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Banking Structure, Conduct and Performance: The Indian Reality¹

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ABSTRACT

The paper explores the possible rationality behind the impending move of a Government-led merger amongst public sector banks in the country based on two-stage analysis of the financial performances of a sample of 84 banks in India during the period 2000-2016. The analysis was carried out in the backdrop of the ongoing debate in the literature on competition, efficiency, and stability in banking and the corresponding issues in banking consolidation. Findings suggest that due to concentration, bigger banks having better solvency position are able to offset their operational inefficiency by higher margin in lending products. It is found that though Indian banks have been able to increase their return on assets by expanding their lending activities, the tendency of over-reaching the borrowers has however resulted into strained position in their balance sheet. The results suggest that smaller banks suffer from managerial inefficiency in the Indian banking space which supports the case for the merger of smaller banks to improve the managerial efficiency. Market power seems to have a positive influence on technical efficiency in case of bigger Indian banks; the concern for the potential negative consequence of competition on stability can be addressed through prudential regulation.

Key words: Banking structure, Conduct, Performance, Consolidation.

¹ It is the final version of G. D. Roy Memorial Lecture, delivered at Kolkata on July 8, 2017. The author acknowledges analytical assistance from Lim Hock Eam, Economics Department, Universiti Utara Malaysia, Malaysia.

Financial Distress in Jute Companies of West Bengal: A Discriminant Analysis

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ABSTRACT

Jute industry has been a key industry of West Bengal, yet it has been suffering from numerous problems and especially financial anomalies, since decades. A good number of jute mills from West Bengal jute industry became financially sick in the late 20th century, some of which have revived in recent past, while others are either not working presently or are struggling hard for existence. Therefore, the question that inherently arise is could such sickness be avoided had an imminent failure been predicted in advance? For answering this question, an appropriate predictive model for identifying the timing and degree of such sickness is needed. The present analytical study makes a humble attempt in this regard.

Key words: Distress prediction; Sick and non-sick jute mills; Indicators of sickness; Univariate analysis; Multivariate discriminant analysis, and Z-score.

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Significance of IFRS Convergence in India - An Evidence from First-time Adoption of Indian Accounting Standards

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ABSTRACT

Based on first set of Ind AS compliant financial statements released by Phase I companies in the Indian IFRS convergence process, two research hypotheses are tested in this paper:

- a. whether other comprehensive income has significant influence such that total comprehensive income as a parameter of performance measurement can be rated as a better alternative than the traditional profit after tax, and
- b. whether first time adoption of Ind AS has caused significant difference in Previous GAAP equity as compared to IFRS converged equity.

Based on a sample of 100 Ind AS compliant listed companies of India, paired samples t-test has been applied to compare means of profit after tax to revenue and total comprehensive income to revenue. It is found that influence of OCI is not significant when measured in terms of profitability ratios. Similar result is found applying Wilcoxon signed rank test. Also paired samples t-test is applied to compare means of previous GAAP equity and Ind AS equity to market capitalisation on the date of transition, i.e. 1 April, 2015. Results show that influence of Ind AS adjustments on the date of transition is not significant.

Key words: Amorisred cost, Bargain purchase gain, Fair value, Other comprehensive income, Total comprehensive income, IFRS, Ind AS, Previous GAAP

Market Based Green Financing For Sustainable Development : India's Experiments With Masala Bonds

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ABSTRACT

Financing sustainable development remains one of the most crucial challenges, particularly in view of the fact that the investments thus made might take longer time to reap quantifiable benefits. The challenge intensifies more as raising finance from market remains an unavoidable choice for the size of requirement. With this backdrop, designing appropriate instrument is important. Masala Bond experiment in India has given a direction. In this paper, our attempt is to make an appraisal of the case for charting out a future direction.

Key words: Green finance, Masala bond, Sustainability, Sustainable development.

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INDIAN ACCOUNTING REVIEW

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