mobile payment application on December 30, 2016, at 'Digi DhanMela' in New Delhi. Called BHIM (Bharat Interface for Money), the e-payment app was downloaded more than three million times in the first four days. Launched 50 days after the demonetization of Rs 500 and Rs 1000 notes, the BHIM app is expected to minimize the role of plastic cards and point of sale machines. It is designed to help people who do not have debit and credit cards or are unable to use them, but have a bank account and wish to make digital payments. The use of biometric technology ensures that one just requires one's thumb to make payments.

## **DIGITAL COMMERCE USERS IN INDIA**

TYPES OF CITY	USERS
TOP 4 METROS	26%
OTHER 4 METROS	21%
SMALL METROS	29%
NON METROS	16%

Source: Internet and Mobile Association of India ([www.ibef.org](http://www.ibef.org)) December 2016-January 2017

## **CONCLUSIONS**

From the study undertaken we can derive certain conclusions:-

- Various seminars, workshops and programmes should be conducted.
- Educating people to read financial books would help improve financial literacy.
- Competitions and Quiz can assist to play under dummy scenarios.
- Advertisement through media can educate the masses concerning ULIP's, SIP and mutual funds.
- Strategy involving rural and urban households must be implemented by Government of India and private players.

- Funds which become dormant should be transferred into the fund for financial literacy.

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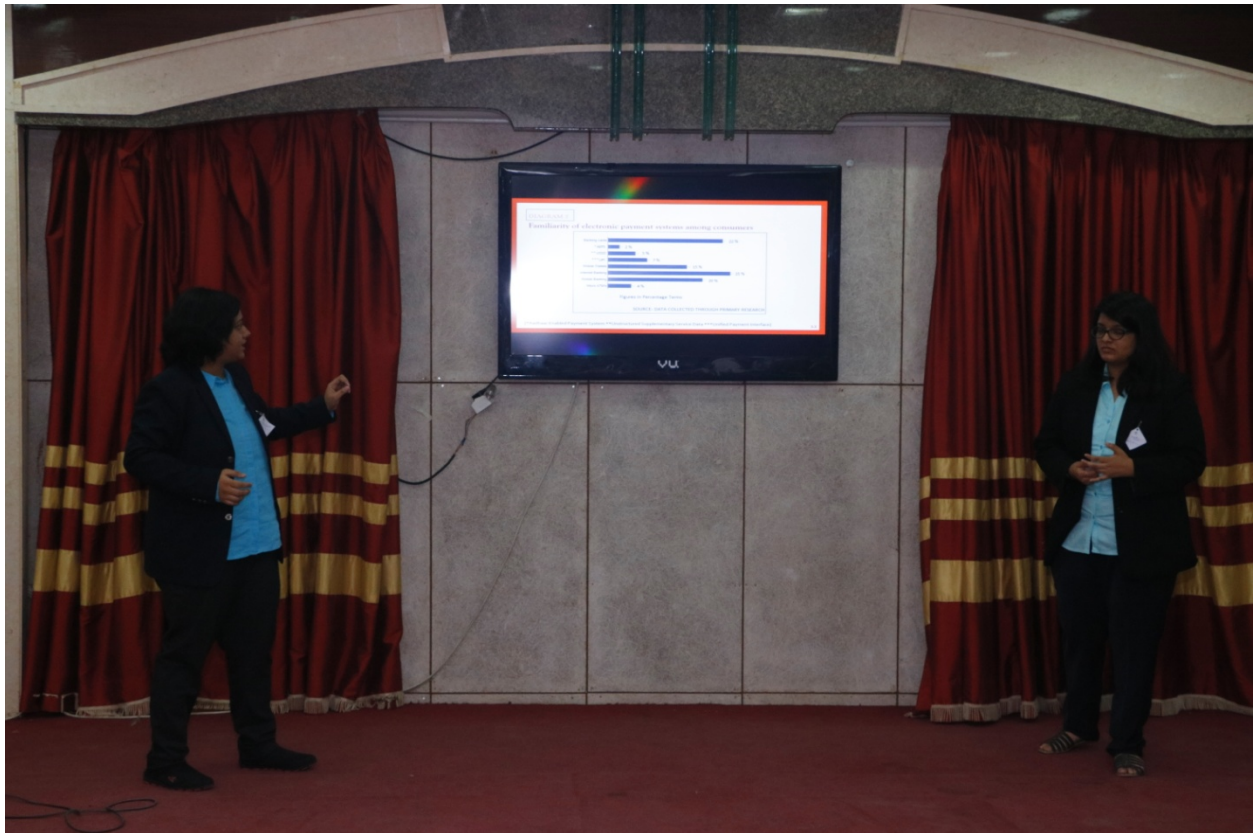


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